

Firms turn to overtime before hiring

U.S. manufacturers call extra hours the most cost-effective way to increase output, but trend prevents new jobs

**BY KRIS MAHER
AND TIMOTHY AEPPEL**

CLEVELAND—Overtime is returning at many manufacturers, boosting workers' battered wages and helping companies increase output during a period of uncertain growth. But the trend could prevent the improving U.S. economy from creating new jobs—at least for now.

Executives say boosting overtime is the most cost-effective way to handle tentative increases in demand as the U.S. emerges from a severe recession. Overtime enables companies to increase productivity to meet rising customer orders without adding fixed costs such as health-care benefits for new hires. If business suddenly slows, they can dial back hours without having to make costly layoffs.

And for workers who are still employed after an extended period of job cuts, reduced hours and unpaid furloughs, overtime offers a chance to catch up to their prerecession income and pay off debt.

"Since overtime is more costly than straight time, there comes a point that it makes sense to take on new workers," said Sophia Koropecykj, managing director of Moody's Economy.com. She notes that coming out of the recession earlier this decade, the machinery and fabricated-metals sectors began adding jobs 18 months after they started increasing overtime.

In October, the manufacturing sector shed 61,000 people, while those still employed were working more hours: Overtime increased 6.5% to 3.2 hours per week in October from September's level of three hours and 14% from the 2.8 hours of overtime averaged in the second quarter.

"That's still light compared to the

norm," said James Meil, an economist at Eaton Corp., a diversified manufacturer in Cleveland that turned to furloughs during the slump. Mr. Meil said overtime at manufacturers averaged as high as 4.6 hours a week during the most recent boom.

Executives also view overtime as a motivational tool, and say that if workers are eager for fatter paychecks from overtime, they will likely be more productive.

"So much of production is attitude. Just adding pockets of overtime when it's appropriate tends to" improve workers' attitudes, said Jack Schron, president of Jergens Inc., a 65-year-old family-owned machine shop that makes quick-release pins for everything from military machine-gun mounts to Nascar racing cars. The Cleveland company, which has a wall of framed pictures of employees with 25 years' service, shed more than 25 of its 300 workers and axed overtime hours early in the downturn.

But to the relief of workers such as Dave Gibney, Jergens recently added overtime. Mr. Gibney, a 35-year-old machinist, started peppering his supervisor three times a day with requests for overtime in late August, when he saw orders reviving. Working the standard 40 hours a week, he had fallen behind on his monthly \$875 mortgage payment. He is now up to between 42 and 47 hours a week.

"Eventually they're going to hire new people. I just feel in the meantime, it's better to pay a few good people a little extra," he said.

About 10% of workers at Jergens receive overtime regularly now. "Right now you're not seeing a huge number of jobs being added because we're all going through this incremental growth," Mr. Schron said.



Prima di nuove assunzioni, le aziende fanno ricorso agli straordinari (ac)