



Insight

DOL's Overtime Rule Hurts Charities & Non-Profits

BEN GITIS | MAY 23, 2016

Last week the Department of Labor (DOL) introduced a rule that expands the number of salaried workers eligible for overtime pay if they work over 40 hours per week. Specifically, the rule increases the minimum weekly pay required to exempt salaried workers from overtime pay from \$455 per week to \$913 per week.

The American Action Forum already [illustrated](#) that even according to the DOL, this change will only marginally benefit workers. While the rule makes 4.2 million workers eligible for overtime pay, only 825,000 of those workers regularly work more than 40 hours per week and would benefit. DOL estimates that the actual net increase in weekly pay for those 825,000 workers will be less than \$20. Meanwhile, businesses will face roughly \$3 billion in compliance costs and over 2.5 million paperwork burden hours.

It's not just big companies who are impacted. Charities and non-profits raised the alarm about this rule when it was initially proposed. For many, this rule will have a disruptive impact on their employment model, and may very well hamper their charitable mission. Below are only a few examples of the ways that the new overtime rule could substantially limit the ability of non-profits to operate effectively.

Operation Smile

“The leadership team at Operation Smile is opposed to the proposed changes to the salary threshold tests, specifically the drastic increase to a salary level of \$50,400... Yet still, this proposed update will increase our payroll cost by nearly \$1 million annually affecting over 50 percent of our workforce. Considering that a cleft lip surgery performed somewhere in the world costs an average of \$240, this would mean 4,166 fewer surgeries provided by Operation Smile globally each year.”

Habitat for Humanity

“Habitat for Humanity (Habitat) and other charitable organizations will be disproportionately impacted by the proposed rule and unable to comply without reducing access to products and services... it is estimated that 65 percent of Habitat affiliates employing paid staff will be impacted by the proposal... The nearly \$27,000 increase in the minimum salary to qualify for the overtime exemption, for example, represents one-third to one-quarter of the cost of building a typical Habitat home. For a smaller, rural affiliate... it may be impossible to absorb the increased cost... Such an affiliate may have no choice but to cease operations, even if it is the only affordable housing provider in the community it serves.”

The Salvation Army National Headquarters

“We respectfully urge the Wage and Hour Division to reconsider the substantial increase in the minimum salary threshold for “exempt” employees that is contemplated by the Proposed Regulations... the proposed increase in the minimum salary for “exempt” employees would substantially increase the cost of delivering our services,

most of which are provided free of charge. Based on information that has been collected to date, it appears that 50% or more of our employees nationwide who are currently classified as “exempt” would become “non-exempt”... The significance of the effect of this change to our organization cannot be over-stated... We 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.”

YWCA Oklahoma City

“Increasing salaries as proposed under this rule change to 81 percent of the YWCA OKC staff would not be possible under the current budget projections for FY 2016... This reduction in staff would require the agency to cut back or eliminate entirely programs essential to protecting vulnerable women and children fleeing domestic violence in their homes... Oklahoma is currently ranked 3rd in the nation for the number of women killed by men in domestic violence homicides. Oklahoma County, where the YWCA OKC is based, is ranked first in the state for domestic violence homicides. Our community is in desperate need of the services provided by the YWCA OKC and we cannot afford to lose our highly-trained staff who provide these lifesaving services.”

Lawrence Hall Youth Services, Illinois

“Lawrence Hall Youth Services is a not-for-profit human service agency serving at-risk youth, families and communities since 1865. We provide services 24 hours, 7 days a week, 365 days a year through a full continuum of care for children placed in foster care settings to high end severe residential treatment... Given the importance of the therapeutic relationship in the healing process, the support provided by these employees can mean the difference between a child being stabilized and a child needing to be psychiatrically hospitalized. It can mean that our kids are able to participate in activities like every other child...or aren’t able to do so because we can’t afford to pay the overtime.... In a nutshell, these changes would mean that we would have to consider cutting positions. About 20% of our workforce will be affected and this greatly impacts our budget...over \$570,000 in overtime costs annually. Our only option would be to look at cuts to the program because our focus is quality of care- not having the intensive, consistent interventions would mean a decrease in positive outcomes for our clients.”

Agape of Central Alabama, Central Alabama

“I am writing as the Executive Director of Agape of Central Alabama, a 501-c-3, licensed child-placing agency, working primarily in partnership with the Alabama Department of Human Resources to serve abused, neglected children in Alabama... The new Guidelines...will be a disaster for those extremely at-risk children being served by non-profit agencies in the State of Alabama. The “disaster” will happen when workers are unable to serve those children in at-risk settings . . . The very nature of what we do with children and families dictates that we work when they need us, not when it is convenient for us to work. The child that was picked up by the police Saturday night at midnight doesn’t need us to show up at 9:00 a.m. Monday morning “when our work week begins”. They need us at 12:01 a.m. Sunday morning. Anything less is negligent on our part... There are no more dollars to be spent, so we will simply be able to provide fewer services. And children who need us will suffer.”

America’s Blood Centers

“America’s Blood Centers (ABC) represents North America’s largest network of non-profit community blood centers... As non-profit and community-based institutions, our concern stems from the significant impact to

community blood centers across the country that such broad, sweeping change would have on our ability to continue to serve our communities... The cost impact associated with the proposed overtime threshold will be associated with negative consequences for maintaining the infrastructure needed for a robust blood supply... Conservative estimates indicate that blood centers could be facing additional costs up to \$1.5 million, depending on the size of the center, as a direct result of the proposed changes to the FLSA.”