



# FINANCIALWATCH

*Smart money tips for your everyday life*

## **New Overtime Pay Law: What Happens to the 40-hour Workweek?**

Currently being debated on Capitol Hill is a new overtime pay law that, if passed, has potential to affect millions of white-collar workers next year. The law, which could go into effect in 2016, could change the traditional concept of a 40-hour workweek by allowing salaried workers to become eligible for overtime pay – an opportunity normally provided to hourly workers. There are many pros and cons that legislators, business leaders and labor experts are currently hashing out. One pro of the law is it would allow qualified salaried employees, who extend their workweeks beyond 40 hours, to earn extra – and what some would argue is much-deserved – overtime pay. On the flipside, businesses argue the law could be a costly liability with potential to create even more complicated labor laws.

“Off the clock” but “on the job” work – such as responding to emails or fielding customer calls on company-issued devices – has led to a number of lawsuits resulting in the development of this legislation. The latest research reveals 39 percent of workers say that while smartphones make their workday more flexible, 35 percent say these devices have also led to longer hours, according to a Pew Research poll and Sapience Analytics research.<sup>1</sup>

Let’s take a more in-depth look at the proposed law and how it may affect employees and employers:

### **What is the current overtime law?**

Current federal labor law requires salaried employees who earn less than \$23,660 a year to be eligible for time-and-a-half pay if they work more than 40 hours in a week. For many hard working, poverty level employees the law affords them overtime pay for working beyond their required 40 hours. This means professionals who make more than the income threshold but clock in at well over 40 hours a week would not have access to compensation for their time – and this issue has led to numerous labor lawsuits and the proposed law.

### **What would change with the new law?**

Due to an increase in pending lawsuits – many lawsuits as a result of workplace reliance on technology to stay present to employers and customers – the U.S. Department of Labor has

proposed doubling the income threshold for overtime pay from \$23,660 to \$52,000 a year. This would increase the qualifying pool of professionals who fall under the \$52,000 income level.

### **How would the law affect employers?**

The law hasn't even passed and already companies are working to put a lid on potential extra labor costs. Here's what companies are considering and even starting to implement:

- Some companies are looking to technology to save their bottom line in overtime pay by installing software on employee computers and company-issued devices that send managers an alert when employees are creeping up on their 40-hour threshold.
- Meanwhile, some employers are opting to raise the base pay of workers who fall under the \$52,000/year income level – meaning a nice salary bump for the employee.
- Others are considering switching salaried workers to hourly pay if it makes more fiscal sense to avoid costly overtime pay.
- Then there are companies that are simply discouraging checking and/or responding to email before or after work hours.

The Wall Street Journal reports that in 2013, employers in the U.S. paid workers salaries totaling around \$6.7 trillion. If the law passes, the expectation is that nearly \$1.5 billion of that money would go into the pockets of qualified employees who work over 40 hours a week – and that's estimated for just the first year the law goes into effect.<sup>2</sup>

At the end of the day, the new labor law could reinvent the concept of the 40-hour workweek by allowing employees – and employers – to make more efficient use of their workdays and possibly find a more suitable work-life balance.

Are you an employer or employee with questions about how the new labor law could affect your overall income/bottom line and want to plan your finances accordingly? Please give our office a call today to speak with one of our financial experts.

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<sup>1</sup> <http://www.cbsnews.com/videos/should-employers-pay-more-for-after-hours-email/>  
<https://www.linkedin.com/pulse/mobility-increasing-productivity-cost-work-hours-khiv-singh>

<sup>2</sup> <http://www.wsj.com/articles/overtime-rules-send-bosses-scrambling-1437472801>