Overtime Policy Template

Overview

An Organization's Overtime Policy aims at reducing labour costs by balancing the price of overtime pay for workers who put in more hours to meet deadlines. In times of necessity, employees are expected to work overtime to ensure that the required tasks, items, or assignments are completed on time. As a business, we commit to compensate on time for the extra efforts and hours put in by our subordinates with fair pay rates. Overtime Policy is hence created to ensure that your workforce is fairly compensated.

Purpose

Overtime policy is required to provide details of remuneration for extra hours put into work. This ensures that an employee is consistently and accurately paid for their excess time.
- It helps to tackle overtime abuse, loss of productivity, and keeping health, and safety risks at a bay.
- It is designed considering critical factors such as days and departments to be excluded from the overtime benefits. For example holidays or sick leave do not count as working hours. Consultants and employees in the probation period might not be eligible and hence can be excluded from overtime benefits.

Scope

This policy is usually applicable to all the confirmed employees of the organization.
- Overtime compensation is met if an employee works more than the hours prescribed by company norms. i.e hours spent beyond the workweek.
- An employee is expected to receive permission from a supervisor to be eligible for overtime pay.
- Overtime can not be compensated as extra hours put in without prior agreement. Things such as arriving early, staying late, or working through breaks are not considered overtime.

Overtime Approval

Employees are expected to seek their supervisors' approval before the use of overtime. However, overtime is only allowed when an employee is uncertain about completing their allotted tasks. Prior notice is required for the employee to work beyond the regular workweek.

Mandatory Overtime

Often an organization may require their employees to work overtime during busy times. Working extended hours is seen as a requirement when the need arises. Declining the proposal after the fair notice can trigger disciplinary actions such as termination or elongation of probation.

Limitations to Overtime

A few limitations to consider while availing overtime:
- Employees are expected to complete a given task within regular working hours.
- The use of overtime is strictly restricted to emergencies or urgent situations where work is exceeding regular working hours, hence the tasks given are generally designed keeping a regular workweek in mind.
- Employees are not encouraged to view the availability of overtime as extra income, meaning overtime should be looked at as a last resort for the overload of work and tight deadlines, etc.

Healthy overtime arrangements

Overtime is not a promotable option. Safety measures around the use of overtime are necessary as no organization would like loss of morale and productivity or other overwork accidents.
- Accurate logs of overtime worked must be recorded and maintained.
- Strongly advise the employees to view the option of overtime as a last resort in the times or emergencies.
- It is mandatory to provide the provisions needed for an employee to complete their tasks during work hours.
- In-case of observing low productivity or issues concerning excessive work hours, it is suggested to reduce overtime availability.
- A daily cap or a total limit to overtime hours should be kept in place promoting a healthy work-life balance and an employee's mental health concerns. However, if an employee exceeds the specified overtime cap, then that will be compensated according to legal requirements.

Consequences Of Unauthorized Overtime

Employees found violating any of the overtime policies such as unapproved overtime hours or slacking productivity during regular working hours purposefully to avail overtime permissions can be subjected to disciplinary actions. It can be prolonged probation or even termination, whichever suits the offense.
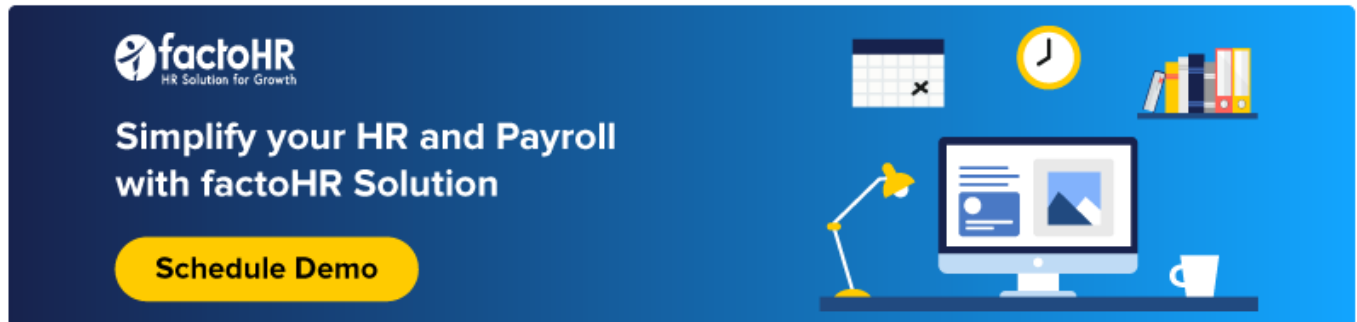
Procedure

In order to ensure compensation on overtime, both the employee and the employer are required to keep accurate and timely records. There are certain protocols to follow for a smooth process, such as:
- For availing overtime, the manager and their team must find a common ground for a time limit. The manager must also ensure that the agreed limit doesn't clash with legal limits and the employees do not work unhealthy hours.
- The manager has to ensure that all employees are aware of whether or not they are eligible for overtime. They are also required to know details regarding overtime benefits, processes, limits, credits, etc.
- Precise recording of overtime is necessary from both the manager's end and the employee's end, this is then reviewed by the HR team.

- The HR has to calculate the employee's pay in accordance with legal overtime pay rates and deploy the same with the next scheduled payday.

***Disclaimer:** This overtime policy template is a reference and is meant to provide general guidelines. The policy might not take all the relevant local, state, and federal laws into account and is not a legal document. Neither the author nor workable shall accept any legal responsibility arising out of the use of this policy.*