

The pros and cons of an unlimited PTO policy

Imagine your grandfather back in the day looking for a job. He might have expected a potential employer's HR department to offer him healthcare insurance or perhaps a retirement plan. A good employee benefits package may have included a week or two of vacation time and a set number of paid sick days. He likely, though, would have thought somebody in human resources was pulling his leg if presented with the notion of unlimited paid time off (PTO).

Fast-forward to today. As companies look for ways to attract top talent and improve retention rates, unlimited PTO is a reality at many organizations. And even though modern job seekers routinely see a larger assortment of possible perks than in decades past, the concept of unlimited vacation time still generates skepticism.

What is an unlimited PTO policy?

Much of the confusion about unlimited time off stems from misperceptions. The term sounds like a free-for-all in which employees willy-nilly take days off. Outsiders wonder how any business with such a policy could function.

For starters, let's consider a general description of the unlimited time off structure. Employees are not given a set number of vacation days at the start of a year. Rather, they possess the freedom to take as many (or as few) as they need — provided certain other factors are met.

Specific conditions vary by policy, so it is critical for workers to familiarize themselves. Some of the things often spelled out in the regulations include:

- An employee's time off cannot disrupt business or interfere with his ability to complete his work. This often involves coordinating schedules with co-workers to ensure productivity and adequate coverage during the absence.
- Similarly, everyone in the department cannot ask for the same time off. If you request, say, two weeks at Thanksgiving, it may not get approved due to the period's popularity.
- Taking time off may be linked to performance. Workers who are not in good standing or experience other productivity issues may not be eligible. If you routinely meet expectations and get your work done, managers should not have an issue with your request.
- The company may set rules on how much time off someone can take in a single chunk.

There's nothing to "bank" in terms of vacation time for use in later years. Likewise, no mass scramble exists to take time off because of "use it or lose it" policies that force employees to forfeit unused vacation days at the end of the year.

Why do companies offer unlimited paid time off?

In a competitive job market, organizations seek ways to stand out. Highlighting an unlimited vacation policy draws attention. Getting noticed proves especially vital for tech companies and other employers in highly competitive industries. Similarly, an unlimited leave policy at a startup could encourage a candidate to take a second look rather than pass the place over for a “bigger” name.

In a time when the COVID-19 pandemic has generated exceptional interest in employee well-being and mental health, a company policy of unlimited vacation days demonstrates concern. When employees feel free to take the amount of time they need, the organization becomes known for a company culture dedicated to work-life balance. The action builds a considerable amount of trust. Workers feel respected as honorable adults, which is good for morale and loyalty.

Research backs up the potential desirability of unlimited paid time off. As part of [MetLife's 17th Annual U.S. Employee Benefit Trends Study](#), it asked participants about emerging benefits. The report defined emerging benefits as ones that “help employers create the kind of culture that demonstrates a deeper level of care for employees, communicating that their needs are valued and their employer is committed to their success.” What emerging benefit interests employees most? Seventy-two percent of respondents said “unlimited paid time off.” This made it the highest item on the list, placing ahead of things such as wellness programs, phased retirement programs, paid sabbaticals, and on-site free/subsidized services such as meals or a gym.

An additional (and often overlooked) reason companies turn to unlimited PTO

Some employers see another benefit to offering unlimited paid time off — an end to vacation accrual and associated financial responsibility. Under traditional PTO, workers often can carry over unused vacation days from year to year. When employees retire or leave the company, the organization pays them for the days they accumulated. At the present time, U.S. companies have billions of dollars in liability on their books for unused employee vacation days.

Because an unlimited paid time off policy does not contain any “bankable” days, the employer does not issue any sort of payout when someone leaves. No sort of vacation-related bookkeeping needs to be done from year to year because no related financial obligations exist for which to budget money.

A surprise outcome of unlimited PTO policies

If you told your grandfather about companies nowadays offering unlimited vacation days, he would probably snicker that these businesses are foolish. Giving workers this type of freedom just opens the door to them walking all over their employer, right?

Skeptics of all ages regularly make this point. However, research shows that the opposite often happens. Employees eligible for unlimited paid time off frequently take off *fewer* days than counterparts with traditional PTO plans.

Why? Possible reasons include:

- They think they have too much work to do to possibly take much time off.
- They view time off as a hassle because of preparations before the absence and catching up afterward.
- They worry about how they look. Will others think they are lazy? Will management view them as less

ambitious or dedicated? Could an extended absence affect promotion opportunities?

- They do not truly believe the organization wants them to use the days.
- They are not under the time constraints of a “use it or lose it” system where days have an expiration date. They figure they will take vacation down the line or at a “better” time.

Remember, too, that American workers under traditional paid time off plans are notorious for not using their days given either. A record 768 million U.S. vacation days went unused in 2018, according to the [U.S. Travel Association](#). Note that this figure was prior to the COVID-19 pandemic. The global health crisis made things worse with safety concerns and travel regulations putting a damper on vacation plans. Likewise, remote employees often feel strange about [taking days off](#) when already working from home.

Getting employees to take time off

This situation seems great for employers. They boost recruitment, morale, and retention by granting workers unlimited time off, but staff members often do not use it. It is like having your cake and eating it too, right?

Not so fast. This train of thought ignores the fact that people *need* time away from work to prevent burnout.

“Employees who do not take time away will eventually experience more stress-related symptoms such as mood swings, racing thoughts, frustration, irritability, pessimism, more headaches, sleep difficulties, and gastrointestinal disorders,” says resiliency and wellness expert Beverly Beuermann-King of [Work Smart Live Smart](#). “Just like a car engine, people need regular maintenance. Vacations help to restore focus, energy, creativity, productivity, and engagement in their jobs which positively impacts the corporate bottom line.”

What can employers do to encourage workers to take time off? Possibilities include:

- Write the policy in a way that shows you expect it to be used. For instance, state that the company expects people to take “two weeks to infinity” of vacation time each year.
- Talk to people who you notice rarely or ever take time off. Remind them that unlimited PTO is one of their hard-earned perks. Your encouragement may do the trick. If it does not, see if you can at least move them to the mindset that they need to schedule a day off here and there.
- Be sure to set a good example. When staff members routinely see managers taking time off, they gain confidence that doing so is acceptable. Take your own family on that dream Disney Cruise or trip to New York, and show everyone pictures when you return!