



Insight

DOL's Proposed Overtime Pay Rule Will Likely Be Ineffective

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Executive Summary

- The Department of Labor recently announced a [Notice of Proposed Rulemaking](#) that would increase the annual salary threshold for those who qualify for overtime pay from \$36,000 to \$55,000.
- The rule is intended to ensure that more “low-paid salaried employees” benefit from time-and-a-half pay for any hours worked above the typical 40-hour work week.
- This research finds that only 3.1 million additional workers would actually benefit from the overtime pay expansion and that the rule would minimally affect those at the lower end of the income distribution.

Introduction

On August 30, 2023, the Department of Labor (DOL) announced a [Notice of Proposed Rulemaking](#) (NPRM) which would increase the number of workers eligible for overtime pay by raising the annual qualifying salary threshold for time-and-a-half pay from approximately \$36,000 to \$55,000. This threshold increase would therefore impact workers that earn between \$692–\$1,059 per week and work more than 40 hours per week. The rule is [intended](#) to benefit “low-paid salaried employees”, which the DOL therefore defines as any wage up to \$2,000 below the median wage of [\\$57,200](#) per year, by expanding overtime pay to millions of additional salaried workers. Yet this research, using 2022 data from the Survey of Income and Program Participation, finds that only 3.1 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. Seventy-one percent of the additional impacted workers would be in families with incomes at least three times the poverty threshold, 73.4 percent would be in families with two or more income earners, and 65.6 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 2023 DOL proposed rule would further increase the annual salary threshold to \$55,000 (from \$692 to \$1,059 per week).

The Workers Impacted by Overtime Pay Expansion

By raising the salary threshold from \$692 to \$1,059 per week, the proposed rule 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–\$1,059 Per Week

Earnings	Percent of Salaried Workers	Number of Workers
\$692–\$1,059	18.9%	11.2 million

Using 2022 data from the [Survey of Income and Program Participation](#), this study estimates that 18.9 percent of all salaried workers earn between \$692–\$1,059 per week.^[i] That percentage translates to about 11.2 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 11.2 million workers, only 5.3 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 DOL Rule Change

Earnings	Percent of Salaried Workers	Number of Workers
\$692–\$1,059	5.3%	3.1 million

Out of the total population of salaried workers, only 5.3 percent earn between \$692–\$1,059 and work more than 40 hours per week. As such, the overtime bill would have a limited scope and only impact approximately 3.1 million workers.

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

The proposed rule is intended to boost incomes for “low-paid salaried employees” and their families. Yet, the data suggest that of the 3.1 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 rule.

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

Poverty Level	Percent of Impacted Workers
1x or less	2.4%
1 to 3x	26.5%
3 to 6x	46.5%
6x or greater	24.6%

Only 2.4 percent of the impacted workers are in poverty. Moreover, 46.5 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 \$55,000 would not effectively assist “low-paid salaried employees”. 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 Coverage

Working Family Members	Percent Impacted
1	26.6%
2 and up	73.4%
3 and up	16.1%
4 and up	2.6%
5 and up	1.1%

The majority of individuals who would benefit from the overtime bill have one of two or more earners in their household. More than 73.4 percent of impacted employees are in families with two or more workers. In comparison, only 26.6 percent of the impacted workers are in single-income households and 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	65.6%
1	16.5%
2	10.8%
3	4.7%
4	1.4%
5	0.3%
6	0.7%

Table 5 shows that 65.6 percent of the salaried workers who work overtime have no children. Meanwhile, only 16.5 percent care for one child, 10.8 percent care for two, and 4.7 percent care for three. These data suggest that the overtime pay expansion would likely help few children.

Conclusion

The DOL’s proposed rule to increase the overtime pay salary threshold would do little to assist “low-paid salaried employees”. The bill would impact only 3.1 million workers, the majority of whom are not at the lower end of the income distribution. Of the impacted workers, 2.4 percent are in poverty, 26.6 percent are single-income households, and 65.6 percent do not have any dependent children. Instead of imposing regulatory burdens that help 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. Expanding overtime pay coverage addresses neither.

[i] This study uses data released in 2022 that reports income and labor force participation during 2021, the recovery period after the COVID-19 pandemic; the study's estimates may thus underestimate the number of individuals currently in the workforce and earning a salary.