

# HR Insights

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## Minimum PTO Policies

Many employees do not use their allotted paid time off (PTO) despite their employers' vacation and other leave policies. As a result, some employers are implementing minimum PTO policies to address this challenge. This emerging trend takes standard PTO policies one step further by mandating that employees take off a minimum number of days each year. When done properly, minimum PTO policies can help curb employee burnout, improve workplace productivity and strengthen attraction and retention efforts.

This article explores minimum PTO policies, including the potential benefits and organizational considerations for developing and implementing these policies.

### What Is Minimum PTO?

Minimum PTO—also known as mandatory vacation or time off—is a policy that requires employees to take a minimum number of vacation days each year. While minimum PTO policies can vary by duration and the amount of time employees can take off, they generally take the form of an annual time-off minimum. These policies can establish deadlines for employees to use their PTO monthly, quarterly, seasonally or annually. Employees continue to receive their regular wages when taking time off.

Some employers require employees to take a portion of their minimum PTO over multiple consecutive days. This is known as a consecutive-day policy. For example, an employer may require employees to schedule five of their allotted 15 PTO days consecutively. This helps ensure that employees disconnect from work while away from the office, allowing them to use their PTO for something meaningful and return to work recharged. Consecutive day policies may also allow employees to

take time off in smaller increments as long as they take one larger block of PTO each year.

### Potential Benefits of Minimum PTO

Many savvy employers are transitioning to minimum PTO to help their employees feel happier and more satisfied at work, which can increase workforce productivity and reduce turnover. Minimum PTO not only encourages employees to use their allotted time off, but it can also strengthen organizations. The following sections highlight some benefits of implementing minimum PTO policies.

#### *Improved Employee Well-being*

Employees are an organization's most valuable resource. By requiring employees to use their PTO, employers prioritize their workers' mental and physical well-being. Minimum PTO can also help organizations strengthen employee loyalty since it can signal to workers that they're not required to be online or work outside of expected hours. This can lead to employees feeling valued and, therefore, improve morale. Additionally, because minimum PTO policies help employees recharge, they can improve workplace productivity and safety. A rested workforce will likely be more creative, focused and careful.

## *Workforce Needs Evaluation*

Mandatory PTO allows organizations to evaluate their workforce needs and reveal potential issues. By requiring employees to take time off, employers can learn whether a particular employee is taking on too many responsibilities and if they need to hire additional workers. It can also encourage cross-training by allowing workers to take on new responsibilities and gain experience when their colleagues are away. This can enable knowledge transfer among workers and decrease the risk of losing vital information and experience when an employee leaves. Additionally, since minimum PTO requires all employees to take time off, it can provide employees with opportunities to report workplace issues that they might not otherwise do due to fear or intimidation, such as harassment and bullying.

## *Reduced Cashflow and Rollover Issues*

Minimum PTO policies can provide a positive alternative to use-it-or-lose-it PTO policies. Many regular PTO policies allow employees to cash out or roll over unused PTO at the end of the year. Cash-outs can create cashflow problems for employers, and rollovers can lead to scheduling challenges the following year. Minimum PTO policies can help organizations save money on year-end PTO payoffs by avoiding cash-outs entirely and limiting potential scheduling issues from rollovers.

## *Alternatives to Unlimited PTO Policies*

Unlimited PTO can be a great recruitment tool and may seem ideal for employees, but, in reality, it can be problematic. Employees often struggle to strike a balance between an acceptable amount and an excessive amount of PTO under unlimited policies. As a result, many employees take less time off than they would if their employers adopted minimum PTO policies. As a result, unlimited PTO can cause employee burnout, decreased worker productivity and increased turnover.

Additionally, unlimited PTO policies can be ambiguous or poorly designed, making it more difficult for employees to take time off. Some organizations may have unspoken rules about using unlimited PTO. This is common in industries with demanding work cultures, like banking and finance. These unspoken norms often

dissuade employees from taking time off because they may feel unsure or guilty about stepping away from work. By requiring employees to take time off, employers signal to workers and applicants that they value work-life balance, which can improve overall attraction and retention efforts.

## **Considerations for Implementing Minimum PTO**

While minimum PTO can help employees feel happier and more satisfied at work, adopting this approach can create scheduling challenges. Minimum PTO policies require employers to plan ahead because they must address situations where employees may be out for multiple days. In addition to potential scheduling issues, minimum PTO can create hardships for employees by requiring them to increase their workloads when their coworkers are away. This is especially true for small teams and businesses. Employers can address these issues by establishing PTO blackout periods during peak times or predictable busy seasons. They can also train managers to address PTO requests during popular times, such as during the summer and holidays.

When establishing policies regarding PTO usage and blackout periods, employers need to be consistent with how they administer and approve time-off requests. Employers can do this by establishing a written minimum PTO policy that provides employees with details about how to use and request time off. This can include the minimum number of days employees must use each year, whether any days need to be consecutive and the deadlines for using PTO (e.g., monthly, quarterly and annual).

Organizations need to consider how minimum PTO policies may negatively impact employees. Requiring employees to take time off may cause some workers to feel like they're losing autonomy because their employer is dictating when they must work and when they must take time off. Additionally, forcing employees to take time off can disrupt internal workflow, especially if employees must take time off during the middle of an important project or right before a critical deadline. This could lead to increased stress for employees and create work-related difficulties.

Employers must ensure their minimum PTO policies comply with federal and state law requirements,

including timekeeping requirements under the Fair Labor Standards Act. Many states and localities govern how unused PTO must be handled at year-end or when an employee leaves a company. Additionally, legally mandated paid sick leave is becoming more common throughout the United States. Employers need to ensure that their mandatory PTO policies comply with state and local laws regarding paid sick leave.

## Summary

Minimum PTO policies can help create a happier and more productive workforce. While requiring employees to take time away from work can benefit employers and employees, it's vital that employers weigh these policies' benefits and compliance costs before implementing them to ensure it's the right decision for their organization.

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