

BUILDING EMPLOYEE LOYALTY WITH PTO

Maximizing your time off policies
to increase trust and engagement.

Namely  HR for Humans

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INTRODUCTION

There's one universal question that candidates ask before accepting a job offer: "How many vacation days will I receive each year?"

According to [Project Time Off](#), Americans take an average of 16.2 vacation days annually. That said, 55 percent of surveyed employees reported that they did not use all of their vacation days.

Meanwhile, employee engagement continues to be an ongoing challenge for HR professionals. An engaging culture attracts prospective talent and retains existing employees. In order to remain competitive, it's crucial for companies to build employee loyalty. Paid time off (in its many forms) is a powerful tool to do just that. A culture that encourages work-life balance through thoughtful PTO policies makes employees feel valued and motivated.

How do you take your PTO policy to the next level? There are a multitude of low-cost initiatives that can supplement standard employee vacation plans. Follow this comprehensive guide to see how you can freshen up your company's PTO offering.

Ready? Let's get started.



1

UNLIMITED PTO

Decoding one of the fastest-growing workplace perks.

What is Unlimited PTO?

While traditional PTO policies allot [11-15 vacation days per year](#) on average, unlimited policies (as the name suggests) are designed to give employees a limitless number of vacation days. On an unlimited vacation plan, employees don't have to worry about using up days before the end of the year, or about going over by one or two days. Instead, with manager discretion, they can comfortably take the time they need. This can also cut the employer cost of paying out unused vacation days to employees who leave the company.

[Manage vacation requests with the click of a button. See how easy it can be with Namely.](#)

Though the buzz around unlimited vacation time seems to be ubiquitous, the reality is that only [1-2% of companies](#) offer an unlimited vacation policy. Since its early adoption at companies like Netflix and LinkedIn, there has been much debate around the practice. Some say that it benefits the employer and shorts the employee—because many employees actually take less time off than on traditional plans. However, many prospects still view unlimited vacation as a major perk. With the right implementation, it can be [mutually beneficial to everyone](#) in your company.

Pros and Cons

Unlimited vacation can be a great contributor to employee happiness, just beware of some pitfalls that stem from poor execution.



BENEFITS

Flexibility

With unlimited vacation, employees don't have to perfectly ration out their vacation days in advance. When life happens, this increases flexibility around last-minute trips, and it saves employees the stress of calculating whether they have accrued enough time off.

Conveys Trust in Employees

Unlimited vacation is a great way to show employees that the leadership trusts them to make responsible time-off decisions. While they are expected to keep an open dialogue with managers, they don't need to feel micromanaged about their work-life balance.

Increased Productivity

Data reveals that some of the best performing employees also take [the most vacation time](#). This goes to show that when a company clearly supports ample PTO, it can boost both productivity and engagement.

No More End-of-Year Rush

Employees on traditional plans might be slow to take vacation days early on, only to realize that they have a lot to use before the end of the year. If everyone takes time off at once, you may encounter coverage and productivity problems. Unlimited vacation helps spread out employee vacations over the year.



DRAWBACKS

Underutilization of Vacation Days

Unlimited vacation can be problematic in an environment where employees feel that their value is linked to office face time. On average, employees with unlimited PTO plans [actually take less vacation than those on a traditional plan](#). Many employees clearly fear coming across as a lesser team player if they take too many breaks.

Abuse of the System

Though it is far less common, there is also a fear that employees will abuse the system and take way more days off than the average. Some companies combat this pitfall by capping the number of days an employee can take off per year or at a given time, or by setting clear requirements around how much of a heads up employees need to give their teams.

Best Practices

Whether you offer an unlimited policy or not, it's likely that these pros and cons have crossed your mind. If you're considering updating your policy, rest assured there are ways to make an unlimited plan work for everyone at your company. Here are the best practices you need to keep in mind:

Eliminate Ambiguity

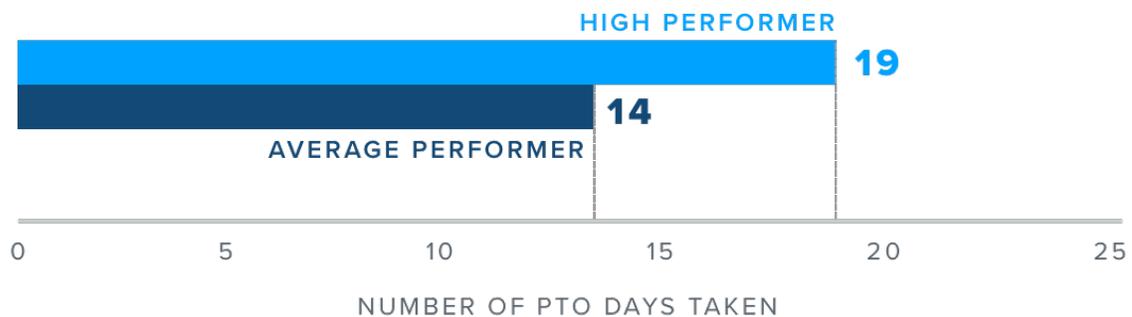
Employees need guidance. Make sure you have clear boundaries around what is considered an acceptable range of days off (ex. at least a week, but less than three months). Include these guidelines in your handbook for employees to reference and circulate this widely.

Make Sure Employees Actually Take Time Off

With the prevalence of underutilized vacation time and nose-to-the-grindstone work environments, incentivizing PTO may take some work. Consider requiring employees to take a minimum amount of vacation days per year. Get creative to make sure employees take the time off they deserve. For example, FullContact gives employees [a travel stipend](#) to encourage them to unplug and go on vacation.

RELATIONSHIP BETWEEN PTO AND PERFORMANCE RATINGS

Data from Namely's 2017 Mythbusters Report



Build It Into Your Culture

Make an ongoing effort to ensure your work culture supports your time off policy. Managers and peers should encourage vacation time to help reduce any guilt or shame that employees may otherwise associate with taking time off. It starts with leading by example, which you can do by sharing photos of vacations in your [company newsfeed](#) and encouraging managers and employees alike to fully shut down and tune out while they're off.

2

REDUCED SEASONAL HOURS

So-called “summer Fridays” and more.

What Are Reduced Seasonal Hours?

Reduced [seasonal scheduling](#) policies shorten office hours for a clearly defined period during slower months of the year—typically in the summer. In cities like New York, many companies offer “summer Fridays,” where employees have shortened hours on Fridays throughout the summer months. As of 2014, [only 14% of companies](#) offered seasonal scheduling.

Pros and Cons

Seasonal schedules are a fun and low-cost perk employees love—just be aware of scenarios that may interfere with the success of your business.



BENEFITS

Business Slows Anyway

In many industries, business tends to slow in the summer as families go on vacation and employees sneak out of the office a little early to enjoy the remaining daylight hours. A slow and empty office can often lead to a lull in employee productivity.

Encourages Efficiency

Even if employees are in the office from 9am-5pm, that doesn't guarantee that they're efficient during those hours. Giving employees shortened seasonal hours can motivate them to get everything done earlier in the week, so they are ready to kick the weekend off early come Friday.

Increase Employee Engagement

If you get your employees excited about this initiative, you will see increased loyalty and happiness. Employees who feel like your company cares about work-life balance will be more inclined to work harder during the rest of the week and focus during work hours.



DRAWBACKS

Overutilization

Some employees may take advantage of the new program and leave earlier and earlier throughout the summer—maybe even leaving some tasks unfinished before setting off for the weekend.

Underutilization

Other employees may think that they have to prove their worth by staying late on Fridays, but often those extra hours don't necessarily contribute much to their productivity.

Hourly Workers

If you have a mix or majority of non-exempt hourly employees, those employees will likely want to work as many hours as possible, as their paycheck depends on it. This often means that seasonal scheduling is better fitted for companies with primarily salaried employees, as opposed to hourly industries such as food service or retail.

Best Practices

If your company naturally has a slow season, consider whether your leadership team might be open to reducing hours. Take into account the specific needs of your industry and workforce. To make sure your reduced hours go off without a hitch, keep these tips in mind:

Work with Leadership to Monitor and Adjust

Work closely with leadership to ensure buy-in for your seasonal scheduling initiative. With leadership on board, you can set expectations and guidelines that are comfortable for all parties. Let employees know that guidelines are subject to change over time, so you can monitor and adjust as needed.

Clearly Define the New Schedule

Make sure you communicate the new plan clearly throughout your company. Define the period in which the seasonal scheduling will take place, and alert your employees through multiple channels of communication such as email, office signage, and in-person at company meetings.

Encourage Participation

As with unlimited vacation, employees may have to overcome [a hurdle of guilt](#) for leaving early. If everyone is waiting for someone else to leave early, often no one actually ends up leaving. Encourage managers to lead the charge and leave the office during the reduced hours. You can also get employees to put their work down by inviting them to company activities like happy hours or team outings.

3

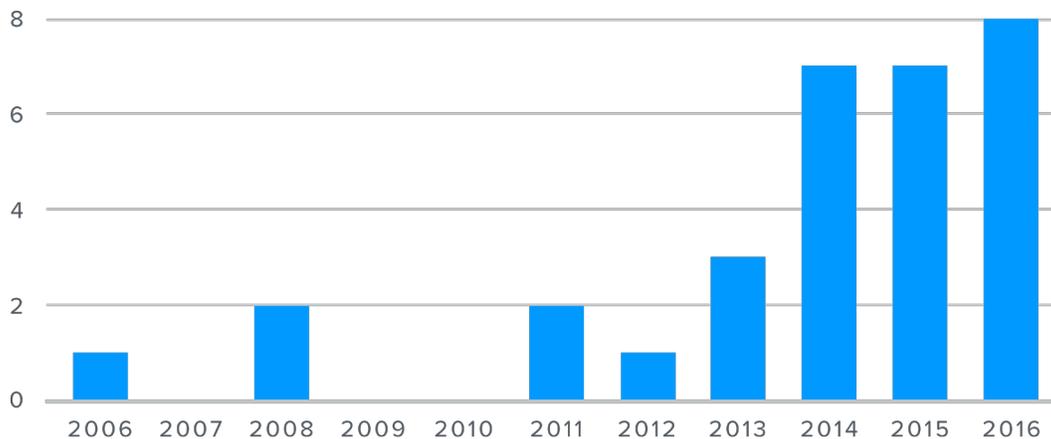
PAID LEAVE

Once a luxury, paid leave has become a baseline expectation.

What is Paid Leave?

Paid leave occurs when employees are permitted to take time off for a special circumstance, such as an illness or childbirth, and still receive pay during the leave period.

PAID FAMILY LEAVE LAWS ENACTED SINCE 2006



In recent years, several localities have passed and implemented more robust paid family and sick leave laws that are enforceable at the state or city level. While some areas like New York and Washington D.C. signed laws into order [before they had a plan in place](#) to execute and enforce them, others like Washington State have comprehensive provisions for paid leave. [Washington State's 2017 law](#) will provide eligible employees with 12 weeks of paid leave for birth, adoption, or if the employee has a family member in serious medical condition. These laws have changed the landscape of family leave and give many employees a record amount of paid time off to spend with their families.

Pros and Cons

Paid leave has become a major movement across many localities, so make sure you're prepared to take action if new legislation comes your way.



BENEFITS

Supports Work-Life Balance

Generous paid leave policies can reiterate that your company supports the ever-elusive idea of work-life balance. Such a policy can show that states and companies alike are working hard to ensure families have the resources they need to be successful both at work and at home.

Increases Loyalty and Retention

Robust paid leave policies contribute to a culture in which employees can trust that their personal circumstances will never put their job or finances at risk. Implementing policies that honor the personal lives of employees can help build employee engagement.



DRAWBACKS

Not All Laws are Actionable

New York recently released [revised regulations](#) for their paid leave law that was passed over a year ago. Washington D.C. on the other hand still has yet to lay out a plan for putting their recent paid leave law into practice. While both laws offer generous provisions, there is work to do before they can be put into practice.

Best Practices

Employee paid leave can take many different forms and can be a major booster of company morale. No one wants to work in environment where they have to keep their personal struggles a secret. If your employees know there is a policy in place that protects them in the case of a major life event or medical challenge, they will feel more loyal to your company in the long run. Keep these three tips in mind:

Keep an Open Dialogue

If your employees are sick, pregnant, adopting, or experiencing another time and resource-consuming family medical emergency, you want them to feel comfortable approaching you. When employees know paid leave policies exist, it will help open the door to better communication around how to juggle personal life events and job responsibilities.

Plan Ahead

Even if your city or state has not yet been affected by local paid leave policies, the speed with which cities are introducing new legislation should signal that it might not be long. Work with leadership to get ahead and outline what a revamped paid leave policy could look like at your company. Use existing policies to model your outline.

Get Everyone on the Same Page

Most of the recently introduced paid leave policies are made possible by a combination of employer and employee funding, based on paycheck contributions. This could impact employee wages as well as your bottom line, so it's important that everyone in your company understands how the program works. If you're updating your policy, present the details clearly in person, via email, and include it in the employee handbook so that no one is surprised.

4

REMOTE WORK & FLEXIBLE HOURS

Flexibility can contribute to employee engagement and retention.

What is Remote Work?

The increasingly digital landscape of the modern workplace has paved the way for flexible employment opportunities. Many companies now employ workers who work either from home or in remote locations, and some companies have almost entirely remote teams. Managing a remote workforce is not without its challenges, but it can vastly expand your prospecting network and lead to hires that may not have been otherwise possible.

Pros and Cons

It can be hard to have a widespread employee network, but a remote workforce is quickly becoming the way of the future—and it's not without benefits.



BENEFITS

Flexibility

Remote employees often build their own schedules, which can give them a leg up in finding that elusive work-life balance.

Performance Over “Face Time”

Remote employees know that they will be evaluated on the quality of their work, rather than the hours clocked in the office. They understand the importance of producing results even without the structure of a 9-5 schedule.

Increase Employee Trust and Loyalty

Giving employees the flexibility to build their own schedules (within the confines of their job requirements) can make a huge impact on their loyalty to the company.



DRAWBACKS

Less Visibility into Employee Time Management

It can be hard enough to trust that the employee sitting next to you is being productive, let alone employees in other cities, states, or countries.

Limited Communication

For teams with employees in different time zones, it can be difficult to get everyone together for a meeting or even ask a quick question.

Remote Employee Inclusion

Without the right engagement efforts, remote employees can feel like they exist on the outskirts of the team.

What Now?

Remote work and flexible work schedules can be an easy and cost efficient way to engage your employees. Introducing flexibility can be as simple as sharing [a work from home policy](#) or as developed as a remote employee ecosystem.

As you decide what kind of flex policy best fits your company culture, keep these three tips in mind:

Establish Clear Guidelines

Set expectations for who is entitled to work remotely, how frequently, and under what circumstances. Certain roles may be less ideal for remote work, so just make sure that managers are working closely with employees to set ground rules and processes for requesting remote work opportunities.

Ensure Your Culture is Inclusive

Use [technology](#) that helps remote workers feel like they're still an integral part of the team. Chat platforms and video calls can enable employees to join meetings and keep in touch in real time. You can also try to bring off-site employees on location for team events as often as possible.

[Learn how HR software can help you manage everything from payroll to time off for all your employees—wherever they are.](#)

Don't Forget about Non-Exempt Workers

Beware of [compliance traps](#) around hourly workers. The FLSA in no way prohibits remote work for non-exempt employees, however the guidelines around this kind of work are ambiguous. Make sure your remote non-exempt employees have a clear understanding of how to count and report the hours they have worked.

CONCLUSION

Thoughtful paid time off initiatives can have a major impact on employee productivity and retention. At the end of the day, rewarded employees are loyal employees.

Drafting the right policies and fostering the right culture can go a long way. That said, keep in mind that HR technology can serve as a helpful tool in making your PTO vision a reality. Empowering employees to request time off easily from an HRIS encourages staff to take a deserved break. Having that same data seamlessly link with payroll helps your HR team take a breather, too. [Click here to learn](#) how technology can solve the riddles of PTO, paid leave, and more.

Now that you have the tools to get started, it's time to revisit your existing time off policy and see where you can innovate to set your company apart.