



## Overtime Work and Remuneration in Different Areas of Economic Activities in Lithuania: Theoretical and Practical Issues

Laura Pilukienė<sup>1</sup>, Aida Mačerinskienė<sup>2</sup>

### ABSTRACT

The area of overtime work and remuneration for such work covers the issues of employees' productivity of work, higher wages, enhancement of self-expression of employees in an organisation, adjustment of working time and leisure. The article provides a theoretical basis for these issues, discusses legal issues. A practical survey of overtime work of employees in the information and communications sector and the catering and accommodation sector and remuneration for such work has been conducted with a view to determining whether paid overtime work is an important factor affecting higher wages of employees.

**Keywords:** Human resources, overtime work, remuneration for overtime.

**JEL Codes:** J30, J31.

**Available Online:** 30th October 2014

**MIR Centre for Socio-Economic Research, USA.**

### 1.0 INTRODUCTION

The present-day constantly changing environment is forming a new approach to an organisation as an uniform system in which human resources are becoming the most important and active part of the system. A well thought-through management of human resources relying on the experience of the organisation itself and other organisations is a process of vital importance in the activities of the mentioned system with a view to implementing the goals of an organisation, an individual and society. Nowadays, an intensive progress of science and technology in the context of changes brought about by fast globalisation processes is changing employment relationships of human resources, organisation of

<sup>1</sup> Vilnius University, Lithuania, Vilnius Univesity, Department of Business, Address: Sauletekio ave. 9, LT-10222, Vilnius. Phone/fax.: 2366152, E-mail: laura.ziogelyte@ef.vu.lt

<sup>2</sup> Vilnius University, Lithuania, Department of Business, Address: Sauletekio ave. 9, LT-10222, Vilnius, Phone/fax.: 2366152, E-mail: aida.macerinskiene@ef.vu.lt

the work process in undertakings, requires the most efficient possible use of the creative potential of workers and specialists. This gives rise to new issues of management of human resources, peculiarities of legal regulation of work organisation and remuneration.

Among other developments in the practical activities of management of human resources of organisations, there are amendments to the Labour Code of the Republic of Lithuania passed on 22 June 2010 and annulling prohibition of overtime work in Lithuania as well as creating more favourable conditions for employers and employees to agree on overtime work, i.e., overtime work may be organised under a written consent of an employee or at his written request ([paragraph 2 of Article 150 of the Labour Code of the Republic of Lithuania](#)).

The mentioned developments lead also to changes in remuneration functions, structure, remuneration systems in organisations. With the help of sociologists, psychologists, economists, lawyers, new remuneration systems are being developed covering promotion of both individual and collective work. Overtime work in undertakings is an opportunity for employees to earn higher wages for working time in excess of the officially established working time. Article 193 of the Labour Code of the Republic of Lithuania stipulates that the pay for overtime work is at least one and a half of the wages established in paragraph 2 of Article 186 of the Labour Code (a wage shall comprise the basic salary and all additional payments directly paid by the employer to the employee for the work performed).

Not only a practical, but also a scientific, theoretical topicality of the problem is coming to the fore. It should be stressed that there are not sufficiently thorough studies being conducted concerning remuneration for work, also payment for overtime work in Lithuanian organisations operating in different areas of economic activities, except for studies of problems of improvement of the legal basis and feasibility studies. The problem lays in the fact that Lithuanian and foreign researchers do not sufficiently analyse the economic and managerial problems of overtime work and remuneration for overtime work, there is no theoretical basis for consideration of the mentioned issues. The problems of overtime work and remuneration for such work cover a large number of issues related to motivation of employees, social responsibility for an employee:

- longer working hours reduce an employee's productivity, and an organisation incurs greater expenses due to payment for overtime work;
- longer working hours may impair an employee's physical and psychological condition, hence an organisation must ensure appropriate working conditions;
- longer working hours shorten an employee's rest, leisure time, although higher wages for overtime work create conditions for improvement of the standard of living of the employee, his family;
- the possibility of working overtime in an organisation is a strong driving force for an employee to use his potential to the full extent and reach a higher position in the organisation.

Upon theoretically defining overtime work and remuneration for such work, to conduct a study of overtime work in different areas of economic activities in Lithuania in order to assess the interdependence between overtime work and earning higher wages. In order to attain the aim of the present research, the following tasks have been raised: to examine the concept of overtime work and remuneration for work in the context of theories of remuneration for work; to discuss the key legal issues of overtime work and remuneration for it; to review the latest practical studies of overtime work and remuneration for such work in Lithuania and the European Union; to assess employees' experience with regards to overtime work and the relation with wages in the areas of information and communications as well as catering and accommodation services.

In terms of methods systemic comparative and logical analysis, synthesis, analogy and description of scientific literature, legal acts; comparative analysis, interpretation, grouping and disaggregation of statistical data, survey results; generalisation of final data using the statistical analysis software package SPSS. The article has been prepared using scientific literature and articles, legal acts, material of EU and international institutions working with the issues of the labour market, the data provided by

the Department of Statistics under the Government of the Republic of Lithuania by analysing and systemising these data.

## 2.0 CONCEPT OF OVERTIME WORK AND REMUNERATION: THEORITICAL CONTEXT

Emergence of the concepts of organisation of and remuneration for work (including overtime work) stressing different aspects was determined by different principles of management theories taking their shape at different points of time. The political, economic or social factors prevailing in the organisational environment of that time had a different impact on policies of remuneration for work in particular and management of human resources in general in each organisation. Thus, one of the reasons for differences in the concept of remuneration for work, its content in scientific literature is a variety of management theories and conceptions, the impact of key principles on a concept itself and its content, or simply a different attitude towards an individual, his work in specific management theories. It should be emphasised that previously, a wage was restricted by minimal subsistence needs of an employee and his family, but in the current period of fast changes in the global market economy a much broader approach to the mentioned concept is needed.

The theory of subsistence or the theory of minimal subsistence, as developed by David Ricardo and Jean-Baptiste Say, is based on the assumption that an employee must earn a pay not exceeding the amount of funds necessary for subsistence, i.e., to satisfy basic needs (having regard to the subsistence needs of a household, rather than the needs of an individual employee) (Lesch & Bennett, 2010). On the basis of the mentioned theory, a wage is a monetary expression of the value of workforce, the price of workforce corresponding to the value of consumption goods and services which secure restoration of workforce, satisfaction of the physical, spiritual, security and self-expression needs of an employee and his family members (Tamasauskienė et al., 2008). Work according to Sahoo and Sahoo (2011) who analysed hierarchy of needs of workers, always positively correlate with satisfaction of major needs. Analysis of the aforementioned authors showed that the importance of the need of worker security should be stressed; however, the subjectivity of perception of this need on the viewpoint of each worker was designated.

Overtime work may act as a means for an employee to satisfy the needs of his household by earning additional income (when the specified wage rate fails to ensure satisfaction of these needs or when, under certain circumstances at that point of an employee's life, he is facing a shortage of monetary funds or needs additional funds). A bonus for the employee's overtime work is a part of the material compensation for work of the employee. Overtime work is most often paid one and a half times as much as ordinary work, and when working on rest days or holidays – even twice as much (Armstrong & Stephens, 2007). The mentioned theory provides a basis for assignment of overtime work with a view to attaining additional benefits for employees or, in other words, with a view to providing conditions for employees to earn more and to satisfy their basic subsistence needs. Higher wage is always a positive element ensuring personnel stability, and an appropriately developed remuneration system ensures for an organisation loyal employees and profit growth possibilities (Stankeviciene et al. 2010).

It should be noted that one of the disadvantages of overtime work is the high probability of a decrease in productivity of work. In the event of overtime work, productivity may decrease not only due to the factors related to human resources and their limitations, but also due to a lack of materials, tools or other means of work or, on the opposite, the likelihood of overload of installations and accidents (Thomas & Raynar, 1997). As a result of the decrease in the productivity of employees due to long working hours, overtime work remunerated in accordance with the procedure laid down by legal acts may fail to ensure the required benefits of workforce, as compared against the value of workforce, whereas unpaid overtime work is exploitation of employees strictly prohibited by the mentioned legal acts. It is expedient to develop a special system of remuneration for work encouraging employees to seek quality of work, productivity, a good attitude towards an undertaking, colleagues, that is, a behaviour of employees which would encourage the employees to assist in implementing the strategic goals of an undertaking (Vanagas, 2008).

Based on the neoclassical wage theory, prior to accepting a job offer and having considered alternative proposals, an employee takes a decision, namely, a decision whether to sell his work (work services) to an undertaking for a certain charge (Sileika & Andriusaitienė, 2007). A wage as an economic category is the amounts of funds determined by the supply of and demand for workforce and paid for a certain quantity of work (Rudytė et.al., 2008). Each working hour increases an employee's income, but reduces his leisure time, i.e., the work of each employee is linked not only with work earnings (such as a pay for working hours), but also with alternative expenses, such as giving up of leisure time. Work is described by means of a value related to the difference between loss of leisure and income earned from work (Lesch & Bennett, 2010).

On the other hand, as it has already been mentioned, an undertaking suffers additional expenses when paying for overtime work and is exposed to a rather high risk of decrease in productivity of work of employees, also to a likely detrimental impact on the health of employees and safety at work, such as stress, accidents at work, poor psychological health of the employees, fatigue, anxiety, irritability and the so-called employees' 'burnout symptom', as well as to obstacles in employees' family life. Difficulties in respect of adjustment of work and family life, the optimal allocation of time arising for employees due to overtime work and detrimentally affecting other family members of the employees also affect productivity of their work. An undertaking is exposed to the threat of incurring additional expenses for unproductive overtime work of the employees.

When giving his consent to work overtime, an employee must consider the consequences of giving up leisure time. In order to address potentially harmful effects, it is necessary to create conditions for employees to jointly deal with the issues of planning of overtime work in particular and working time in general having regard to the needs of employees having duties to their families.

Heads of undertakings, seeking to ensure a productive process of work and good performance, attempt to create conditions for employees so that the latter would be able to fully reveal and use their potential (professional training, level of culture, personality traits, etc.), because employees will work productively only when the working environment of an undertaking will promote the use of initiative, creativity, enthusiasm of the employees to attain the goals of the undertaking. The theory of human relationships Maslow (1943), Herzberg (1968), McLelland (1961), and Porter, Lawler (1968) stresses that a matter of high importance in management of an undertaking is mutual relationships, environmental conditions, methods of management, the undertaking's culture, which affect manifestation of employees' initiatives, autonomy, use of self-realisation opportunities. Productivity of employees could be improved not only by providing good physical working conditions, but also by forming a positive social psychological climate within an organisation (Lesch & Bennett, 2010). This is one of incentive measures and means of remuneration for work of employees, because a salary is everything which an employee considers as valuable for himself, whereas the problem lies in the fact that understanding of values differs among individuals (Maceika, et al 2007).

On the basis of the theory of human relationships, it does not suffice to pay employees for overtime work in accordance with the procedure laid down by legal acts. It is beneficial for undertakings to create a culture which would encourage employees to work overtime with a view to implementing their ideas, using accumulated knowledge, revealing creativity when working in a harmonious team, rather than compulsorily. This was confirmed also by Debby G. J. Beckers et. al. (2008), who compared positive and negative aspects of different types of overtime work with regards to employees and undertakings. The employees are working overtime voluntarily and for no remuneration generate a comparatively high income for an undertaking and are most often characterised by good performance at work. Compulsory overtime work is often linked with a considerable tiredness and little satisfaction of an employee, especially when compulsory overtime work is not subject to remuneration. The detrimental effect of compulsory overtime work may in part be compensated by establishing in an undertaking a fair compensation for additionally performed work. The physical and emotional over-



strain of employees working overtime voluntarily, even though without remuneration, is much smaller, and their satisfaction with their job is larger.

According to the wage fund theory as represented by John Stuart Mill, all monetary funds for production of goods in an organisation are allocated in advance to all elements of the production process from procurement of raw materials up to remuneration of workforce without any possible changes in the activities of the organisation in the course of time. The basis for assumptions of this theory is the specified fixed amount of capital referred to as the payroll. The wages of employees depend on the size of the payroll and the number of the employees, while the possibility of the increase emerges only in the event of increase of the payroll or decrease of the number of the employees. Separate groups of employees which are paid from the same payroll are dependent on achievements of other groups (Lesch & Bennett, 2010). Assignment of paid overtime work to an employee also depends on the number of employees and the payroll. In the absence of any changes in either the payroll, or the number of employees in the undertaking, the employees may be subject only to unpaid overtime work.

It is evident that assignment of overtime work to employees and its organisation in an undertaking has positive and negative aspects both for the undertaking, and an employee himself. Overtime work may act for an undertaking as a means of responding to changes in the market, fluctuations in demand, also seeking to enhance the flexibility of production, trading thanks to prolonged working hours. Employees may also benefit from overtime work due to a higher pay, also a longer period of rest granted to compensate for overtime work (if the legal acts of the country so provide).

To sum up, it should be claimed that different theories view overtime work and remuneration for such work differently, stress different aspects as key ones. The survival theory views overtime work as a means for an employee, by earning additional income, to fully satisfy the needs of his household. Marx's theory of wages stresses the problem of unpaid or improperly paid overtime work as exploitation of workers, meanwhile the neoclassical wage theory emphasises the difficulties in adjustment of work and family life, optimal allocation of time arising for employees due to overtime work and the risk of decrease in productivity of work done beyond the norm. The theory of human relationships claims that paid overtime work is a tool for employees to appropriately use accumulated knowledge, reveal creativity, while the payroll theory stresses that overtime work in an organisation may be organised only in the event of increase of the payroll or decrease of the number of employees.

### **3.0 LEGAL ASPECTS OF OVERTIME WORK AND OVERTIME PAY**

The perception of the term of overtime work is ambiguous and interpreted in various ways subject to the interests of the party represented. The principles of impartiality and equity become particularly important when analyzing this matter, since both positive and negative aspects of overtime work can be discovered looking from different points of view – businessmen, employees, company's customers, or other persons concerned. The spectrum of issues of overtime work, as work with human resources in general, is rather wide and analyzed by the specialists of management, economics, law, sociology, physiology, psychology, anthropology, ergonomics, and many other fields of science. The synthesis of these fields of science enables identifying a consistent pattern of improvement of work process, measurement thereof, remuneration for work, and promotion of creative activity of employees (Vanagas, 2009). Legal aspects of these issues are also touched when analyzing the problems of organization of overtime work in the company. When evaluating the organisation of and remuneration for overtime work and based on a theoretical analysis of literature and legal documents, the problems of unpaid overtime work, reduction of productivity and fitness of employees should be emphasised. The social, economic, legal and psychological problems relating to the assignment of and payment for overtime work must be viewed in a complex manner as the totality of the elements which are closely interrelated (Macerinskiene & Ziogelyte, 2012).

*International Labor Organization* defines overtime as time worked in addition to hours worked during normal periods of work; however, it also indicates that various variations of overtime work may be

found in practical activities (Reduction of Hours and Work Recommendation, 1962, No. 116). *Convention concerning the Reduction of Hours of Work to Forty a Week* (1935, No. 47; ratification registered in 1994) approved the principle of forty-hour week, which would be applied in a way not to impair the standard of life of employees (valid in Lithuania as of 26 September 1995). The limit, applied in the company to identify overtime, varies subject to the institutional environment. Contractual working hours, which are usual working hours or working hours provided by the laws, may also refer to overtime. On the other hand, in order to reach certain goals, employees may be required to work overtime, which is not necessarily always entitled to compensation, i.e. employees must work unpaid overtime.

*Hours of Work (Industry) Convention* (1919, No. 1) establishes maximum standard working hours, as an international standard – limiting the hours of work in industrial undertakings to eight in the day and forty-eight in the week. In some cases, working hours may exceed these limits, but may not exceed ten hours per day and 56 hours per week. In accordance with the *Working Time Directive of the European Union* (1993) the working hours of the day are indirectly limited for the employee by the requirement to within 24 hours grant to the employee 11 hours of continuous rest.

Overtime in the *Labor Code of the Republic of Lithuania* (Articles 150, 151, 152) is deemed to be work, which is being done exceeding forty hours per week; when exceeding shorter working time set in cases, provided in the Labor Code of the Republic of Lithuania; when exceeding part daily working time or part weekly working time set in case, provided in the Labor Code of the Republic of Lithuania; when exceeding working hours, applying summary recording of working time during the period of summary recording of working time. Overtime work shall not exceed for each employee 4 hours in a day (shift) and 120 hours per year or as established in a collective agreement, but not exceeding 180 hours per year (Article 152(1) of the Labor Code of the Republic of Lithuania). It is considered appropriate to set in the collective agreement a possibility of longer overtime hours for the employees, who work according to shifting schedule, when overtime is worked rather often and the employee is entitled to bigger remuneration. Maximum working time, including overtime, may not exceed 48 hours in seven days. It is provided in the Labor Code of the Republic of Lithuania (Article 150(5)) that work of administrative officials which exceed the set working time shall not be deemed overtime work. A list of such positions shall be established in collective agreements and rules of internal discipline with a view to avoiding inaccuracies relevant to the conception of an administrative official.

It should be noted that overtime is only determined (whether the working time of 40 hours is exceeded) in consideration of a particular week, and working time “transfers” breach all legal provisions, when talking about normal and not harder working and resting schedule, applying the summary recording of working time (Kviatkovskis, 2010). There are problems when assessing the employee’s work, when the latter works full time and he is subject to the summary recording of working time, since difficulties are faced when assessing the time of working day (shift), exceeding the working time limits of that day (Dauskurdas, 2011). Before the expiration of the recording period of summary working time it is not considered that the employee has worked overtime. When calculating the working time, worked by the employee in excess of working hours, established in the work schedule, it is necessary to duly and advisedly select the arguments to be followed subject to prior assessment of eventual consequences of such choice for both the company and employee (Dauskurdas, 2011).

It is stated in Article 193 of the Labor Code of the Republic of Lithuania that the pay for overtime work shall be at least one and a half of the hourly pay/monthly wages established for the employee, indicated in Article 186(2) of the Labor Code (a wage shall comprise the basic salary and all additional payments directly paid by the employer to the employee for the work performed). In comparison it should be noted that legal acts, applicable in the USA, relevant to the Fair Labor Standards (FLSA), provide that if the employee works for over 40 hours, he shall earn wages of at least 50 percent higher regular hourly salary. The employer decides on the assignment of overtime work for the employee. Whereas the

German labor market does not govern remuneration for overtime work, however, the assignment of additional works shall be agreed upon with the employee and provided in the collective agreement.

Increased remuneration for overtime work in the Lithuanian companies shall be calculated not only of the main wages, but also of all other extra earnings, paid by the employer to the employee. When determining the employee's wages for overtime work, the most difficult thing is to identify the extra earnings (premium or bonus for the work results achieved, quality of performance) to be included in wages (Dauskurdas, 2009). In other words, above all it is necessary to determine the base of remuneration for overtime – to calculate total earnings, received by the employer from the employer over the month, i.e. salary, allowance, premium, bonus, etc., and only then overtime pay can be calculated of this amount. Specific rates should be established in collective agreement or employment contract. In general it could be said that in order to identify which benefit, paid to the employee, should be attributed to the wages, it is necessary to take into consideration the purpose of payment and nature of particular benefit, since a right decision can only be taken after thorough assessment of any and all circumstances as well as affecting factors (Dauskurdas, 2009).

Direct work functions of administrative officials, performed in excess of the working hours set, shall be paid not as for overtime, but as per official or hourly rate of wages, however, in individual cases, it shall be considered appropriate to compensate for such time, worked in excess of the working hours, established by the laws, with premium to the salary or extra leave (Davidavičius, 2008). One and a half time higher wages shall be only be paid, if the aforementioned functions are performed during the resting hours. It should be noted that the work of such officials shall not continually exceed the normal working hours (Davidavičius, 2008).

T. Davulis (2008) emphasizes that the company has to develop legal mechanisms, providing for fair recording of working time and accessibility of information for the employees as well as involvement thereof in this process, moreover, under certain conditions, a possibility to revoke the employee's agreement to work overtime. In the practical sense the topic of this work is relevant as nowadays Lithuanian legal acts as well as provisions established in normative documents are constructive, in order to reasonably differentiate wages (including for overtime work) by multiple criteria. These criteria alone are not sufficient for the arrangement of the remuneration for work, because the said process is related to quantitative and qualitative work analysis, the assurance of work productivity, payment prevalent in labour market and various material and moral incentive programs (Ziogelyte, 2013).

#### 4.0 OVERVIEW OF SURVEY ON OVERTIME WORK AND OVERTIME PAY

In Lithuania, as in all European Union, there are not so many exhaustive surveys performed on organizing overtime work and overtime payment in companies and organizations.

*International Labor Organization* has dealt with the issues of determining optimal working time that would meet the employee's and the company's needs, and distinguished five key working time planning aspects (Conditions of Work and Employment Programme TRAVAIL, 2007). First of all, working time has to be planned in a way not to have negative influence on not only the employee's health and safety at work (*Healthy working time*), but also personal life of the employee (*Family-friendly working time*). The latter aspect is closely related to another working time planning provision – a possibility for the employees to coordinate and plan working time at their own discretion (*Choice and influence regarding working time*). One of the main principles of democracy – sexual equality, which is based on equal rights between sexes, responsibility, opportunities in all areas of life, shall be followed in the companies when planning working time, i.e. equal working time planning provisions shall be ensured for both men and women (*Gender equality through working time*). Finally, the implementation of these four principles of planning working time in the company must ensure an efficient and productive employee's working time in the company (*Productive working time*) (Decent Working Time. Balancing Workers' Needs with Business Requirements, 2007).

The Fourth European Working Conditions Survey, performed in 2005 (European Working Conditions Observatory (EWCO)), demonstrated that in Europe 15 percent employees on an average have to work long working hours (48 hour and longer working week). After the third survey “Working conditions in the acceding and candidate countries”, performed in 2001, it was determined that there were approximately 45 percent of employees, working according to “non-typical” working schedule at least once a month, i.e. working in the evening (18 - 22 h), both in 15 European Union countries and 12 candidate countries. Whereas there were 44 percent of employees, working more than 10 hours per working day, registered in the candidate countries, 33 percent – in 15 European Union countries.

With reference to the latest available survey data in Lithuania, the following survey results related to overtime work of employees in the Lithuanian companies should be mentioned. The results of the survey, performed by research company RAIT and the Lithuanian Free Market Institute in 2008, demonstrated that people in Lithuania are able to assess how much physical and mental energy one extra working hour takes, therefore, without any fear of overwork, they would agree to work overtime for higher wages. The respondents, invoking their expectations and wishes, stated that earning average net wages – LTL 1650,6 or EUR 478 (Q1 of 2008), they would agree to work 30,18 hours per week on an average. The employees, earning a higher salary, are more inclined to work overtime at current salary than the ones earning less; however, it is believed that this situation is changing.

The purpose of survey on the use of working time of employees in Q2 of 2004, performed by the Lithuanian Department of Statistics under the Government of the Republic of Lithuania, was to survey the following issues: overtime worked by hired employees and payment for overtime work, prevalence of shift work, shorter working day or week, evening, night, or weekend work in Lithuania. The survey results demonstrated that overtime was worked by 4 percent of hired employees and overtime work was more common among men than women. For comparison it should be mentioned that according to the data of survey, performed in 2007, in Q3 of 2007 overtime was worked by 2,9 percent of hired employees, in Q2 – by 3,2 percent, whereas in Q1 – by 2,5 percent. Most overtime was worked by the employees, hired by trade and transport, construction and manufacturing companies. Overtime, worked in these enterprises, comprised 65 percent of total overtime. Most of the employees were paid for overtime work (approximately 48 percent of overtime paid). Only 39 percent of employees within the trade sector, where female work prevails, were paid for overtime, though overtime work in this field of economic activities was done the most. It is not that popular to work overtime in other fields of economic activities (hotels and restaurants, financial intermediation, educational institutions, health care and social work institutions, etc.).

In summary it could be stated that the employees in Lithuanian companies would agree to work paid overtime, if they were ensured appropriate conditions. The Occupational Safety and Health Strategy of 2009-2012, presented in SWOT Analysis of the Occupational Safety and Health State in Lithuania, emphasizes the problem that “employers underestimate the precautionary importance of occupational risk assessment and do not pay enough of attention to that, particularly in small and medium-sized enterprises”, however, the potential lies in “increasing awareness of the employers that security of occupational safety and health in the company is the foundation for higher working efficiency and improving work quality”.

## **5.0 EMPIRICAL STUDY OF OVERTIME WORK AND REMUNERATION IN DIFFERENT AREAS OF ECONOMIC ACTIVITIES IN LITHUANIA**

A particularly low degree of exploration of this problem in Lithuania and scarcity of completed research have prompted to study the mentioned issue with a view to evaluate the situation in the field of assignment of and remuneration for overtime work in Lithuania. A study has been conducted by interviewing the individuals working in the areas of information technologies and accommodation and catering services, because according to statistical data, the declared wage rate of employees of the

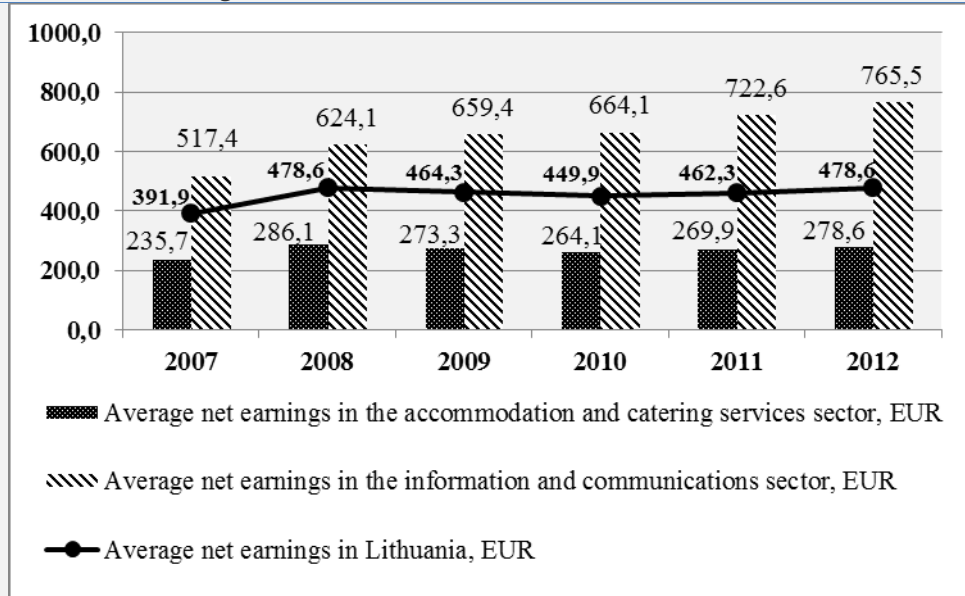


mentioned organisations is respectively the highest (information technologies specialists) and the lowest (employees of accommodation and catering undertakings) in the Lithuanian labour market.

According to data of the Department of Statistics under the Government of the Republic of Lithuania, average monthly gross salary in the accommodation and catering services sector in 2012 amounted to EUR 341.7 (by over 44 per cent lower than average monthly gross earnings at that time in Lithuania), whereas the average monthly salary of individuals working in the information and communications sector was EUR 1004.6 (including tax) or by over 38.7 per cent higher than average monthly gross earnings in Lithuania in that year. In the second quarter (Q2) of 2013, the change in wages of employees of organisations operating in the area of accommodation and catering services was among the largest in Lithuania – the wage rate increased by 15.7 per cent in comparison with the second quarter of 2012 (in the information and communications sector increased 6.5 per cent).

Average monthly net earnings of employees of information and communications undertakings and accommodation and catering services undertakings over 2007-2012 are presented in Figure 1.

Figure 01: Average monthly net earnings in the information and communications sector and the accommodation and catering sector



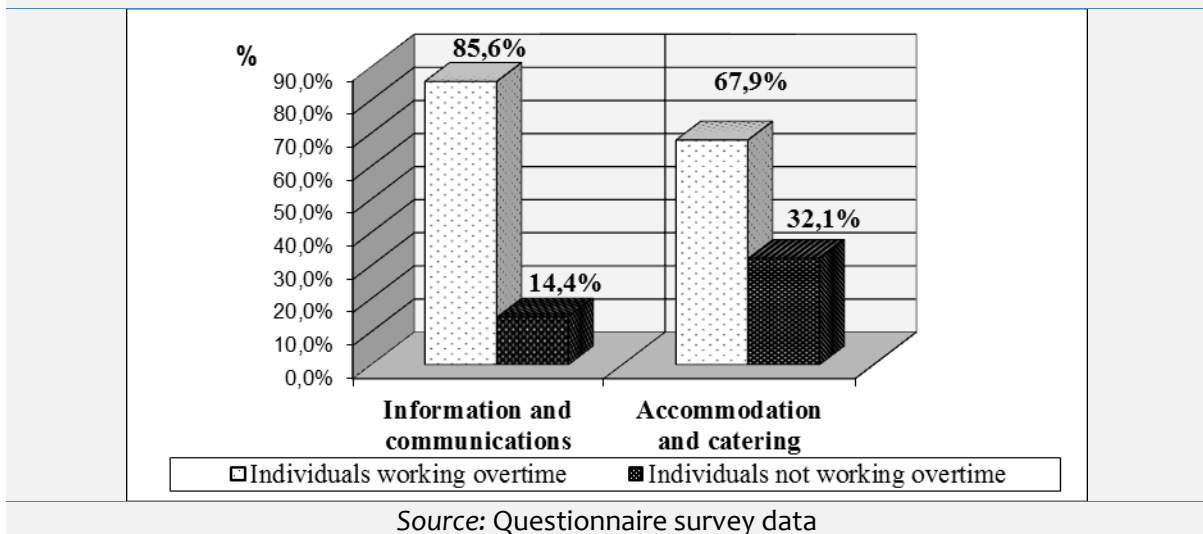
Source: Data of the Lithuanian Department of Statistics under the Government of the Republic of Lithuania.

An analysis of average net earnings over the period of 2007-2012 in different areas of economic activities reveals that during the mentioned period the wage rate of information and communications specialists was steadily growing, whereas a positive change in average monthly net earnings of individuals working the area of accommodation and catering services was recorded in 2008, 2010, 2011. The difference between net earnings of individuals working in the areas of economic activities under analysis was changing over the period of 2007-2012. In 2007 and 2008, the wage rate of information and communications specialists was by approximately 54 per cent higher than that of individuals working in the area of accommodation and catering services. In 2009, this difference increased even more (by over 4 per cent), and in 2010 it was larger by over 6 per cent. A comparison of average net earnings of individuals working in these two areas of economic activities against average net earnings in Lithuania shows that in 2007-2012, the wage rate of individuals working in the area of accommodation and catering services was by approximately 40 per cent lower, whereas the wage rate of information and communications specialists was considerably higher than average net earnings in Lithuania at that time (in 2010, higher by as much as 32.2 per cent) (see Figure 1).

In February 2013, 196 respondents working in the information technologies sector (90 respondents) and the accommodation and catering services sector (106 respondents) were interviewed by means of a questionnaire survey. The results of the questionnaire survey are analysed with the help of the statistical analysis software package SPSS (this survey is part of doctoral dissertation “Systematic evaluation of factors affecting the remuneration for work in Lithuanian business organizations”).

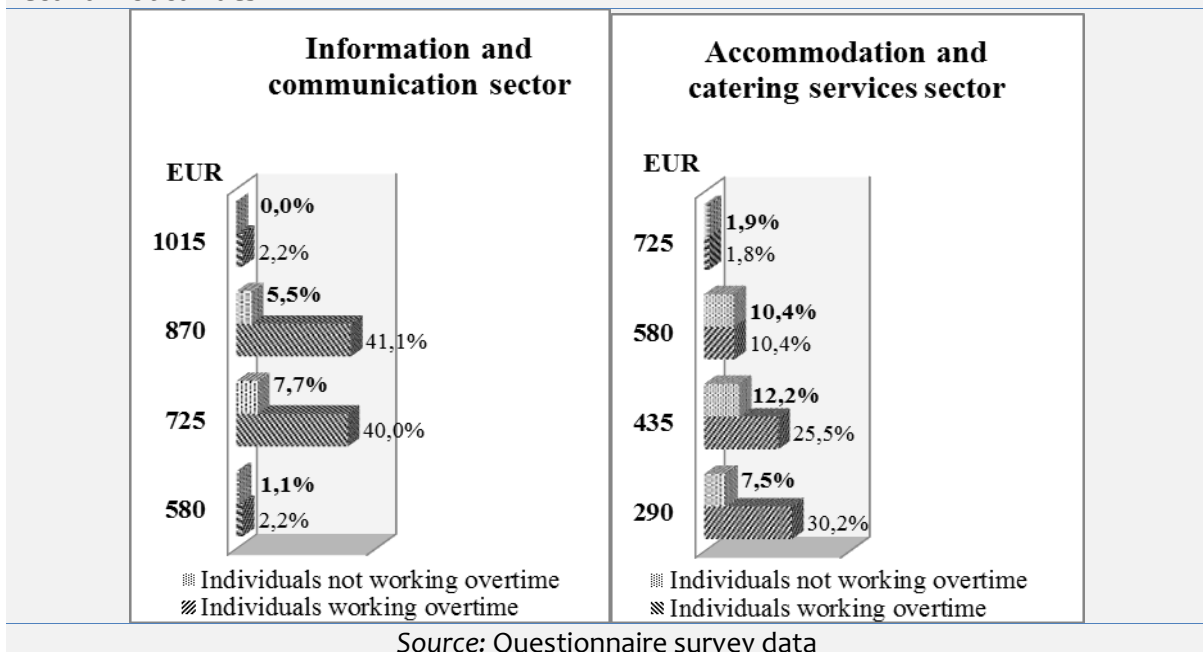
An analysis of the respondents’ replies by the area of employment revealed that 85.6 per cent of all respondents working in the information and communications sector and 67.9 per cent of all respondents working in the accommodation and catering services sector claimed working overtime in the current position (see Figure 2).

Figure 2: Employees working and not working overtime in different areas of economic activities



It expedient to separately examine the wages of employees of two sectors, that is, the information and communications sector and the accommodation and catering services sector (both working and not working overtime).

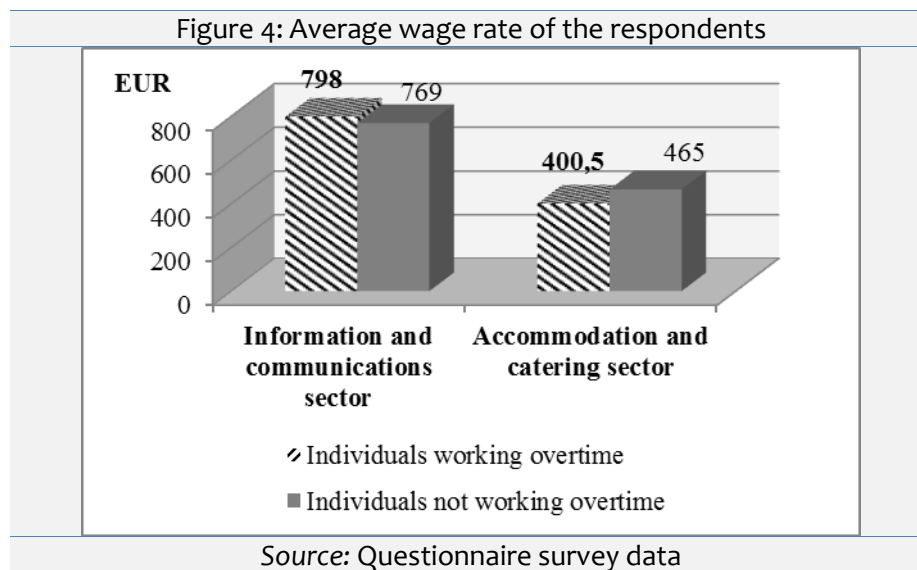
Figure 3: Average salary of individuals working and not working overtime in different areas of economic activities



When analysing the replies of the respondents working in the area of information and communications about their average salary, none of the respondents (both working overtime and not working overtime) indicated earning on average LTL 1000 and LTL 1500 per month (EUR 290 and EUR 435). Monthly minimum wage in Lithuania was EUR 290 in 2013. It should be emphasised that 94.3 per cent of all respondents working in the area of information and communications indicated earning the average monthly salary of LTL 2500-3000 (EUR 725-1015), with over 81 per cent of them working overtime in the current position.

The replies provided by employees working in the accommodation and catering services area about the average salary earned by them indicate a completely different situation compared to that of employees in the field of information and communications. Notably, none of the respondents working in the area of accommodation and catering services indicated earning the average salary in the amount of LTL 3000 and LTL 3500 (EUR 870 and EUR 1015). It should be stressed that 75.4 per cent of all respondents working in the accommodation and catering services sector indicated earning the average monthly salary of LTL 1000-2000 (EUR 290-435), with 55.7 per cent working overtime in the current position.

However, a comparison of the respondents working in the information technologies and communications sector and those working in the accommodation and catering services sector revealed a prominent difference. Thus, the average salary of the first group of employees amounted to LTL 2703 (EUR 784), whereas that of the second group – to merely LTL 1494 (EUR 433) (see Figure 4). It should be noted that 82 respondents (in total 90) working the area of information technologies and communications were males, and 90 respondents (in total 106) working in the area of accommodation and catering services were females. It can be claimed that most conclusions of this study may be viewed as differences in wages of males and females.



A comparison of the respondents from the group of accommodation and catering services who have to and who do not have to work overtime in their current position shows that the average wage rate of employees of the two groups differs only slightly: that of employees working overtime – EUR 400.5 that of employees not working overtime – EUR 465. It should be noted that the average wage rate of the respondent not working overtime is by 13.8 per cent higher than the wage rate of the respondents in this area working overtime. The conclusion may be drawn that the majority of individuals working in the area of accommodation and catering services are not remunerated for their overtime work. Even the wage rate of those of such individuals who work overtime is below the amount of average net earnings in Lithuania.

A comparison of the respondents from the group of information and communications who have to and who do not have to work overtime in their current position reveals that the average wage rate

indicated by employees of the two groups differs only slightly: the wage rate of those working overtime – EUR 798, the wage rate of those not working overtime – EUR 769. The average wage rate of information and communications specialists working overtime is by 3.6 per cent higher than that of employees in this area who do not work overtime. It should be noted that the nature of work of information and communications specialists is favourable as regards overtime work (various urgent, unplanned tasks; repair, maintenance tasks), hence it may be assumed that the respondents who work overtime are paid at a rate specified for such work.

As it has already been mentioned, the problem of unpaid overtime work is topical. A survey has shown that less than a half of the respondents working overtime receive for this work additional pay: 45.7 per cent of the respondents are remunerated for overtime work and 54.3 per cent of the respondents sometimes are not. The analysis of replies of individuals working in different areas of economic activities has revealed that 51.4 per cent of individuals who work in the information and communications area and who have to work overtime claim that overtime work is remunerated (48.6 per cent of all respondents from this sector who work overtime claim that they are sometimes not remunerated for such work). Meanwhile, as little as 41.8 per cent of individuals working in the accommodation and catering services sector are remunerated for overtime work (58.2 per cent of all respondents from this sector who work overtime claim that they are not remunerated sometimes for such work).

The results of the conducted survey of employees of the information and communications sector and the accommodation and catering services sector have shown an evident differentiation of wages in the Lithuanian labour market. The wage rate of individuals working and not working overtime in the area of accommodation and catering services is substantially lower than that of individuals working in the area of information and communications. To sum up, it may be claimed that paid overtime work is not the most important factor influencing the higher wages of employees.

## 6.0 CONCLUSION AND POLICY IMPLICATION

Based on the performed analysis of scientific literature, legal documents, statistical data and results of the questionnaire survey, the following conclusions have been made.

The performed analysis of scientific literature presenting different views of overtime work and remuneration for such work has revealed positive and negative aspects of overtime work and remuneration for such work both in respect of an organisation and an employee.

- The subsistence theory views overtime work as a means for an employee, by earning additional income, fully satisfy the needs of his household (when the established wage rate does not ensure satisfaction of these needs or under certain circumstances at that point of an employee's life and facing a shortage of monetary funds).
- The theory of human relationships deals with the importance of creation, within an organisation, of a culture which would encourage employees to work overtime with a view to implementing their ideas, using accumulated knowledge, revealing creativity when working in a harmonious team, rather than compulsorily. Meanwhile the neoclassical wage theory stresses the difficulties in respect of adjustment of work and family life, optimal allocation of time arising for employees due to overtime work and the risk of decrease in productivity of work done beyond the norm.
- Based on the wage fund theory, overtime work in an organisation may be organised only in the event of the increase of the payroll or decrease of the number of employees.
- In order to reconcile the interests of an organisation and each employee not in contradiction with the legislation currently in force, the problems of overtime work and remuneration for it must be solved comprehensively by considering all issues as a common system.
- Overtime work and remuneration for such work are broadly discussed not only by economists and managers, but also by specialists of law, because the legal acts regulating overtime work and remuneration for it form the basis for organisation of overtime work in an organisation.



- The conducted empirical study has shown that the majority of the respondents working in the area of information and communications and the area of accommodation and catering services have to work overtime, respectively 85.6 per cent and 67.9 per cent of all respondents working in the mentioned economic sectors.
- About 94 per cent of all respondents working in the information and communications sector have indicated that they earn the average monthly salary of LTL 2500-3000 (EUR 725-1015), with 81 per cent of them working overtime in the current position.
- Over 75 per cent of all respondents working in the accommodation and catering services sector have indicated that they earn the average monthly salary of LTL 1000-2000 (EUR 290-435), with over 55 per cent of them working overtime in the current position.
- Over a half (51.4 per cent) of respondents who work in the information and communications sector and who have to work overtime are remunerated for such work at a specified rate. Less than a half (41.8 per cent) of respondents who work in the accommodation and catering services sector and who have to work overtime are remunerated for such work at a specified rate.

The results of the conducted survey have highlighted differentiation of wages in the Lithuanian labour market: the average wage rate of individuals working overtime in the information and communications sector is by almost 49.8 per cent higher than the average wage rate of individuals working in the accommodation and catering services sector; the average wage rate of individuals who work in the information and communications sector and who do not work overtime is by almost 39.5 per cent higher than the average wage rate of individuals working in the accommodation and catering services sector.

## REFERENCES

- Armstrong, M., & Stephens, T. (2007). *A Handbook of Employee Reward Management and Practice*, Great Britain: Kogan Page.
- Average monthly net wage in Lithuania. Aspect: economic activities (EVRK 2) and years. Statistics Database. [online] [cit. 2012.03.20] Retrieved from: <http://db1.stat.gov.lt/statbank/default.asp?w=1280>.
- Beckerss, Debby G. J., & Linden, Dimitri, Smulders, Peter, G.W. (2008). Voluntary or involuntary? Control over overtime and rewards for overtime in relation to fatigue and work satisfaction. *Work and Stress*, 22: 1, 33-50.
- Dauskurdas, V. (2009). Overtime, night work, holiday days payment. *Leader, business, management*, 1, 76-79.
- Dauskurdas, V. (2011). The total working time and overtime work. *Accounting and tax review*, 2: 2, 20-23.
- Dauskurdas, V. (2011). The total working time and overtime work. *Jurist*, 2: 2, 12-16.
- Davidavičius, H. (2008). Working time and overtime work. *Leader, business, management*, 10, 59-63.
- Davulis, T. (2008). The modernisation perspectives of Lithuanian labour and employment law. *Jurisprudence*, 8: 110, 27-33.
- Decent Working Time. Balancing Workers' Needs with Business Requirements (2007). *Conditions of Work and Employment Programme TRAVAIL*. International Labour Organization, Geneva. Retrieved April 5, 2011 from [www.ilo.org](http://www.ilo.org).
- Employees often work overtime in retail, construction and logistic companies. Statistics Database. 2005 09 19. [online] [cit. 2013.09.20] Retrieved from: <http://www.stat.gov.lt/lt/news/view?id=85&PHPSESSID=>.
- Employees would work overtime for the desired wage [online] [cit. 2012.03.20] Retrieved from: [http://www.marketnews.lt/naujiena/uz\\_norima\\_atlygi\\_zmones\\_mielai\\_dirbtu\\_virsvalandzius;itemid=3256](http://www.marketnews.lt/naujiena/uz_norima_atlygi_zmones_mielai_dirbtu_virsvalandzius;itemid=3256).
- Herzberg, F. (1986). One more time: how do you motivate employees?. New York: *The Leader Manager*, 433-448.
- Kviatkovskis, A. (2010). About work time. *Leader, business, management*, 2, 26 – 31.

- Lesch, H. and Bennett, J. (2010). Arbeit und Fairness. Die Suche nach dem gerechten Lohn. Germany: Institut der deutschen Wirtschaft Köln.
- Maceika, A., Strazdas, R., & Maciukevičienė, L. (2007). Innovativeness of the personnel in the industrial enterprises value system. *Business: Theory and Practice*, 8(1), 44–50.
- Macerinskiene, A., & Ziogelyte, L. (2012). Experience and problems of remuneration for overtime work in Lithuania. *Management of Organizations: Systematic Research*, 61, 86-99.
- Maslow, A. H. (1943). A theory of human motivation. *Psychological review*, 50(4), 370.
- Martinkus B. (2003). Work process management. Siauliai: Siauliai University.
- McClelland, D. C. (1967). The achieving society, 1961. Chapter, 8, 301-335.
- Research: 2,9 percent employees work overtime [online] [cit. 2013.08.10] Retrieved from: [http://vz.lt/straipsnis/2008/01/25/Tyrimas\\_virsvalandzius\\_dirbo\\_29\\_darbuotoju](http://vz.lt/straipsnis/2008/01/25/Tyrimas_virsvalandzius_dirbo_29_darbuotoju).
- Rudytė, D., Beržinskienė, D., & Prichotskytė, F. (2008). Salary Differentiation: Factors and Tendencies. *Economics and Management: Current Issues and Perspectives*, 3: 12, 251- 264.
- Porter, L. W., & Lawler, E. E. (1968). Managerial attitudes and performance.
- Sahoo, F. M., & Sahoo, K. (2011). Need saliency and management of employee motivation: test of an indigenous model. *XIMB Journal of Management*. March: 21-36.
- Stankevicienė, A., Liucvaitienė, A., & Simelyte, A. (2010). The Possibilities Personnel Turnover Stabilization in Lithuanian Construction Sector. *Business: Theory and Practice*, 11: 2, 151-158.
- Šileika, A., & Andriušaitienė, D. (2007). Historical methodological aspect of labour market conception. *Business: Theory and Practice*, VIII: 1, 19–23.
- Tamašauskienė, Z., Šileika, A., & Mačiulytė, A. (2008). Investment in human capital and return in JSC Arcade. *Social research*, 3: 12, 346 - 357.
- The Labour Code of the Republic of Lithuania (2011, March.).
- Thomas, H. R., & Raynar, K. A. (1997). Scheduled Overtime and labor productivity: quantitative analysis. *Journal of construction engineering and management*, June, 181-188.
- Vanagas, P. (2008). Labour productivity ratio of the effectiveness, efficiency and quality. *Economic and management*, 13, 848-853.
- Vanagas, P. (2009). Work organization, regulation and remuneration for work. Kaunas: Technologija.
- Ziogelyte, L. (2013). Systematic evaluation of factors affecting the remuneration for work in Lithuanian business organizations. Doctoral dissertation. Vilnius University, Lithuania: Vilnius.