



Corporate Overtime - Risk and Opportunity - Phase I

November 29, 2010

Preamble:

Contemplated in the 2010/2011 Work Plan of the Office of the Auditor General is a review of the overall preparation and management of the HRM budget process. According to the 2010/11 Budget, compensation and benefit costs are allocated in the order of \$284 million of the total operational budget. In 2009, overtime was budgeted for \$6 million, while actual expenditures for the year amounted to over \$13 million or 4.5% of total compensation and benefit costs. From a management perspective, much of the compensation and benefit budget is fixed and/or tied to collective agreements and contracts. One area of on-going discretion can be found in the area of overtime. Therefore, we are concentrating our initial efforts on a review of the development and management of the overtime budget across HRM. Our intent is to take a two-phased approach with Phase I being essentially a preliminary analysis of payroll data and records held in the SAP system.

The majority of HRM employees are governed by collective agreements which set out rates of pay and the working events surrounding the distribution of overtime. However, the decision to use overtime is generally at management's discretion. Overtime costs may be anticipated as part of normal operations or unanticipated. The use of overtime, whether anticipated or not, is usually at a premium rate, resulting in a premium use of corporate assets which could be available for delivery of other services.

As noted, overtime is extra work carried out by employees generally at premium rates. A significant portion of extra work is often unpaid, normally carried out by non-union staff. Positions potentially providing unpaid work would include all management positions above the M1 pay band such as managers, superintendents, directors, etc. According to the Human Resources compensation strategy, the value of this extra work has been included in the pay ranges established for these bands. Therefore, overtime would not normally be paid to employees in these positions.

Overtime must not be seen as a right, rather as a privilege. Historically, the payment of overtime rates was designed in part to dissuade or prevent employers from forcing employees to work excessively long hours and in some cases, specifically to preserve the health of workers. The requirement for employers to pay employees at a higher than normal hourly rate for overtime work is a common approach to regulating overtime and also recognizing the value of personal time. However, some employees may come to rely upon overtime to augment their regular income and working overtime therefore becomes ingrained into their lifestyle.

One goal of HRM administration is to ensure HRM is an “Employer of Choice.” According to the 2010/11 Human Resources Business Plan:

Halifax Regional Municipality is committed to providing a healthy workplace culture for its employees. The organization recognizes that a healthy workplace positively influences an individual sense of worth, motivation and productivity, as well as provides additional means to achieve personal and professional satisfaction from work. A healthy work environment has a positive impact on the morale of employees and studies have shown that it can contribute to greater employee engagement and improved performance. In the long run, a health-oriented organizational culture develops healthy employees; healthy and engaged individuals work better, remain professionally active longer and are happier about it. Also, openly supporting work-life balance, helping employees to mitigate the negative effects of stress, expanding fitness and healthy lifestyle options and promoting recognition for individual life circumstances often provides an employer with an advantage in attracting and retaining talent.

The use of overtime may have an impact on the organization’s desire to achieve this goal. In undertaking a project around overtime, various matters might come within the scope of the work. For example, the following could be considered:

- compliance with policies
- review of various internal controls surrounding overtime
- trends
- value for money
- transparency (linkage between overtime and organizational goals)
- effectiveness of overtime payments in achieving organizational goals
- management reporting around overtime
- role of human resources professionals in managing overtime
- overall organizational accountability
- compliance to collective agreements
- impact of overtime on various benefits calculations
- others

Clearly all of the above are important, and should ultimately be reviewed to fully understand both the complexities of overtime and their individual impact; however, given the fiscal challenges which HRM is currently facing, a decision has been made to complete the overtime project in multiple stages.

It is important to understand, the purpose of this review was not to suggest the OAG believes there is a systemic problem with overtime for HRM. Rather, it is the intent of the OAG to understand and point out the fact overtime is a highly complex issue. It is also hoped a greater understanding of the impact active management, strong scheduling/staffing controls and management information as well as clear and transparent organizational goals and expected service levels, can have, on overall overtime costs and their likely reduction.

Scope:

The scope of Phase I is intended to provide the Office of the Auditor General - and more importantly, Management - with data which will allow for a clearer understanding of many of the following matters on an overall organizational basis:

- trends with respect to banked versus paid overtime, percentages of banked and paid overtime to total overtime costs
- the value of overtime being incurred yearly and any trends
- distribution of overtime throughout the calendar year and any obvious trends
- the most significant employee positions by category earning overtime and an indication of the overall costs
- the impact of the various rates by which overtime is being paid
- the relative percentages of FTEs claiming overtime
- data with respect to the amount of overtime being earned as a percent of regular income for HRM as a whole, as well as “top” overtime earners
- data with respect to the amount of overtime being earned in various pay bands

Included in the review are all HRM business units and its Agencies, Boards and Commissions (Halifax Forum, Centennial Pool, Sackville Sports Stadium, and Library) paid through the SAP financial system. The period of review was from April 1, 2007 to October 20, 2010.

We have not included the value of benefit costs (estimated to be about 15% of every dollar paid) associated with the earning of overtime as the rates fluctuate based on an individual’s employment contract and whether or not they have elected to include overtime as pensionable service. We have taken a conservative approach and presented the figures excluding benefits. Also excluded from the report are details pertaining to “extra duty” hours earned by Regional Police officers. This income, although managed by Police Services, is assumed to be a straight flow through from the procurer to the employee and does not form part of overtime costs to the HRM.

Objectives:

The objective of this review was not the total elimination of overtime as this is simply not practical given various unanticipated events, collective agreements and other factors.

Along with the points raised under Scope, it is hoped the outcome of the review will assist with the following:

1. Provide Regional Council a clearer understanding of the impact of wages and overtime on the overall HRM Budget and the impact of overtime on wage budgets.
2. Assist Regional Council as it enters into budget discussions with information as to the overall dollars being spent on overtime and the business units and positions incurring the overtime.
3. The impact of clauses contained within collective agreements governing the occurrence and payment of overtime with the resulting knowledge of what management responses are variable.
4. Provide senior management with as much information as possible as early as possible, so strategies may be developed to manage situations where it appears savings may be realized or where the effectiveness of overtime is in question.

Methodology:

Phase I:

Data for overtime was extracted from SAP for the period from April 1, 2007 to October 20, 2010. The extracted data for the period was felt to be sufficient to show trends in overtime as well as to identify unique circumstances causing any spikes in overtime. The data was reviewed by business unit, by group affiliation (e.g. union, non-union), by like positions and by individuals. Other data observations were made during the course of data analysis and are discussed in the Detailed Observations.

Phase II:

Based on the data analysis, interviews will be conducted with management where a high value (dollars or amount) of overtime are noted, to determine the factors such as the anticipated or unanticipated nature associated with the requirements for overtime, the assignment of overtime and the nature of the work generally completed on overtime.

The processes will involve:

- interviewing management who have the responsibility for authorizing and approving individual overtime
- interviewing management with the responsibilities for monitoring overtime and reporting to senior management budget to actuals
- interviewing payroll staff and management to gain an understanding of the processing and coding of corporate overtime.

Detailed Findings and Recommendations:

1. Budget to Actuals

A budget is a reasonably anticipated estimate of an expected or desired future outcome. Significant and repetitive variances from budget may indicate a number of underlying issues such as poor estimating, inadequate budget allocation or unanticipated events. It is important the underlying cause of any misalignment be understood in order to address and improve efficiency. In the short term, overtime costs might be offset by reducing expenditures in other areas. In the longer term, using resources at non-premium rates may be more appropriate, depending on the nature and frequency of the overtime.

Table 1, “Budget to Actual – Corporate Overtime by Business Unit for Cost Elements 6002,6004” highlights the misalignment between estimated budget and actual overtime incurred for fiscal years 2007, 2008 and 2009. Over the past three complete fiscal periods, budget to actual results for overtime have been significantly misaligned. Only two business units, Community Development and Legal Services, have finished at or below their budgeted amount in each of the three years reviewed. All other business units, except for the Chief Administrative Office and Business Process and Information Management (BPIM), finished all of the reviewed fiscal periods over budget for overtime costs.

During the three-year period beginning April 1, 2007, HRM employees have earned overtime in excess of \$50 million. (Table 1 excludes the deferred overtime captured in Table 2). On average, HRM records overtime valued at \$14.2 million annually, although on average, only \$5.8 million is budgeted each year. The current year-to-date data for 2010, representing 55% of the fiscal year’s data shows HRM has already spent \$8.1 million of a \$6.2 million budget. Projecting this data forward, HRM is on track to spend at least \$14.7 million this fiscal year on overtime.

While overtime is utilized across all business units and agencies, boards and commissions (ABCs), Transportation and Public Works (TPW) and Police represent the largest share. TPW accounts for 49% (for the review period) while employing only 29% of all employees. Police accounts for 30% of the corporate overtime with 22% of the employees. Fire Services, the third largest business unit with 13% of the FTEs, accounts for 13% of the overtime.

Budget to actuals are shown (summarized) graphically below in Chart 1. Two estimates projecting the 2010 fiscal year are provided. The lighter red line projects the 2010 expected overtime, assuming the same rate of overtime will be incurred for the remainder of the fiscal year, as has been used to date. The dark red line projects data where overtime (based on previous year's data) is earned at an increased level during winter months.

The remainder of this document and the work to be undertaken in Phase II of this project will attempt to identify the underlying reasons for the significant variances and opportunities to improve forecasting and efficiency. Recommendations for further analysis have been included to assist the Office of the Auditor General and Management in gaining a greater understanding of the use of overtime.

Chart 1: Budget to Actual 2007-2010 with Projections

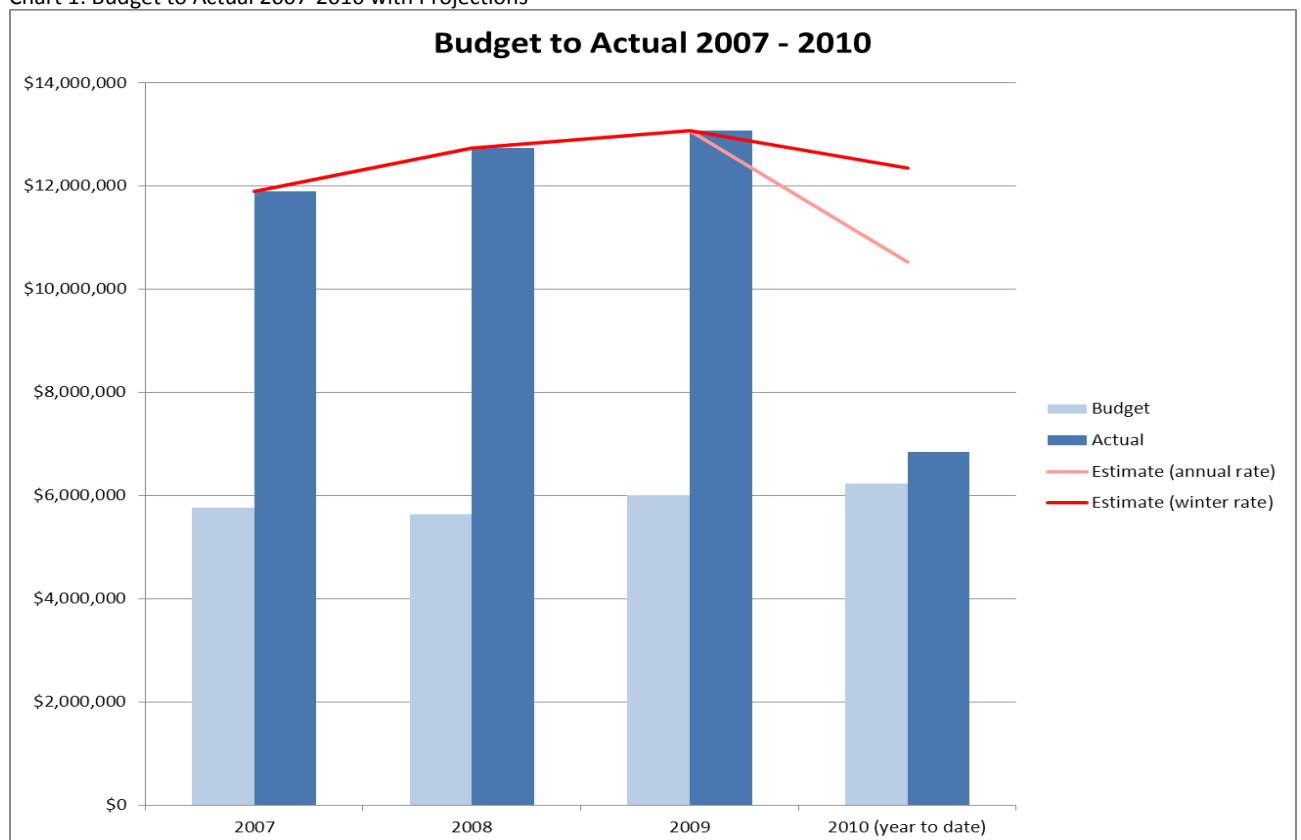


Table 1: Budget to Actual - Corporate Overtime by Business unit for Cost Elements (General Ledger) 6002, 6004

Business Unit (Cost Elements 6002, 6004)	Budget 2007	Actual 2007	Budget 2008	Actual 2008	Budget 2009	Actual 2009	Total Budget All Years	Total Actual All Years	Overall Variance All Years	Overall variance %
Business Planning & Information Management	\$198,226	\$292,762	\$198,226	\$219,623	\$258,226	\$222,175	\$654,678	\$734,560	\$79,882	12%
CAO	40,250	46,912	90,250	59,236	40,300	46,605	170,800	152,752	(18,048)	-11%
Community Development	103,600	86,485	91,600	88,935	91,600	62,965	286,800	238,384	(48,416)	-17%
EMS (Environmental Management Services)	237,900	155,741	0	0	0	0	237,900	155,741	(82,159)	-35%
Financial Services	140,000	194,933	138,000	243,613	138,000	271,928	416,000	710,474	294,474	71%
Fire & Emergency Services	242,700	838,911	242,700	1,868,426	242,700	1,761,707	728,100	4,469,044	3,740,944	514%
Human Resources Services	10,000	20,336	10,000	12,976	10,000	26,153	30,000	59,464	29,464	98%
Infrastructure and Asset Management	10,000	78,467	9,000	79,252	9,000	70,791	28,000	228,510	200,510	716%
Legal Services	1,000	0	1,000	900	1,000	256	3,000	1,156	(1,844)	-61%
Library	0	35,592	0	49,446	0	54,403	0	139,441	139,441	No Budget
Regional Police	1,422,500	2,154,158	1,429,200	2,966,997	1,429,200	3,298,004	4,280,900	8,419,160	4,138,260	97%
Transportation & Public Works	3,358,000	7,993,043	3,432,300	7,141,750	3,788,000	7,265,964	10,578,300	22,400,757	11,822,457	112%
Total	\$5,764,176	\$11,897,339	\$5,642,276	\$12,731,153	\$6,008,026	\$13,080,951	\$17,414,478	\$37,709,444	\$20,294,966	117%

2. Overtime – Remuneration vs. Banked

During the course of the review period, the Municipality has been relatively consistent in the breakdown of how employees receive benefit from earned overtime. 77% of overtime earned has been taken in immediately paid overtime, leaving 23% deferred for either future payment and/or time off. We believe it is highly probable, where employees choose to take time off in lieu of overtime payment, the Municipality likely finds itself in a position of incurring additional overtime to cover the staff absence.

Table 2: Earned Overtime - Deferred / Remuneration (paid)

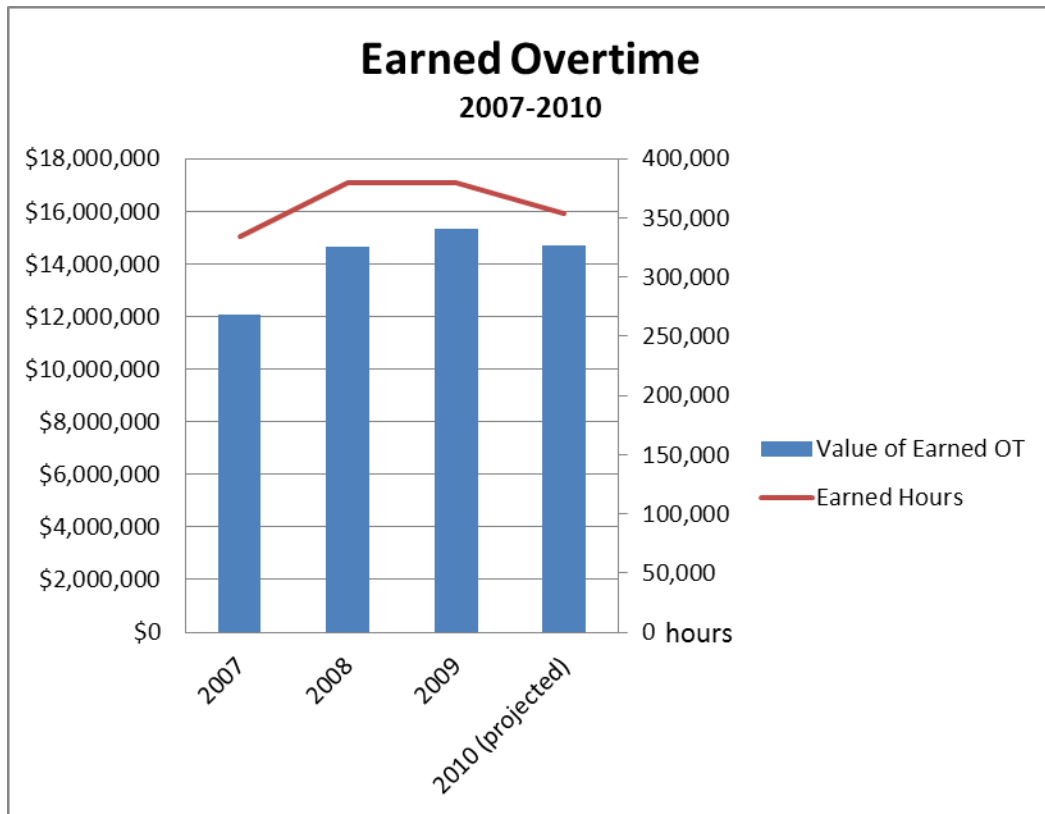
	2007	2008	2009	2010 year to date	Total
Earned Overtime	\$12,063,937	\$14,648,319	\$15,345,834	\$8,140,460	\$50,198,551
Deferred Overtime	2,751,194	3,472,979	3,524,371	1,985,992	11,734,537
Remuneration	9,312,743	11,175,340	11,821,463	6,154,468	38,464,014
Deferred Overtime	23%	24%	23%	24%	23%
Immediately Paid Remuneration	77%	76%	77%	76%	77%

Year over year, the level of paid remuneration to deferred overtime remains consistent for the overall organization. However, looking at business units individually, at one end TPW employees received 82% of their overtime as monetary compensation, while at the other end Community Development employees elected to receive 79% as deferred overtime.

3. Overtime – 2007 to 2010 Trends in Annual Earned Overtime

Earned overtime for the past three years, where full data is available, has been trending upwards. From 2007 to 2008 corporate overtime increased 21.4%, from 2008 to 2009 there was an increase of 4.8%. For 2010 (based on the 6 months of partial data available) corporate overtime may drop by 4.1% over 2009. With the winter season yet to impact the overtime budgets and TPW being the largest user of corporate overtime, the estimated 2010 end of year position should be used cautiously and not used in business unit or corporate budget projections.

Chart 2 below shows both the value of earned overtime in dollars (blue bar) and the number of hours earned (red line).

Chart 2: Earned Overtime Dollars and Hours 2007-2010 (projected)¹

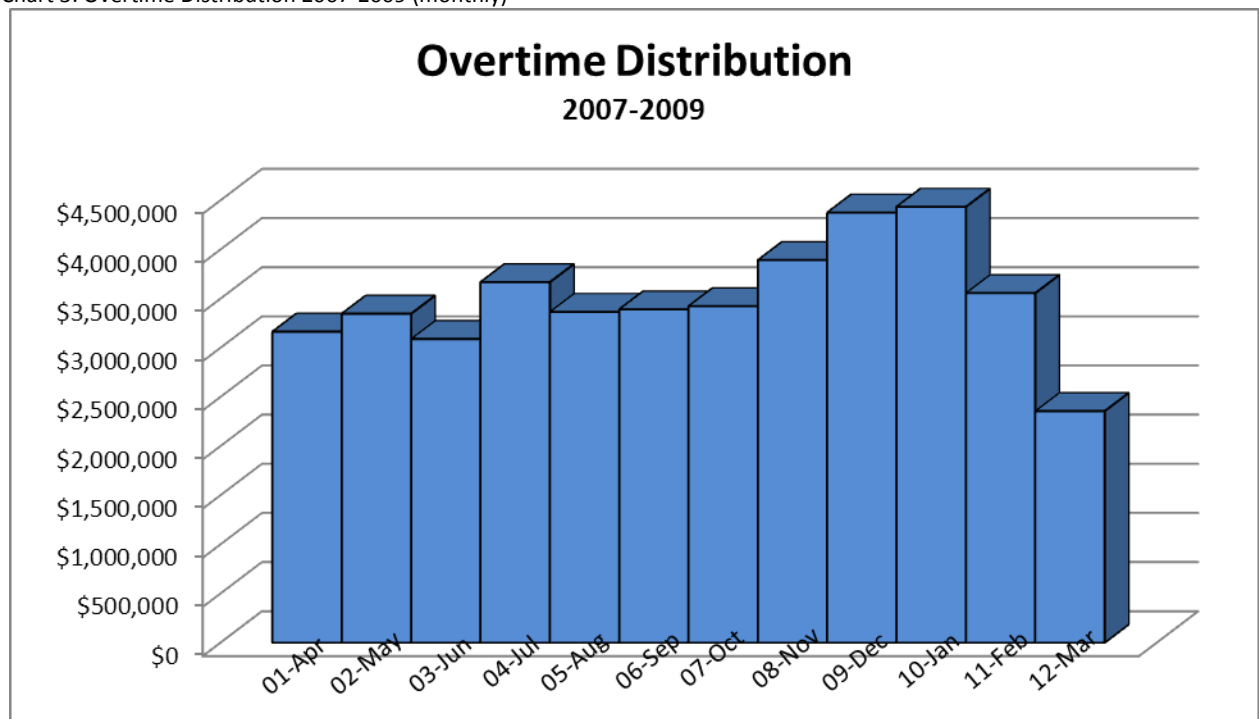
¹ Chart 2 is based on “earned overtime”, including overtime taken as paid remuneration and banked time. This differs from Chart 1 that shows budgeted amounts and actual paid overtime amounts.

Monthly Earned Overtime:

The projected 2010 earned overtime is based on the level of consumption of overtime HRM has experienced to date in 2010. The level of consumption is driven by many factors or events such as storms, major public events or crimes, to mention just a few.

Looking at the distribution of overtime between 2007 and 2009 (where full year data exists), November, December, January and February are four of the top months where overtime has been earned. The summary below represents a monthly combination of the years 2007 through 2009. A similar distribution of overtime can be seen if the years were to be looked at individually.²

Chart 3: Overtime Distribution 2007-2009 (monthly)

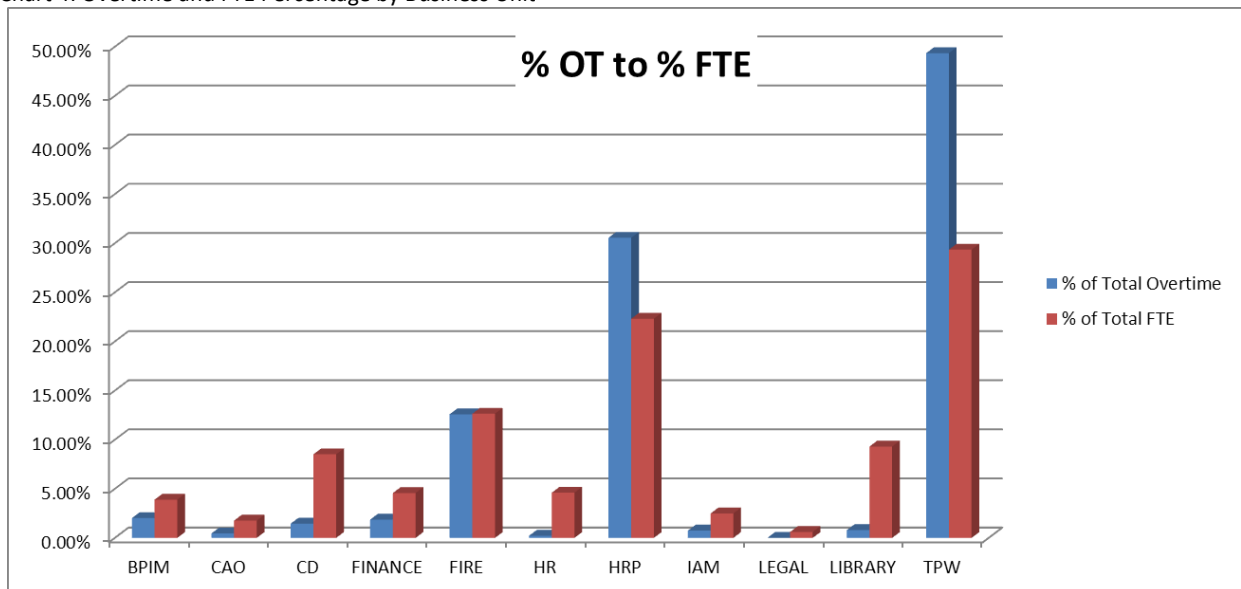


² July 2009 saw an increase in earned overtime in connection to events within HRP responsibility.

Business Unit Distribution:

On a business unit comparison, TPW is the largest user of overtime, accounting for 49% of all HRM overtime (blue bar in the chart below). Within TPW are two of the larger employee groups, Amalgamated Transit Union (ATU) and Canadian Union of Public Employees (CUPE) with 28% and 16% of the HRM earned overtime respectively.³ While TPW represents 49% of the corporate overtime, only 29% of the FTE positions in the organization are TPW (red bar in the chart below). Police, the second largest user of overtime represents 31% of overall overtime and have 22% of the FTE. The chart below shows overtime along with the FTE distribution.

Chart 4: Overtime and FTE Percentage by Business Unit

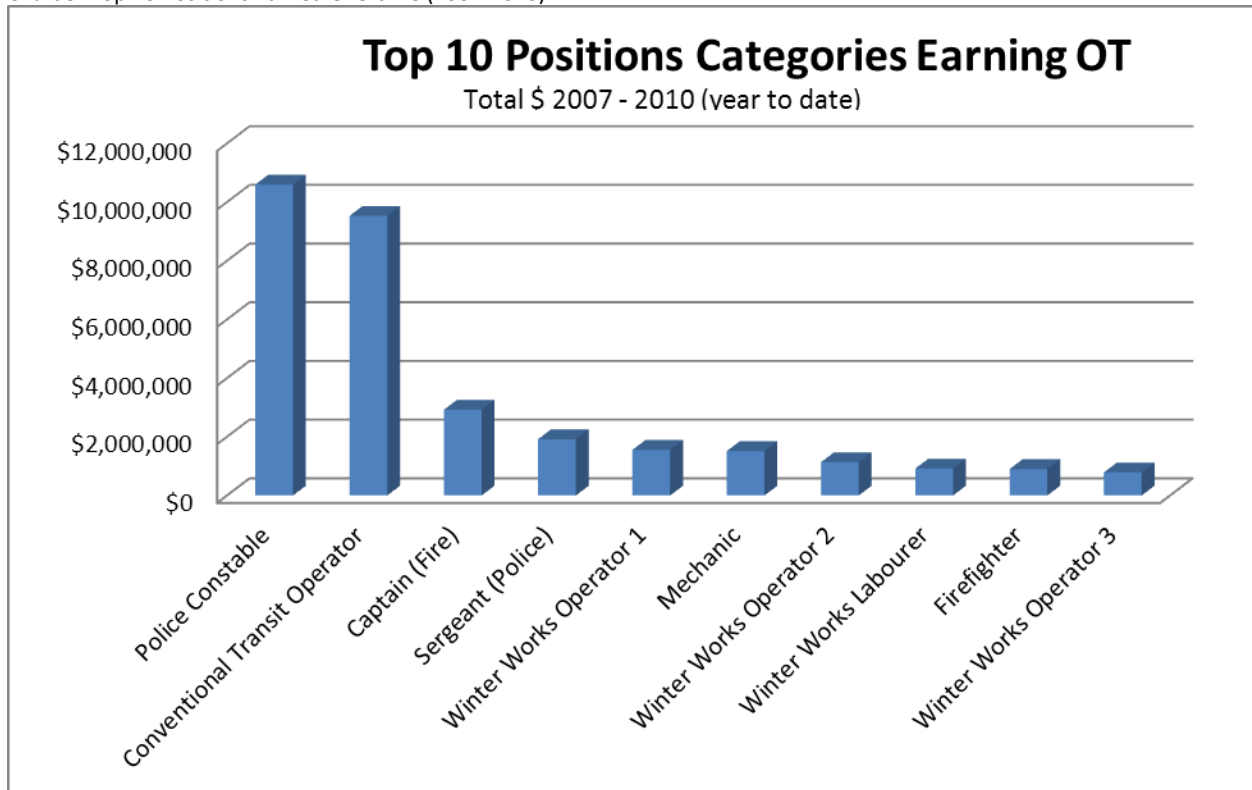


³ The remaining overtime within TPW (5%) was earned by other employment groups (i.e. non-union, NSUPE)

Position Categories - Overtime:

Breaking down earned overtime by individual positions shows Police Constables earned the greatest overtime by position types, totalling \$10,597,678. The 10th place category position on the chart, Winter Works Operator 3 within TPW had total overtime earnings of \$785,526 for the review period. It should be noted, the Winter Works category positions do not have complete 2010 data as the winter season had not commenced at the time of the data extract from the financial system.

Chart 5: Top 10 Positions Earned Overtime (2007-2010)



Putting the above chart into perspective on an annual basis, HRM incurred overtime at the following levels (table 3) for each of the positions summarized above. The projected values for 2010 are based on the same level of consumption used to date in 2010.

A review of data using only the full years, 2007-2009, does not show significant differences in the top 10 positions. All positions remain in the top 10 group with two groups changing placement slightly. This is attributed to the Winter Works positions not yet earning overtime in 2010.

Table 3: Top 10 Positions Earned Overtime (2007-2010 year to date)

	2007	2008	2009	2010 Year to date	2010 (projected)
Police Constable	\$2,208,034	\$3,103,857	\$3,475,400	\$1,810,387	\$3,271,243
Conventional Transit Operator	2,909,611	2,279,096	2,724,999	1,615,665	2,919,395
Captain (Fire)	353,654	1,010,182	970,547	585,820	1,058,537
Sergeant (Police)	333,833	525,055	693,314	367,533	664,107
Winter Works Operator 1	470,700	628,243	456,698		
Mechanic	230,142	447,853	522,814	310,361	560,802
Winter Works Operator 2	347,113	440,596	349,048		
Winter Works Labourer	249,249	425,017	244,134		
Firefighter	128,525	329,801	262,260	180,485	326,124
Winter Works Operator 3	285,560	252,143	247,823		

Looking into the top two positions with earned overtime, the data further breaks down as follows, showing both the rate at which overtime was earned (table 4) and the categorization (table 5) applied to overtime for recording purposes.

Table 4: Top 2 Positions Earned Overtime by Rate Paid (2007-2010 year to date)

Rate at overtime earned					
	2007	2008	2009	2010 Year to date	Total
Police Constable	\$2,208,034	\$3,103,857	\$3,475,400	\$1,810,387	\$10,597,678
1 (straight time)	171,256	220,494	208,711	115,870	716,331
1.5 (time and a half)	1,119,830	1,588,004	1,860,662	935,681	5,504,176
2 (double time)	660,421	1,047,089	1,129,255	527,360	3,364,124
3 (triple time)	256,527	248,270	276,773	231,476	1,013,047
Conventional Transit Operator	\$2,909,611	\$2,279,096	\$2,724,999	\$1,615,665	\$9,529,371
1	17,101	17,990	9,699	6,063	50,853
1.5	2,891,279	2,261,107	2,714,255	1,609,602	9,476,243
2	1,231		1,045		2,275

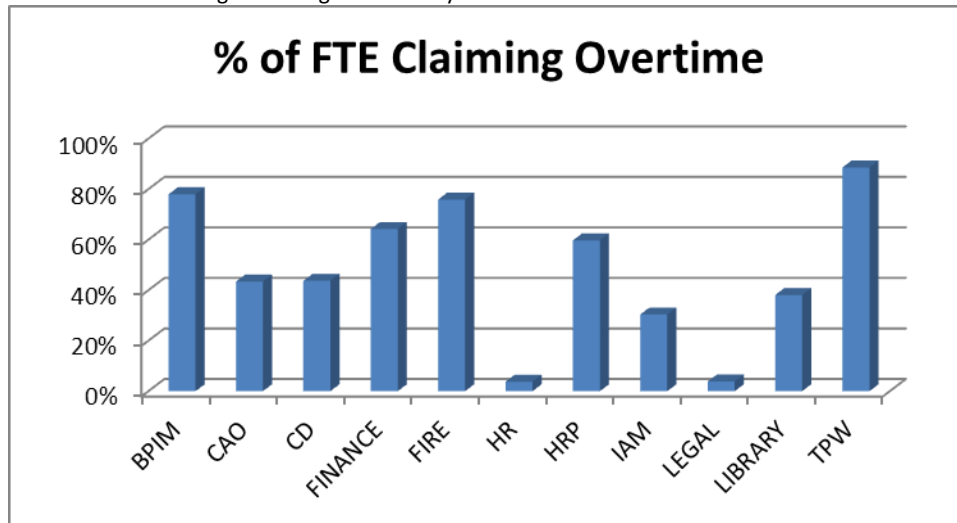
Table 5: Top 2 Positions Earned Overtime by SAP Categories (2007-2010 year to date)

SAP Payroll Overtime Categories					
	2007	2008	2009	2010 Year to date	Total
Police Constable	\$2,208,034	\$3,103,857	\$3,475,400	\$1,810,387	\$10,597,678
Call Back	654,587	1,221,001	1,247,348	573,786	3,696,722
Call Back / Court	782,608	981,628	1,147,629	621,575	3,533,440
Court on Vacation	243,466	245,811	257,140	223,543	969,959
OT/ Continued Duty	332,625	452,533	594,201	266,658	1,646,018
OT/ Continued duty-Court	2,363	7,951	9,531	4,537	24,383
OT/ Training	114,552	122,891	131,398	69,584	438,426
Overtime on Vacation	18,629	8,720	25,252	10,354	62,955
Standby	59,205	63,321	62,900	40,349	225,775
Conventional Transit Operator	\$2,909,611	\$2,279,096	\$2,724,999	\$1,615,665	\$9,529,371
EMO Overtime		3,545	309	483	4,338
OT/ Continued Work	280				280
Overtime	2,899,400	2,257,132	2,704,595	1,607,476	9,468,603
Susp with Pay OT		1,249			1,249
Time Claim Overtime	1,762	1,035	3,803	2,493	9,092
Time Claim Reg Hrs	1,001	1,484	2,130	348	4,962
Union Duty - Overtime	2,373	792	684	1,259	5,109
Vacation Overtime	4,796	13,860	13,477	3,605	35,738

Distribution of Earned Overtime

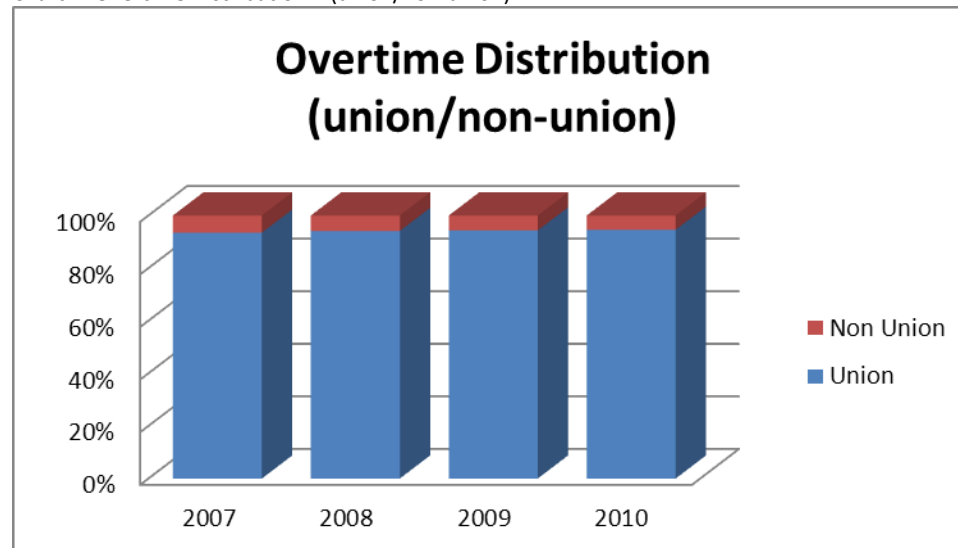
Distribution of earned overtime within business units appears to be spread throughout most business unit employees. In TPW, 89% of all TPW employees over the three year period, made at least one overtime claim annually. The other end of the scale has HR and Legal each with 4% of staff making at least one overtime claim. With the majority HRM's work force being unionized (81%) collective agreements require some form of equitable sharing of overtime opportunities. Chart 6 shows for the business units where there are large unionized workforces there is an expected level of distribution of overtime.

Chart 6: FTE Percentage Claiming Overtime by Business Unit



The data of earned overtime in Chart 7 illustrates the HRM unionized workforce earned approximately 94% of all overtime. Overall, non-union employees earned a high of 6.5% of the overtime in 2007 to a low in 2010 of 5.4%.

Chart 7: Overtime Distribution – (union/non-union)

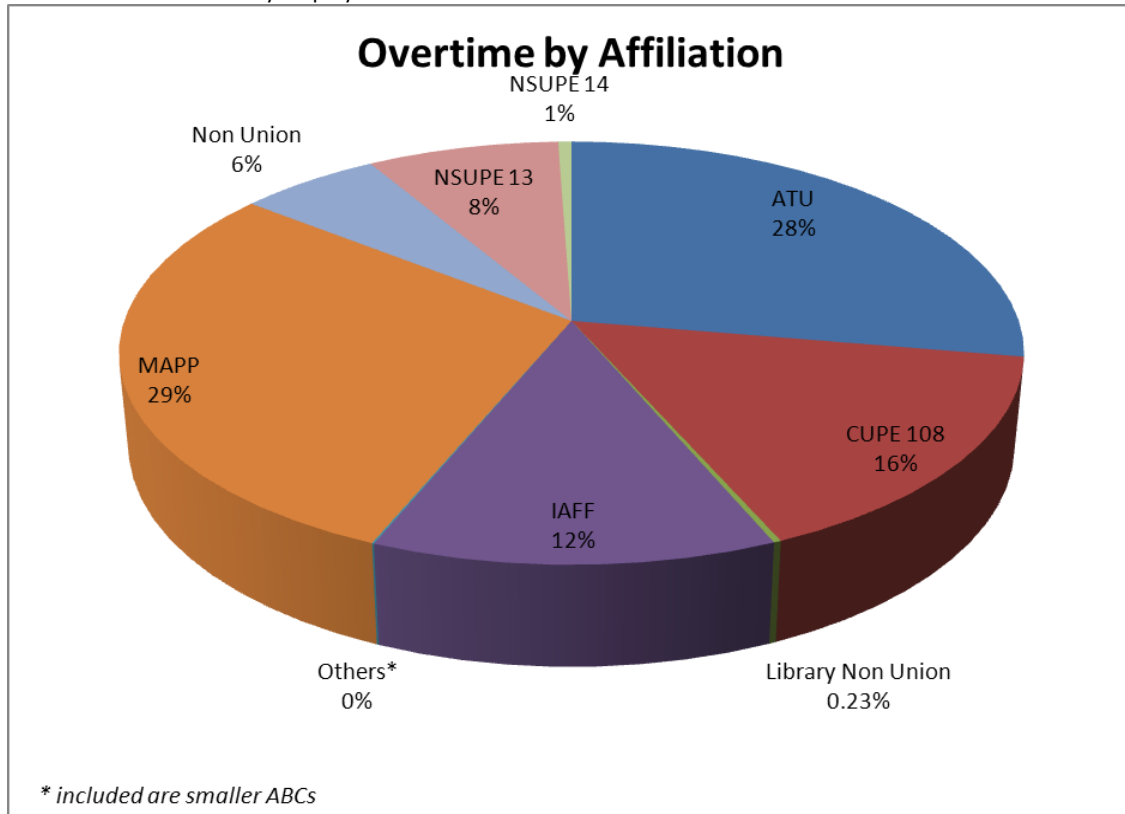


Earned Overtime by Employment Affiliation:

The distribution of overtime by employment affiliation indicates MAPP (Municipal Association of Police Personnel) accounted for \$14.8 million over the 2007 – 2010 review period, and the ATU (Amalgamated Transit Union) accounted for \$13.9 million (29% and 28% respectively).

MAPP employees all work within Halifax Regional Police, therefore the earned overtime for Police and MAPP correspond closely. ATU falls under the TPW business unit, along with CUPE, and together these two employment groups account for 44% of the earned overtime.

Chart 8: Overtime Earned by Employment Affiliation



The data in Table 6 shows on an annual basis MAPP has seen significant increases since 2007 as has IAFF.

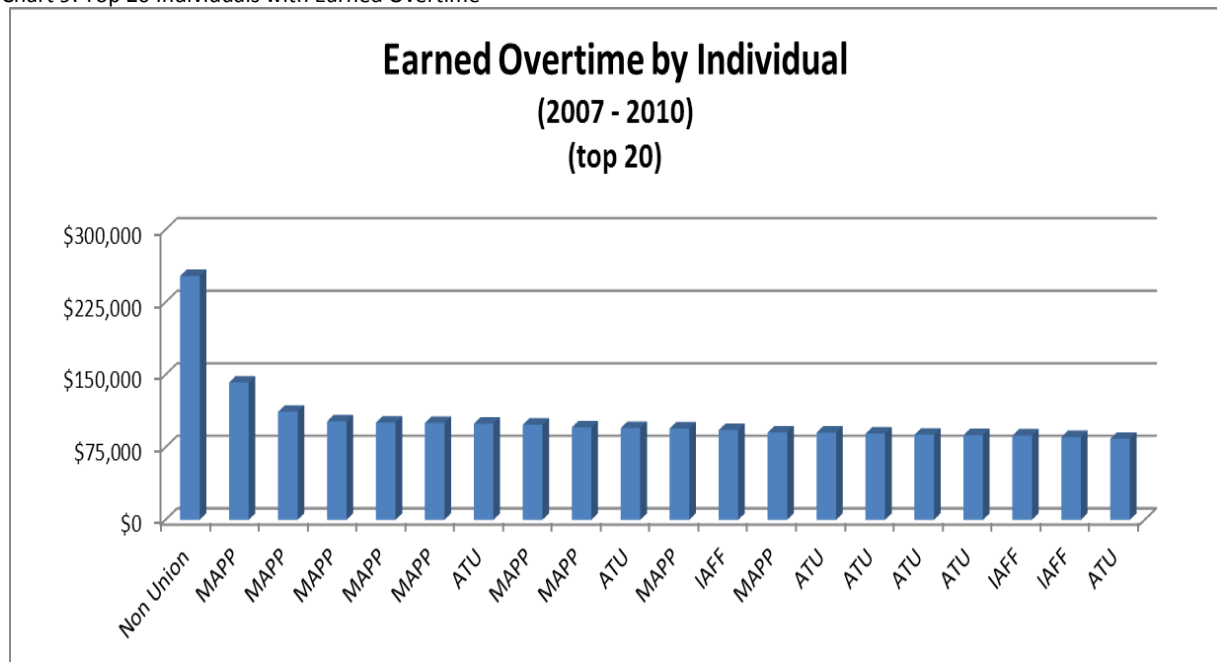
Table 6: Overtime Earned by Employment Affiliation

	2007	2008	2009	2010 Year to date	Total
MAPP	\$3,084,590	\$4,270,936	\$4,817,977	\$2,585,518	\$14,759,021
ATU	3,886,350	3,507,180	4,076,067	2,433,111	13,902,707
CUPE 108	2,248,378	2,658,723	2,272,508	706,936	7,886,545
IAFF	903,493	2,134,267	2,059,632	1,202,514	6,299,905
NSUPE 13	1,048,082	1,112,640	1,132,988	694,641	3,988,351
Non Union	783,296	850,965	872,266	428,430	2,934,957
NSUPE 14	70,095	72,354	78,210	55,876	276,534
Library Non Union	28,293	32,794	30,725	25,628	117,439
Other	11,361	8,462	5,462	7,806	33,092
Total	\$12,063,938	\$14,648,320	\$15,345,834	\$8,140,460	\$50,198,551

Individual Earned Overtime:

A review of the highest, individual, overtime earners over the review period (April 1, 2007 – October 20, 2010) shows six individuals earned in excess of \$100,000 in overtime with one individual earning in excess of \$250,000 during this period. The largest amount of overtime earned in any one year by any one individual was \$87,000. The chart below shows (for the period April 1, 2007 – October 20, 2010) the top twenty overtime earning individuals. Four different employment groups are represented.⁴

Chart 9: Top 20 Individuals with Earned Overtime



⁴ For privacy reasons only the employee employment affiliation is shown

Drilling further into the top twenty overtime earners shows, at times, employees have earned as much as 136% of their base salary in overtime; that is, one employee earning a \$64,000 annual salary had earned overtime valued at \$87,169.

Table 7: Top 10 Positions Earned Overtime (showing salary, earned overtime, overtime as % of salary)

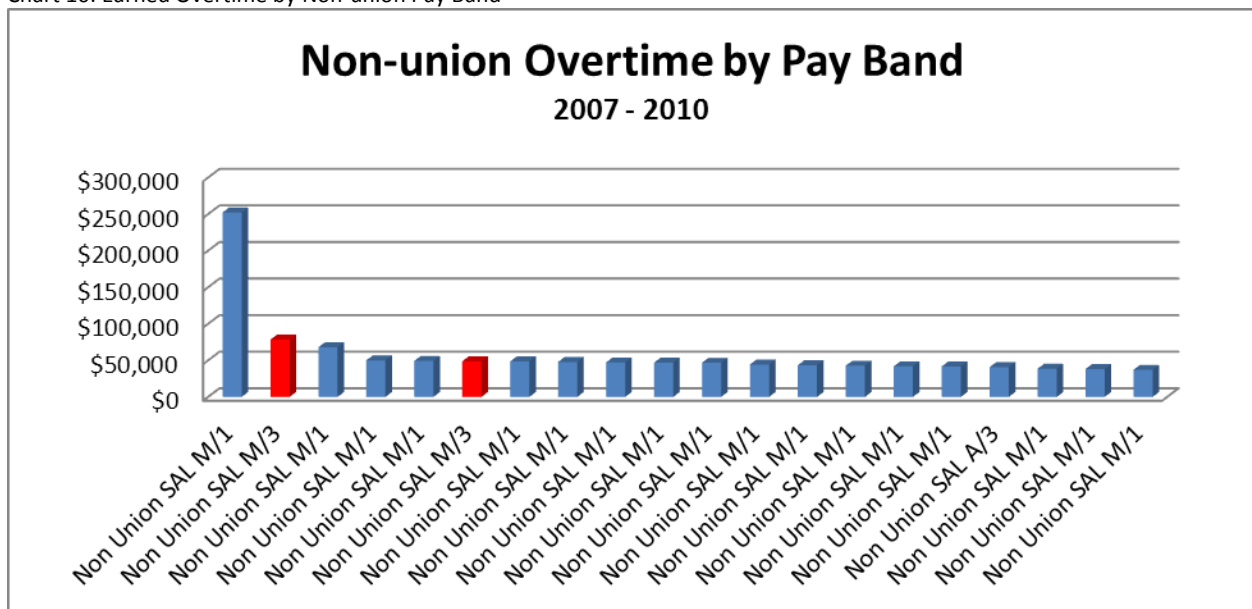
Affiliation / Annual Salary	2007	2008	2009	2010	OT as % of salary	Total
Non Union						\$252,147
\$57,000	\$51,789				90.9%	
\$61,000		\$78,186			128.2%	
\$64,000			\$87,169		136.2%	
\$66,000				\$35,004	53.0%	
MAPP						\$141,990
\$70,000	\$30,216				43.2%	
\$73,000		\$46,553			63.8%	
\$76,000			\$44,446		58.5%	
\$79,000				\$20,774	26.3%	
MAPP						\$111,640
\$70,000	\$27,678				39.5%	
\$73,000		\$30,024			41.1%	
\$76,000			\$28,065		36.9%	
\$79,000				\$25,873	32.8%	
MAPP						\$101,803
\$78,000	\$22,171				28.4%	
\$87,000		\$34,820			40.0%	
\$91,000			\$27,529		30.3%	
\$94,000				\$17,281	18.4%	
MAPP						\$100,477
\$89,000	\$14,537				16.3%	
\$93,000		\$40,259			43.3%	
\$97,000			\$32,435		33.4%	
\$100,000				\$13,246	13.2%	
MAPP						\$100,149
\$89,000	\$24,569				27.6%	
\$93,000		\$36,355			39.1%	
\$97,000			\$26,333		27.1%	
\$100,000				\$12,892	12.9%	
ATU						\$99,446
\$44,000	\$41,901				95.2%	
\$46,000		\$23,177			50.4%	
\$48,000			\$21,596		45.0%	
\$50,000				\$12,773	25.5%	
MAPP						\$98,376
\$70,000	\$23,408				33.4%	
\$73,000		\$21,368			29.3%	
\$76,000			\$34,396		45.3%	
\$79,000				\$19,204	24.3%	
MAPP						\$95,555
\$70,000	\$23,937				34.2%	
\$73,000		\$25,463			34.9%	
\$76,000			\$38,548		50.7%	
\$79,000				\$7,606	9.6%	
ATU						\$94,881
\$44,000	\$40,967				93.1%	
\$46,000		\$23,536			51.2%	
\$48,000			\$22,084		46.0%	
\$50,000				\$8,293	16.6%	

It appears overtime hours are increasing as measured from 2007 (2010 data might suggest some possible decline for this year). We are concerned there is the possibility demand for overtime may lead to other costs associated with burnout or safety issues. Overtime also has the potential to impact overall productivity and health of employees due to the effects on work life balance and possibly on morale. Management also needs to clearly understand the interrelationships between overtime and sick days, tardiness, absenteeism and possibly turnover. All of these factors have the ability to affect the need for greater overtime and the effects are further magnified.

Non-Union/Union Groups:

Within the non-union employee group, the top 20 earners are shown in the chart below. Two of the positions are identified as M3 – Manager 3 (red bars) – positions, that by policy, require the business unit to request approval for overtime eligibility through the director of Human Resources.

Chart 10: Earned Overtime by Non-union Pay Band

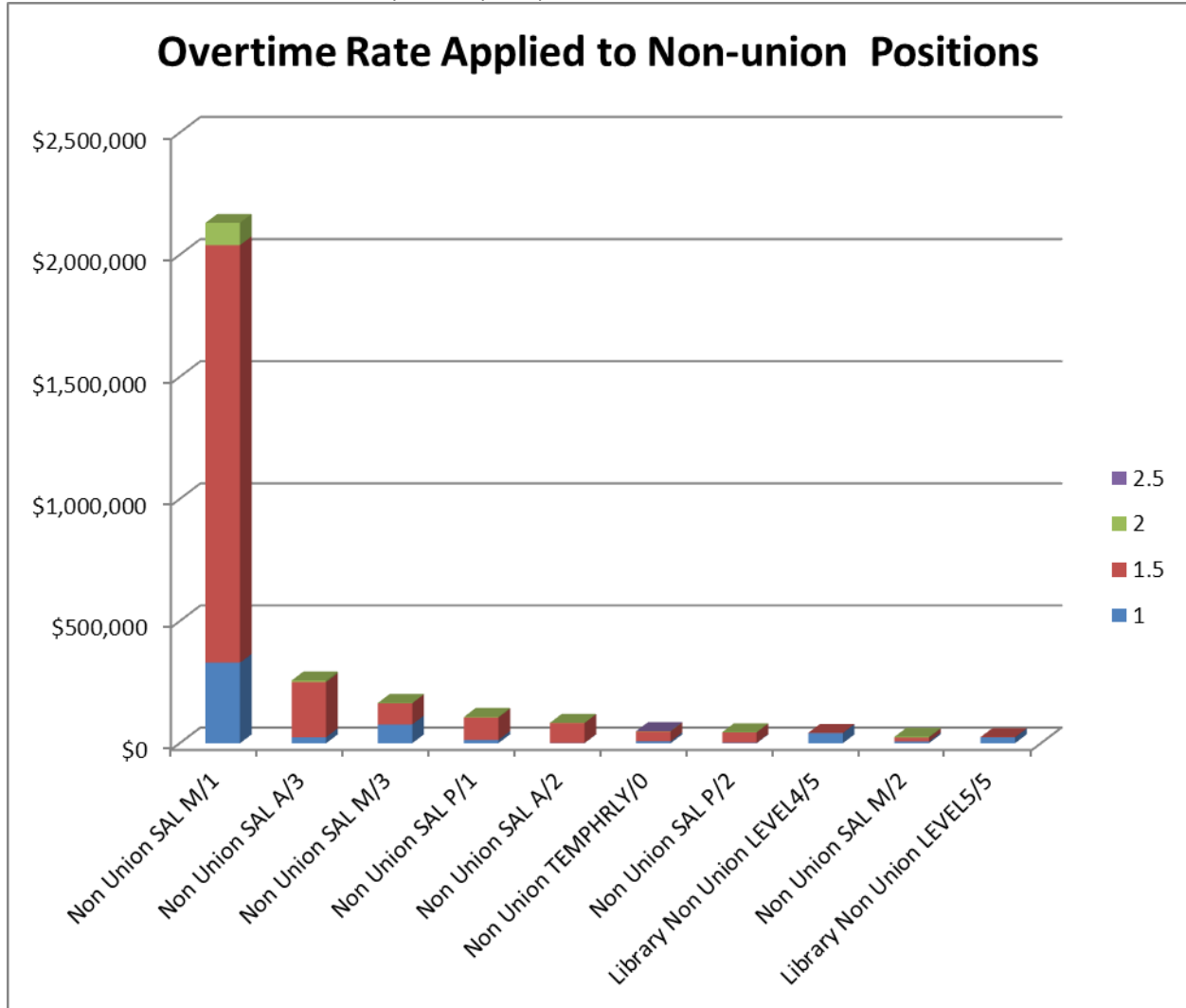


Looking further into overtime earned in the non-union group we observed incidents where non-union employees were paid at rates above time and one half.

For non-union positions eligible for overtime (positions at levels M1, P1, A1, A2 and A3) policy states that it will be at either straight time or time and one half. A total of 328 occurrences of overtime at rates above time and one half were noted for these non-union positions.

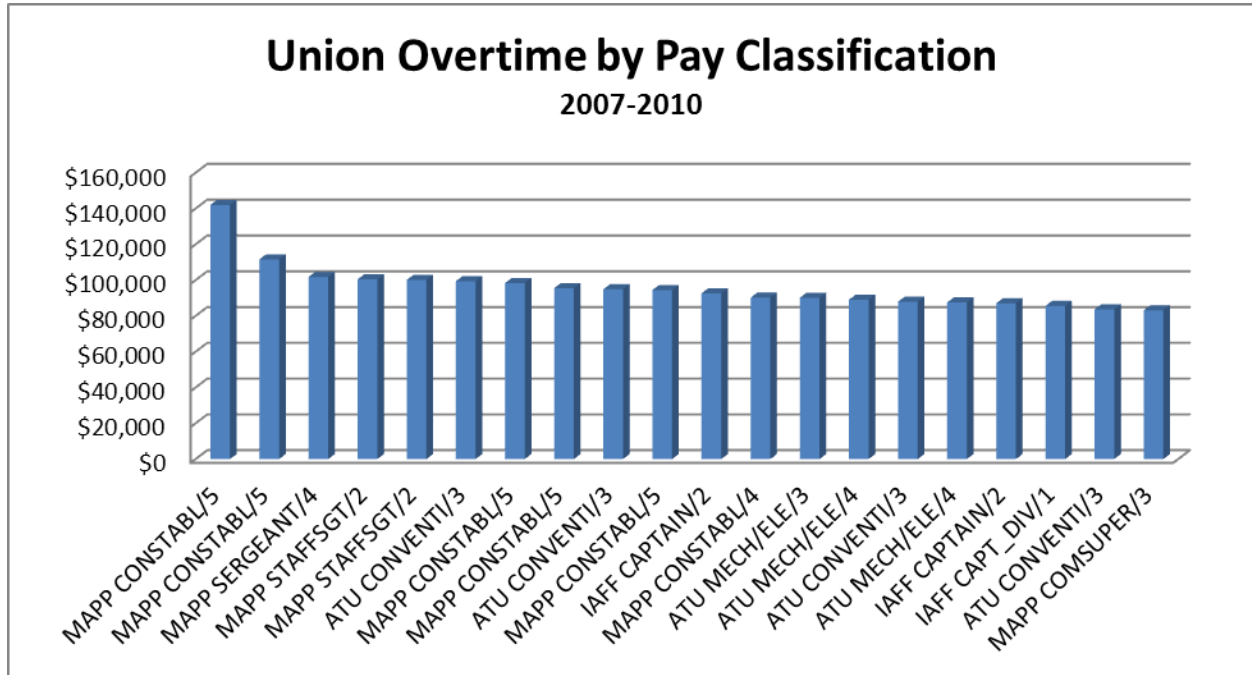
Chart 11 below details for the review period the various rates applied to earned overtime for non-union staff. This graph, unlike the chart above, shows data summarized by pay classifications rather than individual positions.

Chart 11: Earned Overtime, Non-union Pay Bands by rate paid



The overtime earned for the same period as above by the unionized workforces at HRM show the following positions as the highest overtime earners. The curve for overtime earned within the union groups is flatter than the non-unionized workforce, again showing contract compliance for equitable sharing of overtime opportunities.

Chart 12: Earned Overtime by Union Pay Classification



Employees at all pay levels claim overtime. Chart 13 below shows salary ranges and the amount of overtime claimed within each range. Although statistically small, the amount of overtime claimed by individuals whose annual base salary is above \$100,000 amounted to \$114,807 for the period of review.

Chart 13: Earned Overtime by Salary Ranges (in thousand dollars)

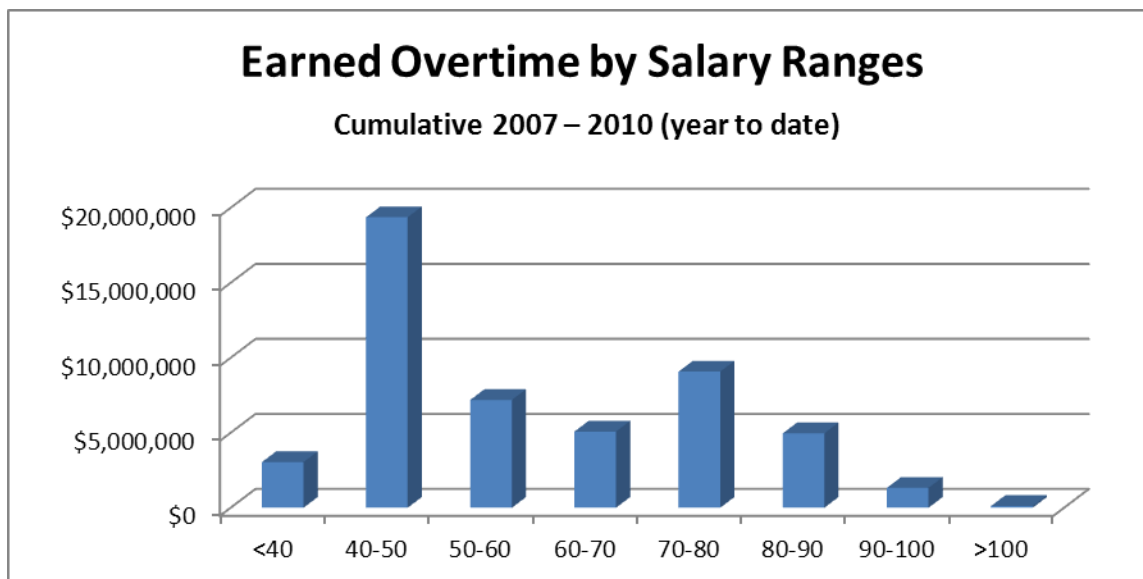


Table 8 below highlights the volume of overtime earned for those positions where the employee's base salary was above \$90,000. For those non-union employees earning in excess \$90,000, we question the compensation model that supports this.

Table 8: Salaried Employees with base salary > \$90,000 with Earned Overtime

	2007	2008	2009	2010	Total
MAPP	\$2,313	\$155,988	\$730,897	\$387,908	\$1,277,107
Non Union	24,613	13,742	44,469	19,087	101,911
IAFF	0	0	0	37,628	37,628
Library non-union	2,384	6,421	3,344	7,221	19,371
	\$29,311	\$176,151	\$778,710	\$451,844	\$1,436,017

Daily Consumption:

Table 9 below shows the average, minimum and maximum values in dollars and hours of overtime earned by business units. The average is based on total earned overtime divided by the days in the review period. HRM employees on an average day, earned overtime valued at \$38,644. Looking at earned overtime in hours, a daily average of 992 hours is earned by HRM employees. The 992 hours represents approximately 2.6 % of additional working hours per day for each employee.

Table 9: Earned Overtime – Daily Average (dollars and hours)

	Daily Earned Overtime dollars			Daily Hours Worked			
	Average	Max	Min	Average	Max	Min	
BPIM	\$779	\$9,928	\$108	BPIM	20.22	284.25	3.00
CAO	250	1,217	10	CAO	6.88	33.00	0.50
CD	623	3,900	8	CD	15.81	97.00	0.25
FINANCE	719	4,023	35	FINANCE	22.44	135.00	2.00
FIRE	4,818	38,226	21	FIRE	126.26	753.75	0.50
HR	182	1,764	7	HR	2.68	19.50	0.25
HRP	11,700	60,262	1,031	HRP	218.23	968.50	26.75
IAM	377	2,396	8	IAM	9.02	49.00	0.25
LEGAL	48	135	14	LEGAL	1.57	3.50	0.50
LIBRARY	325	7,745	15	LIBRARY	11.59	339.00	0.50
OTHER	383	5,475	3	OTHER	12.79	262.25	0.25
TPW	18,900	200,985	1,955	TPW	556.37	4,474.26	52.06
Daily	\$38,644	\$228,022	\$9,304	Daily	992.26	5,028.26	231.31

Earned Overtime Duration:

Earned overtime is recorded from the smallest units of 0.01 hours with a value as low as \$0.31, to 24 hour (overtime) shifts in Fire Services. The data for the review period shows 12,900 overtime occurrences where the value of the earned overtime was less than \$10.00. Under different union contracts, HRM is required to pay overtime for partial hours worked, however we question the cost/benefit to the organization for processing an overtime slip valued at \$0.31. In other words, what is the total time required to report the overtime, obtain supervisory approval, report the overtime to payroll processing and finally for payroll to process the overtime amount? While we have not attempted a detailed calculation, we are quite comfortable suggesting the amount is well in excess of \$0.31.

Recommendations:

1. For the 2011-2012 budget, the reduction of overtime be a priority. We would suggest a minimum of 10% reduction be targeted.
2. Management review the processes used by the business units in the development of overtime budgets and provide more accurate projections of the overtime management expects to incur in budgets going forward. As various information contained within this report have shown, the budgeting process used for the development of overtime budgets has clearly been flawed.
3. Management consider what additional reporting mechanisms it needs to develop to monitor on a monthly basis, the occurrence of overtime, given the very significant deviations between budgeted and actual overtime reported by the majority of business units.
4. Management request of each business unit a report outlining the business reasons for the overtime incurred in the past and how the effectiveness and efficiencies associated with this overtime are measured and reported.
5. In addition to the information with respect to effectiveness and efficiencies noted above, management should also request of business units information as to how they can reduce overall overtime costs or provide the business case for continuing at the present levels.
6. Management should consider undertaking renewed “staff modelling studies” or “staffing studies” from high business unit users of overtime. While detailed and extensive plans or studies may have taken place in the past, it cannot or should not be assumed the current model is providing the most cost effective or efficient results.
7. Annual budget submissions by business units should include additional information with respect to planned overtime. Specific information might include the following:
 - i. Estimated number of FTEs who will incur overtime during the upcoming year.
 - ii. Estimated average number of overtime hours by FTE during the upcoming year.
 - iii. Explanations for estimated overtime hours. These might include an estimate for unforeseen events, planned events, weather related events and others.

8. Management should conduct a cost analysis of the true cost to authorize, approve and process overtime in an effort to cost the contractual obligations for small amounts of overtime.
9. Management should review any policies currently in place governing overtime to ensure business practices are compliant with policy and information around management expectations regarding the use of and governance of overtime is clearly articulated and is transparent.
10. Management should consider instituting a reporting alert when an employee's earned hours exceed a predetermined amount that recognizes work life balance and efficiency and productivity. We raise this point as we are aware of a situation where an employee worked during the period under review in excess of 1800 total overtime hours and also where, for example, an employee reported during the review period 690 incidents of overtime at an average of 6.9 hours per occurrence.
11. Management should investigate and report on the impact if any, of overtime incurred as a result of the current vacancy strategy using 2010 vacancy savings to offset any budget deficit.
12. Management discuss with Human Resources the possible effects organizational overtime may be having on health promotion activities, with possible effects being more apparent stress and fatigue, additional accidents of all kinds or more noticeable work place conflicts.
13. Management request from each business unit a report detailing alternatives for planned overtime including for example redeploying organizational resources or other solutions.
14. Management may also wish to explore the possible HRM economic benefits from job creation due to overtime reduction.

Management Response:

1. *HRM agrees that some reduction will be included in the 2011/12 budget. There are two aspects here: better appropriation of OT in the budgeting process; and taking immediate steps to impact OT drivers so as to improve "actuals". Further reductions in future years will be addressed following any changes in collective agreements.*
2. *The process for development of budgets is reviewed regularly, and will be reviewed for the 2011/12 process. Management will work to ensure that our estimates for overtime are more accurate and appropriately reflected in the budget. Overtime expenditures have been essentially risk managed within Business Unit envelopes and reflected in their projections. A review of the audited General Rate Surplus Statement would indicate that the projection process corporately has been effective in managing the difference between planned and actual OT and all other operational risks. However, staff intend to budget for anticipated overtime in 2011/2012.*
3. *Agree. This can be achieved through the existing projections process. Exception reporting through Payroll will be analyzed as a tool to augment regular projection reporting to Directors.*
4. *Agree. Overtime is a normal part of the Municipality's business, but HRM will aim to better reflect the understanding of Business Unit overtime cost drivers and ensure that, where overtime is incurred, it is the most cost effective way to deliver service.*
5. *Agree. Most overtime entitlements are as per terms and conditions of employment through collective agreements. Therefore, most opportunities for improvement will need to be analysed and advanced as outcomes through the regular collective bargaining processes. Further analysis is required within Business Units to ensure that if overtime is used, it is the most cost effective means of service delivery.*
6. *A case-by-case analysis is required to identify and address areas of high OT users. This approach will be adopted, where appropriate, as part of ongoing alternative service delivery analyses and/or service review processes.*
7. *Potential overtime has to be first rationalized within the individual Business Units' service delivery context (as above), and then be more accurately and appropriately budgeted at the outset of the budget cycle, as opposed to risk managed throughout the year.*
8. *Agree. There will be an initial effort to inform collective bargaining outcomes, followed by further evaluation on the utility of this type of analysis.*
9. *Agree. HRM has an approved policy which governs the use of overtime by non-union employees. Overtime for unionized staff is governed through the articles of HRM's six (6) collective agreements. Non-union overtime usage appears to be generally in compliance with the existing policy, but a review of the non-union policy and associated usage will be undertaken.*
10. *HRM aspires to be recognized as an Employer of Choice and work life balance is always an area of concern. The circumstance here was an anomaly and that matter has been rectified.*

11. *This can only be done at the end of the current (2010/11) fiscal year, when a full 12 months of data is available. Our preliminary perspective of the impact is that the current process requires that the Business Unit provides appropriate justification to fill all positions. The process should not add significantly to overtime.*
12. *HRM strives to be known as an Employer of Choice. Through Corporate Performance Indicators and the Employer of Choice Administrative Priority, HRM regularly monitors and reports Human Resources indicators such as lost time due to injuries, absenteeism, employee turnover, and employee engagement, as well as overtime expenditures. The observation has been noted but we believe this falls outside of the mandate of the MAG.*
13. *These options are oriented toward the most effective and efficient way to deliver approved services, which HRM regularly monitors and adapts as necessary. Ultimately the corporate service review process is intended to help achieve this result.*
14. *HRM does play a role in economic development. The observation has been noted but we believe this falls outside of the mandate of the MAG.*

Definitions:

Banked overtime	See deferred overtime
Consumption	The rate at which overtime was earned during a period.
Earned overtime	Overtime that is worked by an employee and converted at the appropriate rate (i.e. time and one half, double time etc.) Earned overtime could be taken as payment on the first pay period following the overtime or deferred for future considerations. (See deferred overtime)
Deferred overtime	Overtime that was worked during a previous pay period where the employee chose to not take immediate payment. Deferred overtime could be taken as either a payment or time off for the value of the hours banked.
Paid overtime	Overtime that was taken as a payment in the pay period following the earned overtime.

Abbreviations:**Business Units**

BPIM	Business Planning and Information Management
CAO	Chief Administrative Officer
CD	Community Development
HR	Human Resources
HRP	Halifax Regional Police
IAM	Infrastructure and Asset Management
TPW	Transportation and Public Works

Unions

ATU	Amalgamated Transit Union
CUPE	Canadian Union of Public Employees
IAFF	International Association of Fire Fighters
MAPP	Municipal Association of Police Personnel
NSUPE	Nova Scotia Union of Public Employees