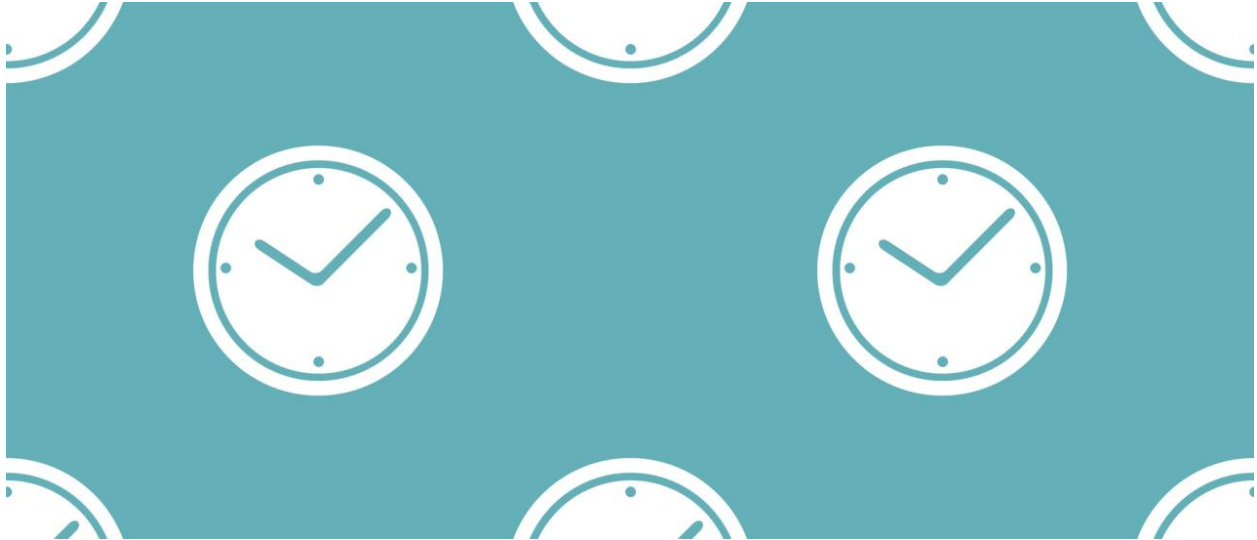

When an 80-Hour Workweek Helps



By Andrea Canidio , Stone Fellow, INSEAD Stone Centre for the Study of Wealth Inequality

High potentials need to work a lot and in a way that is visible to the firm.

The culture of overwork – with the expectation of incredibly long hours and interrupted vacations – is often criticised for its negative impact on workers and organisations. Workers suffer from burnout, are not as **productive** as they think they are and make mistakes, as **research has made overwhelmingly clear**. Because of this, overwork can **cut into a company's bottom line**. But as the evidence against overwork mounts, understanding why it is **still so widespread** becomes even more important.

In a recent **publication** with Thomas Gall (University of Southampton), we build a game-theoretic model to study why overwork is still so prevalent. Our starting point is that working long hours has a potential upside for employees: They can prove their worth to their organisation, and beyond. More precisely, if a worker's talents are (at least partially) uncertain, then every project, every presentation, every meeting is an opportunity to learn and showcase her talents. This explains why workers may sometimes want

to overwork.

Of course, learning about a worker's abilities is also in the firm's interest, which explains the use of **job rotation programmes**, for example. There is, however, a fundamental tension between workers and firms: Discovering a worker's talent is beneficial to the firm only if this worker stays, but is beneficial to the worker also if she decides to look outside her firm. For this reason, employees may want to display their talents (possibly by overworking) even when doing so may be detrimental to the firm.

The central question we address in our paper is how can a firm best manage this tension? One possible strategy is to prevent overwork. In environments in which companies have a realistic idea of when errors could arise, they will do their utmost to clearly define working time – like the limited hours imposed on **pilots**. But in most professions, knowing when a worker should rest is tricky.

By taking on an additional project, is a worker simply trying to impress his boss (and overextending himself) or is he pursuing a great (and profitable) idea? In these situations, balancing the incentives for overwork can be difficult. One way is to invest in a corporate culture that discourages such behaviour. A company could also provide corporate perks that make leisure more enjoyable, such as a ping pong table or a corporate swimming pool. Or it could encourage workers to engage in side projects that may turn out to be beneficial and, equally importantly, not cause any damage (famously, Google used to encourage its workers to spend **20 percent of their time** thinking about what would benefit the company).

Alternatively, a company may explicitly encourage overwork by, for example, providing free taxi rides late at night or introducing performance evaluations based on the hours worked. Importantly, organisations that promote overwork attract a specific type of worker: those who benefit the most from signalling their worth. They are willing to accept a lower salary than they could earn in other companies precisely because they value the possibility of showing off their ability, and by doing so hopefully reaping a benefit in the future. At the same time, by rewarding these workers less than what they could earn elsewhere, the company compensates for the occasional mistake caused by overworking. This explains why, for example, consultants who are given the possibility to work less are **unlikely** to do so.

Proven talents, high potentials and hidden gems

Our model allows us to identify three types of workers.

- *Proven talents* are known to be very productive. They no longer need to prove their worth to the firm – their talent is clearly established. Hence we expect proven talents to work in organisations that provide the right balance between work and idleness.
- *High potentials* are probably very productive, but there is still a high amount of uncertainty about how good they really are. These workers benefit from overworking and signalling their abilities. For them, choosing an organisation where overwork is encouraged is best.
- *Hidden gems* are probably workers with low productivity. They may also benefit from signalling as it is possible they have abilities that surpass expectations. Unfortunately, their expected productivity is too low and they are paid accordingly at the lower end of salaries. Unlike high potentials who can afford the trade-off of a slightly lower salary for learning about their abilities, hidden gems can't afford to be underpaid in order to signal their worth. They will be hired by organisations that do not allow overworking and their talent will, most likely, remain hidden.

Overwork is good...sometimes

To sum up, there is indeed one category of worker who benefits from overworking: high potentials. For them, removing incentives for rest/idleness is good for both the individual and the company. These workers need every opportunity they have to uncover their talents and demonstrate their worth. But there is no one-size-fits-all solution. Depending on the worker's talent and how unclear it is, an organisation may decide to either encourage overtime and discourage rest and idleness or do exactly the opposite.

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