

Paid Time Off

Paid time off (PTO) programs are on the rise because tracking employee leave can be a logistical nightmare. That's why many employers have turned to PTO policies to simplify time-off record-keeping, incentivize employees not to abuse absenteeism allowances, and make scheduling easier. Pitfalls include determining payouts for PTO when terminating employees, and calculating overtime when PTO is involved.

FAQs About Paid Time Off

1. How does a PTO program work?

PTO combines days off traditionally set in fixed increments, such as vacation, personal, or sick leave entitlements, into a pool or "bank" from which workers withdraw each time they take a day or multiple days off from work.

2. What are some of the advantages of a PTO program?

As vacation, personal, and sick days are lumped into workers' personal PTO accounts, the total number of days off they're allowed can be decreased, saving employers money. Not to mention, PTO banks serve as an incentive for employees not to call in sick, because each day taken reduces the number available for vacation or other leave; no more surprise phone calls from employees stretching the truth about why they need a day off from work; and workers tend to plan absences better and give more advance notice of their need for time off.

3. Can an employer legally refuse to pay employees for their remaining PTO time when they separate from employment?

Probably not. Wage payment upon resignation or dismissal is regulated by the state in which your business is located. Regardless if you've set up your PTO system to accrue by day, week, or month, it's probably considered deferred compensation that must be given to the employee somewhere down the line. Key: Investigate your state's law on compensation after separation.

4. How does the use of PTO time affect overtime compensation?

According to the Fair Labor Standards Act (FLSA), if an employee works more than 40 hours in a week, you have to pay him/her time-and-a-half for any hours worked over 40. This standard does not include exempt employees. But if a worker has used two days of PTO during the week in addition to working 36 hours for a total of 48 hours, he/she is not entitled to time-and-a-half for the last eight hours. In other words, you do not have to count the two days of leave toward the 40-hour limit.

