

# Obama administration announces final overtime rule, boosting pay for millions



President Barack Obama

President Obama speaks in the White House briefing room earlier this month.

(Andrew Harnik / Associated Press)

Michael A. Memoli

More than 4 million Americans could get pay hikes under new federal regulations that will double the salary level under which workers must be paid overtime, the White House<sup>[1]</sup> said Tuesday.

The Labor Department's final rule, to be finalized Wednesday, establishes a new overtime pay threshold of \$47,476 a year for those working more than 40 hours a week.

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That's below the \$50,400 that the administration announced in its proposal last June, but twice the current level of \$23,660 a year, which has been unchanged for more than a decade.

In addition, the rules will allow for future increases every three years.

Announcing the decision Tuesday, Vice President Joe Biden<sup>[3]</sup> called it a "consequential" move for middle-class workers who have "been getting clobbered" for decades. He noted that 62% of salaried workers benefited from overtime pay protections four decades ago, while just 7% do today.

But critics, including many retail and fast-food businesses, warned the move would backfire by spurring employers to slash workers' hours or take other steps in response.

The overtime action represents President Obama<sup>[4]</sup>'s best and last opportunity before leaving office to boost wages without congressional action, acting under the authority of the Fair Labor Standards Act, first passed in 1938.

It could also be a boon for Democrats hoping to make stagnant American wages a major campaign issue in the 2016 election. Democrats in several states, including California and New York, have separately moved in recent months to raise minimum wages for low-income workers and to expand paid family leave.

"The American people want to work. They want a fair shot," said Biden, who is expected to promote the new rule Wednesday in the key battleground state of Ohio. "No handouts, no guarantees. Just a good job at a fair wage."

Labor Department officials estimated the new overtime rule will help a total of 4.2 million salaried, non-manufacturing workers nationwide, including 146,000 in California who are not currently protected by the state overtime threshold.

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[5]

Congressional Democrats and labor groups had lobbied for the change, saying it could stimulate the economy by increasing workers' salaries. Many employees may see their pay raised to be slightly above the new exemption threshold.

It could also spur businesses to make new hires to avoid paying overtime, and give existing workers more free time or the ability to further their education or retrain for new employment.

Rep. Mark Takano (D-Riverside), who had pushed the White House to revise the overtime rule, called it a bold step by the president that will offer voters a clear choice as both parties have been forced to address income inequality.

"You see candidates capitalizing on anger in the electorate. And what is that anger? It's all about a feeling that the economy is rigged, and that the government is complicit," Takano said in an interview. "The president has taken a serious step to un-rig that unfairness."

But critics said the new rules will hurt the very workers the administration says it is seeking to help. House Republicans had introduced legislation in March to nullify the new regulation before it was finalized.

Rep. Tim Walberg<sup>[6]</sup> (R-Mich.) said at the time that overtime rules needed to be updated, but "in a responsible way that doesn't stifle opportunities for working families to get ahead."

A study commissioned by the National Retail Foundation -- based on the administration's previous, higher threshold -- said 32% of affected workers would be converted from salaried positions to hourly ones, and that 5% of workers would see any salary increase offset by a reduction in bonuses and benefits.

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The study predicted that a portion of the 21% of workers newly eligible for overtime pay

could see their base wage reduced, resulting in no overall income gain.

Labor Secretary Tom Perez disputed such findings, arguing businesses would be acting against their own interest to retain the best workers. The final rule incorporated concerns from business groups raised during the rule-making process, he said.

“We’re confident that this salary level will work across a broad range of regions, industries and business sizes,” Perez told reporters.

Female workers stand to benefit the most, making up 56% of newly eligible workers, according to the Labor Department.

California already requires overtime compensation for people who make under \$41,600 per year, which is double the \$10-per-hour statewide minimum wage. The state also allows workers to claim overtime if they work more than eight hours on any given work day, whereas the new federal rules only apply to people on the job for more than 40 hours a week.

The measure could spur companies to increase pay for people who make more than the state’s minimum of \$41,600, but less than the new federal threshold, said Tim McCaffrey, a Los Angeles employment lawyer who represents workers and employers in wage and hour cases.

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[8]

Governor who called legalization 'reckless' now says Colorado's pot industry is working<sup>[9]</sup>  
“The employer has to think about how much the manager works, [and whether] the cost benefit will be there to raise their salary instead of paying them overtime,” said McCaffrey. “I see it as a mechanism to increase wages across the board for mid-level managers.”

McCaffery said the rule will probably have an outsize impact on managers in retail, who supervise employees but only earn slightly more than the state’s threshold.

The final rule made no change to the so-called white-collar exemption, which denies overtime protection to workers classified as executive, administrative or professional employees.

Worker advocates say the exemption has often been abused, but the Obama administration said employers raised concerns during its review period about how any new regulations would be implemented.

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