

Impact of Proposed Federal Overtime Rule on Small Businesses



In March 2019, the U.S. Department of Labor (DOL) released a Notice of Proposed Rulemaking (NPRM) to revise the federal overtime regulations, kicking off a 60-day public comment period to gather feedback. The proposal would increase the standard salary threshold for executive, professional, and administrative white-collar workers to \$35,307 per year (\$679 per week) from the current level of \$23,660 per year (\$455 per week) that was established in 2004, meaning all employees who meet the applicable duties test under the existing regulations but earn less than the new salary threshold must receive time and one-half their hourly regular rate for all hours worked more than 40 in a workweek. To help understand the anticipated impact of the proposed rule both on businesses, as well as employees, Paychex conducted an analysis of its small business clients with 1 to 49 employees, examining the data at a national level, then by region, state, and industry type.

National

	Businesses*	Employees**
National	19.5%	3.6%

Region

	Businesses*	Employees**
Midwest	20.6%	3.5%
Northeast	19.1%	3.6%
South	23.2%	4.3%
West	15.6%	2.8%

State

	Businesses*	Employees**
Arizona	20.7%	3.7%
California	14.4%	2.6%
Florida	23.7%	4.6%
Georgia	24.8%	4.6%
Illinois	19.6%	3.4%
Indiana	22.8%	4.0%
Maryland	18.9%	3.4%
Massachusetts	15.9%	3.0%
Michigan	20.4%	3.3%
Missouri	19.2%	3.7%

	Businesses*	Employees**
New Jersey	20.8%	3.8%
New York	20.0%	4.0%
North Carolina	25.0%	4.4%
Ohio	22.9%	3.8%
Pennsylvania	20.5%	3.5%
Tennessee	24.7%	4.5%
Texas	22.5%	4.3%
Virginia	20.7%	3.7%
Washington	14.6%	2.2%
Wisconsin	20.2%	3.1%

*Businesses with employees in the salary range of \$23,660-\$35,307

**Employees affected in the salary range of \$23,660-\$35,307



Payroll | Benefits | HR | Insurance

Industry

	Businesses*	Employees**
Accommodation and Food Services	24.9%	2.5%
Administrative and Support and Waste Management and Remediation	19.2%	3.8%
Arts, Entertainment, and Recreation	22.4%	4.0%
Construction	14.5%	2.7%
Educational Services	30.2%	7.0%
Finance and Insurance	22.1%	5.7%
Health Care and Social Assistance	15.3%	2.7%
Manufacturing	18.0%	2.1%
Other Services (except Public Administration)	23.5%	5.8%
Professional, Scientific, and Technical Services	16.9%	3.3%
Real Estate and Rental and Leasing	19.5%	4.7%
Retail Trade	22.0%	3.6%
Transportation and Warehousing	21.8%	4.0%
Wholesale Trade	22.4%	3.5%

Business Size

	Businesses*	Employees**
01-19 Employees	18.0%	4.5%
20-49 Employees	30.2%	2.3%

Methodology

The analysis uses aggregated payroll information from March 2019 for a subset of Paychex clients with 1-49 employees. Results are summarized to the employee level, with salaries annualized. Salaried employees that are paid overtime are reported in the non-salary employee category. The state analysis is based only on the 20 largest states, based on U.S. population. Definitions of the industry sectors reported can be found at https://www.bls.gov/iag/tgs/iag_index_naics.htm. For this report, the following industries were excluded: Agriculture, Forestry, Fishing, and Hunting; Information; Management of Companies and Enterprises; Public Administration; and Utilities.