

Damaging Repercussions: DOL's Overtime Rule, Small Employers, and their Employees

On behalf of the more than 6,000 community banks represented by ICBA, we thank Chairman Chabot and Ranking Member Velazquez for convening today's hearing entitled: "Damaging Repercussions: DOL's Overtime Rule, Small Employers, and their Employees." ICBA and community bankers nationwide are seriously concerned about the real world impact of the Department of Labor (DOL) final rule titled: "Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees."

The rule will significantly restrict current exemptions under the Fair Labor Standards Act so that fewer administrators, executives and sales commissioned staff are exempted from overtime pay. In particular, ICBA opposes a high nationwide salary test for the exemptions. The DOL rule more than doubles the salary test from \$23,660 to \$47,476, without any adjustment to reflect wide regional variation in cost of living, and permanently indexes the threshold for inflation.

Further, reclassification of employees who are currently exempt from overtime pay will limit their flexibility, bonus or incentive pay availability. More fundamentally, reclassification will change the character of their jobs, their professional incentives, and even their career path. Moreover, broadening the number of small business employees subject to overtime pay will increase not only personnel costs but also administrative costs, since it will force these businesses to track the overtime hours of more employees. The final rule will directly reduce wages and employee benefits and curb hiring.

The above concerns are why ICBA stands in support of the Protecting Workplace Advancement and Opportunity Act (H.R. 4773), introduced by Representative Tim Walberg (R-Mich.), which would effectively nullify the DOL rule and prohibit the agency from issuing a substantially similar rule without first conducting a thorough analysis of its impact on all employment sectors. That analysis must include hard dollar costs as well as non-financial costs including workplace flexibility, benefit structure, career advancement opportunities, business formation, and business termination.

ICBA urges the House to take up and pass H.R. 4773 on an expedited basis before the new rule becomes effective to avert significant harm to thousands of small businesses, including community banks, and their employees.

Again, ICBA would like to commend Chairman Chabot and Ranking Member Velazquez for convening this critical hearing.

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