

The Great Overtime Dilemma

Katherine Barrett & Richard Greene



Introduction

There are multiple reasons why states and localities turn to overtime to get necessary work accomplished. These include unanticipated events such as blizzards or floods, high turnover that results in unexpected vacancies and special events that require all-hands-on-deck staff involvement.

Beyond that, managers in certain fields, in which there is a shortage of employees – like nurses, police or firefighters – may find themselves forced into paying preexisting employees time-and-a-half to make sure government can provide promised services. Consider: when there are shortages of firefighters, a city can't simply announce that houses will burn down, because there aren't enough employees available to reduce or eliminate the flames.

Complicating matters is the fact that often the very word “overtime,” is used as an epithet, not as a useful fiscal and human resources tool. “When I think about good overtime, I think about situations where it makes more sense to use overtime, rather than to hire new people,” says Linda Misegadis, public sector business consulting director at UKG1.

But even when overtime is used for estimable purposes, unfortunately, many governments are missing well-thought-out policies about how overtime will be dealt with, whether it will be limited or how it will be distributed and monitored. There are also issues that occur, even when policies are in place, because they are not well-known to employees or they are not actively enforced.

A 2018 report from the Baltimore Department of Finance, for example, said that “Overtime policy requirements have been regularly ignored in practice.”²

Meanwhile, a 2019 audit in Cape Coral, Florida, said that the lack of clear centralized overtime directives led to a situation in which overtime was monitored differently in each department, with some checking data only a couple of times a year.³

The purpose of this paper is to provide guidance for states and localities that want to establish useful policies and practices to manage overtime, based on those used elsewhere.

About the Authors



Over the course of nearly 30 years, Katherine Barrett and Richard Greene, principals of Barrett and Greene, Inc. have done much-praised analysis, research and writing about state and local governments.

They are nationally-known authorities in performance management, budgeting and finance; human resources, procurement; tax systems, health management and policy, pensions, infrastructure, contracting, civics education and a host of other topics.



Overview

Overtime for city, county and state employees has been epidemic in the past few years. One contributing factor has been a high vacancy rate, particularly in fields such as nursing, corrections, police work and emergency medical services. Unplanned leave and lax oversight also contribute to the issue. The Fair Labor Standards Act entitles nonexempt employees to overtime pay of at least one and one-half times regular pay for any time worked over a 40-hour week. The specifics vary for police and firefighters.⁴

The increases have been dramatic. Overtime costs in New York state, for example, were higher in 2018 than at any other time in the past ten years, with 18.1 million hours of overtime worked at a cost of \$787 million. The ten-year rise in overtime costs for the following agencies was particularly large: the Office for People with Developmental Disabilities (up 96.5%), the Division of State Police (up 96.3%) and the Office of General Services (up 87.7%).⁵

Although overtime may be expensive, it is critical to distinguish the instances where it is both necessary and useful from those where it is unnecessary and possibly even risky. Useful overtime allows departments to quickly deal with unexpected events and short-term vacancies. Says Troy Valenzuela, battalion chief for the East Fork Fire Protection District, located in the valley next to Lake Tahoe, “The reason overtime is unavoidable is that we have to fill those seats in the fire engines every day. The seats just can’t be empty. That’s the real reason why [most] fire agencies take heat for their overtime expenses.”

So, then why not just hire more firefighters to ensure full trucks come what may?

As the Sheriff’s Office overtime audit for the city and county of San Francisco says, “Overtime costs less than it would to hire and train additional full-time staff because, among other reasons, overtime brings no additional costs to the City for health and retirement benefits.”

Misegadis, “When I think about good overtime, I think about situations where it makes sense to use more overtime than to hire new people. In snow season, we don’t need to hire a bunch of new people who aren’t needed after spring thaw.”

Overtime is particularly common in 24/7 operations, notably those related to public health and safety. In Atlanta, 43% of overtime came from the police department in 2018.⁶ In Los Angeles, in fiscal year 2019, the police and fire departments accounted for 77% of overtime, with 91% of fire and police department employees earning overtime – an average of \$27,737 per employee.⁷

Even when governments make their best efforts to budget for overtime, those figures are often underestimated, leaving budget shortfalls as the year progresses. A 2019 Denton, Texas, police overtime audit noted that overtime had been under-budgeted for the past five years, a result of unexpected vacancies. As a result, actual overtime expenditures were about 123% of budgeted overtime amounts.⁸

“Although overtime may be expensive, it is critical to distinguish the instances where it is both necessary and useful from those where it is unnecessary and possibly even risky.”





It is important to note that the cost of overtime generally leaves out the issue of compensatory time, in which public sector employees are reimbursed for overtime by accruing additional time off, as opposed to dollars. But the leave resulting from compensatory time often results in a need for additional overtime. For example, a 2019 San Francisco Sheriff's Office audit made a strong point that when overtime payment is taken in compensatory time, the result is "cascading overtime."⁹ This is because the leave taken due to compensatory time will very frequently lead to the need for more overtime, which also will need to be compensated – with dollars or more leave – at a time-and-a-half rate.

Another factor that contributes to the cost of overtime is often left out of the total: the administrative costs that go along with spending. This is particularly a factor for police departments in which officers work extra overtime hours for external entities. According to a police overtime audit in Portland, Oregon, overtime wages did not include "the time [that] commanders spent reviewing and approving contracts, part of [the] cost of the Union secretary for scheduling secondary employment, the time administrative staff spent processing payroll, or the time accounts receivable staff spent billing customers. It is possible those costs exceeded \$400,000."¹⁰

Additionally, overtime may be affected by a variety of external factors over which governments lack control. The most obvious is weather, but there are also special events, public health emergencies and unexpected acts of violence or terrorism.

Instances in which overtime may be used unnecessarily vary. Sometimes, for example, routine responsibilities are extensively carried out using overtime. An example of this is the Beverly Hills work on fire hydrant inspection, maintenance and repair. Properly working fire hydrants are critical and industry guidance calls for annual inspections, which the city has as one of its goals, although it is not fully staffed to achieve that goal. According to a December 2019 Beverly Hills performance audit, close to 66% of fire hydrant inspection, maintenance and repair work from January 1, 2019, through June 30, 2019, was conducted using overtime rates.¹¹

Lack of staff analysis and an absence of effective scheduling are common but controllable reasons why overtime can explode.

Overtime can also be overused when it's not effectively monitored, and it provides an opportunity for people to vastly increase their pay. Though this is less true than in the past, some entities still engage in "spiking," a practice in which employees close to retirement age are given extra overtime hours in order to increase pension payouts that are based on their past few years of pay.

Lack of staff analysis, and an absence of effective scheduling are common, but controllable reasons why overtime can explode.



The risks of excessive overtime go far beyond fiscal strains on city and state budgets. Multiple sources chronicle the potential for fatigue from overwork and its impact on performance and safety. As a Washington D.C. audit reported in 2018, “Excessive overtime means some District employees are working long hours on less rest, creating a higher risk of inattentiveness that can lead to injury to themselves or others and potentially threaten to undermine an agency’s mission.”¹²

Portland police auditors also noted the impact of overtime-related fatigue on the communities served, saying, “Perhaps the greatest risk of excessive overtime is the risk to the relationship between the community and police when police are overtired, overworked and have fewer opportunities to interact in non-police settings.”¹³

Fortunately, there are plentiful examples of ways in which overtime – necessary or not – can be controlled to more affordable levels through careful management attention. This includes a focus on better data and documentation, improved approval and monitoring practices, and analysis of staffing and scheduling needs. The pages that follow delve into each of these.

It is worth noting that in the weeks and months before the release of this paper, the coronavirus pandemic raged nationwide – and that, in turn, altered the overtime scene dramatically. The shortage of health care workers, for example, meant that cities, counties and states became increasingly dependent on overtime.

Similarly, in offices where some workers are furloughed, the remaining staffers may be called upon, temporarily, to put in extra hours.

It is worth noting that in the weeks and months before the release of this paper, the coronavirus pandemic raged nationwide – and that, in turn, altered the overtime scene dramatically. The shortage of health care workers, for example, meant that cities, counties and states became increasingly dependent on overtime. Similarly, in offices where some workers are furloughed, the remaining staffers may be called upon, temporarily, to put in extra hours.

Still, the findings and conclusions of this report were valid pre-pandemic and will be valid again post-pandemic.

How can overtime be better controlled?

- Focus on better data and documentation
- Improved approval and monitoring processes
- Analysis of staffing and scheduling needs

There are plentiful examples of ways in which overtime – necessary or not – can be controlled to more affordable levels through careful management attention



Data and Documentation

Misegadis reflected on her concern with insufficient good data available for elected and appointed officials and even the general public. “A lack of transparency,” she says, “has a lot to do with a lack of trust in government.”

Moreover, poor record keeping and a paucity of detailed data about job categories, hours worked and the reasons for overtime increase the potential for abuse.

In a 2019 citywide look at overtime in Atlanta, for example, six departments with the highest overtime use did not have documentation for half the overtime hours reported. At the extreme, the Department of Watershed Management could support only 6% of overtime samples with documentation and the Department of Aviation could do so with only 11% of sampled overtime.¹⁴

According to multiple audits and studies, continued use of paper-based and heavily manual systems make it hard to document, track and analyze overtime. In 2018, some patrol units in Baltimore’s police department still recorded attendance in roll books with skimpy detail on hours worked, according to a report by the Department of Finance.

Continued use of paper-based and heavily manual systems make it hard to document, track and analyze overtime

“Moreover, it is apparent from the Wite-Out and the erasures that the attendance markings in the roll books are not always recorded contemporaneously,” the report pointed out. Among its recommendations for a long-term solution were installing biometric timeclocks and setting up a scheduling and time and attendance tracking system.¹⁵

The shift from manual to electronic record keeping is often mentioned by government managers as an important tool. “In the past, we had a specific group of individuals who used a manual process to put data on paper,” says Mike Napold, information technology specialist for Enterprise Technology Services in Broward County, Florida. “But we now have our policies tracked by automation, and that has helped the county a great deal in its need to use data and documentation to control and understand overtime use.”

Data and Documentation

Simply converting to electronic systems is not a panacea, however. Inconsistent, inaccurate and missing data also surfaces in governments that rely heavily on technology. There is no silver bullet.

Management attention is needed not only to collect the right data but also to make use of it. Timeliness is also crucial. Says Betsy Thomas, human resources director of Georgia's Department of Corrections, "Our goal with the data is to monitor it daily or weekly."

Fortunately, as a growing number of local governments and states are taking steps to control overtime, some positive developments have occurred. Portland, Oregon's City Council 2018-2019 budget, for example, included a budget note directing the Portland Police Bureau to provide an online dashboard so the council could track overtime use. It also directed the bureau to evaluate overtime annually to help cut back.¹⁶

Even though Los Angeles still has unfortunate gaps in its information about overtime, it does have examples of good data use. The city shows, for example, significant details about its five departments with the highest overtime use – fire, police, water, sanitation and transportation. Together, these departments accounted for 90% of the city's 2019 overtime dollars.

Data further helps nail down where overtime is most used in individual departments. For example, while 11% of overtime in the Department of Transportation was for supervisors and less than 9% for equipment operation, 58% was for traffic officers.¹⁷ That information signals the importance of directing management attention specifically to the causes of overtime use for that group of employees.



Management attention is needed not only to collect the right data but also to make use of it. Timeliness is also crucial.

Betsy Thomas
Human Resources Director, Georgia Department of Corrections

Close-Up

New York's Metropolitan Transit Authority

The Metropolitan Transit Authority has received plenty of negative attention from the media for its overtime use: *\$461,646 in Pay for One Worker: M.T.A. Overtime Scrutinized . . .* read one headline in The New York Times on May 17, 2019.¹⁸ *The MTA is hemorrhaging overtime*, the New York Post Editorial Board pronounced three weeks earlier.¹⁹



These articles and others around the country tell the tale of workers whose overtime pay at least doubled their regular salaries.

The MTA's Office of Inspector General has made multiple recommendations to improve this situation, such as providing better documentation on overtime and the reasons for it. Basic data, according to the IG's office, should include who authorized overtime, the shift supervisor, the work location, and overtime start and end points. Another recommendation has been to create monthly "high earner" reports that would be widely distributed.

An important step for the MTA has been developing consistent use of a modern timekeeping system, which employs physiologic characteristics like iris scans or fingerprints to know when someone has signed in or left work. An IG office study that sampled high-earning employees showed that in 2018, 72% worked for departments that did not use timeclocks.²⁰ The situation has improved. By January 17, 2020, the MTA had achieved 85% active usage of biometric timekeeping clocks across its multiple agencies.²¹

MTA Recommendations on Addressing Overtime Issues

Provide better documentation on overtime and the reasons for it

Create monthly "high earner reports" that are widely distributed

Consistent use of a modern timekeeping system to know when someone has signed-in or left work



Approval and Monitoring Process

Keeping data on overtime hours, costs and job functions is critical to making sure overtime is used wisely. But producing solid data is only a first step. It becomes most useful for managers and policy makers when the data is closely monitored to track the approval process and to see whether there are outliers for individual employees or job functions.

This may seem like Management 101, but a surprising number of entities fall short of following this best practice. For example, a 2018 citywide overtime audit in Cape Coral, Florida, found that individuals were able to approve overtime for workers at their own rank – or even staffers at higher ranks. They were also sometimes allowed to simply approve their own time records, a practice that greatly increases the risk of abuse or fraud.

In Cape Coral, according to a sample of employees, 24% of police officers and firefighters did not have supervisors sign off for overtime or comp time.²² In Denton, Texas, the 2019 audit found some 57% of pay stubs had “at least one hour of overtime that was inappropriately approved.”²³

Meanwhile, in 2018, Washington D.C. auditors cited several departments for a lack of reconciliation between approved overtime and overtime hours submitted.²⁴ It is entirely possible that the vast majority of overtime hours were approved. But the absence of simple oversight is an invitation to let the overtime system go askew.

When overtime approval and use is actively monitored, the results can be dramatic. In 2018, legislation in Atlanta required the city’s chief financial officer to report to the Finance Executive Committee on a quarterly basis the amount of overtime worked and the hours paid for every city department. The Atlanta Police Department set up a monitoring unit in June 2018 and reduced overtime by 60% from July to November 2018.²⁵

Paying attention to overtime through active monitoring practices helps government managers and decision-makers better understand why overtime is sometimes necessary. It also can aid managers with fiscal decisions.

For example, in Rockingham County, New Hampshire, an increased emphasis on monitoring helped managers code overtime use in the county’s long-term care facility. By determining how overtime was used by Licensed Nursing Assistants (LNAs), Licensed Practical Nurses (LPNs) and Registered Nurses (RNs), the county was able to make a more accurate comparison of costs between in-house staffing and outsourced agency staffing.

“Keeping data on overtime hours, costs and job functions is critical to making sure overtime is used wisely. But producing solid data is only a first step.”

Close-Up

Scottsdale, Arizona

In the aftermath of the Great Recession, Scottsdale, Arizona, focused on ways to reduce overtime costs. One target area was the police department, which had trouble keeping overtime on budget.

In late 2014, the Scottsdale audit office found many solid management practices had been put into place, including an emphasis on data and documentation.



Photo by Joseph Plotz is licensed under Creative Commons

But documentation only goes so far without more aggressive monitoring, which began in March 2014. That meant paying more attention to employee time sheets and producing a monthly report that summarizes each employee’s overtime hours.²⁶ “They’d gotten more careful at monitoring the extra hours that were being worked and in working more cooperatively across the districts,” city auditor Sharron Walker said in May 2020. “Looking back at this audit reminded me what a difference management can make.”

Overtime is examined not just by individual employee but by police squad, leading to increased attention to any discrepancies in overtime use or documentation and the discussion of those issues with supervisors. Monitoring overtime use in that way led to a 76% decrease in the number of blank notation fields for overtime entries during two sample pay periods in 2014 compared to the same pay periods in 2013.

Monitoring how and when overtime is used also enables the department to make alterations in scheduling. It helps increase sharing of officers between patrol districts and better coordination of court appearances to coincide with regular duty shifts.

How Scottsdale, AZ kept overtime on budget

Paying more attention to timesheets

Monitoring extra hours that are being worked allowed them to work more cooperatively across the districts.

Monthly overtime reports

Summarizing each employee’s overtime hours gave visibility into overtime distribution



Analysis of Staffing and Scheduling Needs

Analysis of staffing and scheduling can help governments answer one of the most pivotal questions about overtime: Will fiscal and productivity results be improved by hiring more staff instead of relying on overtime to get the necessary work done?

For example, the 2018 Washington D.C. overtime audit showed that the Department of Public Works could save \$200,000 annually if it hired more permanent employees. Likewise, the audit pointed out that the Department of Corrections would save about \$1.4 million in personnel costs by hiring 78 more correctional officers.²⁷

Staff analysis is particularly challenging for 24/7 operations, where it is vital to cover a minimum set of positions. When that is the case, changes in leave policy – such as a new law requiring paid family leave – can dramatically alter the calculation of the number of employees needed to fill positions.

These institutions must calculate a “relief factor,” the number of full-time employees who are available to staff a facility when other employees miss work. Trends in absenteeism, changes in vacation or holiday hours, training requirements, and the accumulation of compensatory leave can all serve to render a long-standing relief factor obsolete. When those calculations are out of date, more overtime often results.

Automated scheduling systems can also help distribute overtime in a more equitable way. This corrects a common overtime issue in which a disproportionate amount of overtime dollars goes to a handful of employees while others, who would like to earn extra dollars, get left out. Take the experience of the Arlington County (Virginia) Police Department.

In the past, newer employees had less chance to earn overtime because employees with seniority were favored. At a time when recruiting and retaining young workers was a challenge, this practice created problems, according to Michael Quigley, tactical operations commander.

Now, with the purchase of a new scheduling system in Arlington, managers are able to exert more control over the distribution of overtime. Instead of a handful of individuals eating up all the department’s overtime hours, officers who most recently were allocated overtime fall to the bottom of the list of eligible individuals, regardless of their number of years of service. Of course, there are certain jobs – like patrolling roadwork in the dark of the night – that may not be in high demand. When an officer turns down the chance to make money by sitting on the side of a road at 3:00 a.m., he or she floats back to the top of the list, ready to be offered the next available gig.

Although this system may frustrate old-timers on the job, there’s a big benefit to their younger counterparts. “We’ve been successful in demonstrating to newer employees that, across the board, every employee is important to us,” Quigley says.

Scheduling is important for reasons beyond making sure that overtime is equitably distributed to workers who want it – some don’t, often for very good reasons. In places that need to resort to overtime largely because they are understaffed, too much overtime is burdensome and potentially dangerous.

Keeping a focus on when, how – and to whom – overtime is allotted also helps managers and supervisors keep tabs on individuals whose overwork may adversely affect performance and safety.

Close-Up

Washington Department of Corrections

Tom Fithian, Washington’s deputy prison director, argues that in the past, his state legislature has approached overtime as an arbitrary expense, without a rigorous approach to ascertaining what the need for overtime should actually be. “Our staffing model was decades old,” he says, “and if the model is outdated, it drives overtime.”



A solid staffing model helps to control overtime by ensuring that staffers are employed at the right time, in the right place, and to make sure resources are available to meet departmental goals. Washington took important steps in that direction beginning in early summer 2019 after a staffing model review concluded that its long-standing relief factor was out of date.²⁸

Having a third party come in and complete the staffing model review helped the Department of Corrections make its case to the legislature that excessive overtime was being driven by inadequate staffing, according to the Department of Corrections’ budget director, Michael Steenhout.

Beyond the high cost of overtime, the staffing study listed the intangible costs of increased absenteeism (leading to more overtime) and fatigue that can reduce productivity and attentiveness and increase the chance of injury. According to the staffing model, “Studies have shown that excessive overtime can lead to increases in absenteeism and use of leave time, thus creating a cycle where use of overtime creates the need for more overtime.”

“

Our staffing model was decades old and if the model is not correct, it drives overtime.

”

Tom Fithian
Deputy Prison Director, Washington State



References

- ¹ Please note that this paper was sponsored by UKG, a dominant player in the world of measuring the number of hours individual employees work, and through sophisticated means, helping to control overuse of overtime. That said, the editorial content is drawn from dozens of sources, including interviews and documents, and represents information independently accumulated by Barrett and Greene, Inc. It does not necessarily reflect the views of UKG.
- ² City of Baltimore Department of Finance, Report on Overtime at the Baltimore Police Department, October 24, 2018, 5.
- ³ Cape Coral City Auditor's Office, Citywide Overtime Hours and Authorization Audit, November 26, 2019, 11.
- ⁴ U.S. Department of Labor Wage and Hour Division, *Overtime Pay*.
- ⁵ Office of the New York State Comptroller, *New York State Agencies' Use of Overtime*, April 2019, 1, 5.
- ⁶ Atlanta City Auditor's Office, *Performance Audit: Citywide Overtime*, February 2019, 24.
- ⁷ City of Los Angeles Controller Ron Galperin, *On the Clock: Review of City Employee Overtime*, November 5, 2019, 1.
- ⁸ Denton City Auditor's Office, *Audit of Police Overtime*, October 2019, 6.
- ⁹ City and County of San Francisco Office of the Controller, *Key Strategies Could Help the Sheriff Reduce Its Heavy Reliance on Overtime and Better Communicate Its Staffing Needs*, June 19, 2019, 27.
- ¹⁰ Portland City Auditor, *Police Overtime: Management is lax despite high overtime use*, October 2019, 15.
- ¹¹ Beverly Hills Office of the City Auditor, *Performance Audit of the City's Fire Hydrant Inspection, Maintenance and Repair Operations*, December 2019, 2.
- ¹² Office of the District of Columbia Auditor, *District Overtime Tops \$108 Million; Better Management and Additional Staff Could Reduce Costs*, May 22, 2018, 5.
- ¹³ Portland police overtime audit, 16.
- ¹⁴ Atlanta citywide overtime audit, 26-27.
- ¹⁵ City of Baltimore Department of Finance, *Report on Overtime at the Baltimore Police Department*, October 24, 2018, 8.
- ¹⁶ Portland police overtime audit, 4.
- ¹⁷ Los Angeles review of city employee overtime, 11, 17.
- ¹⁸ Jim Dwyer and Emma G. Fitzsimmons, *\$461,646 in Pay for One Worker: MTA Overtime Scrutinized by Prosecutors*, The New York Times, May 17, 2019.
- ¹⁹ New York Post Editorial Board, *The MTA is hemorrhaging overtime*, April 24, 2019.
- ²⁰ Letter to Patrick J. Foye, Chairman and CEO, Metropolitan Transportation Authority, *Re: MTA's Deficient Overtime Verification*, October 18, 2019.
- ²¹ Office of the MTA Inspector General, *Overtime Reforms at the MTA Monitoring Report, Fourth Quarter 2019*, February 2020, 2.
- ²² Cape Coral citywide overtime audit, 5.
- ²³ Denton audit of police overtime, 8.
- ²⁴ District of Columbia overtime audit, 22-24.
- ²⁵ Atlanta citywide overtime audit, 35.
- ²⁶ Scottsdale City Auditor's Office, *Police Overtime*, December 9, 2014.
- ²⁷ District of Columbia overtime audit, 13, 18.
- ²⁸ Washington Department of Corrections, *Prison Staffing Model Review*, prepared by CGL, June 28, 2019