

In implementing actions relating to overtime, keep in mind that the provisions of the federal Fair Labor Standards Act (29 USC Section 201 et seq.) may come into play, as well as collective bargaining principles under the State's Taylor Law (Civil Service Law, article 14). Information concerning the provisions of the FLSA is available on the U.S. Department of Labor's website at <http://www.dol.gov/whd/regs/compliance/hrg.htm>.

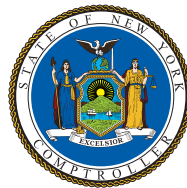
For more information on this topic, see the following OSC publications:

- **Local Government Management Guide: Personal Service Cost Containment**  
[www.osc.state.ny.us/localgov/pubs/lmgm/costcontainment08.pdf](http://www.osc.state.ny.us/localgov/pubs/lmgm/costcontainment08.pdf)

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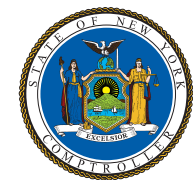
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LOCAL GOVERNMENT  
FINANCIAL TOOLBOX

## Overtime Planning and Management

Reducing overtime by even a small percentage can amount to extensive dollar savings.



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Employee salaries and benefits, including pension benefits, are significant expenditures for New York's local governments and school districts, representing nearly 57 percent of annual budget expenditures, on average. With such a significant amount of your annual budget earmarked for employee salaries and benefits, it's important to realize that reducing costs by even the smallest percentage can amount to extensive dollar savings.

Overtime wages can increase personal service and pension costs significantly. For example, 8 to 30 percent of wages paid to highway employees in New York State are for overtime. Overtime generally accrues when regular full-time employees work additional hours beyond their normal work schedule. In controlling overtime costs, there should be a written plan based on historical data to guide the assignment of overtime hours in the most efficient and effective manner. When the factors that create overtime are analyzed, management may be able to use alternative work schedules to cover noncritical posts effectively without using overtime.

### ALTERNATE WORK SCHEDULES

There is growing interest in alternate work schedules due to their potential to improve productivity, relieve traffic congestion, expand hours of service, and reduce personal service costs. Alternate work schedules should take

into consideration operational needs, employee concerns, legal and regulatory requirements and terms negotiated in union contracts. Examples of alternate work schedules include the following:

- **The five-day flex schedule** has regular start and end times but allows for changes in these times to accommodate work demands. If employees are called in before their scheduled start time, they can be asked to leave early instead of working until the end of their normal work day, thereby decreasing the occurrence of overtime.
- **The five-day, eight-hour schedule with alternate shifts** allows a local government or school district to provide additional coverage during peak times by having different, overlapping shifts for different groups of employees.
- **The four-and-a half-day schedule** allows a local government or school district to reduce overtime by having employees work an extra hour Monday through Thursday and a half-day on Friday.
- **The four-day, 10-hour schedule** allows an organization to reduce overtime by having employees work an hour earlier and later Monday through Thursday. Local governments and school districts using this schedule must consider that overtime averted on Monday through Thursday may only offset overtime incurred on the fifth work day.

- **The four-day, split-crew schedule** provides five-day coverage but splits the crew so that half the employees work 10-hour days Monday through Thursday and the other half work 10-hour days Tuesday through Friday.

An OSC audit of overtime costs for highway employees compared these five alternate work schedules to the traditional five-day, eight-hour schedule and found that the nine towns examined could have saved between \$15,000 and \$159,000 in overtime wages by using one of the alternate work schedules. In addition to the direct overtime wage savings, further saving for associated costs such as the employer's share of Social Security and Medicare payroll taxes, workers' compensation premiums, and retirement costs could increase cost savings an additional 20 percent, resulting in savings between \$18,000 and about \$190,000 over the three-year period examined. These options were tested with local highway departments but may also be applicable to certain aspects of other local government and school district operations.

With such a significant portion of your annual budget dedicated to employee benefits and salaries, it is important to be proactive in your approach to managing these costs.