

Floating holidays vs PTO: Differences and benefits

Emily pages through the 2023 calendar. Her kids had so much fun with their grandparents on Christmas Day that she promised everyone they would visit more often in the new year. She notices President's Day in February. With school closed that Monday, maybe they could swing a long weekend if she did not have to work. But vacation days are not an option. She already put in for a week in the summer and another around Thanksgiving. And calling in "sick" on a public holiday looks suspect and feels dishonest.

Emily sighs with disappointment. Then, a thought occurs. Floating holidays reset at the beginning of the year. She can use one for this trip plus still have the other for a similar excursion in September around Labor Day!

In an effort to attract and retain top talent, many companies include floating holidays as part of their employee benefits package. Here, we look at what makes floating holidays different from regular paid time off (PTO), what considerations go into creating a floating holiday policy, and how this type of day off promotes organizational values such as work-life balance and diversity.

What is a floating holiday?

A floating holiday is a paid day off on a day when the company is open for business. Organizations face no obligation to provide them. Rather, employees generally view floating holidays as a welcome perk. Employers set their own terms regarding numbers, with two or three floating holidays per calendar year being the most common offering.

Depending on how exactly a workplace structures its floating holiday policies (more on that later), this type of day off can look very similar to standard PTO. Some possible differences include:

- **Accrual.** All employees get the same number of floating holidays regardless of length of service.
- **Use or lose.** Unused floating holidays usually do not roll over from one year to the next year.
- **Payment.** Employees leaving the company usually do not receive compensation for unused days designated as floating holidays.
- **Nature of day off.** People often use floating holidays to celebrate cultural holidays, religious holidays, and other meaningful observances. Some use them for federal holidays not on the company's holiday schedule.

- **Notice.** Employees generally give a heads-up in advance when they want to take a floating holiday. By contrast, a sick day gets called in on the date it is happening.
- **Length.** When using regular PTO, workers sometimes take off only an hour or a half day of time. Employers typically expect employees to use an entire floating holiday on a single date.

State laws vary regarding floating holidays and other forms of time off. Human resource departments, especially in stringent places such as California, must stay abreast of requirements such as compensation, rollover, and related issues.

Establishing company policy

Setting guidelines from the get-go avoids confusion for any type of time off, whether that be vacation time, sick leave, unlimited PTO, or floating holidays. The employee handbook should clarify the differences between each time-off benefit — their purpose, length, amount of notice, etc.

Some employers treat floating holidays pretty much like personal days. They do not ask the reason for taking it, nor do they care if someone tacks the floating holiday onto a scheduled vacation. Some encourage use on the employee's birthday as a special way to mark the occasion.

Other employers set restrictions. They may announce blackout dates when people cannot take floating holidays because of the need for all hands on deck. Or, they may restrict the number of workers who can request a given date in order to ensure coverage.

Sometimes, employers provide a list of popular dates from which employees can choose their floating holidays. For instance, the office may be open on the Wednesday before Thanksgiving, Black Friday, Christmas Eve, New Year's Eve, Good Friday, and Easter Monday. People can select two from the list they deem most important to take off. This action balances sufficient staff on hand with employee desire for extra holiday time off.

Whatever the final decision regarding floating holiday schedules, put it in writing and follow it consistently. Companies kill employee morale if policies generate confusion or seem enforced willy-nilly.

The Internet contains a variety of templates for constructing a section on floating holidays for your employee handbook. The Society for Human Resource Management (SHRM) is another good source for [sample wording of a floating holiday policy](#).

Workers should walk away with answers to FAQs:

- Who receives floating holidays?
- How many floating holidays do I get each year?
- For what purpose may I use a floating holiday?
- Are floating holidays limited to specific dates?

- Do new hires get floating holidays? If so, how many and when are they granted?
- How do I go about requesting a floating holiday?
- Do I need to schedule the floating holiday in advance?
- Are there any blackout dates when floating holidays cannot be taken?
- Does someone need to approve my floating holiday?
- Do unused floating holidays carry over to the next calendar year?
- Can I cash out unused floating holidays if I leave the company?

Benefits of floating holidays

As Emily's situation in the opening shows, floating holidays generate happiness. Undoubtedly, workers appreciate any type of time off. But the thought behind floating holidays helps distinguish them from regular PTO days.

Many people developed new mindsets during the COVID-19 pandemic and its aftermath. Things such as work-life balance, mental health, and personal relationships gained importance. Workers want employee benefits that support these priorities. Floating holidays send the right message. They say the company wants you to take extra time to enjoy a celebration, relax, or create a memory.

"I used a floating holiday for an early Christmas present to myself, and it was amazing," says Henffrey Muthama, marketing executive at [LedAsk](#). "I took a trip to the beach with some friends, and it was really relaxing. I spent time swimming and tanning, and then I played in the sand and watched the sunset. It was really nice, and I'm glad I got to go!"

Similarly, floating holidays show that the organization recognizes that different events are important to different people. Workers can take time off on a day of cultural or religious significance to them without having to "cut into" vacation days.

"Floating holidays are integral to our DEI initiatives," says Josh Tyler, CEO of [Giant Freakin Robot](#). "Employees from different religions or ethnic backgrounds benefit from these added paid leaves the most. It allows them to participate in religious and cultural celebrations not covered by traditional or public holidays in the U.S. Providing floating holidays to everyone promotes a healthy workplace culture of diversity and inclusion, boosting employee satisfaction and retention strategies in the process."

Floating holidays also prove extremely helpful for companies operating out of multiple countries.

"As an online business operating fully remotely with employees from five different continents, we have to make sure their well-being is taken care of. One way of providing it is by offering floating holidays so they can celebrate important dates with their families, relatives, and friends," says Denis Ristić, general manager of [AskGamblers](#). "For example, a big part of our team is from India, where they celebrate Diwali, also known as the festival of lights, which unfortunately is not recognized as an official holiday in many countries. Employees from

India can use their floating holidays in order to celebrate Diwali, while other parts of the team will use their free days on a different occasion.”

Lastly, sometimes floating holidays serve practical purposes.

“I offer floating holidays for my employees because I was offered that at a previous job and really liked it, so I wanted to extend that perk to my employees now that I have the power to do so. Though they can take whatever day they want, most of my team ends up taking a day off strategically for travel purposes so that they can get a slightly cheaper plane ticket and avoid the crazy holiday rush,” says Trevor Sookraj, CEO of [Divisional](#).

In whatever way a floating holiday makes life a little easier or a little better for employees, it is fulfilling its purpose!