

# The Real Cost of Overtime

Categories : [EMPLOYER HOT TOPICS](#)

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When calculating the cost of employee overtime, there is more to consider than just the premium wages (i.e. time and a half or double time for the extra hours worked) paid to the workers. There is much evidence that, despite the fact that many employers tout it's short-term benefits, continuous overtime can cause harm to a firm by

- reducing productivity
- increasing employee stress levels/healthcare costs
- increasing accidents and mistakes.

## Productivity

Proponents of overtime usually only focus on the premium wages paid for the overtime hours. It is true that the payments of time and a half or double time only affect the additional hours worked; however, continuous overtime affects the costs of all the hours worked. This is due to lowered productivity. A productivity curve exists, if you will. In the first few weeks of scheduled overtime, total productivity (per worker) is greater than in the 40 hour work week, but usually not as much as the number of additional hours worked. By the 7<sup>th</sup> week, the total weekly productivity will be no more than that attained by the same workforce in a 40 hour week. After another 8 weeks, productivity has diminished to the point that all previous gains have been erased. This means that the total amount of work accomplished over this entire period will be even less than if no overtime had been worked at all.

## Employee Stress

A study by Northwestern National Life (now ReliaStar Financial Corporation) found that 7 out of 10 employees experiencing job stress said they frequently suffered health ailments. Mandatory continuous overtime was one of the top five factors that caused this increased stress. Employees who worked overtime on a regular basis were twice as likely (62% vs. 34%) to report that they found their jobs to be highly stressful. In the U.S., job stress is estimated to cost industry \$300 billion per year in absenteeism, increased health insurance premiums, diminished productivity, compensation claims, and direct medical costs. Healthcare expenditures are nearly 50% greater for workers who report high levels of stress.

## Industrial Accidents

A cost that can be the most difficult to measure (but can be very significant) are the costs

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associated with industrial accidents. More than half of all industrial accidents occur in jobs with extended working hours, mainly due to increased worker fatigue. Accidents on a project will cause a firm's workers' compensation premiums and claims to increase, in some cases as high as a 1000%. This increase will not only affect a firm's finances but can also disqualify a contractor from working certain projects for that firm.

Bottom line is that overtime works as an occasional necessity, but it does not make economical sense to continuously use overtime. Therefore, why not consider temporary workers to help fill coverage gaps and help with fluctuating demand? With temporary workers, overtime costs are reduced because a firm only pays for the hours actually worked and is not responsible for overhead costs, such as unemployment taxes, workers compensation premiums and benefits.

Snelling's [temporary staffing solutions](#) will give your firm access to the best-fit people you need, just when you need them. Visit our [web site](#) or your [local Snelling office](#) so our experienced office staff can partner with you to reduce or eliminate overtime, keep your accident rate down and maintain high levels of productivity.