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| **HR Insights**  Brought to you by: TIG Advisors |  |

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| Unlimited PTO Policies    Numerous studies have revealed the importance of employees taking time off work for vacation. Leaving the office for a week or two or having an occasional day off gives employees a chance to not only take a well-deserved break to relax, but to come back to work with renewed energy and improved productivity.    Traditionally, time off is separated into paid vacation, sick and personal days. Some companies have transitioned into simply offering paid time off (PTO), which essentially serves as a single “bucket” of time off, which can be used at the employee’s discretion. A less-common option that is slowly gaining more attention, spurred on by popularity among tech company startups, is the unlimited PTO policy.        **Types of Unlimited PTO Policies**    A basic unlimited PTO policy is similar to a normal PTO policy except employees are not given an allotted number of days off. Employees can take as many vacation, sick and mental-health days as they need, as long as they are meeting their performance goals    This type of policy does not, however, mean an employee can take unplanned time off, except for sick days or similar emergencies. PTO requests must still be approved by a manager as with a traditional PTO or vacation time policy, and your company’s established work schedule or flex-time benefits can remain the same as with traditional PTO.    For some companies, unlimited PTO policies can develop into a results-only workplace environment (ROWE). ROWE differs from a strict unlimited PTO policy in that it gives employees complete freedom to come and go when they wish, as long as they complete assigned tasks on time. ROWE operates with a hybrid of flex-time and unlimited PTO, giving employees a vast amount of freedom in determining their work schedules and the location from which they perform their work.        **How Much is “Unlimited”?**    Studies show that, for the most part, employees with unlimited PTO frequently end up taking about the same amount of time off as employees who have an allotted amount of PTO.    In some cases, employees who have unlimited PTO benefits actually have to be encouraged to take more time off. When unlimited PTO is offered, some employees may be afraid to take “too much,” detracting from the goal of giving employees the guilt-free time off needed to take care of personal or family matters, relax on vacation or recover at home when sick.        **Employer Advantages and Disadvantages**    As with any changes to your time-off policies, there are various benefits and drawbacks to consider before implementing an unlimited PTO policy.    *Advantages of Unlimited PTO*     * Unlimited time off fosters a sense of trust in employees and encourages a culture of responsibility. * Offering unlimited PTO can serve as an attractive benefit when recruiting top job candidates. * Unlimited PTO reduces the likelihood that employees will come to work when sick and spread their germs around the office because they are hoarding their time off for a vacation later in the year. * With unlimited PTO, days off are not accrued, meaning that, depending on applicable state laws, you might not have to pay out for vacation time when an employee leaves your company. * Administrative time no longer has to be spent tracking accrual of time off or determining how much vacation time needs to be paid out when an employee leaves     *Disadvantages of Unlimited PTO*     * If an employee chooses to abuse the unlimited PTO policy, it can be difficult to terminate the employee for absence because he or she is technically allowed to take that time off. Establishing and reviewing performance goals can help mitigate this challenge. * You still need to track time off in order to watch for abuse of the policy and to prove compliance with various regulations, such as family and medical leave and disability coverage.         **Best Practices**    An unlimited PTO policy is not right for every company; here are a few best practices to consider before changing your time-off policy:     * An unlimited PTO policy works best when the company culture already operates on a goal-oriented basis. Make sure you have an established review process to track performance and goals before implementing unlimited PTO. * To reduce abuse of the system and minimize the impact on the rest of the team, PTO should be approved in advance by the manager, with the exception of calling in sick or for another emergency.     Unlimited PTO can provide advantages to both the employer and employees if carefully considered and implemented. |

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