



Overtime

What is overtime?

Overtime refers to all hours worked in excess of the normal hours, unless they are taken into account in fixing remuneration in accordance with custom [Reduction of Hours and Work Recommendation, 1962 (No. 116)]. The definitions used in practice differ however. First, the threshold used for identification of overtime varies

depending on institutional settings. It can be made up, for example, by the contractual working time, usual working time or statutory working time. Second, for some purposes (mainly for statistical ones), overtime does not necessarily need to be linked to compensation. Thus, many studies on overtime distinguish between paid and unpaid overtime.

How is overtime work regulated?

Regulations on overtime commonly set two thresholds. First, the maximum standard working time (often called “normal hours”), marking the point above which working time is considered as overtime; second, the maximum total working time, including overtime. The limitations of working time and overtime can often be temporarily extended in the framework of flexible working time arrangements [see the Information Sheets on flexitime and “time banking” schemes and on annualized hours (hours averaging) schemes].

The ILO Hours of Work (Industry) Convention (No. 1) of 1919 introduced a maximum standard working time of 48 hours per week and eight hours per day as an international norm. In several exceptional cases, working time is allowed to exceed these limits, as long as daily working time remains not higher than ten hours, and weekly working time not higher than 56 hours. The European Union’s Working Time Directive of 1993 sets the threshold of total working time, including overtime, at 48 hours per week on average over a 17-week period. Daily working time is implicitly limited by a requirement for 11 hours rest during a 24-hour period.

At the national level, overtime is regulated by a combination of legal restrictions and collective agreements. The scope of both modes of governance varies

considerably across countries. The Member States of the European Union have adjusted their legal regulations on total working time to the EU Directive mentioned above. In Europe, the maximum limit of standard working time is set either by legislation (like in many Scandinavian and southern European countries) or by collective bargaining (like in Germany and Denmark). In the United Kingdom, it is determined at the company or workplace level. In Central Europe, mainly as a consequence of the socialist legacy, overtime is still regulated to a large extent by state legislation instead of collective bargaining. The federal law of the United States, in contrast, contains no legal restrictions on total, but only on standard, working hours.

The procedures which employers must adopt before making use of overtime work also vary considerably among different countries. In some countries, employers are not restricted in demanding overtime work from their employees. In others, some justification — such as exceptional peaks of workload, unforeseeable or special circumstances — is required by law and, in some cases, the approval of a government agency is required. In many countries, overtime work has to be approved by a collective agreement or by the agreement of the individual employee.

According to ILO Conventions No. 1 and No. 30, the rate of pay for overtime shall be not less than one-and-one-quarter times the regular rate. Overtime premia of 50 per cent above the regular wage are standard in many countries. Often, overtime premia rise progressively with the number of extra hours worked. In the European Union, Italy is the only country where overtime can be compensated below the ILO's 125 per cent threshold

(i.e. overtime should be at least 125 per cent of the normal wage rate).

The table below compares the statutory regulations on the limitation of standard and total working time, the minimum overtime pay and the procedural requirements for overtime work in selected countries. These generalized norms are often added or modified by collective agreements.

Statutory regulations on overtime in selected countries

Country	Total hours (incl. overtime)	Standard hours	Minimum overtime premium	Procedural requirements
Germany	48 per week	8 per day	---	Collective agreement and worker's agreement
France	10 per day	35 per week	25%	Collective agreement or authorization of the Labour Inspector, respectively
United Kingdom	13 per day	48 per week	---	Employer's decision
Sweden	48 per week	40 per week	---	Collective agreement or permission of the National Board of Industrial Safety
Hungary	48 per week	40 per week	50%	Employer's decision
Czech Republic	48 per week	40 per week	---	Employer's decision
United States	---	40 per week	50%	Employer's decision
Japan	10 per day	40 per week	25%	Worker-management agreement approved by the Labour Inspector
China	48 ¹ per week	40 per week	---	Consultation with employees and trade unions
Republic of Korea	56 per week	44 ² per week	50%	Agreement between employer and employees under supervision of the Labour Office
India	60 per week	48 per week	100%	Authorization of the government
Libyan Arab Jamahiriya	66 ³ per week (11 per day)	48 ³ per week (8 per day)	50%	Authorization of the Ministry of Labour and Social Welfare
Brazil	56 ³ per week	44 per week	50%	Collective agreement or individual agreement with the employee
Chile	60 ³ per week	48 ⁴ per week	50%	Employee's agreement

¹ Numbers were derived from monthly working time limits.

² The revised Korean Labour Standards Act (2003) reduced standard hours from 44 to 40 per week. It will be implemented from July 2004 to 2011 based on the size of the firm.

³ Numbers were derived from daily working time limits.

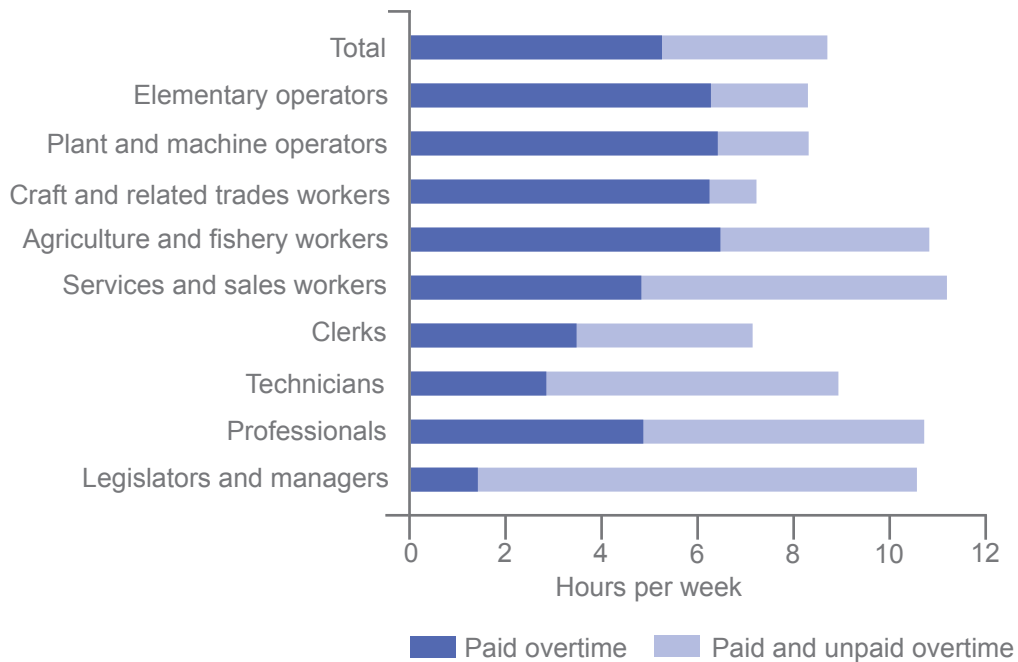
⁴ In the revised Chilean Labour Code (2001), standard hours of work will be reduced from 48 to 45 per week beginning in 2005.

Who works overtime?

In 2001, the average European wage-earner performed around five hours of paid overtime work per week. As the Eurostat Labour Force Survey reveals, however, a large amount of overtime is unpaid (see chart below). If paid and unpaid overtime are taken together, most overtime hours in the European Union

(EU-15) occur in the service sector, among high-skilled workers, legislators and managers, as well as in agriculture. In the United States, the overall pattern is quite similar, although the total hours of overtime are greater in the United States than in the European Union.

Wage-earners' overtime work in the European Union by occupational groups (2001)



Source: Eurostat: *Labour Force Survey* (2002), presented at the Joint UNECE-Eurostat-ILO Seminar on Measurement of the Quality of Employment, Geneva, 27-29 May 2002, CES/SEM.48/14.

Advantages and disadvantages

The use of overtime can be advantageous for both workers and employers, as shown below.

Advantages for employers

- Better matching of workload to fluctuations in market demand.
- Extended operating hours.
- Increased production flexibility.

Advantages for employees

- Higher total earnings (if the overtime work is paid).
- Longer periods of free time if paid time off is granted in lieu of overtime payments.



However, overtime work can also generate some problems:

Disadvantages for employers

- Extra costs over overtime payments (if the overtime work is paid).
- Reduced productivity during overtime hours.
- Potential for negative impacts on safety and health in the workplace.

Disadvantages for employees

- Longer working hours, potentially causing negative health and safety impacts (e.g. fatigue, stress, accidents).
- Difficulties in balancing work and family life, due to reduced time available for care work and domestic tasks.
- Reduced potential for job creation.

In order to minimize the potentially negative consequences of overtime, employers should facilitate the participation of the workforce in the process of determining overtime work and working time more generally. In particular, the needs of the worker and his or her family should be considered. To this end, it is necessary to ensure that the needs of workers with family responsibilities are explicitly taken into account in negotiating working time.

Case example

In Germany, the most recent working time agreement at Volkswagen, signed in 1999 between the management and trade unions, provides that:

- overtime can be worked up to a limit of ten hours a week, to a maximum workweek of 38.8 hours (Monday to Saturday), with an annual average of weekly working time equal to 28.8 hours a week;
- overtime compensation must be paid for hours worked over the 38.8 weekly hours limit. The overtime compensation occurs in form of “employment cheques” or a “VW Bond” that can be used to pay early retirement. Wage compensation for Saturday work amounts to 30 per cent up to 12 Saturdays per year;
- overtime hours worked can be offset by paid days off;
- overtime hours can also be accumulated towards early retirement schemes (from the age of 52 years with a guarantee of 80 per cent of the employee’s average wage).

Source: H. Seifert and R. Trinczek: *New approaches to working time policy in Germany: The 28.8 hour working week at Volkswagen Company* (Düsseldorf, WSI, 1999), pp. 1-34.

This factsheet was written by Akima Hamandia-Güldenber