



# Workforce Challenge: Reducing Unnecessary Overtime

It's a bad habit, and it's costing U.S. businesses big bucks: When a company isn't exactly sure of the total hours an employee has worked, the typical response is to overcompensate, overstaff, and overpay. The result: You pay more for overtime than is necessary — with no way of knowing whether you have it right.

## Did you know that ...

- U.S. organizations with 90% or better scheduling accuracy are 44% more likely to use automated scheduling solutions<sup>1</sup>
- Those same organizations have 41% less unplanned overtime<sup>2</sup>
- The cost of overtime can be more than financial; there can be physical, emotional, and psychological impacts<sup>3</sup>
- Over an extended period, “the productivity of workers who work overtime might actually be less than those working a normal 40-hour week”<sup>4</sup>



Idle time >  
Overtime

Idle time is nearly 16 times more expensive than overtime.<sup>5</sup> Based on an hourly wage of \$15, the cost impact of idle time caused by overstaffing or underutilizing employees is \$23.29 per hour, compared with \$1.46 for overtime.

Paying for more overtime than you anticipated can have several causes, from being short-staffed and mismanaging absences to a company culture that encourages overtime. Regardless, the negative results are the same.

- » Total cost of overtime due to absences as a percentage of payroll for U.S. businesses — 5.7%<sup>6</sup>
- » Average improvement in time required to manage and control overtime — 20%–85%<sup>7</sup>
- » Maximum amount of weekly overtime before it is less expensive to hire another FTE to eliminate overtime — 14 hours<sup>8</sup>

## What if you could:



**Gain insight into your scheduling** to match labor to needs and costs



**Reduce time needed for managers and supervisors** to create and communicate schedules



**Improve workforce utilization and reduce unnecessary labor** and overtime costs



**Get real-time visibility** into accurate employee and scheduling data



**Build, fill, manage, and measure** best-fit schedules that enable you to meet output and service-level goals without overspending your labor budget

## What could eliminating unnecessary overtime mean to you?

Failure to align accurate scheduling with your company's needs can negatively affect profits. A key to solving the problem lies in being able to better estimate workloads and aligning your workforce for a best-fit schedule. The right system will also enable managers to build and maintain schedules based on workloads and, from there, adjust the schedules based on unplanned absences. When you have the right solution, you can match employee availability, skill sets, and preferences to your fluctuating business demands. **The result: maximized productivity.**

### Calculation example:

For every 100 FTEs who accumulate **10 minutes of overtime a day**, you'd pay an **extra \$93,750 in wages annually**, based on an average hourly rate of \$15 and standard overtime multiplier of 1.5, or \$22.50 per hour (100 FTEs × 10 minutes per day × 250 workdays in the year/60 minutes = 4,166 hours × \$22.50 = \$93,750 wages per year).

## With our workforce solution you can:

- More accurately align staffing and scheduling to actual demand
- Gain real-time insights into your time recording and employee hours
- Match hours to scheduling demands to make sure you have the correct staffing and prevent unnecessary overtime
- Create accurate schedules that align staffing requirements with budget and demand
- Apply drag-and-drop convenience to workload planning and scheduling
- Automatically sort through employees based on predefined criteria, including employee availability, skills, certifications, company policies, union rules, and more, to assign the right person to each position

## Overtime: Bad for the bottom line and for the heart<sup>9</sup>

Overtime isn't just tough on budgeting and profits. The risk of cardiovascular disease (CVD) increases among employees who work more hours. Based on a long-term study involving more than 1,900 employees, the risk of CVD:

- » **Increases slightly** among workers who clock 30-40 hours a week on average
- » **Drops among full-time employees** who work 40-45 hours a week on average
- » **Increases “progressively”** starting at 46 hours worked each week
- » **Is 16% greater** for people who work 55 hours a week compared with those who work 45

<sup>1</sup> Aberdeen Group, *Next Generation Workforce Management: The ROI for Accurate Scheduling* (July 2012), at 2, found at <https://www.paynorthwest.com/wp-content/uploads/2015/07/aberdien-study-the-roi-for-accurate-scheduling.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> Neal Bolton, *Overtime: The Effect on Cost*, Forester Daily News (Sept. 15, 2016), an article found at <http://foresternetwork.com/daily/waste/waste-collection/overtime-the-effect-on-cost/>.

<sup>4</sup> Ibid.

<sup>5</sup> John Frehse, *The Overtime Lie: How Corporate Strategy Is Holding Hostage Millions of Dollars in Profit*, Kronos Incorporated and Ankura Consulting (June 2017), at 4.

<sup>6</sup> SHRM, *Total Financial Impact of Employee Absences in the US* (2014), at 1.

<sup>7</sup> SMB Group, *Cloud-based Workforce Management Powers Midsized Organizations* (December 2015), at 6.

<sup>8</sup> Neal Bolton, *Overtime: The Effect on Cost*, Forester Daily News (Sept. 15, 2016), an article found at <http://foresternetwork.com/daily/waste/waste-collection/overtime-the-effect-on-cost/>.

<sup>9</sup> American College of Occupational and Environmental Medicine, *Long Work Hours Linked to Higher Cardiovascular Disease Risk* (March 8, 2016), a press release found at <https://www.acoem.org/LongWk.aspx>.



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