

10 Overtime Mistakes Canadian HR Managers and Business Owners Must Avoid



Overtime regulations in Canada can be tricky to navigate. Each province, territory, and federally regulated sector has its own rules, and misunderstanding these requirements can lead to costly penalties, legal challenges, and employee dissatisfaction. Whether you're a small business owner in Alberta or managing HR operations across multiple provinces, here are ten common mistakes to watch out for—and how to avoid them.

1. Assuming One Set of Rules Applies Nationwide

Why It's a Mistake:

A “one-size-fits-all” approach to overtime can quickly land you in hot water. Provincial and territorial employment standards differ not just in how many hours trigger overtime, but also in the amount of overtime pay required.

• Real-World Example:

- In Ontario, the overtime threshold is 44 hours per week.
- In British Columbia, employees generally earn overtime after eight hours per day or 40 hours per week.
- In Quebec, overtime applies after 40 hours per week.

How to Avoid It:

- **Study the Legislation:** Know the Employment Standards Acts (ESAs) or relevant labour codes for each jurisdiction in which you operate.
- **Consult Legal Experts:** If you're uncertain about multi-province policies, talk with employment lawyers or HR consultants familiar with local regulations.

2. Failing to Properly Track Hours

Why It's a Mistake:

Without accurate time records, you can't reliably calculate overtime. Overlooking even a few minutes per shift can accumulate into significant unpaid hours or accidental overpayment.

• Real-World Example:

- Employees who forget to clock in or out may rely on guesswork or incomplete timecards, resulting in payroll discrepancies.
- In a Manitoba workplace audit, investigators found numerous missing or incomplete timesheets, raising potential liability for unpaid overtime.

How to Avoid It:

- **Automated Timekeeping:** Implement electronic systems for clocking in and out to reduce the risk of human error.
- **Regular Reviews:** Conduct periodic spot checks on timesheets to verify accuracy.
- **Clear Rules on Breaks & Pauses:** Ensure employees know how to log breaks or mid-day errands so records remain precise.

3. Misclassifying Salaried Employees

Why It's a Mistake:

Not all salaried workers are exempt from overtime. Some employers assume that a salary automatically means no overtime is due, but it's the nature of the job—managerial or truly exempt professional—that determines whether overtime pay applies.

- **Real-World Example:**
 - A “Team Lead” with no real management authority may still qualify for overtime if they lack the power to hire or fire employees.
 - Under certain provincial laws, professionals (e.g., lawyers, doctors) are exempt, but roles like administrative staff, IT support, or junior coordinators typically are not.

How to Avoid It:

- **Check Duties, Not Job Titles:** Review each position against provincial or federal exemption criteria.
- **Document Your Decision:** Maintain written justifications for classifying an employee as exempt or non-exempt.
- **Review Regularly:** Jobs evolve; if roles or responsibilities change, so might exemption status.

4. Overlooking Pre-Shift and Post-Shift Work

Why It's a Mistake:

If employees arrive early or stay late to complete tasks—including administrative tasks like logging into systems or performing safety checks—you may be on the hook for those extra minutes or hours. Canadian employment standards often require payment for all time worked.

- **Real-World Example:**
 - A restaurant server might spend 15 minutes after their shift cleaning tables or restocking supplies without officially being “on the clock.”
 - A call centre agent arrives 10 minutes early daily to boot up systems and review scripts. That time might count as paid work under certain provincial rules.

How to Avoid It:

- **Set Clear Policies:** Define acceptable practices for pre- and post-shift tasks.

- **Authorize Overtime Properly:** If employees need extra time for these tasks, formalize a process to ensure approval and payment.
- **Remind Managers & Supervisors:** Supervisors should not rely on off-the-clock work to meet operational needs.

5. Incorrectly Handling Overtime for Remote or Flex Workers

Why It's a Mistake:

Remote and flexible schedules are increasingly common. However, if employees work from home—possibly at irregular hours—they could exceed daily or weekly thresholds without anyone noticing. Failing to track this time properly can be a legal risk.

- **Real-World Example:**
 - An employee working a flexible schedule logs on late at night to catch up on emails, pushing the total hours beyond overtime limits.
 - A remote worker in Alberta working four 10-hour days (a compressed schedule) might trigger daily overtime if there's no official compressed workweek agreement.

How to Avoid It:

- **Monitor Hours Carefully:** Use cloud-based time tracking, requiring remote employees to record all work time.
- **Create a Flex Policy:** Define how overtime will be calculated for non-standard schedules.
- **Obtain Written Agreements:** Compressed or flexible scheduling must comply with local rules—often requiring explicit consent from employees.

6. Not Paying the Correct Overtime Rate

Why It's a Mistake:

Even if you track hours accurately, using the wrong multiplier (e.g., paying time-and-a-quarter instead of time-and-a-half) can violate regulations. Additionally, some provinces have layered rates—time-and-a-half up to a point, then double time beyond that.

- **Real-World Example:**
 - In British Columbia, employees are entitled to 1.5 times their regular wage after eight hours in a day, and 2 times their wage after 12 hours.
 - In Quebec, the standard overtime rate is 1.5 times an employee's regular wage after 40 hours a week, with few exceptions.

How to Avoid It:

- **Read Provincial Guidance:** Each province clearly outlines the correct multiplier.
- **Train Payroll Staff:** Ensure payroll personnel understand the various thresholds and rates.
- **Double-Check Unusual Situations:** Holidays, weekends, or collective agreements might impose different rates, so consult local regulations or union contracts.

7. Ignoring Statutory Holidays and Overtime Interplay

Why It's a Mistake:

Statutory holidays can further complicate overtime calculations, as hours worked on a holiday could trigger higher pay rates or alternative days off. Confusion arises when employers or HR teams conflate statutory holiday pay with overtime pay.

- **Real-World Example:**

- In Ontario, an employee who works on a statutory holiday may be entitled to holiday pay plus premium pay for hours worked.
- In Manitoba, if an employee's schedule on a stat holiday pushes weekly hours beyond 40, additional overtime pay may apply.

How to Avoid It:

- **Have a Clear Stat Holiday Policy:** Outline how holiday pay is calculated and how those hours count toward weekly thresholds.
- **Check Collective Agreements (If Applicable):** Unionized environments might have unique pay structures for holiday work.
- **Communicate with Employees:** Provide clear guidelines on how stat holiday work affects overtime eligibility.

8. Neglecting to Obtain Employee Consent for Compressed or Modified Schedules

Why It's a Mistake:

Many provinces allow for alternative work arrangements—like four-day workweeks or extended hours—instead of the standard “8-hour day, 40-hour week.” However, these arrangements often require the employee's written agreement.

- **Real-World Example:**

- In Saskatchewan, a company that unilaterally imposes a compressed schedule could be in breach of provincial rules if the employee never signed off.
- In Alberta, an overtime agreement can permit averaging hours over a period of weeks, but it must be in writing and meet specific ESA conditions.

How to Avoid It:

- **Draft Formal Agreements:** For any alternative scheduling arrangement, get a written contract or letter of agreement.
- **File Correctly:** Keep these agreements in the employee's file for potential audits.
- **Review Compliance Annually:** Laws can change—make sure you update or renew agreements as required.

9. Poor Communication and Training Around Overtime Policies

Why It's a Mistake:

When employees and managers don't understand the rules, unapproved or unrecorded overtime can occur. Managers might inadvertently direct employees to work extra hours without authorizing pay, or employees might assume they can't claim overtime because “that's just how the industry works.”

- **Real-World Example:**

- A marketing team regularly works late to meet deadlines, but no one tracks the hours or discusses pay. Over time, employees become resentful and file formal complaints.
- In a factory setting, a shift supervisor who doesn't realize that overtime

must be pre-approved might still instruct workers to stay extra hours.

How to Avoid It:

- **Create Clear Written Policies:** Explain how overtime is requested, approved, and compensated.
- **Train Supervisors:** Make sure they know the local regulations and your company policies.
- **Onboarding & Refreshers:** During new-hire orientation and periodically afterward, reiterate the importance of accurate time tracking and overtime compliance.

10. Failing to Audit and Update Practices Regularly

Why It's a Mistake:

Canadian labour laws can change at the federal and provincial levels—especially around hot-button topics like overtime, minimum wage, and leaves of absence. Sticking to outdated policies may result in non-compliance and potential back pay.

- **Real-World Example:**
 - A small business in Ontario follows old overtime rules and misses new provisions introduced by legislative changes. A subsequent labour audit results in fines and back wages.
 - A BC-based corporation implements daily overtime policies but doesn't incorporate new statutory holiday requirements after a provincial update.

How to Avoid It:

- **Conduct Regular Audits:** At least once a year, review your overtime policies against current legislation.
- **Stay Informed:** Subscribe to updates from provincial labour boards or follow HR associations (e.g., CPHR Canada) to stay current on developments.
- **Legal Check-Ins:** Periodically consult employment lawyers for complex or high-risk cases, especially if you manage employees in multiple jurisdictions.

Consequences of Overtime Mismanagement

Making any one of these mistakes can lead to:

- **Financial Penalties and Back Pay:** Government audits may uncover unpaid overtime, causing major financial strain.
- **Employee Dissatisfaction and Turnover:** Workers who feel exploited or ignored can quickly seek opportunities elsewhere—or take legal action.
- **Reputational Damage:** A public dispute or lawsuit can harm your company's image, making it harder to attract top talent.
- **Operational Disruptions:** Lawsuits, investigations, and unanticipated changes in staffing due to overtime mismanagement divert attention and resources from core business goals.

Best Practices for Overtime Compliance

- **Stay Educated:** Laws evolve. Commit to ongoing professional development and legal guidance to keep pace.
- **Document Everything:** Whether it's an employment contract, timesheet, or formal schedule agreement, thorough documentation protects you.
- **Encourage Openness:** Encourage employees to voice concerns about workload or unclear instructions. When your culture is transparent, mistakes are identified

(and resolved) faster.

- **Focus on Fairness:** At the end of the day, ensuring fair compensation for all hours worked isn't just a legal duty—it's also the right thing to do for your workforce.

Final Thoughts

Overtime compliance is both an ethical and a legal imperative. By watching out for these ten common mistakes—ranging from misclassification to poor record-keeping—you can safeguard your business against fines, lawsuits, and damage to workplace morale. Taking a proactive, well-informed approach demonstrates respect for your employees and protects your organization in an ever-changing Canadian labour landscape.

A well-managed overtime policy does more than reduce risk: it also fosters trust with your team, underscoring your commitment to fairness and transparency. In turn, that trust often translates into higher employee engagement, better retention, and a healthier bottom line.