**MICHIGAN OVERTIME RULE EXPANSION**

**QUESTION AND ANSWER**

**GENERAL**

**Q: WHY ARE YOU RAISING THE OVERTIME THRESHOLD?**

**A:** In America, hard work should be recognized and rewarded. That’s why I’m taking historic action to protect the 40-hour work week by expanding the right to overtime pay for thousands of Michigan workers. Strengthening paychecks is good for families, good for business, and good for our economy. It’s time to get it done.

**Q: WHAT IS THE NUMBER/RANGE THAT YOU ARE REQUESTING FOR OVERTIME PAY?**

**A:** While we’ve seen strong job growth since the Great Recession, too many of our residents still struggle to make ends meet today. That’s what the rulemaking process is for — listening to stakeholders and determining what the right number is for Michigan workers. I think President Obama gave us a good number to start looking at, which would be $51,000 today. For context, we also know from the United Way’s ALICE report that a family of four needs about $61,000 each year just to afford the basics like food, housing, and health care. I’m hopeful that this rulemaking process can help us reach the right number for Michigan’s working families, and help lift more people into the middle class.

*Note: The Obama overtime rule of $47,000 was equal to the 40th percentile of weekly earnings for full-time salaried workers in the lowest-wage Census region, currently the South. The Whitmer overtime rule is between the Obama number adjusted for inflation in today’s dollars at $51,000 and the ALICE number at $61,000.*

**Q: WHY ARE YOU RAISING THE OVERTIME RULE JUST A FEW WEEKS AFTER THE TRUMP ADMINISTRATION FINALIZED ITS OWN OVERTIME RULE?**

**A:** Michigan’s new overtime rule is simply about ensuring that people who work overtime are paid for their work -- and that hasn’t been the case for far too long. In 1975, approximately 63 percent of salaried workers were entitled to overtime pay when they worked more than 40 hours compared to just five percent of working people today. These historic actions will ensure that we can begin closing the gap on pay equity and ensure that Michigan is a home for opportunity for working families.

**Q: WHICH EMPLOYEES WILL BE AFFECTED BY THE NEW OVERTIME RULE?**

**A:** Currently, hourly workers are entitled to the right to overtime pay, and they will continue to receive those rights.The new overtime rule will expand the right to overtime to nearly 200,000 salaried workers by increasing the threshold. Previously only salaried workers earning up to $23,660 were eligible for overtime pay.

**Q: WHICH EMPLOYEES WILL NOT BE AFFECTED BY THE NEW OVERTIME RULE?**

**A:** All existing exempt employees are statutorily exempt, such as firefighters, hospital personnel, law enforcement, teachers, administrators, and workers under collective bargaining agreements.

**Q: ARE THERE EXEMPTIONS TO THE OVERTIME RULE THAT YOU ARE PROPOSING?**

**A:** The rulemaking process will allow stakeholders from all backgrounds to provide input as we move forward to expand the right to overtime for Michiganders.

**Q: WHAT KIND OF JOBS WOULD BE IMPACTED BY THESE CHANGES?**

**A:** The rule covers middle managers, administrative staff, and skilled professionals like graphic artists or programmers. Take the restaurant industry as an example. You are talking about new protections for the manager of that McDonald’s restaurant, which today the rule treats the same as McDonald’s highly paid executives. The working people who will receive new overtime protections from the rule span Michigan’s most important industries – think of a manufacturing line manager, a team leader of nurse practitioners, or the supervisor at your local supermarket.

**BUSINESS**

**Q: WON’T THIS OVERTIME RULE BE TOO EXPENSIVE FOR MICHIGAN BUSINESSES, AND ADVERSELY IMPACT GROWTH AND ATTRACTION IN OUR STATE?**

**A:** Increasing the number of salaried workers with the right to overtime pay will help build up the middle class by creating more stable communities and increasing the quality of life for all Michiganders. When people have more, they spend more and local businesses will be among the biggest beneficiaries of this important policy change.

**Q: WON’T EMPLOYERS SCALE BACK HOURS, HIRE NEW EMPLOYEES, OR CONVERT SALARIED WORKERS TO HOURLY WAGES AND REDUCE THEIR TAKE-HOME PAY?**

**A:** When the Obama Administration proposed their overtime rule, Goldman Sachs conducted a study that found that expanding the right to overtime pay will lead to more new jobs. In addition, 57 percent of surveyed businesses — including Walmart, Lowe’s, Comerica, RiteAid, Target, Talmer Bancorp — said that they would voluntarily expand overtime pay protections to their employees.

**Q: WON’T THE NEW OVERTIME RULE BE ESPECIALLY ONEROUS FOR SMALL BUSINESSES?**

**A:** This directive begins the process, which will allow for businesses to participate and provide input, and we're looking forward to that participation as we move forward with the finalization process. For example, the five states that have expanded overtime rights have included a phase in for their rule. When workers are paid fairly, it allows them to further invest in Michigan's economy, which will create a long-lasting positive impact on businesses.

**Q: ARE YOU CONCERNED ABOUT BACKLASH FROM BUSINESSES AND BUSINESS GROUPS?**

**A:** I was elected by Michiganders to serve Michiganders. When Michiganders are paid fairly, it allows them to further invest in Michigan's economy, which will create a long-lasting positive impact on businesses. We are submitting a request for rulemaking, which begins a process that will include input from stakeholders at all levels to determine a level that works for our state.

**Q: ARE YOU CONCERNED THAT COSTS WILL INCREASE FOR BUSINESSES BECAUSE THEY WILL HAVE TO KEEP TRACK OF SALARIED EMPLOYEES HOURS?**

**A:** I’m concerned that the cost to Michigan workers by doing nothing is too great. We know that working people need a salary between $51,000 to $61,000 to afford the basics and support their family, but our laws only provide overtime protections for people earning up to $23,000. The rulemaking process will include input from stakeholders at all levels to determine what the right number is for Michigan workers

**AUTHORITY**

**Q: DO YOU HAVE THE LEGAL AUTHORITY TO EXPAND THE RIGHT TO OVERTIME FOR MICHIGAN WORKERS?**

**A:** Yes, I have full confidence in my authority to expand the right to overtime for Michigan workers.

**Q: DOES THIS CONFLICT WITH THE U.S. DEPARTMENT OF LABOR’S NEW OVERTIME RULE?**

**A:** No. President Trump took a big step backwards when he implemented a rule that leaves 200,000 Michigan workers behind. Federal law permits states to expand the right to overtime pay beyond the federal minimum, and that’s exactly what we are doing today.

**Q: ARE YOU CONCERNED ABOUT BEING SUED AFTER THE OBAMA OVERTIME RULE WAS SHOT DOWN IN COURT?**

**A:** Section 4a of the Improved Workforce Opportunity Wage Act empowers LEO and Director Donofrio to take appropriate actions to expand the right to overtime pay for Michiganders. Additionally, five states have expanded the right to overtime pay:

* California is raising its threshold to $62,400 by 2022.
* Massachusetts will reach $64,000 by 2024.
* Pennsylvania is phasing in new rules over four years to $47,892 by 2022.
* New York is increasing to $48,750 by 2021.
* Washington is raising its threshold to $70,000 in 2020 dollars by 2026.

**Q: DOES THIS CONFLICT WITH THE “NO STRICTER THAN FEDERAL” LEGISALTION THAT WENT INTO EFFECT?**

**A:** No. That legislation does not apply to the rules redefining the overtime threshold.

**PROCESS**

**Q: WHAT HAPPENS AFTER YOU DIRECT LEO TO BEGIN THE OVERTIME RULE PROCESS? WHAT ARE THE NEXT STEPS?**

**A:** The announcement today begins the process to expand the right to overtime pay to nearly 200,000 Michiganders. Under my directive, LEO will submit a request for rulemaking, solicit stakeholder input, issue a provisional rule, seek formal public comment, and finalize an overtime threshold.

**IF PUSHED:** We hope to have a draft proposal by early next year.

**Q: HOW MANY HEARINGS WILL YOU HOLD?**

**A:** Again, that is part of the process, but we want to make sure that there is input from stakeholders at all levels to determine what the right number is for Michigan workers.

**Q: WHERE WILL THE HEARINGS BE HELD?**

**A:** Again, that is part of the process, but we want to make sure that there is input from stakeholders from across the state to determine what the right number is for Michigan workers.

**ECONOMIC/FISCAL IMPACT**

**Q: HOW MANY STATE EMPLOYEES WILL BE AFFECTED? HOW MUCH WILL THIS COST THE STATE OF MICHIGAN TO PAY THEIR EMPLOYEES OVERTIME?**

A: This would impact roughly 4,500 state employees. The cost would be approximately $8 million. But I want to remind you that we are simply paying people for the overtime hours that they would work to keep our state running.

**Q: HOW MUCH WILL THIS COST THE STATE OF MICHIGAN TO IMPLEMENT?**

A: We are already seeing the cost to the state in terms of lost wages. When people have more, they spend more and that will only lead to greater economic prosperity, which is always a benefit for our state.

**IF PUSHED:** The state already monitor overtime pay, but at a level that was far too low for Michiganders to provide for their families. This will still be the same process, but at a level that ensures working families have what they need to survive.

**Q: HOW DO YOU ANTICIPATE THIS WILL IMPACT THE STATE’S ECONOMIC OUTLOOK?**

A: This will have a positive impact on the state. It is good for working people, good for businesses, and good for our economy. The level that is set will determine the impact on the state, and we look forward to sitting down with working people, businesses, and organizations during the process to find the right number that works for our state.