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## Labor's Answer To Business On Overtime Rule: Just Make Less Money

By Kent Hoover

The vice president of a union-backed think tank has an easy answer for where businesses will get the money to pay overtime to more workers.

"From the owners of the business," says Ross Eisenbrey, vice president of the Economic Policy Institute.

Hireology CEO and co-founder Adam Robinson told the House Small Business Committee that the new overtime rule will hurt technology startups. Enlarge

Eisenbrey's viewpoint wasn't a popular one at a House Small Business Committee hearing Thursday on the Department of Labor's new overtime rules, which in December will make any worker who makes less than \$47,476 automatically eligible for overtime pay if they work more than 40 hours a week, even if they're salaried managers or professionals. That's double the previous overtime pay threshold.

Albert Macre, a CPA who owns Payroll+ in eastern Ohio, invited Eisen-

brey to look at his Schedule K-1 to see how little money he makes from this business. He has three salaried employees who will become eligible for overtime under the new threshold. For most of the year, they work 35 hours a week or less, but during the four payroll tax months, they work a lot more than 40 hours a week. In order to afford these 600 hours of overtime pay, his company may no longer be able to pay 100 percent of his employees' health insurance costs.

Adam Robinson, CEO and co-founder of Chicago-based Hireology, said the overtime rule will raise his human resources technology business' labor costs by 20 percent. That's because the base salary for a new salesperson at his company is \$40,000. If they hit their quota, that number can grow to \$70,000 to \$120,000.

"This compensation structure is typical in the technology and sales sectors because it allows employees to directly

share in the profits they produce for the company," he said.

"However, the new overtime rule forces us to choose between raising base salaries to the new exempt threshold or converting everyone on the sales team to an hourly rate, capping hours at 40 per week."

Neither option is attractive. A 20 percent pay increase for new employees would mean Hireology could hire fewer of them, which would "hamstring our expansion plans," he said. Capping hours at 40 per week "would mean a loss of earning potential for our salespeople."

"How many Hireology's won't get started as a result of this rule making that first employee unaffordable for an entrepreneur? Are fewer good-paying jobs created and fewer businesses launched the outcomes that are desired here?"