Information On Paid Time Off Policies and Banks



Employers know that their employees need time off for rest and relaxation or time for personal related reasons that occur during the work hours. That’s why companies offer paid time off (PTO) in the form of vacation days, holidays, personal leave, and sick leave.

Some employers’ plans offer a specific amount of days for each form of PTO, while others, particularly in the healthcare and financial industries, provide one set amount of paid days off that can be used for various reasons at the employee’s discretion.

The definition of paid time off is any time not worked by an employee but that is paid to the employee. Despite the high costs of paid time off, companies offer this employee-friendly benefit primarily to be competitive in attracting and retaining talented employees.

In a 2010 survey by WorldatWork- found that on average the number of total paid days off in the United States based on years of service are:

Years of service	Average days per year
Less than 1 year	15
1-2 years of service	19
3-4 years of service	20
5-6 years of service	23

7-8 years of service	**23**
9-10 years of service	**24**
11-15 years of service	**26**
16- 19 years of service	**28**
20 + years of service	**29**

EMPLOYER CONSIDERATIONS Whether you use separate “buckets” for each type of time off or you combine them into one PTO bank of time there are several items to take into consideration in designing your time off plans.

1. Attendance patterns and costs. If employees are missing days for reasons not covered by separate vacation and sick leave policies (such as for child or elder care), a PTO plan may help.
2. Organization culture and attitudes. PTO banks work well in flexible organizations that regularly delegate to employees the power to make decisions. On the other hand, managers who seek to retain tight control often will be uncomfortable and resist PTO plans.
3. FMLA (The Family and Medical Leave Act) compliance. If your organization already has difficulty tracking FMLA absences because supervisors have trouble identifying which absences to count, a PTO plan may make the problem worse.
4. State laws on pay at termination. If you have employees in states that require the payment of unused vacation at termination, and you do not want to pay this, a PTO plan may not be appropriate.

ADVANTAGES OF A COMBINED PTO PLAN FOR THE EMPLOYER

Many employers find this system easier to administer because they only have to track the total number of days off and do not have to deal with as many employee excuses. Employees like the flexibility and the control it gives them since they generally do not have to justify or explain the need to take a paid day off. This way, they are not forced to misrepresent the reason for their absence and may be more inclined to give you advance notice. Furthermore, employees who rarely use sick days appreciate the additional time available to meet other needs.

DISADVANTAGES OF PTO PLANS FOR THE EMPLOYER

PTO plans do have some disadvantages. For example, because the distinction

between vacation and sick days is obscured, employees may take more time off as vacation and not save sufficient time for illnesses later in the year. Consequently, you may end up granting all the paid time off under the plan and then face requests for unpaid sick time not properly banked for the end of the year.

In addition, since employees typically do not have to designate which days are sick days, you may not know when the worker's absence qualifies for Family and Medical Leave Act (FMLA) coverage. Thus, you may miss securing proper FMLA medical certification or the right to count the days already used as part of the employee's 12-week FMLA entitlement. Finally, any unused time under a PTO plan may have to be paid out at termination in states that require payment for unused vacation and personal time as part of final wages.

If you do chose to implement a Combined Paid Time Off Bank there are some tips to help implement this plan and make the transition smooth for your employees.

1. Determine what types of absences should be covered and then set the total number of days.
2. Clarify how unused days will be handled. Specify whether they can be carried forward and paid at termination or must be used exclusively as sick days. When employee's carryover the unused time as sick days, they have an incentive to build reserves for future illnesses. At the same time, you may be relieved of the potential obligation to pay out the unused days at termination, since most states that regulate the issue only require the payment of unused vacation or personal days, not sick days.
3. Establish procedures to identify and properly certify absences that qualify for FMLA. One way would be to establish a system to flag all absences over three days to determine if FMLA issues are involved.
4. Educate both employees and supervisors about how the PTO works and its advantages. Plan to spend extra time with any supervisors who may be concerned about giving up some of their direct control over time-off decisions.

There are issues to take into consideration from the Employee's standpoint as well.

Unused sick days under a traditional plan generally cannot be carried over to the next year, unused PTO days usually can be, often subject to a cap on total days accrued. If an employee budgets themselves for five sick days and uses only two in the year they accrue, he/she can usually carry over the remaining three and use them as he/she sees fit.

PTO plans have at least one major minus for workers: Employers converting a traditional time-off plan to a PTO plan usually don't give workers the full sum of the previous accrual rates for vacation, personal and sick days; they curb the high cost of time off by shaving some days off the grand total. For example, a worker who received 15 vacation days, three personal days and six sick days under a traditional plan might receive only 20 paid days off under a PTO plan to cover all these contingencies.

To help your employee's manage their PTO it is highly recommended you have informational meetings to discuss situations and address any concerns employees may have.