



Thinking Differently About Paid Time Off

Urgent message: As 24/7 connectedness becomes the norm in the modern workplace, innovative technology companies have begun exploring unlimited paid time off (PTO) policies as a way to promote better work/life balance. Could unlimited PTO also become a trend in a healthcare industry that is likewise becoming increasingly 24/7 connected and still struggling with the issue of employee burnout?

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The concept of unlimited paid time off (PTO) has gotten quite a bit of buzz lately. Companies with innovative cultures, following in the footsteps of highly reported firms like Netflix and Virgin Group, are exploring the concept of removing their conventional 2-week PTO ceilings and affording employees the latitude to take an “unlimited” amount of paid time off.

Of course, the concept of unlimited PTO sounds far more intriguing in theory than it does in practice, given that workplaces need their employees mostly present for the proper functioning of the business. Still, unlimited PTO and its purported ability to facilitate work-life balance has piqued the interest of employers and workers alike, and while it’s not yet caused a stampede toward it, it’s at least triggered some spirited debates. For example:

- How does a workplace prevent employees from abusing such a policy?
- Does the policy kick in on the first day of work, or must the employee wait a specific time—90 days, a year?

An urgent care center cannot function without a sufficient number of providers and staff on site during all open hours to serve patient demand. Discussions about innovative PTO may therefore, realistically, be limited to larger operations with a “bench” of available labor and/or management and administrative functions.



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- Can unlimited PTO be denied due to, or tied to performance?
- How to reconcile granting unlimited PTO with staffing shortages and coverage issues?
- How to handle employees who have accrued significant “paid” vacation time ahead of the policy, and were expecting to “cash out” at some point?

And for an urgent care operation specifically: Can an unlimited PTO policy “work” in an industry largely predicated on being present and accounted for at the point of service, which is necessary to drive patient throughput? And does the urgent care concept itself

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support a workplace culture that encourages employees to take unlimited PTO?

A Closer Look at Unlimited PTO

Despite the name, unlimited PTO doesn't mean an employee can take off as much time as they want, at their whim. Rather, it's a concept that essentially says, "As a company, we're no longer going to place arbitrary ceilings on the amount of paid time off we allow." In effect, it grants employees permission to take as much leave as needed—within reason—while still balancing the needs of the business and their colleagues. Depending on the business model and job function, employees would have the freedom to take the time off they need when they need it, so long as the vacation time is sorted out with their supervisor in advance.

More importantly, the time away shouldn't place undue strain on the operation, as there should be a plan in place for how the workload will be handled in the employee's absence.

Unlimited PTO does mean the employee will still stay "connected" to the workplace or work remotely—which many proponents of unlimited PTO insist flies in the face of a policy meant to allow employees to unplug and stave off burnout. This arrangement is indeed a necessity for many job functions, however, as employees will still need to complete their tasks and projects, albeit away from the office. In other cases, employees may want to step away from their jobs completely for a period to pursue, say, a passion, extended vacation, or charitable cause, which requires them to fully unplug. In the examples of PTO we've seen, the policy can be adapted to each of those cases.

Paid time off is a concept that originated with industrial assembly lines that required an employee be present at all times the line was operational, but expected nothing of employees when away from the factory. While an urgent care center has similar "production" requirements of providers and front-line staff, non-provider management functions are necessarily connected 24/7 due to the urgency of decision-making in a healthcare environment so there is really never any "stepping away."

Why Unlimited PTO Is Impractical for Urgent Care Providers and Staff

In the aforementioned examples of unlimited PTO for

Netflix and Virgin Group employees, it should be noted that those job functions are compatible with the unlimited PTO concept. Indeed, many of those positions are either administrative, managerial, or executive, meaning that those tasks could be handed off to another employee, or completed remotely. Additionally, for high-level executives or operations managers who are never really "off" work anyway, the "off" part of PTO is really a misnomer. Indeed, for leadership posts that are responsible for overseeing large staffs or complex operations, there are always pressing issues and time-sensitive projects that need to be tended to in real time—regardless of whether it is in person or remotely. In healthcare, critical decisions need to be made in real time. For these leaders, being totally "unplugged" for, say, a week or two is simply not an option.

Is it really paid time off if an administrator works 40-50 hours in 4 days in order to take a Friday off? Or, is it really PTO if an administrator is away on vacation yet is still tied to a mobile device because critical decisions still need to be made?

Similarly, the front-line staff of an urgent care center—including the providers—must be present and accounted for during their scheduled shifts. Being adequately staffed here directly impacts patient flow, thus the concept of unlimited PTO is a poor fit in these functions. In fact, when providers and front-line staff miss time unexpectedly, the center is forced to employ temporary labor, pay overtime to present staff, or suffer the customer service impact of prolonged wait times. These negative consequences certainly underscore why unlimited PTO is not viable here and has the potential to hurt the operation in numerous ways. Additionally, a case can be made that a provider working, say, back-to-back 12-hour shifts followed by 2-3 consecutive days off shouldn't need any PTO at all, as there is adequate time between shifts to recharge and tend to personal matters (especially when the schedule can be coordinated to give that provider 7 or more consecutive days "off" without impacting patient care).

In either case, reliability and predictability form the bedrock of an optimally functioning urgent care clinical staffing model; thus, unlimited PTO would necessarily be reserved for urgent care professionals on the administrative/management/ leadership side of the operation, where onsite presence is not always a critical factor.

The Benefits of Unlimited PTO for Employers

Up to this point, the discussion of unlimited PTO has centered around the benefits it affords employees. But the promise of unlimited PTO goes well beyond being a nice job perk to offer. Employers stand to benefit greatly as well in several of the following ways:

- **It acts as an attractive perk in recruiting top talent** – The ability to offer unlimited PTO as an extra perk was frequently cited as a top reason for firms adopting the program. In many of the tech markets where unlimited PTO began springing up, recruiting and retaining top talent is not merely a luxury; it's a vital component to growing the business and remaining competitive. The market for qualified tech workers is highly competitive. Thus, the ability to offer unlimited PTO is an attractive perk to add to the overall compensation package. Additionally, high achievers and top performers tend to be driven, career-oriented and self-motivated, and thus less likely to abuse such a policy and more likely to require brief hiatuses from the workplace to refresh and recharge. In short, the policy would be appealing to in-demand talents who work hard and play hard.
- **Saves the company money in accrued vacation time expense** – Project Time Off, a research initiative conducted by the U.S. Travel Association, cited that each year there is *\$224 billion dollars* in liability carried by American companies due to unused vacation. This figure represents an enormous business liability residing on the balance sheets of American companies in the form of accrued vacation expense. Hence, adopting unlimited PTO policies, the same report asserts, can result in savings as high as \$1,898 per employee.
- **Less administrative time spent tracking vacation time** – E-business Ask.com reported that when their company shifted to an unlimited vacation policy, it freed up roughly 52 administrative hours a year that would have been otherwise allocated to tracking and managing vacation time. Ask.com now allocates the newfound time to recruiting and retention, which has shown measurable positive results for the company.
- **Recharged, refreshed employees perform at a higher level** – It's no secret that well-rested employees are healthier and happier. This makes another compelling business case for unlimited vacation, as it supports improved wellness in workers and their families. This greater wellness also has the demon-

strable added benefit of indirectly lowering the usage of disability insurance and health insurance, which naturally improves the company bottom line. Armed with the freedom and latitude to easily take time off for dentist/doctor appointments and other self-care activities, employees are thus less likely to call in sick, resulting in improved productivity levels companywide.

Because PTO is considered part of the overall compensation package, there is an inherent unfairness when the demands of the business limit an employee's ability to use it—particularly when the employee is forced to forfeit unused vacation time. Unlimited PTO doesn't enable people to shirk their responsibilities, but it removes PTO from the compensation equation.

- **No year-end scramble to use unused vacation** – Since there is no accrued vacation time with unlimited PTO, there's no more mad dash to “use it or lose it” at the end of the year. As an added bonus, the unlimited PTO policy also encourages “office warriors” and other workaholic types to take days off more frequently during the year, since they know they can still take additional vacation during the holidays.
- **The implicit trust and ownership increases employee engagement** – Allowing employees, especially high performers, to manage their own vacation time conveys a sense of deep trust that has been shown to bolster engagement and cultivate an ownership mentality. Affording your staff the freedom to manage their tasks and projects as they see fit also grants much valued autonomy, which encourages employees to think like owners who consider what's best for the company first.
- **Unlimited PTO can be used as an incentive for employees to adopt healthy behaviors** – Pinala, a marketing firm in Japan, offers an interesting example as to how a health-and-wellness-based initiative tied to extra vacation time can motivate workers to adopt healthy desired behaviors. The initiative began when an employee complained that smokers unfairly get more breaks than their nonsmoking counterparts. The employee also asserted that productivity declined because of the frequent breaks. The solution Pinala reached was to incentivize,

Kronos: A Case Study in Rethinking PTO

Kronos, a workplace management software firm, took an interesting and insightful foray into the unlimited PTO arena in 2016, as documented by CEO Aron Ain. According to Ain, who worked his way up from entry-level college graduate in 1979 to CEO today, “unlimited PTO” (although it wasn’t called that back then) was always the standard for top executives, as people in senior roles were required to “work” 24/7 regardless. In fact, nights and weekends were par for the course for top-level leaders, such that tracking vacation time simply didn’t make sense for them. Rank-and-file employees started off at 2 weeks’ vacation as is the workplace standard, with an additional day earned with each yearly anniversary with the company.

When Kronos struggled to fill key positions in 2015 due to their inability to entice top talent with their standard compensation package, Ain and the leadership team decided to shift to unlimited paid vacation for all employees. They concluded that due to pervasive 24/7 connectedness, workers at every level are answering emails or otherwise doing office work well past traditional business hours. With so much of the staff “plugged in” at all hours, the line between being at-work- and off-work was becoming increasingly blurred, making official office policies on vacation time seem out of touch and antiquated.

Meanwhile, while most of Kronos’ employees were delighted by the policy rollout, some were predictably disgruntled. The angry employees fell into three general categories:

- Employees who stood to lose all their accrued vacation time and the cash value associated with it
- Tenured employees who felt those with less seniority shouldn’t enjoy equal amounts of vacation time
- Managers who were concerned that the new policy would create new logistical headaches as far as deciding when to approve or deny unlimited PTO requests, and dealing with prolonged employee vacations

These objections were met and addressed individually, to mostly positive resolutions. Where Kronos needed to be flexible and accommodating in handling individual complaints, they were. Kronos also tracked several key metrics around the unlimited PTO policy to measure the results and came away very happy with the findings: The company saved big in eliminating accrued vacation expenses (which were reinvested in employee initiatives) and had a banner year in terms of financial performance and overall employee engagement. Notably, however, employee vacation time usage crept up only slightly. So why did the new policy have such an overall positive effect despite employees only slightly increasing their overall PTO usage? Ain and the rest of the Kronos leadership concluded that the flexibility, trust, and autonomy ensuing from the new policy was behind their stellar year; hence, they vowed to continue the unlimited PTO policy moving forward.

(Adapted from Ain A. *Harvard Business Review*. Available at: <https://hbr.org/2017/11/the-ceo-of-kronos-on-launching-an-unlimited-vacation-policy>.)

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rather than penalize, abstinence from smoking. The reward for not smoking was now 6 extra days of vacation, eligible to all employees. The results were overwhelmingly positive, as 42 employees kicked the habit to earn the extra vacation time. Predictably, productivity increased while healthcare expenditures decreased.

Considerations for Rethinking PTO in Your Organization

Drawing from data, anecdote, and consensus conclusions from unlimited PTO rollouts across industries, keep these tips in mind when considering unlimited PTO for your urgent care operation:

- **Craft a written policy** – As an unlimited PTO rollout can be confusing for employees accustomed to the standard 2-week vacation structure, you should craft a written policy. The policy should cover such things as the policy structure, eligibility, how to request PTO, and any other necessary guidelines. It’s also important that all requests must be approved by management, and that the policy clearly states that abuse will not be tolerated.
- **Carefully evaluate the vacation accruals on the books** – The one issue that has derailed a number of attempted unlimited PTO rollouts we’ve seen is angered employees who feel the company is trying to “steal” their hard-earned vacation accruals and the cash value they hold. Address each case indi-

vidually and make every attempt to accommodate tenured employees who have longevity with the company. Inform employees well in advance of the impending policy, with the option to use their accrued vacation time, or in some cases, cash it out at a percentage. Never give long-term, loyal employees the impression that the company is trying to cheat them out of what they've earned over years of dedicated service.

- **Track and encourage use of PTO** – Ironically, some companies have reported that their unlimited PTO policies have resulted in *fewer* employees taking vacation time for fear of abusing the policy. Therefore, you'll need to track unlimited PTO usage closely, ensure that managers are setting an example by taking days off, and encourage employees to feel free to take advantage of the work-life balance benefits the policy was intended for.
- **Be prepared to manage issues of perceived favoritism** – In a large company with multiple divisions that employ both exempt and nonexempt employees, it's only natural that the jobs requiring predictability of presence would be ineligible for the unlimited PTO that other, more flexible functions can readily accommodate. Thus, HR and management will need to address any perceptions of favoritism to reduce tension, and seek out creative ways to give different perks to the non-unlimited PTO-eligible workers.
- **Consider time off related to the Family Medical Leave Act (FMLA), Americans with Disabilities Act (ADA), pregnancy and paid sick leave, and other forms of time off** – If PTO is not coordinated with other authorized forms of leave, including federal and state/local sick-leave laws, there may be unintended consequences. For instance, employees may take more time than needed for FMLA leave if they can utilize unlimited PTO benefits to assure a paycheck. Experts recommend clear verbiage that excludes various other forms of legal leave from the unlimited PTO benefit.

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Conclusion

Despite the buzz surrounding unlimited PTO, the Society for Human Resources Management states that fewer than 1%-2% of companies offer such a policy—meaning it's hardly a growing trend. This begs the question: Is there an inherent limit to how widespread unlimited PTO can be implemented? For sure, the policy is appropriate for 24/7 leaders, and innovative employee cultures that need to offer

attractive perks to lure top talent. But the reality is, for employees who aren't technologically connected to the workplace after business hours, it's likely a poor fit.

Simply put, unlimited PTO is untenable in “production” environments such as call centers, hotels, retail outlets, and definitely the customer-facing side of an urgent care operation. The reality is that there are some job functions where people have to be predictably at their posts for the operation to run. So, the concept may ultimately see situational implementation in certain industries, rather than mass adoption. Urgent care leaders, executives, and upper management—defined by their positions and never more than an email, call, or text away from being “at work”—are among those who would do well to take advantage of the many work-life balance advantages unlimited PTO affords, while extending it to their teams where appropriate and applicable. ■

Summary

- Paid time off policies should always be in writing.
- Benefits of an unlimited PTO policy include bolstering recruitment of top talent; encouraging employees to recharge and refresh—which is likely to help them perform at a higher level; and saving the company money in both accrued vacation time expense and the time it takes staff to track vacation time.
- Consideration of implementing an unlimited PTO policy include preparing for more absences in the workplace and evaluation of vacation accruals already on the books.
- Offering unlimited PTO demonstrates that ownership trusts the staff to consider the needs of the business, and that employees will not abuse the policy.
- There are some job functions for which unlimited PTO will not be feasible.