



INTRODUCING THE UNLIMITED VACATION TIME POLICY

JANUARY 2016

Overview

Rapidly evolving work places have devoted a large amount of attention to the benefits of autonomy and flexible working. Companies such as Netflix and Virgin have emphasized the importance of an unlimited vacation time policy, a factor that facilitates such autonomy.

This case study outlines the effect such policies have on companies including the consideration of both potential advantages and disadvantages of the strategy.

The Aim

The unlimited vacation time policy allows companies to promote their culture of working that empowers people to choose when and where they work. In giving employees this autonomy over their work times, companies hope this will improve general work-life balance. In doing so, it also hopes to benefit other crucial areas of work such as productivity, morale and creativity.

How it Works

Whilst variations exist amongst companies, at the core, the unlimited vacation time policy allows all salaried members of staff to take time off when they want, for however long they choose for. Unlike other vacation time policies, it does not require the employee to seek prior approval from managers. Further, managers are not required to track the extent to which their employees are utilizing the available time off. In fact, the employee can take any time off ranging from anywhere between a few hours to a whole month out of office. The success of policies like this is contingent on a variety of different assumptions:

- The team is up to date on every project, allowing for the employee to take time off.
- The absence of the employee will not cause damage to the success of the business.
- The absence of the employee will not cause damage to the success of his or her own career.

Currently, less than 1% of companies offer a form of unlimited vacation time policies. Some companies that have put this policy into effect include: Netflix, Virgin, Hubspot, Best Buy, Triggertrap and Evernote. At Netflix, a pioneer for this type of policy, the strategy is described as a part of Netflix's "Freedom and Responsibility" practices.



The Benefits

The advantages of unlimited vacation time policies have been assessed via a variety of avenues, including a survey conducted by Glassdoor in 2014. Survey results gave insight to a variety of different benefits:

- Better connected teams. According to the Glassdoor survey, 61% of employees admit to working despite being in vacation. The majority of employees continue to work during vacation out of fear of falling behind. Thus, the openness of such vacation policies encourages employees to cover each other's workload, allowing for better connected teams.
- Research has shown that vacation allows for rejuvenation, boosting employee productivity, happiness and morale.
- Financially, it saves the company both time and money by no longer managing or tracking the organization's PTO schedule.
- In treating employees as adults by providing them with autonomy over work time, employees feel more valuable and responsible.

The Downsides

With any policy, advantages are coupled with disadvantages. One of the main disadvantages associated with unlimited vacation policies is that in many cases, employees end up taking even less time off. In fact, companies including Kickstarter, Tiggertrap and the *Los Angeles Times* have already rescinded their unlimited vacation times because of this obstacle. Looking at Tiggertrap in particular, an overview of the employees' 2015 vacation times indicated that the introduction of this policy had reduced the average days of holiday taken from 28 to 15 days.

There are a variety of factors that contribute to employees refusing to take time off, under such policies:

- Unspoken expectations. Whilst a manager may not explicitly indicate an acceptable amount of time an employee can take off, overarching expectations may hinder the employee from using this policy effectively.
- The consideration of others and the team. When deciding when to take time off, it is natural to consider yourself in comparison to your team members. Nobody wants to be the employee who takes the most time off. Thus, a spiral begins whereby employees take less and less time off.
- Being vacation-averse to begin with, especially in Americans. In fact, even outside of companies with such policies, the average American will only take 50% of their days off.

Why this is 'Future Proofed'

Despite the consideration of both advantages and disadvantages, this strategy is future proofed for a variety of reasons. Firstly, research has shown that millennial workers and job seekers have a preference for unlimited vacation days in comparison to the 16 days most companies set as a standard. In fact, a study by SmartRecruiters found that 69%



of millennials look for work-life balance in future employers. In addition, our Gen Z survey found that only 10% of millennials are looking for a job for life. With recruitment and retaining talent being a particularly great challenge for employers regarding millennials, this type of policy provides companies with an advantage in order to attract the strongest candidates.

In parallel to attracting and retaining millennial talent, autonomy as a whole is future-proofed for a variety of different reasons. Firstly, studies have shown that millennials seek more autonomy in the workforce, as a whole. With millennials continuing to increase their share in the workforce, their desires and how they work best, play a crucial role in how company policies develop. Further, autonomy in the workforce has shown to improve employee performance, morale, creativity and engagement.

What Can We Learn From This Example?

Investing, or in effect cutting costs in introducing unlimited vacation time policies has many benefits for companies, especially given what millennials are looking for in future job prospects. However, taking the disadvantages into account, it is crucial to develop unlimited vacation time policies that will not just allow but also encourage employees to take time off. Buffer's attempt to introduce a \$1000 bonus to vacation, as an incentive to take time off, is an example of how this can be approached, successfully.