Insight

Overtime Pay Expansion Impacts: Update

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Executive Summary

- The Senate recently introduced the Restoring Overtime Pay Act of 2023, which would increase the annual salary threshold for those who qualify for overtime pay from $36,000 to $45,000.
- The policy is intended to ensure that more working- and middle-class individuals benefit from time-and-a-half pay for any hours worked above the typical 40-hour work week.
- This research finds that only 1.1 million additional workers would actually benefit from the overtime pay expansion and that the policy would minimally affect those at the lower end of the income distribution.

Introduction

The Senate recently introduced the Restoring Overtime Pay Act of 2023 which would increase the number of workers eligible for overtime pay. The legislation would increase the annual qualifying salary threshold for time-and-a-half pay from approximately $36,000 to $45,000. This threshold increase would therefore impact workers that earn between $692–$865 per week and work more than 40 hours per week. The legislation is intended to benefit working- and middle-class individuals by expanding overtime pay to millions more eligible workers. Yet this research, using 2021 data from the Survey of Income and Program Participation, finds that only 1.1 million additional workers would benefit from the overtime pay expansion. Of these additional workers, few would be on the lower end of the income distribution and would only be minimally affected. Sixty-two percent of the additional impacted workers would be in families with incomes at least three times the poverty threshold, 67.4 percent would be in families with two or more income earners, and 64.2

percent would not have dependent children.

Overtime Pay Expansion

Overtime pay expansion is not a new concept. In 2016 the Department of Labor under the Obama Administration published a rule to raise the overtime salary threshold from $23,660 to $47,476 annually. The rule was scrapped a year later by the Trump Administration, which later finalized a different rule that set the annual threshold at $35,568. The Restoring Overtime Pay Act of 2023 would further increase the annual salary threshold to $45,000 ($692 to $865 per week).

The Workers Impacted by Overtime Pay Expansion

By raising the salary threshold from $692 to $865 per week, the bill would expand overtime pay eligibility to all salaried workers whose pay falls within that range. The number of qualifying workers is illustrated in Table 1.

Table 1: Salaried Workers Who Earn Between $692–$865 Per Week

Earnings	Percent of Salaried Workers	Number of Workers
$692 to $865	7.8%	4.7 million

Using 2021 data from the Survey of Income and Program Participation, this study estimates that 7.8 percent of all salaried workers earn between $692 and $865 per week.[1] That percentage translates to about 4.7 million workers who earn salaries that fall within the range.

Those salaried employees will only benefit from the rule change if they work more than 40 hours per week and therefore qualify for overtime. Of the 4.7 million workers, only 22.7 percent work overtime and would qualify for the additional time-and-a-half pay. As shown in Table 2, this means that the overall impact of the legislation would be quite limited.

Table 2: Total Workers Impacted by Legislative Change

Earnings	Percent of Salaried Workers	Number of Workers
$692 to $865	1.7%	1.1 million

Out of the total population of salaried workers, only 1.7 percent earn between $692–$865 and work more than 40 hours per week. As such, the overtime bill would have a limited scope and only impact approximately 1.1 million workers.

Income and Family Characteristics of Workers Impacted by Expanded Overtime Pay Coverage

The legislation is intended to boost incomes for working- and middle-class families. Yet the data suggest that of the 1.1 million people found to be impacted by the rule change, many are not in need of the assistance the rule would provide. Table 3 shows the income breakdown of those who would be impacted by the overtime bill.

Table 3: Family Income Levels of Workers Impacted by Expanded Overtime Pay Coverage

Poverty Level	Percent of Impacted Workers
1x or less	6.6%
1 to 3x	31.4%
3 to 6x	42.5%
6x or greater	19.5%

Only 6.6 percent of the impacted workers are in poverty. Moreover, 62 percent are in families with incomes more than triple the poverty threshold (at least $90,000 for a family of four). The data suggest that raising the annual salary threshold for overtime pay to $45,000 would not effectively assist low- and middle-income families. Instead, the benefits would fall to individuals in families with relatively high incomes.

As a family's financial well-being depends on the earnings of all working-age family members, working families that tend to be most in need are those with one wage earner. Single-income households would therefore stand to benefit most from an increase in the overtime pay salary threshold. Yet the demographic data suggest that, of those who would be impacted by the bill, most are not the sole earners in their family unit. Table 4 reports the number of workers in families with an impacted worker.

Table 4: Number of Workers in Families Impacted by Expanded Overtime Pay Coverage

Working Family Members	Percent Impacted
1	32.6%
2 and up	67.4%
3 and up	21.8%
4 and up	6.0%

5 and up	2.8%

The majority of individuals who would benefit from the overtime bill have one of two or more earners in their household. More than 67 percent of impacted employees are in families with two or more workers. In comparison, only 32.6 percent of the impacted workers are in single-income households, who would benefit most from overtime pay.

These impacted workers are also unlikely to have dependent children, as shown in Table 5.

Table 5: Number of Children in Families with Workers Impacted by Expanded Overtime Pay Coverage

Children	Percent of Salaried Workers
0	64.2%
1	18.3%
2	11.1%
3	5.4%
4	0.7%
5	0.2%
6	0.0%

Table 5 shows that 64.2 percent of the salaried workers who work overtime have no children. Meanwhile, only 18.3 percent care for one child, 11.1 percent care for two, and 5.4 percent care for three. These data suggest that the overtime pay expansion would likely help few children.

Conclusion

The Restoring Overtime Pay Act of 2023 would do little to assist lower- and middle-income workers and families. The bill would impact only 1.1 million workers, the majority of whom are not at the lower end of the income distribution. Of the impacted workers, 6.6 percent are in poverty, 32.6 percent are single-income households, and 64.2 percent do not have any dependent children. Instead of pursuing legislation that helps few low-income households, policymakers should focus on addressing the root causes of stagnant wages such as poor economic growth and an inefficient labor market.

[1] This study uses data released in 2021 that reports income and labor force participation during the COVID-19 pandemic in 2020; the study's estimates may thus underestimate the number of individuals currently in the workforce and earning a salary.