

Overtime vs Hire: Where the Math Flips

A 40-hour weekly coverage gap held for 26 weeks favors hiring, \$35,800 versus \$50,700 in overtime. Hold that exact same gap for just 2 weeks and overtime wins instead, \$3,900 versus \$4,600 to hire. The gap never changed. The duration did.

A coverage gap can be closed two ways: pay existing staff overtime, or hire someone new. Overtime has no upfront cost but pays a premium every hour, forever the gap exists. Hiring has a real upfront cost but a lower ongoing rate. Which one is cheaper is not fixed, it depends entirely on how long the gap is expected to last, and getting that duration wrong is the most common way this decision goes sideways.

A worked example: the same gap, two durations

A 40 hour weekly coverage gap at a \$25/hour base rate, held for 26 weeks (about 6 months). Total overtime cost at the 1.5x premium: \$50,700. Total cost to hire one person at \$25/hour plus a \$2,000 one-time hiring cost: \$35,800. Hiring wins by nearly \$15,000 over this duration.

Hold the exact same 40-hour gap, same rate, but for only 2 weeks instead of 26. Total overtime cost: \$3,900. Total hire cost, still paying the \$2,000 one-time cost plus wages for just 2 weeks: \$4,600. Overtime wins now, by \$700. Nothing about the gap size or the pay rates changed between these two cases. Only the duration did, and that alone flipped which strategy is cheaper.

Why duration is the lever, not the gap size

The one-time hiring cost is fixed no matter how long the position is needed, so it gets diluted across more weeks the longer the gap lasts, eventually becoming small relative to the ongoing wage savings versus overtime's constant 50% premium. Over a short duration, that same fixed cost has few weeks to amortize across, so it dominates and overtime's simplicity wins instead.

The middle zone: lean-overtime

Near the crossover duration, the two strategies land close enough in total cost that a clean "hire" or "overtime" verdict overstates the confidence of the numbers. The engine flags this middle zone as "lean-overtime": overtime is still the cheaper or comparable option, but the margin is thin enough that a change in assumptions (a longer-than-expected demand period, a cheaper hire) could tip it. Treat a lean-overtime result as a signal to watch the duration assumption closely, not as a firm answer either way.

Partial gaps do not automatically favor overtime either

A smaller coverage gap does shift the balance toward overtime by reducing how many hires are needed to cover it (a partial gap may not even justify a full additional hire), but the duration effect can still dominate. A gap half as large held for the same long duration can still favor hiring, just with a smaller margin, because the fixed hiring cost still amortizes the same way over the same number of weeks.

Key takeaway. The crossover between overtime and hiring is set by duration, not by gap size. A demand period expected to run "for a while" needs an actual number of weeks attached before either strategy can be called cheaper.

Assumptions

- Hiring carries a one-time cost (recruiting, onboarding) on top of ongoing wages at the same base hourly rate as overtime. Overtime pays a 1.5x premium on the base rate, no one-time cost.

Sources

- Standard overtime premium (1.5x base rate) and one-time hiring cost framing

Frequently asked questions

What if the demand duration itself is uncertain?

Run the comparison at both the low and high end of the plausible duration range. If the verdict changes between them, the decision is genuinely duration-sensitive and worth tracking actual demand closely rather than committing early to either strategy.

Does the hiring cost only cover recruiting?

It should also include onboarding and ramp-up time (a new hire producing at less than full rate for the first several weeks), which effectively raises the real one-time cost above just the recruiting line. Understating this cost makes hiring look more attractive than it really is at short durations.

Can I mix strategies instead of picking one?

Yes, and it is common in practice: hire to cover the portion of the gap expected to be permanent or long-running, and use overtime for the remaining short-term or uncertain portion. The comparison here is meant to size each portion, not to force an all-or-nothing choice.

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