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Editorial: New overtime rules will hurt businesses, employees

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EDITORIALS

Businesses are shuddering as the calendar grows closer to Dec. 1 and devastating new rules go into effect that would make 4.2 million more workers eligible for overtime pay.

President Barack Obama in May circumvented normal procedures and used an executive order to enact changes in U.S. Department of Labor guidelines for determining which employees can be classified as overtime-exempt workers. By doing an end-run around Congress, he has jeopardized the financial stability of thousands of companies — especially small businesses — and also created a likelihood of seeing jobs jettisoned by those unable to absorb the massive increase in payroll that will result.

The changes will push the threshold at which some employees — mostly administrative or lower-level supervisory workers — will be exempt from overtime pay after 40 hours of work to double what it is now. Presently, someone with an annual salary of $23,660 or higher can be exempt from time-and-a-half pay under certain conditions. By December, that minimum will jump to $47,476 — or $913 a week

That means companies will be left scrambling for ways to either increase salaries to keep the overtime exemption or will have to convert those affected employees to hourly workers.

It will be particularly brutal to the retail and food service industries, but will require changes for millions nationwide. In Illinois, it will cover about 23 percent of those employees currently salaried.

The rallying cry of many businesses since the change was announced has not been a disagreement over fair wages, but rather the sudden and sharp rise.

Cynics can't help but see this as an election-year ploy to garner support for Democrats. The effects won't be felt deeply until after Election Day, which is probably good. Once workers start to realize the negative ramifications it will create for them, that warm feeling for party politics is going to dissipate.

For one, they should expect a lot less flexibility in scheduling. An advantage of living without having to live by the time clock is that it is not uncommon for a salaried worker to be able to balance time each week to allow for work fluctuations or personal needs. That will become a thing of the past.

Pay won't get better, no matter how Labor Department officials try to spin the change.

Businesses that are able to absorb the economic shock to the system and not cut workers or hours to cover the added expenses will likely have to lower across-the-board starting wages to provide the financial cushion that is needed to keep the companies afloat.

Businesses also could minimize the impact of the additional costs by decreasing benefits, such as vacation time or bonuses or their portion of insurance premiums.

Congress has been slow to react to the urgency of these rule changes, but four House Democrats — Kurt Schrader of Oregon, Jim Cooper of Tennessee, Henry Cuellar of Texas and Collin Peterson of Minnesota — seem to have struck a compromise. While imperfect because it still leaves the doubling of exempted salaries in place, their Overtime Reform and Enhancement Act would instead bump the pay increase 50 percent instead of 100 percent this year and would phase in the remaining increase over four years.

The question is whether other lawmakers not only will support the idea but also be able to muster enough votes to make the plan veto-proof if it makes it to the president's desk.
Something has to be done, and fast.

Without some realistic and obtainable rules in place, businesses and employees will face a precarious future starting in December.

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