

Overtime Work
A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in the
Financial Post for Publication June 11, 2007

**Overtime Work:
Significant Division of Opinion on a Passionate Topic**

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COMPAS Inc.



www.compas.ca

Public Opinion and Customer Research

June 11, 2007

1.0. Introduction

In the wake of a lawsuit against a large employer alleging uncompensated overtime, the COMPAS panel of CEOs and business leaders was asked about the general issue of overtime, labour laws, employee effectiveness, and company performance.

Panelists mostly agree that labour laws provide adequate protection. They mostly agree that the concept of overtime provides non-management employees with vital protection and has little relevance to management employees. But they are not unanimous even on these issues. Furthermore, they do not agree on other aspects of the issue. They are divided about:

- whether overtime obligations make businesses more efficient, some saying that it motivates employees to become less efficient;
- whether the concept of overtime leads businesses to become more efficient;
- whether the administrative burden resulting from overtime pay reduces the ability of businesses to innovate;
- how employers should compensate employees for overtime;
- the degree to which overtime contributes to employee burnout, saying that some employees wish to work longer either for the satisfaction or the money.



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These are the key findings from the past week's web survey of the COMPAS CEO and business leader panel undertaken for *The Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0. Current Laws Adequate; Overtime Relevant to Non-Management Employees; Division of Opinion about the Impact of Overtime on Businesses

Panelists mostly agree that labour laws provide adequate protection. They mostly agree that the concept of overtime provides non-management employees with vital protection and has little relevance to management employees. But they are not unanimous even on these issues, as shown in table 2. Furthermore, they do not agree on other aspects of the issue. They are divided about:

- whether overtime obligations make businesses more efficient, some saying that it motivates employees to become less efficient;
- whether the concept of overtime leads businesses to be more efficient, and;
- whether the administrative burden resulting from overtime pay reduces the ability of businesses to innovate.

Table 2: (Q1-2) As you may know, there has been some discussion in the news about employers' obligation to their employees regarding overtime work. On a 7 point scale where 7 means strongly agree and 1 strongly disagree, how much do you agree or disagree with the following statements? RANDOMIZE

Current labour laws do enough to ensure that employees receive compensation for overtime work



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Mean	7	6	5	4	3	2	1	DNK
5.3	18	35	18	12	7	2	2	7
The concept of overtime has little relevance to management and other positions involving non-routine work or special responsibilities								
Mean	7	6	5	4	3	2	1	DNK
5.1	30	21	15	13	4	9	6	2
The idea of overtime pay for non-managerial employees is vital for protecting fair treatment of employees								
Mean	7	6	5	4	3	2	1	DNK
4.7	17	24	18	15	7	6	11	1
Business benefits from overtime pay obligations by learning to be more efficient								
Mean	7	6	5	4	3	2	1	DNK
4.1	12	13	22	20	7	14	12	0
The increased administration costs and inflexibility associated with overtime pay may inhibit companies from innovating or taking advantage								
Mean	7	6	5	4	3	2	1	DNK
3.9	13	14	17	12	9	21	13	1

Division of opinion results from varying perceptions about the behaviour of employees and employers. On the one hand, some panelists volunteered a concern that corporations sometimes under-reward their employees for overtime efforts that are not compensated. According to one senior executive, some companies “should be ashamed of the way they treats employees.” According to another, “Corporate Canada has been known to take a couple miles, but will plead ignorance.”

On the other hand, some panelists volunteered concern that employees may reduce their efficiency during regular hours in order to create opportunities for themselves for compensated overtime:

Employees will manoeuvre to get overtime if they feel a significant premium is payable for it. This is particularly true in union environments. Productivity is greatly undermined



etc. and the conclusion is that the payment of overtime is one of the greatest stupidities ever fostered.

Extensive overtime in a professional practice typically results in significantly lower overall productivity per total hours worked. I have found that project write offs (fees which cannot be billed) track very closely with overtime in excess of 7.5 hrs per week per employee.

3.0. Best Way of Compensating Employees for Overtime

Panelists are divided about the best ways of compensating employees with a plurality recommending time off in lieu, as shown in table 3. Concern was expressed about proper measurement of employers' obligations given the flexibility of employers:

We must also take careful note of time, this employee may have had taken off during the day - a phone call with the daycare concerning illness, a discussion with the spouse or bank regarding a loan approval, etc., or time to go to the dentist. - I wonder if all those who seek overtime compensation fully take these factors into their calculations.

Concern was also expressed about an apparent irrelevance for the concept of overtime:

The major problem with regulated overtime legislation is that it ignores the growing reality, indeed demand for, so called flexible work arrangements. In any event, with growing shortages of skilled people caused by aging workforce demographics, the open market place will take care of all this pretty short order very soon - government intervention is rarely the best solution to any problem - particularly one that the market will soon address very effectively on its own, if left alone. Employers who do not treat employees fairly will soon not be able to keep them.



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Obviously excess forced overtime is not acceptable. But there are many professions - i.e. research and development and creative activities where the professional culture and practice does not have the expectation of overtime. A catch-all regulation to introduce mandatory overtime would be counter productive and likely result in the transfer of those highly educated skills and people out of Canada because that is the type of work that can be done anywhere.

Table 3: (Q3) In your view, which of the following is the best way for employers to compensate their employees for overtime work? RANDOMIZE

	%
Time off in lieu	39
Time-and-a-half pay	26
Perks and incentives	12
Bonuses	9
Other	12
Don't know or no opinion	3

4.0. Overtime and Burnout

On average, panelists perceive overtime as a moderate factor in burnout but they do hold widely differing views, as shown in table 4. Overtime tends to be seen as a source of burnout when imposed. But it may be a neutral factor when employees exercise some control over their overtime commitments either



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because they purposely reduce their efficiency to make overtime necessary or because they appreciate the financial and non-financial benefits of the extra work.

Table 4: (Q4) Based on your observations of employees with burnout, to what extent is working overtime a contributing factor to employee burnout?

	%
Major factor	21
Moderate factor	44
Minor factor	27
Not a factor at all	6
Don't know or no opinion	2

3.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted June 6 – 8, 2007. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 129 are deemed accurate to within approximate 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

