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Overworked America

The economic causes and consequences
of long work hours

May 2016 | Heather Boushey and Bridget Ansel

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Introduction

When economists and policymakers talk about good jobs, they tend to focus on issues of pay and benefits, and the ability to provide for one's family. Yet even among those with so-called good jobs, an array of research and media stories tell of an increasing number of workers—men and women alike—who are frazzled and stressed as they try to manage outside demands such as school, community obligations, children, aging parents, and their own health while still succeeding at jobs characterized by long hours and little flexibility.

While the mainstream discussion surrounding overwork tends to focus primarily on high-income, white-collar workers, long hours are now common across a variety of occupations, with consequences for families and the economy that go beyond a few bleary-eyed mornings. The media often frames overwork as a personal choice cured by better organization, creative time management, or more caffeine. But overwork is not simply a personal problem; it's an economic issue, which this report will explore. On the firm side of the ledger, those who work long workweeks do not necessarily produce the gains in output that we assume. As we lay out, research shows that long hours are associated with declining gains in productivity. Further, overwork lowers demand for other workers, meaning there are fewer jobs to go around.

On the family side of the ledger, overwork can reduce the supply of workers in the labor force. Some workers—often women or those with caregiving responsibilities—may be forced out of a job or the labor market altogether if a profession requires long hours. This hit to the labor market not only hurts families in an era in which women's incomes are essential for economic well-being. It can also dampen the labor supply of some workers and reduce the chance that these workers will find a job matching their skills. Research shows that work-family conflict (which manifests itself in many different ways, including overwork) is hurting the U.S. labor force participation rate, with long-term implications for our national prosperity going forward. The evidence shows that giving workers more control over their time benefits families, firms, and the economy.¹

Policy has a role to play in leveling the playing field and shifting the way in which we think about work and productivity. There is one federal law that sets the rules for work schedules: the 1938 Fair Labor Standards Act. While the law does not prohibit overtime, it increases the cost for employers when they require certain “non-exempt” employees to work more than 40 hours a week. With some exceptions, employers are required to pay all hourly employees time-and-a-half pay for any hours over 40 in a given workweek. Very few salaried employees, however, are covered under the current law: Only 8 percent of full-time salaried workers earn below the threshold, although many others who earn above the threshold may be covered because they do not meet the duties test for exemption. That means that employers can require most salaried workers to put in unlimited hours at no additional direct cost to the firm. The Fair Labor Standards Act also does not require that employers give advance notice of overtime, nor does it prohibit mandatory overtime.²

Changes in how firms do business and other economic trends have slowly eroded the strength of some provisions, and some issues are not even addressed at all. That means that today, too many have to cope with overwork. But there are solutions. The Department of Labor has been working on new overtime regulations, proposing to increase the threshold for overtime pay from \$23,660 a year to \$50,400. The Department of Labor estimates that 4.65 million workers will become eligible for overtime once the new rule is implemented; outside estimates predict that number will be far higher.³

There are other steps we need to take as well. While the administration’s new overtime regulations are an important first step, the problems of overwork affect workers up and down the income spectrum, hourly and salaried alike. Overtime rules are too often unenforced, and the classification system does not address the realities of today’s workforce. And the Fair Labor Standards Act provides no protections for unpredictability or the need for workplace flexibility for employees.

This report examines overwork in America. We begin by looking at current policy and who works long hours. We then provide an overview of the economic implications around the status quo. Finally, we evaluate different policy solutions with a focus on what they might mean for the economy as a whole, recommending that policymakers enforce current overtime law, cover more workers under current law, improve the law by giving employees greater input into the hours they work, and improve the landscape for coping with overwork.

Regulation of work hours: The Fair Labor Standards Act

U.S. employees who work long hours face different challenges depending on whether or not they are covered by the Fair Labor Standards Act. The FLSA was signed into law by President Franklin D. Roosevelt in 1938. It established a minimum wage, outlawed child labor, and defined the regular workweek as 40 hours in order to protect workers from “starvation wages and intolerable hours,” prevent the health and safety risks affiliated with long hours, and encourage employers to hire more people to decrease unemployment.⁴

In terms of overtime law, the FLSA lays out two categories of workers, which we refer to as “covered” and “exempt.” If a covered (also referred to as “non-exempt”) employee works beyond 40 hours a week, they must be paid at least one-and-a-half times their regular hourly pay. Economists estimate that the overtime provisions of the FLSA currently cover about two-thirds (66.4 percent) of the total workforce.⁵

Those who are not granted protections under the Fair Labor Standards Act are defined legally as “exempt.” That means employers can demand unlimited hours from these employees without paying them more than their usual salary.⁶ There are a handful of professions that are singled out as excluded from the law, including airline employees and outside sales staff.*

Under current law, in most cases, an employee is covered by the FLSA overtime protections if they are paid on an hourly basis—about 60 percent of American workers—but coverage for salaried workers is more complex. Within most professions, an employee is considered exempt from the rules of the FLSA if that employee:

- Earns more than \$23,600 per year (\$455 per week)
- Is paid on a salaried basis
- Performs exempt job duties for executive, administrative, or professional employees

In addition, highly compensated employees—those earning more than \$100,000 annually—are exempt as long as they “customarily and regularly” perform at least one of the exempt job duties.⁷

The Fair Labor Standards Act only applies to people considered by the law to be employees. This means that “independent contractors”—who under the Fair Labor Standards Act are defined as workers who are economically dependent on themselves rather than an employer as determined through the FLSA’s “economic realities” test—are simply left out of the conversation. This poses challenges for many workers in today’s economy. There is evidence that a growing share of the U.S. workforce is made up of independent contractors, and many of these workers are in the much-discussed “gig economy.”⁸

There are also different overtime rules for government workers. One difference is that these employees may receive compensatory time, or “comp time,” instead of time-and-a-half pay for hours worked in excess of 40 hours per week. This is only the case if both the employer and employee agree that the employee will receive comp time instead of overtime pay, and this agreement may either be at the individual level or done through a collective bargaining agreement. Like overtime pay, comp time is calculated at one-and-a-half times the number of overtime hours an employee worked. If an employee leaves the job, the employer must pay for any unused comp time.⁹

Time for an update?

Almost 80 years after its initial implementation, the FLSA remains an important source of protection for covered workers. Research shows that it serves as a financial deterrent to employers who would otherwise ask covered workers to put in long hours. For those who do work beyond the standard week, the overtime premium adds extra income.

In practice, however, the rules governing who is and is not covered by the overtime protections are not always clear, especially with the introduction of new technologies and economic changes over time. Employers must interpret the rules and how they do can leave workers uncovered. The law’s ambiguities also create challenges in enforcement. But even if the law was fully enforceable, the rules

around exemptions are increasingly outdated and can distort the problems that many workers face in today's economy. The overtime protections provided by the Fair Labor Standards Act are outdated in four ways:

- Current law is too often unenforced.
- The threshold to exempt salaried workers is too low.
- Too many workers are subject to mandatory overtime.
- The classification system for covering workers is outdated.

We briefly examine each of these problems with the law in turn.¹⁰

Current law is too often unenforced

One concern with the law is that the overtime provisions are difficult to enforce. Employers have to prove that their workers perform a certain number of “exempt job duties” that are managerial in nature. But, by giving low-paid workers titles such as assistant manager or shift supervisor, they can seek to increase the number of their employees who are exempt (although an enforcement agent would not agree). This means that employers can compel more workers to put in many extra hours beyond the 40-hour limit without any subsequent increase in pay.¹¹

What's more, researchers have documented that a large number of workplace violations go undocumented. Susann Rohwedder and Jeffrey B. Wenger of the RAND Corporation found that 19 percent of hourly workers do not receive overtime wages promised under the Fair Labor Standards Act, and 11.5 percent of salaried employees are misclassified as exempt despite not meeting the exemption criteria.¹² Similarly, Annette Bernhardt, Ruth Milkman, and their co-authors surveyed 4,387 low-wage workers in Chicago, Los Angeles, and New York. They found that 76 percent of the respondents that had worked more than 40 hours in the previous week were not paid the legal overtime premium for these hours.¹³

Enforcement of all labor laws, including those related to work hours, depends on workers' willingness to report violations. Yet this “bottom-up” system rests on the assumption that workers have sufficient knowledge of our complex legal system to identify when their rights are violated. Georgia State University's Charlotte

Alexander and Arthi Prasad found that 60 percent of the workers they surveyed did not fully understand their minimum wage and overtime rights, and three-quarters of their sample did not know where to file a report regarding workplace violations. Furthermore, many workers—especially those in the low-wage labor market—face strong incentives to stay silent in the face of violations for fear of employer retaliation. These concerns are well-founded: Alexander and Prasad reported that 43 percent of workers who made claims experienced employer retaliation in the 12 months preceding the survey.¹⁴

The threshold to exempt salaried workers is too low

The salary threshold has been updated only once since 1975, and today the current threshold of \$455 per week (\$23,660 a year) is below the poverty threshold for a family of four. In 1975, 62 percent of full-time salaried workers (about 12 million workers) had a salary below the threshold and were therefore eligible for overtime, although many others above the threshold may be eligible based on their duties. But Congress did not tie the salaried overtime threshold to inflation and it eroded over time. Now, only 8 percent of salaried workers (about 3.5 million) earn below the threshold.¹⁵

In June 2015, the U.S. Department of Labor proposed new regulations to increase the earnings threshold for covered workers to \$50,440 a year—about the same amount it would have been in 1975 if inflation had been factored into the threshold wage over that period. The department estimates that this will directly benefit 13.5 million salaried workers. In addition, the transparency update to the law may benefit many salaried workers who are currently eligible for overtime by increasing awareness.¹⁶

Too many workers are subject to mandatory overtime

While workers covered by the Fair Labor Standards Act get paid an overtime premium, both covered and exempt workers are still subject to last-minute, mandatory overtime. The Fair Labor Standards Act does not prohibit dismissal or other disciplinary actions for an employee's unwillingness to work overtime, only stating that eligible workers must be paid one-and-a-half times their normal pay. But even those who earn additional income for the extra hours may not do so willingly: A 2013 survey of 1,000 adults found that one in five workers would take a 20 percent pay cut in exchange for one fewer day of work.¹⁷

Mandatory overtime and involuntary long hours are a growing problem particularly for some segments of the labor force. While exempt workers who are not paid overtime are more than twice as likely to report working more than 40 hours a week compared to covered workers, that does not mean that covered, hourly workers are immune from being forced to work longer hours than they prefer. Research by Pennsylvania State University’s Lonnie Golden and Barbara Wiens-Tuers shows that mandatory overtime has become more common over the past 25 years, especially within some occupations with a large proportion of covered and hourly workers such as nursing, construction, protective services, and operative occupations.¹⁸

The classification system for covering workers is outdated

The criteria for determining who to include in overtime protections were laid out in the 1930s. When the Fair Labor Standards Act was first implemented, Congress noted that they intended to exempt only those workers who set the workplace rules, such as managers and executives, or had a high degree of control over their time. According to the rule as written by the Department of Labor, these employees performed tasks that were “predominately intellectual and varied in character as opposed to routine mental, manual, mechanical, or physical work” and required no “active direction and supervision.”¹⁹ Congress believed that these employees did high-level work and earned more than enough to compensate them for the extra hours worked.²⁰

As a result, covered employees were primarily in the manufacturing, mining, and construction sectors, which in 1948 made up 43 percent of the nonagricultural labor force.²¹ Since that time, the United States has shifted dramatically toward a service-based economy. Today, only about 14 percent of private-sector, nonfarm workers are employed in manufacturing, mining, and construction.²² Agricultural workers were exempted from FLSA coverage until the 1950s, and home care workers—those who work in people’s homes tending to the sick and elderly—finally received overtime and minimum-wage protections in January 2015.²³

Over the past century, there have been a variety of shifts in workplace norms, as well as technology—which means we should revisit these rules.

Who works long hours?

The average length of the workweek in the United States has hardly changed since the 1970s, although we have seen an uptick in annual hours as people take less time off in the form of sick leave or vacation time. Looking at the average trend is misleading, however, as it obscures a polarization in working time. While one segment of U.S. workers is spending much more time in paid employment, another is having trouble getting enough work to make ends meet.²⁴

The figures below use the Center for Economic and Policy Research extracts of the Current Population Survey (CPS) Outgoing Rotation Group data to examine long hours across a variety of dimensions. The CPS is a nationally representative sample of the U.S. population, conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. Our sample is restricted to working-age persons (ages 16 to 64). We include both hourly and salaried workers. To ensure we had a sufficiently large sample size for all the demographic groups, we pooled together four years of survey data, from 2011, 2012, 2013, and 2014. The distribution of hours varies somewhat across the four years following the business cycle, with part-time work for economic reasons falling between 2011 and 2014.²⁵

We believe that in the context of this growing polarization of working time, we need to understand the patterns of who is working long hours—voluntarily or not—in order to better understand the economic implications. Even so, our data may contain individuals who would not consider themselves overworked: They work long weeks willingly, and without apparent negative consequences. Further, we focus on weekly rather than annual hours because it provides a window into individual and household time constraints on a day-to-day basis, and because the law that governs work hours is concerned with weekly hours.

We found that those working the longest hours in the U.S. economy are more likely to be in higher-paid professions, such as managerial and legal positions. Shifts in the way firms organize work, alongside rising inequality, have resulted in the rise of highly demanding jobs for some workers that leave them with little time to address

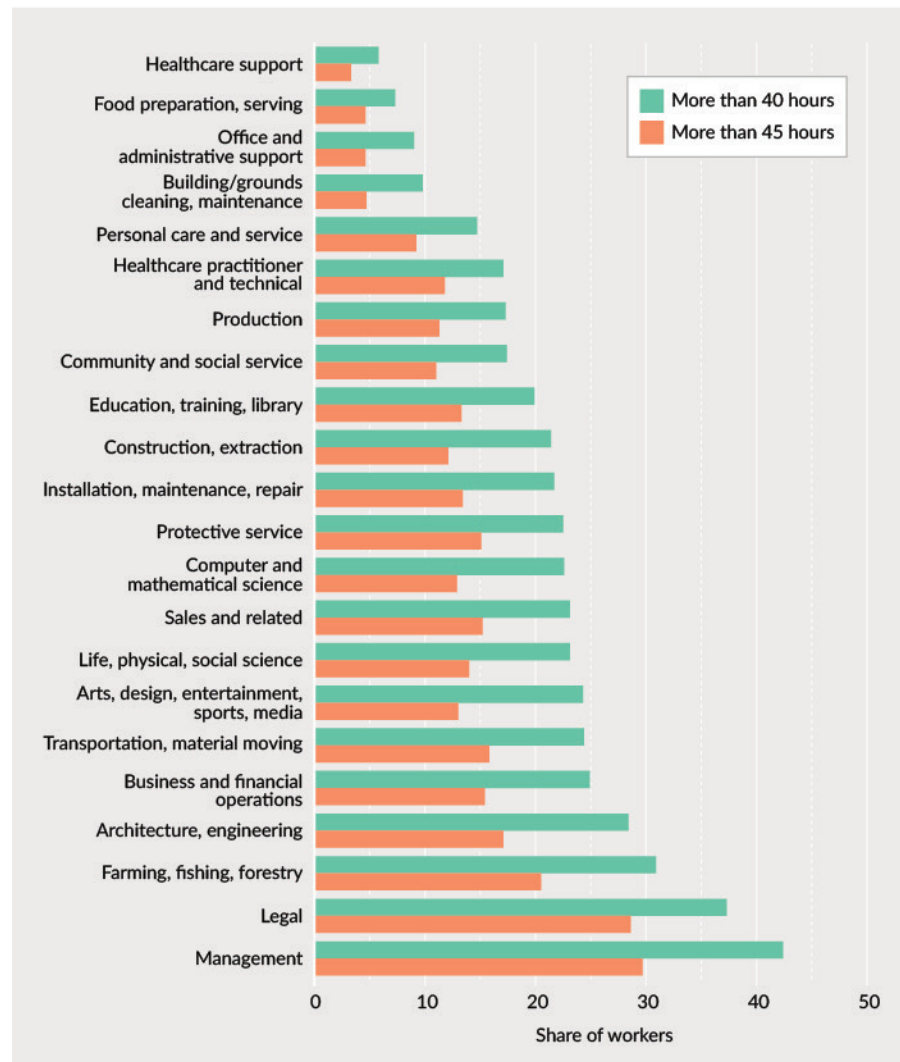
responsibilities outside the office. For workers not protected by laws on overwork, employers have little incentive to limit the workweek for certain employees.

Figure 1 shows the occupations with the share of workers working more than 40 hours, or more than 45 hours per week on average. The legal and management occupations have the highest share of employees putting in long hours: 28.6 percent of legal workers and 29.7 percent of management workers put in more

FIGURE 1

A snapshot of work hours by occupation

This chart details the share of workers in each occupation that work more than 40 or 45 hours per week, respectively.



Source: Authors' analysis of the CEPR extracts of the Current Population Survey Outgoing Rotation Group, 2011 to 2014. The data has been pooled across years to ensure large sample sizes.

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than 45 hours a week. They are followed by farming, fishing, and forestry (20.5 percent); architecture and engineering (17.1 percent); and business and financial services (15.4 percent). These occupations also have a high percentage of employees working more than 40 hours a week.

Occupations with the lowest share of workers working more than 45 hours a week are healthcare support (3.3 percent), food preparation and serving (4.6 percent), office and administrative support (4.6 percent), building/grounds cleaning and maintenance (4.7 percent), and personal care and service (9.2 percent). (See Figure 1.) Many of these occupations have a large share workers employed part-time; we will address underwork in a future brief in this series.

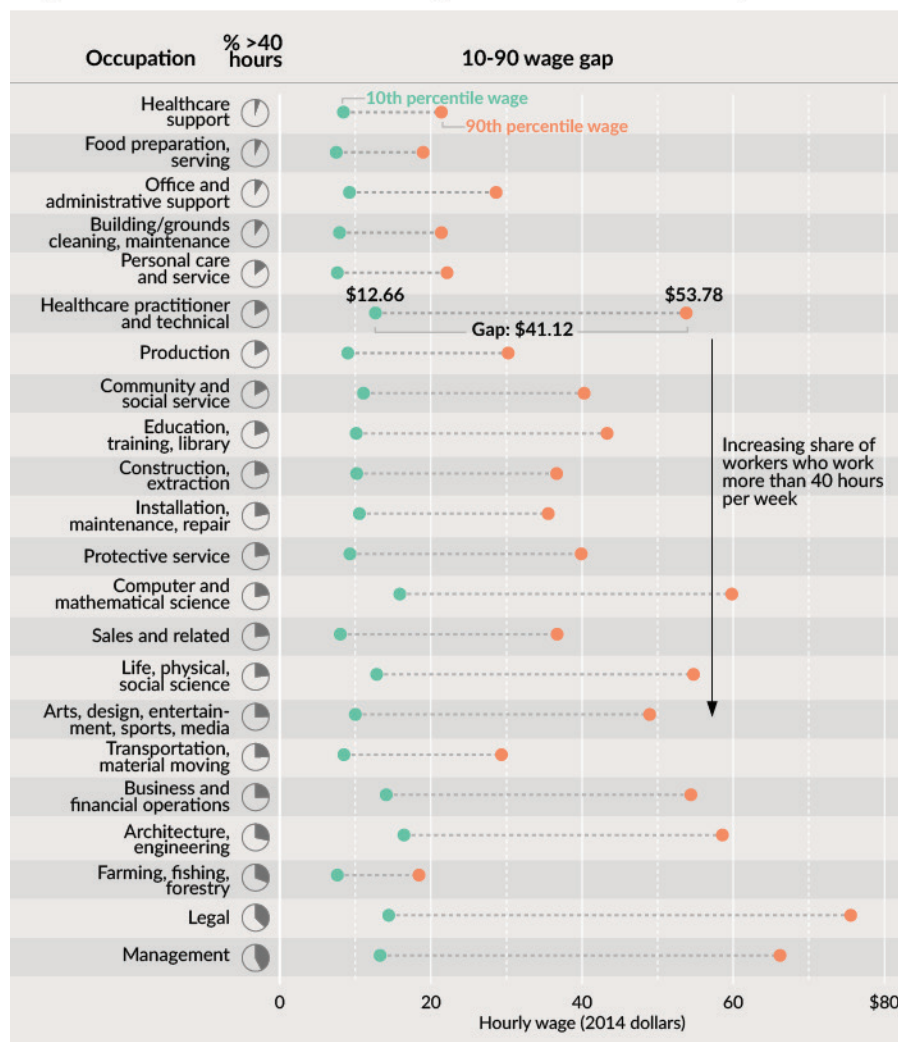
Rising economic inequality may be one cause of long hours—even for those near the top of the income and wealth ladder. Research finds that rising economic inequality increasingly causes workers—even those near the top of the income and wealth ladder—to feel financially insecure. In recent decades, employers have been downsizing their labor force—a trend exacerbated by the Great Recession that began in 2007 as employers laid off a massive number of employees while demanding more from those who survived. As work became more precarious, many salaried workers lost the bargaining power to demand compensation for the increase in hours. As competition for jobs grew, spending extra time in the office increasingly feels like a small price to pay even for those who are exempt and do not receive extra pay.²⁶

Perhaps not surprisingly, our data shows that occupations with a high level of wage inequality tend to have a larger share of employees working more than 40 hours a week. While this is not the case across every occupation, within many professional occupations—architecture and engineering, computer and mathematical science, legal, and business and finance operations—there is both a high share of workers putting in long hours as well as a large gap between the 10th and 90th percentiles of the wage distribution. (See Figure 2.)

FIGURE 2

The links between wage inequality and overwork in the United States

Wage levels and the share of workers clocking in more than 40 hours a week, 2011-2014



Source: Authors' analysis of the CEPR extracts of the Current Population Survey Outgoing Rotation Group, 2011 to 2014. The data has been pooled across years to ensure large sample sizes. Hourly wages are reported in 2014 dollars, as adjusted by CEPR using the Bureau of Labor Statistics' CPI-U-RS.

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This is consistent with a growing body of research. Linda Bell of Barnard College and Richard Freeman of Harvard University find that workers in occupations with greater wage inequality tend to work more hours. They compare labor market data from Germany and New York state and found that in the United States, a greater proportion of Americans work long hours compared to Germany. They conclude that this is because the stakes are higher for Americans, living in a country with much higher rates of economic inequality. Thus, working long hours may be

motivated by larger relative rewards of overtime pay or promotions (as well as the financial hardship they may face if they do not adhere to the occupational norm).²⁷

Scholars have found that the long work hours become embedded in certain organizational and workplace cultures. Within professional, white-collar occupations, there may be a greater element of individual control and choice over one's work hours compared to blue-collar occupations. But researchers note that the "choice" to work long hours is heavily influenced by a number of social, economic, and psychological factors.²⁸ In one in-depth study of hospitals, a doctor told Dan Clawson and Naomi Gerstel, sociologists at the University of Massachusetts Amherst, that "the ones who work the most are looked up to... You have to work harder; that gets respect. When you work more... that's a big badge."²⁹ As a greater number of workers within some professions put in longer hours, a culture of overwork becomes entrenched in the workplace culture. This phenomenon has spillover effects as the long hours create the need for 24/7 services to support those who cannot do their shopping during the Monday-Friday workweek or who need child care early in the morning or late at night. Thus, long hours for professionals trickle down into non-traditional hours for service workers.³⁰

New York University sociologist Dalton Conley calls this phenomenon of inequality and long hours an "economic red shift." He gives an evocative description of how inequality creates a "keeping up with the Joneses" phenomenon:

*Like the shift in the light spectrum caused by the galaxies rushing away, those Americans who are in the top half of the income distribution experience a sensation that, while they may be pulling away from the bottom half, they are also being left further and further behind by those just above them.*³¹

Economic insecurity for many families does not dissipate with an increase in income. In fact, Dalton argues that "the more we earn, the more we work, since the opportunity cost of not working is all the greater."³²

The close association between high pay and long hours has not always been the case. At the turn of the 20th century, before the Great Depression, economic inequality was at levels now prevalent today. At that time, leisure, not long hours, signaled privilege. If you Google the definition of "bankers' hours," it refers to the "short working hours" bankers used to enjoy, which is certainly not the case today. That definition is inconsistent with recent headlines about investment bankers such as "Deaths Draw Attention to Wall Street's Grueling Pace" and "Reflections on Stress and Long Hours on Wall Street."³³

Long hours for professionals is part of the larger shift in how the wealthiest Americans earn money. At the turn of the 20th century, the top 0.1 percent of the income distribution earned a larger share of their income through investments, which do not require long work hours in the way a daily job does. But today, the opposite is true: Thomas Piketty and Emmanuel Saez have been documenting how those at the very top of the income distribution today receive a larger share of their income from earnings than from capital.³⁴

But it is not just the highest-earning families who work long hours—not by a long shot. Figure 3 shows that one’s hourly wage does increase relative to their hours below 40 hours a week. But after the 40-hour threshold, while we don’t see large increases in hours (on average, most workers work just between 40 to 45 hours a week), there are significant differences in wages. (See Figure 3.)

FIGURE 3
The connection between hours of work and real wages in the U.S.
Number of hours worked and real hourly wage, including overtime, 2011-2014



Source: Authors' analysis of the CEPR extracts of the Current Population Survey Outgoing Rotation Group, 2011 to 2014. The data has been pooled across years to ensure large sample sizes. Hourly wages are reported in 2014 dollars, as adjusted by CEPR using the Bureau of Labor Statistics' CPI-U-RS.
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It’s also important to point out that, across occupational categories, men are more likely than women to work in occupations that require long hours. Harvard economist Claudia Goldin notes that long hours within certain professions are a key reason for the continued gender pay gap. As she puts it:

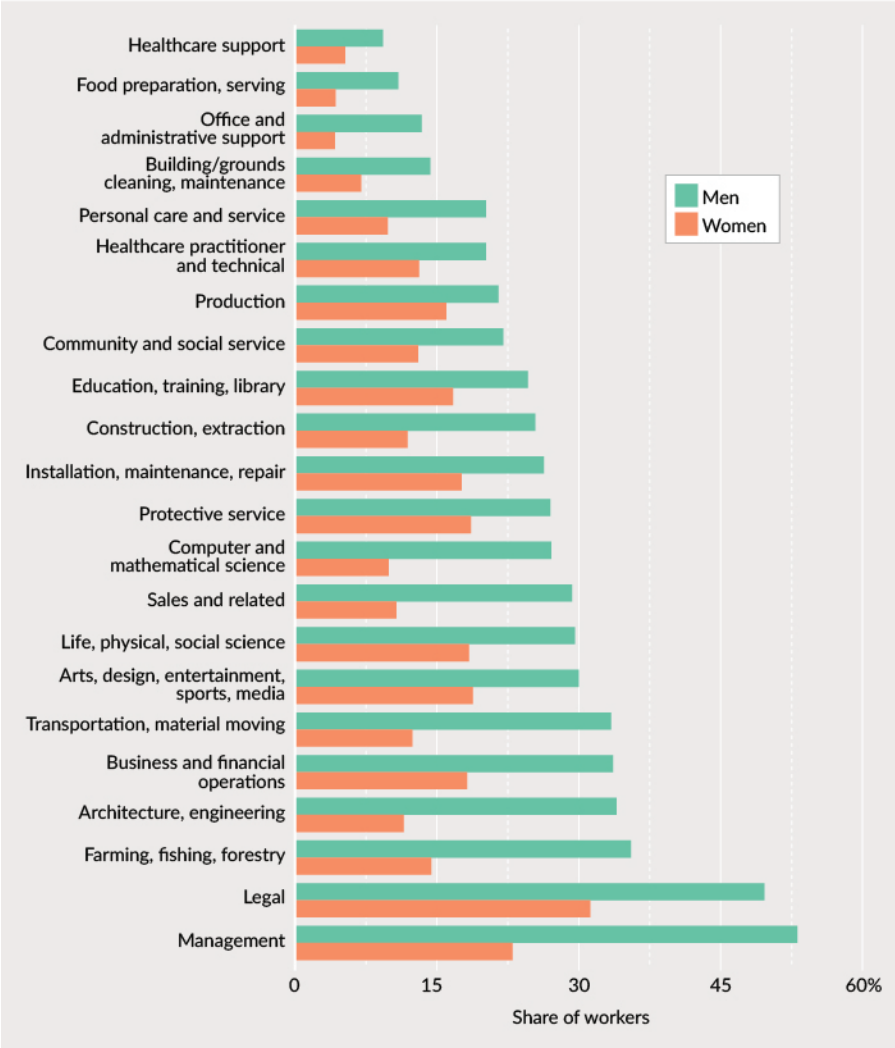
*The gender gap in pay would be considerably reduced and might vanish altogether if firms did not have an incentive to disproportionately reward individuals who labored long hours and worked particular hours.*³⁵

Goldin notes that while certain sectors, such as technology, science, and health, have moved away from this structure of work, it remains dominant in the corporate, financial and legal worlds.

There are also gaps across racial and ethnic groups: A larger share of white workers put in more than 40 hours a week compared to black and Hispanic workers. (See Figures 4 and 5.)

FIGURE 4
Who's overworked in the United States by occupation and gender

Share of men and women workers who work more than 40 hours a week by occupation, 2011-2014



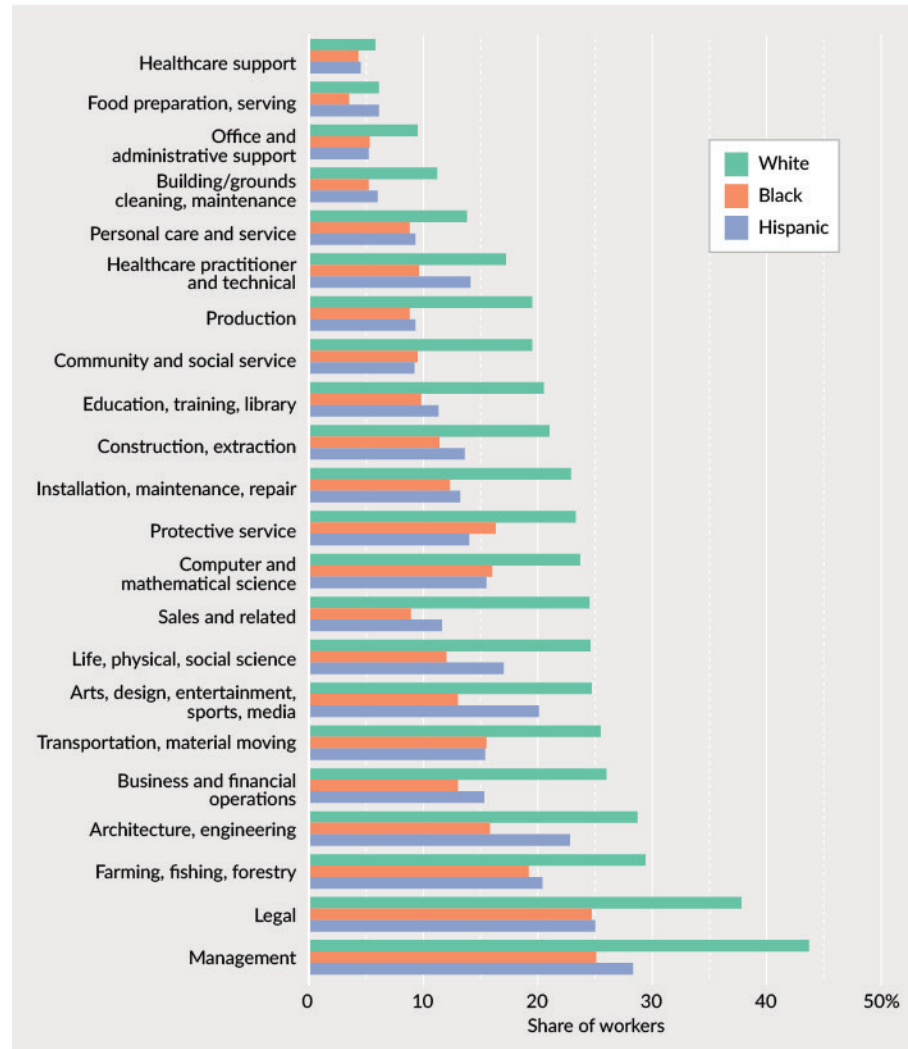
Source: Authors' analysis of the CEPR extracts of the Current Population Survey Outgoing Rotation Group, 2011 to 2014. The data has been pooled across years to ensure large sample sizes.

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FIGURE 5

Who is overworked in the United States by occupation and race/ethnicity

Share of white, African American, and Latino workers who work more than 40 hours a week by occupation, 2011-2014



Source: Authors' analysis of the CEPR extracts of the Current Population Survey Outgoing Rotation Group, 2011 to 2014. The data has been pooled across years to ensure large sample sizes.

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Economic consequences of long work hours

The Fair Labor Standards Act's overtime provision was originally implemented as a way to protect individuals from overwork as well as compel employers to hire more workers and to reduce unemployment overall.³⁶ As President Franklin D. Roosevelt said in 1933 in regards to the National Industrial Recovery Act—a precursor to the Fair Labor Standards Act—“The idea is simply for employers to hire more men to do the existing work by reducing the work-hours of each man's week and at the same time paying a living wage for the shorter week.” While many employers balked at the initial upfront costs associated with hiring more workers and paying them a living wage, Roosevelt responded with the request:

*... that managements give first consideration to the improvement of operating figures by greatly increased sales to be expected from the rising purchasing power of the public. **That is good economics and good business.** The aim of this whole effort is to restore our rich domestic market by raising its vast consuming capacity. (emphasis added)³⁷*

Roosevelt's effort to mitigate overwork (and boost wages) for workers was not simply a moral crusade. Rather, he saw it as a sound economic policy that could enrich workers and businesses alike.

The reasons are clear. The evidence shows that mitigating overwork can have positive implications for labor demand, improve productivity, support family caregiving and labor supply, and be good for the economy overall. In this section of the report, we will examine why long hours:

- Reduce productivity—and thus profitability
- Reduce access to talent

- Reduce women's labor supply
- Increase the gender pay gap

Long hours reduce productivity—and thus profitability

Adding hours to the workweek not only fails to create one-to-one gains in productivity but at a certain point can be detrimental to output as well. Overwork is associated with lower rates of output per hour, and reductions in working hours within some industries has increased productivity.³⁸

The idea that too-long hours are associated with lower productivity is not a new idea. In 1914, Henry Ford famously announced that he would double his workers' pay and set the workday at 8 hours—a large drop from the standard 60-hour workweek for manufacturing workers. He was motivated by the idea that if he made these concessions then he could actually extract more work from his employees—an idea that led to a surge in productivity and profits for Ford Motor Company.³⁹ While today's economy is not identical to that of the early 20th century, contemporary evidence continues to affirm that after a certain point, working more hours does not necessarily mean you will accomplish more.

Human beings have a finite amount of energy. Individuals can work long hours in occasional short sprints, but this is a temporary solution. Stanford University economist John Pencavel finds that, generally speaking, a worker's output is fairly constant if they work less than 49 hours per week. But beyond that 49-hour threshold, a worker's output drops sharply if maintained over several weeks. This means that a reduction in hours from 55 to 50 hours a week only had a small effect in output. The results are even starker when looking at very long work hours: Those who put in more than 70 hours of work accomplished little more than those who worked 56 hours on a consistent weekly basis.⁴⁰ In other words, those extra 14 hours are a waste of time in terms of getting real work done.

Long hours take a toll on worker's physical and mental health, which can affect the firm's bottom line. A key issue is costly mistakes and accidents. Research indicates that accidents and mistakes become more common after nine hours of work. After 12 hours, the accident rate doubles. This costs firms money: Judith Ricci and her medical colleagues found that in 2007, fatigued workers cost employers \$136.4 billion annually in lost productivity time.⁴¹

High accident rates harm businesses' bottom lines as well as the health and safety of society at large. Nurses, for example, risk the lives of their patients if they make mistakes. Despite that, they are frequently compelled to work overtime, during which errors increase substantially. Federal regulators found that a truck driver's extreme fatigue was the main cause in the crash that killed comedian James McNair and critically injured Tracy Morgan in a June 2014 car accident in New Jersey. And there is evidence that long hours may be responsible for safety incidents at nuclear power plants—a terrifying prospect.⁴²

These are just a few examples of how overwork not only can backfire for workers and businesses but also inflict harm. On average, there are 23,000 on-the-job injuries per day and 8.5 million injuries per year in the United States. And hundreds of thousands more develop job-related illnesses. In 2007 alone, the combined medical and indirect costs of these injuries and illnesses amounted to a whopping \$250 billion. Many of these costs are borne directly by employers through workers' compensation premiums, cutting into profits. But the rest of society also pays a price considering that workers' compensation usually covers less than a quarter of the costs.⁴³

Long hours reduce access to talent

Workplaces where long hours are the norm may seem like a cost-effective strategy for employers. Employers face fixed labor costs—the cost of hiring and training, and ongoing benefit and payroll costs—for each full-time worker, irrespective of how many hours they work. Employers can potentially lower their total costs by inducing full-time workers—especially salaried workers—to work longer hours as an alternative to hiring new personnel.⁴⁴

This strategy, however, limits the pool of talent from which employers can hire. To the extent that employers view the “ideal worker” as someone who can put in long hours, a worker's ability to comply with these expectations of complete devotion to one's job assumes there is someone at home doing the unpaid domestic work. Yet this is unrealistic: In families up and down the income ladder, most no longer have a full-time stay-at-home caregiver.⁴⁵

While some families appreciate the extra pay from overtime covered by the Fair Labor Standards Act, a norm of long hours limits the ability of employers to tap into the talent of many workers, too often mothers. Women now graduate in larger numbers from college and graduate schools, yet they are frequently “mommy-

tracked” because they cannot put in unlimited hours.⁴⁶ There is evidence that limiting the employment opportunities for women means that we do not have the most qualified people in the high-level positions responsible for driving a company’s profits: A recent study by Sara Ellison of the Massachusetts Institute of Technology and Wallace Mullin of George Washington University revealed that higher levels of gender diversity are “positively and significantly associated with office revenue.”⁴⁷ Another found that *Fortune* 500 companies with a higher representation of women board directors experienced significantly higher revenues on average.⁴⁸

Overwork is not the only problem, however, in attracting—and keeping—top female talent. Increasingly, fathers are helping with child or elder care. Yet the norm of long hours affects how their peers see them: Research shows that men face even greater discrimination than women with caregiving responsibilities. Men are subject to an even greater number of comments questioning their commitment to work and receive lower performance ratings and less pay.⁴⁹ Considering that most workers will have some kind of caregiving responsibility at some point in their life, the inability to help employees reconcile their work and caregiving responsibilities is costly to businesses—and the economy more generally.

Yet the challenge of the norm of long hours isn’t all on the employer side. As noted above, with rising inequality, many workers, especially in the professional class who are typically exempt from the overtime provisions, feel pressure to prove their worth at work through long work hours. Because evaluating productivity is difficult, the research shows that many firms unconsciously use working hours and “facetime” as a way to estimate their employees’ productivity and commitment to their jobs. Among those with jobs that equate success with long hours, having responsibilities outside the office makes it difficult to live up to this first-in-last-out culture.⁵⁰

Long hours reduce women’s labor supply

Long hours for some encourage other family members to drop out of the workforce—usually women—which denies the economy of talent and reduces family incomes. Standard full-time hours—40 hours per week—make it easier for those with care responsibilities to navigate the demands of work and life, boosting women’s labor supply and women’s trajectories up the job ladder.⁵¹

When employers require long hours—and especially when those long hours are unpredictable—it directly affects the labor supply of those with caregiving

responsibilities, who still tend to be women. Pamela Stone and Meg Lovejoy, both sociologists at Hunter College and the Graduate Center of the City University of New York, find that 86 percent of women who had quit professional or managerial jobs were actually forced out because of long, inflexible hours.⁵²

But long hours for men also affect the family's time calculus. While some women "opt out" by choice, for many the decision to leave is less a function of their preferences and more a result of the demands of their husband's job.⁵³ A woman with a husband who works more than 50 hours a week is 44 percent more likely to quit her job. That number jumps to 112 percent if her husband works 60 hours.⁵⁴

Since 2000, the United States has seen its labor force participation rate slow precipitously, dropping from 7th among the developed and more advanced developing member countries of the Organisation for Economic Co-operation and Development in terms of labor force participation to 17th. Cornell University economists Francine D. Blau and Lawrence Kahn discovered that the United States' lack of work-life policies is responsible for 28 percent of the decline in the female labor participation rate relative to other OECD countries.⁵⁵

There are economy-wide costs to lower labor supply. Heather Boushey and John Schmitt at the Washington Center for Economic Growth and Eileen Appelbaum at the Center for Economic and Policy Research estimated the economic benefits of women's employment and found that U.S. gross domestic product, or GDP, would have been roughly 11 percent lower in 2012 if women had not increased their working hours as they did. In today's dollars, this translates to more than \$1.7 trillion less in output—roughly equivalent to combined U.S. spending on Social Security, Medicare, and Medicaid in 2012.⁵⁶

There are more hidden costs as well. Family stress due to long hours can take a negative toll on one's relationship with their spouse or partner, and even a worker's children.⁵⁷ Workers who are overworked discuss coming home too tired to do the chores, help their children with homework, or get enough sleep. Chronic stress and fatigue can lead to poor health—those who work overtime are at higher risk for weight gain, heart disease, and are more likely to be heavy drinkers.⁵⁸

But even those that do not engage in such behaviors are still at risk if they work long hours. In fact, one study found that those that worked more than 10 hours per day yet were healthy overall (they did not drink heavily or smoke, and exercised on a regular basis) still died or suffered from heart attacks at higher rates than those who worked fewer hours but were "less healthy."⁵⁹

Psychologists David Almeida of Pennsylvania State University and Kelly Davis of Oregon State University sampled the saliva of hotel workers and their families to test levels of the stress hormone cortisol. The researchers found that getting stressed out at work is contagious, not only resulting in higher individual levels of cortisol but also elevated levels for the worker's spouse and children. Too much cortisol means a weakened immune system, anxiety, depression, and cardiovascular disease.⁶⁰

Economists are in agreement that human capital—knowledge, skills, and talent in our potential workforce—is a critical factor for future economic growth. By not investing parenting time in tomorrow's workforce—today's children—our future economic productivity will be in jeopardy. Indeed, as many individuals experienced an increase in hours worked over the past 30 years, their responsibilities at home did not abate. While some can afford to outsource household duties—those working long hours tend to have higher incomes overall—most cannot.⁶¹

That means that work-family conflict also threatens the future outcomes for tomorrow's workers. Parental stress in any form hurts kids, which is troubling on an individual level and also has consequences for our economy as a whole. Economists contend that human capital—the level of skills, education, and talents in our potential workforce—is one of the most critical factors in determining economic growth. Decades of research find that maternal stress and depression are linked to children's mental and physical illness as well as language and cognitive deficits.⁶² If such stress is persistent, research shows that it may permanently hinder a child's cognitive and noncognitive skills for a lifetime.⁶³

Long hours can boost income—or lower it through increasing the gender pay gap

Overtime that leads to more pay may be beneficial for families and boost household demand. The extra wages families earn through overtime enable families to spend more money, which in turn helps grow the economy. But to the extent that long hours reduce women's employment, it has implications for gender equality and the wage gap.

Sociologists Youngjoo Cha of Indiana University and Kim Weeden of Cornell University found that “between 1979 and 2007, the growing prevalence of overwork exacerbated the gender wage gap by about 10 percent.”⁶⁴ And Harvard University economist Claudia Goldin sees overwork and the premium on “face-

time” as the “last chapter” in attaining gender equality, saying that “the gender gap in pay would be considerably reduced and might vanish altogether if firms did not have an incentive to disproportionately reward individuals who labored long hours and worked particular hours.”⁶⁵

Addressing long hours through policy

The issues presented in this report have implications for policy design. In this section, we take a look at what the research says about various proposals put forth by advocates and lawmakers. Among those policy prescriptions are:

- Enforce current law.
- Cover more workers with current law.
- Improve current law by giving employees greater input into hours.
- Improve the landscape for coping with overwork.

In each, policy can work toward establishing a baseline for the standard workweek, with implications for workplace culture across the economy. Let's examine each of these policy options in turn.

Enforce current law

The FLSA's provisions go a long way in preventing overwork, but only if they are enforced. Many labor and employment laws rely on the workers themselves to report employer violations. Private lawsuits far surpass government investigations as the more common means to take action against employers who violate the law.⁶⁶ This “bottom-up” system assumes, however, that workers not only have a full understanding of a complex legal system but are able to voice their grievances without fear of retaliation—a fear that is well-founded among low-wage workers.

Economist David Weil, who heads the Department of Labor's Wage and Hour Division, has outlined an agenda to improve enforcement. This agenda includes a more “top-down” approach, including reaching out to the top executives within industries in which violations frequently occur, clarifying boundaries of employ-

ment responsibility, and finding ways to improve deterrence at the industry and geographic level. While worker complaints will continue to spur the bulk of investigations initiated by the Wage and Hour Division, Weil also wants to find a way to use these complaints as a way to reach out to the worker advocate community and increase protections for workers that do complain. Further, the Department of Labor is reviewing ways to ensure that any new enforcement agenda is sustainable, and has an ongoing impact on employer behavior.⁶⁷

Cover more workers with current law

In June 2015, President Obama announced that his administration proposed to raise the salary threshold for white-collar workers to \$50,440 a year beginning sometime in 2016, up from the current level of \$23,660. The new overtime threshold would be a major overhaul of the rules, which received a minor update in 2004 but otherwise have remained unchanged since 1975.

The U.S. Department of Labor estimates that 4.65 million workers will become eligible for overtime once the new rule is implemented, though outside estimates predict that number will be far higher. The Pew Research Center estimates the new overtime provision will affect 4.8 million workers, the Institute for Women's Policy Research estimates 5.9 million affected workers, and the Economic Policy Institute estimates between 5-10 million affected workers.⁶⁸ This will increase the share of workers covered in the U.S. economy from about two-thirds now—66.4 percent—up to somewhere between 70 percent to 77 percent once new regulations are put into force.⁶⁹

Once implemented, salaried workers earning under the new threshold will either see a boost in much-needed wages or have more time with their families. Both are vitally important for the well-being of individual workers and the estimated 12.1 million children whose parents will become eligible.⁷⁰ Putting more money into parents' pockets or giving them more time to care for their children helps to boost their ability to buy goods and services—a key economic indicator—and better lay the foundation for their kids' future success. What's more, the new provisions will disproportionately help women, workers under 35, African Americans, Hispanics, and workers with lower education, helping close the persistent earnings gap for these individuals.⁷¹

One concern may be that the new provision will negatively affect those who it is intended to help—the lower- and middle-income salaried workers who will become eligible for overtime. By raising the cost per hour, employers will reduce overtime hours in favor of either hiring more workers or improving productivity. Of course, this means that employers will likely also increase the hours of workers working part-time and hire additional workers, which could be good for those groups seeking more employment.

Some also argue that the new provision will force these newly eligible salaried workers into more inflexible work schedules. To be clear: There is nothing in the proposed rule that will affect current access to on-the-job flexibility. Research by Pennsylvania State University-Abington economist Lonnie Golden finds that salaried workers making under \$50,000 per year have no more flexibility than hourly workers earning the same amount.⁷² Overall, the evidence is convincing that overtime laws are effective in preventing employers from scheduling long workdays.⁷³

Further, the new overtime provisions include a transparency update that may lead employers to reevaluate whether their employees are being compensated in accordance with the law. There is evidence that employers aim to skirt the law as it stands, but the transparency component of the regulations will make it harder for them to do so. This is mainly because the greater share of covered workers will mean that a larger proportion of the public will be aware of their rights. Additionally, the higher threshold will mean that there's less discretion for employers to claim sometimes dubious-sounding exemptions.⁷⁴

Improve current law by giving employees greater input into hours

Policymakers could focus on making sure that employees have some input or control over their schedules. The number of hours one works is clearly important but is not the whole story. The structure of work also matters. Among those working long hours, control over where and when work happens can be just as important as the number of total hours one works in terms of one's workplace satisfaction, productivity, stress levels, and ability to manage work-family conflict.⁷⁵ And it can be good for business as well—boosting productivity and employee satisfaction as well as reducing turnover and absenteeism.⁷⁶

As of this writing, 152 Republicans have signed onto H.R. 465, the Working Families Flexibility Act of 2015, which would allow employers to offer their

employees “comp time” in lieu of extra pay. For every hour above 40 hours per week, an employee could earn 1.5 hours of comp time. Supporters of this policy argue that many workers, especially those with families and caregiving responsibilities, would value the extra time more than additional earnings. Survey research backs this up: One in five workers say that they would trade income for a decrease in hours.⁷⁷ So, in theory, allowing employees to choose between extra pay or extra time seems reasonable.

The problem is that the specific ways that comp time is structured matters enormously. First, employees would have to agree to receive comp time instead of overtime pay. Any legislation in support of comp time would need to ensure that employers could not discriminate or retaliate against those who want overtime pay. Otherwise, this legislation could harm workers who value the extra wages earned through overtime. Furthermore, employees must have a guaranteed right to use their banked comp time when they need to—even in the case of an unexpected personal or family emergency. A policy that only allows comp time to be used at the employer’s discretion could mean that employees end up working extra time when the employer needs them and then are prevented from using that time when the employee needs it. Thus any legislation would need to ensure that employers cannot insist that employees use comp time when it suits the employer’s schedule.

Any legislation regarding comp time must take these consequences into consideration in order to truly address the issues associated with long work hours. While government workers are currently authorized to accrue comp time instead of overtime pay, government managers are not required to turn a profit so they do not have the same incentives to make their employees work overtime. Many government workers are also in unions, adding another safeguard for their work schedules. But even in this setting, implementing comp time has not been universally appealing to employees. According to a review of litigation history on comp time by Miami University’s David J. Walsh, even employers within the public sector limit their employees’ ability to use comp time at their own discretion.⁷⁸

Another route policymakers can take is to follow the lead of Vermont and San Francisco, both of which have put in place “right-to-request” laws giving workers the ability to ask their boss for a flexible schedule without fear of retaliation. These rules outline a process for employees and employers to discuss and negotiate workplace flexibility and allow employers to refuse the request for flexibility for reasons such as the burden of additional costs, negative effects on meeting customer demand or business quality and performance, or the inability to reorganize

existing staff to make it work. The Schedules That Work Act, introduced in both the U.S. House of Representatives and the U.S. Senate, includes right-to-request and provisions to address scheduling predictability. It also prevents retaliation by employers when an employee tries to use the law.⁷⁹

For these policies to be effective, we also need to eliminate the stigma for those who use them. While many white-collar U.S. employers offer some kind of flexible work schedules, few workers take advantage of them. That is because many workers feel that making use of flexibility and “family-friendly” policies may endanger their future work prospects. And research shows that there is indeed a “flexibility bias.”⁸⁰ Evidence shows that flexibility bias is reduced if a majority of senior managers at a given firm take advantage of their company’s flexibility policy.⁸¹ Ensuring that all employees have access to these policies, and not a select few, can go a long way in alleviating the stigma associated with this important policy.⁸²

Improve the landscape for coping with overwork

Sometimes overwork happens. Many families appreciate the added earnings or it’s simply impossible for the firm to avoid. Policymakers could do more to give families a wider array of tools to address conflicts between work and family. This would reduce family stress and help employers by addressing the time-bind at home for their employees.

Some professional families have sufficient incomes to outsource care, and there are limited tax breaks available for families with expenses related to child and elder care.⁸³ Despite that, the majority of workers struggle under the crushing costs. Child care costs have skyrocketed over the past few years—in 33 states and the District of Columbia, child care costs more than in-state tuition at a public university.⁸⁴ But it is not just children who need care. Approximately 40 million people (16 percent of the U.S. population aged 15 and up) are now providing care to an elderly individual—a number that will only increase as the population ages.⁸⁵ The majority (63 percent) of these unpaid caregivers are employed, about half of them working full-time.

Policymakers need to do more to ensure that if an employee has to work overtime—planned or unexpectedly—there are safe, affordable, and enriching options for care of children and the aged. Good ideas supported by the research include providing more inclusive child care subsidies and tax credits to help families afford high-quality care.

Conclusion

Understanding the economic consequences of overwork by millions of Americans cannot only take a single business's profits into account. A healthy economy requires people not only to serve as the workforce driving these businesses but also to consume the products these businesses create. A population that is well-paid and healthy can be more productive at work and will have more money in their pocket to generate the kind of demand needed to drive the economy.

We've all heard the common success story, that of the successful lawyer, banker, businessman, or doctor who counsels young professionals that an extreme work ethic is key to their success. Billionaire businessman and former New York City Mayor Michael Bloomberg echoed this sentiment in his assertion that "I am not smarter than anyone else but I can outwork you—and my key to success for you, or anyone else, is make sure you are the first one in there every day and the last one out to leave. Don't ever take a lunch break or stop working."⁸⁶

There is no doubt that success cannot be had without hard work. But as this report lays out, this "first-one-in, last-one-out" mentality does not come without consequences. Not only does this mentality treat "women as well as male workers as if they still had a wife at home to take care of the household and family-related activities," as University of North Carolina-Chapel Hill's Arne Kalleberg put it, but often does so without proportional gains in productivity.⁸⁷

The U.S. economy today largely requires two incomes in order for families to make ends meet, yet U.S. labor laws provide little support for working individuals with care obligations outside the office or retail store, factory floor or warehouse. This means many Americans are increasing their time at work even as they continue to shoulder their outside domestic responsibilities.

This report is not meant to diminish hard work or reprimand people for working too much, but rather to call attention to the ways in which arbitrarily increasing work hours can backfire for individuals, firms, and the U.S. economy alike. Taking

a more pragmatic approach to work hours and being mindful of the limitations of working without restriction can go a long way toward addressing the needs of today's workers and the broader economy. That means extending the regulation of overtime pay and hours worked to a larger group of workers in order to make employers think twice before mandating long hours. It also means creating a culture that recognizes the benefits of flexible workplaces where that flexibility does not hinder career advancements, and developing a national infrastructure of care to help employed family caregivers.

****Correction, May 16, 2016:** The original version of this report incorrectly stated that employees in computer-related occupations were not covered under the Fair Labor Standards Act. These employees are actually covered, with the exception of a narrow class of "computer professionals" who earn at least \$27.63 an hour.*

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