EVERYTHING YOU NEED TO KNOW ABOUT PAID TIME OFF

And how you can make the most of your company's policies

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AND HOW YOU CAN MAKE THE MOST OF YOUR COMPANY'S POLICIES

PTO is complicated. From understanding the different types of PTO (unlimited, accrual, lumpsum) to different terminology (paid leave, sick leave, etc.) to legal rights you have, it can be very overwhelming. So, we put together this e-book to explain some of the commonly asked questions around PTO so you can better understand what it is, how it demographically varies, what can happen if it goes unused, and what you can do with your unused PTO.

Topics include:

- Time Off Terminology: Paid Time Off, Sick Leave, Vacation, and More
- Three Types of PTO: Unlimited, Accrued, Lumpsum PTO
- PTO by the Numbers
- What Happens to Unused PTO?
- What Can I Do With My Unused PTO?

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Time Off Terminology: Paid Time Off, Sick Leave, Vacation, and more

Paid time off (PTO): PTO is a blanket term for any paid time off from work. Typically, employers grant one large bank of PTO instead of separate banks of vacation and sick days. In the U.S., the average number of PTO days is 9.7.

Sick Leave: Sick leave policies allow employees to take time away from work when they are sick or caring for a close family member. Employers generally require that employees provide proof if employees request sick leave. In addition, several states require sick leave (apart from family and medical leave). For example, California, Connecticut, New Jersey, New York, and Washington require that employers (sometimes depending on their size) give employees paid sick leave, such as one hour for every 40 hours worked.

Vacation: Vacation policies generally allow employees to take time away from work for any purpose, and employers do not require employees to provide proof of their need for time off.

Flexible time off: This is another way of phrasing "unlimited PTO," time off that employees can take when they choose to and generally don't have to accrue or count the hours.

Paid leave: A blanket term for any time away from work: vacation, sick leave, compensating time off, and all other paid authorized leave. "Paid leave" does not include paid short-term or long-term disability, catastrophic leave, or similar benefits.

Family and Medical Leave Act (FMLA): The Family and Medical Leave Act (FMLA) is a labor law requiring employers of a specific size to provide employees with unpaid time off for serious family health issues or situations.

Paid holidays: Paid holidays are days off with pay given to an employee as part of their compensation. These are usually observed holidays, with most aligning to major federally-observed holidays in the company's home country. Companies aren't required to give paid holidays and may be negotiated as a part of an employee's contract.

Parental Leave: Parental leave is an employee benefit that provides job-protected leave from employment to care for a child following its birth or adoption. It is usually available to both mothers and fathers.

Do I have any legal protections for time off?

Legal protections for most types of time off are done at the state level. The only exception is the Family and Medical Leave Act, a federal law. Some states require employers (sometimes depending on their size) to give employees specific amounts of paid sick leave, such as one hour for every 40 hours worked. That said, states with this requirement will allow you to frontload the leave instead of accruing it. States will also waive a carryover requirement if the employer uses the frontloading method instead of the accrual method.

There are no national laws for parental leave, so individual states determine any legislation. Currently, 11 states offer paid parental leave: California, Colorado, Connecticut, Delaware, Massachusetts, Maryland, New Jersey, New York, Oregon, Rhode Island, and Washington in addition to D.C.

Three Types of PTO: Unlimited, Accrued, Lumpsum PTO

Companies often decide to go one of two routes for their PTO policies: unlimited PTO or accrued PTO. However, a third route a company can go is lumpsum PTO.

An **unlimited PTO policy** allows employees to take off as many days as they want each year. However, unlimited PTO also can only be successful if you have a culture that emphasizes work-life balance and everyone at every level takes time off. Unlimited PTO typically benefits employers, as employers don't need to keep track of days off or are obligated to cash out unused PTO days. Additionally, these policies are typically unclear regarding how many days out is considered "acceptable," in addition to high managerial expectations around when exactly employees can get time off approved.

In contrast, with an **accrued PTO policy**, employees earn paid time off days over a period of time: hourly, weekly, monthly, annually, or per pay period. PTO accrual depends on the time they spend at an organization. Typically, employees with less than two years of service accrue 10 days of PTO each year, and employees with more than five years of service accrue 25 days of PTO each year. With accrued PTO, your PTO has a value associated with it, allowing you to either self-direct it to causes important to you or cash it out when it goes unused.

Lastly, there is **lumpsum PTO**, where employees receive all their PTO at once, typically at the beginning of the year. For example, this policy might state an employee has 15 days of guaranteed PTO for that calendar year. This type of PTO is easier to manage for HR and payroll departments as there is little math involved to figure out the accrual rate and keep track of it for each employee. In addition, like accrued PTO, you can self-direct or cash out unused PTO.

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How is the PTO accrual rate calculated?

Depending on the industry, companies can calculate accrued PTO differently. However, in most cases, this is a typical process most companies who accrue PTO use to calculate it:

- Determine the amount of PTO an employee would receive
- Calculate the total number of working hours in a year
- Determine accrual cycle and number of pay periods
- PTO accrual = number of PTO hours/number of pay periods

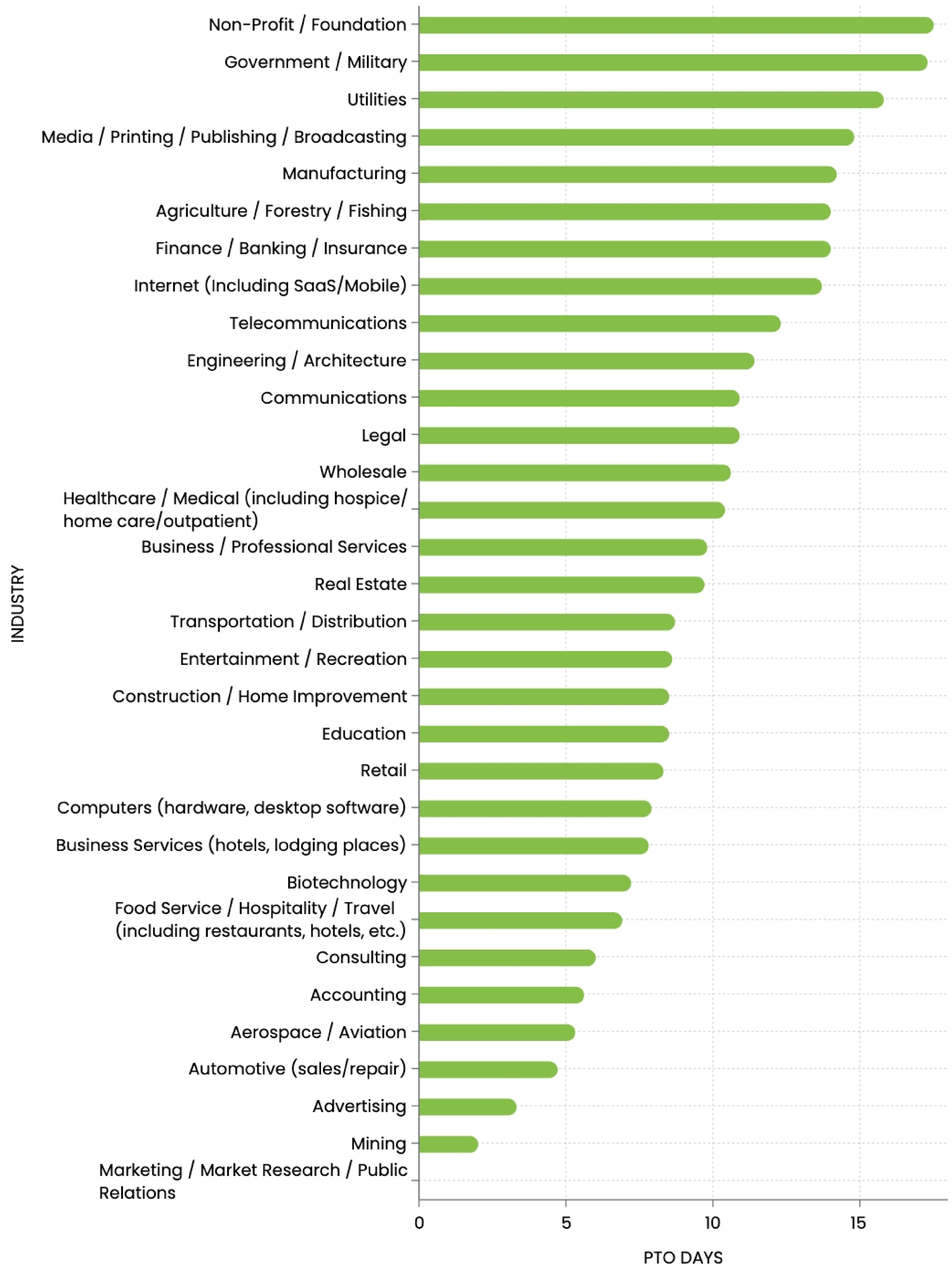
To calculate weekly, biweekly, semimonthly, and monthly PTO accruals, you can use pay periods:

Weekly accrual rate	120 / 52	**2.30 hours** accumulated for every hour worked
Bi-weekly accrual rate	120 / 26	**4.61 hours** accumulated for every two weeks worked
Monthly accrual rate	120 / 12	**10 hours** accumulated for every month worked
Quarterly accrual rate	10 * 3	**30 hours** accumulated for every three months worked
Half-yearly accrual rate	10 * 6	**60 hours** accumulated for every six months worked

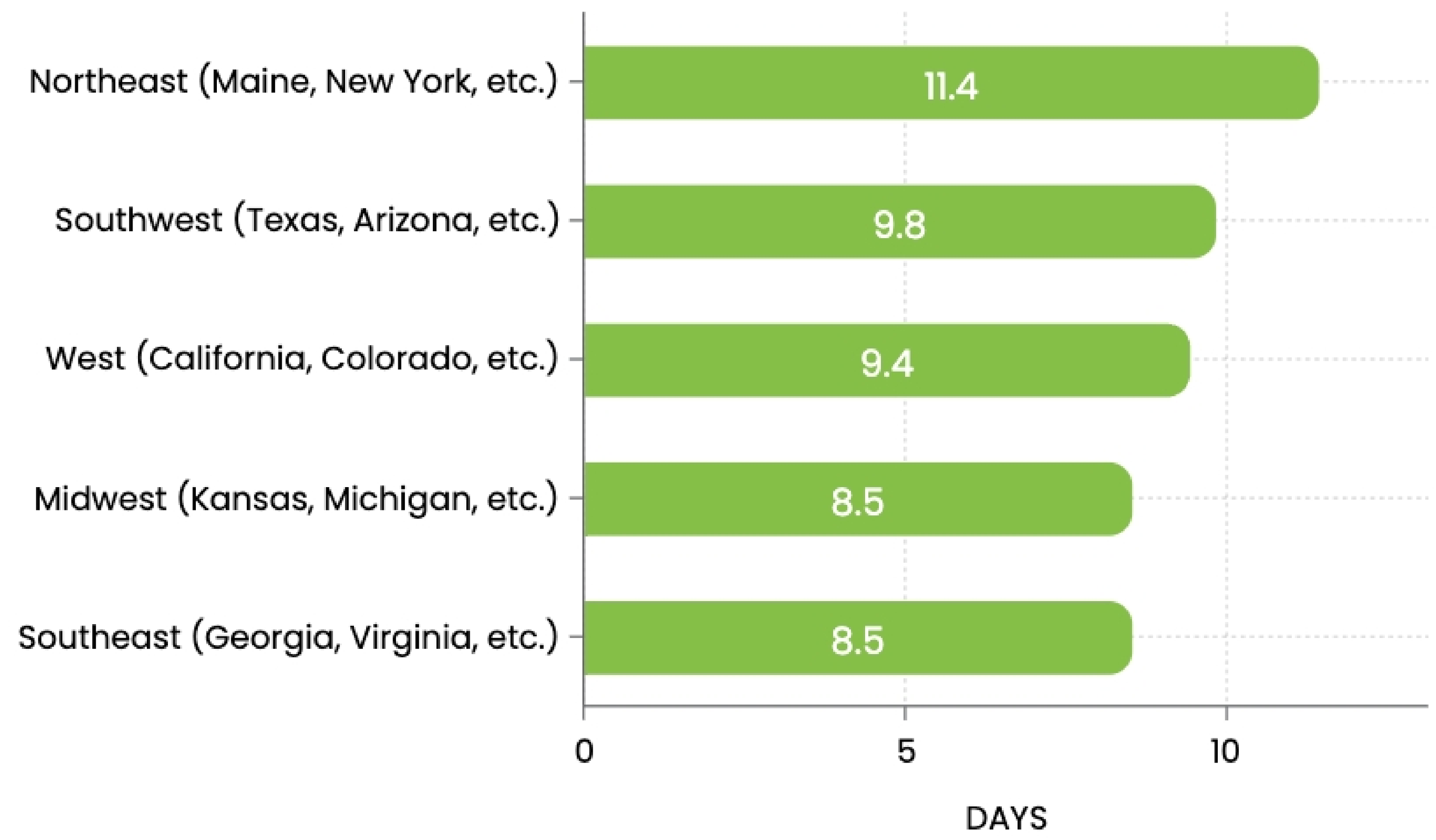
PTO by the Numbers

Each industry is as unique as the individuals who work there. For example, in the non-profit/foundation industry, the average number of PTO days is 17.5. The marketing industry, on the other hand, averages 0.0 days.

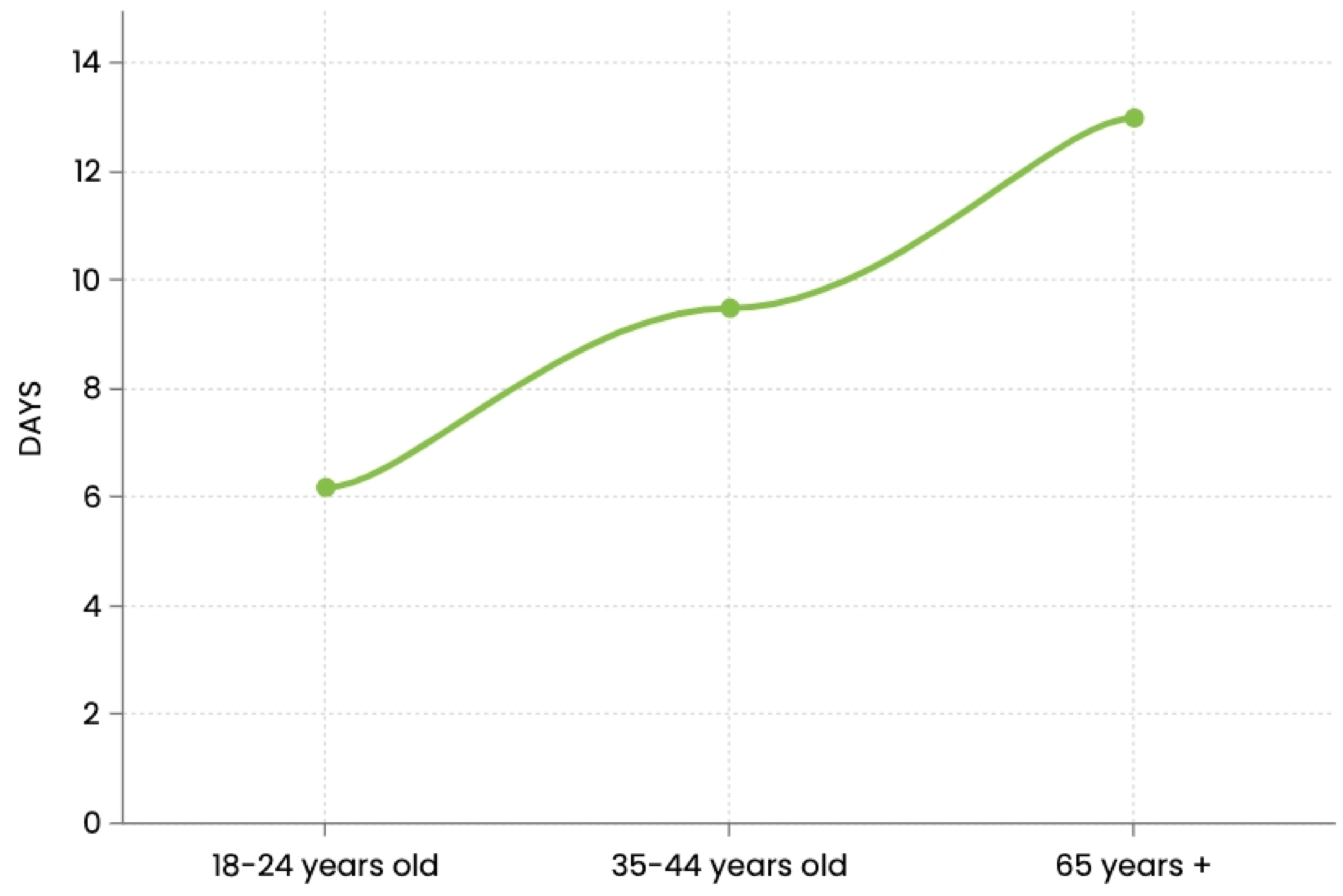
Average Number of PTO Days by Industry



Average PTO by Region



Average PTO by Age



What Happens to Unused PTO?

So, you didn't use all of your PTO in a year. So, what happens to your unused PTO? In short, it depends on the policies your company set up, but there are typically three routes they can take:

- **Roll it over to the following year.**

  If the company has a rollover policy in place for PTO, you can carry forward your unused PTO to the next year.

- **Use it or lose it.**

  With a "use-it-or-lose-it" policy, employees must use all of their PTO within the year or forfeit it. Some states like California prohibit use-it-or-lose-it policies for PTO.

- **Pay it out.**

  If you've left a company and have unused PTO, you might be entitled to a PTO payout depending on your company and state. In this instance, the employer has to pay out the value for unused, accrued PTO at the employee's current pay scale. To calculate the payout, multiply the hourly pay rate with the number of unused accrued PTO hours.

Do I have any legal protections when it comes to unused PTO?

While there are no federal protections for unused PTO, states can decide whether or not to require companies to pay out unused PTO. If a state doesn't have a requirement, it's entirely up to the company to decide if they want to pay out employees' unused PTO. However, if a company refuses to pay out PTO in a state where it's legally required, it could face fines or be taken to court.

As an employee, check your employee handbook, employment contract, and state laws to ensure you're eligible to receive any PTO payouts.

What Can I Do With My Unused PTO?

According to a recent report conducted by Lighthouse Research, 6 in 10 employees do not use all their vacation each year—in fact, 768 million vacation days went unused in 2018. In that same report, 90% of employees surveyed agree that the ability to convert their PTO would make them more likely to stay with their employer.

With PTO Exchange, employees can self-direct the value of their unused paid time off (PTO) for other needs and causes, including retirement accounts, student loan repayment, discounted travel, charitable causes, and more. As a differentiating benefit, PTO Exchange helps employers increase employee engagement and retain staff in the tightest job market in decades while simultaneously reducing balance sheet liabilities and strengthening culture and community.

Exchange unused vacation for:

- Retirement – 401(k) and Roth 401(k)
- Cash-out / Emergency cash accounts
- Health Savings Accounts (HSA)
- Charitable donations and sharing
- Student loan payments
- Discounted travel

With a benefit like PTO Exchange, HR leaders can:

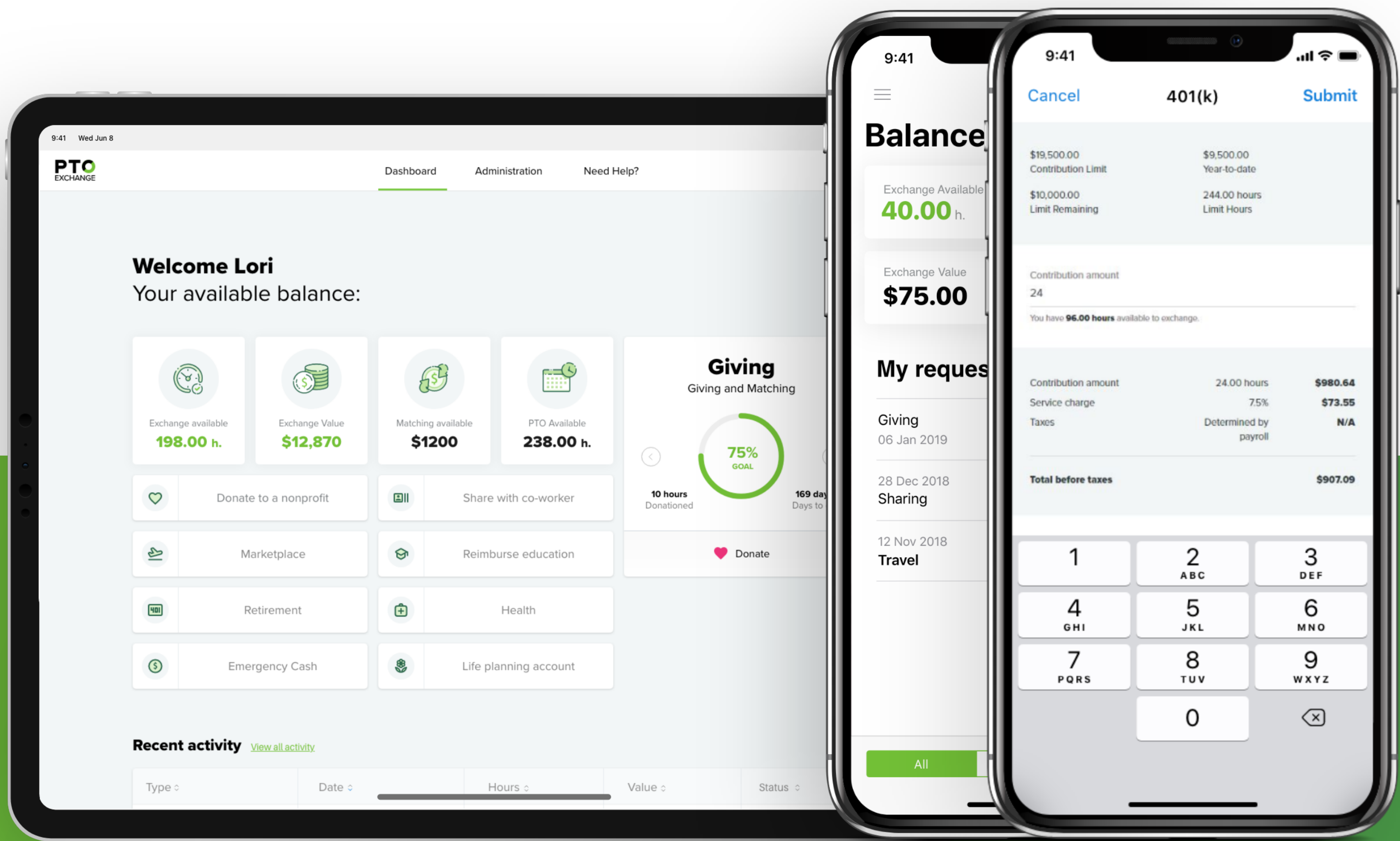
- ✓ Increase employee engagement and retain staff
- ✓ Reinforce culture
- ✓ Build loyalty
- ✓ Serve multigenerational workforce
- ✓ Drive down bloated PTO liabilities

CONTACT US

Contact us at **info@ptoexchange.com** for more information and request a demo.

Check out our website at **www.ptoexchange.com** and learn more about how to unlock the true value of your PT

Learn how PTO Exchange can enrich your organization by allowing employees to convert their unused paid time off into tangible financial assets, travel, or gifts.



Want to learn more?

Request a demo

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