

# Overtime work: an expanded view

*More comprehensive survey covers overtime hours even of persons who do not exceed the traditional 40-hour week; 1.6 million of them received premium pay in 1985*

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About 10 percent of all American workers received overtime pay for hours worked in a typical week in May 1985. The great majority of them worked more than the traditional 40 hours that week; however, some received overtime pay even though their workweek did not exceed 40 hours.

Prior to 1985, data on overtime work were limited to employees who worked more than 40 hours a week at a single job.<sup>1</sup> In addition to these data, the May 1985 Current Population Survey also collected information on overtime work performed by persons with 40 or fewer hours of work in the reference week. An additional feature of the 1985 data is that they are not limited to persons holding only one job.

There were several reasons for extending the survey questions on overtime to workers with 40 or fewer hours of work in a week. First, these workers constitute a majority of those in wage and salary jobs.<sup>2</sup> The following tabulation shows the distribution of wage and salary workers, by hours, May 1985 (numbers in thousands):

Total, all schedules .....	90,892
41 hours or more .....	24,386
40 hours or fewer .....	66,506
40 hours .....	38,477
39 hours or fewer .....	28,028

Second, in some jobs, by custom or agreement, the standard full-time workweek is well below 40 hours. Finally, regardless of the length of the workweek, some workers receive

overtime pay for working more than a set number of hours per day. The inclusion of these additional workers in the analysis of overtime pay sheds new light on the topic.

## Why use overtime?

There were 10.5 million persons with some overtime work in the reference week for the May 1985 survey. They labored an average of 9 hours at premium rates (generally time-and-one-half), for a total of about 94 million hours. Thus, the total dollar costs of such premiums to employers ran into millions. Why would employers incur these additional expenses?

Over the very short term, employers use overtime hours to fill rush orders, to meet seasonal peaks in demand, and to maintain production schedules despite employee absences and mechanical failures. But overtime work is also used when employers are unable to hire workers with critical skills, or when they are simply reluctant to hire new workers because of uncertainties over future product demand and the labor requirements that go with it.

Some employers may even schedule overtime work on a regular basis, rather than hire additional workers, even when workers are readily available and product demand is fairly constant. Employers tend to use this approach, according to Ronald G. Ehrenberg, when they perceive the costs of overtime premiums to compare favorably with the quasi-fixed employee-related expenses—such as sick leave, annual vacations, paid holidays, health insurance, and pension funding—which they would incur if they expanded their payrolls.<sup>3</sup>

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Does the use of overtime keep unemployment higher than it would otherwise be? In this regard, it should be noted that the framers of the Fair Labor Standards Act of 1938 believed that overtime work reduced the number of new hires, thereby keeping individuals jobless and general unemployment levels high. Therefore, they incorporated a provision into the Act which required time-and-one-half pay for all hours worked in excess of 40 a week in covered jobs. This measure was clearly designed to discourage the use of overtime, to encourage the hiring of more workers, and thus to reduce unemployment.<sup>4</sup>

During the early sixties, the causal relationship between overtime and unemployment was asserted again. The *1964 Economic Report of the President* linked the heavy use of overtime in some industries with curtailed job opportunities, and proposed legislation that would increase the premium rate for overtime work from time-and-one-half to double-time.<sup>5</sup> However, the proposed legislation was not enacted.

Some economists, in the meantime, have played down the impact of overtime work on unemployment. For example, Ehrenberg found, first of all, that an overtime rate of time-and-one-half was not a sufficient penalty to deter employers from using overtime instead of hiring new workers, particularly where the fringe benefit costs (fixed costs not related to hours worked) are comparably high. Second, he calculated that while an increase in overtime rates to double-time would further reduce overtime hours, the reduction would not translate into a significant decline in the level of unemployment.<sup>6</sup>

In a 1977 followup study, which expanded upon Ehrenberg's earlier work on the effect of overtime on unemployment, Joyce Nussbaum and Donald Wise concluded: "Both theoretical and statistical analysis confirmed the hypothesis that an increase in the overtime premium would cause a reduction in average annual overtime hours. However, the hypothesis that this reduction in overtime hours would be compensated for by a commensurate increase in employment was not supported."<sup>7</sup>

These researchers also concluded that the increase in the number of jobs that would result from lifting the overtime rates from time-and-one-half to double-time would be small. They noted that the increase in the potential gains in jobs must be weighed against other consequences—lower income for the persons previously working overtime, a possible reduction in output, and a rise in prices.<sup>8</sup>

### Who works overtime?

Men, 25 to 34 years of age, are the workers most likely to put in extra hours at overtime rates. Nearly one-fifth of them, regardless of the total number of hours they reported, had been paid some overtime premiums for work performed in the reference week. (See table 1.) Women were about half as likely as men to report paid overtime work.

Age and marital status also play a role in one's probability of working at overtime rates. Among both men and women, the likelihood of working overtime was relatively low for workers in the 16- to 24-year-old group, increased for the 25- to 34-year-old group, and declined progressively thereafter for each age group. The effect of marital status on the probability of working overtime was different for men and women. Married men were more likely to work overtime than single men. For women, the situation was reversed: married women, probably because of their household responsibilities, were less likely to work overtime than single women. Actually, the women most likely to work overtime were those in the "divorced, widowed, or separated" group. (See table 1.)

**Table 1. Total wage and salary workers, those who received overtime pay, and the rate of pay received, by selected characteristics, May 1985**

[Numbers in thousands]

Characteristic	Total wage and salary workers <sup>1</sup>	Received overtime pay		Percent distribution by rate of pay received	
		Number <sup>2</sup>	Percent	Time-and-one-half	Other rates
<b>Age and marital status</b>					
Total, 16 years and over .....	90,892	10,528	11.6	91.8	8.2
16 to 24 .....	18,869	2,137	11.3	93.3	6.7
25 to 34 .....	27,345	3,893	14.2	91.6	8.4
35 to 44 .....	20,354	2,310	11.3	91.1	8.9
45 to 54 .....	13,451	1,339	10.0	91.3	8.7
55 and over .....	10,873	850	7.8	91.9	8.1
<b>Men, 16 years and over</b>					
16 to 24 .....	9,942	1,412	14.2	93.0	7.0
25 to 34 .....	15,164	2,833	18.7	91.7	8.3
35 to 44 .....	11,021	1,578	14.3	90.9	9.1
45 to 54 .....	7,381	949	12.9	90.1	9.9
55 and over .....	5,942	647	10.9	91.7	8.3
Single .....	13,308	1,599	12.0	92.2	7.8
Married, spouse present .....	31,658	5,089	16.1	91.5	8.5
Widowed, divorced, and separated .....	4,484	732	16.3	91.2	8.8
<b>Women, 16 years and over</b>					
16 to 24 .....	41,443	3,107	7.5	92.4	7.6
25 to 34 .....	8,927	724	8.1	93.6	6.4
35 to 44 .....	12,181	1,059	8.7	91.4	8.6
45 to 54 .....	9,333	732	7.8	91.5	8.5
55 and over .....	6,071	389	6.4	94.3	5.7
Single .....	4,931	202	4.1	92.5	7.5
Married, spouse present .....	10,777	783	7.3	91.6	8.4
Widowed, divorced, and separated .....	22,314	1,486	6.7	92.3	7.7
8,352	839	10.0	93.2	6.8	
<b>Race and Hispanic origin</b>					
<b>White, 16 years and over</b>					
Men .....	78,765	9,381	11.9	91.9	8.1
Women .....	43,352	6,672	15.4	91.4	8.6
35,413	2,709	7.6	93.2	6.8	
<b>Black, 16 years and over</b>					
Men .....	9,640	944	9.8	90.6	9.4
Women .....	4,771	622	13.0	92.9	7.1
4,869	322	6.6	86.2	13.8	
<b>Hispanic origin, 16 years and over</b>					
Men .....	5,842	628	10.7	94.8	5.2
Women .....	3,528	473	13.4	95.6	4.4
2,314	155	6.7	92.7	7.3	

<sup>1</sup> Data refer to wage and salary workers, excluding the incorporated self-employed, who were at work during the survey week.

<sup>2</sup> Includes a small number of persons who did not report the number of overtime hours paid or the rate of pay received.

NOTE: Detail for race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

**Table 2. Total wage and salary workers, those who received overtime pay, and the number of overtime hours paid, by occupation and industry, May 1985**

[Numbers in thousands]

Occupation and industry	Total wage and salary workers <sup>1</sup>	Received overtime pay		Percent receiving overtime pay for —		
		Number <sup>2</sup>	Percent	1 to 8 hours	9 to 15 hours	16 hours and over
Total, 16 years and over .....	90,892	10,528	11.6	63.8	21.8	14.3
<b>Occupation</b>						
Managerial and professional specialty .....	21,265	1,268	6.0	62.7	25.9	11.4
Technical, sales, and administrative support .....	28,421	2,709	9.5	75.3	17.0	7.8
Service occupations .....	12,607	785	6.2	71.2	15.3	13.5
Precision production, craft, and repair .....	11,130	2,441	21.9	57.6	22.9	19.5
Operators, fabricators, and laborers .....	15,474	3,201	20.7	58.0	24.5	17.5
Farming, forestry, and fishing .....	1,995	124	6.2	51.6	38.7	9.7
<b>Industry</b>						
Agriculture .....	1,557	88	5.7	43.2	40.9	15.9
Private nonagricultural industries .....	73,544	9,447	12.8	63.5	21.9	14.7
Mining .....	913	254	27.8	42.2	20.1	37.8
Construction .....	4,789	755	15.8	53.0	25.8	21.2
Manufacturing .....	19,407	3,887	20.0	60.8	23.7	15.5
Transportation and public utilities .....	5,458	873	16.0	57.3	25.7	17.0
Wholesale and retail trade .....	18,611	1,978	10.6	70.6	19.2	10.2
Finance, insurance, and real estate .....	5,708	386	6.8	78.4	13.9	7.7
Services .....	18,620	1,313	7.1	71.1	18.2	10.8
Government .....	15,791	993	6.3	69.0	19.6	11.4

<sup>1</sup> Data refer to wage and salary workers, excluding the incorporated self-employed, who were at work during the survey week.

<sup>2</sup> Includes a small number of persons who did not report the number of overtime hours paid.

Whites were somewhat more likely to work at overtime rates than blacks or Hispanic origin workers. But, regardless of race or Hispanic origin, women were only half as likely as men to work overtime.

*Occupation and industry.* Among the various occupational groups, the highest proportion of workers reporting some work at overtime rates was in the precision production, craft, and repair group. About 22 percent of the 11.1 million members of this group had received premium rates for some of the hours worked during the May 1985 survey week. (See table 2.) Following closely behind at 20.7 percent were operators, fabricators, and laborers. Together, these two occupational groups accounted for more

than half of the 10.5 million workers with some overtime earnings.

The proportion of workers with overtime earnings was much smaller among other occupational groups. For example, of the workers in the managerial and professional specialty occupations, only 6 percent reported paid overtime work. For the most part, these occupations are exempt from the overtime pay provisions of the Fair Labor Standards Act which, as of 1983, applied to an estimated 56 million non-supervisory jobs.

In terms of industry concentration, overtime work was most common in mining, where 27 percent of the workers reported receiving premium pay in May 1985. In manufacturing, the proportion was 20 percent. Although fewer than

**Table 3. Total wage and salary workers, those who received overtime pay, and the number of overtime hours paid, by length of the workweek, May 1985**

[Numbers in thousands]

Length of the workweek	Total wage and salary workers <sup>1</sup>	Received overtime pay		Percent receiving overtime pay for —			Mean overtime hours paid
		Number <sup>2</sup>	Percent	1 to 8 hours	9 to 15 hours	16 hours and over	
Total, 16 years and over .....	90,892	10,528	11.6	63.8	21.8	14.3	9.0
Worked 41 hours or more .....	24,386	8,926	36.6	60.4	23.6	16.0	9.6
On one job .....	21,421	8,416	39.3	60.3	23.5	16.2	9.6
On two jobs or more .....	2,965	510	17.2	62.1	25.6	12.4	9.6
Worked 40 hours or fewer .....	66,506	1,601	2.4	83.3	11.7	5.0	6.0
Worked 40 hours .....	38,477	880	2.3	79.4	14.6	6.0	(3)
Worked 39 hours or fewer .....	28,028	722	2.6	87.8	8.2	4.0	(3)

<sup>1</sup> Data refer to wage and salary workers, excluding the incorporated self-employed, who were at work during the survey week.

<sup>2</sup> Includes a small number of persons who did not report the number of overtime hours paid.

<sup>3</sup> Not available.

one-fifth of all workers are now employed in manufacturing, the industry accounted for about two-fifths of those with paid overtime work in May 1985. The construction industry also had a relatively high proportion of workers (15.8 percent) reporting some overtime earnings. In contrast, in agriculture and such industries as finance, insurance, and real estate, government, and services, the proportion of employees with overtime work did not exceed 10 percent, and was generally much lower.

*Hours worked.* As might be expected, the great majority of persons receiving some overtime pay worked more than the 40-hour standard workweek. The following tabulation shows the number of wage and salary workers by hours worked and by the number and proportion receiving some overtime pay, May 1985 (numbers in thousands):

	At work	Received overtime pay	
		Number	Percent
Total, all schedules . . . . .	90,892	10,528	11.6
Worked 41 hours or more . . . . .	24,386	8,926	36.6
Had one job only . . . . .	21,421	8,416	39.3
Had two jobs or more . . . . .	2,965	510	17.2
Worked 40 hours or fewer . . . . .	66,506	1,601	2.4

About 24.4 million persons reported having worked more than 40 hours in the May 1985 survey week. The great majority of these workers (21.4 million) worked at only one job. Our major interest—and the concern of the Fair Labor Standards Act—lies with this group. About two-fifths of

them reported they had received overtime pay. This is about equal to the percentage of workers with overtime pay found in previous surveys of workers on long workweeks. As for the other three-fifths—those working more than 40 hours but not receiving any overtime pay—they appear to be largely in jobs which did not fall under the provisions of the Act. They were concentrated in managerial, professional, technical, sales, and administrative support jobs, where the payment of overtime premiums for hours worked in excess of 40 is not widely practiced.

The workers receiving premium pay for having labored beyond the 40-hour standard reported an average of 9.6 hours of overtime work. (See table 3.) Nearly two-thirds of them had put in 8 hours or fewer of overtime work. Of the remainder, most reported 9 to 15 hours of overtime; only a small minority—16 percent—reported 16 hours or more.

Even fewer hours of overtime were put in by those reporting the receipt of overtime pay even though their workweek had not exceeded the 40-hour standard. These persons worked an average of 6 hours at overtime premiums. More than four-fifths of them reported 8 or fewer hours for which they had collected overtime pay.

Time-and-one-half was by far the predominant rate of pay for overtime work in 1985. In fact, of the 10.5 million workers with some overtime earnings in the May survey, about 9.5 million, or more than 90 percent, said they were paid “time-and-one-half.” Only about 200,000 reported receiving “double-time.” Of the remainder, some reported a “graduated rate,” but most responses were combined into an “all other” category. □

—FOOTNOTES—

<sup>1</sup> Daniel E. Taylor and Edward S. Sekscenski, “Workers on long schedules, single and multiple jobholders,” *Monthly Labor Review*, May 1982, pp. 47–53.

<sup>2</sup> Data refer to wage and salary workers at work during the May 1985 survey week (May 12–18). Excluded are those who were employees of corporations which they owned.

<sup>3</sup> Ronald G. Ehrenberg, *Fringe Benefits and Overtime Behavior* (Lexington, MA, D.C. Heath and Co., 1971), p. 1.

<sup>4</sup> Charles H. Livengood, Jr., *The Federal Wage and Hour Law* (Philadelphia, PA, American Law Association collaborating with the

American Bar Association, 1951), p. 6.

<sup>5</sup> T. Aldrich Finegan, “Can a Case Be Made for Discouraging Overtime?” in William G. Bowen, ed., *Labor and the National Economy* (New York, W.W. Norton and Co., Inc., 1965), p. 174.

<sup>6</sup> Ehrenberg, *Fringe Benefits*, p. 1.

<sup>7</sup> Joyce M. Nussbaum and Donald E. Wise, “The Employment Impact of the Overtime Provisions of the FLSA” (U.S. Department of Labor, 1977), Bibliographic Data Sheet.

<sup>8</sup> Nussbaum and Wise, “The Employment Impact,” p. 123.