

Testimony in Support of LD 607, “An Act to Restore Overtime Protections for Maine Workers”

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James Myall, Policy Analyst

Dear Senator Hickman, Representative Sylvester, and Members of the Joint Committee on Labor and Housing. My name is James Myall, and I am writing in support of LD 607, “An Act to Restore Overtime Protections for Maine Workers,” on behalf of the Maine Center for Economic Policy. MECEP supports LD 607 for the simple reason that Mainers who work extra hours deserve extra pay.

LD 607 would increase the threshold below which a salaried employee is generally eligible for overtime pay. Currently, Maine law requires that most private-sector employees who earn less than 3,000 times the Maine minimum wage (that’s \$36,450 in 2021) be eligible for overtime pay. LD 607 would increase that threshold gradually to just over \$55,000 a year by 2024.

Overtime compensation buttresses the cherished 40-hour workweek as a norm. It ensures full-time workers can expect a decent work-life balance and will be compensated fairly when their job consumes more of their time, taking them away from time reserved for family, community, or personal endeavors. Unfortunately, our overtime laws are outdated and difficult-to-enforce, leaving Mainers stuck with lower wages even if they’re willing or required to work long hours.

LD 607 would help restore the promise of the 40-hour workweek and ensure that Mainers get the wages they deserve when they go above and beyond.

LD 607 restores critical test for determining overtime eligibility

Overtime protection was established in federal law by the 1938 Fair Labor Standards Act (FLSA). But the FLSA does not apply to all employees, leaving many workers without its protections.

Traditionally, to be exempt from overtime pay, salaried workers had to meet two criteria: They had to work in a professional, administrative, or executive role and they had to have a high-earning job.

The definitions in the first criteria have become slippery in the modern job market, where it is increasingly difficult to definitively determine whether an employee is truly a “professional, administrative, or executive” worker.

This makes the definition of “high-earning” especially important.

While many people imagine that all salaried workers are exempt from overtime, historically only high-earning salaried workers could be made to work extra hours without additional pay. Overtime laws set a salary threshold that must be met before an employer can require a salaried employee to work unpaid overtime.

But the FLSA's salary threshold for exempting workers from overtime is out of step with the needs of modern families, after decades of successful efforts by business interests to prevent updates to the threshold even as the cost of living has increased and real wages have stagnated.

Today, any salaried worker who earns more than \$35,500 annually is considered "high-earning." This incredibly low threshold, combined with overly broad categorization of workers as professional, administrative, or executive, means that nearly any salaried employee can be classified as exempt from overtime protection.

The erosion of overtime protections is evident in the share of salaried workers eligible for overtime pay: In 1975, 65 percent of salaried American workers were eligible for overtime compensation because they earned less than the salary threshold. Only 11 percent of salaried workers were deemed eligible for overtime in 2013.¹

Maine is a leader in overtime protections, but can do better

Maine has established its own salary threshold rather than following federal law, giving state policymakers the flexibility to provide overtime pay to more workers. However, our own threshold is still so low that four out of five salaried workers in Maine earns too much to receive overtime² — despite their annual wages not approaching anything that a reasonable observer would consider "high-earning."

LD 607 would incrementally increase the salary threshold until it reaches \$55,224 in 2024, with a system for automatic adjustment thereafter. This would bring Maine closer to the number of workers covered by overtime in 1975 and would restore overtime for an estimated 28,000 low-wage salaried workers. These include social workers, nurses, restaurant workers, and others.³

It's important to know that this bill would not result in enormous costs for businesses. The law provides employers with ample flexibility for compliance. If a business relies on its employees to work long hours but doesn't want to pay overtime, it has the option of increasing base pay beyond the new threshold so that their workers no longer fall under the threshold.

Mainers work hard, and they deserve to be paid fairly when they go above and beyond. I urge you to support this legislation and restore the value of a 40-hour workweek for thousands of Mainers.

If you have any questions please feel free to reach out to me at jmyall@mecep.org.

Notes

¹ Economic Policy Institute analysis of US Census Bureau, Current Population Survey, Annual Social and Economic Supplement. Analysis of all workers, including hourly workers. The salary threshold was \$155 per week in 1975, the equivalent of \$8,060 annually. In 2004, the threshold was increased to \$455 per week, or \$23,660 annually. See <https://www.epi.org/publication/ib381-update-overtime-pay-rules/>

² MECEP analysis of US Census Bureau, Current Population Survey, Outgoing Rotation Group pooled data 2008-2017. After adjusting for inflation and scheduled changes to current Maine law, only 20% of salaried workers fell below the salary threshold (\$36,345/year) in 2021.

³ Ibid.