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Low-Wage Workers Should be Eligible for Overtime

Position statement supporting Senate Bill 607

Given before the Senate Finance Committee

Tens of thousands of Marylanders working for low or moderate wages are not eligible to receive overtime pay, even when they work extra hours. Senate Bill 607 would provide a long overdue update to state regulations governing overtime pay, putting more money in workers' pockets and boosting the state's economy.

Like the minimum wage, rules regarding overtime pay were designed to ensure that people get fair wages for their work. However, the rules for determining who must receive overtime pay when they work more than 40 hours per week have not kept up with rising wages.

Today, someone struggling to make ends meet on a salary of \$24,000 per year could be required to work more than full time without any additional compensation if their employer says their position is "administrative, executive, or professional." While working a 50-hour week might be reasonable for a well-compensated CEO, it places an unfair burden on working men and women who are getting by on wages just above the federal poverty line.

Working additional hours with no additional pay effectively lowers a worker's hourly wage and makes it harder for people to get ahead. Working more than the standard 40-hour workweek takes away time that the worker could use to hold a second job, take classes to advance in their career, or have time to care for their family. It makes sense that they should be compensated for this time.

Senate Bill 607 mirrors well-researched federal regulations that the U.S. Department of Labor announced last year that would ensure most people earning up to \$47,476 per year will be eligible to earn overtime pay, up from \$23,660 today. Workers in positions other than those classified as "administrative, executive, or professional," or certain other positions such as agricultural jobs, must be paid overtime regardless of salary – equivalent to the current rules in Maryland. The bill would also require a review of the salary threshold in 2020 and every three years thereafter, to ensure it keeps pace with changing wage standards. While it is unclear whether the federal rules will still go into effect under the new administration, implementing this policy in Maryland would ensure workers here are fairly compensated for their time regardless of the outcome at the federal level.

Most affected businesses were already making arrangements to comply with the federal rules before the courts put implementation on hold. Some companies, such as Wal-Mart, already made the changes needed to comply.¹ Employers also have flexibility in how to respond in the way that works best for them, as they will have the option of limiting employee hours to 40 hours per week, paying them overtime when they work more than 40 hours, or increasing their salaries above the new threshold.

The bill should help the economy as well. Some people will have more money in their pockets to spend at local businesses, and some companies that have been relying on their salaried workers to take on extra work will choose to hire additional staff instead of paying current employees overtime.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee make a favorable report on Senate Bill 607.

¹ Reuters, "Wal-Mart Ups Entry-Level Manager Salaries Ahead of Overtime Rule," Oct. 12, 2016.
<http://www.cnn.com/2016/10/12/wal-mart-ups-entry-level-manager-salaries-ahead-of-overtime-rule.html>