

The Case for Updating Overtime Rules in Colorado

The Economic State of Colorado

Colorado wages are not keeping up with the rising costs of living. After adjusting for inflation, average weekly wages have only increased by \$33 since 2000, while nearly 3 out of 4 new jobs created in 2016 were in industries paying below the state's average wage of \$54,664 per year. One way Colorado policymakers could help boost wages is by modernizing overtime pay rules and adjusting them to better reflect inflation.

Updated Overtime Rules Can Help Lift Colorado's Workers

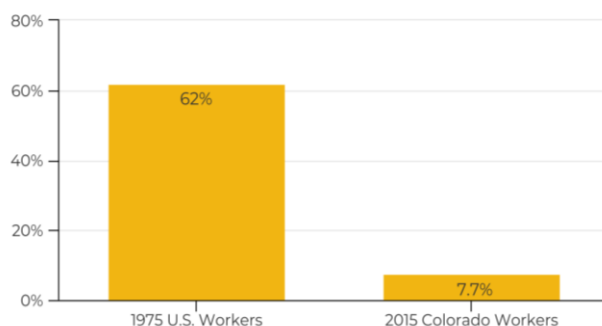
The federal Fair Labor Standards Act (FLSA) requires most workers in the U.S. be paid a minimum wage, and when they work 40+ hours in a week, be compensated overtime at a rate of one and a half times their regular pay. Hourly workers are automatically eligible to receive overtime pay, but salary workers are excluded if they meet **both** of the following criteria:

- Perform executive, administrative, or professional duties
- Earn above the current weekly standard of \$455 or \$23,660 annually for a full-time, year-round worker

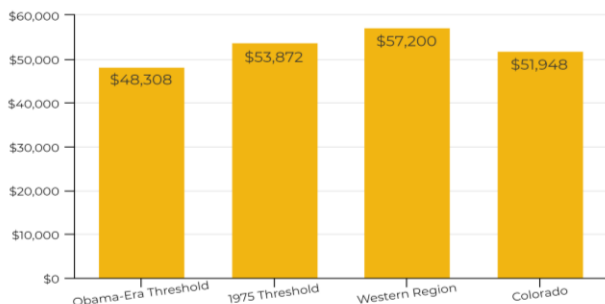
Due to this low salary threshold, many Colorado salaried workers with very modest earnings — such as fast food managers, paralegals, and assistant retail managers — don't qualify for overtime pay. In fact, the salary threshold has not been fully adjusted for inflation since 1975.

In 2016, the Obama administration issued a rule to raise the salary threshold to \$913 per week, or \$47,476 a year, partially restoring it to the 1975 level when adjusted for inflation. A federal district court in Texas prevented its implementation and ruled it invalid. The Trump administration abandoned the rule and has signaled it will likely propose a new rule with a much lower threshold.

FEWER SALARIED WORKERS ARE AUTOMATICALLY ELIGIBLE FOR OVERTIME



SUGGESTED THRESHOLDS TO ADOPT IN COLORADO



* All amounts adjusted for inflation to 2017

The Obama administration's approach was already conservative, setting the wage threshold at the 40th percentile of earnings of full-time salaried workers in the South, the region with the lowest wages in the nation.

Using this measure and adjusting for inflation to 2017, the Obama proposal would be \$929 per week or \$48,308 a year; the 1975 threshold would be \$1,036 per week or \$53,872 per year. We could also set it based on salaries in the Western region or Colorado as shown in the graph. This ties it more closely to salaries paid in Colorado.

The Solution?

Policymakers have the power to set Colorado's overtime threshold higher than the federal level to one that works best for Coloradans. They can modernize the state's rules for overtime pay and adjust the wage threshold for inflation. Setting it at least to the Obama administration level would put more than \$517,000 per week in the pockets of mostly middle class workers, boost Colorado's economy, and ensure 250,000 more salaried workers get paid for the hours they work through strengthened overtime protections. This would particularly help women, black, Hispanic, and younger workers, as well as those with no postsecondary education.