

# Switching from traditional leave to PTO? 7 questions to ask

One employee drags herself into work when she's as sick as a dog. Another calls in feigning illness. Behaviors that couldn't be more opposite, yet often share the same cause: not having adequate control over their employer-provided paid time off.

As you manage the scheduling headaches that come with summer vacations, it may be time to entirely reconsider how you handle employee leave.

In a traditional time-off program, employees have a given number of sick days, vacation days and, in some instances, personal days. Having their time-off needs fit into these neat little categories isn't always so easy for employees.

How can an employer help, and, in turn, get sick employees to stay home and healthy ones to show up? Give employees more control of their time off.

*One option:* Switch from a traditional time-off program to a paid time off (PTO) bank, in which employees have a lump sum of leave time they can use for whatever reason they choose: to handle health care needs, to go on vacation or just to take a well-deserved "mental health day."

Switching to a PTO bank allows employees to better plan for their time-off needs.

Before you make the switch from a traditional time-off program to a PTO program, you'll ask some basic questions. Use the answers to these questions to craft a PTO plan that suits your organization's operational requirements and your employees' needs:

- 1. What types of absences** (for example, illness, vacation, personal, holidays) will be included in your PTO bank?
- 2. How many days will be available,** and how will that number be determined?
- 3. Will there be differences** in the amount of time provided based on job level, seniority or other factors?
- 4. Will your PTO bank replace** all forms of leave pay or will you also provide more traditional leave policies for absences that are generally not anticipated, such as funeral leave?
- 5. What happens to leave that is unused** at the end of the year? Will part or all be carried to the next year or will you pay employees for their unused time?
- 6. How will a PTO bank affect your payroll system** and time-reporting processes?
- 7. How much notice will an employee have to give** in order to take leave? Are there certain periods of the year when leave will not be granted?

## **Limit your PTO exposure: Handling accrued, unused time**

One of the chief complaints against switching to a PTO system regards the payout of accrued but unused time when workers leave the organization. In some states, PTO can be considered vacation time, which means you will be required to pay out unused balances upon termination.

One way to take the sting out of such a requirement is to put a cap on the amount of PTO time that employees can accrue at any given time. Once employees reach the cap, they stop earning new time until they burn off some of their existing time and dip back below the accrual cap.

By allowing employees to accrue only so much PTO time at any given time, you can contain the financial hit your company would otherwise face should the employee terminate and state law require you to pay the employee for accrued but unused PTO time.