

Testimony in Support of HB-5678

House Committee on Labor

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The Economic Progress Institute strongly supports **Representative Potter's HB-5678**, which would help ensure that low-income and modest-income workers are paid fairly for their work and not exploited. This legislation would provide this protection by preventing employers from classifying low-wage workers as salaried workers rather than as hourly wage workers to avoid paying them overtime. The proposal would adjust the state salary threshold for overtime pay up to 1.5 to 2.5 times the minimum wage over the next three years to determine eligibility for overtime pay (with adjustments for smaller and larger employers).

The Fair Labor Standards Act (FLSA) establishes the federal minimum wage and requires employers to pay overtime (time-and-a-half) for hours worked over 40 in a week. Historically, the FLSA's overtime protections covered both blue-collar and many white-collar workers (1). However, FLSA exempts bona fide executive, administrative, and professional (EAP) employees from overtime and minimum wage protections. To qualify for this exemption, employees must pass both a "duties test" and a "salary test." Currently, the U.S. Department of Labor (DOL) rules set the salary threshold for overtime at \$684 per week (\$17.10/hour), equivalent to an annual salary of \$35,568 (9).

This salary threshold is not reflective of the state's economic needs, and many low- and modest-income workers will be left without adequate compensation for overtime worked (7,8). This includes frontline supervisors, paralegals, and office managers, who frequently face misclassification and are subsequently denied overtime compensation (1).

For example, a Burger King manager earning \$41,600 annually (starting salary approximately \$38,807 in 2025[10]) (\$20/hour for a 40-hour workweek) would not be eligible for overtime and could be required to work 80 hours due to staff shortages. This reduces the effective hourly wage to \$10/hour, which is \$5/hour below the current RI minimum wage. Even with 15 extra hours a week (55 hours), their total compensation per hour still falls below minimum wage. As a social caseworker for over 20 years in Rhode Island and a resident for nearly 50 years, I have witnessed the financial stress that forces low-income workers to put in more hours. Additionally, I have seen the burnout from excessive work hours, leaving no time for personal lives or families. It is common in the retail and restaurant industries for salaried employees, such as managers and assistant managers, to work overtime without additional compensation (2). These industries often require extended hours, especially during peak seasons or busy periods (3). Extended hours without additional pay can lead to burnout and high stress levels, especially around times when families gather, such as on holidays (3). Chronic overwork can negatively impact mental health, leading to anxiety and depression (3). Without overtime pay, employees

may struggle financially and feel undervalued and exploited, leading to job dissatisfaction and higher turnover rates (3).

Implementing higher salary thresholds for overtime exemption can provide stronger protections, fair compensation, and improve employee well-being (3,4). Additionally, women and people of color, who are often overrepresented in low- and modest-income positions, would particularly benefit from updated overtime rules. Enacting this legislation would increase equity and protection for many hard-working Rhode Islanders who are just trying to survive. These measures are designed to rectify the shortcomings of the federal threshold and enhance protections for workers and to do so in steps over three years while recognizing the differences between smaller and larger employers.

Representative Potter's HB-5678 would help ensure fair compensation for overtime work, improving the economic well-being of low- and moderate-income workers in Rhode Island. Strengthening labor protections would also address systemic inequalities in the workforce. Additionally, providing overtime pay would allow workers to spend more time with their families and communities, thereby improving overall quality of life. The Economic Progress Institute urges passage.

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