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## Company Overtime Policy Sample

This **Company Overtime Policy** template is ready to be tailored to your company's needs and should be considered a starting point for setting up your employment policies.

### Policy brief & purpose

Our **company overtime policy** explains how we'll compensate employees for hours worked beyond their standard schedule. We want to:

- Ensure employees will be consistently and correctly compensated for the time they put into their job duties.
- Minimize incidents of overtime abuse, loss of productivity, health and safety risks and other issues.

This company overtime policy won't contradict any legal guidelines. We'll follow relevant legislation when assigning or compensating overtime hours.

### Scope

This policy applies to all our current eligible employees.

### Policy elements

In our company overtime policy, "standard working hours" are an employee's regularly scheduled working time. They're usually specified in employment contracts and follow legal guidelines regarding minimum or maximum limits. "Overtime" that qualifies for compensation refers to any amount of time worked in addition to those hours.

Our policy's general rules are:

- We'll [classify our employees](#) as exempt or non-exempt according to overtime pay laws.
- Non-exempt employees who work more than the standard working hours will be entitled to overtime pay.
- Employees are entitled to overtime pay regardless of where they work, as long as they perform work that our company accepts for its business purposes.

### Excessive Overtime

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Overtime may be necessary to handle emergencies, heavy workloads or other issues. But, frequent and excessive overtime isn't good for employees' health and performance. The law may or may not permit excessive overtime, but we want to avoid productivity and morale loss or [work-related accidents](#) due to fatigue.

For this reason, **we will:**

- Record overtime hours accurately and consistently.
- Advise employees to work overtime only when they have to finish urgent work
- Have all necessary provisions to allow employees to complete their work during standard working hours.
- Take measures to gradually reduce overtime when we observe a decline in work quality or other issues due to excessive working hours.
- Set a daily/weekly cap for overtime at [2 hours per day/ 8 hours per week.] Employees who work more than that will be compensated according to legal requirements. But, we advise employees to respect this limit.

**We will not:**

- Ask employees to work more than the maximum amount of hours per day or week permitted by law
- Discriminate when choosing who has to work overtime and how they'll be compensated for it

## Shift-based system

When employees are working on a shift-based system, *we will not:*

- Ask employees working on night shifts to work for more than two hours overtime (unless in cases of emergency).
- Allow employees who work 12-hour schedules to work more than two additional hours overtime.
- Encourage more than four hours of overtime for employees who work 8 to 10 hours.
- Ask employees who work more than 8-hour schedules to do double shifts.

## Who are exempt employees?

The law may exempt some employees from overtime compensation. These employees will receive overtime at our company's discretion. All company provisions about excessive overtime will apply to exempt employees too.

## Abuse of overtime

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We want to avoid any incidents of abuse of the overtime system, either by our company or employees, that may result in legal confrontation. We expect:

- Managers to avoid asking or encouraging their team members to work excessive overtime
- Employees to avoid working unnecessary overtime aiming for the highest pay, as this may result in a trade off with the quality of their work

We are bound to compensate overtime pay at correct pay rates in a timely manner. Employees and managers should follow our timekeeping systems so we can maintain accurate records.

Employees should read this policy and direct any questions to our Human resources (HR) department.

## Procedure

To comply with record keeping and overtime compensation requirements, we need a smooth procedure. We should record overtime timely. This is our suggested procedure:

1. Team members and their managers agree on the hours of overtime needed.  
Overtime should not exceed any legal limits and employees shouldn't end up working excessive hours.
2. Managers should know whether their team members are non-exempt or exempt and ensure their team members are aware.
3. Team members and managers accurately record overtime.
4. [Finance/ HR] calculates overtime pay according to legal pay rates
5. Team members receive their overtime compensation in the next scheduled pay period

*Disclaimer: This Overtime policy template is meant to provide general guidelines and should be used as a reference. It may not take into account all relevant local, state or federal laws and is not a legal document. Neither the author nor Workable will assume any legal liability that may arise from the use of this policy.*

### Further reading:

- [Overtime Pay in the US](#) – US Department of Labor