

## Labor: Wages, Benefits and Working Hours

# Wages, Benefits and Working Hours – Working Hours

Although laws regarding standard working hours and overtime vary both by country and by collective agreements, [ILO Convention 1](#) sets the norm for working hours at 8 hours per day with a mandatory day of rest per 6 days worked for a maximum of 48 hours per week. Overtime is generally limited to 2 hours per day, limiting the work day to 10 hours. It is also common to have various exceptions to both the standard working hour and overtime rules depending on type of work or industry. In almost all cases overtime pay must be higher than regular wages, with the norm being 150% of the regular hourly wage.

### Consequences of Excessive Overtime

Overtime is the most contentious subject within the scope of working hours, and in manufacturing it is extremely common to require workers to work overtime. This need is understandable and can prove a smart business option in limited circumstances. However, excessive use of overtime is a signal of poor production planning and can make your business less profitable in the long-term.

A situation where workers are either constantly working overtime or are periodically working extreme amounts of overtime is not only detrimental to your workers but also to the profitability of your business. The significant costs of excessive overtime have been documented in various studies and include:

#### Increase in:

- Injuries
- Product Defects
- Absenteeism
- Turnover

## **Decrease in:**

- Worker Productivity
- Product Quality

## **Mitigating Negative Effects**

There are many unforeseen circumstances where managers find themselves needing overtime to fulfill orders, including such as last minute orders, unexpected stoppages, transportation delays, and employee absenteeism. In these cases, there are various ways to mitigate the negative effects of overtime, including the following:

### **Be upfront about overtime requirements.**

Managing the expectations of incoming employees and existing employees regarding expected hours of work can significantly reduce the negative psychological effects commonly experienced by workers dealing with overtime — such as stress and depression. These side-effects are key contributors to low morale and company loyalty which in turn affect worker productivity and product quality.

### **Develop and disseminate safety procedures specific to overtime shifts.**

There are measures you can put in place to provide additional safeguards during overtime work. These procedures should be posted in a conspicuous place in all areas where overtime is worked and should be understood and implemented by all employees working overtime. An occupational health and safety expert can help you create these procedures.

### **Ask for volunteers before assigning mandatory overtime.**

A volunteer will be much more productive, and in many cases workers want to work extra hours to provide additional income for their families. However, it is of vital importance to be clear that saying “no” to overtime will incur no consequences. Also, be vigilant in monitoring the alertness of these workers as they work overtime. Employers can still be held liable for injuries or death caused by exhaustion even when an employee volunteers for overtime.

### **Closely monitor the alertness of overtime workers.**

Workers who are currently working overtime or have recently been working a significant amount of overtime are significant liabilities for your company if they are working in an exhausted state. At best they are reducing productivity; at worst they risk injury or death.

## Avoiding Unnecessary Overtime

A consistent need for overtime in the absence of unforeseen circumstances implies a need for improved production planning.

### **Align incentive systems**

Effective communication and collaboration between all departments within a company — especially sales, operations, and human resources — is vital to successful order fulfillment. However, many incentive systems are designed to maximize individual or departmental performance at the expense of company performance as a whole. For example, a sales manager is rewarded for increasing sales, an operations manager is rewarded for maximizing throughput, and a human resources manager is rewarded for reducing overtime costs. But because these incentives are not designed from a holistic viewpoint, they can create considerable problems, such as when:

- The sales manager has record-breaking sales, but capacity restraints cannot fulfill the orders. (sales and operations)
- The operations manager maximizes throughput with a carefully planned production schedule but employees with the correct skills are not available at that time. (operations and human resources)
- The human resources manager is forced to approve overtime to fulfill an order even though the cost of that overtime makes the additional sales unprofitable. (human resources and sales)

### **Cross-train workers.**

Workers who are trained on multiple job tasks create significant value by increasing production flexibility and decreasing the need for overtime. For example, unforeseen stoppage time delays production, sometimes to the point where overtime is necessary to fulfill orders on time. In these situations, cross-trained workers do not have to sit idle at the stoppage point waiting for work to resume since they can be put to productive use elsewhere. Once production resumes, additional workers can be staffed at the stoppage point until production is back on schedule. Similarly, cross-trained workers can help reduce overtime associated with absenteeism, turnover, and injuries.

### **Set reasonable daily quotas.**

A common cause for long working hours is a daily quota that cannot realistically be completed in a standard working day. Since the workers need the money, they are willing to work extra hours to fulfill the quota. However, given that overtime work has been shown to decrease productivity and product quality, especially under conditions of consistent overtime, it can be more profitable to set a lower quota and hire extra workers to avoid the additional costs of overtime.