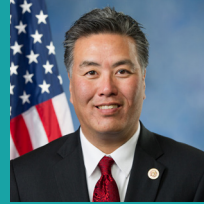


Could a 4-Day Work Week Be On the Horizon?



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Announcer:

Welcome to Thrive, a Paychex Business podcast where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

Hey, everybody. It's Gene, back again. I'm going to be talking to, in just a few minutes, Congressman Mark Takano. He is a Democratic Congressman from Southern California. He's been a member of the House of Representatives since 2013. And Congressman Takano I thought is a very interesting guy to speak to from the perspective of a small business owner. He is a workers' rights guy. I mean, he really supports and advocates for employees' rights. So as a business owner, I know a lot of us are like, "Oh, we love our employees too, but we don't want to be over-regulated." Well, he and I talked about two big things that could very well impact employers in the years to come.

Gene Marks:

In August, Congressman Takano, he introduced a bill to implement a four-day work week across the country. It's a national bill. And the bill itself would be, would change the definition of a full time employee from 40 hours to 32 hours, which means that any of our employees working more than 32 hours, we would have to pay them overtime. So I know when you first hear that, you're like, "Oh my God, that doesn't sound like a great deal for us as a business owner!," But there's a lot of things to consider, not only from a business perspective, an employee welfare, and a society perspective, as well.

Gene Marks:

And also, his purpose of introducing this bill was to start a conversation. And so we talked a little bit about that, and I think it's important that we all understand why this trend of a four-day work week, it's kind of moving in that direction. It's probably not going to happen anytime soon, but sometime in the future, I think there will be more of a gravitation towards four-day work weeks. And that's why I think our conversation with Congressman Takano is important.

Gene Marks:

The other thing that him and I also talked about was the PRO Act. There's a real misconception about the PRO Act. If you remember, it's an act designed to help unions more easily unionize our employees, and also change the classification of workers, but there's something in it that I don't think you know about. And there's a bit of a myth about the PRO Act that we think that it's a real negative thing for businesses, when according to Congressman Takano, it's really not. So join us. We'll be back in just a minute with Congressman Mark Takano from California.

Gene Marks:

Legislation that would enact a four-day work week. So tell me about your thoughts behind that, why you thought that was necessary to do.

Congressman Mark Takano:

Well, I think America has gone through a traumatizing 18 months, not only America, but basically workforces all over the globe in advanced economies. And we were thrust as a workforce, as an American workforce, into a situation where many, many people started to work from home. Americans began to experience work flexibility as never before, and greater complexity with children at home, schools not fully operational. A lot of workers didn't get that flexibility. A lot of our essential workers did have to work, and show up physically. But for a lot of Americans, they experienced something new, something unprecedented.

Congressman Mark Takano:

And what I'm hearing from even employers in my own district, they've called up my staff and asked about how we are formally dealing with workers who, or prospective workers who ask for, say, the ability to work from home at least one day a week. Gene, I think that employers who are encountering that and encountering prospective employees beginning to ask for working conditions that include at least one or two days working from home, it's in a way a euphemism for a shorter work week.

Congressman Mark Takano:

I think Americans — I was just at the National Mall, where I saw all these white little flags planted, representing a life lost to COVID. Over 670,000 of our fellow Americans have died from COVID, and many, many more have, were seriously ill. I think that sense of mortality came to the fore for many people, and they also began to think about the work-life balance. They began to think about mortality. They also began to think about time as much as they thought about money and compensation. So the 40-hour work week, which we just see as normal, as normalized, that became normalized in the 1930s, with the Fair Labor Standards Act. It wasn't normal before then. It frequently was the case that many Americans worked 60 hours a week. The two-day weekend wasn't really normalized until we passed federal legislation that normalized that.

Congressman Mark Takano:

And these things didn't happen overnight. It was a couple, several decades in the early 1900s, late 1800s, that the idea of a five-day work week, a 40-hour work week, galvanized, that we galvanized around that idea. So I do think that this global pandemic has created the conditions — social conditions, the political conditions, the cultural conditions — under which I think there's a great reassessment. While I'm talking about great reassessment, we can also talk about, you've probably heard this about "The Great Resignation," about just many people not coming back to the jobs that they were working before the

pandemic, that they're really rethinking their lives, and that the pandemic, I think, forced many people to confront what were their lives really going to be about.

Congressman Mark Takano:

So I think, I, frankly, was surprised, the response that we got, the response that I received, when we dropped the bill, the 32-hour work week. And by the way, my bill doesn't mandate that 32 hours be done over four days. It could be done over five days. It mainly establishes that people can earn overtime at 32 hours versus 40 hours a week.

Gene Marks:

So I mean, that's really sort of the crux of it, is right now, overtime rules are based on 40 hours a week. There's calculations for payroll that determine whether somebody's a full-time versus a part-time employee. And that usually uses a 40-hour week barometer. So what you're saying is, listen, if we move that down to 32, and a 32-hour week would really define a full-time employee, and then anything over that, I guess, employers would have to pay overtime. Is that what you're suggesting?

Congressman Mark Takano:

Basically, subject to overtime rules. We don't address classifications. We don't address any of the other issues. We mainly focus in on the new 32-hour standard.

Gene Marks:

Got it.

Congressman Mark Takano:

We think, I believe, given the current labor market, that many employers will find it simpler just to pay that overtime. And for many workers, that will mean a 10% pay increase if they're kept on a 40-hour schedule, as they are now. I mean, there's some criticism I'm encountering out there regarding, "Well, this will just mean a rollback on hours for many people." That's certainly a choice that employers can make, but I think it's going to depend really by sector, each sector and work course, how that's going to work out.

Congressman Mark Takano:

To be frank, there are many, many workers out there who are working more than one job anyway. They're not working a full 40 hours anyway. So I think, that ding, I don't think it's that strong. I think in general, this is a pro-worker bill, and it does give more leverage to workers.

Gene Marks:

Ok. So first of all, the 32-hour work week, the four-day work week, is not a new concept. I mean, there's been a lot written on it. There are some countries in Europe that have successfully implemented it in certain areas, as well. And frankly, we work to live. We don't live to work. And I often think that people over in Europe, they log in less hours than the Americans, because I think they've probably been around a lot longer than Americans and they figured stuff out, that it's better to enjoy life rather than work all the time.

Congressman Mark Takano:

Well, it's something to be in France and see, in August, Paris empties out in August.

Gene Marks:

Yeah. It shuts down, and you think to yourself, what are these guys doing so right? Why are they so much smarter than us? So I guess the final question I have, though, on this, and then we'll move to another topic,

though, is like, okay, that all sounds well and good. But I am a small business owner, and you've got small business owners that are listening and watching this. So we hear okay, anything over 32 hours a week, now we're going to have to pay overtime for, or we might have to limit our employees. So again — and I know you touched on this briefly — but how would you sell this to a small business owner? Or would you just say it's more pro-worker and we think it's just better for society? How would you sell that?

Congressman Mark Takano:

Well, to a small business owner, it's going to depend sector by sector, as well, on what kind of business you have. I've talked to a number of people in the nonprofit space who believe they could implement this right away. They have a small staff, maybe 25 staff people. For whatever reason, people in nonprofit space think that, who've been operating virtually, they think that this could be implemented today, even, without a whole lot of trouble. I would say to certain business owners that are sort of retailers that have to be open seven days a week anyway, it's a matter of choice whether you decide to pay overtime or whether you just keep people on shorter hours.

Congressman Mark Takano:

I tend to think, even in restaurants, a lot of businesses, you're not paying people, you're not keeping people to the full 40 hours a week anyway. For those business owners that do have full-time employees at 40 hours a week, I would say you are looking at improved employee morale, right? Depending on the kind of business, you're looking at one less day that you may be open. So there's a reduction in overhead. Again, that's not true for everybody, but even on a restaurant schedule, typically restaurants are not open on Monday or Tuesday. If you're a restaurant, say that we actually do go to a four-day norm. That means not just Saturday and Friday that you have busy nights and that the bars are full.

Congressman Mark Takano:

You have a third night, right? So people aren't looking at the consumer side. Before we had even the five-day work week, it wasn't the norm that Saturday you would go shopping, right? Saturday wasn't necessarily the market day. You're now talking about three days of leisure, and for certain businesses in the economy — whether it's travel, hospitality, restauranting, if you own a bar — you might want to rethink what might be a reflexive rebellion against this. And probably these businesses are not necessarily having people working full 40 hours, anyway. You can probably hire a lot of people on part-time, as well. So that's what I have to say to small business owners. There's a lot more twists and turns as we talk about what kind of business you own.

Congressman Mark Takano:

But for the big businesses, this would be a major adjustment. We're talking tech companies. Well, so if you're a small tech firm, and say you're going up against a Google, or a Facebook, or one of the big tech firms that just is awash in cash and can literally pay some tech workers up to a million bucks a year for their high skills, you may have the capacity to pay well, but certainly not at that level. But what you have the ability to do is offer people shorter work weeks and different terms.

Congressman Mark Takano:

And so by the way, I think that one of these tech firms is going to — maybe the light will go on and they will shorten their work week. They will start to suck up the talent in the industry. I mean, we're talking about in the highly skilled arenas.

Gene Marks:

So I agree with you on that. I think that we'll see, I bet you some tech firms — because they're all looking for innovative ways to provide benefits and attract workers — and I think it will not surprise me to see a tech

firm to adopt that as standard. It also might not surprise me — I think you're being very, what's the word? — introducing this on a national level is great. But my bet is that, this idea, because it's a good idea, would probably be served, you know, we'll see if it works at a local level, if you see some city or town.

Congressman Mark Takano:

I agree with that. We started a national conversation, and I think that there will be some enterprising state legislators who are going to see the buzz that this proposal is tracking nationwide, and they're going to try and implement it locally. I think we'll see maybe a factory town — what I mean by that is a small town or a midsize town where there's a large company, that the employees, a big percentage of the people there — that they may just unilaterally decide to go to this. And we'll see little experiments like this happen and we'll see how it affects local culture. Oddly enough, faith organizations are sort of interested in this, as well, how this will change the calculus of how people are going to be able to participate in church life and community.

Gene Marks:

Yeah, I think it's a trend to keep watching. And listen, I am not going to be happy until, have you ever seen the movie "Sleeper," the Woody Allen movie from like, the early '70s?

Congressman Mark Takano:

[Chuckling] I forgot what it ... I've watched many Woody Allens, but-

Gene Marks:

It took place in future times, and it was all humans did nothing. We could all relax and drink wine all day while the robots just served us all. And until that happens, I'm not going to be satisfied. Let's move — Go ahead, I'm sorry.

Congressman Mark Takano:

Well, I just want to say that I know that the Japanese government actually put out guidelines to its private sector on how to reduce the work hours per week. And the government of Iceland is trying to ratchet down officially, and the Scottish parliament has actually created some sort of work-around, actually put up some government money to assist businesses and to incentivize them to go for a smaller work week, a shorter work week.

Gene Marks:

Let's change topics right now in just the few minutes that we have left. So you're a California person. You're based, and your district is in Southern California. So you're well familiar with AB5, which was a California rule that came out just, I think two years ago at this point, which changed sort of the definitions of workers and independent contractors. And it also changed the rules for unions, to help them unionize a little bit easier. There was an attempt made, the House passed similar legislation called the PRO Act earlier this year, but it met significant headwinds in the Senate.

Gene Marks:

So now the talk is, is that parts of this legislation might be incorporated by the Department of Labor as to changing rules and worker classifications, and also the National Labor Relations Board, which is now controlled by President Biden's appointees, might change some rules to make it easier for unions to form at companies. So I wanted to hear your perspective on the PRO Act as it is, and I'll be more specific. Number one is, do you think the change in worker classifications, why do you think that is a good thing for both workers and businesses? And then the second part of my question has to do with unionization. Do you think that making it easier for unions to organize is a good thing for both workers and businesses? Again, our audience are small business owners. So sell us on that legislation and what your thoughts are.

Congressman Mark Takano:

Well, let me just say that most workers, most people in the country now, would like to belong to a union or think well of unions. We've seen a decline in unionization across the country, but in general, just a small percentage of our workforce is unionized. And I think this has a lot to do with why we've seen stagnating wages and why we've seen a greater differential in incomes. I mean, we just see a huge, huge income gap and income inequality in the country.

Gene Marks:

True.

Congressman Mark Takano:

And even as the workforce has gotten more productive, the American worker on average has gotten more productive, the gains from that productivity have mostly gone to capital and not to labor. In fact, in general, wages have remained stagnant or not climbed as much as the productivity and the profits. So I think it's rational. The decline in unionization has something to do with that.

Congressman Mark Takano:

So look, I believe that our democracy is in crisis. I believe that part of why it's in crisis can be attributed to the fact that we see this huge gap in opportunity and wages. I do believe that we do need to invigorate union organizing. And organizing is incredibly difficult. I do believe the process and the rules, and even the laws, are really stacked against organizing. What the PRO Act generally does is it empowers workers to be able to unionize easier.

Congressman Mark Takano:

Now, let's make a distinction between what AB5 does and what the PRO Act does. So AB5, AB5 did make it easier to unionize. It also outright pretty much classified gig workers, such as a Lyft driver or an Uber driver, as an employee, which would entitle them to the rights of an employee, to have unemployment insurance, to be subjected to the wage and hour laws of California. The PRO Act also would probably make those drivers employees, but only for the purposes of being able to potentially form a union, to be able to participate in union election. It does not affect the wage and hour provisions. And it does not-

Gene Marks:

That's a misconception. I'm glad you brought that up. And I mean, some believe that the PRO Act would classify some of these workers as employees, and therefore employers would have to pay payroll taxes and would have to allow them to be part of their benefit plans. And in reality, it's just a classification just specifically for the purposes of unionization. Is — am I saying that right?

Congressman Mark Takano:

That's right. And it doesn't automatically say there's unions. It just says that they're eligible to participate in a union election. So there's been a lot of confusion about this, and activism against the PRO Act has been, I think, waged by a misunderstanding that — so look, Gene, I had to ask this question to be clear on it myself. I didn't realize that just because you are classified as an employee under the labor title, under the-

Gene Marks:

Fair Labor Standards Act.

Congressman Mark Takano:

The Fair Labor Standards Act, thank you. The Fair Labor Standards Act, it does not necessarily mean that you are an employee under the eyes of the IRS, and suddenly, you as an employer have to collect payroll taxes and FICA and Medicare and all that. So no, this change in the FLA, the Fair Labor Standards Act, does

not affect your small business, your listeners, in that sense. It really means that they have a right to organize. And then they have another step to go. They have to actually organize, which is not a given.

Gene Marks:

Congressman Mark Takano, thank you very much. I have even more questions for you, but I wanted to make sure that we stayed on time, because I know your time is very valuable. I appreciate you coming on with me and would love to speak with you again in the future. Best of luck with you.

Gene Marks:

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Announcer:

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