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Obama's plan for overtime benefits is wrapped in controversy

By Tom Raum

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President Barack Obama's move to make more workers eligible for time-and-a-half overtime pay is being hailed by Democrats who see it as a potent midterm election issue and condemned by Republicans and business leaders as presidential overreach. Supporters say it will help the still-fragile economy, critics say it will damage it further.

It is very likely to affect millions of American workers.

"From my perspective, they have to be pulling numbers out of the air right now," said Washington labor lawyer Tammy McCutchen, referring to the conflicting claims by partisans that it would either help or hurt the economy. "We don't even know what the policy is going to be."

She's closer to the process than most. As administrator of the Labor Department's Wage and Hour Division during the George W. Bush administration, McCutchen oversaw the last rewrite of the program, in 2004.

Currently, salaried workers making more than \$455 a week, or \$23,660 a year, aren't eligible for time-and-a-half overtime if some of their work is considered supervisory, even though many spend most of their day doing manual, clerical or technical work with few management duties.

Obama signed a presidential memorandum on Thursday directing the Labor Department to devise new overtime rules "to ensure that workers are paid fairly for a hard day's work." He's tossing out most of the rules McCutchen wrote in the process.

McCutchen warned that the Obama administration should expect a rocky road ahead in implementing whatever new policy emerges — just as the Bush administration faced.

The move clearly has angered business groups and congressional Republicans, but it fits in with the overall Democratic midterm election game plan of focusing on income inequality and the middle class at the same time the stock market has soared.

"This will help to build an economy that honors work, not one that steals from workers," AFL-CIO President Richard Trumka said. "While workers are denied overtime pay that they have earned, compounding flat and falling wages, the bonus pool for Wall Street grew from \$1.9 billion in 1985 to \$26.7 billion in 2013 — an average annual increase of 14 percent in nominal terms."

Business and conservative groups argue that Obama's order will have the opposite effect of what is intended and could lead businesses to reduce the number of employees or cut pay, resulting in a drag on national economic growth.

"The federal government, in particular, shouldn't be involved in labor markets in any way, shape or form," said Jeffrey Miron, director of economic studies at the Cato Institute, a libertarian think tank, and a Harvard University economics professor.