

# THE CASE FOR UPDATING OVERTIME RULES

## The Economic State of Colorado

Colorado wages aren't 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.

## It's About Time

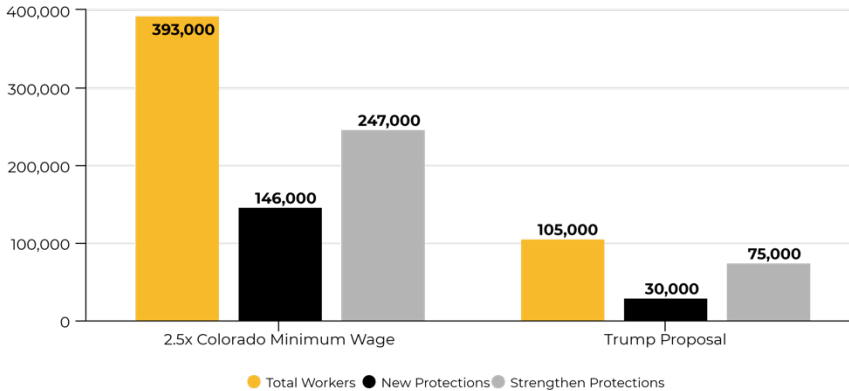
Overtime standards help ensure employees have adequate time to raise their kids, support their families, engage in further education and training, enjoy the great outdoors, and give back to their communities. Overwork has been demonstrated to increase safety incidents, mistakes, and work illness and burnout, while also decreasing the quality of work, productivity, attention, and executive function. As originally intended, overtime compensation also reduces unemployment by encouraging employers to hire more workers instead of overworking their current employees.

## Updated Overtime Rules Help Colorado 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:

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

## BENEFITS OVER TRUMP PROPOSAL



Source: Economic Policy Institute analysis of Colorado using EPI overtime model

Due to this low salary threshold, many Colorado salaried workers — 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 Obama administration took a conservative approach by setting the wage threshold at 40

percent of average salaries in the South, the region with the lowest wages in the nation. The Trump administration has proposed a threshold of \$35,308, way short of the intent of FLSA's original standard. Compared to a proposed 2.5 times the minimum wage standard, the Trump proposal would leave 288,000 Coloradans without overtime protections.

## The Solution

The Colorado Department of Labor and Education (CDLE) has the ability to update the salary threshold through a regulatory update to the Colorado Minimum Wage Order. They can modernize the state's rules for overtime pay and adjust the wage threshold for inflation. An updated threshold of 2.5 times Colorado's minimum wage would better reflect the intent of FLSA and would automatically adjust with inflation over time. This threshold — the equivalent of a salary of \$62,400 when the minimum wage hits \$12/hour in 2020 — would benefit more than 393,000 employees in Colorado. It would particularly help workers who are parents, women, black, Hispanic, younger, and those without postsecondary education.