

REGULATORY OVERTIME

QUICK STATS

- ✘ **CONFERENCE:** Regulation
- ✘ **TEAM:** Department of Labor
- **FUMBLE:** \$1.3 billion per year in lost productivity
- **HOW TO RECOVER THE BALL:** No funds should be issued to implement the regulation

On July 6, 2015, DOL issued a Notice of Proposed Rulemaking on a proposed rule to double the salary threshold exemption for executive, administrative, and professional employees, known as the “EAP” or “white collar” exemption. In other words DOL plans to expand who is eligible for overtime pay for working more than 40 hours a week.¹⁹³ This sounds great in a press release, but what is the real effect?

“Worker morale would likely decline,” notes the National Federation of Independent Businesses.¹⁹⁴ If a business cannot afford the more expensive overtime pay, it may have to move its low- to mid-level managers, who may make less than the \$50,440 threshold, from a salaried position with flexibility and health insurance to an hourly position, which would effectively give give them a demotion.¹⁹⁵ The proposed regulation also completely ignores the cost of living in different areas of the country. In Oklahoma it only takes around \$785 to have the same buying power as \$970 per week nationally.¹⁹⁶ So DOL drives up payroll costs and hinders small, family-owned businesses’ ability to hire more workers.

While DOL wants to forces every company to give people a raise, the clear consequence of the

rule will be fewer jobs with benefitis in rural America and fewer opportunities to grow into management. The U.S. needs more job opportunities not fewer.

What is the cost for all of this? According to DOL, “[A]s the cost of labor rises due to the requirement to pay the overtime premium, the demand for overtime hours decreases, which results in fewer hours of overtime worked.”¹⁹⁷ The proposed rule’s analysis estimates the proposal will cost roughly \$255 million in direct expenses to employers each year. The annual paperwork burden of the regulation is estimated to be 231,250 hours.¹⁹⁸ The regulation overall will result in 21.2 million hours of lost labor each year, which amounts to \$1.3 billion in lost productivity.¹⁹⁹

RECOVERY

While the rule is not yet finalized, in upcoming appropriations bill Congress could still act to withhold funds for implementation, which would have the effect of preventing the enforcement of the rule. Revoking funds will protect employees and employers from the adverse effects of the proposal.

[For more information, please see:](#)

[American Action Forum: “White Collar” Overtime Expansion](#)

[American Action Forum: Overtime Pay Expansion: Who Will the DOL’s New Rule Impact?](#)

[DOL: Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees](#)