



# Fast Facts: Updating Overtime

June 2015

Hardworking, middle-class Americans have seen their wages stagnate in recent years, while for the most part, the benefits of the economic recovery have gone to the wealthy few. This weakening of the middle class is associated with the weakening of labor standards that protect workers, including overtime standards. On June 30, 2015, the U.S. Department of Labor issued a proposed rule that would raise the overtime threshold to \$50,440 in 2016. The Obama administration is updating the pay threshold for overtime protection to bring it up to date with 2015 realities, a key step which will help ensure that we have an economy that works for everyone.

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## Key facts

- The overtime threshold is a critical tool to make sure that workers with modest salaries are being paid what they earn. Salaried workers who earn below the threshold must be paid time and a half for each hour worked beyond 40 hours per week; hourly workers in most occupations already enjoy these protections. A higher threshold will mean that more people are compensated fairly for all of the hours they actually work—primarily, people who work long hours for little pay.<sup>1</sup>
- In 1975, more than 60 percent of salaried workers were guaranteed overtime pay, but today, only about 8 percent are guaranteed it.<sup>2</sup> The current overtime threshold of \$23,660 per year is below the federal poverty line for a family of four.<sup>3</sup> Had it kept pace with its 1975 level, the overtime threshold would be more than \$52,000 today adjusted for inflation, about equal to the U.S. median household income.<sup>4</sup>
- Increasing the threshold for overtime pay to \$50,440 will give middle-class workers and families a big boost. According to the Department of Labor's estimate, the raise would affect nearly 5 million workers.<sup>5</sup> The workers it would benefit the most include women, African Americans, Latinos, workers under age 35, and workers with lower levels of education.<sup>6</sup>

- CEOs are benefiting from increased worker productivity, but workers are not. Since before 1980, worker productivity has steadily increased, but inflation-adjusted wages for most workers have barely increased,<sup>7</sup> even as CEO pay has shot to new heights.<sup>8</sup> Raising the overtime threshold can help make sure that middle-class workers are being compensated fairly and that their employers honor their work.
- Opposition to raising the overtime threshold is based on the same trickle-down theory that conservatives and corporations have used to oppose raising the minimum wage. While corporate lobbyists argue that increasing wages and worker protections would cost jobs and reduce investment, corporate profits are soaring.<sup>9</sup> In fact, corporations are spending 91 percent of their earnings on stock buybacks and dividends<sup>10</sup>—a move that boosts CEO pay—instead of investing in employees or products. Rather than ensuring that everyone benefits from a strong economy, too much of the wealth continues to flow to the top, increasing inequality and making American families less economically secure.
- Americans strongly support increasing the overtime threshold. According to Public Policy Polling, 79 percent of Americans support raising the threshold above \$23,000 per year, while 65 percent support raising it to \$75,000. What’s more, 64 percent of Americans are more likely to support a candidate who supports substantially increasing the overtime threshold.<sup>11</sup>
- Twelve prominent labor economists affiliated with leading academic and policy institutions have called on the U.S. secretary of labor to raise the overtime threshold to a level that ensures that eligible workers receive fair compensation for the overtime they work.<sup>12</sup>

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## Endnotes

1 Brendan V. Duke, “America’s Incredible Shrinking Overtime Rights Need an Update” (Washington: Center for American Progress, 2014), available at <https://www.americanprogress.org/issues/labor/report/2014/06/25/92646/americas-incredible-shrinking-overtime-rights-need-an-update/>.

2 Based on analysis by the Economic Policy Institute. For previous analysis, see Heidi Shierholz, “It’s time to update overtime pay rules” (Washington: Economic Policy Institute, 2014), available at <http://www.epi.org/publication/ib381-update-overtime-pay-rules/>.

3 Economic Policy Institute, “Why It’s Time to Update Overtime Pay Rules” (2014), available at <http://www.epi.org/publication/time-update-overtime-pay-rules-answers-frequently/>.

4 Ibid.

5 The White House, *State-by-State Breakdowns of Workers Affected by Department of Labor’s Proposed Overtime Regulation* (Executive Office of the President, 2015), available at [https://www.whitehouse.gov/sites/default/files/docs/ot\\_state\\_by\\_state\\_fact\\_sheet.pdf](https://www.whitehouse.gov/sites/default/files/docs/ot_state_by_state_fact_sheet.pdf).

6 Heidi Shierholz, “Increasing the Overtime Salary Threshold Is Family-Friendly Policy” (Washington: Economic Policy Institute, 2014), available at <http://www.epi.org/publication/increasing-overtime-salary-threshold-family/>.

7 Lawrence Mishel, “The wedges between productivity and median compensation growth” (Washington: Economic Policy Institute, 2012), available at <http://www.epi.org/publication/ib330-productivity-vs-compensation/>.

8 Alyssa Davis and Lawrence Mishel, “CEO Pay Continues to Rise as Typical Workers Are Paid Less” (Washington: Economic Policy Institute, 2014), available at <http://www.epi.org/publication/ceo-pay-continues-to-rise/>.

9 Floyd Norris, “Corporate Profits Grow and Wages Slide,” *The New York Times*, April 4, 2014, available at <http://www.nytimes.com/2014/04/05/business/economy/corporate-profits-grow-ever-larger-as-slice-of-economy-as-wages-slide.html>.

10 *Harvard Business Review*, “Profits Without Prosperity,” September 2014, available at <https://hbr.org/2014/09/profits-without-prosperity/ar/1>.

11 Public Policy Polling, “Overtime Pay” (2015), available at <http://www.americansunitedforchange.org/page/-/PPP-Overtime%20Pay-%205-12-2015.pdf>.

12 Economic Policy Institute, “Prominent Economists Call on Department of Labor to Set Overtime Pay Threshold No Lower than \$50,000 a Year,” Press release, January 28, 2015, available at <http://www.epi.org/press/prominent-economists-call-on-department-of-labor-to-set-overtime-pay-threshold-no-lower-than-50000-a-year/>.