

Obama proposes rules to expand overtime pay for salaried workers

Andre Damon
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The Obama administration announced a plan Tuesday to expand the share of US salaried workers eligible to receive overtime pay. Despite being touted as a major new policy initiative by the White House, the proposal, which would not be implemented until 2016, would affect a mere 3.5 percent of the US workforce.

Obama detailed the proposal in a Tuesday column in the *Huffington Post*, declaring, “In this country, a hard day’s work deserves a fair day’s pay... I believe in middle-class economics—the idea that our country does best when everyone gets a fair shot, everyone does their fair share, and everyone plays by the same set of rules.”

The White House proposal is a change to federal rules governing overtime pay that would allow an additional 5 million salaried workers to become eligible for increased wages after working more than 40 hours per week. US Labor Secretary Thomas Perez said that the program would add about \$1.3 billion to worker’s wages annually.

Obama’s column in the *Huffington Post* served as a preview of the proposal’s formal announcement Thursday, when Obama is expected to give a major speech on economic policy in La Crosse, Wisconsin.

The 1938 Fair Labor Standards Act, passed as part of Franklin Roosevelt’s New Deal, mandated that hourly employees receive 1.5 times their usual pay for any hours they worked beyond a typical 40-hour workweek.

The law exempted salaried workers carrying out skilled or management work, and who made substantially more than a typical worker (more than \$50,000 in 2014 dollars). This cutoff point was not automatically indexed to inflation, but the cap was generally raised to keep up with price increases through the 1970s.

The Ford Administration raised the threshold for overtime pay in 1975, but it was unchanged for 29

years until the Bush administration raised it again in 2004, to its current level of \$455 per week, or \$23,660 per year. This is below the federal poverty line for a family of four.

Obama’s proposal would raise the cap to \$50,440 a year, or \$970 a week—about what it was, in real terms, when initially adopted in 1938.

As a result of successive presidencies’ failure to increase the eligibility threshold, only 7 percent of salaried employees currently qualify for overtime pay, regardless of how many hours they work per week.

US corporations, particularly in the retail and food service sectors, have persistently abused this loophole, classifying a large share of their front-line employees as salaried managers in order to avoid paying them overtime.

In many cases employees classified as managers in fast food restaurants and retail chains will spend most of their time sweeping floors and stocking shelves, working up to 80 hours a week and sometime making less money per hour than their co-workers.

Retailers including Dollar General, Dollar Tree and Family Dollar have been repeatedly sued by employees who claim that they were fraudulently classified as supervisors in order to be denied overtime pay.

Trade groups representing retailers and restaurants denounced the White House’s proposal, vowing to find other means to avoid paying workers overtime, including through cutting back their hours.

The White House’s overtime pay proposal is only the latest in a series of “unilateral” actions taken by the Obama administration in the name of defending the “middle class.” Many of these actions, however, have been blocked by court rulings.

Obama’s proposal to slow deportations of undocumented immigrants, which is itself based on the

reactionary premise that undocumented migrants are to be treated as criminals, has been effectively dropped after a series of court rulings. This week the US Supreme Court ruled to block the administration's plans to modestly tighten emissions standards for coal-fired power plants.

The failure to raise the minimal pay threshold for decades is one component of the ongoing attack on workers' wages, which has been coordinated at the highest level by the federal government.

Obama admits in his *Huffington Post* column, "Right now, too many Americans are working long days for less pay than they deserve." The president should certainly know, since the entire policy of his administration has been based on increasing the exploitation of workers.

The Obama administration has made the systematic suppression of workers' wages and benefits—together with the provision of essentially unlimited cash to the financial system—the basis for engineering a "recovery" from the 2008 financial crisis.

To this end, the White House made the expansion of low-wage manufacturing a precondition for bailing out the US auto makers in 2009. It worked behind the scenes to shepherd the Detroit Bankruptcy to completion last year, resulting in the slashing of pension and health benefits for tens of thousands of city workers and retirees, setting a nationwide precedent.

As a result of these and similar policies, between 2010 and 2013, the annual income of a typical household fell by 5 percent in real terms.

The increase in workers' wages envisioned by Obama's proposal, assuming it is adopted, is a drop in the bucket compared to the vast sums that have been transferred to major financial corporations at the expense of the working class in recent years. The additional annual wages paid to workers under Obama's plan would be less than one-hundredth the size of the bailout of insurance giant AIG in 2008, and less than one-seventh the amount of money that billionaire Amazon CEO Jeffery Bezos made in the past year alone.



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