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Will Giving America a Raise Help or Hurt? The New Overtime Pay Proposal

[SD MEDALLION SERVICES](#)

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In 1938, President Franklin Delano Roosevelt signed a bill that marked a milestone for the United States' workforce. The Fair Labor Standards Act of 1938 put into place a minimum hourly wage, child labor laws, and regulations for overtime pay. The overtime policies have not seen an update since 1975, and because of that, only about 8% of today's U.S. salaried workers benefit from these regulations. This is a dramatically low number, considering that in 1975 62% of workers benefited from overtime. Today, President Barack Obama's new overtime proposal gives new hope that nearly 5 million workers, 40% of salaried employees, could see pay increases. The question is though, will this really help our workers or hurt them?

The way the overtime rules are written stipulate a salary threshold of \$23,660. New regulations would significantly raise this figure to about \$50,440. Middle-class Americans would finally see benefits for working more than 40 hours a week if their employers do not already pay them time and a half for their extra work. A restaurant manager is a great example of an employee who will benefit from the new overtime rules. According to the Bureau of Labor, the median salary of restaurant managers is about \$47,960 a year, and on average they work 50-plus hours a week. These workers and those in other professions will finally get to reap the reward of their hard work.

However, there may be one factor that keeps employees from receiving the benefits attributed to working extra hours: the employer. For many companies across the nation, the bottom line may keep them from actively participating in this new proposal. In the restaurant industry, the labor cost is so tightly managed that the National Restaurant Association fears new policies will result in salary workers being demoted to hourly wages as well as concern that a reduction in hours will occur in order to cut costs. Employees within the company may lose interest in being promoted, no longer receiving the benefits of a rewards system once used to reach performance goals. Time will be the only judge of the efficiency and effectiveness of such a policy and whether or not it will truly benefit white-collar workers.

The Obama Administration hopes to have these new overtime rules in effect by 2016.

 [Read the full version of the Fair Labor Standards Act of 1938.](#)

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