

# It's time to Modernize your PTO Policy



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**Most businesses offer Paid Time Off (PTO), however, many PTO policies are years out of date. With increased competition to attract top-tier talent, companies with outdated PTO policies are falling behind. So, what PTO policies are right for your company? How do you balance multiple requests? Should you use a program to track PTO?**

**In this special report, we've collected the best of Business Management Daily's advice on employee engagement and retention strategies. Whether you're a small business, Fortune 500 company, in-person, remote, or hybrid — we've got the insight you need.**

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## How to choose a PTO policy for your business

Even the most dedicated employees need a break sometimes. Paid time off is an essential component of your employee benefits and compensation package. As such, your PTO policy will be one of your most important company policies.

Having a solid PTO policy will make administering paid time off easier on human resources and simpler to use for employees. There are a lot of factors to take into consideration when creating a solid paid time off policy, so we've outlined them here to help you through the process.

### Types of PTO

The primary categories of paid time off are.

#### **Sick leave**

Sick leave provides a bank of days off for health-related matters such as an illness or injury. Sick leave is often used for unscheduled absences when an employee wakes up sick and is unable to go into work. They can also be scheduled in advance if an employee needs time off for a doctor's appointment or medical procedure.

#### **Vacation**

Vacation time is provided to allow employees to take time off for vacations, personal days, and any non-health-related time off that they would like to request.

These are generally planned absences, so it's a good idea to include vacation request procedures in your vacation policy. Let employees know how vacation is accrued when it's available for use (there is often a 90 day waiting period), and how to request a vacation.

## Holidays

Holidays are paid days off that do not come from either of the above-mentioned PTO banks. There are generally federal holidays like Christmas, the 4th of July, Thanksgiving, and New Years Day. The exact list of holidays recognized can vary by employer. A list of paid holidays should be included in [the employee handbook](#).

It's also becoming increasingly popular to offer "floaters" or floating holidays that can be used on a day of the employee's choice. They're meant to allow an extra paid day off for significant days such as birthdays, anniversaries, religious or culturally significant dates, and other significant dates. Some employers also just have a paid day off offered for the employee's own birthday rather than leaving it open-ended.

## Separate vs combined PTO balances

Many companies combine vacation and sick pay into one all-encompassing PTO bank. However, it's more common to have vacation PTO and sick leave listed separately. Each type of policy has its own benefits.

Combining them gives employees more flexibility in how they use their PTO, as some employees may not find themselves needing to take many sick days throughout the year and may prefer to repurpose those as vacation days. It can also be easier to track PTO usage with one combined bank. No need to worry about whether a day off counted as sick leave or vacation.

However, you do run the risk of having employees roll their sick days into a longer vacation and coming back to a depleted combined PTO bank. If they get sick and do not have paid time off to cover it, they may come into work sick and possibly infect other staff members. It could also create an administrative hassle if the employee is unable to come in and does not have an adequate amount of sick time to cover the absence – we'll get into your options for handling this scenario further down.

It's also important to research whether you are legally required to pay out unused vacation at the time of termination. This varies by state. Some states view vacation pay as part of an employee's wages and require that all earned time be paid out upon termination of employment. Sick leave is often not included under these laws, so keeping them separate may be advantageous for your company if you operate in any states requiring vacation payout.

## **How much PTO to give?**

There are a number of ways to determine how much paid time off to grant each employee. Sick leave is often consistent across the board, but vacation varies.

Some companies increase annual vacation allowance by years of service. New employees all receive a week or two off per year and extra vacation days or weeks are earned at set intervals such as 5 years of service, 10 years of service, etc.

Management and executives often receive a higher number of PTO days than other staff due to the increased stress and demand of their roles.

Alternatively, some companies do allow candidates to negotiate additional vacation time as part of their salary negotiations. This may lead to a less equitable disbursement of paid vacation among staff members. However, it's a great option for small businesses that have limited budgets. Providing additional vacation time in lieu of additional pay can help you compromise with the talent without compromising your overall budget for the role.

Another option is to offer an unlimited PTO policy.

## **Should you offer an unlimited PTO plan?**

### **Unlimited PTO doesn't always translate to more PTO taken**

Many employers fear that offering unlimited PTO will result in a huge increase in absences. This is often not the case, however. HR vendor, Namely,

conducted research that indicated that employees with unlimited PTO actually end up taking fewer vacation days than their counterparts with limited PTO (13 days versus 15 days). So in some cases, offering unlimited paid time off can actually result in employees taking less time off.

However, it's important to understand that while having fewer absences seems like it would be better for productivity and company operations, this isn't necessarily the case. I don't recommend moving to an unlimited PTO program with the primary goal in mind of cutting down on vacation usage or call-outs.

Some employees may end up taking more time off, and it's likely because they need more time off. Allowing each employee the time off that they need to be able to come back to work energized, motivated, and refreshed is good. Many employees are burned out, especially as many people canceled vacations due to the pandemic.

Burnout hurts employee productivity, creativity, engagement, and retention. Discouraging PTO usage under an unlimited PTO plan is counterproductive. Plus, if we've learned anything over the past year, it's that keeping our distance from others while sick is a good thing, so let them call out when needed. If you notice excessive absenteeism, you can speak to the employee

### **PTO won't have to be paid out on termination**

As mentioned above, some states require employers to pay out unused accrued vacation at termination. Unlimited vacation policies generally do not require any form of payout.

### **Less administrative work**

Tracking PTO balances and usage takes time. If you're a small business and don't have a dedicated HR or [Payroll](#) department to keep track of PTO usage, unlimited PTO can ease the administrative strain. It can also save time for People Managers throughout the company who may be able to avoid lengthy PTO approval



processes, tracking down Doctors notes or absence documentation, and tracking their employee's PTO usage. Ask.com implemented an unlimited PTO policy and calculated that they saved 52 hours of administrative time in one year.

### **Attractive to potential recruits**

Perks like unlimited PTO packages can help you edge out your competition in recruiting top talent. Work-life balance is important to today's candidates. In an increasingly competitive job market, having policies that show that your company values work-life balance and flexibility can make the difference.

## **Other PTO considerations**

### **How to administer your PTO program**

Most businesses choose to administer PTO on an accrual basis. Employees accrue a set amount of PTO hours per paycheck or per a certain number of hours worked.

The easiest way to set the accrual rate for full-time staff is to divide the total annual PTO that the employee should earn by the number of pay periods and add that amount to the PTO balance each pay period. If employees see the same number of hours added on each paycheck, it is easy for them to calculate future PTO balances if they are saving up hours to take a vacation.

Part-time employees may be ineligible for vacation days or paid time off. If you do decide to offer PTO to part-time staff, setting the accrual rate based on hours worked is a good method. For example, an employee may accrue 1.54 hours for every 40 hours worked. This would add up to 2 weeks off per year for a full-time employee or 1 week off per year for an employee averaging 20 hours per week.

On the other hand, some employers skip the accrual process and simply provide an annual lump sum of PTO to employees. They often add the full amount to each employee's PTO bank at the beginning of the year and let them work through it however they desire. If your company has low turnover, this may be a fine option. It gives employees greater flexibility in when they use their time off.

However, if you have high turnover, I do not recommend this approach. The start of a new year is a popular time to job hunt. If you pay out unused PTO, you may end up paying out the full annual balance to an employee quitting in January or February. Under an accrual method, they would not have earned most of that balance. Even if you do not plan to or have to payout the balance, employees will often try to empty it prior to leaving.

## **Unused PTO**

As discussed above, some states require certain types of paid time off to be paid out upon termination of employment. Check the state laws for each state in which you have employees to verify what is required in terms of payout on unused PTO days.

Another consideration for unused PTO is whether you will allow unused PTO to be carried over to the next calendar year. You can operate under a use-it-or-lose-it approach. However, it is common to allow a limited amount of PTO time to carry over into the next year.

## **PTO requests**

It's a good idea to include PTO request procedures in your PTO policy. Let employees know how far in advance they should request approval for planned absences and who to submit the request to.

Be sure to also include how employees should handle unplanned absences. If they need to call out before the business is open, who is their contact? What is the follow-up procedure if that contact doesn't answer or they have to leave a message? Setting clear expectations and procedures takes the stress out of sick days for employees and helps managers and human resources track absences.

## **Additional time off**

Sometimes employees need more time off than they have accrued. Consider how you will handle this problem if it arises. Of course, if you choose to have an unlimited paid time off policy this won't apply.

One option is to allow employees to go into the negative or use time that they have not yet accrued but will accrue. Don't make a habit of this one though. If the employee is missing a few hours of PTO, and will accrue enough to even out the advance in the next pay period, it's not a large concern. However, advancing large amounts of PTO can be tricky. You may or may not be able to deduct a negative PTO balance from an employee's last check if they leave or are let go before they get caught up. Check your local laws to verify. It also means that they will have no PTO balance going forward for some time, and they could end up needing more time off, causing the negative balance to grow. If you do allow this, have a clear written policy, and consider having the employee sign a PTO advance agreement that they understand that the balance will be deducted from future PTO accruals.

Some workplaces allow employees to donate PTO to other employees. Employees that have accrued time off and not used it can give it to another staff member to use or to a general PTO fund for employees in need.

You can also allow employees to simply take unpaid time off.

Always check your company's applicable leave policies if an employee has exacerbated their PTO balance and needs to take more time off. If an employee is taking a lot of time off due to a medical condition or caring for a family member, they may qualify for FMLA leave. The Family Medical Leave Act allows for up to 12 weeks of job-protected unpaid leave per year for the purposes of caring for your own health condition or caring for a family member. This leave can be broken up throughout the year.

## How to track and manage PTO more effectively

Paid time off encompasses vacation days, sick time, personal days, and time taken under your company's various leave policies. Providing adequate time off for employees is essential in order to prevent burnout, promote employee wellness, and boost performance. However, managing and tracking PTO can be a nightmare for companies large and small.

Before you start tracking and managing employee PTO balances, you'll need to formulate a PTO policy to determine how PTO is going to be accrued or offered. Check out our guide to choosing a PTO policy if you need help exploring options and choosing a policy. Once you have a policy in place there are still a number of things to track including time-off balances, requests, and usage.

If you're struggling to keep track of everything involved with paid time off, here are some tools and methodologies to manage the different aspects of your company's PTO management.

### **Tracking PTO balances and accruals**

Unless your business has shifted to an unlimited PTO policy, you'll need to track the balance available for each employee. (Even if you have unlimited PTO, you probably should track it to understand how much time employees are taking off!)

Most employers provide PTO on an accrual basis. This means that employees accrue a set number of PTO hours for each pay period, week, or a number of hours worked. Tracking accruals is relatively simple for full-time salaried staff, as they will be accruing a set amount of sick and vacation hours each pay period. For part-time and hourly staff, you'll need to track hours worked to determine the amount of PTO accrued. There are a number of ways to manage this accrual and ensure that employees receive the appropriate amount of sick leave and vacation time.

## **Software solutions**

There are a number of PTO software solutions that make it easy to track employees' paid time off balances and accrual. Your payroll software will likely include a feature to set the accrual basis and add the appropriate number of hours each pay period.

ADP, Quickbooks, Zenefits, Zoho, BambooHR, Zenefits, and other major payroll and HR software systems used by employers offer PTO features including accrual tracking, requests, and time tracking functionality. An all-in-one system tends to be easiest for both employees and employers.

## **Excel tracking**

Some small businesses don't have the budget for software solutions for PTO tracking. Some small businesses track PTO accrual, balances, and usage in Excel or Google Sheets spreadsheets.

There are a variety of templates and tutorials available for free online that can help you stay on top of PTO in Microsoft Excel. One option is [Leaveboard's PTO Tracking Excel Template](#). This system can work well for small businesses that do not have too many staff members to track balances for and lack the budget for alternate solutions. It does get more complex if you have multiple accrual rates or PTO policies for different employees (either due to seniority or employees in different regions with variable local requirements). However, you can still use Excel as long as you pay attention to detail and stay on top of updating your spreadsheet each pay period.

## **Tracking PTO requests**

Having an organized system for tracking time-off requests is necessary in order to ensure that you will have adequate staffing coverage to meet business needs.

## PTO tracking software

Your [payroll management](#) software may already have PTO tracking features built-in. Many [payroll software](#) services provide varying degrees of PTO features that can track accruals, requests, usage, and more! Some even have helpful features that allow employees to see how much they'll have accrued by a future date so that they can plan vacations further out.

Check if your [payroll](#) or time tracking software incorporates PTO request features.

### Some popular options include:

- [Factorial HR](#). A PTO manager that allows employees to submit PTO requests for vacation time, sick days, and other absences based on your organization's PTO policies. Employees are also able to view accrued time and time taken. It also includes reporting features to help management track absences by department, date, employee, and other options to track trends in PTO usage and ensure adequate staffing.
- [BambooHR](#). This time and PTO tracking system is designed for small-to-medium sized businesses. It has a simple user experience designed for employers transitioning from the spreadsheet method or manual tracking.
- [Quickbooks PTO Tracker](#). Businesses using QuickBooks for [payroll](#) and financial management may want to look into their PTO Tracker add-on. The tracker lets employees view their PTO balances, request time off by the day or hour, and has an option for direct time-off entry without the approval process. Employers can enter and track multiple paid and unpaid PTO policies.

## Direct requests to manager

Some companies don't utilize software for PTO requests and instead direct employees to put in a request directly to their manager through their preferred communication channel. These requests may be made on paper, over Slack or

Teams, in person, or via email. This system works for small departments, but it can be hard to keep requests organized with larger departments. If you have a small business this method is perfectly fine, but you will probably outgrow it at some point.

## **Tracking PTO used**

How you track PTO used will largely depend upon how you track hours overall. They can be recorded in your PTO request system, [payroll system](#), or when employees submit their time.

If your employees submit their hours on a weekly timesheet, their PTO usage should be noted on the timesheet. Managers should also make note of call-outs, employees leaving early or arriving late due to appointments, and other absences and time off used throughout the week. This allows management to reconcile their own records with employees' self-reported hours worked and PTO used.

If you use a time clock system or time tracking software you'll have a clear record of the hours worked. Depending on the time tracking system used you may need to add PTO hours into your [payroll system](#) manually. Employees may be able to note paid time off hours taken in time tracking apps or software programs. Small businesses often use the timesheet method to track hours as there are no software costs associated with it, but there are free time tracking programs like [Clockify](#) or [Jibble](#) that can provide employers with more detailed employee time tracking reports. Clockify and other free apps can be used to record PTO usage and hours worked.

For vacation time, the vacation requests will adequately serve as a record of the PTO used, but for unexpected absences such a sick time, family emergencies, or partial day absences for appointments it is important to keep adequate records so that the appropriate hours can be deducted from the employee's balance. Employees likely won't think to record what time they're leaving if an emergency arises, so management should maintain accurate records in a designated software system, Excel sheet, calendar, or other chosen location.

## **Effective time off management**

The best PTO and leave management option for your business will depend on your company's budgets, policies, size, and preferences. All of the above options offer functionality and are relatively easy to use. The most important thing is to find the solution that works best for your needs and that you will stay on top of. Staying organized with PTO tracking is essential, so choose the method that is easiest for you and your staff.

## **How to balance employee time-off requests**

The holiday season is upon us, and for most employers that also means a tsunami of time off requests are incoming. Many people take time off at the end of the year to spend time with their loved ones, celebrate, and unwind from a busy year. The past two years have been particularly hectic for many people, and you may see even more requests than usual this winter.

Taking time off is essential in preventing burnout, so you should encourage your employees to request time off when they need it. However, it can be challenging for business owners and managers to balance large quantities of overlapping time-off requests. The holiday season and the summer are popular times for vacations and family gatherings, so you need a plan in place to prioritize these requests in a fair manner while ensuring that you have adequate coverage at work.

## **Communicate your time-off request policy**

The most important thing is to have a clearly written time off policy in place with a procedure in place for time off requests. Include this policy in your employee handbook for easy reference. Some last-minute absences will occur, such as sick days, but you should have a procedure in place for absences that can be foreseen such as vacation days or scheduled medical appointments.



It's best to provide employees with an idea of how far in advance they are expected to put in time-off requests. This varies widely by employer, so it's good to set this expectation at the start of employment during onboarding. Clear expectations reduce stress and anxiety for both parties.

Also, make sure that they know how to submit time-off requests. Is there a PTO request function in your payroll or time tracking system? Do they send their manager an email or fill out a request form? Be clear about the desired request process, as it's hard to stay organized if some people are sending emails, others are asking over Slack or Teams, and others are writing it on a calendar or just asking managers in person. If you don't have all requests compiled in one place, you won't know if someone has already requested the same time period off.

## **Keeping track of multiple time-off requests**

It's also important to have an organized system for keeping track of time off requests. Some employees still use physical request logs or calendars. This is okay, but it can be hard to keep track of when requests were submitted with these systems.

Electronic PTO tracking systems are typically the easiest for employers and employees to utilize. Electronic systems allow both parties to see how much PTO is available in the employee's PTO balance, when the request was submitted, and whether the request has been approved all in one central location. If you are planning to handle time-off requests on a first come first serve or deadline-based approach, having the exact date and time that the request was submitted is helpful.

## **Balancing multiple time-off requests**

At some point in time, you'll likely have overlapping time-off requests or multiple time-off requests for the same period. If you have a large staff with adequate cross-training, this may not be too large of a challenge. However,

small-to-medium-sized businesses tend to feel the weight of employee absences more heavily.

It's important to have a proper procedure in place to decide how you will prioritize time off requests. If you are not consistent in your handling of overlapping time-off requests, you may be accused of favoritism.

### **First come first serve**

The classic approach is to process requests on a first come first serve basis. The employee that puts in their request first gets the requested time off. This works well for general requests throughout the year and is generally fair, but can be problematic for peak time off seasons like the holidays.

Summer is generally a long enough period that first come first serve can be utilized, as employees can put in their request when planning their trip and adjust before making concrete reservations if needed. The holidays, on the other hand, are a fairly narrow time frame and are typically in high demand for vacation time. You should set a window in which holiday requests can be submitted. Otherwise, you run the risk of having employees submit time-off requests for the holidays a year in advance, which prevents any employees hired during the new year from having a fair shot at putting in their holiday requests.

### **Seniority**

Seniority is another popular method of managing time-off requests. In this method, all employees need to submit time-off requests by a set deadline, and the requests will be granted based on seniority. This is often done for time off around the holidays when it is anticipated that there will be a large influx of time off requests,

This method can be a tad frustrating if you tend to retain your staff for a long time (which hopefully you do!). If you have a large group of employees that have been with the company for a decade, new employees won't have a chance to take the

holidays off for many years to come. This can be demoralizing for newer staff members. Millennial and Gen Z workers are more prone to job-hopping, so under a seniority system, younger staff are at a staunch disadvantage.

### **Reason for the request**

Many employers do ask about the reason for the time off request. Some employers make this portion of the request form optional. It's typically not the best idea to base time off approvals too heavily on the reason for the request. The importance of a particular activity may be subjective and employees shouldn't need a strong reason to take PTO. Sometimes people just need to rest or take a mental health day.

However, it can be helpful to know whether the request is for an activity that cannot be rescheduled. There are also some requests like jury duty, medical leave requests, FMLA, and bereavement or funeral leave that you do need to honor over standard vacation requests. If you put sick leave and vacation into a joint time off bank, asking for the reason for the request is practical.

### **Managerial discretion**

Avoid leaving the approval process largely up to managerial discretion, this leads to favoritism accusations. Managers can have some level of discretion in terms of deciding how many requests to approve, but the order in which they are prioritized or approved should be consistent. Some businesses do set limits on how many people can go on vacation at once, but for most companies, it will vary based on the business needs and the anticipated workload of individual departments during the requested vacation period.

If there are overlapping vacation requests from the same department, the department manager should look at the forecasted workload to decide whether multiple absences will negatively impact the department. You'll likely see an increase in requests around the holidays. This may be a period where you allow

more simultaneous vacations than normal as it is challenging to have productive client or sales meetings during the weeks of Christmas and New Year's.

Managers may use discretion when there are truly extenuating circumstances, but they need to be aware of their own biases. Managers with children may heavily empathize with a parent's desire to spend Christmas morning with their children and want to give them the morning off. This is a lovely thought, but this can create a bias against childless employees resulting in unequal time off processing practices. There will also inevitably be employees that you find more likable or have a stronger rapport with, but you need to be careful not to participate in favoritism. The perception of favoritism hurts morale and can cause conflict between co-workers.

### **Blackout dates and busy periods**

If your business experiences busy periods during a certain portion of the year, you may want to set blackout dates or restrictions on taking time off during those periods. For example, an accounting firm may set the days leading up to Tax Day as blackout dates. They may also impose temporary time off restrictions during tax season such as only allowing one person to use vacation time at once. They may also want to encourage employees to get requests in as far in advance as possible to secure their desired dates off, or to set a special deadline so that everyone can get their requests in and management can manage them accordingly all at once.

Blackout dates should be used sparingly, as you don't want to be too restrictive with your time off policy. After all, adequate access to time off is necessary for employee morale and continued productivity.

### **Working on holidays**

If your business is open on holidays, you probably don't want to allow time off requests for the holiday itself. There are better ways to decide who works

holidays. The ideal option is to allow employees to volunteer to work holidays in exchange for extra pay and other incentives.

There will likely be employees that celebrate differently and don't need a certain holiday off. For example, some families celebrate on Christmas Eve instead of Christmas Day. Others celebrate Hannakuh. Let people volunteer to work the holidays that they don't necessarily need off and earn some extra money.

If you don't get enough volunteers, be sure to rotate who works on the holidays. If someone works on Thanksgiving, they should get their preferred winter holiday date off. Make sure nobody is being forced to work every holiday while others get them all off.

On the other hand, it's becoming increasingly popular to have office closures over the holidays. For many businesses, the week between Christmas and New Years is relatively unproductive and a large portion of the staff is out. If you fall into this category, you may want to give everyone a break and skip the time off requests for that portion of the year.

## **Mitigating the impact of employee absences**

Even if you have a highly organized vacation and time-off process to minimize overlapping vacation absences, there will always be unplanned absences as well. If the flu makes its way around your office, you may end up with several employees out sick all at once. This can negatively impact the flow of business.

There are a couple of other ways to help ensure that your business can continue to run smoothly with multiple employees out, and some methods you can utilize to reduce time off requests where possible.

### **Allowing shift trades**

For shift-based workers, consider allowing employees to trade shifts. This can reduce call-outs and absenteeism. Many employee scheduling apps even have

shift trade features that help employees trade or give away shifts that they cannot make.

You should put a formal procedure in place for this if it isn't managed in an electronic scheduling system. Both staff members should confirm with management that a shift has been traded, as informal shift-trading can lead to no-shows and miscommunications. The employee picking up a shift or employees trading shifts should confirm that they will be responsible for their new shift, so that management knows who to contact or discipline if no one shows up for the shift.

### **Cross-training staff**

It's always a good idea to cross-train your employees so that they can cover tasks for one another when someone is on vacation or out sick. As a bonus, cross-training is also great for your team member's professional development.

It's also helpful to have staff document the procedures for completing their essential duties. If only one person in the office knows how to pull a certain report, operate a certain program or piece of equipment, or do another essential and timely task, you will be in trouble if that person is absent. You definitely do not want to be frantically calling employees for help when they're on vacation or seriously ill.

### **Offering flexible scheduling**

Many employers are offering more flexible scheduling options. Consider allowing employees to come in early if they need to leave early, particularly during busy times of the year for your company.

If an employee needs to leave early or come in late when you're expecting to be busy or short-staffed, allowing for adjusted hours may be better than granting PTO hours when it comes to meeting deadlines and managing the workload. This may not work well for shift-based workers such as retail or healthcare professionals.

However, allowing office or remote staff to adjust their hours is generally less of a challenge.

## **Making sure time-off is taken**

Managing overlapping requests for time off can be stressful, especially for a small business owner. If you follow the above guidelines and recommendations, it should be an organized and efficient process that only minimally interferes with workflow.

You unfortunately may have to decline some time off requests, but do be sure that all employees are utilizing their paid time off balances. Also be sure that when employees do use their vacation time, they are allowed to fully disconnect and enjoy their time off. Proper work-life balance is necessary for employee satisfaction, engagement, and retention. Adequate time off is one piece of providing that necessary work-life balance.

## **Why every business should offer floating holidays**

Companies are always looking for ways to improve their employee benefits packages to best attract top talent. Businesses are also currently taking a closer look for ways to boost diversity, equity, and inclusion within their workforce. Adding floating holidays as an extra perk in your benefits package can help you accomplish both of these goals, and help your employees achieve a better work-life balance.

### **What is a floating holiday?**

A floating holiday is a PTO day that can be used for personal days, birthdays, or significant religious or cultural days outside of the standard federal holidays. Floating holidays help employers bridge the gaps in their holiday schedule — as unfortunately, you can't give everyone every recognized holiday off.

They work similarly to vacation days, but they do have different purposes and distribution methods. Floating holidays differ from other forms of PTO in that they generally aren't accrued over time like vacation or sick time. They're also meant to be used like a normal company holiday, so they can typically only be taken as full days off rather than broken down into hours or partial days off.

## **What are the benefits of a floating holiday policy**

Floating holidays are a win-win for employees and employers. Let's explore some of their key benefits.

### **Creating a more inclusive holiday schedule**

Let's face it, no matter how generous your paid holiday schedule is, you'll never be able to cover all of the holidays celebrated by every culture or religion. There are just too many. If you have succeeded in cultivating a diverse workforce, then you will have employees that need time off for holidays outside of the standard federally recognized holidays.

Take the winter holiday season as an example. You likely give your employees the day off on Christmas Day and New Year's Day as those are federally recognized public holidays. However, those are most likely not the only winter holidays celebrated by your staff. There can even be variations in holiday observances within each religion. For example, some cultures and families place a greater emphasis on Christmas Eve celebrations than Christmas Day. Hanukkah is a largely celebrated winter holiday, but it is rarely taken into account when scheduling school or office closures. Having floating holidays can help ensure that everyone gets to celebrate the dates that are important to them.

### **Meeting business demands around the holidays**

Do you work in an industry that doesn't stop for the holidays or where someone needs to be on-call at all times? Offering more flexibility around holidays can help you meet business demands while maintaining employee satisfaction.



Floating holidays allow employees to take the holidays that they want off, without forcing you to close the office on some holidays that may not hold as much significance to certain members of your staff. You can spread out the absences and give your employees more control over their time off.

You'll likely still want to provide a paid holiday schedule with the major days off and give employees working on company holidays proper holiday pay. However, you can cut the list down a bit and replace some less celebrated holidays with floating holidays rather than full office closures.

Holiday swapping is also an option — though its practicality will depend on your industry. Holiday swapping is the practice of allowing employees to work on a company holiday and choose another day off to take in its place (like a floating holiday). If you have a business that needs to stay open on major holidays like a grocery store, plumbing service, or hotel, this practice can work out great for you. If you have a B2B focused business where most of your staff is performing sales calls and customer support to business clients, you may find that there isn't a ton of work that can be done on a major holiday.

### **Attracting talent**

Recruiting is competitive right now as businesses are facing a high degree of post-pandemic turnover. If you are looking for ways to attract potential employees, it's always a good idea to look for opportunities to make your benefits package more generous. Floating holidays are a great add-on to your time off package. They can also help signify to potential hires that your company is flexible and inclusive, two traits that are highly important to today's job seekers.

### **Promoting work-life balance, family, and cultural diversity**

Floating holidays encourage employees to take time off for the events that are most important to them as individuals. Some companies try to make employees use floating holidays on their birthday or select from a list of recognized holidays,

but it's best to leave it up to the employee to choose days that hold special meanings to each of them individually.

There are a number of Jewish, Islamic, Pagan, and Christian holidays that are not federally recognized holidays. Floating holidays are a great way to support people of all faiths.

Some employees may not need floating holidays for the observance of religious holidays, but that doesn't mean that they won't benefit from a floating holiday. Approach floating holidays as permission to take a day off for dates or occasions that are meaningful to each employee. Everyone's values and backgrounds may vary. Many will use the date for religious holidays and culturally significant dates while others may use them for occasions that hold special meaning to their family.

Allowing working parents to take a floating holiday to celebrate a child's birthday or chaperone a field trip is also a great use of the day. This allows employees to maintain a better work-life balance and be there for special moments with their families. Employee morale diminishes and burnout is amplified if employees feel that they are missing out on significant family memories or cultural activities. Floating holidays are a great way to address your employees' individual needs and show that you respect and support their cultural expression, family obligations, and passions.

## **How to administer a floating holiday policy**

First, you'll need to create your holiday schedule for the year. Evaluate whether any changes should be made. For example, many companies recognized Juneteenth as a holiday for the first time in 2020. On the other hand, Columbus Day is not celebrated by many people and is looked at with some disdain in recent years, so employees may prefer an extra floating holiday instead. You could also update your holiday schedule to list it as Indigenous Peoples' Day.

Then you can decide how many floating holidays to offer. Many companies only offer one floating holiday, with the intention of it being used for a birthday or

anniversary. Consider offering a few more floating holidays in order to allow your floating holiday policy to have a meaningful impact on diversity and inclusion.

The floating holiday should be a separate PTO bank or balance from sick time and vacation time. Floating holidays are generally given as a set number of days off at the beginning of the year rather than being accrued over time. You may decide if floating holidays will be given based on the calendar year or the employee's hire date.

You'll also need to decide whether employees will have the option to roll over unused floating holidays into the next year. Many employers do not allow this as they are meant to be used for significant dates throughout the year rather than be saved up year-to-year. You should double-check your state laws on unused paid time off. Some states may consider vacation days and floating holidays as part of an employee's compensation package and require that you pay out accrued time off upon termination.

Floating holidays, like vacation days, should require adequate notice from employees. These are typically used on a specific date that holds meaning, and thus can be planned weeks in advance, unlike sick days. Human resources should properly record and track the usage of floating holidays.

Be sure to include all of this in your employee handbook along with the rest of your leave of absence and PTO policy.

## **Do floating holidays really make a difference?**

Does providing a couple of extra days of paid time off really make a difference for employees? The answer is yes.

Employers often perceive time off as a loss of productivity, but providing adequate time off is necessary to keep employees happy, productive, and engaged. Floating holidays promote this by allowing employees to save their vacation days for

vacation while giving them time off to observe important religious holidays or family events.

Employees of all faiths and backgrounds deserve to be able to observe holidays and practices that are important to them. They shouldn't have to deplete their vacation or sick time to do it either, as both of those specific PTO types serve their own important purposes in promoting employee wellness. Establishing a separate PTO bank for employees to use for significant dates shows that your company values individual differences and cares about all staff members.

In today's market, the employers that show that they care and are willing to invest in their employee's wellbeing and work-life balance will be the ones that see employee retention.