

VACATION / PTO PLANS



With summertime just around the corner we felt it appropriate to share some insight to common questions on Paid Time Off "PTO" that we are posed with frequently:

1. Are employers required to provide paid holidays or PTO? No

employer is required to pay for time off on holidays, but there are many that employers choose to observe and pay employees. Similarly, there is no requirement that employers must provide PTO, but it's generally an HR essential to attract and retain good employees.

2. What is the average number of paid holidays provided? The average number of paid holidays offered by employers is 6-10. Usually organizations provide at least 5 paid holidays, however we've seen organizations provide as many as 15. Additionally, nearly 40% of employers offer at least one floating holiday each year.

3. Should we credit paid holidays that occur over a vacation? Generally-speaking, yes. It's a good practice to credit PTO if a paid holiday occurs over a vacation. For example, if employees take July 2nd through July 6th off and July 4th is a paid holiday observed by your organization, this day would be credited back to the employee's vacation or PTO bank.

4. How should we handle employees who take off unscheduled days before or after holidays? An alternative for employers to consider when dealing with this concern is to include a statement within the policy; requiring the absence(s) to be pre-approved prior to incurring in order for the holiday to be paid. In addition, that patterned absences such as before or after holidays or weekends are considered unexcused [absences](#) and may be subject to discipline. The best way to prevent this from happening is to cover it in your policy and enforce it consistently.

5. What are some reasons for considering PTO plans versus vacation and sick time? PTO plans combine (vacation, sick, and personal days) into one bucket, versus separate buckets of time off, and typically exclude holidays, bereavement leave, jury duty, etc. PTO plans allow employees to use days off for any reason and as a result tend to make the administrative process of managing and tracking time off easier. The focus of PTO is not on managing the reasons for the absence, but rather giving employees the freedom to use their time as they see fit. More employers are moving to PTO plans for these reasons.

6. How many PTO days do organizations typically give? The standard across most benefits surveys is providing 10 days after at least one year of service, 15 vacation days after five years of service, and 18 vacation days after 10 years of service. Maximum amounts of vacation days are typically between 20-25 days, but vary greatly by employer. If sick and personal days are also included (such as in PTO plans) the number of days provided typically increases by 3-5 days at each interval. Vacation or PTO time is generally based on anniversary hire date or calendar year. And the employer can determine whether to instill a "use it or lose it" vs. carryover into the next year or payout which can effect the bottom line.

7. Do we need to pay out vacation time upon termination? Finally, employers often inquire about if they need to pay out PTO upon an employee's separation. Accrued PTO is normally paid to employees who leave the company voluntarily or involuntarily. Termination payments, however, are governed by state law and the employer's policy.