Unpacking the Real Limits on Unlimited PTO

About 7% of U.S. companies offered unlimited paid time off (PTO) as an employee benefit in 2024, up from just 1% in 2014.[1] When companies adopt unlimited PTO policies, there is no specific cap on the number of paid vacation and/or sick days employees can take, although requests for time off are typically subject to a manager's approval.

With traditional benefit programs, long-time employees accrue more paid vacation days than newer hires. On average, private-industry employees in the United States can take 11 vacation days after one year of service, which rises to 15 days after five years, 18 days after 10 years, and 20 days after 20 years.[2]

Surveys confirm that unlimited PTO is a coveted workplace benefit that could be a powerful recruitment tool for companies that offer it.[3] It's easy to understand why the prospect of unlimited PTO is appealing, but there are also some potential pitfalls to consider.

A perk for employees and employers

Many employees appreciate the freedom to travel and take time off when needed for their own well-being or to help care for children or other family members. Thus, when companies have unlimited PTO policies that truly provide flexibility, it can help companies keep productive employees they don't want to lose.

One drawback for employees with unlimited PTO is that there is no time bank of unused vacation days to cash out when they leave their jobs or get laid off. This amounts to significant savings for employers that have fluid workforces or decide to reduce their headcounts.

Employee perceptions and fears

Data shows that employees with unlimited PTO take an average of 16 days off a year, compared with 14 days taken by those with specific caps.[4] Few employees abuse unlimited PTO policies, likely for the same reasons that many employees don't use up the vacation days in their time banks. Some people don't feel comfortable asking for time off if they are worried about keeping up with a heavy workload or if they will have to ask co-workers to cover their duties. And they might fear being judged negatively by their peers or managers, especially if they suspect it could impact their performance ratings and job security.

Company culture matters

Some start-ups have a reputation for "all-in" cultures in which taking time off is discouraged or can be especially stressful. The reality is that there are plenty of work environments that make it hard for employees to pursue work-life balance.

When their PTO is uncapped, employees must figure out for themselves how much time they can really afford to take. As always, the answer likely depends on company and industry norms and the individual worker's standing and responsibilities.

1) *The Wall Street Journal,* January 22, 2025; 2) U.S. Bureau of Labor Statistics, September 2024; 3–4) Empower Study, 2024

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