

Overtime Management

Strategy, Distribution & Cost Control

Expert guidance from consultants who have worked with hundreds of 24/7 operations.

SHIFTWORK SOLUTIONS LLC

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WHO WE ARE

Shiftwork Solutions LLC is a leading U.S.-based management consulting firm specializing in shift schedule design, workforce engagement, and operational optimization for 24/7 industrial operations. For over 30 years we have helped hundreds of manufacturing plants, distribution centers, mines, utilities, and processing facilities across more than 16 industries build better schedules, reduce costs, and create workforces that stay.

OUR PROCESS

1

Assess

We start by understanding your operation, schedule, costs, and workforce composition.

2

Design

Schedule options built for operations AND people — with full cost and coverage clarity.

3

Deliver

Rollout support, employee education, policy development, and ongoing guidance.

4

Sustain

Post-implementation survey, results review, and adjustments to ensure it holds.

OUR EXPERIENCE

30+

Years of dedicated shiftwork consulting

Hundreds

Operations helped across North America

16+

Industries served in every engagement

Fixed

Fee model — no hourly billing surprises

Ready to discuss your operation? The conversation is free.

(415) 265-1621 Contact@shift-work.com shift-work.com/contact

INTRODUCTION

Overtime Is a Tool, Not a Problem

Ask a production manager about overtime and you'll hear about flexibility, responsiveness, and getting the job done. Ask an HR manager the same question and you'll hear about turnover, fatigue, and declining morale. Both perspectives contain truth — and that tension reveals why overtime management deserves strategic attention rather than reactive acceptance.

Overtime represents one of the most misunderstood elements of workforce operations. When used strategically, it provides flexibility that no staffing model can match: immediate access to skilled labor, the ability to respond to demand fluctuations, and supplemental income that employees genuinely value. When mismanaged, it drives your best workers to competitors, creates safety risks, and costs far more than the financial statements reveal.

The difference between these outcomes rarely lies in how much overtime an operation uses. It lies in how that overtime is managed — who works it, how it's distributed, and whether employees experience it as opportunity or burden.

Understanding overtime requires moving beyond the instinct to minimize it. The goal isn't eliminating overtime — it's transforming it from a chronic problem into a strategic tool that serves both operational and workforce objectives.

<p>~14%</p> <p>True OT cost premium</p> <p>When fully loaded — OT costs only ~14% more than straight time, not 50%.</p>	<p>10x</p> <p>Overstaffing penalty</p> <p>The adverse cost of excess headcount is typically ten times higher than moderate understaffing covered by overtime.</p>	<p>7.5%</p> <p>Pay increase, 1% cost rise</p> <p>One facility increased guaranteed employee compensation by 7.5% while payroll costs rose only 1% — by building OT into the schedule.</p>
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THE REAL COST

Why Overtime Costs Less Than You Think

Most managers dramatically overestimate the cost difference between overtime and straight time. The phrase "time and a half" creates an intuitive sense that overtime costs 50% more than regular hours. The actual difference is far smaller.

Consider the full picture. Straight time labor includes not just wages but benefits, paid time off, training costs, and administrative overhead. These additions typically represent 30–40% of base wages. Overtime, by contrast, pays the premium on wages alone — no additional benefits accrue, no extra vacation days accumulate, no incremental training costs apply.

Run the math for a typical operation. An employee earning \$15 per hour with a 32% benefit loading costs the company approximately \$19.80 per hour in fully loaded straight time. That same employee working overtime costs \$22.50 per hour — time and a half on wages, but nothing additional on benefits. The actual incremental cost of overtime? About \$2.70 per hour, or roughly 14% more than straight time. Not 50%.

The expensive scenario isn't using overtime — it's maintaining headcount you don't need. The adverse cost of overstaffing typically runs ten times higher than the adverse cost of moderate understaffing covered by overtime. This asymmetry explains why lean operations often favor running slightly short with controlled overtime rather than carrying excess permanent headcount.

THE DISTRIBUTION PARADOX

Why More Overtime Can Mean Happier Employees

Every workforce contains three distinct groups when it comes to overtime preferences. Approximately 20% of employees actively want all the overtime they can get. A different 20% want none — they have life circumstances, commitments, or preferences that make extra hours genuinely problematic. The remaining 60% will work what they consider a fair share without complaint.

Consider the contrast. Facility A has 1,000 annual overtime hours distributed equally across all employees. Facility B has 1,500 annual overtime hours channeled primarily to employees who want extra hours. Which facility has the happier workforce? Usually Facility B — despite 50% more total overtime.

The practical implication: tracking overtime preferences and channeling hours accordingly matters more than reducing total hours. This requires preference surveys, distribution tracking, and policies that honor individual differences rather than treating overtime as one-size-fits-all.



The key to managing overtime isn't eliminating it — it's understanding who values it most and building your strategy around them.

— Dan Capshaw, Shiftwork Solutions

PREDICTABILITY

Why Advance Notice Changes Everything

One principle commands near-universal agreement across the workforce: predictable overtime is dramatically more acceptable than surprise overtime.

The overtime itself might be identical. But announcing weekend work on Friday afternoon creates resentment that announcing the same work on Tuesday doesn't. Employees can adjust plans, arrange childcare, and mentally prepare when they know what's coming. Last-minute mandatory overtime, even in smaller amounts, creates disproportionate dissatisfaction.

Extending the notification window requires no additional spending — just better planning and communication discipline. Quarterly forecasts of expected overtime patterns, even when imprecise, help employees plan their lives around work rather than having work constantly disrupt their lives.



It's not the overtime that kills morale — it's the surprise overtime announced at the last minute. Give people advance notice, and even unwanted overtime becomes manageable.

— Jim Dillingham, Shiftwork Solutions

DIAGNOSIS

When Overtime Signals Deeper Problems

Chronic overtime often masks underlying issues that scheduling alone cannot solve. Understanding the source of overtime determines whether the solution involves distribution strategies, staffing changes, schedule redesign, or operational improvements.

The most common driver is understaffing. When workforce levels fall below what coverage requires, overtime fills the gap by default. The overtime itself becomes self-reinforcing: high hours drive turnover, which creates more vacancies, which requires more overtime from remaining workers.

Diagnosing the actual driver matters because the solutions differ. Distribution problems require policy changes. Staffing problems require hiring strategies. Workload variation problems may require schedule flexibility. Design problems require rethinking the fundamental coverage approach.

Important: Prolonged high overtime creates a dangerous dependency. When employees rely on overtime income to meet their financial obligations, reducing overtime — even when operationally appropriate — becomes financially devastating for your workforce. You've essentially created a compensation structure that can't flex downward without causing hardship. Design your baseline compensation and staffing to avoid creating this trap.

SCHEDULE INTEGRATION

Building Overtime Into the Schedule

Some operations need sustained high coverage that traditional schedules can't provide without chronic overtime. Rather than fighting this reality, sophisticated operations build predictable overtime directly into the schedule pattern.

A four-on, two-off twelve-hour schedule illustrates this approach. The pattern delivers 56 scheduled hours weekly — 16 hours of overtime built into every week. Employees know exactly what to expect. The overtime is predictable, distributed evenly, and reflected in guaranteed compensation rather than uncertain extra hours.

One manufacturing facility transitioned from chaotic unscheduled overtime to a continuous schedule with built-in overtime. Employees increased their guaranteed compensation by 7.5% while payroll costs rose only 1%. Days off increased from 104 to 182 annually.

EMPLOYEE EXPERIENCE

The Impact on Retention and Engagement

The pretzel manufacturer that restructured its schedule achieved measurable improvements. Schedule predictability improved 40%. Schedule flexibility improved 47%. Employees' perception of the general work environment improved 21%. Most significantly, employee turnover dropped by more than 50%.

These improvements didn't come from reducing overtime. They came from restructuring how overtime was experienced — making it predictable, giving employees choice, protecting workers from mandatory overtime on their scheduled weekends.

CONCLUSION

Manage It Deliberately or Let It Manage You

The operations that manage overtime most effectively share common characteristics. They understand the real cost comparison between overtime and straight time. They recognize that distribution matters more than total volume. They build systems that maximize predictability. They diagnose whether overtime signals underlying problems or represents appropriate capacity flexibility.

Treat overtime as a strategic element of workforce management — not an accounting variance to minimize. The question isn't whether to use overtime. It's whether to manage it deliberately or let it manage you.

Ready to improve how overtime works in your operation?

Call (415) 265-1621 | Contact@shift-work.com | Book a free consultation: shift-work.com/contact