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Over time, Overtime (OT) Adds Up!

Over time I have heard many employers complain about the cost of overtime. They complain that they spend fifty percent more for labor after their employees reach a certain number of hours in a week. Many are convinced that their employees “milk” their time in order to get the time and a half overtime rate. So as an employer what do you do? Are you just stuck with this system or is there another way?

Well, of course there are other ways. You just need to know what they are and what the rules are.

The simplest way to avoid the abuse of overtime hours is to implement a new policy in your company. We did this for years. Prior to any employee submitting a timesheet with overtime on it they had to get permission from a manager to work the overtime in the first place. So they would have to submit a form that requested working extra hours, what the extra hours would produce and when the hours would be worked. This worked like a charm. I never had an employee request overtime and put down for the reason why as “I didn’t get my regular work done because I was chatting with my office mate” or “I want to go on vacation and need the extra cash”.

This also allowed two positive things to occur for our company. One, there really were not too many overtime requests in this situation. Two, when overtime was permitted the employees were required to produce something specific. So there were measurable results.

There were times when overtime was not only allowed, but was beneficial to our company. There were also times where I would let the staff know that I needed extra hours worked and I would then have volunteers. So we are not treating

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overtime as something dreaded and unnecessary, but rather as something that needs to be controlled and budgeted for from a management stand point.

Another way to control overtime pay is to know the rules. This is a little more complex, but if you know the rules that the IRS and Department of Labor use regarding overtime you can set up a good pay structure that is fair to you and your employees.

One important rule to know about is called "exempt employees". These are employees that are given a salary and are exempt from being paid overtime. The rules for exempt employees are quite detailed but the simplest version of it goes like this.

If you have an employee that falls into a category of executive, administrative, professional and outside sales you may be able to pay these employees a salary and not have to pay for overtime. There is a minimum salary requirement for these employees to be paid, which is \$455.00 per week. Also, the duties of these employees have to be limited to specific "white collar" tasks. This means the employees have to have a specific advanced knowledge of a duty that is performed within your business, or needs to have their primary duty be the performance of work directly related to the management or general business operations of the employer. To review the rule set for exempt employees you can use the following link: <http://www.dol.gov/elaws/esa/flsa/screen75.asp>

In the mean time think about how to control your overtime costs by limiting the amount of overtime worked or by reassessing how your employees are paid. Labor costs can be one of the top expenses for a company. You need to speak to your financial professional to see how you can limit the expenses you are paying for employee overtime.

About the author

Meg Eynon is the Vice President of The Payroll Factory and has over sixteen years of experience working with businesses to help them come up with simple ways to make their employees' lives easier through the process of producing payroll.

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