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Wolf spins tangled overtime threshold web

By Colin McNickle

“Oh what a tangled web we weave when first we practice to deceive” was the admonition of Sir Walter Scott in his 1808 poem “Marmion.”

Change the word “deceive” to “intercede” and the quote becomes most apropos to describe Pennsylvania Gov. Tom Wolf’s plan to increase the threshold for which salaried workers must be paid overtime.

“While the political rhetoric of helping ‘the working people’ of Pennsylvania makes for a nice sound bite, there are unintended consequences of such a mandate,” says Frank Gamrat, executive director of the Allegheny Institute for Public Policy (in *Policy Brief Vol. 19, No. 39*).

The Wolf plan would, by 2022, raise the threshold to \$45,500. That’s 92 percent above the current level of \$23,660 which matches the federal standard. The feds plan to raise that standard on Jan. 1 by 50 percent, to \$35,568. The commonwealth will follow suit.

The 2020 move will “expand eligibility for overtime to 143,000 people and strengthen overtime protections for 251,000 more,” says the state Department of Labor and Industry. “In total, 394,000 workers may benefit from the updated overtime rules.”

The new overtime threshold rule applies only to private firms, not public employees or those employed by state-related entities.

But, again, the higher thresholds will not come without consequences.

“Some firms will be able to pass along the higher costs to their customers through price hikes,” says Gamrat, a Ph.D. economist. “Others who are forced to internalize these costs will resort to cuts, either to hours worked, jobs or other benefits currently enjoyed by employees.

“They may forego hiring new employees and instead rely more on those they have chosen to keep and pay,” the think tank scholar says.

Those are the “seen” consequences. But there also could be a major “unseen” ramification – such as a lack of advancement in a respective firm.

“Employees who jump from hourly to salaried are often on a management track which could lead them to greater salaries down the road, either with the current firm or another,” Gamrat reminds. “But for the interim, they may need to prove themselves by working longer hours (without overtime).

“This mandate could take opportunity away from workers or push it further down the road, perhaps suppressing wage growth.”

That would come in a climate in which Pennsylvania hasn’t exactly been setting the employment rolls on fire with job growth.

“Imposing yet another costly mandate on Pennsylvania businesses will hamper further job growth,” Gamrat says. “Considering how anemic growth has been over the last decade when compared to the national pace and neighboring states, Pennsylvania can ill afford to go down this path.

“If nothing else,” Gamrat reminds, “it sends a message to any firm thinking of moving to Pennsylvania that the government is happy to help run their business. And that could be enough to keep them away, further hindering the state’s economy.”

What a tangled web, indeed.

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