



# Obama Administration Announces Overtime Expansion, Affecting Over 4 Million Workers

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On May 17, 2016, the Obama administration announced a new regulation passed by the U.S. Department of Labor to raise workers' overtime pay cutoff. The regulation will raise the overtime pay cutoff from \$23,660 to \$47,476 per year, or \$913 per week.

By way of background, President Obama called upon the Department of Labor to update the minimum wage and overtime standards in 2014. The Department of Labor originally proposed new overtime parameters in July 2015, publishing a Notice of Proposed Rulemaking in the Federal Register and calling upon interest parties to submit written comments by September 4, 2015. The Department of Labor reported in its Final Rule that it took over 270,000 comments into account in drafting the new regulation.

Historically, there are two ways for workers to be eligible for overtime. First, a worker may qualify for overtime given her specific employment duties, an inquiry which analyzes whether the worker is an executive, administrator, or professional. If not, then the worker is likely eligible for overtime. Second, the government may set a salary level to determine a worker's eligibility, regardless of that person's duties. The new regulation was passed under the parameters of the latter standard.

In enacting the regulation, the Obama administration cited statistics that approximately 60% of workers in 1975 were eligible for overtime pay, while only 7% are eligible today. The Department of Labor expects the regulation to impact over four million workers within the first year of implementation. Categories of workers that have been traditionally exempt from overtime rules, such as teachers and doctors, will continue to be exempt from this expansion.

Proponents of the law cite American workers' ability to feel financially secure, particularly the middle class. The new regulation will ensure that those who are working long hours are properly compensated, including academics engaged in research, who have been receiving attention recently for receiving insufficient salaries. Opponents worry that employers will lower workers' wages that fall relatively close to the new cutoff, thus demoting them while keeping their salary virtually the same. Additionally, smaller employers expressed concern through notice and comment that the new regulation would be too costly and cause layoffs.

The regulation will go into effect on December 1, 2016, and will be updated every three years to account for inflation. Employers are advised to frequently check federal, state, and local laws regarding minimum and overtime wages in order to ensure compliance.

*If you have any questions or concerns regarding employment related issues, please contact James G. Ryan at [jryan@cullenanddykman.com](mailto:jryan@cullenanddykman.com) or at 516-357-3750.*

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