

# Supplemental Pay in the Healthcare Industry: Overtime Pay, Bonuses, and Shift Differentials

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*The use of supplemental pay in the healthcare industry differs from other service-providing industries primarily in that shift differentials play a greater role, while bonuses appear to play a lesser role. The relative importance of shift differentials in the healthcare industry is probably related to the “round-the-clock” nature of healthcare services in general.*

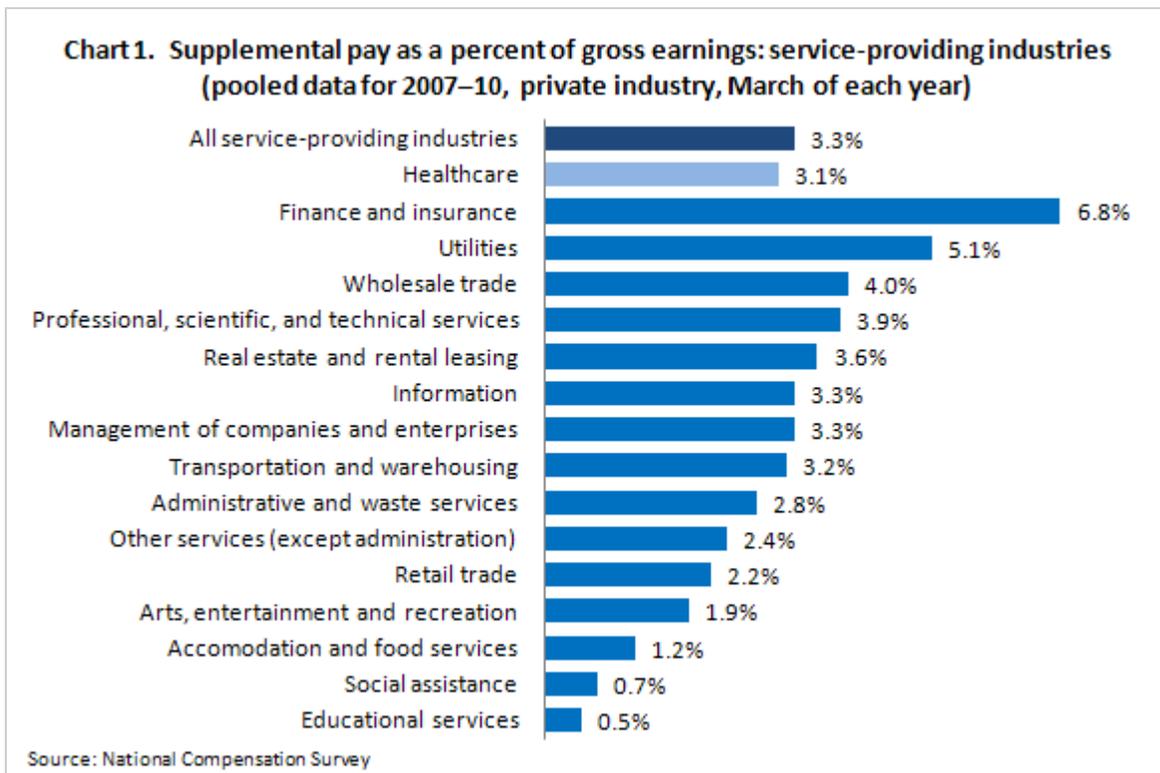
## Introduction

Supplemental pay—overtime, bonuses, and shift differentials—is of particular interest in compensation research because, unlike benefits such as health insurance, it is received as cash earnings by the worker.<sup>1</sup> To focus on the nature of supplemental pay as cash earnings, this article looks at the use of supplemental pay as a percent of gross earnings.<sup>2</sup> Although supplemental pay represents only a small percentage of gross earnings for the civilian labor force overall, a recent study<sup>3</sup> using National Compensation Survey (NCS) data found that supplemental pay can be an important source of compensation for certain occupations.

The analysis begins by comparing the use of supplemental pay in the healthcare industry<sup>4</sup> to the use of supplemental pay in other industries within the service-providing sector. Next, the components of supplemental pay in the healthcare industry are compared with those of all other service-providing industries combined (that is, the averages across all service-providing industries except for healthcare). The analysis also compares the use of supplemental pay for a selection of occupations found in the service-providing and healthcare industries. Finally, it looks at the components of supplemental pay across more detailed industries within the healthcare industry. This study uses pooled [National Compensation Survey \(NCS\)](#) data from private industry that were collected in March of each year from 2007 through 2010.

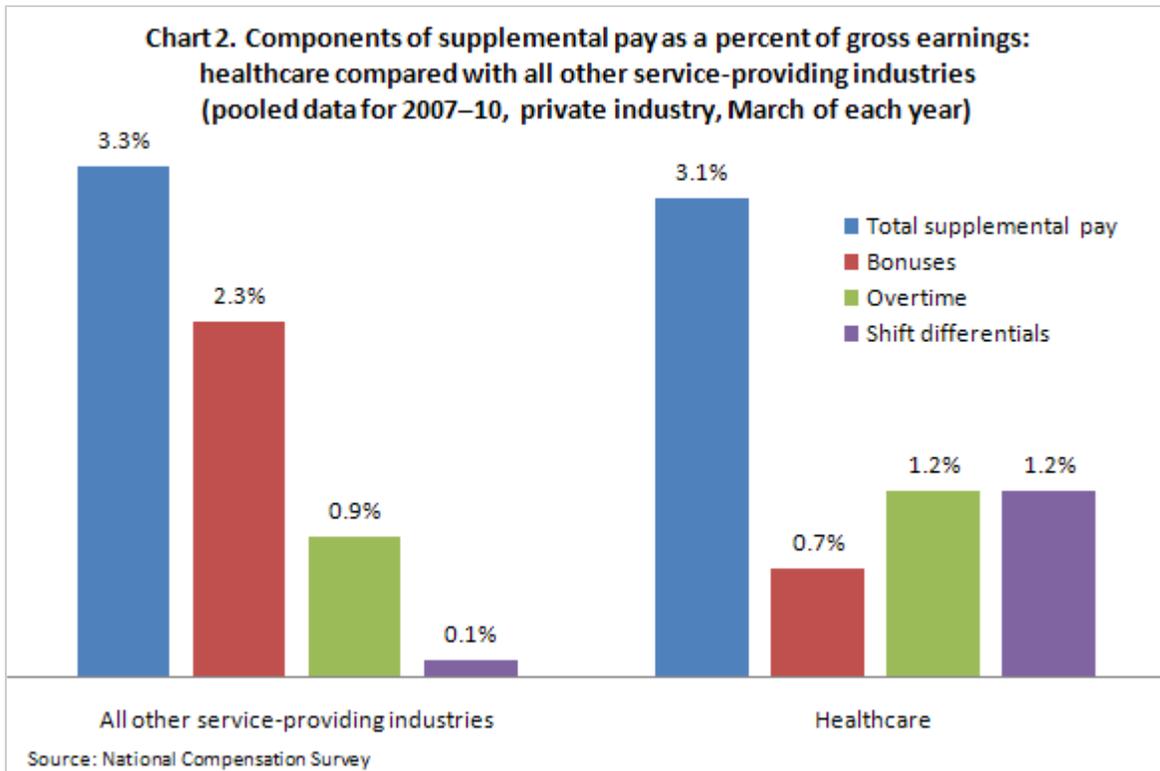
## Supplemental Pay In The Service-providing Sector

As can be seen in chart 1 below, supplemental pay accounts for 3.1 percent of gross earnings in the healthcare industry, compared with about 3.3 percent of gross earnings for the service-providing industries overall. A look at how the percent of gross earnings received as supplemental pay in the healthcare industry compares with that of other industries in the service sector shows that healthcare falls in the middle range, with a greater percentage than accommodation and food services, educational services, and social assistance; a percentage similar to industries such as transportation and warehousing and information; and a smaller percentage than what is found for finance and insurance, utilities, and wholesale trade.



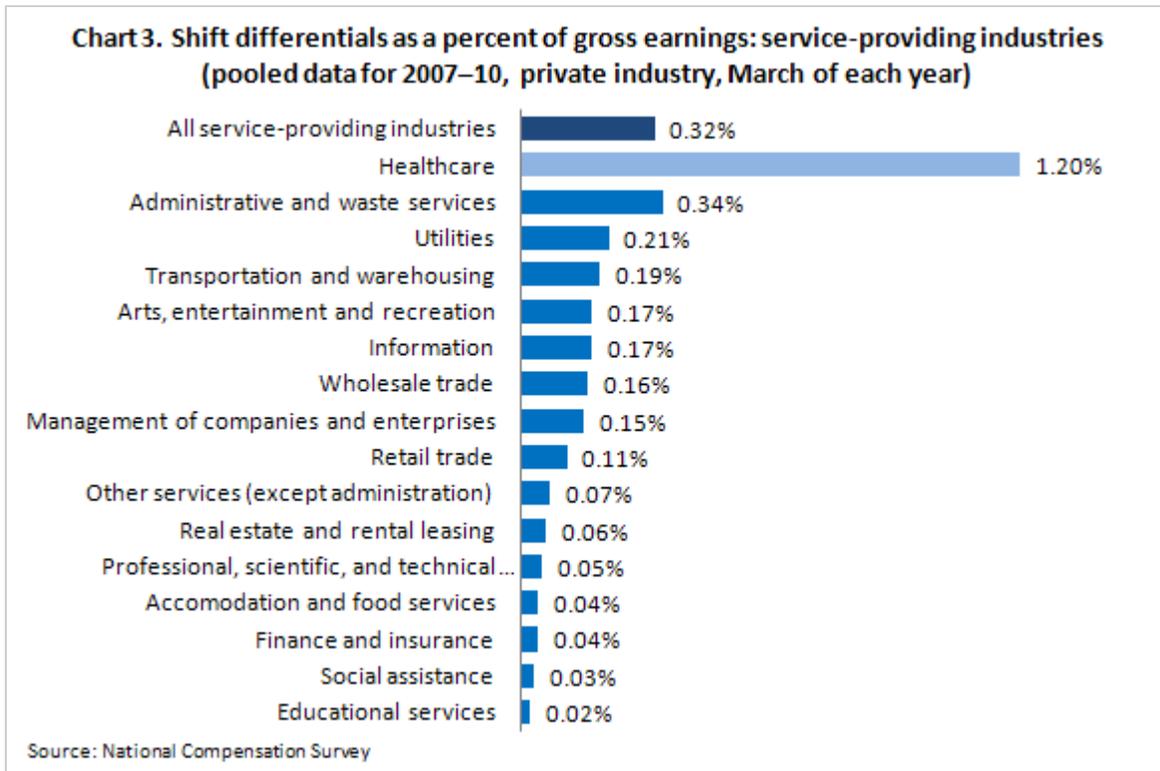
**Components Of Supplemental Pay In The Service-providing Industries**

Chart 2 below compares the use of overtime, bonuses, and shift differentials in the healthcare industry with their use in all other service-providing industries combined. Although the proportion of gross earnings represented by supplemental pay is about the same for healthcare and for all other service-providing industries, the components of supplemental pay are distributed differently. The percent of gross earnings received as overtime in healthcare is slightly higher than in other service-providing industries, but the percent received as bonuses is lower in healthcare.



A notable difference is in the use of shift differential pay, which represents 0.1 percent of gross earnings in all other service-providing industries, but 1.2 percent in the healthcare industry (as seen in chart 2). A shift differential is a premium paid for working during hours that are less convenient than those of the typical workday. The relatively greater importance of shift differentials in the healthcare industry makes intuitive sense. Many establishments in this industry operate around the clock and thus need staff for 24 hours a day, 7 days a week. As a result, shift work is common for many occupations within the healthcare industry.<sup>5</sup>

Chart 3 shows shift differentials as a percent of gross earnings in all the service-providing industries. As can be seen in the chart, shift differentials play a minor role in most industries within service-providing industries (0.3 percent or less), but they appear to be a relatively important component of pay in the healthcare industry (1.2 percent).



**Use Of Supplemental Pay For Select Occupations Within The Service-providing Industries**

Charts 4, 5, and 6 show comparisons of healthcare and all other service-providing industries across three broad groups: office and administrative support occupations, professional and related occupations, and service occupations.<sup>6</sup> Taken together, these three occupational groups account for over 90 percent of employment in the healthcare industry.<sup>7</sup>

Chart 4 shows that the percent of gross earnings received as supplemental pay in office and administrative support occupations in the healthcare industry is slightly lower than what is found in those occupations in other service-providing industries. The distribution across the different types of supplemental pay indicates that bonuses play a smaller role in the healthcare industry, while the percent of gross earnings received as overtime is the same for both groups. The percent of gross earnings received as shift differentials is a bit higher in healthcare, but it is less than 1 percent for both groups.

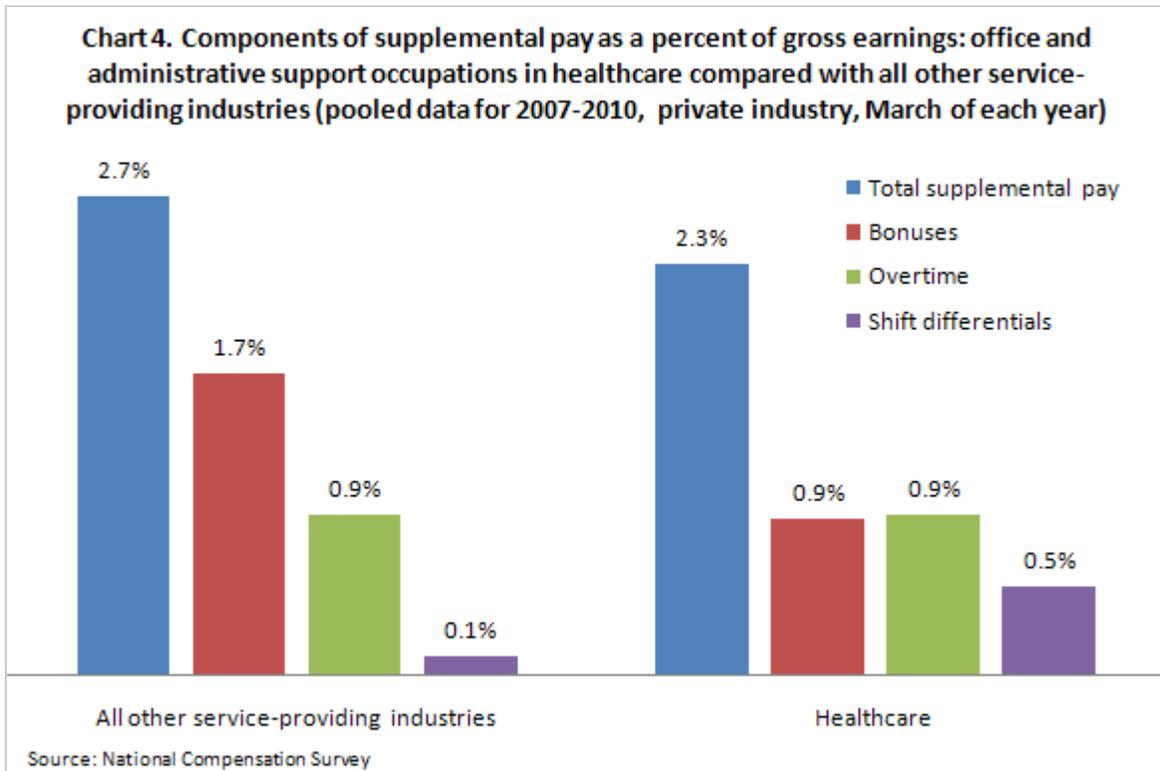


Chart 5 indicates that the differences are more pronounced for professional and related occupations within the healthcare industry. This occupational group includes registered nurses, licensed practical and licensed vocational nurses, physicians and surgeons, and clinical laboratory technologists and technicians.<sup>8</sup> The percent of gross earnings received as supplemental pay in these occupations is about the same for both the healthcare industry and the other service-providing industries. Although bonuses are clearly a more important source of compensation for professional and related occupations in the other service-providing industries, the percentages of gross earnings for both overtime and shift differentials are higher for professional and related occupations in the healthcare industry.

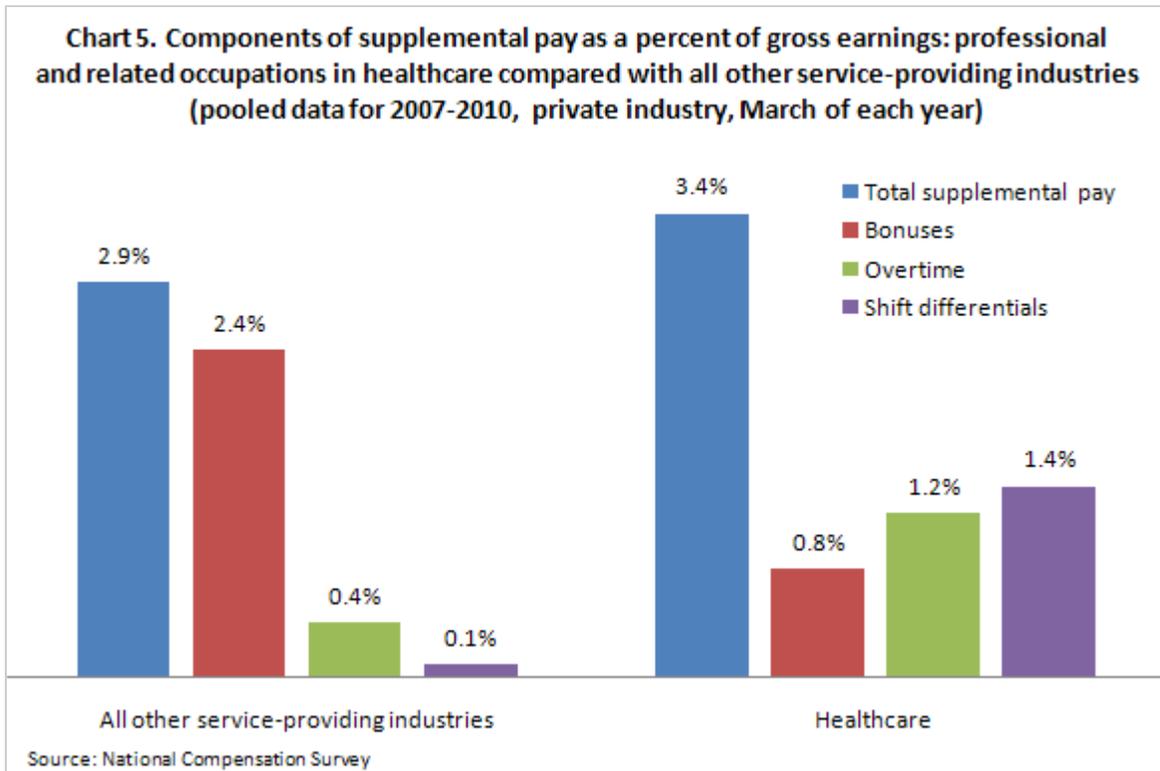
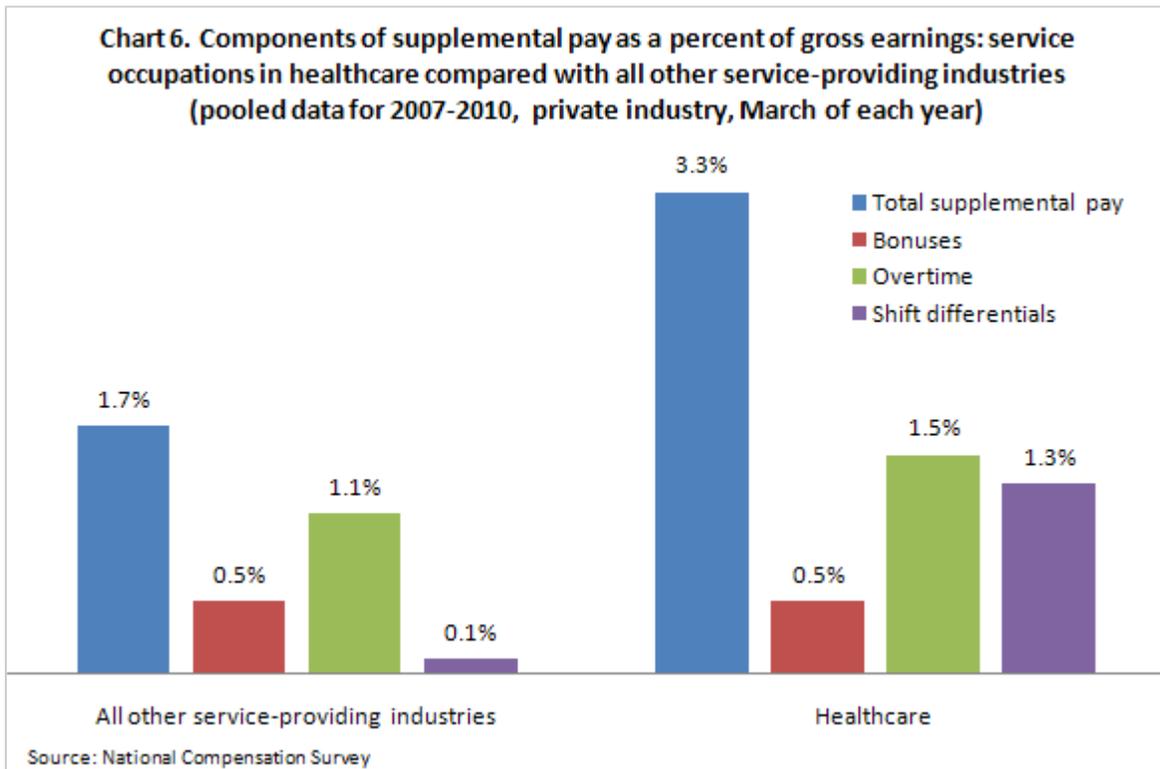


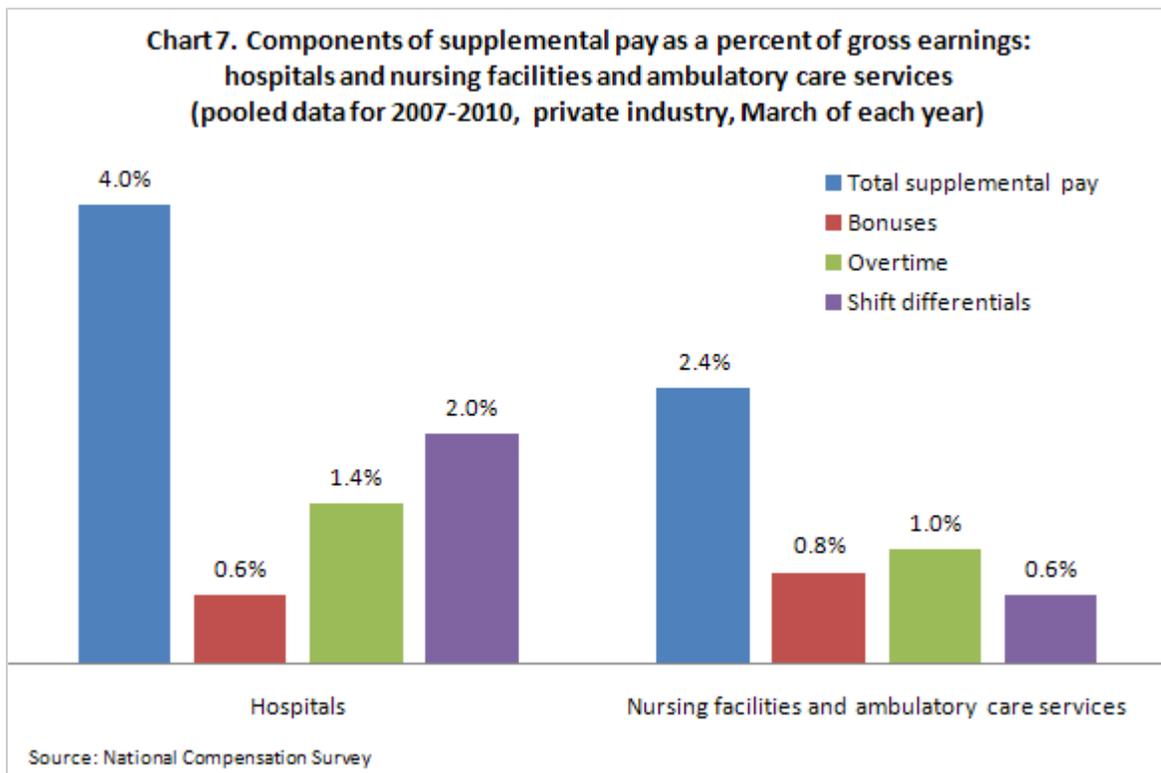
Chart 6 examines the use of supplemental pay for workers in service occupations within service-providing industries. In the healthcare industry, many service occupations fall in the category of healthcare support occupations. This group includes occupations such as nursing aides, orderlies, and attendants, dental assistants, medical assistants, and personal and home healthcare aides.<sup>9</sup>



For service occupations, a higher percent of gross earnings is received as supplemental pay in the healthcare industry than for all other service-providing industries. The percentages received as bonuses appear to be the same for both groups, while the percent received as overtime is slightly higher in the healthcare industry. The evident difference occurs in shift differentials, which account for only 0.1 percent of gross earnings in the other service-providing industries, but 1.3 percent in healthcare.

**Supplemental Pay Across Detailed Industries Within The Healthcare Industry**

Chart 7 shows how the uses of the components of supplemental pay compare for two detailed subindustry groups within the healthcare industry: hospitals and nursing care facilities and ambulatory care services.<sup>10</sup> The percent of gross earnings received as supplemental pay is higher for hospitals. The percent of gross earnings received as overtime pay is slightly higher for hospitals, while the percent received as bonuses is slightly lower.



The difference appears to be driven by shift differentials, which account for 2 percent of gross earnings in hospitals, but less than 1 percent for nursing care facilities and ambulatory care services. This suggests that around-the-clock coverage is somewhat more common in hospitals than in nursing care facilities and ambulatory care services. This is likely to be especially true for the subcategory ambulatory health care services, which includes offices of physicians, dentists, and other health practitioners that provide services on an outpatient basis typically during regular business hours.<sup>11</sup>

**Summary**

Unlike other benefits, such as retirement and health insurance, supplemental pay is received by the employee as cash earnings. For this reason, this article focused on supplemental pay as a percent of gross earnings. Among all the service-providing industries, the healthcare industry falls in the middle range in terms of the percent of gross earnings received as supplemental pay. When looking at the components of supplemental pay, it is interesting to note that, for other service-providing industries overall, (1) the percent of gross earnings received as bonus pay was not only higher than in the healthcare industry, but also was the largest component of supplemental pay; and (2) the percent of gross earnings received for shift differentials was small. The importance of shift differentials in the healthcare industry is illustrated by the fact that shift

differential pay was on a par with overtime pay—both within the healthcare industry and across the service-providing sector—while bonuses were the smallest component of supplemental pay.

Pay practices—including the use of supplemental pay—in the healthcare industry are of particular interest now because, even in the midst of difficult economic times, this industry exhibits positive job growth while other industries continue to shed jobs.<sup>12</sup> It is projected that, between 2008 and 2018, the healthcare industry will have generated 3.2 million jobs—a figure that will not be matched by any other industry.<sup>13</sup>

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## Notes

<sup>1</sup> There are several reasons for treating the components of supplemental pay as benefits. Overtime is a premium payment (over and above the average hourly rate) for extra hours of work. Similarly, shift differential pay can be thought of as a premium paid for working during hours that are less convenient than those of the typical workday. Nonproduction bonus payments are treated as benefits because they are generally discretionary in terms of frequency and amount, and may vary significantly from employee to employee.

<sup>2</sup> The term gross earnings refers to the sum of wages, supplemental pay, and paid leave.

<sup>3</sup> See John L. Bishow, “A Look at Supplemental Pay: Overtime Pay, Bonuses, and Shift Differentials,” *Compensation and Working Conditions Online*, March 25, 2009, on the Internet at <http://www.bls.gov/opub/cwc/cm20090317ar01p1.htm> (accessed July 1, 2010).

<sup>4</sup> Industry statistics are often published for the broad industrial category “healthcare and social assistance,” code 621000–624000 in the [North American Industry Classification System \(NAICS\)](#). This study focuses on the healthcare industry, defined as NAICS 621000–623000. Social assistance (NAICS 624000) is included in “all other service-providing industries”.

<sup>5</sup> See “Healthcare” in *Career Guide to Industries, 2010–11 Edition* (Bureau of Labor Statistics), on the Internet at <http://www.bls.gov/oco/cg/cgs035.htm> (accessed July 1, 2010).

<sup>6</sup> The occupational groups are defined under the following [Standard Occupational Classification \(SOC\)](#) codes: professional and related, 15-0000 through 29-0000; office and administrative support occupations, 43-0000; and service occupations, 31-0000 through 39-0000.

<sup>7</sup> See “Healthcare” in *Career Guide to Industries, 2010–11 Edition* (Bureau of Labor Statistics), on the Internet at <http://www.bls.gov/oco/cg/cgs035.htm> (accessed July 1, 2010).

<sup>8</sup> See *May 2009 National Industry-Specific Occupational Employment and Wage Estimates: NAICS 621600 - Home Health Care Services*, on the Internet at [http://www.bls.gov/oes/current/naics4\\_621600.htm](http://www.bls.gov/oes/current/naics4_621600.htm); and “Service Occupations,” in *Occupational Outlook Handbook, 2010-11 Edition*, on the Internet at <http://www.bls.gov/oco/oco1006.htm> (accessed July 1, 2010).

<sup>9</sup> Ibid.

<sup>10</sup> Hospitals are defined under code 622000 in the [North American Industry Classification System \(NAICS\)](#). The second category in chart 6 is the combination of two NAICS categories: nursing and residential care facilities (NAICS 623000) and ambulatory healthcare services (NAICS 621000).

<sup>11</sup> See “Healthcare” in *Career Guide to Industries, 2010–11 Edition* (Bureau of Labor Statistics), on the Internet at <http://www.bls.gov/oco/cg/cgs035.htm> (accessed July 1, 2010).

<sup>12</sup> For example, BLS reported that total nonfarm payroll employment declined in May 2009 (–345,000); employment also declined that month in manufacturing (–156,000), construction (–59,000), and financial activities (–30,000). However, the number of jobs in the healthcare industry increased by 24,000. See *The Employment Situation: May 2009*, on the Internet at [http://www.bls.gov/news.release/archives/empsit\\_06052009.pdf](http://www.bls.gov/news.release/archives/empsit_06052009.pdf).

<sup>13</sup> See “Healthcare,” in *Career Guide to Industries, 2010–11 Edition* (Bureau of Labor Statistics), on the Internet at <http://www.bls.gov/oco/cg/cgs035.htm> (accessed July 1, 2010).

**Data for Chart 1. Supplemental pay as a percent of gross earnings: service-providing industries (pooled data for 2007-10, private industry, March of each year)**

Industry	Supplemental pay
Educational services	0.5%
Social assistance	0.7%
Accommodation and food services	1.2%
Arts, entertainment and recreation	1.9%
Retail trade	2.2%
Other services (except administration)	2.4%
Admin. support & waste management & remediation services	2.8%
Transportation and warehousing	3.2%
Management of companies and enterprises	3.3%
Information	3.3%
Real estate and rental leasing	3.6%
Professional, scientific, and technical services	3.9%
Wholesale trade	4.0%
Utilities	5.1%
Finance and insurance	6.8%
Healthcare	3.1%
All service-providing industries	3.3%

**Data for Chart 2. Components of supplemental pay as a percent of gross earnings: healthcare compared with all other service-providing industries (pooled data for 2007-2010, private industry, March of each year)**

Industry	Total supplemental pay	Bonuses	Overtime	Shift differentials
All other service-providing industries	3.3%	2.3%	0.9%	0.1%
Healthcare	3.1%	0.7%	1.2%	1.2%

**Data for Chart 3. Shift differentials as a percent of gross earnings: service-providing industries (pooled data for 2007-10, private industry, March of each year)**

Industry	Percent
Educational services	0.02%
Social assistance	0.03%
Finance and insurance	0.04%
Accommodation and food services	0.04%
Professional, scientific, and technical services	0.05%
Real estate and rental leasing	0.06%
Other services (except administration)	0.07%
Retail trade	0.11%
Management of companies and enterprises	0.15%
Wholesale trade	0.16%
Information	0.17%
Arts, entertainment and recreation	0.17%
Transportation and warehousing	0.19%

Industry	Percent
Utilities	0.21%
Admin. support & waste management & remediation services	0.34%
Healthcare	1.20%
All service-providing industries	0.32%

**Data for Chart 4. Components of supplemental pay as a percent of gross earnings: office and administrative support occupations in healthcare compared with all other service-providing industries (pooled data for 2007-2010, private industry, March of each year)**

Industry	Total supplemental pay	Bonuses	Overtime	Shift differentials
All other service-providing industries	2.7%	1.7%	0.9%	0.1%
Healthcare	2.3%	0.9%	0.9%	0.5%

**Data for Chart 5. Components of supplemental pay as a percent of gross earnings: professional and related occupations in healthcare compared with all other service-providing industries (pooled data for 2007-2010, private industry, March of each year)**

Industry	Total supplemental pay	Bonuses	Overtime	Shift differentials
All other service-providing industries	2.9%	2.4%	0.4%	0.1%
Healthcare	3.4%	0.8%	1.2%	1.4%

**Data for Chart 6. Components of supplemental pay as a percent of gross earnings: service occupations in healthcare compared with all other service-providing industries (pooled data for 2007-2010, private industry, March of each year)**

Industry	Total supplemental pay	Bonuses	Overtime	Shift differentials
All other service-providing industries	1.7%	0.5%	1.1%	0.1%
Healthcare	3.3%	0.5%	1.5%	1.3%

**Data for Chart 7. Components of supplemental pay as a percent of gross earnings: detailed healthcare industries (pooled data for 2007-2010, private industry, March of each year)**

Industry	Total supplemental pay	Bonuses	Overtime	Shift differentials
Hospitals	4.0%	0.6%	1.4%	2.0%
Nursing facilities and ambulatory care services	2.4%	0.8%	1.0%	0.6%