

Statement
of the
Independent Electrical Contractors
Before the
Small Business Committee
United States House of Representatives

Hearing on
“Damaging Repercussions: DOL’s Overtime Rule,
Small Employers, and their Employees”

Washington, DC

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**Independent Electrical
Contractors**

Independent Electrical Contractors

4401 Ford Avenue, Suite 1100

Alexandria, VA 22302

Ph 703.549.7351 ■ 800.456.4324 ■ Fx 703.549.7448

www.ieci.org

Chairman Chabot, Ranking Member Velázquez and Members of the Committee,

On behalf of the Independent Electrical Contractors (IEC), thank you for holding a hearing titled “Damaging Repercussions: DOL’s Overtime Rule, Small Employers, and their Employees” that examines the Department of Labor’s (DOL) rule changing the criteria for the executive, administrative, professional, outside sales, and computer employee exemptions from the overtime requirements under the Fair Labor Standards Act (FLSA). DOL’s rule, which increases the minimum salary to qualify as an exempt employee from the current \$455 per week (or \$23,660 per year) to \$913 per week (\$47,476 annually) effective December 1, 2016, is an unprecedented increase of over 100%. IEC opposes this massive increase due to the negative impact it will have on IEC member companies, most of which are small businesses, and their employees and urges you to support H.R. 4773, the Protecting Workplace Advancement and Opportunity Act, which would, among other things, prevent this increase from going into effect.

Established in 1957, IEC is a trade association representing 3,000 members with 50 chapters nationwide. Headquartered in Alexandria, Va., IEC is the nation’s premier trade association representing America’s independent electrical and systems contractors. IEC National aggressively works with the industry to establish a competitive environment for the merit shop – a philosophy that promotes the concept of free enterprise, open competition and economic opportunity for all.

DOL’s increased salary threshold is higher than minimums set under any state laws—more than \$10,000 higher than that of California and more than \$15,000 higher than that of New York, two of the states with the highest costs of living and the highest salary thresholds. DOL’s dramatic increase will fall disproportionately on workers in cities and states with lower costs of living. For example, white collar workers in West Virginia, Nebraska, Oklahoma and Kentucky may be classified as hourly even though they do the same work as employees classified as exempt in New York and California because of regional differences in pay, which are reflective of regional differences in cost of living.

Many employees classified or reclassified as hourly, nonexempt workers, because of this proposal will lose benefits associated with exempt status. Employers must closely track nonexempt employee’s hours to ensure compliance with overtime pay and other requirements. As a result, nonexempt employees often have less workplace autonomy and fewer opportunities for flexible work arrangements, career training and advancement than their exempt counterparts. In addition, the FLSA’s rigid rules with respect to overtime pay also make it complicated for employers to provide hourly employees with certain incentive pay and bonuses. Thus, the proposal may cause a seismic shift, greatly reducing opportunities to work remotely, work part time, work around doctors’ appointments, handle every day errands, or even carry a smartphone to check emails after work hours—in other words, workplace flexibility would be drastically limited.

Additionally, while changing the automatic increase from every year to every three years is an improvement, this provision is still unauthorized by the statutes and will still mean that future increases will go into effect without the benefits of a rulemaking, and without taking exigent economic conditions into account.

As for the impact the DOL’s rule would have specifically on merit shop electrical contractors, the Committee need only look to the impact it would have on electricians looking to move up within a company. Within most merit shop electrical contractors, young people are hired and enter a four year

apprenticeship program where they work during the day and go to school in the evenings. At the end of their training period they are electricians and are still paid on an hourly rate. However, the best and most motivated among them attempt to make the jump from the field to the office and start a career track that leads them toward a management position, normally starting in the office as an estimator.

The job of an estimator is to quantify the labor and materials required to complete a project from drawings provided by owners who are soliciting bids from several contractors. Their work hours can vary widely because the number of owners seeking bids for electrical work does not follow any regular trend. Some weeks there is nothing to estimate while other weeks there are more bid solicitations than can be completed in a typical 40-hour work week.

One of the benefits of making the jump from electrician, where the employee is paid hourly, to that of an estimator, where the employee is paid a salary, is the certainty that comes from knowing how much money will be in their paycheck from week to week. Even though an entry level estimator does not make a lot of money, they never have to worry about a week when they are only paid for 20 hours of work because there wasn't much work to bid.

Another benefit to moving up within the industry as a salaried estimator is becoming eligible for bonuses. The salaried employees in many of our member companies that work to help make their company profitable will often times share in the profits at the end of the year with being rewarded with a bonus. Bonuses are typically rewarded each year commensurate with both the success of the company and the level of commitment of the individual employee, including consideration for extra hours worked. By raising the threshold to an amount that is in the range where many salaried employees are currently paid, contractors will be forced to reclassify many from salary back to hourly. For example, a salaried employee paid \$42,000 per year may occasionally work more than 40 hours in one week. However, at the end of the year this employee might receive a sizeable bonus.

In addition, merit shop electrical contractors will have to adjust schedules and demands on certain employees within the company. For example, when the time arises and extra help is needed, most businesses will request the salaried employees who are paid above the threshold amount to work longer hours, and those who are paid on an hourly bases will be sent home. This removes the ability of the lower paid employee to earn extra money. Not only will overtime pay not be available to them, but the bonuses at year end will go to the salaried employees, which will also lead to a widening of the income gap.

DOL's overtime rule is a costly change that our merit shop electrical contractor members simply cannot absorb and will negatively affect their employees and the economy as a whole. Consequently, IEC urges you to support H.R. 4773, the Protecting Workplace Advancement and Opportunity Act. This important piece of legislation would nullify the DOL's rule, require the DOL to conduct a comprehensive economic analysis on the impact of mandatory overtime expansion to small businesses, nonprofit organizations and public employers, prohibit automatic increases in the salary threshold and require that any future changes to the duties test must be subject to notice and comment.