



## Some salaried workers may soon see overtime pay

By Josh Furlong

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Some salaried employees may soon be eligible to receive overtime pay with federal reforms expected sometime in February.

In March 2014, [President Barack Obama signed a memo](#) directing the Labor Department to review the [Fair Labor Standards Act](#) and require a higher threshold for people who are on salary. The reform is intended to give employers a choice in determining whether to pay salaried employees overtime or to hire more employees in an effort to reduce the costs of wages.

Under the Fair Labor Standards Act, hourly workers are required to earn at least time-and-a-half for any hours worked over 40. But for a majority of salaried workers, any hours worked over 40 hours do not qualify for overtime pay unless the worker's salary falls under the law's low threshold — \$455 per week or \$23,660 per year.

“If your salary is even a dollar above the current threshold, you may not be guaranteed overtime,” Obama said before signing the executive action in March. “It doesn't matter if what you do is mostly physical work like stocking shelves. It doesn't matter if you're working 50 or 60 or 70 hours a week. Your employer doesn't have to pay you a single extra dime.”

The law was originally intended to remove executives and other well-paid employees from the pool of those receiving overtime pay, while giving others compensation for working over the standard 40 hours per week. However, the threshold instituted at the time the law was enacted has been revised eight times — only once since 1975 — and has not been adjusted for inflation, according to the [Economic Policy Institute](#).

“Overtime is a pretty simple idea,” Obama said in March. “If you have to work more, you should get paid more.”

As the law stands, only 11 percent of all salaried workers qualify for the current threshold, according to the Economic Policy Institute, which is drastically lower than the 65 percent of workers who qualified in 1975.

While the details of the Labor Department's revisions are unknown, it's expected the number would encompass more middle-class workers. Ross Eisenbrey, vice president of the Economic Policy Institute, [told the Huffington Post](#) that his talks with White House personnel lead him to believe the threshold will be increased to approximately \$42,000 per year, which would cover 35 percent of all salaried workers.

Eisenbrey and Jared Bernstein, however, [argued in a report](#) that the salary threshold should be raised to \$984 per week or \$51,168 per year, which would bring it back to 1975 levels, adjusted for inflation.

"The costs of increased coverage would ultimately be borne by workers as employers set base wages taking expected overtime pay into account," Eisenbrey and Bernstein said. "Thus, we do not expect this change to reduce employment or hours worked. To the extent that employers cannot pass higher OT costs on to workers, or if they have to pay for more overtime than expected, the changes would establish an incentive for employers to create new 'straight-time' jobs, which would benefit the U.S. economy now and in years to come."

Others, however, contend the revision of the salary threshold would hurt businesses, particularly smaller businesses, which will be forced to hire more employees or spend more in total wages to workers, in addition to blurring the lines of what a manager is.

[Walter Olson of the Cato Institute](#), a conservative think tank, said the revisions "will sow widespread disruption in the business sector, deepen suspicion and polarization at the workplace, and frustrate ambitious individuals who willingly tackle long hours to rise into management ranks."

[Daniel Fisher](#), writing for Forbes, said: "working at home could become taboo, since the employer has more difficulty monitoring hours and working conditions. Employees who harbor the perhaps foolish idea that by working hard and taking on greater responsibilities they can move up in the organization will instead be told to go home and relax."

"Small businesses will likely bear the brunt of the new regulations," Fisher continues. "If DOL increases the amount of time a manager must spend managing other employees, that will pressure restaurants that only have a couple of employees and expect managers to roll up their sleeves and pitch in. "Suddenly helping out on the dishwashing line becomes the trigger for an expensive lawsuit."