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Why unlimited PTO may be more of a hassle than it's worth

Report highlights inequalities for employees, challenges for employers



By [Sarah Dobson](#)

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With a tight labour market and many employers still finding their footing after the pandemic, many offerings have been put on the table to entice and retain candidates.

Greater flexibility of course has been a big focus, and that includes unlimited paid time off (PTO). Big names such as Microsoft, Netflix and Salesforce have recently decided to promise the benefits to employees, for example.

But a new report suggests this seemingly generous perk is not all that it seems – and a Canadian employment lawyer has her reservations.

“It's a giant pain in the neck, actually, for all kinds of reasons,” says Lisa Stam, lawyer and managing partner at Spring Law in Toronto.

“Probably the idealistic intention in the first place is that you go on this really cool vacation somewhere off the grid for a month or two — but that's not a thing, that's not how people are using PTO at all.”

Report highlights inequality of unlimited PTO

[In their report](#), PTO Exchange, a benefits platform that allows employees to convert the value of their unused paid time off, and Lighthouse Research & Advisory said the decision to adopt unlimited leave plans is more for the convenience of employers than employees.

Many workers end up taking less time off overall because they don't have a protected set of days that they can claim each year, and others say that favouritism and other factors make unlimited PTO untenable. On many public forums like Glassdoor, Blind, and Fishbowl, workers use terms like “scam” to describe this program, says the report.

“As we looked into the hype of ‘unlimited PTO’, we found that this benefit created a biased system and culture from the executive and managers to the front-line workers,” says Rob Whalen, co-founder and CEO of PTO Exchange.

The evidence also showed that people of colour, women, and lower-income workers are all less likely to use their paid leave in normal circumstances.

Work norms create challenges for vacations

The survey of 150 HR leaders at U.S. organizations and 300 individuals currently working under an unlimited paid leave plan also found that three in four employees are expected to work even when they are on vacation.

And 83% of workers with unlimited PTO say that their company has a culture where people avoid taking time off because they are too busy.

At any company, you're going to have certain people who take advantage of the policy because of a lighter workload, while others can't find the time to use the unlimited PTO, whether it's an engineer, accountant or secretary, says Whalen, while certain sectors, such as healthcare, would not be able to enjoy the perk.

“The problem with unlimited is it just is not an equal across the board,” he says.

People who already don't have a lot of traditional power in a workplace are going to feel more hesitant to take extra vacation time, while others may feel they'll look like a slacker, says Stam.

“It's too stressful in workplaces that tend to be very on the clock all the time and ‘We play hard, we work hard’ kind of cultures.”

And while there's the whole concept of flat organizations without a bureaucracy, so people can take a vacation when they like because they know what their job requires, she says, “the reality is organizations need a bit of planning so they can backfill people, or if there's a project coming down the pipe that maybe someone doesn't know about or the timing is off, or people just have different levels of responsibility around what has to get done or urgency.”

Of course, there's also the morale issue of someone who is loyal to their employer for 15 years, and proud of their five weeks off, “and suddenly anybody can take five weeks,” says Stam.

Many surveys have shown that many employees [don't take all of their vacation time](#), leading to productivity and engagement issues.

Legal challenges to unlimited PTO

Usually if a Canadian employer is offering this benefit, there's some sort of U.S. parent involved, says Stam, “where it is trying to rebalance the overall low vacation amounts that U.S. workers get. So it's a really quick way to differentiate themselves as a U.S. employer.”

But [Canada's employment laws](#) could cause issues because of the minimum standards. In Ontario, for example, everyone gets at least two weeks of vacation time and vacation pay.

And if an employee termination is involved, unlimited paid time off can prove a challenge, according to Stam.

“So if it's unlimited, often it's actually a bit of a free for all, where... startups or newer companies, they just don't want to track all this housekeeping stuff, and so unlimited PTO just sounds so much easier. But then when they have to fire someone, [they] have to pay out all the outstanding vacation pay to which that person is owed. And so how much is that? There isn't a consensus yet,” she says.

“Does that mean that they're now entitled to a month of payout on termination? It's that ambiguity that leads to a lot of battles on termination.”

Also an issue: the blurring between longer vacation time and other leaves. If an employee has unlimited PTO, they may find it easier to take an extra week or two off after a stress leave if they're feeling burnt out, says Stam.

“But what if they come back in four weeks or five weeks or three months? Is that all going to be paid now because your PTO is paid leave?” she says.

“If you have a self-funded short-term disability plan, often people are not getting their full salary, for example, but if you have a paid unlimited PTO, then of course you're going to want to call it a vacation instead of a medical.”

Recently, Canadian HR Reporter took a look at everything you need to know about leaves of absence [due to mental health](#).

Financial advantage for employers

Whalen has another big criticism of unlimited PTO: the financial advantage for employers.

Many workers have a tough time making ends meet, but have hundreds of dollars accrued in paid time off.

However, a law in California “pretty much stated that if you accrued your PTO, it was considered earned wages and needed to be paid out,” he says. “So we started to see companies like Netflix — this is the unintended consequences of good intended laws... they said, ‘Well, let's not accrue the PTO and let's just call it unlimited. And as long as you get your work done, you can take as much time off as you want... So that way, when we do a RIF, reduction in force, we don't have to pay this out, and we don't have to accrue it.’”

Some employers are saving millions this way, says Whalen.

“It is an incredible financial win to the corporation and to the shareholders. It's monstrous... I think that companies are really taking advantage of the workforce by doing unlimited. And not having accrued PTO and tracking it.”

Best practices for unlimited PTO

In the end, if an employer is going to implement an unlimited PTO policy, “you've got to really put in some rules around it and you really have to have training with your employees on it,” says Whalen.

Stam agrees.

“I love the concept... But having just a very simple set of parameters around it would be a game-changer for people who want to offer it.”

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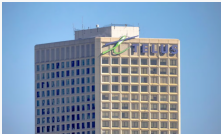
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