

“President Obama Announces Proposed Sweeping Change to Federal Overtime Law”

On June 29, 2015, President Obama announced a Department of Labor rule change aimed at raising wages for up to five million people as soon as 2016. Currently, with some exceptions, Americans who make less than \$23,660 automatically qualify for overtime pay. The proposed rule would more than double the salary level to \$50,440 – a number that the Obama administration believes would encompass many workers now classified as “managers”. Advocates of the change suggest that the overtime threshold currently covers only about 8 percent of salaried workers and that the new threshold would cover about 40 percent of salaried workers, a number they say is still less than the over 60 percent of salaried workers covered in 1975. The business community opposes the change, claiming that it will cost jobs and that, in time, employers will provide workers fewer hours or less base pay in order to ensure that workers end up making the same overall wages. Although, as a Department of Labor rule change, it does not require congressional approval, the change is expected to be challenged every step of the way. Perhaps more concerning for employers is that the change will most likely be accompanied by additional revisions to the current Fair Labor Standards Act regulations on the so-called administrative and managerial exemptions to overtime. Human resource departments can expect to face a firestorm of regulatory compliance issues in the next year. Employers are wise to start planning and budgeting for these changes now.

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