

# Treatment Effects in Bunching Designs: The Impact of the Federal Overtime Rule on Hours

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## JOB MARKET PAPER

### Abstract

The Fair Labor Standards Act (FLSA) mandates overtime premium pay for most U.S. workers, yet a lack of clean variation in the rule has made it difficult to assess its impacts on the hours they work. I use bunching observed at 40 hours in a new administrative dataset of weekly paychecks to estimate this effect. To do so, I develop a generalized framework in which bunching at a kink point is informative about reduced form causal effects, nesting existing approaches and abstracting them from underlying structural models. Under a non-parametric shape constraint on the distribution of hours and flexible assumptions on choice, a local average treatment effect among bunchers is partially identified. The bounds are informative in the overtime context and suggest that affected workers in the U.S. work an average of at least half an hour less as a result of the FLSA mandate, in weeks that they do work at least 40 hours. This corresponds to a wage elasticity of hours demand of  $-0.04$ .

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