

## **New Overtime Rule Is a Boon for the Middle Class**

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One reason many Americans are struggling to make ends meet is because they are working overtime but not getting paid for it. Fortunately, the U.S. Department of Labor has issued a new rule that will strengthen the overtime pay rights of 12.5 million salaried employees. This will improve the work-life balance or the pay of millions and encourage the creation of hundreds of thousands of jobs.

The rule, which takes effect December 1, 2016, requires most employers to pay time-and-a-half overtime pay to salaried employees paid less than \$47,476 a year, regardless of their job duties or whether the employer classifies them as managers or professionals. (Most hourly employees, regardless how much they are paid, are already entitled to overtime pay.) It is the most important improvement in the labor standards of America's working families – particularly middle-class families – in many years.

For decades, employers have been allowed to treat low-level salaried employees as if they were bona fide executives and administrators, exempting them from the right to overtime pay. A rule that was intended to apply only to highly paid managers and professionals who exercise independent judgment and work with considerable autonomy was transformed into something radically different through bureaucratic negligence and hostility to regulation. In the 1960s and 1970s, about 60 percent of salaried employees were guaranteed overtime pay by virtue of earning less than the salary threshold. Today, because of inadequate increases to this threshold, only about 8 percent have that guarantee.

This has contributed to stagnant pay and to longer workweeks for salaried employees. If employers don't have to pay anything for overtime (and they don't, if the employee is exempt), they find it cheap and easy to schedule extra hours rather than hiring additional staff. A Gallup poll found that full-time workers now average 47 hours a week, almost an extra full day of work. Management consultants point out that making overtime free for employers leads to careless management and the waste of employees' most precious resource: their time. A Robert Wood Johnson Foundation [survey](#) recently found that almost two-thirds of working adults "often or sometimes work overtime or on the weekends. About 1 in 5 say they work 50 or more hours each week in their main job." The resulting work-family conflicts cause stress and damage employee morale and productivity.

The Labor Department's rule will help restore a better balance. By requiring employers to pay not just the regular rate, but time-and-a-half, the rule will make employers rethink the long hours they are scheduling. Some workers will be held to 40 hours a week for the same pay, and the free extra work they did will be given to part-time employees who need additional time and pay, or even to new hires. The National Retail Federation commissioned a study that forecasts 117,000 jobs will be created in its sector as employers shift overwork from managers who receive no extra compensation for it and give it to lower-paid employees, including part-timers who need the extra income that goes along with it.

Almost no one thinks employees earning \$23,660, the current threshold for overtime exemption, should be denied overtime pay when they work long hours, but many business groups argue that \$47,476 sets the bar too high.

I disagree. In today's dollars, the exemption threshold under presidents Nixon and Ford would be more than \$63,000 and \$58,000, respectively. Given that the nation is far wealthier today, average salaries are higher, and executive pay has risen especially dramatically (from 1978 to 2015, CEO compensation, inflation-adjusted, increased 940 percent), it's clear that \$47,476 is quite modest—and the exemption threshold should probably be substantially higher. (Polling shows most Americans support a \$75,000 threshold.) Businesses thrived when the salary threshold covered 60 percent of salaried employees and can thrive today under the Labor Department's new rule, which covers less than 40 percent.

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University and college executives have opposed the new exemption threshold, trying to scare lawmakers with claims that paying overtime to low-paid salaried workers will force tuition increases. This is rank hypocrisy from people earning six-figure salaries while postdoctoral researchers at their schools, with PhDs in physics or chemistry, work 55-hour weeks for an average salary of \$43,000. That works out to \$15 an hour, the minimum wage fast-food workers are demanding all across the country. Universities that truly value education should look for savings from their executives' excessive salaries and from their football programs. USA Today reports that head football coaches at 119 major colleges in 2006 were paid, on average, \$950,000. Today, at 128 Football Bowl Subdivision schools, the average exceeds \$2 million.

The Labor Department's new rule is long overdue—and is a good step toward ensuring the economy works for all Americans.

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