

◀◀◀ MICHIGAN AUTO DEALER ▶▶▶

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DEALERS WILL HAVE TO PAY OVERTIME OCTOBER 1, 2006

By: Brandon W. Zuk and Ken Wilson

On October 1, 2006, Michigan's minimum wage will increase from its current \$5.15 per hour to \$6.95. It then will increase in steps to \$7.15 per hour on July 1, 2007, and \$7.40 per hour on July 1, 2008.

An apparently unintended consequence of the minimum wage increase threatens certain overtime exemptions important to Michigan Automobile Dealers.

The problem arises from the fact that the Michigan Minimum Wage Law also contains an overtime pay requirement, generally requiring pay at one and one-half times the normal rate for all hours in excess of 40 in a workweek. Michigan law lacks certain special exemptions that federal law contains. Particularly important to automobile dealers is the federal exemption for "any salesman, parts man, or mechanic primarily engaged in selling or servicing automobiles, trucks, or farm implements". Because Michigan law does not contain this special exemption, it may be lost once the Michigan minimum wage exceeds the federal minimum wage, making the Michigan law, not the federal law, applicable to Michigan employers.

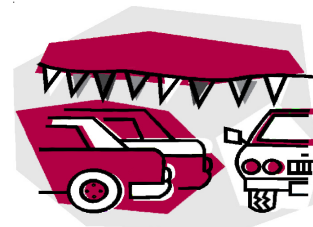
In an apparent acknowledgment that its passage of the minimum wage increase earlier this year was not intended to have this consequence, the State Legislature has passed an amendment

by which Michigan would continue to recognize all federal overtime exemptions. As of the date of this article, the Governor has not signed the amendment, and has indicated that she does not support it. Moreover, as currently drafted, the amendment would not take effect until late March 2007.

If the amendment does not become law by October 1, 2006, automobile dealers will need to pay overtime to salespeople, parts people, and mechanics who work more than 40 hours per week. Alternatives include paying them on an hourly basis with an overtime premium for all hours over 40 in a workweek, or limiting their hours to no more than 40 in a workweek.

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UAW COMMITS \$110 MILLION TO ORGANIZATION EFFORTS

By: Ken Wilson

At its recent constitutional convention in Las Vegas, Nevada, the United Auto Workers enacted a constitutional amendment to divert up to \$110 million from its strike fund to use to organize new members.

The goal, the union maintains, is to increase membership in order to strengthen its position at the bargaining table for its traditional automobile factory worker base.

The UAW membership is down from its 1.5 million member peak in 1979 to fewer than 600,000 members in 2005. This financial commitment to organizing is certainly some indication that the UAW is still interested in organizing automobile dealerships. The UAW appears to believe that unionized dealerships might strengthen its position at bargaining with the Big 3. Moreover, because employee sales are far more important to dealers in Michigan than dealers in other areas of the country, there is reason to believe that the union believes it has a greater chance to successfully organize dealerships in Michigan than elsewhere.

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