**Unlimited PTO – Is it Right for Your Company?**

See you in a month - I’m going to Tahiti!  Sounds great, right?

Happy employees lounging on beaches or climbing mountains and not worrying about how much time they are taking off?  Coming back refreshed, energized and motivated which means higher productivity for the employer?

Unlimited PTO has many benefits for both the employer and the employees but before you jump in, you’ll need to assess the perks and pitfalls of this unique approach to time off.

**Benefits:**

* Engagement: This approach can potentially lead to a more engaged and empowered workforce particularly as we are welcoming the next generation workforce.  The new generation workers want more freedom and flexibility and putting in place an unlimited PTO policy demonstrates trust from the employer.
* Administrative Time: The employer will spend less time tracking accrued time off for individual employees. While it will still be important to track time, particularly for non-exempt employees, there will be less concern with “how much PTO is left”? You also will not have to worry about tracking carryover, maxes or having to deal with employee complaints about losing time because they intentionally worked on an important project instead of taking vacation.
* Financial Liability: There may be reduced financial liability.  While many PTO programs tend to provide employees with some kind of PTO payment upon termination, most unlimited PTO programs do not, as there is no specific forfeiture amount. Companies will not have to pay out accrued, unused time at the end of year or when someone leaves the company (*unless required by law*).  These savings can be significant.
* Efficiency/Operations: Employees won’t be spending the last quarter of the year trying to get in those last unused days; instead time off will be taken when needed (and approved!) all throughout the year.
* Recruiting/Retention: Few companies offer this type of plan so it could be a great recruiting and retention tool.

**Considerations:**

* Company Culture: Some cultures encourage time off to keep employees fresh and motivated, but others look at time off as a negative (*i.e. the less time taken off the more dedicated/loyal the employee is*).  The messaging will be critical for this program to be a success so you need to carefully consider if this is the right time in your culture.  Rolling out an unlimited PTO policy but not encouraging use of it, can do exactly the opposite of engaging and retaining your employees.
* The Business Operations: Some businesses just can’t support this type of policy because they are highly dependent upon presence such as the retail or hospitality industries.  This approach will not work for every business and may be more suitable to smaller companies that have a committed, professional workforce than for employees with large hourly workforces. Managers must be trained on the new method and managers who are used to granting time without thinking about it since PTO was pretty limited anyway will need to be more intentional about their operations.
* Coordination: How will this policy coordinate with other time off policies, such as short/long term disability benefits?  Check with your broker or provider if you offer these benefits for suggested plan document changes. Also, consider FMLA-which provides job protection for qualified employees at covered employers up to 90 days or 480 hours.  You may wish to address how unlimited PTO can or cannot be used in conjunction with FMLA. In general, separating “leave” from unlimited PTO is important as you don’t necessarily budget for paying for months of time off in the case an employee is out on leave.
* Perception: Consider how to manage and communicate the program and look at surveys and focus groups to get you started. In the case that you have many employees who feel unable to take their PTO, they may feel the policy is unfair. How can you mitigate this concern?

Once you have carefully explored all the benefits and challenges and have decided to go with this non-traditional plan make sure you have a well-documented, formal policy in place. Feel free to contact a Catapult Advisor for guidance.

Written by a Catapult Advisor.