



The Daily Dish

Working Overtime to Accomplish Little

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On Monday, the [Government Accountability Office \(GAO\)](#) released a set of reports which concluded that the federal ethanol blending mandate is unlikely to achieve the greenhouse gas reduction goals that were predicted in the Renewable Fuels Standard (RFS). The report states a large portion of the blame for missing the goals can be placed on the fact that the U.S. is still relying heavily on corn-starch ethanol as opposed to advanced biofuels. According to the report, traditional corn based ethanol achieves smaller greenhouse gas emission reductions than advanced biofuels do.

[Federal Reserve Governor Jerome Powell](#) stated on Tuesday that the case for an interest rate hike has strengthened since the central bank's November meeting, which took place before the election. While Powell stated that he believes the Federal Reserve's cautiousness towards a rate hike has paid off, he warned if the Federal Reserve moves too slowly they risk overshooting their inflation goals. Interest rates are currently close to zero and keeping rates as low as they are limits the Fed's ability to cut rates should inflation spike. December of 2015 was the last time the Federal Reserve raised interest rates.

Eakinomics: Working Overtime to Accomplish Little

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Imagine a policy that lowers family income so that fewer than a million workers can get a 2 percent raise. Crazy, right? Well a recent [report](#) from the nonpartisan Congressional Budget Office (CBO) reveals that is exactly what would have happened on December 1, had U.S. District Judge Amos Mazzant not placed a nationwide [injunction](#) on the Department of Labor's (DOL) overtime rule. With mounting evidence that the rule is pointless and even harmful, its fate next year was already highly questionable, and this latest legal blow clearly demonstrates the rationale for making policy with input from Congress.

Expanding overtime pay was once [hailed](#) as "essential to creating a broad and thriving middle class." But according to the CBO, families would be better off without the DOL's regulation because it would hurt many only to marginally help a few.

The DOL's goal from the overtime rule is clear: to increase the compensation of salaried workers. Starting on December 1, the overtime rule would have expanded the number of workers entitled to time-and-a-half pay for working beyond 40 hours per week. Under federal labor law, workers are exempt from overtime pay if they are salaried, earn a minimum weekly amount, and meet certain duty requirements. The DOL planned to expand the number of workers entitled to overtime pay by increasing the minimum pay requirement from \$455 to \$913 per week (\$23,660 to \$47,476 per year), and automatically increase the threshold every three years. This means that before the injunction, salaried workers who are currently exempt and earn between \$455 and \$913 per week would've been eligible for overtime pay.

Would the rule increase earnings for many salaried workers? Proponents say yes because doubling the minimum pay requirement covers a lot of workers. The [Economic Policy Institute](#) believes the overtime rule would benefit 12.5 million workers, virtually every salaried worker who earns between the two thresholds. However, the CBO indicates that is a wild overstatement for two reasons. First, most salaried workers who earn below \$913 per week are already entitled to overtime pay because their duties do not meet the requirements to be exempt. Of the salaried workers who earn between \$455 and \$913 per week, only about 4 million are currently exempt and would gain overtime protections. Second, for those salaried workers to get a raise, they must work more than 40 hours per week. At most, only 900,000 of those 4 million workers actually work overtime and could see earnings rise. These figures parallel the DOL's [estimates](#) in the text of the [rule](#) itself.

Moreover, the increase in pay for those 900,000 overtime workers would be marginal. The DOL projects these workers would only gain an extra \$20 per week and the CBO estimates that their annual earnings would rise by just 2 percent. Clearly, this regulation is not “essential” to the middle class.

Meanwhile, businesses would face massive payroll and compliance burdens. The CBO estimates that the compliance costs alone would heavily outweigh any benefits to workers as businesses would on average spend over \$1 billion annually simply to familiarize themselves with the rule, modify their payroll systems, and manage their workers' hours.

The rule ends up being harmful to families, as companies would pass these burdens directly to consumers through higher prices. According to the CBO, despite 900,000 workers receiving a small raise, the combination of higher prices and lower profits for family-owned businesses would cause real family income to decline \$2.1 billion in 2017 and \$1.4 billion per year on average. So in effect, the DOL's overtime pay rule would lower family income across the country so that fewer than a million workers get a 2 percent raise.

Both the rule's design problems and Judge Mazzant's decision prove once again that major policies should go through Congress rather than being promulgated solely through administrative rulemaking. That might have saved a lot of time, money, and energy spent to prepare for a misguided policy that wasn't meant to be.