

Excessive Hours and Unpaid Overtime: An Update

By Tom Swann and Jim Stanford
Centre for Future Work at the Australia Institute

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Level 5, 131 City Walk
Canberra, ACT 2601
Tel: (02) 61300530
Email: mail@tai.org.au
Website: www.tai.org.au

About the Centre for Future Work

The Centre for Future Work is a new initiative, housed within the Australia Institute, to conduct and publish progressive economic research on work, employment, and labour markets.

It will serve as a unique centre of excellence on the economic issues facing working people: including the future of jobs, wages and income distribution, skills and training, sector and industry policies, globalisation, the role of government, public services, and more.

The Centre will also develop timely and practical policy proposals to help make the world of work better for working people and their families.



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Introduction and Summary

This year marks the eighth annual *Go Home on Time Day*, an initiative of the Australia Institute intended to draw light-hearted attention to a serious issue: the incidence of overwork among Australians, including excessive overtime (often unpaid) and the failure to take full advantage of other opportunities for time off work (such as paid holiday leave). Starting this year Go Home on Time Day is organized through the Centre for Future Work, the Australia Institute's new research project focusing on labour market, employment, and work-related issues.

To investigate the prevalence of overwork and unpaid overtime, and other instances of "time theft", the Australia Institute has commissioned regular annual opinion polls gathering original data on the incidence of overwork and Australian attitudes toward it. This year's poll was conducted between 16 and 28 September 2016, by Research Now, a national opinion research firm, surveying 1442 respondents, with nationally representative samples reflecting gender, age and state or territory. Of the 1442 respondents, 891 (or 62 percent) were currently in paid work. That sub-sample was asked several questions regarding their hours of work, whether they wanted more work or less, and whether they worked unpaid overtime in their jobs.

This report summarizes the results of that polling, and places it in the context of national labour force trends:

- There is growing evidence of a sharp polarization in Australian employment patterns, between those with full-time, relatively secure jobs, and a growing portion working part-time, casual, temporary, or insecure positions.
- In the survey, two in five full-time workers said they would prefer to work fewer hours, and only one in ten said they wanted more. By contrast, those in part-time or casual positions work far fewer hours, and many would prefer to work more – a third of part-time workers and half of casual workers.
- More full time workers said they wanted to work less than all workers who wanted to work more – a stark illustration of the lopsided distribution of work. Over the last five years of survey data, there has been a growing gap between the number of workers who want less work and those who want more. Just over half of the working people in the sample said they had worked hours in the last week without being paid. A quarter reported they worked six or more hours unpaid. Despite many part-time and casual workers saying they wanted more working hours, even these people said they had performed significant amounts of

unpaid overtime for their employers – perhaps in hopes of impressing their employer and landing a permanent or full-time position.

- On average, full-time workers said they perform 5.1 hours of unpaid overtime per week – including coming in early, leaving late, working at home or on weekends, and working through regular breaks and lunch hours. Part-time and casual employees work an average of 3.74 hours unpaid overtime per week.
- The lost income due to unpaid overtime represents a significant loss to workers, their families, and indeed to the national economy. For full-time workers, average unpaid overtime is worth over \$10,000 per year – or 13 percent of actual earnings. For part-time workers, lost income from unpaid overtime exceeds \$7500 per year, and represents an even larger share (nearly 25 percent) of actual earnings.
- This represents the value of work that is performed, but not paid for. This can be considered a donation to employers, or a form of “time theft” from these uncompensated workers.
- If these findings are applied across the national economy, they imply an enormous if hidden redistribution from workers to their employers. Our data suggest the total value of unpaid overtime in the national economy equals about \$116 billion per year.
- There would be significant economic, social, and health benefits from providing workers with stronger protections against compulsion to work unpaid overtime, and measures to better share available work between full-time workers and the growing population of precariously employed part-time and casual workers.

In addition to these questions on excess hours of work and unpaid overtime, respondents in the poll were also asked about their entitlement to and utilization of paid holiday leave. The erosion of the traditional “Aussie holiday” is a special focus for this year’s Go Home on Time Day, and those findings are detailed in a companion research paper also available at <http://gohomeontimeday.org.au/>.

Hours of Work

Table 1 summarizes the employment status and normal hours of work reported by respondents to the poll. 61.7 percent of respondents were employed. This closely matches the average employment data reported by the ABS in its monthly labour force survey.¹ Of those employed, just over two-thirds worked in full-time positions, while the remainder (32.9 percent) worked in part-time or casual jobs. Again, this split closely corresponds with ABS data for the entire economy, which shows that full-time employment now equals just 67.8 percent of total employment.²

Table 1. Employment Status of Sample.

	Employed	Not Employed	
Percent of Total Sample	61.8%	38.2%	
	Full-Time	Part-Time	Casual
Percent of Employed	67.1%	20.3%	12.6%
Average Hours/Week	41.3	21.2	15.5

Source: Poll results as described in text.

Full-time workers in the sample reported working an average of over 41 hours per week. Regular part-time workers worked an average of 21.2 hours per week, while casual workers were employed just over 15 hours per week; the average hours of work across these two groups was 19.0 hours per week. These averages are slightly higher than the corresponding national average hours of work reported by the ABS; most recent ABS data indicates full-time workers work on average 39.6 hours per week, while part-timers work just under 17 hours per week.³

¹ Employment to population ratio: 60.9 percent; see ABS Catalogue 6202.0 - Labour Force, Australia, Table 1.

² ABS Catalogue 6202.0 - Labour Force, Australia, Table 1.

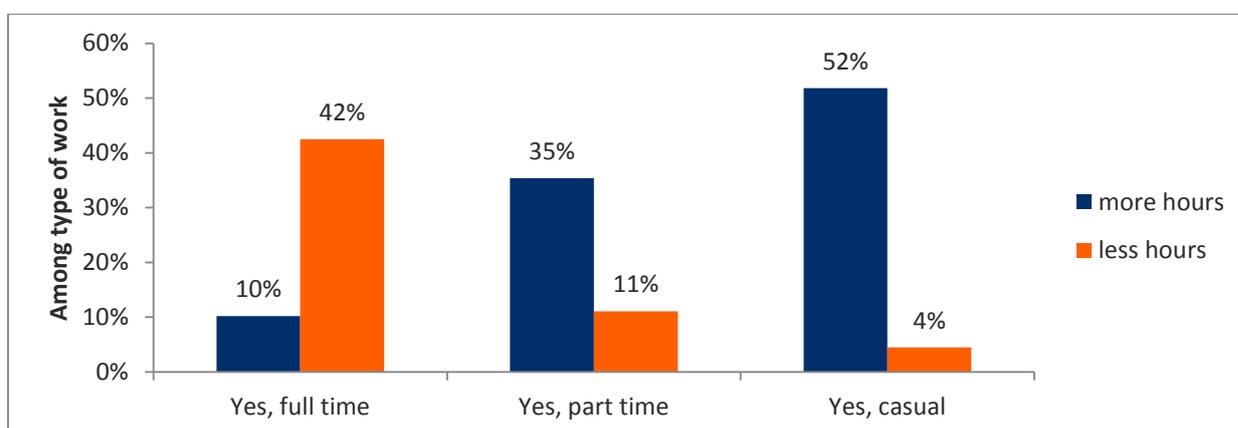
³ The ABS data do not explicitly break out casual workers, most of whom will be included in the part-time category (which includes anyone working under 35 hours per week).

Polarization of Working Hours

There are stark differences between the working patterns of full-time, part-time, and casual workers. And there are also stark differences regarding their attitudes toward those working hours. Among all employed respondents, just under half said their hours of work are “just about right.” Close to one-third would prefer to work fewer hours, and over one-fifth said they want more hours of work. 31% said they wanted fewer hours, while 21% said they wanted more.

However, those average responses mask large differences between full-time, part-time, and casual workers, shown in Figure 1.

Figure 1. Hours of Work Preferences.



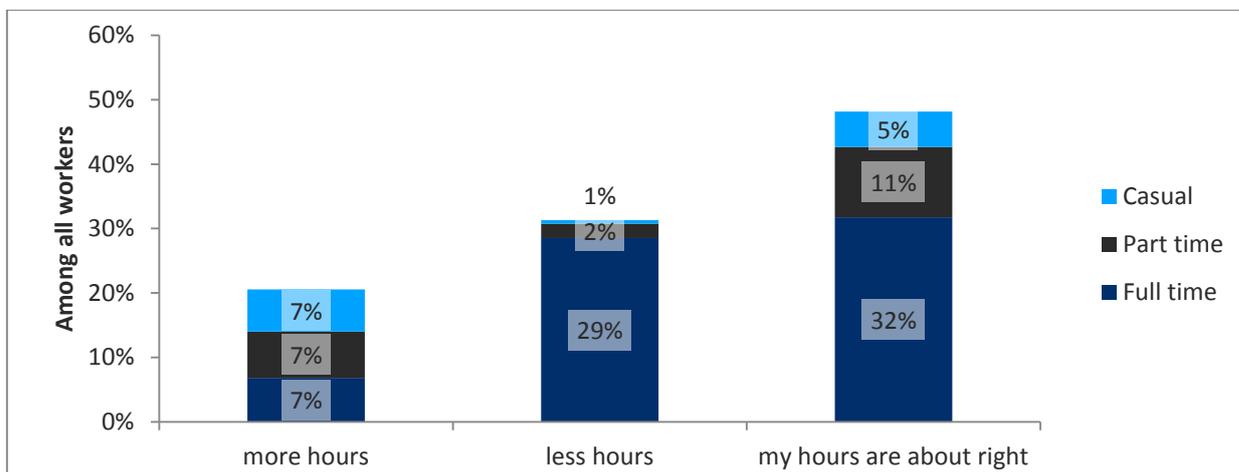
As illustrated in Figure 1, people in full time work were far more likely to say they wanted fewer hours: 42 percent preferred to work less, and just 10 percent wanted to work more. For people in part time or casual work, attitudes were just as lopsided – but in the opposite direction. They were far more likely to prefer more hours, and hardly any wanted to work less. Over one-third of part-time workers, and over half of casual workers, wanted more hours.⁴

Another way of illustrating this dichotomy in attitudes among Australian workers is pictured in Figure 2. Full-time workers made up nearly all of those who said they wanted fewer hours. In fact, full-time workers who preferred to work less constituted almost 30 percent of our total sample of employed people. More full time workers

⁴ ABS labour force surveys ask part-time workers if they would prefer more hours of work; the most recent data indicate that 29 percent, or almost one in three, would prefer more work (Catalogue 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly). Again this is broadly consistent with the original survey results presented here.

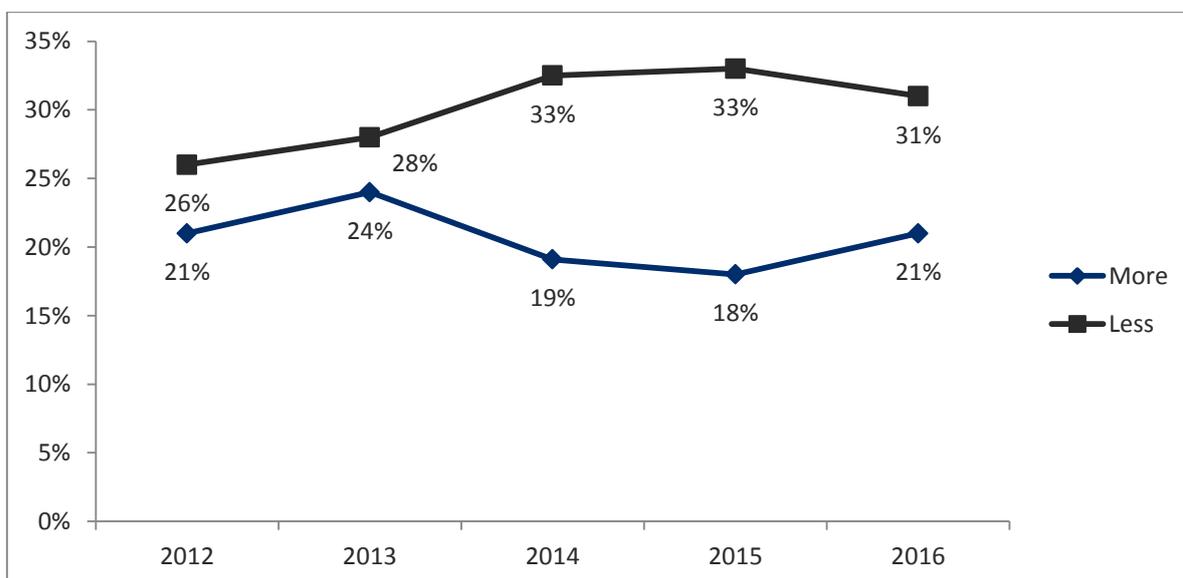
wanted fewer hours than all workers that wanted more hours. There is substantial demand among working Australians (and especially full-time workers) for shorter working hours. (Part-time and casual workers who want less hours, account for another 3 percent of all workers.)

Figure 2. Preferences for More or Less Hours.



The overall demand for reduced working hours has been fairly consistent in recent years in Australia. The *Go Home on Time Day* poll has asked a similar question about working hours preferences for the last five years. Results are shown in Figure 3.

Figure 3. Working Hours Preferences, 2012-2016.



Over the last five years, one-third of all employed respondents have consistently indicated a desire to work less. The share of workers who want fewer hours has grown, with an increasing gap between those who want fewer and those who want more. In

2016, the proportion who wanted fewer hours declined very slightly. This is likely due to normal sampling variability, but is consistent with the growing share of part-time workers in the total labour market.⁵

⁵ Since few part-time workers want shorter working hours, their growing share in total employment will tend to pull down the overall average share of those wanting shorter hours.

Unpaid Overtime

Respondents were asked about the number of hours they worked unpaid in the past seven days. This could include arriving at work early, staying late, working through breaks (such as tea or lunch breaks), working from home in the evenings and on weekends, taking calls or e-mails out of working hours, and other forms of unpaid labour.

Just over half of all employed workers (51.9 percent) reported having performed unpaid overtime for their employer within the past week. More than a quarter of workers (27.7 percent) worked between 1 and 5 hours of unpaid overtime, while nearly 13 percent worked between 6 and 10 hours, and more than one in ten workers performed over 10 hours of unpaid overtime in the past week (Figure 4).

Figure 4. Hours of unpaid overtime in the last seven days.

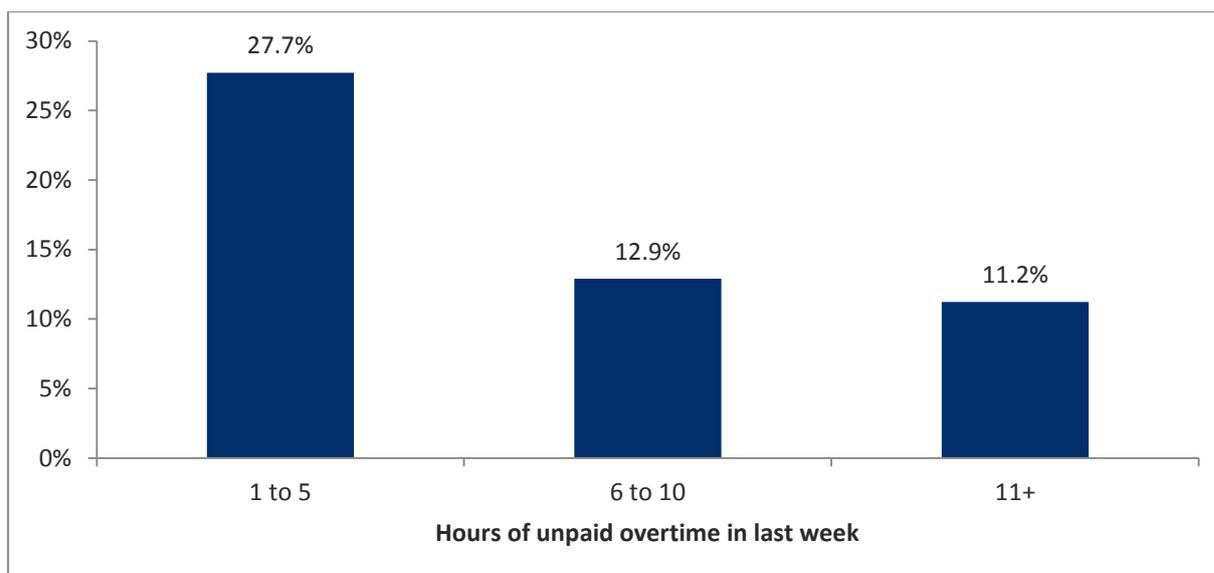


Table 2 summarizes the distribution of unpaid overtime between workers with different employment statuses. Not surprisingly, unpaid overtime was largest for full-time workers: over 5 hours per week. More surprising was the extent of unpaid overtime worked by part-time and casual workers – a large proportion of whom, as discussed above, desire more *paid* work. On average they reported working 3.74 hours of unpaid overtime work. As a share of their paid work, the unpaid overtime of part-time and casual workers was larger: equal to almost 20 percent of the worktime for which they were paid.

Table 2. Unpaid Overtime by Employment Status.

	Full-Time	Part-Time and Casual	Total
Average Unpaid Overtime per Week	5.08	3.74	4.64
Share of Paid Hours Worked	12.3%	19.7%	13.7%

Source: Poll results as described in text

Across all forms of employment, our respondents worked an average of 4.64 hours of unpaid labour for their employers in the preceding week. This work was productive but not compensated. This ‘loss’ of time without compensation might be considered a donation from the worker to the employer. Alternatively, we can say the time was captured or “stolen” from workers – to the extent that they felt compelled or pressured to work these hours by their employer’s expectations, demands, and workplace culture.

On an annualized basis (assuming a constant rate of unpaid overtime throughout the year), this translates into a total of 264 hours per year for full-time workers, and 195 hours per year for part-time and casual workers. Based on a 40-hour work week, this is equivalent to more than six and a half weeks of unpaid work for full-time workers, and just under five weeks for part-time or casual workers.

Figure 5 provides a more detailed breakdown of the incidence of unpaid overtime according to gender, age, household income, and type of work. The left side illustrates unpaid overtime in the previous week measured in hours, while the right side indicates unpaid overtime hours as a proportion of paid worktime.

Men worked slightly more unpaid overtime (4.9 hours per week) than women (4.3 hours). However, women work, on average, less paid hours than men. So as a proportion of paid hours, unpaid worktime was almost equal for the two genders.

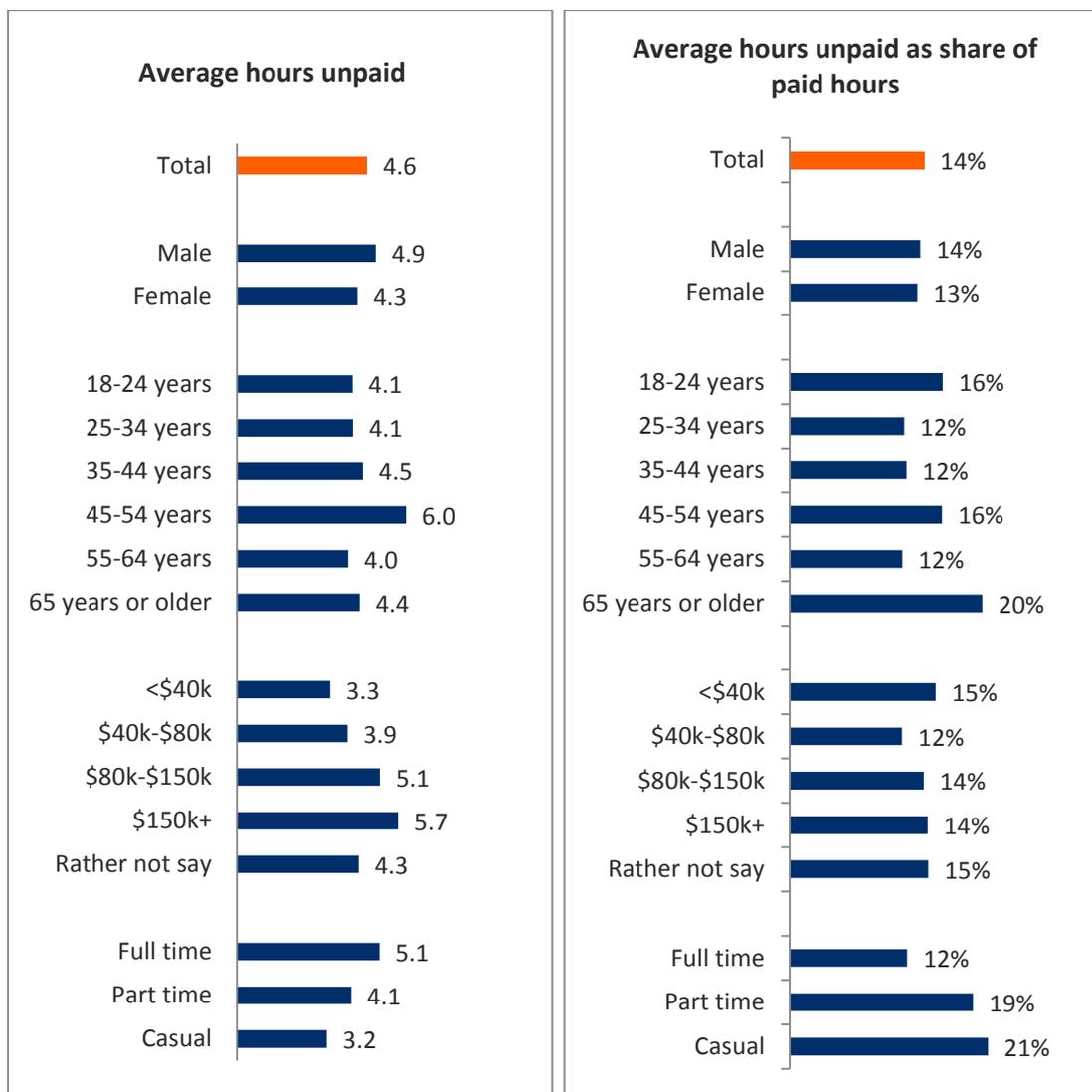
Unpaid overtime is fairly evenly distributed across different age groups. One exception is the 45-54 year-old group, who worked the most unpaid overtime: an average of 6.0 hours per week. This may reflect the pressures on workers in the “peak” years of their careers.

Unpaid overtime becomes more common as income levels rise. Workers earning over \$150,000 per year reported 5.7 hours unpaid overtime per week – compared to 3.3 hours per week for those earning under \$40,000.

However, as with gender distinctions in overtime, low-income workers have fewer paid

hours of work to start with. So as a proportion of paid time, low-income workers are more likely to work a larger share of their hours without compensation.

Figure 5. Hours and Importance of Unpaid Overtime, by Category of Worker.



Not surprisingly, workers who performed more unpaid overtime were more likely to say they wanted less hours of paid work. About half of those who worked 6 or more hours of unpaid overtime per week, responded that they wanted to work fewer hours. Conversely, workers who performed more unpaid overtime were much less likely to say their hours were “about right”, and slightly less likely to say they wanted more hours.

The Costs of “Time Theft”

Excessive working hours and unpaid overtime impose a multitude of costs upon Australian workers, their families, and their communities. As previous research from The Australia Institute has shown, excessive hours cut into time which working people can spend on the other priorities of life: caring for their families, preparing healthy meals, visiting with friends, exercise and fitness, and more. Excessive work can directly damage both physical and mental health, interrupt sleep, and destroy relationships.⁶

One approach to quantifying the value of unpaid overtime donated to or “stolen” by employers is to calculate the income that would have been received by the workers if their work had been duly compensated. Table 3 provides an aggregate estimate of the economic value of this time, on the basis of aggregate data regarding employment, hours worked, and labour compensation.

Table 3. Value of Unpaid Overtime in Australian Economy.

<i>(for fiscal 2015-16)</i>	
Average Hours of Unpaid Overtime per Week	4.64
Total Employees	11,866,000
Total Unpaid Overtime (bil hrs)	2.87
Total Labour Compensation (\$bil)	\$802
Total Hours Worked	19.86
Compensation per Hour Worked	\$40.40
Value of Unpaid Overtime (\$bil)	\$116

Source: Authors’ calculations as explained in text. Unpaid overtime from poll results. Employment and hours worked from ABS 6202.0, Tables 1 and 19. Total labour compensation from ABS 5206.0, Table 20.

Our survey results indicate that employed workers perform an average of 4.64 hours of unpaid overtime per week (across all classes of employment). During fiscal 2015-16, an average of 11.9 million Australians were employed. This implies an aggregate total of 2.87 billion hours of unpaid overtime worked in the economy each year. Average labour compensation per hour in Australia can be estimated by dividing total labour

⁶ Cameron, Dennis, (2013) *Hard to Get a Break*, <http://www.tai.org.au/content/hard-get-break-1>

compensation (just over \$800 billion for the same period, from ABS National Accounts data) by the total number of hours worked in the economy. Average labour compensation is just over \$40 per hour. This implies that the total value of unpaid overtime in Australia that year was \$116 billion.

This estimate is conservative, in that it values overtime at average hourly wages – whereas in most cases (and certainly for full-time workers), overtime hours would normally be paid with an overtime penalty of 50 percent or more on top of regular straight-time wages.

Based on average overtime hours reported in our survey, full-time workers on average worked unpaid overtime worth over \$10,000 per year, while part-time workers worked unpaid time worth close to \$7,500.

It is interesting to compare the value of this unpaid overtime, to the value of donations which Australians make to charitable causes each year. In our survey, over half of Australian workers perform unpaid overtime. That's a higher proportion than Australians who donate to charity.

Worse yet, unpaid overtime is worth many times more than donations made to charities. ATO data indicate 4.5 million taxpayers made tax-deductible charitable donations in 2013-14.⁷ That is about one-third of all individual tax-filers. In 2013-14, individual tax-deductible donations to charities totalled \$2.6 billion – barely 2 percent as much as the value of unpaid overtime work that was appropriated by employers in 2015-16. If employees wanted to make a “donation” to a worthy cause, they surely would be unlikely to choose their employer as the recipient. Yet that, in essence, is the effect of the widespread abuse of unpaid overtime.

A few other comparisons can be made, to highlight the enormous loss or theft of time from Australian workers through unpaid overtime. The average loss of income per worker through unpaid overtime is greater than the average gross cost of childcare per family (in 2013, \$9,321), and greater than the average government child care subsidy paid per family (\$4,963).⁸ The value of unpaid overtime is equal to about two-thirds of Australia's total spending on health, across all sectors (\$160 billion in 2014-15).⁹ Finally, consider that employees' unpaid overtime was worth about 5.5 billion smashed avocado meals (at \$20 per meal).

⁷ McGregor-Lowndes, Crittall (2016) *Tax Deductible Giving in 2013-14*. <http://eprints.qut.edu.au/94419/>

⁸ NATSEM (2014) *Childcare Affordability in Australia* http://www.natsem.canberra.edu.au/storage/AMP_NATSEM_35.pdf page 16

⁹ AIHW (2016) Health expenditure Australia 2014–15, <http://www.aihw.gov.au/publication-detail/?id=60129557170>

Conclusion

It is clear that the common practice of expecting workers to perform unpaid work outside of normal (paid) working hours is imposing an enormous cost on Australian families, and on the national macro-economy. Workers and their families have less time, without being compensated for the extra time allocated to unpaid work. The foregone income captured by employers through time theft weakens household budgets and undermines consumer spending.

Ironically, this imposition of excess unpaid overtime on one group of Australian workers coexists with an equally pressing challenge facing another group: those who cannot find enough hours of work, and are relegated to inadequate and irregular part-time and casual work.

The solution should be obvious: reduce the burden of unpaid overwork on full-time workers, and transfer the corresponding labour demand to those workers who want and need more work, not less. But this equity-enhancing shift would eliminate the windfall gains that employers presently pocket as a result of regular unpaid overtime.

The widespread practice of requiring or expecting many hours per week of unpaid overtime from Australian workers should be a pressing concern for policy-makers and regulators. Addressing these issues requires more ambitious and well-funded efforts to:

- enforce existing employment standards,
- support workers claiming pay for unpaid hours, and
- encourage employers to develop staffing models that share work more equitably and sustainably between workers (in contrast to the current polarization of hours between workers who work too much, and those who need more).

It will also require efforts on behalf of both employers and employees to change workplace culture, allowing for more productive conversations and negotiations about work hours and unpaid work.

Appendix A - Survey Questions

Q1. *Are you currently in paid work?*

1. *Yes, full time*
2. *Yes, part time*
3. *Yes, casual*
4. *No [SKIP REST OF SECTION]*

The next set of questions is about work/life balance

Q2. *How many hours a week do you generally work (e.g. the number of paid hours of work)?*

[Open answer 0-99]

Q3. *Would you like to work....?*

1. *more hours*
2. *less hours*
3. *my hours are about right*

Q4. *How many unpaid hours did you work in the last 7 days (i.e. unpaid overtime)?*

[Open answer 0-99]__hours

Appendix B - Sample Distribution

	N=	% sample
Total Employed:	891	100%
Male	470	53%
Female	421	47%
Age:		
18-24 years	107	12%
25-34 years	212	24%
35-44 years	210	24%
45-54 years	203	23%
55-64 years	111	12%
65 years or older	48	5%
Income:		
<\$40k	92	10%
\$40k-\$80k	230	26%
\$80k-\$150k	315	35%
\$150k+	152	17%
Rather not say	102	11%
Employment Status:		
Yes, full time	598	67%
Yes, part time	181	20%
Yes, casual	112	13%