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# Unlimited Paid Time Off is Catching On—Should You Follow Suit?

Companies are looking at unlimited paid time off policies as a retention and recruitment tool for a competitive workforce—is this idea right for your organization?

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In the improved economy, employees have more choices, and employers need to be more creative to attract and keep top talent. This may explain why unlimited paid time off, a novelty embraced mostly by tech companies just a few years ago, is catching on.

The Society of Human Resources' recent [2018 benefits survey](#) found that among the 1,100 surveyed organizations that [increased their benefits](#) in the previous year, 72 percent did so to retain employees and 58 percent to attract new talent. Leave and other family-friendly and flexible working arrangements were among the categories of benefits that employers increased.

"There's a trend toward increased flexibility," says Lynn Heckler, chief talent officer at [PSCU](#), a credit-union services provider that's headquartered in St. Petersburg, Florida. "[Increased flexibility](#) and choice is part of the employee experience, and the more choice that you can offer, particularly as it relates to time away from work, is seen as a good thing."

To offer flexibility, PSCU introduced unlimited paid time off (PTO) about four years ago for all the salaried (or exempt) staff, or about half of its 2,200 employees. Heckler, who was behind the move, says the underlying philosophy was about "treating adults as adults."

"We hire people who are mature and responsible," she says. "Why have executives who are working 70 hours a week on regular basis track their paid time off?"

The other impetus was the struggle to get employees to accurately track and report time off, since they were paid regardless. The change, Heckler says, was very positive—and it solved the problem of a low-value administrative task.

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Like PSCU, some employers look to unlimited PTO as a solution to specific challenges. Justin Wineburgh, CEO of Philadelphia-based creative media company [Alkemy X](#), has pondered it—as an answer to unused vacation among the 80-plus employees—since he took over in 2016.

“The idea is that vacation days don’t get used because they don’t line up with people’s schedules,” he says. “Unlimited vacation time is the notion of flexibility, but the question is, will it provide sufficient flexibility to solve the problem?”

There’s also the question of recruitment. Wineburgh says [perks](#) are among the top things job candidates want to know about. In his industry, the workforce is largely comprised of millennials and Gen Xers with families, and this benefit could also boost morale.

Still, he says, there are other ways to provide choices to employees. His question, then, is, “Would this policy open up a can of worms unnecessarily?”

## What to Consider

One of the issues employers must consider is labor laws, especially related to hourly, or nonexempt, employees. In some states, implementing unlimited PTO could get tricky.

Besides legal requirements, [Mammoth HR](#) CEO Nathan Christensen says there are two other major pieces: a [culture that supports employees taking time off](#) and a commitment to developing alternative ways to measure employee performance.

“When you take away from the performance equation time spent in the chair at the office, it puts a lot of focus on how to measure employee contributions,” he says.

Mammoth HR, an HR technology company and consultancy in Portland, Oregon, sees itself as an incubator of ideas for its clients. As more clients asked about unlimited PTO—yet the Mammoth HR consulting team was divided on the practice—the company decided to essentially pilot a program for a year.

Christensen says it took about 12 months to ensure the infrastructure was in place to support the new policy for the company’s 60 salaried and hourly employees.

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“Sometimes we see organizations get into the danger zone because they adopt the policy mostly for [recruiting talent](#), and they’re not working proactively to put in the foundation that’s required to support it,” he says.

## Creating Expectations

Chad Sorenson, president of Adaptive HR Solutions and executive committee member of the [HR Florida Council](#), says an unlimited PTO policy requires a give-and-take.

“To begin with, the culture has to be one of performance and quality of work, not always quantity of work,” he says. “You have to focus on goal setting and meeting of expectations.”

At [Alliance Cost Containment](#) (ACC), based in Louisville, Kentucky, the expectation is that employees will achieve their goals whether they take off one day or five weeks, says CEO Miles Lee. The 36-person company, which helps large organizations and private equity firms reduce indirect costs, changed to unlimited PTO in 2017.

“We tied the importance of achieving the goals and tracking to them with the reward of having the unlimited time off,” Lee says. “We communicated clearly the reason we were doing it and reminded people it’s a privilege. In return, we asked they take very seriously the objectives in front of them.”

One of ACC’s expectations flies in the face of America’s workaholic culture. The company requires taking a minimum of two weeks off over a year period. Failure to do so reflects negatively on a performance review.

[Kick Point](#), a marketing agency in Edmonton, Canada, also began requiring a minimum of three weeks off for its small team. It’s because the unlimited policy left some employees reluctant to take any time off.

“We didn’t consider that an unlimited policy could make people [...] not take enough vacation at all,” says Jen Salamandick, Kick Point strategy director and partner.

On the flip side, some organizations hesitate to offer unlimited PTO for fear of people abusing it. Yet HR software company Namely found that not to be the case. A [2017 Namely report](#) analyzing [vacation usage](#) among the 125,000 employees on its platform says that the average paid time off taken by employees with unlimited plans was 13 days, compared to 15 for employees with traditional plans.

Mammoth HR tracked usage during the first “pilot” year and learned that employees were taking about the same time off as before, around three weeks. Christensen says while they no longer track usage as closely, he estimates it’s about the same.

“It may have crept up a bit because employees now know what’s expected and how to deliver it, and they’re more comfortable about taking additional time off,” he says.

## How to Implement Unlimited Paid Time Off

The implementation timelines vary widely—only one month in the case of ACC, six months for PSCU and a year for Mammoth HR. But for all, communication was paramount.

At PSCU, even with the change being mostly administrative, Heckler says it took the full six months to communicate it. That included repeated messaging, emails, FAQs and even a webinar.

“The communication plan has to be solid and multichannel,” Heckler says. “Make sure you have plenty of time for the change-management piece.”

The logistics and tracking also vary widely. At ACC, requests are assumed approved except in unique situations, but a heads up of two to three weeks in advance is expected for non-emergency leave of more a week. At PSCU and Mammoth HR, scheduling is a departmental function to ensure business needs are still covered.

Some organizations also have to consider their peak season. That’s the case at the [V Foundation for Cancer Research](#), headquartered in Cary, North Carolina. When implementing the policy two years ago, the foundation made it clear to the 40-plus staff that “business needs can modulate requests,” says CEO Susan Braun. That means during busy times—December and January—requests are not likely to be approved, with the exception of emergencies.

Braun’s advice is to over-communicate and manage expectations. For example, V Foundation changed the program’s name from unlimited time off to open paid time off.

“We felt that this [original] name gave the impression that time off was a free-for-all,” Braun says. “We stated at the beginning, and reiterate annually, that to keep the policy, we all have to abide by the guidelines.”

Christensen, too, recommends “rebranding” away from unlimited paid time off. Mammoth HR renamed its policy to personalized paid time off.

“We wanted to communicate that this is a serious program that’s about supporting strong performance,” he says.

He adds that many companies start off looking at unlimited PTO as a recruitment tool, but they should view it through the lens of company culture instead.

“We see it the most successful when it’s tied to the values of the company,” he says. “That’s where it has the most meaning.”