

Small Businesses Decry Overtime-Pay Rule

By *Tim Ryan*

House Republicans and small-business owners on Thursday ripped a new Labor Department rule on overtime pay, calling it an overbroad regulation that will cripple small businesses.

The U.S. Department of Labor's rule raises the minimum salary an employee must make in order to be exempt from overtime pay, which is required to be one-and-a-half times an employee's regular hourly wage. The bump almost doubles the current exempt salary from \$455 to \$913 per week, and updates automatically every three years based on wage growth.

The agency says the rule will extend overtime pay to more than 4 million new workers when it goes into effect on Dec. 1.

Despite Obama administration's praise of the rule, small business owners testifying before the House Small Business Committee on Thursday said it will force them to cut back hours and benefits for their employees or demote them to hourly workers.

"Instead of increasing wages for certain employees as the DOL might project, the rule will force small business owners to take more control of employee hours and benefits to keep costs in check," Albert Macre, general partner of Payroll + Services, told the committee.

Macre said his company for the first time in its history might have to require employees to cover a portion of their healthcare costs.

"The way I projected it, our take-home pays will actually decrease as a result of paying our employees more," Macre added.

But Ross Eisenbrey, vice president of the Economic Policy Institute, joined the

lone Democrat to attend the hearing in defending the rule, which he said would improve work-life balance for employees and be a boon for the middle class.

"The notion that raising labor costs is somehow a bad thing, leads us to having no minimum wage," Eisenbrey said. "That would not be a good thing and the American people would not support that. The notion that every time you raise labor costs you're somehow crimping business, I think it's actually the biggest cause for the wage stagnation we've had for the last 30 or 40 years."

As the only member of the five-person panel sympathetic to the rule, Eisenbrey became a target for those opposed to it, especially after he said any additional money small businesses would have to pay their employees would have to come from the owners.

"I would be happy [to] send you my K-1 from Payroll + Services," Macre told Eisenbrey during the hearing, referring to an IRS form that reports a person's share of a partnership's income. "There is no money that goes into my pocket from that business."

Adam Robinson, co-founder and CEO of Chicago-based hiring software company Hireology, said the new rule will increase his company's costs by 20 percent, far more than figures Eisenbrey cited earlier in the hearing.

"Yes we can do that, but what that means is we shift very, very scarce resources from one part of the business where we can maximize our ability to create more opportunity to complying with this rule and to hitting a salary threshold," Robinson said.

The impacts of the rule go beyond just impacting his company's bottom line, he added. He said employees working long hours with the promise of a reward when the company makes it big is foundational to tech startups like his and that the new overtime rule will discourage this spirit.

Workers will no longer be able to put in long hours outhustling industry giants in an effort to build up their company, Robinson said.

"This cascades and impacts our ability to compete against big players," he said, specifically mentioning tech company Oracle as a competitor. "All we can do is work harder to earn that business."

But Eisenbrey was skeptical of Robinson's claim the new overtime rule alone would cause Robinson to fall behind, noting other companies are going to have to comply with it as well.

"He's also in competition with a lot of other businesses, small businesses, who will have to abide by the rules too, so he's not really at that much of a competitive disadvantage, probably, with most of his competitors," Eisenbrey said in an interview after the hearing.

While the hearing was mostly focused on complaints about the new rule, witnesses and lawmakers did not provide many ideas to change it.

In an interview after the hearing, Committee Chairman Rep. Steve Chabot, R-Ohio, did not offer a specific policy fix, but encouraged small business owners and others to tell their representatives in Washington about a "practical way" the rule will impact business.