

## ANALYZING PAID TIME OFF

There has been a lot of buzz across employees, management, HR, politicians and newscasters regarding paid time off practices in the United States. As the supply of available talent shrinks due to demographic shifts and organizations demand specific skill sets, the employment market has shifted towards the employee. In response, organizations have made significant updates to their paid time off plans in an effort to attract top talent into their organization.

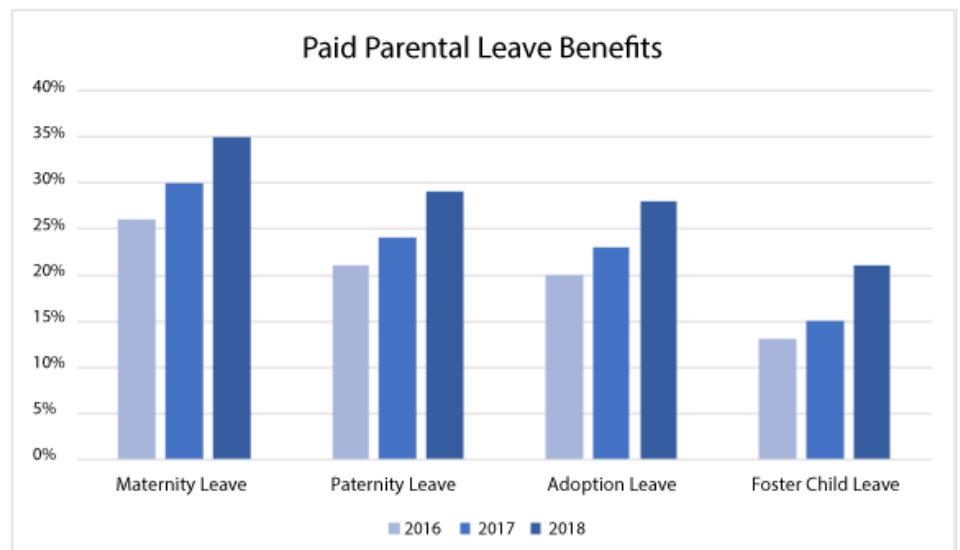
It can be tempting to read the headlines and copy what plans you see being offered. It is best to take a holistic view of your organization, its philosophy and your local employment market trends as you decide how best to restructure your paid time off plans.

### PAID TIME OFF TRENDS

There are many different paid time off benefits for employees. At the core, organizations typically provide vacation and sick leave, or a PTO plan. A PTO plan combines vacation and sick leave into one bucket, rather than traditional plans that separate sick and vacation usage. There are benefits and drawbacks to both philosophies, which are important to analyze and consider.

Other organizations (especially in technology industries) have taken away vacation balances and shifted to an “unlimited vacation” program. Early adopters of this have found that people take less time off under the unlimited vacation program due to heavy workloads and peer pressure (vacation shaming).

Paid parental leave benefits have increased significantly in recent years. According to the 2018 SHRM Benefits Survey, the amount of employers offering paid maternity leave went from 26% to 35% and paid paternity leave went from 21% to 29% from 2016 to 2018. This is a significant increase in just two years. As more mothers stay in the workforce and fathers are more active participants in child rearing, employees are expecting and demanding greater support from their employers, and it appears organizations are responding. The chart on the right shows this progress.



Other types of paid time off benefits include volunteer time off, paid military leave, bereavement leave and sabbatical programs. A number of organizations have also created ways for employees to donate their paid time off to others who are out of paid leave and have a significant medical situation.

It is easy to get overwhelmed with the opportunities and benefits available and important to step back to consider what is most important to your organization's success.



## FIVE PILLARS OF REVIEWING PAID TIME OFF BENEFITS

The five pillars identified below provide a framework to follow as you look at your current paid time off benefits and identify what changes should be made.

**Gather Internal Data.** Examine quantitative data through your HRIS or payroll records to identify current paid time off usage trends across the organization. Review data gathered from employee engagement surveys, stay and exit interviews, and qualitative data gathered through conversations from employees and managers. Review recruiting statistics such as time to fill and offer acceptance ratings.

This information can help you better understand the effectiveness of your current paid time off plans and help understand gaps.

As you look at the data, ask questions such as:

- Which paid time off benefits are heavily used or not used?
- Is there ongoing abuse of paid time off benefits that should be addressed?
- What paid time off plans are most valued by employees?
- What other paid time off benefits are applicants and employees looking for?
- What do our workforce analytics look like today and how will that change in the next 5-10 years?
  - Percentage of employees by generation
  - Percentage of employees eligible for retirement
  - Turnover by gender, age, tenure
- Have any high performers left the organization as a result of missing or uncompetitive paid time off benefits?

**Examine External Data.** It is important to understand trends across the industry and local employment markets. Review market information from benchmark survey vendors to identify best and common practices across the marketplace. Best practices are commonly highlighted within local and national Best Places to Work competitions. Another way to learn about trends is to talk with recruiters, hiring managers and college campus career counselors. They hear what competitive offers include and can be a solid source of information. It is also important to gather information on local laws. Many state and city governments have started to mandate sick leave and other aspects of paid time off that must be complied with.

**Clarify Your Paid Time Off Philosophy.** After you have this information, take a step back and examine how your paid time off benefits will need to be structured to help you meet your future needs.

- What type of talent will your organization need in five/ten years?
- What paid time off benefits will support that goal?
- Where are the gaps between what you will need and current plans?
- Are there aspects of your other benefits that are incorporated into your current policy (such as sick leave and a pension plan) that you need to consider before updating your plan?
- When would changes to the benefits be effective?

**Analyze Plan Cost.** Changes to paid time off benefits will have soft and hard costs to the organization. Before moving forward with a new or updated paid time off benefit, create sample scenarios to better understand how different groups of individuals will be positively or negatively affected as a result of the proposed changes. Look at potential usage and estimate cost to the organization for changing the benefit.

There are also opportunity costs in NOT implementing new paid time off benefits that need to be considered when analyzing plans. Make sure to include those as part of the analysis.



**Create a Communication Plan.** This is an often overlooked, yet critical, step in ensuring the program is accurately described and communicated to employees. You will need separate communications for management and employees.

There are employees who tend to look for the negative in any benefit change... their story is focused on how the organization is benefiting and how the employee will lose in each scenario. Include a few of your naysayers into your communication strategy planning meetings to help them understand the changes, why they are occurring, and to have them shoot holes into your strategy.

If there are take-aways from an existing plan, explain the reasoning and highlight the other benefits to employees. It is a better practice to call out the change than have employees figure it out and then talk about it for weeks around the coffee machines.

## SUMMARY

Paid time off benefits receive a lot of buzz in the media. It is easy to get swayed by a new fad in paid time off. It is also easy to assume that paid time off benefits that were effective 15 years ago remain effective today.

Your organization will benefit greatly by taking a proactive and holistic approach to your paid time off benefits. Reviewing your current state, desired future state and identifying gaps will allow you to create a paid time off plan that will help you attract and retain desired talent while also achieving organizational objectives.

If you have questions related to paid time off plans and benefits, contact Foundations Consulting.

## Meet the Foundations CONSULTING TEAM



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