

# Are You Issuing "Good" or "Bad" Overtime at Your Facility?



## Introduction

As long as it's distributed strategically (for your business) and fairly (amongst your qualified workers), overtime can actually be "good". When you plan for overtime to manage seasonal peaks or meet sudden changes in production needs, your facility hits their work order targets while your employees feel more engaged with extra pay opportunities. It's a win-win!

The [total cost](#) of hiring just one new employee can be as high as \$5,000 in the manufacturing industry. Used briefly, distributing planned OT to your current labor pool could cost you less than recruitment or overstaffing.

See where we're going with this? **It's the unplanned overtime that's "bad".**

For manufacturers that have a line item for just about everything, unplanned is synonymous with unbudgeted. Unbudgeted OT hours means that, come pay day, the labor costs are higher than what was projected. The disorganization inherent in any unplanned process is another bottleneck to consider. In the rush for the shift manager to assign OT—due to unexpected absences or being short-staffed—they may be picking unqualified workers or going with a fiscally irresponsible choice (e.g. assigning someone based solely on seniority when there are other equally qualified employees who have a lower pay rate).

Here's how to spot which type of overtime you have—and how to ensure you're replacing the "bad" with the "good" from here on out.

## Scrutinizing Your Current Process

Here are some questions to consider. If you answer "yes" to any of these, it may be time to change your OT distribution and management practices.

- **Do your overtime costs outweigh the cost of hiring a new employee?**

Under the [FLSA](#), if an employee's weekly wage is less than \$455, they would be entitled to time and a half for all hours worked over 40 in a workweek. After crunching the numbers, you may find that the fixed employment costs of one new hire is actually cheaper than what you're currently shelling out for overtime.

- **Are you unable to answer the question above because of poor recordkeeping or other roadblocks limiting auditability?**

Using paper or spreadsheets may be the culprit here, as both scattered processes increase your risk of misplacing pertinent information. Weekly schedules and employee records should be both centralized and easily accessible. For food manufacturers, keeping your information centralized is an enforceable law under the [FSMA](#), which only increases



the urgency of proper audit logs. The compliance issue aside, all manufacturers should be able to access historic facility data so they can make proper decisions; in this case, evaluating how effectively overtime has actually been used to see if it's time to recruit a part-time or full-time worker.

- **Are you distributing overtime because staffing levels are low?**

This is one of the biggest reasons unplanned overtime is issued in the first place. Unfilled job openings, mismanagement of absences and PTO, or high turnover could all cause other employees on the line to cover the duties and subsequently incur overtime.

- **Are the same employees or departments frequently receiving overtime?**

Many shift workers want to get as much overtime as possible to supplement their income, so overtime distribution is usually detailed in union contracts or specifically defined by work practice. While [less than 10%](#) of U.S. manufacturing employees are part of a union, plant managers note that many employees in non-union plants see their schedule (overtime included) as "absolute". If the same workers are getting the opportunities for overtime while others are left with just straight-time despite overtime stipulations in their contracts, you could have a costly union grievance on your hands. Regardless, certain people consistently getting overtime will decrease morale, as your employees will interpret that as favoritism—no matter how unintentional.

- **Do you find it difficult to enforce or keep track of internal time and attendance rules?**

Workers are punching in or out outside of their scheduled shift times, initiating the clock to start tracking overtime. A particular employee is always tardy, causing them to work past their shift so they fill all the necessary work orders. The same employees consistently call out, requiring others to work unscheduled shifts last minute; in some states, those employees would be entitled to overtime. All of these scenarios are causing unplanned overtime, yet they wouldn't occur if policies and rules were more enforced; of course, if shift managers don't have real-time visibility, they may not even know there is a problem to fix in the first place.

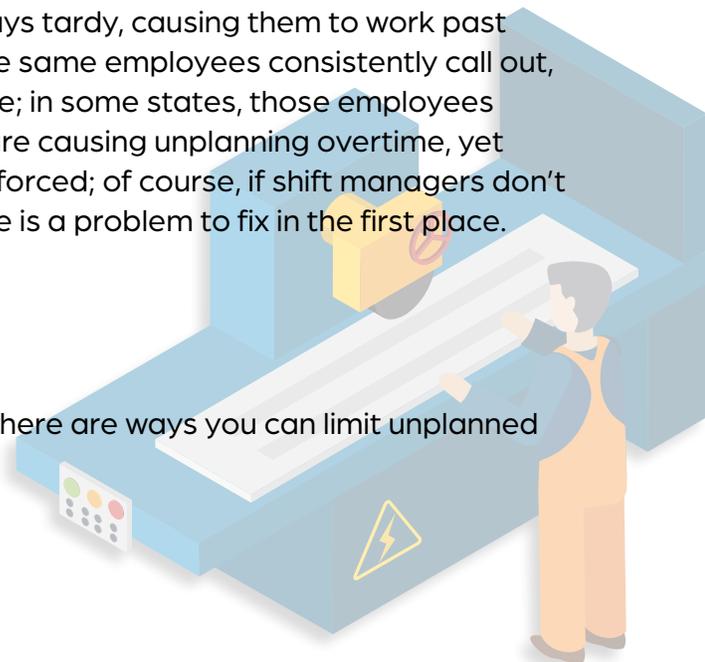
## Reducing the "Bad" Overtime

Answer "yes" to any of the above? The good news is there are ways you can limit unplanned (or even unnecessary) overtime.

### Quick Fixes

- **Cross-train employees**

That way, when employees are absent, those who normally work in other areas can help with their projects.



- **Establish or change policies based on biggest indicator(s) of unwanted overtime**

Once you know how your business currently uses overtime, you can pinpoint how to limit the occurrence. For example, if certain employees or departments are overusing overtime, you can institute guidelines that allow them to use it only during certain busy months. Alternatively, you can put a quota on the number of OT hours employees can work during a week, month, or quarter. As a more blanket approach, you could require all employees to obtain written authorization before working overtime.

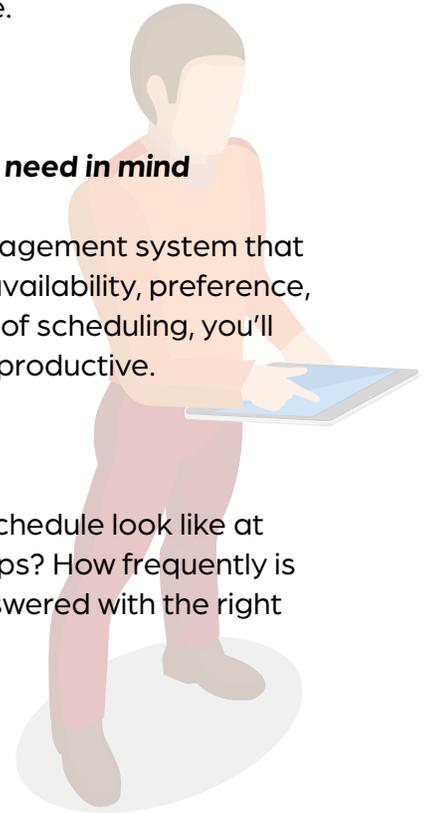
### Long-Term Fixes

- **Invest in WFM software that allows you to schedule with facility need in mind**

Demand-based scheduling requires a cloud-based workforce management system that lets managers truly dig into data. When you can match employee availability, preference, and skills with your work order or other demand needs at the point of scheduling, you'll reduce unwanted overtime because everyone will be at their most productive.

- **Have real-time visibility into accurate employee information**

What is an employee's time worked for the week? What does the schedule look like at this moment, taking into account call outs, vacations, and shift swaps? How frequently is a particular worker absent or tardy? All these questions can be answered with the right WFM system implementation.



### The Indeavor Solution

The most effective way to reduce "bad" overtime is by automating your scheduling process as a whole. You'll automatically generate a schedule in minutes that follows operational and compliance rules, have a centralized system of record for pertinent employee information (hours worked, OT, certifications, leave requests, etc.), and ensure positions are always staffed to meet production need.

Overtime should not be used as a quick fix to meet last-minute needs. Instead, you should be capturing labor trends that will allow you to issue overtime strategically and only when necessary. Indeavor's automated scheduling and absence management solution can help streamline your OT distribution, helping you manage costs and improve productivity.

Learn more or request a demo [here](#).