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Clarence Fanto: OT plan will narrow gap

By Clarence Fanto, Special to The Eagle

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It's a job killer! That's the hue and cry already being raised by Republican leaders and business groups over President Obama's executive order that would extend overtime pay to an estimated 5 million to 10 million salaried white-collar employees now "exempt" from extra pay for work beyond 40 hours a week.

It's a welcome step toward reducing the widening chasm of income equality; the top 10 percent of Americans hold nearly 50 percent of the nation's income and wealth -- an all-time record since 1900. We're in a Gilded Age, version 2.0, and economists' projections show the wealth gap growing even wider.

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Obama's proposal, in a directive to the Labor Department, may take up to a year to put into effect. The executive order seeks revisions to the Fair Labor Standards Act approved by Congress in 1938. Fast-food managers, retail shift supervisors, loan officers, computer technicians and many others now classified as "executive, administrative or professional" employees will benefit.

"Under current rules, it literally means that you can spend 95 percent of the time sweeping floors and stocking shelves, and if you're responsible for supervising people 5 percent of the time, you can then be considered executive and be exempt," according to Ross Eisenbrey of the Economic Policy Institute, a liberal research organization in Washington.

He said Obama's action would "move more money from employers into employee pockets. That will be good for the economy." Partisan blasts at Obama's action, circumventing the paralyzed Congress, ring particularly hollow, since it was President George W. Bush who issued a similar order in 2004 -- although his expanded the number of workers "exempt" from rules requiring overtime pay.

Currently, employees who earn \$455 a week (\$24,000 a year, just above the poverty line for a family of four) or more don't have to be paid time and a half for work beyond 40 hours weekly.

The new rules would raise the threshold to \$960 or \$1,000 a week.

It's worth pointing out that the average weekly paycheck for US workers was pegged at \$831.40, last month, up a measly 0.4 percent from February 2013, adjusted for inflation.

According to Cecilia Munoz, the director of the White House Domestic Policy Council, the expanded overtime rules help "fix the system so folks working hard are getting compensated fairly. That's why we are jump-starting this effort." The right-leaning Cato Institute think tank cried foul -- Daniel Mitchell, a researcher, trotted out the tired old shibboleth that employers would cut pay or trim their work force. "There's no such thing as a free lunch," he told The New York Times. "If they push through something to make a certain class of workers more expensive, something will happen to adjust."

House Speaker John Boehner's reaction is predictable: "If you don't have a job, you don't qualify for overtime. So what do you get out of it? You get nothing. The president's policies are making it difficult for employers to expand employment. Until the president's policies get out of the way, employers are going to continue to sit on their hands."

Republicans also complain that, just like the administration's effort to raise the national minimum wage to \$10.10 an hour in several years, proposals to reduce inequality are politically motivated ahead of next November's mid-term elections. Maybe, in part, but it's the end result -- lifting many more hard-working employees into the middle class -- that matters the most. After all, while corporate profits have doubled since the depths of the Great Recession in mid-2009, wages have barely budged and now hover near an all-time low as a share of the nation's total economic output.

Notably, several states now exceed federal standards. In California, salaried workers earning up to \$640 a week must get overtime, slated to increase to \$800 a week in two years, while New York state's level is \$675 a week. Massachusetts follows the \$455 national guideline.

Some business owners have figured out their strategy to circumvent a change in US labor regulations. "If we are required to now pay overtime to certain salaried workers, we will simply lower their salary to equal the same moneys when figuring in overtime," Barry Laws, chief executive of Openrange Inc., told the Wall Street Journal. "This will only hurt our employees."

He runs a Kentucky indoor gun range and paintball facility, and acknowledged that some of his salaried employees work up to 60 hours a week, without additional compensation. A Pittsburgh-area franchise restaurant owner, Chad Brooks, said he would trim his 17 managers' hours to avoid overtime wages.

"What we'll probably end up doing is putting all of those managers on hourly rates and then not allowing them to work over 40 hours a week, which means they're going to take home less money," he said, adding that his managers now work 45 to 50 hours a week and earn between \$30,000 and \$45,000 a year.

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True to form, the US Chamber of Commerce has weighed in. "Changing the rules for overtime eligibility will, just like increasing the minimum wage, make employees more expensive and will force employers to look for ways to cover these increased costs," Marc Freedman, executive director for labor law policy, declared.

The Obama administration will face strong pushback from powerful corporate lobbyists and advocacy groups. Here's hoping the White House and Labor Department stand firm.

What's at stake is not only basic fairness, but also an important step toward restoring the nation's economic health not just for the privileged but for hard-working families still struggling to cover the basic expenses of day-to-day living.