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5 Groups the Department of Labor's New Overtime Rule Hurts the Most

By Julia Slingsby

The Department of Labor recently finalized its controversial overtime rule, which raises the salary level requirements of employees eligible for overtime from $23,660 to $47,476. More people getting paid for overtime work? Sounds great, but such a momentous federal intervention in our information economy has unintended consequences—harmful consequences that will fall directly on the people that this rule claims to help.

Here are the 5 groups most vulnerable to this rule:

1. **Non-profits**: Many non-profits require longer hours for employees during busy seasons and shorter hours during less busy seasons. These groups are extremely worried, and say the budget increases necessary to meet this rule will make it very difficult to provide the same level of care to those most disadvantaged in our society.

Operation Smile says the rule will "increase our payroll cost by nearly $1 million annually affecting over 50 percent of our workforce. . . this would mean 4,166 fewer surgeries provided by Operation Smile globally each year."

Habitat for Humanity says the rule's increase in minimum salary "represents one-third to one-quarter of the cost of building a typical Habitat home" and thus a smaller, rural affiliate "may have no choice but to cease operations, even if it is the only affordable housing provider in the community it serves."

Similarly, the Salvation Army says that they "anticipate that staff cuts would therefore become necessary and that we would be required to reduce the religious and charitable programming that we provide nationally."

2. **Colleges and universities**: Colleges and universities are worried because so many of their jobs fall within the new salary range: IT workers, admission officers, coaches, and PhD graduates working on postdoc research. According to fiscal analyst Paul Onsager of Wisconsin's Legislative Fiscal Bureau, the costs to the University of Wisconsin to raise salaries to meet the new threshold to avoid overtime would total $5.1 million per year. Florida International University says over 6,500 of its employees would be affected, costing the university more than $62 million. It's no wonder that the College and University Professional Association for Human Resources and 18 other higher education groups have urged DOL for a more measured approach. Because what will be the result? Either forcing these salaried workers down to hourly wages, cutting valuable programs for students, or hiking tuition costs even higher—punishing aspiring college students and their families.

3. **Startups and tech companies**: Entrepreneurs starting a new business venture rely on people taking a chance on them, from the investors who lend the necessary seed money to people who jump on board early as employees. But this rule's cost will diminish the ability of these startups—with their already limited cash flow — to succeed. Adam Robinson, the CEO of the Chicago-based Hireology and a member of the Job Creators Network, says the overtime rule "disproportionately hurts America's capital-constrained technology startups and emerging growth companies like mine whose teams do not work typical hours and do not get typical compensation. In my experience, those working at technology startups voluntarily recognize that their positions are high-risk, high-reward ventures, and that they may have to go months or years with little pay to get a big payout in the end." The startup technology sector is one of our economy's best job creators. Is it a good idea for government interference to compromise this sector? Imagine if, when Apple was starting out, it had to comply with this heavy-handed rule. We may not have the iPhone today.

4. **Young people**: As we've seen, many jobs—particularly those for young people—don't fit neatly into the 9-5 category. Working harder and longer is how people starting their careers get the experience they need. If companies must raise the minimum threshold salary for inexperienced workers, they will simply not be able to hire as many young people. Entrepreneurs lament that creative "middle-management positions will turn into clock-punching ones," and universities say that postdoc research work options will be compromised. Taking these opportunities away from them will disadvantage young people's careers before they even get off the ground.

5. **State and local governments**: The cost to increasing salaried workers at the state and local level will be disastrous for state and local budgets. These governments have very specific budgets and they'll have to make the same difficult choice as these other sectors: raising base salaries to the new exempt threshold, converting people to an hourly rate and possibly eliminating benefits, or firing people altogether. For extra costs that can't be mitigated, who is going to have to pick up the tab? Taxpayers.

Yeah, it's pretty bad.

The worst part may be that the DOL is putting its head in the sand to these consequences. In a letter to the editor responding to some of these very criticisms, DOL Wage and Hour Division Administrator David Weil simply asserted that "there is no requirement under the proposal that salaried workers must become hourly." Oh? Sorry, the rule may not have required it, but the rule most certainly caused it.

This is just the latest in a series of President Obama's misguided regulations that the president—intent on cementing his legacy—is jamming through at any cost. Unfortunately, it's vulnerable Americans that will have to pay that cost. That's why House Republicans will be taking action to stop this disaster of a rule that will wreak havoc on our economy.