Policy Matters Ohio

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New rule extends overtime to 351,000 Ohio workers

State should comply with federal policy

An updated rule established by the U.S. Department of Labor (DOL) will bring overtime protection to 12.5 million American workers, including 351,000 Ohioans. The rule, slated to take effect December 1, requires that salaried employees who are paid less than $47,476 a year be paid time and a half for hours that they work beyond 40 in any given week.

Ohio and other states are suing the federal government to try to avoid complying with the update, even though most legal scholars are confident that the adjustment will be upheld.

Overtime pay was established for Professional and executive salaried workers in 1938 and was updated regularly until 1975. That year, 61 percent of salaried workers were covered nationwide. After the Carter administration, the DOL stopped updating the salary threshold. The upcoming adjustment makes up just a portion of the ground lost since then. Only 7.8 percent of salaried workers are now covered in Ohio. The new rule will bump that share to 28.7 percent for the state.

That means 351,000 Ohioans will either get a raise, get compensated for extra hours worked, or get more time with their families. The Fair Labor Standards Act was intended in part to set the standard work week at 40 hours. When workers must put in more time without more pay, they are being forced to donate time to their employer. Having workers on the job for free after their usual work week can reduce hiring. The new overtime rule will both improve job quality and
create new jobs.

Employers routinely classify modestly paid restaurant and retail workers as management so that they can demand excessive work hours from them without compensation. Current law mandates a test to see whether the worker's duties really constitute management, but it is subjectively applied and – with just six wage and hour investigators for all of Ohio – rarely enforced. The new rule provides a clear guideline for who must be covered. Ohio has joined 20 states in a lawsuit to block implementation of the new rule. The rule comes under directive from President Obama, is considered an administrative change under the Fair Labor Standards Act, and is likely to withstand the challenge.

"With so many Ohio workers standing to benefit, the state should embrace the new rule as both the right and the smart thing to do," said Michael Shields, researcher at Policy Matters Ohio who examined the update.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.