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Supreme Court Adopts Broader View of FLSA Exemptions

Auto dealerships are not required to provide overtime pay to their service advisor employees under the Fair Labor Standards Act (FLSA), the Supreme Court ruled Monday. In [Encino Motorcars, LLC v. Navarro](#), the Court held that service advisors at car dealerships are salesmen primarily engaged in servicing automobiles, and therefore exempt from the FLSA's overtime-pay requirements. Perhaps more importantly, the Court resoundingly rejected the wide-held view that FLSA exemptions should be narrowly construed against employers.

The FLSA requires overtime pay for covered employees who work more than 40 hours in a week. However, the law exempts certain categories of employees from the overtime requirement, including any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles. Service advisors – those employees at car dealerships who consult with customers about their servicing needs and sell them servicing solutions – were generally regarded as exempt until 2011, when the Department of Labor issued a regulation that interpreted “salesman” to exclude service providers.

After having avoided the issue numerous times in the past, the Supreme Court on Monday finally tackled the question of whether service advisors meet the statutory definition of salesmen primarily engaged in servicing automobiles. Justice Clarence Thomas, writing for a 5-to-4 majority, held that “a service advisor is obviously a ‘salesman,’” and, although service advisors do not physically repair automobiles, they are “integral to the servicing process,” and thus meet the overtime exemption.

While Monday's decision should be well received by employers in the automobile sales industry, employers across all industries should appreciate the Supreme Court's adoption of a broadened-view of FLSA exemptions. In its decision, the Court expressly rejected the position taken by many courts that the FLSA's exemptions should be narrowly construed, and instead stated the exemptions should not be given anything other than a “fair

interpretation.” The *Navarro* decision may thus mark the beginning of court decisions granting FLSA exemptions for broader categories of employees – which would be welcome relief to employers struggling with the “gray areas” associated with FLSA’s many overtime exemptions. While this decision is good news for employers, companies must nevertheless ensure that they comply with, not only the FLSA, but also any state or local laws that provide greater protection to employees.

Frost Brown Todd will continue to monitor all FLSA decisions that may impact its clients. Attorneys at Frost Brown Todd are experienced in advising employers on FLSA compliance and defending employers against misclassification claims, like those at issue in *Navarro*. Frost Brown Todd has vast experience representing employers in classifying employees using the white-collar exemptions, the outside sales exemption, and the motor carrier exemption, among others. If you believe your business may be affected by this decision, or any of aspect of the FLSA or state wage and hour law, please contact [Kyle Johnson](#), [Steven Tolbert](#), or any other attorney in Frost Brown Todd’s [Labor and Employment Practice Group](#).

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