

## Paid-time-off model is gaining favor with employers, workers

In summer, swimming pools and Slip 'N Slides aren't the only things getting more use. Company leave policies are often put to the test as workers take vacation time.

Paid-time-off policies, or PTO banks, have become the preferred alternative to traditional vacation plans. In fact, a recent survey shows about 60 percent of companies now use PTO, making it more popular than traditional policies that distinguish between vacation, sick and personal leave.

Under a PTO model, all vacation, sick, and personal days are integrated into one pool so, in theory, employees can take days off when and as they need them without having to classify a reason. Companies of all sizes are adopting the PTO model and many are pleased with the result.

Most companies that institute PTO claim their businesses experience fewer unscheduled absences. Experts cite other advantages to PTO banks as well:

- **Ease of administration:** PTO is often easier to administer because it folds together vacation, sick time and personal leave. Vacation leave doesn't have to be coded differently than a sick day.

- **Control over absences:** When companies distinguish one type of leave from another, employees are likely to use every sick day granted to them whether they need it or not. With PTO banks, employees tend to save time off for vacation.

- **Recruitment and retention:** Employers are finding that PTO programs can make their companies more competitive when recruiting employees.

- **Flexibility:** The value of PTO banks is especially vital in industries that operate 24/7, such as the health care industry, because it offers optimum flexibility.



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- **Diversity:** Today, employees celebrate a variety of cultural or religious holidays. PTO banks reflect a company's respect for employees' diversity by allowing them to schedule time off around their individual holiday calendar.

- **Privacy:** While most employees don't want to lie to their employers, they also may not want to announce that they are chaperoning a field trip or in need of a mental health day. A PTO bank allows employees to take time when they need it without having to explain why.

- **Equity:** There's a common perception that employees with children are allowed more time off than single people without children. PTO banks level the playing field, because everyone has access to time off based on service, so it's objective. Of course, working parents especially enjoy the flexibility PTO banks provide, because they can stay home with a sick child or go along on a field trip without feeling guilty.

Despite these advantages, many employers and employees are reluctant to change. Others fear the unknown.

Employees' fears revolve around the possibility of an unexpected illness wiping out their accrued days, perhaps leaving them with no remaining days for a planned vacation.

Some employers fear potentially higher costs associated with a PTO policy.

Most leave policies allow for some carry-over of time into the subsequent year or years, and most also provide for some payout of unused time in the event of termination.

While other leave policies allow a payout only for unused vacation time, under PTO an employer cannot distinguish between vacation and sick leave, so all unused time must be paid out upon termination. Thus employers have to recognize PTO as a liability and must represent it as such on their books. In a better economy companies might have considered this liability inconsequential, but it has become more significant in today's economy when the potential for layoffs is greater.

There's also a notable cost associated with "presenteeism" — the lost productivity that occurs when employees show up for work but perform below par because they are sick or distracted. If a PTO model is in place, these employees would presumably take a day of leave. However, critics suggest that when companies switch to a PTO model, miraculously no one ever gets sick. Instead, workers arrive at work running a fever and coughing, because they refuse to risk forfeiting vacation time later in the year. While it is difficult to measure, some estimates put the cost of employees working at diminished capacity at \$250 billion annually.

So how do you decide whether a traditional vacation policy or a PTO model is right for your company?

Like most things, there isn't one method that works for all companies, so while a PTO bank may work well for some companies, more traditional plans still work better for others. Ask yourself whether your company is seeing a problem with excess absenteeism or abuse of time off. If your traditional leave policy is working, there may be no compelling reason to change course.

For companies that want to provide their employees more flexibility, a PTO bank may work better. Proper management is key to ensuring that PTO works effectively. Many companies encourage employees to use leave time by enforcing "use it or lose it" policies and setting carryover limits or accrual caps. Some companies even establish buy-back or donation provisions to allow employees to sell or donate unused days to coworkers who may have a greater need.

Finally, no matter which type of leave policy your company uses, remember that paid leave, no matter what form it takes, is an essential employee benefit, and can serve as a powerful recruitment and retention tool.

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