

Issue: Paid Leave

Short Article: More Companies Offering Unlimited Time Off

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## “People won’t necessarily take it, but if you offer it, you can attract people into your company”

### Executive Summary

Analysts say unlimited vacation time is a hot trend among those companies seeking to recruit quality employees. A key takeaway:

- The benefit has to be clearly defined so it is not abused.

### Full Article

At payroll and benefits company Gusto, employees decide how much paid vacation time they take every year—with no limit. It’s rare for anyone to misuse the perk, said CEO Joshua Reeves.

The unlimited benefit “helps build an ownership mentality,” Reeves said. “We want our employees to think like owners and consider what’s best for both themselves and the company. Letting them figure out their own vacation time shows that we trust and respect them, which in turn strengthens their commitment to the company.”<sup>1</sup>

The five-year-old company, with a workforce of 300 and offices in San Francisco and Denver, is one of a growing number of businesses that don’t restrict employees’ vacation days. Many of those companies have found that, instead of taking too many days, most committed employees don’t take enough.



A beach at Coney Island, N.Y., awaits its busy season in mid-April. Some businesses report that employees with unlimited vacation time take no more days off than they did when their vacation time was defined. (Spencer Platt/Getty Images)

Corinne Jones, president of CJC Human Resource Services in New York, calls unlimited vacation time, which she said “started popping up” around 2013, “a really hot trend.”

“The thought is: People won’t necessarily take it, but if you offer it, you can attract people into your company that you otherwise wouldn’t have attracted,” she says.

Some businesses confirm that employees with unlimited vacation time take no more days off than they did when their vacation time was defined.

In fact, marketing automation company Salesfusion said some of its 72 employees started taking fewer vacation days after the firm introduced unlimited vacations three years ago. CEO Carol O'Kelley said workers were unsure how much time off was too much, so the company wrote guidelines suggesting that two weeks would be enough to take at one time. "It really did help to provide folks something in writing they could review," O'Kelley said.<sup>2</sup>

To encourage employees to take vacation days, marketing software company HubSpot in Cambridge, Mass., adopted a "two weeks to infinity" policy in 2010. The message: Workers are expected to take at least two weeks off every year. Managers must report employees who refuse to take any time off.<sup>3</sup>

In 2012, contact management firm FullContact in Denver noticed that workers weren't taking any days off, despite the company's offer of unlimited vacation time. So it began paying up to \$7,500 to help finance employee trips.<sup>4</sup> Use of vacation time soared, said CEO Bart Lorang.

A 2016 report from the Society for Human Resource Management estimates that only about 1 percent of companies offer unlimited vacation time. Working Mother magazine's 2016 list of the 100 Best Companies to Work For featured three firms with the benefit.<sup>5</sup>

Anecdotally, the practice began in the technology sector -- Netflix, Hubspot and Evernote were early adopters -- and is slowly spreading beyond Silicon Valley. Advertising firm PaperG in San Francisco and financial companies MarketWatch in Washington, D.C., ZestFinance in Los Angeles and SoFi in San Francisco also offer the benefit.<sup>6</sup>

Lawyers and executives who advocate unlimited vacation time have this advice for businesses considering the policy:

**Make expectations clear.** If managers expect employees to schedule vacations around co-workers' plans, or they want to avoid absences during busy seasons, workers need to know that. Require a minimum advance notice so employees don't make a habit of waking up on sunny days and deciding to play 18 holes instead of working eight hours.

**Define "unlimited."** Companies that offer unlimited vacation time should tell employees what's an acceptable range of days off. "Even if your time off is technically 'unlimited,'" Reeves said, "your manager obviously doesn't expect that you'll take off 75 percent of the time."<sup>7</sup>

Derek Winn, lead consultant for Business Benefits Group in Fairfax, Va., says unlimited-vacation policies "create a murky scenario for employers when it comes down to extended leave: At what point do you terminate an employee if they don't show up for work?"

He says it's critical to hire workers who won't abuse the policy, and to understand how the policy will affect a company's finances.

Unlimited vacation time works best at companies "that can be disrupted," Winn says. At companies working on federal contracts, he says, "if people aren't showing up for a month of a time, they can't fulfill the contract."

**Honor the terms of past leave policies.** Companies that switch to an unlimited-vacation policy must still eventually compensate workers who leave the company for any time off that accrued before the new policy took effect, says attorney Michael Wahlander of Seyfarth Shaw in San Francisco.

**Check with an attorney.** A few states make unlimited vacation time available only to salaried workers. In those states, vacation time for hourly workers is part of their compensation. Human resources lawyers also advise businesses to clearly separate vacation policies from parental leave.<sup>8</sup>

**Make performance a condition.** Before offering unlimited vacation time, set performance goals and identify the consequences of not reaching them. Employees who know they must meet defined deadlines probably won't take so many days off that they can't fulfill those requirements.

## About the Author

Sharon O'Malley, an instructor at the Philip Merrill College of Journalism at the University of Maryland, is a freelance writer, editor, consultant and trainer who has published articles in dozens of newspapers and magazines, including USA Today, Ladies' Home Journal, Working Woman and American Demographics. For SAGE Business Researcher, she has written several reports, including [Shopping Malls](#), [Internships](#), [Product Recalls](#) and the [Business of Christmas](#).

## Notes

[1] Joshua Reeves, "Unlimited Vacation Policy? What You Should Know," The Muse, undated, <http://tinyurl.com/fjlnkm>.

[2] Minda Zetlin, "The Surprising Benefits of Unlimited Vacation," Inc., June 2016, <http://tinyurl.com/m9o7cky>.

[3] Jena McGregor, "The catch of having an unlimited vacation policy," The Washington Post, Aug. 13, 2013, <http://tinyurl.com/mj6psj8>.

[4] Sue Shellenbarger, "Companies Deal With Employees Who Refuse to Take Time Off by Requiring Vacations, Paying Them to Go," The Wall Street Journal, Aug. 12, 2014, <http://tinyurl.com/k682q2v>.

[5] Jonathan Crew, "Why Unlimited Vacation May Sound Better Than It Really Is," Fortune, March 10, 2016, <http://tinyurl.com/kd8ofzt>.

[6] "10 Awesome Companies That Give You Unlimited Vacation," The Muse, undated, <http://tinyurl.com/lbhy5cs>.

[7] Reeves, op. cit.

[8] Zetlin, op. cit.