

# Doing Away with Your Vacation Policies

## Labor & Employment Law Update

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Summer is unofficially here. Kids are out of school. Many employees are checking their vacation balances to see how much time they can take off work.

For HR, vacation balances can be incredibly time-consuming. You have to worry about different accrual rates for different employees and set up tracking systems to account for those different rates. You have to make sure time off is being properly requested, approved and accounted for. After all, vacation not properly accounted for can lead to over-stated liabilities on company financials. For most companies, payroll is already the biggest operating cost as it is.

Or, maybe the real headache of your company's vacation policy occurs every time you have to pay out unused days if an employee quits or is terminated from employment. The laws on what and when you have to pay employees at separation in regards to vacation varies state by state. However, in many cases, it can lead to significant financial liabilities.

You may have heard of the "unlimited" vacation policy. While it's referred to as "unlimited" vacation, it's technically a "no vacation" policy. With the right employee culture and the right managers, the vacation policy is torn up and thrown out, and employees can take as much vacation as they like – as long as they get their work done.

For companies, the "unlimited" policy can be a real game changer. No more financial liability on the company's books. No more big vacation payouts when an employee leaves or is terminated. Also, "unlimited" vacation is a valuable benefit that can be touted when trying to attract the best talent to your organization. Granted, you do have to be cautious on how you transition from an accrual policy to an "unlimited" policy and make sure the transition complies with the state laws applicable to your organization. And generally, you won't be able to apply the policy to your hourly / non-exempt employees.

However, the biggest issue to consider in transitioning is more likely – how will you know if employees are really getting their work done? There has to be some kind of measurable that allows you to hold employees accountable for abuse of the professional privilege of "unlimited" vacation. If there is, you also then need to make sure your managers and supervisors are properly trained and prepared on how to monitor and document when those measurables aren't met by an

employee.

If you're not already in the small percentage of companies that offer "unlimited" vacation, you may, with the help of knowledgeable counsel, want to consider transitioning to one.

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