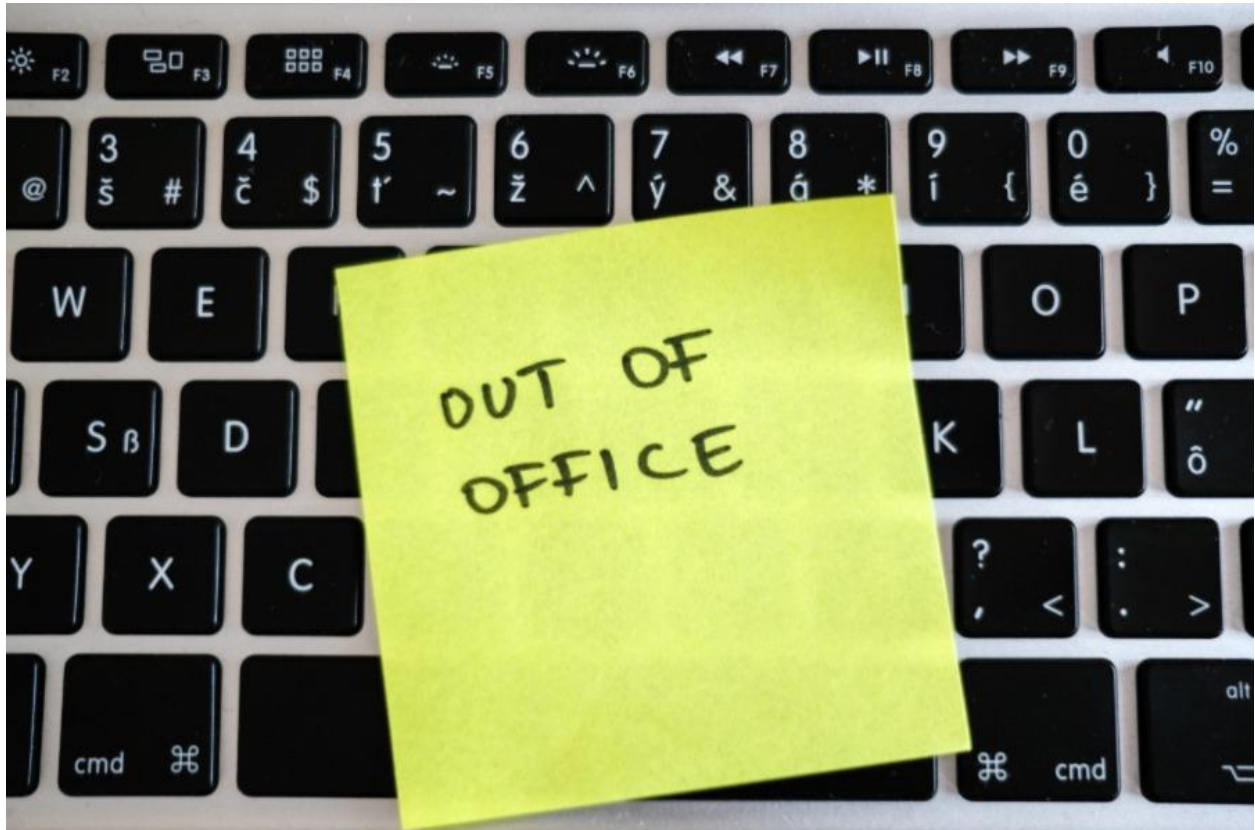


# Should My Business Implement an Unlimited PTO Policy?

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9 min read



More and more companies have begun offering their employees something that sounds like it comes from a workers' fictional utopian future – unlimited paid time off (PTO).

## Key Takeaways

- **Everything Your Business Leadership Team Should Know About Unlimited PTO:** Employees can take off as many days as they need for a vacation, family time, sick time, mental health, or any other reason. The major caveat that most companies include in unlimited PTO policies is that...
- **How to Effectively Implement Unlimited PTO:** Be very clear about how your unlimited PTO policy works and how employees should expect to use it...
- **Keep Employee Burnout at Bay:** Whether you revise your PTO policies, automate repetitive workflows, offer flexible work options, or decide to rework your programs...

That's right. Businesses everywhere have actually begun offering their employees unlimited paid days off in an effort to attract top talent, improve employee retention, and stave off the growing threat of employee burnout.

Yes, the idea of unlimited PTO seems too good to be true or perhaps too risky to be a sound business decision. However, the idea has taken hold, is gaining popularity, and just might be a lot more reasonable than it initially seems.

## Unlimited PTO FAQs: Everything Your Business Leadership Team Should Know About Unlimited PTO

### What Is Unlimited PTO?

Unlimited PTO is exactly what it sounds like, **paid time off offered to employees on an unlimited basis.**

### How Does Unlimited PTO Compare With Traditional PTO Models?

In a traditional PTO model, a company might offer paid time off in one or two buckets: general PTO or sick and vacation PTO. Employees accrue this time off at a prescribed rate or are given a certain number of days at the start of the year. They can then take the paid time off until they run out or save it up and carry it over to the next year or opt to have the days paid out to them in their last paycheck of the year.

With [unlimited PTO](#), employees do not earn or accrue PTO days. They do not roll over unused PTO days, they do not run out of PTO days, and they do not get paid out for unused PTO days upon exiting the company or at the end of the year.

Instead, employees can take off as many days as they need for a vacation, family time, sick time, mental health, or any other reason. The major caveat that most companies include in unlimited PTO policies is that employees can take as much time off as they want as long as their work is complete, productivity does not lag, and work quality does not suffer.

Typically, approval for days off in an unlimited-days-off workplace is approved (or denied) by management on a case-by-case basis.

## **Is Unlimited PTO More Expensive**

While you might immediately assume that unlimited PTO policies are too expensive for your company to afford. You might be surprised to learn that they can actually save your business money.

**Read More:** [Why Do Employees Quit?](#)

When first presented with the idea of unlimited PTO, most business leaders immediately imagine empty offices with their employees taking days off all the time. However, a survey from Namely actually found that U.S. employees in companies that offer unlimited PTO actually take off an average of two days less (13 days) than the national average (15 days) [1]. In terms of employee burnout, this below-average figure could spell trouble for your company. It does, however, mean that you likely don't need to worry about employees abusing the system.

Additionally, unlimited PTO can save a company money because, since employees do not accrue PTO, they do not have unused days that need to be automatically paid out upon exiting the company or at the end of the year. (Keep in mind that rules and regulations regarding PTO vary from state to state, and your state's regulations might have different requirements.)

Unlimited PTO also eliminates the burden of tracking and sorting all of your employees' PTO days, and this eliminates one of your back-office tasks, saving time and resources.

Despite these potential cost savings, unlimited paid time off is more difficult to pull off and logistically organize in companies with limited numbers of employees who work for hourly pay.

## **Can Unlimited PTO Help With Employee Burnout?**

The original impetus behind unlimited PTO is to help reduce employee burnout (in addition to attracting high-quality applicants) by creating a more desirable work-life balance and creating additional opportunities for employees to take time off when they're sick, for vacation, or simply

to rest up and rejuvenate doing whatever they love doing most. Unlimited PTO can help employees do this without worrying about whether or not they're going to need the days they're taking later on, so, in theory, using PTO in an unlimited PTO system should be worry-free.

**Read More:** [4 Ways to Fight Employee Burnout With Automation](#)

As the above-mentioned survey showed, however, employees in unlimited systems tend to take less time, and taking time off can be incredibly stressful if the workplace culture does not promote time off in a positive manner. If employees feel pressured to work through illness, guilt for taking a vacation, or bad about needing a few days of rest, then they likely will not take enough time off. As a result, employees could end up burning out more quickly than they would have in a traditional PTO system.

## **Does Unlimited PTO Hinder Productivity?**

When [implemented properly](#), in a way that encourages employees to take time off while still holding them accountable for completing their jobs well and on time, unlimited PTO can actually boost productivity by avoiding employee burnout, increasing employee satisfaction, and increasing employee engagement.

## **Is It Better to Use PTO as an Employee Incentive?**

Many businesses currently use PTO accruals as a way to incentivize their employees and reward them for loyalty, and this model doesn't work in an unlimited PTO system.

For example, a company might offer a new employee 10 days of PTO per year and increase that figure to 15 days after working with the company for five years.

While increasing PTO is an effective loyalty incentive, there are other incentives that you could consider offering instead. If you do begin offering unlimited PTO, be sure to replace your time off incentive with something else so that employees continue to feel motivated to stick with your business and so that current, long-term employees do not feel like their loyalty is no longer valued or that their reward has been taken away.

## **What Are the Drawbacks of Unlimited PTO?**

The potential problems with unlimited PTO can arise as a result of poorly communicated PTO policies and/or as a result of a workplace culture that is not conducive to this model. The potential cons of unlimited PTO include:

- Employees who take too little time off as a result of not understanding the policies, not feeling encouraged or welcome to take time off, or feeling pressured to work more as a result of the culture or management.

- Unlimited PTO can inadvertently result in an unplanned competition between employees who begin comparing who takes the most or least time off. Careful management of policies and culture around PTO is essential in an unlimited model.
- In a company with a hustle culture, unlimited models can place a lot of attention on time off. As a result, certain employees might overwork themselves to gain favor or become more successful than their coworkers.

## **How to Effectively Implement Unlimited PTO**

Despite potential downfalls, unlimited PTO plans can be highly beneficial for business. Just be sure to implement unlimited PTO with a sound policy and plan for rolling it out in your company.

### **1. Establish a Clear PTO Policy (Including a Minimum Vacation Requirement)**

Be very clear about how your unlimited PTO policy works and how employees should expect to use it. Outline how they can request time off and what they need to do to make sure their requests are approved (i.e. keeping up with work and not letting their work quality suffer).

Additionally, it's beneficial to establish a minimum for the amount of time that employees are required to take off each year. This will help to ensure that employees do not overwork themselves or inadvertently become competitive or comparative about time off. Since employees do not have to use or lose this time or worry about saving it for flu season, a minimum requirement is not likely to incite a rash of last-minute vacations at the end of the year.

### **2. Clearly Communicate the PTO Policy**

Simply having the policy in place is not enough. You also need to clearly communicate the policy to employees at all levels of your company and be sure that you are available to answer questions as they arise. This communication is especially important for new employees, new managers (or managers promoted from within), and in the early days of the unlimited PTO program.

### **3. Business Leaders Need to Set the Example**

Be sure that the leadership in your company is setting a positive example by also using the unlimited PTO policy while keeping up with their work and maintaining productivity. Leadership should encourage employees to take advantage of the policy to improve their work-life balance without shame or judgment (so long as their work responsibilities do not suffer).

### **4. Offer Flexible Alternatives to PTO**

While unlimited PTO is an attractive benefit for most potential employees, it isn't everything. Many employees desire a different kind of flexibility that allows them to enjoy working days

remotely or a hybrid office model that enables them to work at the office some days and home on other days – without considering it paid time off.

**Read More:** [Managing Company Culture in a Hybrid World](#)

## **5. Use Unlimited PTO to Attract Candidates**

If you implement unlimited paid time off as an employee benefit, then be sure you advertise it with your job openings. These kinds of flexible benefits will help your company attract top talent in a highly competitive hiring landscape.

## **Keep Employee Burnout at Bay With Effective Human Capital Management Strategies**

Whether you revise your PTO policies, automate repetitive workflows, offer flexible work options, or decide to rework your programs for [rewarding and recognizing](#) successful employees, maintaining a healthy and effective human capital management strategy is essential to the happiness of your employees and their ability to stay energized, avoiding employee burnout.

When your business is built to take good care of its most valuable asset – its people – then the people will, in turn, take good care of your business.

Like any business initiative: it's important to have a robust back office to keep track of your progress by measuring a variety of key performance indicators. Monitoring metrics such as your employee retention and attrition rates, labor ROI, profit margins, and individual employee productivity will help assess your human capital strategy.

[1] <https://blog.namely.com/blog/high-turnover-high-growth-companies>