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Obama Works Overtime To Destroy Jobs

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Regulation: Not done with his ruinous economic tinkering even in the final year of his presidency, Barack Obama wants to raise the salary threshold at which employers must pay overtime. Sounds great, but it will in fact be very bad for the economy.

Right now, all workers who earn up to \$23,660 must be paid time-and-half for overtime, which usually is defined as those working more than 40 hours a week. Under Obama's new rule, that would be lifted to \$47,476 a year, affecting some 4.2 million workers, the White House says.

The media have embraced it as a progressive idea whose time has come. "Thanks to new federal rules, some midlevel managers are in line for a big raise," a Los Angeles Times headline blared.

Well, don't count on it.

Yes, some workers will get a boost in pay. Good for them.

But over time, the businesses affected by Obama's overtime diktat will have to pay for the higher wages somehow — just as they have to pay for any tax.

"In the medium term," writes Jeffrey Miron of the [Cato Institute on the think tank's blog](#), "employers will offset these costs by rearranging work schedules so that fewer employees hit 40 hours, by laying off employees who work more than 40 hours, or by pushing such employees to work overtime hours off the books."

In the long term, he adds, employers will simply lower their base wage, so that overall compensation remains the same.

A recent study by the Mercatus Center at George Mason University analyzed the proposed overtime pay rules and found that they will "fail to achieve their objectives." Of course, that depends on you believing that the objective isn't to win votes in a hotly contested presidential election year.

But even if it isn't that, the Mercatus study by economists Don Boudreaux and Liya Palagashvili notes that "the rules will increase compliance costs for firms, and ... employers will respond to the new requirements in unintended ways."

In particular, they say, "employers will be forced to move some employees from salaries to hourly pay or find other ways to clock their work." Or they may just cut overall pay to make up for it. Or, as we see happening now with increases in the minimum wage, they might replace current workers with automation, robots or higher-skilled workers. And some will stop letting workers telecommute, since it's harder to monitor their hours.

Those aren't gains for workers, they're losses.

Even the most basic presumption of the new law — that there's a bunch of people being systematically overworked and underpaid — is false. In fact, "economists generally agree that U.S. labor markets are quite competitive, particularly for the low- and medium-skilled workers who would be most affected by the rule change."

Then there are the other costs, including regulatory paperwork, an increasingly costly headache for businesses. As an example, legal costs to ensure compliance could cost high-tech startups alone as much as \$4.5 billion just in fees. Spread that across dozens of industries and you have massive new costs that will make it harder and more expensive for businesses to employ workers.

By the way, it's a tragic misconception of many Americans that the businesses themselves will pay for this. It will be you, the consumer and worker, who will pay higher prices and see lower wages as a result of Obama's grandstanding on overtime pay.

Instead of more costly rules and class warfare, this president would do far better to help businesses invest, grow and create lots of great jobs by cutting regulations, slashing taxes and getting out of their way.