

Bureaucrats Working Overtime

By *Jamie T. Richardson*

Government officials calling for new regulations on businesses have been working overtime of late. Last week the Department of Labor introduced a new rule that more than doubled the salary threshold under which employees are required to be given overtime pay for hours worked beyond 40 per week. Those who earn less than \$50,400 a year, the rule proposes, are entitled to pay at time-and-a-half for their overtime hours.

This regulation is simply the latest in a string of recent workplace mandates proposed by unelected bureaucrats. They form the central plank of some politicians' concept of "middle-class economics." Ironically, middle-class economics have done nothing to help the middle class. Median household income in the country has remained essentially flat for the last seven years despite a slew of new wage and benefit mandates.

But what's wrong with a rule that makes more employees eligible for overtime pay? Well, for those who can get it: nothing. But logic and evidence suggest that businesses would adjust their employment structure to be able to accommodate the rule. Such adjustments—including reducing hours, job opportunities, and promotions—hurt the very people the rule is intended to help.

Reducing hours to ensure employees aren't subject to expensive overtime payouts would be the most immediate impact of the regulation. To do this, employers would turn salaried employees into more easily manageable part-time hourly employees, eliminating the

bonuses, benefits, and freedom typically offered to salaried employees in the process.

An increased reliance on part-time employees in order to avoid the mandate will exacerbate the decline of full-time employment in the country. There are still about 600,000 fewer employees working full-time today than there were before the recession, despite the fact that the U.S. population has grown by 18 million people over that timeframe. There's wide recognition among economists that such business regulations that incentivize part-time employment are partially to blame.

The low margin businesses that can't get around the new rule by reducing hours would have to find other ways to compensate for the increased costs associated with it. That means reducing job opportunities, promotions, and benefits. In other words, employees pay for this rule with rungs on the career ladder.

Take the restaurant industry, which operates on approximately 3 percent profit margins, for instance. At White Castle, we offer our salaried restaurant managers the opportunity to live the American Dream by advancing their careers and increasing their salaries and benefits. In return, they make a commitment to work until the job gets done. Sometimes that means working more than 40 hours a week. The costs associated with the overtime rule would mean we'd have to scale back on these coveted positions and the ones that lead to them to ensure survival in a competitive marketplace.

There's long been an implicit

assumption in salaried work that in return for long hours, you can work your way up the corporate ladder. Millions of Americans have punched their ticket into the middle class this way. It's not exploitative; it's American. But the proposed overtime rule would hollow out these middle management positions upon which so many Americans in the middle class rely.

The Department of Labor claims that the rule would help five million employees get raises. The American Action Forum has done a more comprehensive analysis and finds that it would cover about three million. Out of these, more than two thirds work in families that earn more than triple the poverty line. That means fewer than one million working poor will be impacted by the rule—no small number—but likely a smaller one than those negatively impacted by the rule's associated reduction of job opportunities.

These types of business regulations are partially responsible for the fact that for the first time in recorded history, more American businesses are closing their doors than opening. With that in mind, rather than working the night shift coming up with yet another poorly targeted regulation, government officials should recognize that the best way to help the American employee is to give American businesses the freedom to create, grow, and flourish. Prosperity can't be mandated—but it can be killed.

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