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# "BUILDING AN EFFECTIVE AND COMPETITIVE PAID TIME OFF PROGRAM"

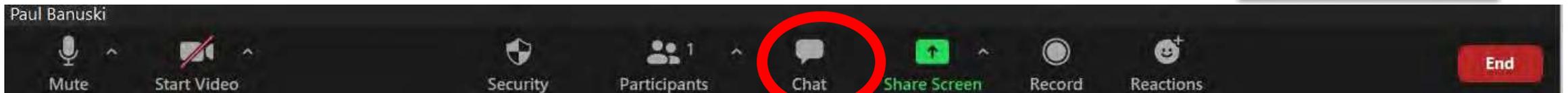


October 21, 2022

PART OF THE FALL  
LEARNING SERIES

## BEFORE WE BEGIN...

Participants will be MUTED during the presentation to reduce background noise, but we welcome your questions! Please use the CHAT feature to send questions to the group or to the presenter.



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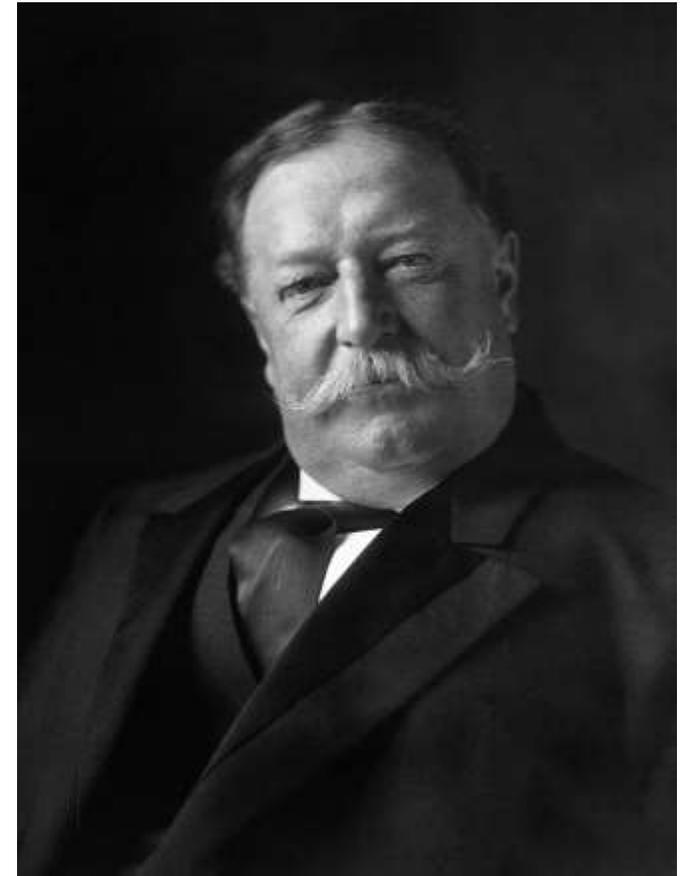
## OUR AGENDA

- Why is paid time off part of an overall employee benefits package?
- What are the different types of paid time off employers are **required** to provide?
- What are the types of paid time off employers **voluntarily** offer?
- How to create a paid time off policy that works for your organization.



# A BRIEF HISTORY OF PAID TIME OFF IN THE UNITED STATES

- President William Howard Taft proposed in 1910 that every American needed 2-3 months of vacation “**in order to continue his work next year with the energy and effectiveness that it ought to have.**” This proposal went nowhere.
- White-collar workers began receiving paid vacations in the 1910s and 20s due to the belief that **they needed to be active for a period of time due to working indoors and in offices .**
- In the 1930’s and 40’s unions began demanding paid time off in negotiations with employers. Between 1940 and 1943 the **number of employees in manufacturing received paid time off went from 2 to 8 million workers.**



# A BRIEF HISTORY OF PAID TIME OFF IN THE UNITED STATES

- WWII wage controls also were forcing employers to think of **creative ways to attract and retain employees**. Allowing employees to take time off while still receiving pay was one way to do this.
- The 1950s saw the creation of the interstate highway system and the associated motels, restaurants, gas stations, etc. created **an entire segment of the economy dependent on travel and vacations**. Not to mention the boom in car ownership and affordability.
- In the 1960's and 1970's with more women in the workforce the need for job protected family leave became a factor, eventually leading to the 1993 **Family and Medical Leave Act (FMLA)** and later, programs like **New York's Paid Family Leave** in the 2010's.



# WHAT TYPES OF TIME OFF **MUST** AN EMPLOYER PROVIDE?

- Job protected leave for most instances of illness or injury
- Certain military/national guard obligations
- Certain family obligations
- Jury duty First responders (Unpaid)



# SICK LEAVE

- Once largely a voluntary benefit, paid sick leave is fast becoming a statutory requirement across the country.
- 11 states and the District of Columbia have a paid sick leave law on the books.
- In 2020 New York passed a paid sick leave law that covers virtually everyone, from full time employees, to part timers, at very large organizations, and for the smallest employers.



# NEW YORK STATE SICK LEAVE REQUIREMENTS

Organization	Required Sick Leave
4 or fewer employees AND net income of less than \$1 million in the previous tax year	Up to 40 hours of <b>unpaid</b> sick leave each calendar year
4 or fewer employees AND net income <b>over</b> \$1 million in the previous tax year	Up to 40 hours of <b>paid</b> sick leave each calendar year
Between 5 and 99 employees	Up to 40 hours of <b>paid</b> sick leave each calendar year
100 or more employees	Up to 56 hours of <b>paid</b> sick leave each calendar year

## WHAT CAN EMPLOYERS STILL OFFER ON A VOLUNTARY BASIS?

- Vacation
- Personal time
- Holidays
- Bereavement

Most employers offer some combination of these benefits in addition to the mandatory time off.

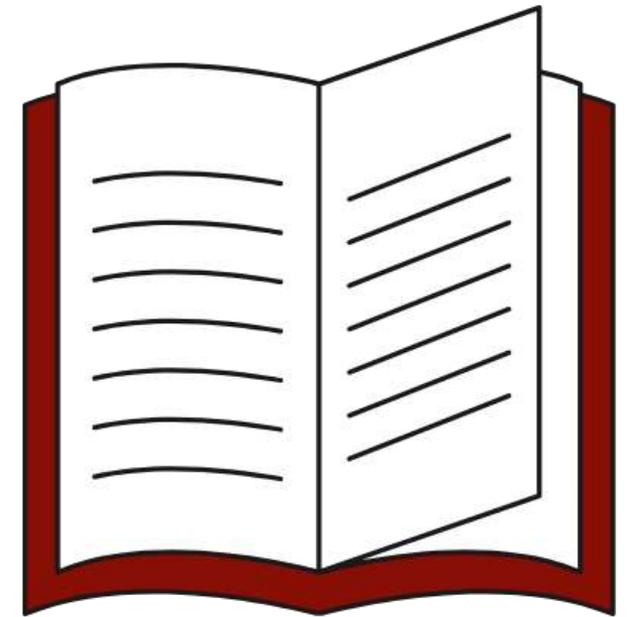


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## **THERE'S SO MUCH VARIETY OF WHAT YOU MUST AND MIGHT WANT TO HAVE THAT DEVELOPING A POLICY THAT FITS \*YOUR\* ORGANIZATION IS KEY**

A time off policy (or series of policies)  
helps...

- Communicate employer expectations;
- Explain the employee benefit;
- Help with compliance.



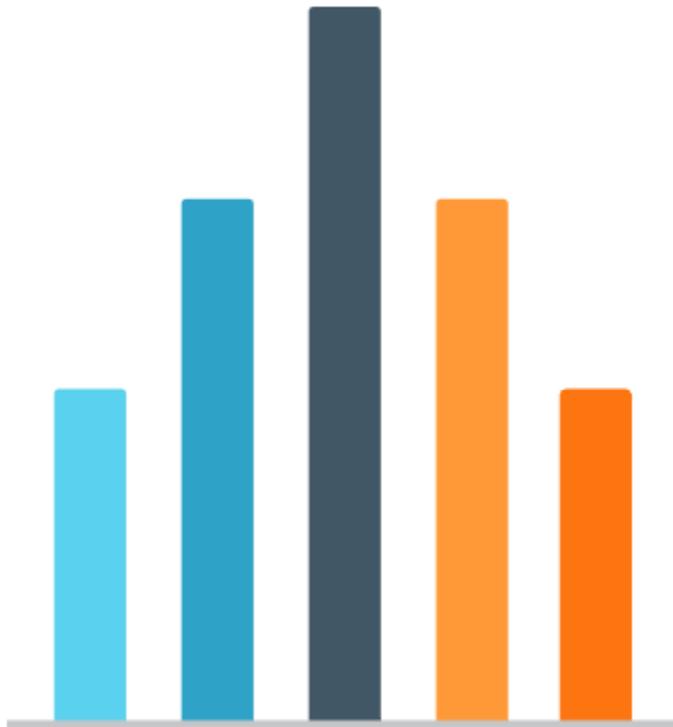
## WHAT ARE YOUR GOALS?

- Do you want a policy that's easy to administer?
- Do you want a policy that prioritizes employee recruitment and retention?
- The policy needs to align with your organizational need and culture.

How will you balance these priorities?



## WHAT'S THE "AVERAGE" PAID TIME OFF OFFERED?



- 10 days is average, but it depends on industry. Typically non-profits offer the most, at 17.5 half days; while some industries give no paid time off other than what's required by law.
- Typically employees get additional days based on longevity (averages out to 3-5 days per year).
- Most employers place a cap on how much paid time off an employee can receive; but unlimited PTO is an emerging trend.

## PLANNED VS. UNPLANNED TIME OFF

- Planned time off: Vacations, scheduled medical appointments, etc.
- Unplanned time off: Illness, car trouble, child care, death in the family, etc.

Your paid time off program should anticipate both types! Your policy language should have some notification provisions for each.



# WHY HAVE SEPARATE BUCKETS FOR SICK, VACATION, PERSONAL DAYS... JUST CALL IT “PAID TIME OFF?”

- 100% Permissible
- Advantage: Simplifies record keeping
- Disadvantage: Different time off benefits serve different purposes
- Advantage: You’re not incentivizing people faking sick for a day off
- Disadvantage: Employees try to “save” PTO, will come to work when they are sick

*There is no right answer other than what is right for your organization!*



# TO FRONT LOAD OR ACCRUE?

## FRONT LOADING

### Advantages

- Administratively easy: Awards the time off to the employee as a lump sum at the beginning of the year (calendar or anniversary).
- Generally does not rollover- time off is use it or lose it, since the bank will be refilled.

### Disadvantages

- Employees burn through their time quickly, setting up issues later on.

## ACCRUAL

### Advantages

- Can reduce costs if an employee leaves before the end of the year
- Can make the employees more thoughtful about how they use their time

### Disadvantages

- Can be administratively more challenging

# CONSIDER CUSTOMIZING YOUR PAID TIME OFFERINGS

- Volunteer Days
- Floating Holidays
- Time Off “Donation”
- Unlimited PTO



## LIMITATIONS ON “VOLUNTARY” TIME OFF



- Employers cannot force an employee to use their paid time off benefits when using NYS Paid Family Leave, though they may encourage employees to substitute their time off.
- Payouts: If an employer does not have a policy explaining the terms of payout of unused time off, the Department of Labor has generally required the payout.
  - Example: An employer may deny PTO payout upon separation if the employee does not provide the notice period or is terminated for a policy violation.

## IF YOU WANT TO MAKE CHANGES...



- How will you communicate the changes to employees?
- Do you pay out employee balances?
- Will you preserve existing balances/start employees off with a balance?
- Do you go through a “transition” year?

# WHAT MAKES FOR AN EFFECTIVE PAID TIME OFF PROGRAM?

- Provides a period of rest and relaxation to avoid burnout;
- Allows employees to take time to attend to personal and family obligations;
- Is clearly communicated;
- Accounts for organization needs and culture.



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## QUESTIONS/DISCUSSION



Please use the chat feature to ask questions!

If you have a question about a specific paid time off issue within your organization please email me at [\*\*pbanuski@chinsurance.cc\*\*](mailto:pbanuski@chinsurance.cc)