

## The Economics of Overtime Working

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Numerous individuals throughout international labour markets work hours in excess of their standard contractual hours. Overtime working is a vital consideration in the employment and wage decisions of many households and firms. From a policy perspective, overtime is at the centre of interest in the work sharing/unemployment trade off. Robert Hart presents the first comprehensive economic evaluation of this phenomenon, examining theoretical, empirical and policy aspects of overtime hours and pay. In a comparative assessment of labour supply, labour demand and compensating differential models of overtime behaviour, he utilises detailed international evidence drawn from the United States, Western Europe and Japan. Policy initiatives linked to job creation, work sharing, absenteeism and payroll taxation are critically assessed and presented in an intuitive manner. Displaying analytical rigour and empirical expertise, Robert Hart's work extends far beyond a mere summary of existing research to enliven and inform debate.

ROBERT A. HART is Professor of Economics at the University of Stirling. He is a labour market economist and acknowledged authority on the economics of working time. He is the author of *The Economics of Non-Wage Labour Costs* (1984), *Working Time and Employment* (1987), *Human Capital, Employment and Bargaining* (with Thomas Moutos, 1995) and *Work and Pay in Japan* (with Seiichi Kawasaki, 1999).

Cambridge University Press  
0521801427 - The Economics of Overtime Working  
Robert A. Hart  
Frontmatter  
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[More information](#)

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE  
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS  
The Edinburgh Building, Cambridge, CB2 2RU, UK  
40 West 20th Street, New York, NY 10011-4211, USA  
477 Williamstown Road, Port Melbourne, VIC 3207, Australia  
Ruiz de Alarcón 13, 28014 Madrid, Spain  
Dock House, The Waterfront, Cape Town 8001, South Africa

<http://www.cambridge.org>

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First published 2004

Printed in the United Kingdom at the University Press, Cambridge

*Typeface* Times 10/13 pt.    *System* L<sup>A</sup>T<sub>E</sub>X 2<sub>ε</sub> [TB]

*A catalogue record for this book is available from the British Library*

*Library of Congress Cataloguing in Publication data*

Hart, Robert A.  
The economics of overtime working / Robert A. Hart.  
p. cm.  
Includes bibliographical references and index.  
ISBN 0-521-80142-7  
1. Overtime. I. Title.  
HD5111.A3H37 2004  
331.25'72 – dc22 2004043567

ISBN 0 521 80142 7 hardback

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For Shirley, with apologies for all the overtime I have caused.

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## *Preface*

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Three economists – Frank Brechling, Sherwin Rosen and Ronald Ehrenberg – stimulated my original interest and approach to the study of working time. Their seminal 1960s/early 1970s contributions are highlighted in chapter 1. More recently, Stephen Trejo has provided researchers with fresh insights into the evaluation of working time policy initiatives in relation to overtime working. The direction of Trejo’s work has made me realise that the important ideas on working time of H. Gregg Lewis should have also played a part in the early formulation of ideas. I can only plead ‘better late than never’ and hope that this present contribution makes some amends.

I will not attempt at this stage to persuade potential readers of the value of devoting a complete monograph to overtime working. Chapters 1 and 2 attempt to motivate the entire topic. The overview in chapter 1 presents in an accessible manner most of the core labour market issues that are explored in more depth at later stages. The international facts and figures in chapter 2 also cover many of the key areas of later concern. Chapters 3 and 4 deal with the theory of overtime working from the perspectives of labour supply, labour demand and models that attempt to combine the two sides of the market. Chapter 3 deals with the overtime decision in general while Chapter 4 concentrates specifically on the role and interpretation of the overtime premium. Two empirical chapters follow. Chapter 5 is concerned with studies of the determination and effects of overtime hours while chapter 6 deals with overtime pay. Labour market policy issues form the subject of chapter 7. Finally, chapter 8 contains some brief speculation on the future of overtime work.

Stephen Trejo made a number of very helpful suggestions on a key part of the text. Martyn Andrews, Sarah Brown, Ronald Ehrenberg, Thorsten Schank and Hui Wang also offered useful comments. Recent ideas in this area have benefited from research collaborations with David Bell, Yue Ma, Jim Malley, Robin Ruffell and Ulrich Woitek. Elizabeth Roberts helped me greatly in assembling the graphs and figures. Of course, none of these individuals is implicated in any remaining errors and misconceptions.

Finally, I should like to acknowledge the encouragement and support of Ashwin Rattan who was the Economics Editor at Cambridge University Press when this monograph was commissioned.