

Vacation Policies and Benefits Packages

A benefits package can often be as important as pay rate when retaining and attracting quality talent. A 2016 survey by job rating website Glassdoor found that three in five candidates cited benefits and perks as the top reasons for accepting a job offering. In particular, vacation is cherished among millennial employees, as they value travel more than previous generations.

When developing a vacation benefits package, companies have a lot of options. They must evaluate the pros and cons and pick a policy that calculates costs and advances the company's culture. After a policy is developed, it must be written down and understood by everyone within the organization. A vacation policy must be clearly defined, and the policy should leave no room for interpretation.

Here are some important areas to consider when developing a paid vacation policy.

Not required by law

Under federal law, paid vacation is not mandated. A company is under no legal obligation to offer employees paid vacation despite several attempts by Congress. In 1910, President Taft proposed a mandated paid vacation, but Congress never adopted the legislation. Congress tried again to adopt legislation in the 1930s and failed. Not until 1993, when the President Clinton signed the Family and Medical Leave Act (FMLA) were U.S. employers required to give time off. FMLA only mandates businesses give time off for up to 12 weeks for family medical emergencies and births. Pay is not required under the law.

A company is not required to offer vacation to all employees and can provide the benefit to only full-time employees or managers or a specific area of the workforce. The only restriction is discrimination. A company cannot discriminate who gets vacation based on a protected class such as race or gender. Around 75% of American employees receive paid time off through their employer, according to the Center for Economic and Policy Research, and recently, paid vacation has become more valued by workers in the United States.

Calculating paid vacation

Companies have several options when calculating paid vacation days. The most common is accrued. Paid vacation days accumulate each day an employee works. For example, if an employee receives ten days a year paid vacation, he or she would accumulate 3.1 hours of vacation each two-week pay period. Employees can also have a bucket of vacation days. At the beginning of the calendar year, the bucket is refilled.

Vacation and sick

Traditionally vacation and sick leave were kept separate. An employee is given a set amount of vacation and sick days, but that trend has been changing. Many employers now combine sick and vacation, often called paid time off. A recent survey found that one in five employers offer paid time off as a benefit. That means employees can take a longer vacation if they don't get sick. However, if an employee gets the flu or has a major medical problem, the paid time off would be used for sick leave.

Keep a uniform policy

While it may not be illegal, a company should keep a uniform policy for vacation. The sales department should have the same amount of vacation as the engineering department. A non-uniform vacation policy creates resentment within departments and within the company, and can lead employees to believe an area of the company is more valued than another. All full-time employees should be treated the same when it comes to setting a vacation policy.

What holidays to offer?

Vacation policies usually offer the standard six holidays — New Year's, Memorial Day, 4th of July, Labor Day, Thanksgiving and Christmas. Some companies offer paid time off for some of the minor holidays. These include Martin Luther King Jr. Day, Columbus Day, and Veterans Day. A company must decide on a policy that fits the company's need to attract employees, and the overall expense of the benefit. When employees are being paid not to work, that is a cost borne by the employer.

Does vacation rollover?

An important part of any vacation policy is rolling over vacation. In California, an employer must pay out accrued vacation upon termination or separation. Accrued vacation cannot expire. An employer must roll it over, but a cap is allowed. In other words, an employer cannot say, "use it or lose it."

The pros and cons of unlimited vacation

Unlimited vacation has become a more common benefit recently. Major corporations like General Electric and Virgin Group offer unlimited vacation as a benefit. Small startups and leading technology companies Netflix and LinkedIn offer the benefit. The argument for unlimited vacation is the assumption that employees are responsible and will not abuse the system. As well, companies believe employees are willing to work longer hours in exchange for an extended vacation. On the other hand, employees could abuse the system and take an inordinate amount of vacation each year. That means company morale and productivity could suffer, and the company must absorb

those costs. As well, human resources managers must function in a less structured environment, and they have less ability to actively manage employees' benefits.

Part-time employees

Many businesses function with part-time employees. Business must consider whether part-time employees can accumulate vacation. It's a good way to lower the turnover rate for part-time employees, but businesses must decide if they want to pay part-time employees not to work. If a company decides to offer vacation benefits to part-time employees, a set probationary period is usually required. The waiting period can be different than full-time employees, no matter the policy, the same rules should apply to all part-time employees.

Get feedback from employees

As employees will be impacted by the vacation policy, companies can solicit feedback from employees. Employees often have strong opinions on the benefits offered by a company. Human resource managers can send out an email or conduct a survey on a service like SurveyMonkey. The effort will make employees feel a part of the process and create buy-in, but managers must realize that in the end the company creates the policy. Employees are always going to want greater benefit packages.

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How We Can Help You

[Pacific Crest Group \(PCG\)](#) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined

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policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.