

BRIEF ANALYSIS

No. 260

*For immediate release:
Tuesday, April 7, 1998*

Comp Time: Giving Hourly Workers What Money Can't Buy

What benefit do salaried workers, including federal government employees, have that is unavailable to workers who are paid by the hour? They have the option of choosing "comp time" — time off from the job to compensate for overtime already worked. A bill that would give millions of hourly workers freedom of choice in the workplace passed the House last year (H.R. 1), and the Senate will consider similar legislation, known as the Family Friendly Workplace Act (S. 4), this year.

Who is against granting such freedom to hourly workers? Labor unions and the Clinton administration have both opposed freedom of choice for workers on the grounds that employers would exploit workers.

Under current law, employers are required to pay overtime if their hourly workers work more than 40 hours per week. Under the proposed legislation, employers could continue to pay hourly workers time and a half for overtime or they could offer them one-and-one-half hours of compensating time off for each hour of overtime. Both the House and Senate bills would permit employees to take comp time within a reasonable period if doing so would not unduly disrupt the firm's opera-

tions. Additionally, the Senate bill would let hourly workers divide their hours over a two-week, 80-hour work period rather than just one 40-hour period.

Millions Already Have Comp Time. About 65 million salaried public and private workers now have the comp time option. Many of the more than 60 million hourly workers in generally lower-paying jobs would like the same option. Although many employers would like to offer employees comp time, the federal Fair Labor Standards Act of 1938 makes it illegal.

Expanding Choices.

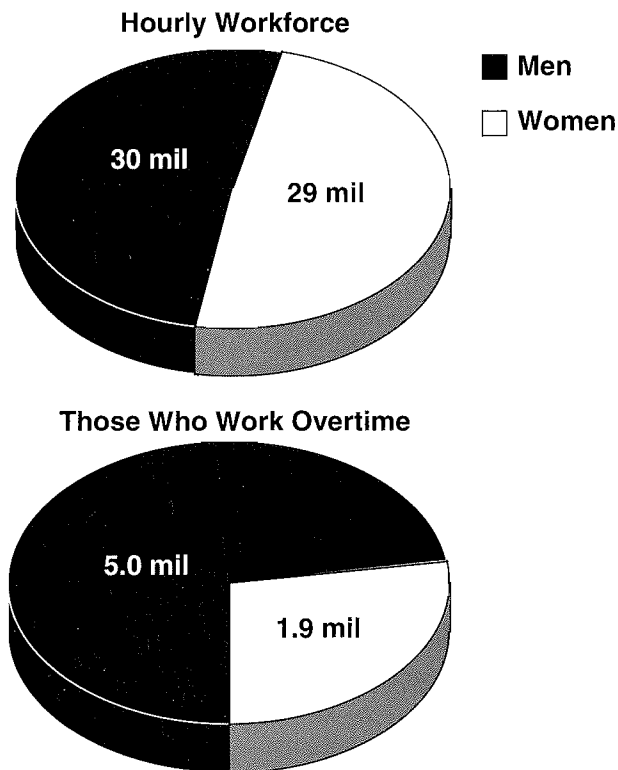
A fundamental principle of economics is that individuals' lives are improved by a greater number of attractive choices. Many workers have only two weeks of vacation a year and cannot afford to take extra paid or unpaid leave. If hourly workers have to work overtime, they should be allowed to choose how they want to be compensated: more money or more time off.

Comp Time Is Pro-Family. In the past 25 years, women have made dramatic advances throughout the American labor market. Today, young girls can dream of becoming doctors and lawyers as well as fire fighters and police officers. The country boasts a female Secretary of State and two female Supreme

Court justices, and the number of women in Congress is at an all-time high.

But the changes that brought women into the workforce brought unforeseen consequences. Whereas in the past

Who Could Benefit from Comp Time?



Source: Current Population Survey, March 1996.

mothers often went alone to basketball games, chauffeured children to music lessons and helped with homework, now both parents work and share these activities.

Two-worker families have long valued flexibility in their work schedules. In research published in the *American Economic Review* in 1975, Wendy Lee Gramm showed that most working women preferred more time off over more money. The same preference appears in recent research. A November 1996 survey of men and women taken by The Polling Company asked, "How willing are you to give up pay at work in exchange for more personal time?"

- More than half of the respondents — 55 percent — were willing.
- Most enthusiastic were workers ages 18 to 29, with 73 percent of women and 68 percent of men in this age group choosing time off.

Just as women historically have turned to jobs that enabled them to spend more time at home, so now many full-time working women value having extra hours to spend with their families. Observed work patterns support this conclusion. Men hold only slightly more than half of all hourly jobs — 30 million men versus 29 million women — but they are more than two-and-a-half times as likely to work overtime (1.9 million women compared to 5 million men). [See the figure.]

Comp Time Is Pro-Economy. Some groups of individuals, such as mothers, are loathe to work long hours for 50 weeks a year with little prospect of time off. In addition, many occupations and companies require overtime, leading to far more than 40 hours a week away from the home. Being able to choose comp time would encourage some nonworking Americans to enter the labor force.

Answering the Critics of Comp Time. Opponents say that allowing workers to choose between comp time or pay would lead to worker exploitation, since employees would be pressured to accept comp time to reduce employer costs. But if employers had real power to exploit workers, businesses would pay only the legally required minimum wage and would eliminate benefits. The reality is that most businesses offer more than the minimum wage, along with a benefits package, in order

to attract good workers. Comp time would be one more tool employers could use to lure employees.

As an alternative to comp time, opponents want to increase employee flexibility by extending the Family and Medical Leave Act — which allows workers 90 days of unpaid leave to care for family members — by providing an additional day off for such activities as PTA meetings. But this would raise the costs of employing workers, discourage firms from hiring and hurt those who need jobs. By contrast, the proposed comp time legislation would lower the costs of employment by increasing flexibility, thereby stimulating hiring.

Furthermore, extending the Family and Medical Leave Act would benefit only those employees with family obligations who wanted to take time off to fulfill them. Single employees and those able to handle family commitments outside of work hours would not benefit. And no employee would be able to legally use the provisions of the Family and Medical Leave Act for well-deserved leisure.

Conclusion. While the government has a responsibility to protect workers' health and safety and shield children from exploitation, employees have the right to determine which compensation and benefits packages meet their needs and goals.

So what is the public interest in denying employees the choice of comp time? Is the practice unsafe? No. Is it unhealthy? To the contrary, it may provide some workers with much-needed time away from work. Indeed, the potential for harm to employees would seem far greater without the option of comp time. Overtime is time away from rest, family, loved ones and leisure activities. It is simply hours taken away from the lives of employees.

Yet current labor law denies hourly employees the opportunity to regain that "lost" time. For some, overtime pay more than compensates for the lost hours. But for others, additional time is better than additional money. Comp time gives them the choice.

This Brief Analysis was prepared by Diana Furchtgott-Roth, a resident fellow at the American Enterprise Institute and a member of the National Advisory Board of the Independent Women's Forum.