

OXFORD ECONOMICS

An Assessment of Paid Time Off in the U.S.

**Implications for employees, companies,
and the economy**

February 2014



**OXFORD
ECONOMICS**

Contents

Executive Summary	3
1 Assessing the magnitude of the opportunity.....	5
1.1 Unused paid time off.....	5
1.2 Total unused days	6
1.3 Opportunities for the travel industry.....	8
1.4 Total potential economic impact	9
1.5 Scenario: What if just one more day were taken?	10
2 Barriers to taking paid time off.....	11
2.1 Work load is the most frequent hurdle	11
2.2 Other factors	12
2.3 Comparing government and the private sector.....	13
2.4 Focus on small business	13
3 Benefits of paid time off	14
3.1 Management and employees all recognize PTO benefits	14
3.2 The return to work.....	16
4 Corporate culture and paid time off	17
4.1 Many employees work in an environment supportive of PTO	17
4.2 Influence of managers and perceptions.....	18
4.3 Small business pressures.....	19
5 Conclusions	21
6 About Oxford Economics.....	22
Bibliography	23
Methodology and Survey	25

Executive Summary

The United States is one of the few industrialized countries that does not guarantee by law paid time off¹ (PTO) for employees.² However, PTO is still a key part of benefits packages offered by employers to attract high quality employees. Nearly three-quarters of all U.S. workers earn paid time off including vacation and personal days.

This study presents the findings of an extensive survey of 971 employees focusing on how paid time off is perceived and used in the United States. Management and non-management perspectives are explored separately as well as differences between public and private-sector employees, and between small and larger firms.

Survey results are analysed and extrapolated to the U.S. employment base to assess the total opportunity in terms of unused paid time off and the potential economic impacts if this time were converted to travel.

Our research finds that employers and employees perceive significant benefits to taking PTO. For the employer, benefits include more productive, focused and dedicated employees. For employees, time away from work reduces stress with notable benefits to relationships and health. Most employees report coming back to work feeling renewed and refreshed, and ready to focus on work.

However, despite most workers earning paid time off—and an apparently supportive corporate environment—many US workers do not use all of this entitled time. More than 4 of 10 employees finished 2013 with unused PTO.

Key Findings:

- The benefits of time off are widely recognized and include more dedicated, productive, satisfied and healthy employees.
- However, a heavy workload and management and peer pressure prevent some employees from taking all earned paid time off.
- On average, employees with paid time off used 84 percent of this benefit in 2013, leaving 3.2 days of unused time on the table.

¹ For the purposes of this analysis, paid time off includes vacation time and personal days only

² Organization for Economic Cooperation and Development, available at <http://www.oecdbetterlifeindex.org/topics/work-life-balance/>

- The conversion of unused days of paid time off into travel would result in an additional 580 million days of travel and an additional \$67 billion in travel spending.
- The total economic impact of this additional spending, including indirect effects, would be 1.2 million U.S. jobs and \$52 billion in additional income earned.

The report is organized as follows:

Section 1 quantifies the amount of PTO U.S. employees earned in 2013 and how much of that time remained unused at the end of the year. Additional travel and travel spending are estimated based on the amount of unused leave. The total economic impact is calculated using input-output modelling to capture the potential indirect effects of the additional travel spending.

Section 2 examines survey results to identify the key barriers to employees using all of their earned PTO.

Section 3 summarizes the reported benefits of taking leave work, both from the management and employee perspectives.

Section 4 examines perceptions of corporate culture and its potential to be a barrier to taking PTO.

Section 5 provides concluding remarks.

1 Assessing the magnitude of the opportunity

Key Findings:

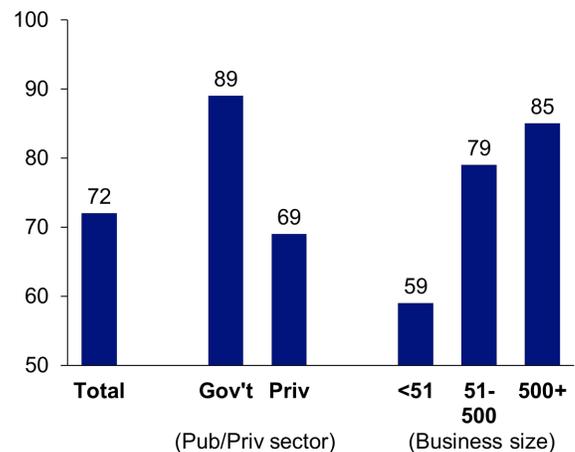
- U.S. employees used 84 percent of earned PTO in 2013, leaving an average of 3.2 days on the table (among those with PTO).
- For the entire work force, this underutilization of PTO amounts to 429 million unused days, or 2.4 days per employee.
- This unused time, after netting out financial considerations and deferred travel, would produce 580 million additional travel days and \$67 billion in additional travel spending if used for travel.

1.1 Unused paid time off

Nearly three in four employees (72%) receive PTO in some form. Paid vacation days account for most PTO although employers are increasingly not distinguishing between the types of days off.³ Instead of a traditional PTO program with a determined amount of personal and sick days, holidays and designated vacation days, many employers now offer a total block of PTO days that acts as a bank from which employees can draw for any reason. Our research focuses exclusively on vacation and personal days.

The amount of PTO varies by public versus private and by firm size, as does the share of employees that earn PTO. The share of government workers that earn some form of PTO is higher than average at 89 percent, and employees of larger companies are also more likely to earn PTO. Private-sector workers and particularly those at small companies are least likely to earn PTO at 69 percent and 59 percent, respectively. These figures are similar to findings of official government data from the Bureau of Labor Statistics.⁴

Share of employees receiving PTO
%



³ World at Work 2010 survey, available at <http://www.worldatwork.org/waw/adimLink?id=38913>

⁴ BLS data available at <http://www.bls.gov/ncs/ebs/benefits/2012/>

Among those workers that earn PTO, the average granted is 20 days per year. Government employees and those in larger businesses tend to receive more PTO, with averages of 24 and 23 days, respectively. In the private sector, employees in the healthcare and transportation sectors earn more PTO, with an average of 22 days, while accommodations and food service workers tend to earn less leave with an average of 15 days.

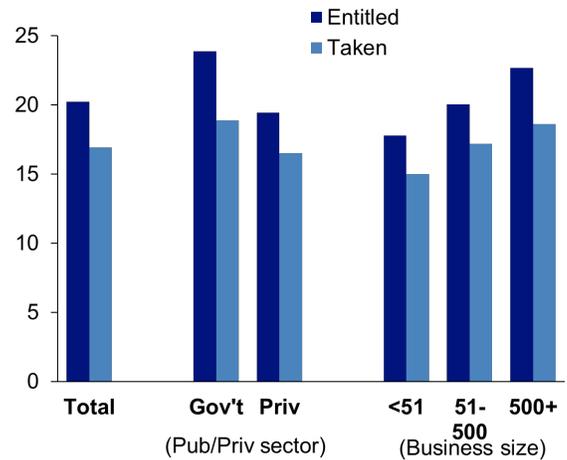
A slight majority of employees expected to use all of their earned PTO in 2013, but a significant portion (42%) finished the year with unused days. These employees not using all PTO days left an average of 8.1 days unused. Including all employees, those that do and do not leave days unused, the average utilization rate, defined as 'days used over days earned,' is just less than 84 percent. This means that more than 16 percent of all earned PTO was unused in 2013. Among employees with PTO, 3.2 days of their average 20-day allotment was not used. Employees that earn more PTO also tend to leave more days unused. Government employees left 5 days, or 21 percent of their earned leave unused, and employees of larger companies did not use 4.1 days, or 18 percent of earned PTO. In the private sector overall, 15 percent of earned PTO was unused.

1.2 Total unused days

As many U.S. workers finished 2013 with an unused portion of PTO, the total amount of unused days for the U.S. work force as a whole is substantial. Not all U.S. employees receive PTO, and in order to project out to all workers, those who do not earn PTO must be included in the calculations. More than 25 percent of employees do not earn PTO. Taking into account these workers, the average amount of PTO earned per employee is 15 days and the average amount PTO unused is 2.4 days. With a total employment base of 183 million U.S. jobs⁵, a total of

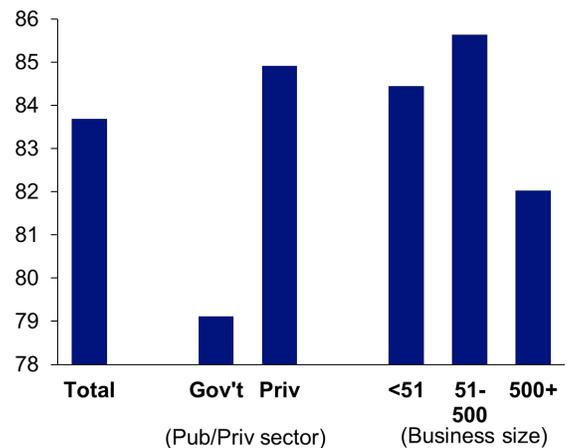
Paid Time Off in 2013

Mean days



Utilization of Paid Time Off in 2013

Days taken over days entitled, %



⁵ Based on BEA SA25 total full and part-time employment for 2012, forecast for 2013

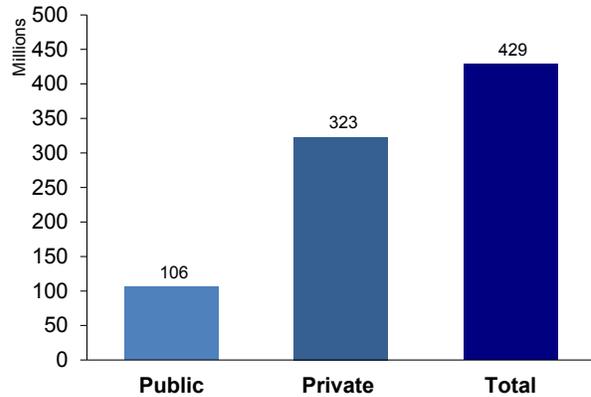
429 million days of unused PTO was left on the table in 2013.

The private sector accounts for 87 percent of jobs in the U.S. economy, while state, local and federal government jobs make up the balance. However, because private-sector workers tend to earn less PTO, they account for only 75 percent of unused days of PTO, or 323 million days.

In 2013, there were 24 million government workers, accounting for 13 percent of total jobs. Because government workers tend to earn more PTO and also leave more days unused, the public sector accounts for 25 percent of all unused days of PTO, or 106 million days.

Total unused paid time off

Total vacation and personal days unused in 2013



Vacation Time Opportunity			
	Total	Private Sector	Government
Among All Employees			
Alotted time per year (days)	15	13	21
Avg days unused per year	2.4	2.0	4.4
Among Employees with PTO			
Alotted time per year (days)	20	19	24
Percentage unused	16%	15%	21%
Avg days unused per year	3.2	2.9	5.0
Total days unused each year	429,244,393	322,974,194	106,270,199

1.3 Opportunities for the travel industry

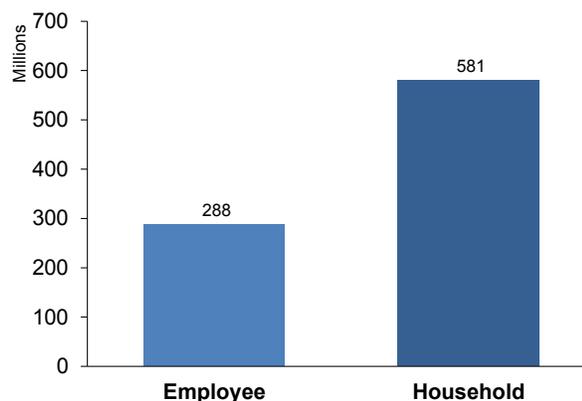
Unused days of PTO present an enormous opportunity for the U.S. travel industry and broader economy. The challenge would be to convert unused PTO into travel and related spending. Leisure spending is expected to reach \$620 billion in 2013, but if all unused PTO were successfully converted into travel, total leisure spending would be \$99 billion greater. However, only a portion of unused PTO could likely be converted to travel since some employees would not travel due to financial constraints. Survey results also indicate that a substantial number of days of PTO are not used because employees are saving the days for future use. Discounting for these factors, the opportunity of PTO that could be convertible to travel is 288 million travel days and \$67 billion in additional travel spending. Including dependent household members, total incremental travel days would reach more than 580 million.

If this additional travel and spending were to include overnight hotel stays, the boost to the hotel industry would be significant. Total U.S. room demand in 2013 is expected to amount to 1.1 billion room nights, so an additional 288 room nights would boost demand by 26 percent. The additional travel would translate into increased demand for air travel. Assuming 20 percent of trips include air travel, the additional travel days would correspond to an additional 23 million enplanements, a 15 percent increase from expected levels for 2013.

Summary of Potential Impacts	
2013 Estimates	
Total Leisure Travel Spend (bn)	\$ 620
Share of PTO that is untaken	16%
Total untaken PTO opportunity (bn)	\$ 99
Share of untaken days that could be converted	67%
Actual PTO potential travel spending (bn)	\$ 67
Employee travel days	287,774,459
Employee travel days plus household	580,547,443
Spending per person travel day	\$ 115

Convertible unused paid time off

Days of unused PTO can could be converted to travel



Potential Industry Impacts		
	Volume	% increase
Hotel room nights*	287,774,459	26%
Air passenger enplanements**	23,221,898	15%

* Base = US hotel room demand forecast for 2013 (STR/Tourism Economics)

** Base = domestic enplanements, assumes 20% of potential trips involve air
(assumes average length of stay of 5 days for air travelers)

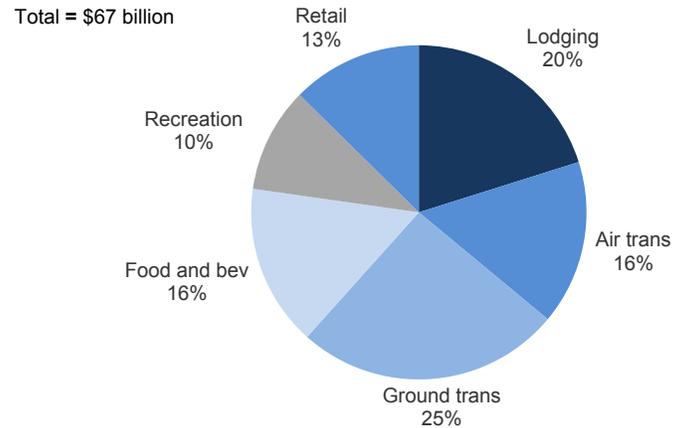
1.4 Total potential economic impact

The additional travel spending would have benefits that extend beyond the direct spending in the travel industry. These indirect effects are calculated in two categories: First, indirect effects result from the supply chain impact when new spending generates additional demand in supply chain industries. For example, direct spending on food and beverages would result in additional demand in industries that supply the restaurants, such as the food inputs, energy, capital equipment and professional services like legal and accounting services. Second, the direct spending and the additional demand placed on other industries both generate additional income for workers in those industries. A portion of the additional income earned is again spent in the economy, and this is considered the induced effect. The direct effect plus the indirect and induced effects combined make up the total economic impact.

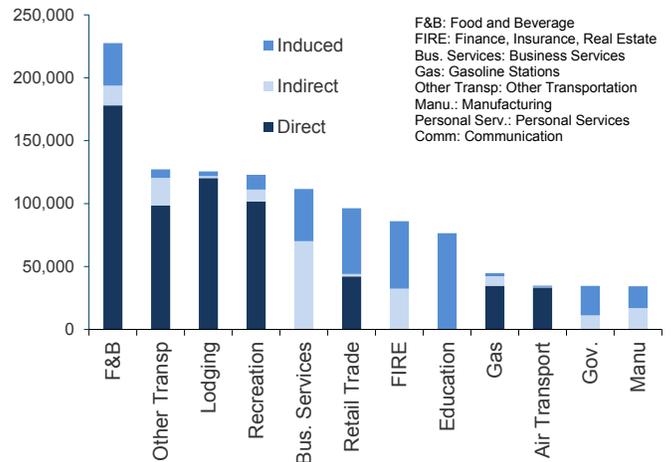
Impact modelling was conducted at the U.S. national level using the IMPLAN modelling system. The incremental travel spending of \$67 billion generated by PTO converted to travel was used as the direct input for impact modelling. Industry shares were calculated based on national BEA Tourism Satellite Account (displayed in the chart top right).

The potential total economic impact, including indirect and induced effects, would include an additional \$160 billion in total business sales, \$52 billion in additional income earned, and 1.2 million jobs in the U.S. economy. The impact would span across all industries, as reflected in the charts to the right.

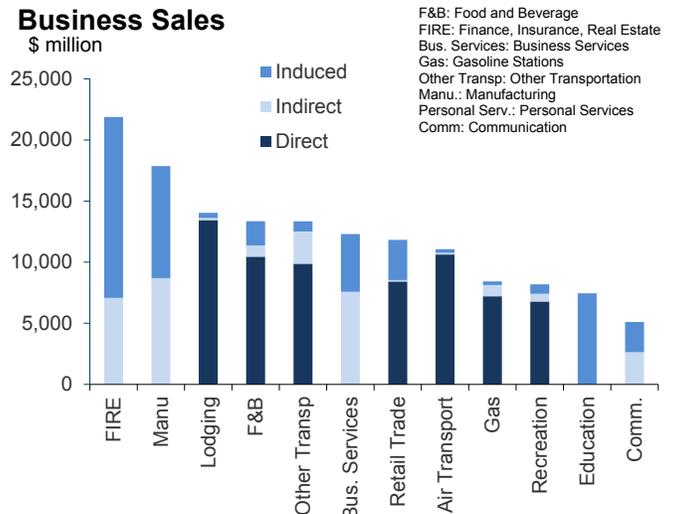
Additional Spending by Industry



Employment by Industry



Business Sales



Total Potential Economic Impact				
	Total sales (\$mils)	Value added (\$mils)	Income (\$mils)	Jobs (ths)
Direct	66,629	33,381	21,785	607.47
Indirect	37,978	20,913	12,499	224.89
Induced	55,028	32,183	17,644	367.82
Total	159,635	86,478	51,929	1,200

In addition, this economic activity generated by travel would generate more than \$21 billion in taxes, including \$11.4 billion in federal, \$4.1 billion in state, and \$5.5 billion in local taxes.

Incremental Tax Revenues	
\$ Millions	
	Amount
Federal	11,446
Personal Income	3,304
Corporate	1,831
Indirect business	1,075
Social Security	5,235
State	4,145
Personal Income	984
Corporate	336
Sales	2,479
Social Security	118
Lodging	228
Local	5,460
Sales	659
Lodging	1,167
Property	3,111
Other Taxes and Fees	523
TOTAL	21,051

1.5 Scenario: What if just one more day were taken?

As a point of reference, we conducted a separate scenario analysis assuming that just one additional day was taken per employee with paid time off, thereby lowering the average number of untaken days to 2.2 days from 3.2 days.

In this scenario, an additional 265 million travel days would be generated along with \$30 billion in traveller spending.

Impact of One Additional Day Taken	
2013 Estimates	
Current: Avg days unused per year*	3.2
Scenario: unused if one additional day taken	2.2
Additional travel days (million)	265
Spending per person travel day	\$ 115
Travel Impact (\$ billion)	\$ 30

* among employees with paid time off

2 Barriers to taking paid time off

Key Findings:

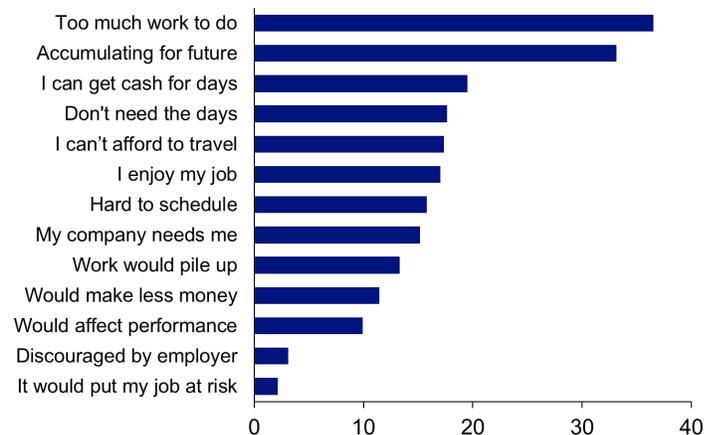
- Heavy workloads act as a significant barrier to taking paid time off.
- U.S. employees have strong personal linkages to and are dedicated to their work.
- Some employees indicate that corporate culture discourages taking time off.

2.1 Work load is the most frequent hurdle

U.S. employees' propensity for working more than peers in other countries and taking less leave work is well documented.⁶ However, they are also overwhelmed by a heavy workload and the inability to spend time with friends and family. Previous research suggests at least four out of 10 U.S. workers feel overwhelmed by work.⁷ This heavy workload plays a dual role; it is both the cause of stress and a barrier to the remedy: taking time away from work. Nearly four out of 10 employees state they have too much work to take PTO, and 13 percent do not take leave due to the accumulation of work that would be faced upon return.

The heavy workload of U.S. employees has intensified in recent years and is partly responsible for driving strong productivity gains since 2009. As conditions in the U.S. economy have improved over the last three years, employers in most industries have enjoyed returning demand for their goods and services. Yet significant uncertainty over whether the recovery would be sustained made employers hesitant to hire. These dynamics, rising demand

Reasons for Not Taking All Entitled Vacation %, multiple answers allowed



⁶ OECD data available at <http://www.oecdbetterlifeindex.org/topics/work-life-balance/>

⁷ Families and Work Institute (2004) available at <http://familiesandwork.org/site/research/reports/OverWorkInAmerica.pdf>

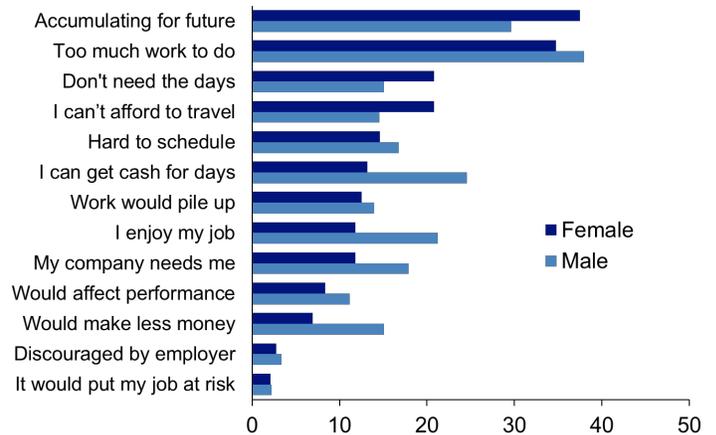
without corresponding increases in employment, has helped push strong productivity gains, with employees often squeezed in the middle.

2.2 Other factors

Respondents cited several other barriers to taking all earned PTO, such as economic pressures, dedication to their job, and the needs of the employer. More than 17 percent did not take all PTO in 2013 because they are unable to afford to travel, and 11 percent were concerned about earning less money. U.S. employees also have strong linkages to work and many are dedicated to their employer, as reflected in the number of respondents who cited affection for their job, the needs of the firm, or concerns about the quality of performance at work. Other research has shown most U.S. employees do get satisfaction from work and enjoy what they do.⁸ Scheduling challenges also make taking PTO harder, as family and friends, travel options and prices all need to be coordinated. Few respondents cited actual pressure from employers or explicit discouragement from management as a reason for not taking more leave. Only three percent of employees felt that their job would be at risk by taking all leave, and just two percent cited active discouragement as a barrier.

Gender differences also play a role in employees' willingness or ability to take more PTO. Higher proportions of male workers cite the amount of work, getting cash for days, earning less money, accumulation of work upon return, the needs of the company, deteriorating performance, and the enjoyment of work, all as reasons for not taking all earned PTO. More female employees emphasize saving days for the future, not needing days, and the

Reasons for Not Taking All Entitled Vacation
%, multiple answers allowed



⁸ Society for Human Resources Management (2012) reported that 81% of US workers were generally satisfied with work.

http://www.shrm.org/legalissues/stateandlocalresources/stateandlocalstatutesandregulations/documents/12-0537%202012_jobsatisfaction_fnl_online.pdf

inability to afford travel as reasons for not using more PTO.

2.3 Comparing government and the private sector

A higher share of government employees reported not taking all entitled PTO because they were saving time to take in the future. Nearly 39 percent of government workers cited accumulation of days for the future as a key motivation for not taking all earned leave. This compares with 32 percent of private-sector workers.

A heavy workload is also a barrier to taking leave for more than 27 percent of public-sector workers. However, the workload obstacle is greater for private-sector employees, of whom 39 percent reported it is a factor that prevents them from using all PTO. More private-sector employees also report not needing all days of earned PTO, along with concerns of earning more income. Although relatively few employees are concerned about losing their jobs or explicit pressure from employers, it is notable that a higher share of private-sector employees cited both of these as barriers, compared with government workers.

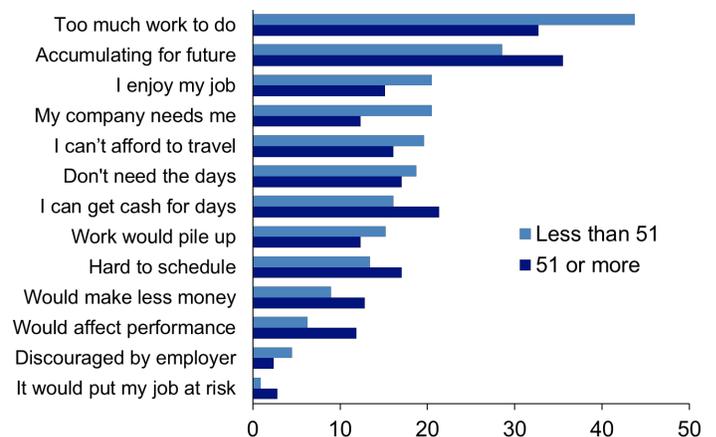
2.4 Focus on small business

Separating out response by business size reveals some differences. For employees of smaller firms (with fewer than 51 employees), a heavy workload is a primary factor; 44 percent of these employees cited workload as a barrier compared with 33 percent of employees at larger firms. A higher share of small business employees also feared the accumulation of work upon return. Employees at smaller firms have stronger links to work and emphasized affection for their jobs and the importance of their roles in the organization. Employees at larger firms highlighted the accumulation of days for future use and the desire to convert unused days into cash. This motivation is consistent with more extensive benefits packages often provided by larger companies.

Reasons for Not Taking All Entitled Vacation
%, multiple answers allowed



Reasons for Not Taking All Entitled Vacation
By number of employees, %, multiple answers allowed



3 Benefits of paid time off

Key Findings:

- The benefits of PTO are wide-ranging and include improved productivity and better performing, more dedicated employees.
- Employees identify feeling less stressed and refreshed upon returning to work, have a better attitude toward work, and also enjoy improved personal and social lives as a result of taking time off.
- These benefits are recognized by both senior-level management and rank-and-file employees.

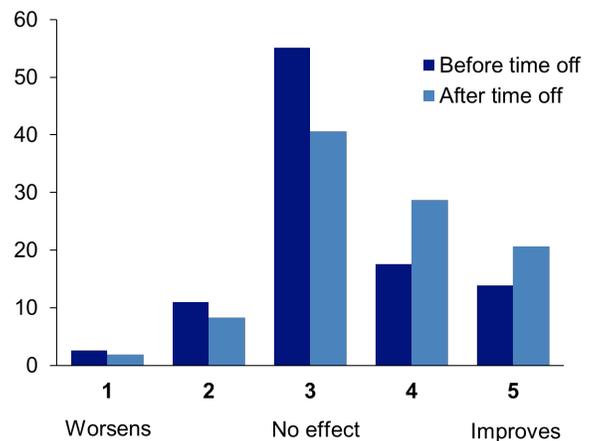
3.1 Management and employees all recognize PTO benefits

PTO is one of the most expensive elements of a compensation package employers can offer.⁹ However, the benefits to the organization are also significant. Paid time off leads to productivity gains as workers report returning to work refreshed and with a better attitude. The survey also presents evidence of enhanced productivity before taking leave. The improved productivity before leave may be driven by the need to meet deadlines or working ahead to prevent accumulation during downtime when the employee is out of the office.

The boost to productivity is recognized by both managers and rank-and-file employees. Further, the degree to which managers viewed the impact on productivity as positive was greater than that of employees; 48 percent of managers viewed the impact as positive versus 30 percent of non-manager employees. While PTO is costly to the employer, and clearly there is a loss of productivity while the employee is away from work, these results

Impact of Time Off on Productivity

% of respondents



⁹ Society for Human Resource Management Survey 2008, available at http://www.shrm.org/research/surveyfindings/articles/documents/09-0228_paid_leave_sr_fnl.pdf

indicate that net productivity, after taking into account the downtime of leave, is still positive.

Other impacts of taking more PTO that are enjoyed by employers include improved attitude towards work and better performance at work. Again, more managers view leave as favorable compared with rank-and-file employees with respect to attitude and performance.

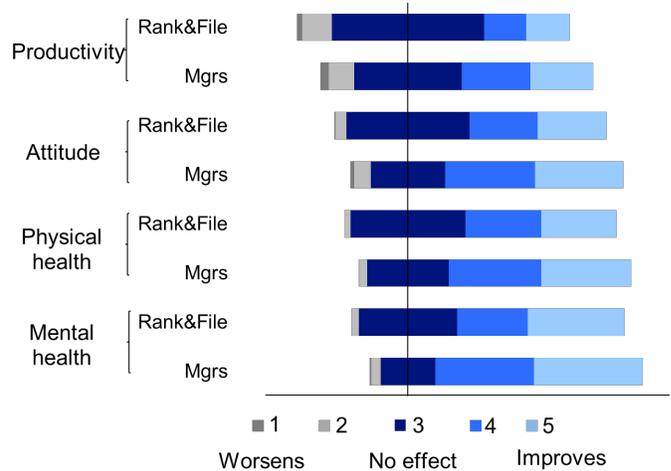
Personal well-being is a key benefit of PTO according to respondents. Both managers and rank-and-file employees overwhelmingly viewed taking all PTO as improving physical and mental health; 61 percent and 55 percent of employees viewed PTO as positive for mental and physical health, respectively. These shares for managers were markedly higher at 76 percent and 67 percent, respectively. Benefits of PTO also include enhanced personal and social life. Nearly 50 percent of employees claimed PTO improves their social lives, and 59 percent cited improved family lives. Again these shares were higher for managers at 62 percent and 71 percent, respectively.

These results underscore the perceived need to strike a work-life balance, and this is a particular challenge for US workers. According to OECD data, U.S. employees work longer hours and spend little time on leisure and personal care compared to workers in other OECD countries. More than 11 percent of U.S. employees work more than 50 hours per week, ranking 25 out of 36 OECD countries. On average, U.S. employees devote 14.3 hours per day to leisure and personal care, including sleep time, ranking 27 among the 36 OECD countries.¹⁰

The benefits perceived by workers with respect to physical and mental health are striking because of their importance for overall well-being, positive impact on home life, and also on productivity at work. Previous research finds that good overall health, including mental and physical health, leads to positive outcomes at work. Positive work outcomes include fewer minor health problems and unplanned time

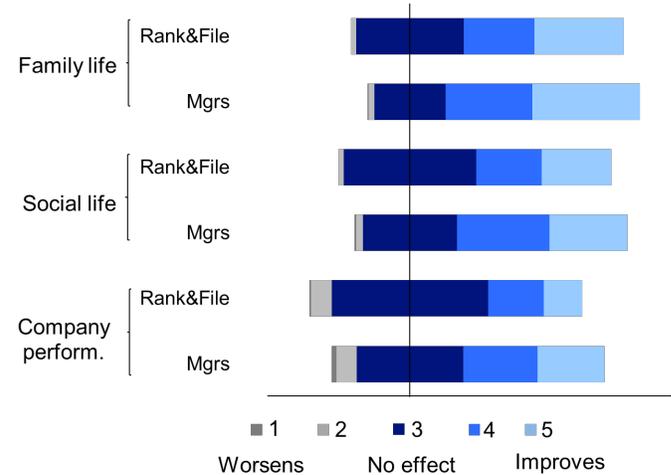
Impact of Taking All Entitled Time Off on...

Bars add to 100%



Impact of Taking All Entitled Time Off on...

Bars add to 100%



¹⁰ OECD data on work-life balance are available at <http://www.oecdbetterlifeindex.org/topics/work-life-balance/>

away from work, lower levels of stress, and employees feeling more engaged and satisfied with work, and less likely to be planning on changing jobs. Specifically, employees that received less than five days of PTO are more likely to show signs of clinical depression, have trouble sleeping and be planning on changing jobs.¹¹

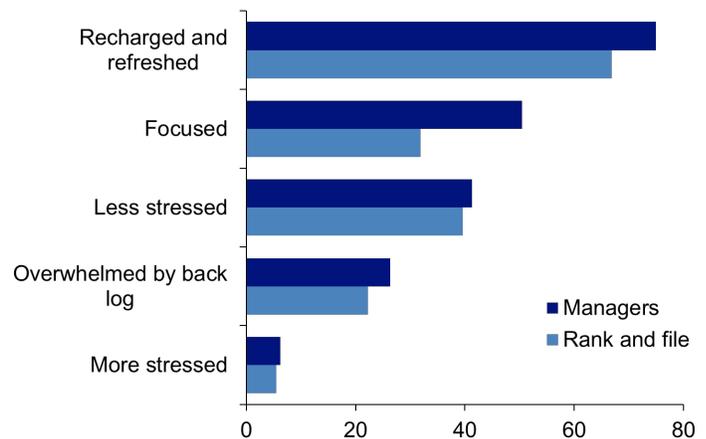
3.2 The return to work

Across the board, respondents highlight the benefits of taking time off, and these benefits continue after returning to work. Three-quarters of managers reported returning to work recharged and refreshed, 50 percent said they were more focused, and 41 percent felt a lower level of stress after taking time off. The impacts on rank-and-file employees were similar; 67 percent reported feeling refreshed upon return, 32 percent felt more focused, and 40 percent experienced reduced stress. Nevertheless, one-quarter of both managers and employees cited feeling overwhelmed by accumulated work.

The experience of returning to work is similar for both public and private-sector employees. Nearly three-quarters of both public and private employees report returning to work refreshed and recharged, and more than 40 percent are more focused after taking PTO. However, private-sector employees are more likely to experience the pressure of workload accumulated in their absence and a higher share reported feeling more stressed.

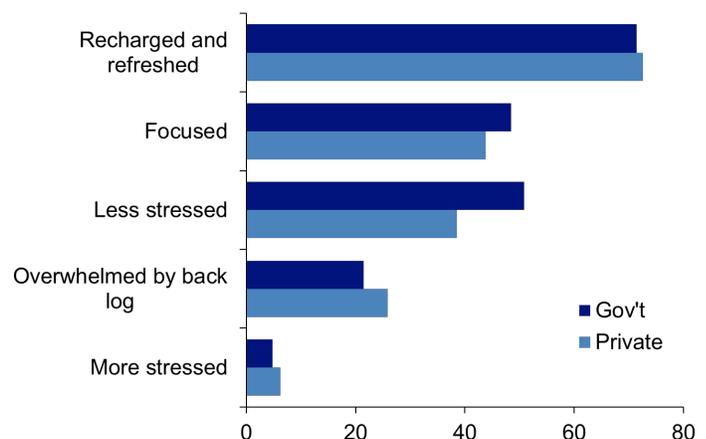
After time off, I feel...

%, multiple answers allowed



After time off, I feel...

%, multiple answers allowed



¹¹ Families and Work Institute (2008) available at http://familiesandwork.org/site/research/reports/HealthReport_9_11.pdf

4 Corporate culture and paid time off

Key Findings:

- Most U.S. employees perceive a corporate culture that encourages taking PTO.
- However, even with supportive management, a heavy workload is a barrier to realizing time away from work.
- Perceptions of managers and co-workers discourage workers from taking all PTO.
- These pressures to avoid taking leave are more prevalent at smaller firms.

4.1 Many employees work in an environment supportive of PTO

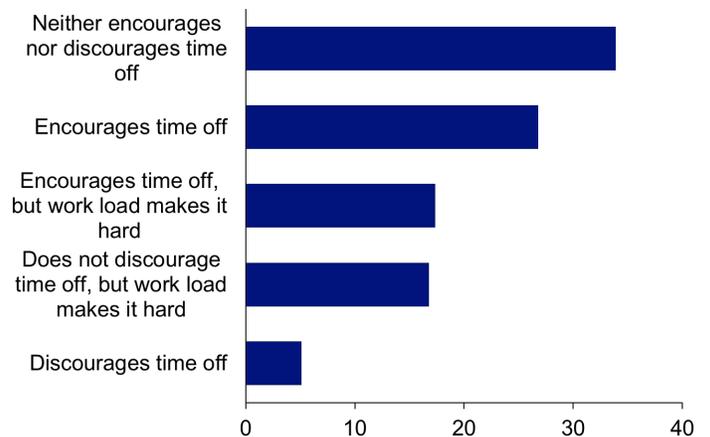
The widespread recognition of the importance of and benefits stemming from employees taking PTO suggest that most employers should be supportive of time away from work. While more employees perceive active encouragement from their employers than active discouragement (44% vs. 5%), many employees perceive a neutral or ambivalent stance on taking PTO. Nearly 34 percent of employees indicated their employer neither encourages nor discourages leave, and another 17 percent reported a de facto discouragement related to work load. These factors comprise 51 percent of employees who perceive ambivalence toward time off.

Even with corporate culture generally viewed as supportive of taking PTO, work load is clearly a barrier for many employees. Of the 44 percent of employees who perceive a supportive environment, nearly two-thirds (17% of the total) still are challenged to take leave due to the heavy workload. Further, including those employees that report a neutral stance on PTO, a total of 34 percent of all employees report workload is a barrier to PTO, regardless of the corporate culture. This supports results in Section 2, that roughly 40 percent of employees cited too much work as a reason for not taking more leave.

Further separating out those employees that do and do not leave PTO on the table is revealing and shows that corporate culture is clearly a factor. Employees that used all earned PTO were more likely to perceive active encouragement from their employers; of those workers

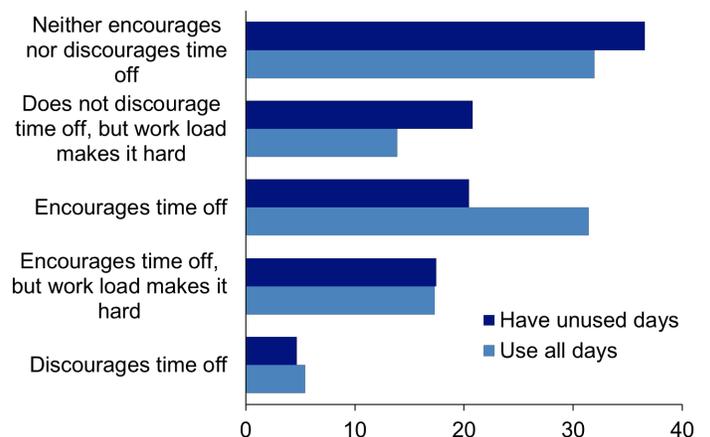
My company's corporate culture...

% of respondents



My company's corporate culture...

% of respondents



that used all PTO, 31 percent reported active encouragement compared with only 20 percent of those who left time on the table. Those leaving days on the table also were more likely to perceive ambivalence toward PTO or a workload barrier. There was little difference between the two groups and their perceptions of active discouragement.

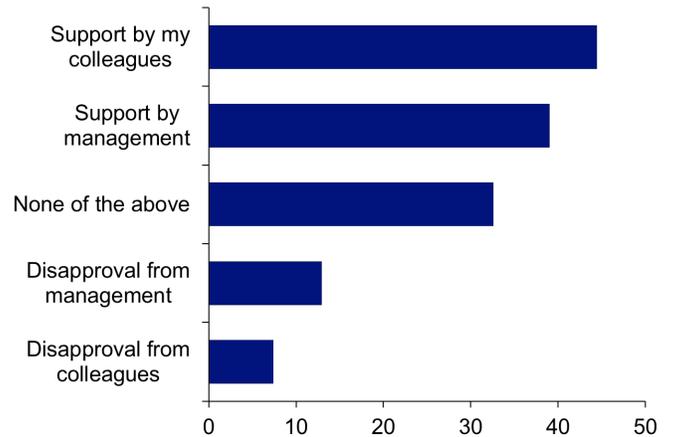
Attitudes, open or implicit, of managers and co-workers help to create a corporate culture and are also likely factors in determining how employees think of PTO. Most employees sense support for taking PTO; although not majorities, 44 percent and 39 percent sensed support from colleagues and managers, respectively, when taking time away from work. A large minority of 33 percent sensed neither support nor disapproval. Some employees do face the challenge of a hostile work environment with respect to taking leave. Some employees sensed disapproval from managers (13%) and colleagues (7%).

4.2 Influence of managers and perceptions

Although concerns of co-workers' perceptions may influence the amount of PTO taken, employees ultimately need to impress a manager. Managers determine promotions and pay raises, delegate work and set schedules. So concerns over managers' perceptions likely outweigh those of co-workers. While support for PTO among managers appears clear, at least on the surface, if managers have negative perceptions of employees who take more PTO, it would clearly be a discouraging factor. Although most managers' perceptions of employees who take all earned PTO are favorable, some are not and likely undermine employees' ability to take paid time off. A meaningful portion of managers perceive employees who take all earned PTO as less dedicated (17%), generally less productive (14%) and less likely to get promoted (13%). Such attitudes are likely conveyed to employees, at least implicitly if not explicitly, and doing so would clearly undermine realizing time away from work. Under such pressure, employees who take all

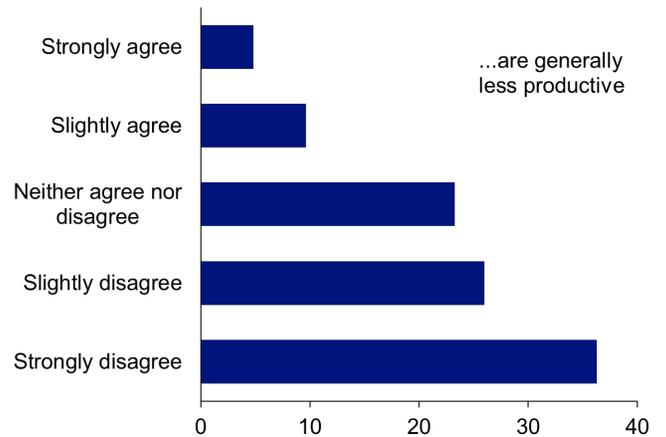
When I take time off, I sense...

%, multiple answers allowed



Employees who take all entitled time off...

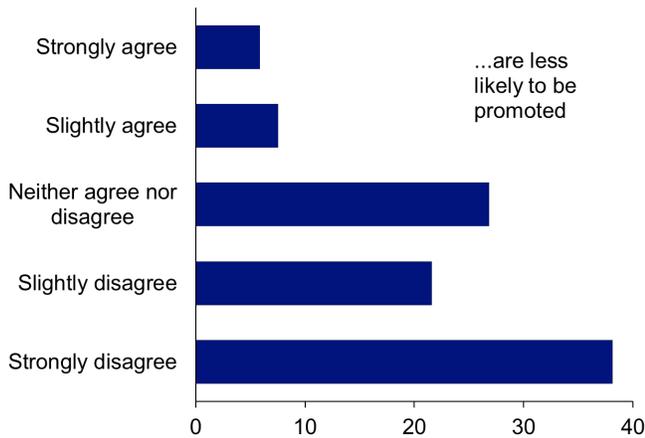
% of respondents, from senior/management perspective



earned PTO would essentially be sabotaging their own promotion and pay raise.

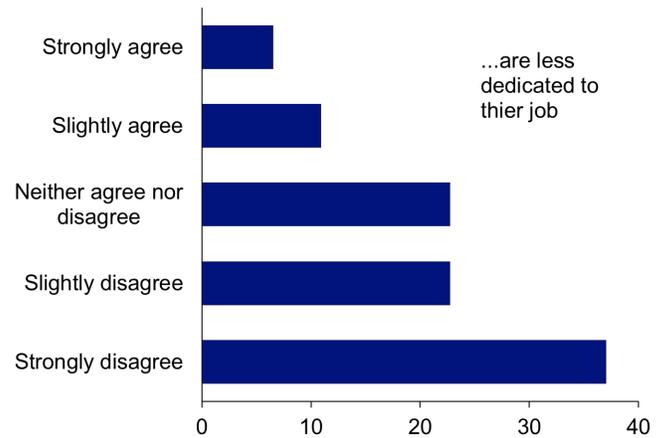
Employees who take all entitled time off...

% of respondents, from senior/management perspective



Employees who take all entitled time off...

% of respondents, from senior/management perspective



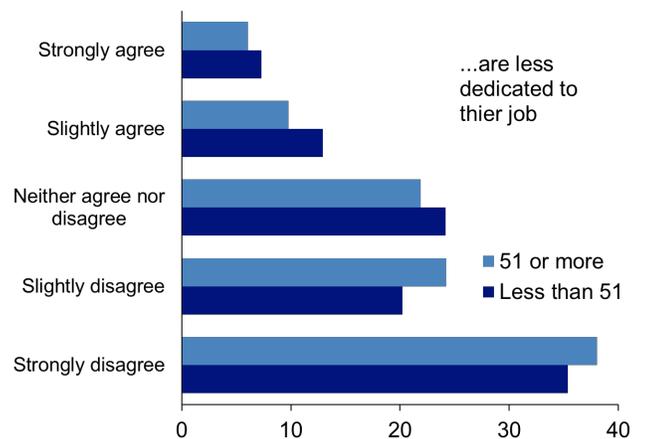
4.3 Small business pressures

Small businesses naturally rely to a greater extent on individual employees who take on specialized roles, and these firms likely have less ability to cover for employees on leave. For example, a larger firm with an accounting department can adjust and reassign work to others when an employee takes leave. However, a smaller firm would not have such flexibility if it has one accountant on staff. Allowing employees to take PTO is more of a challenge for smaller firms, and managers and small business owners are more sensitive to facilitating leave.

These challenges for employees to take earned PTO are evident when examining managers' perceptions of employees who take all earned PTO, separated out by firm size. Managers of small businesses (fewer than 51 employees) are more likely to perceive employees who take all earned PTO as less dedicated at 20 percent, compared with 16 percent of managers at larger firms. A higher share of managers at smaller firms are also more likely to view employees who take all earned PTO as less productive, compared with managers at larger firms. Responses are more mixed with respect to promotions. With less vertical potential for promotions at smaller

Employees who take all entitled time off...

By number of employees in firm, % of managers

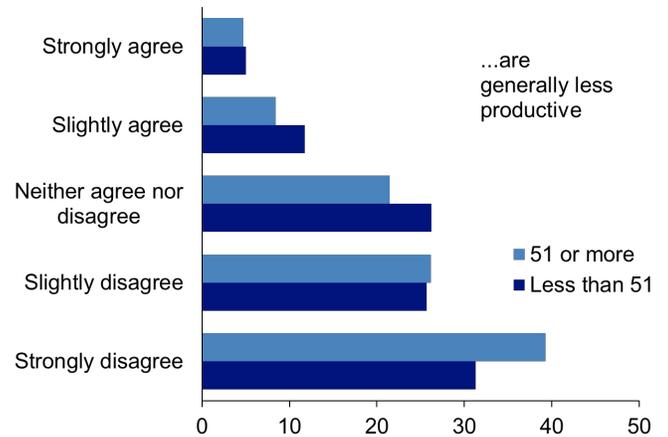


firms, more managers took a neutral stance on their perceptions of employees who take on earned PTO.

Clearly, managers at smaller firms take a more negative view of employees who use all earned PTO, compared with managers at larger firms. Managers' perceptions are likely communicated at the workplace, either explicitly or implicitly, and these results indicate pressures to avoid taking leave are likely more prevalent at smaller firms. Employees are less likely to request and take leave when it is discouraged from the boss, even if only implicitly. This pressure is likely intensified amid a heavy workload environment when there is no one to cover, and when work relationships at small firms tend to be more intimate.

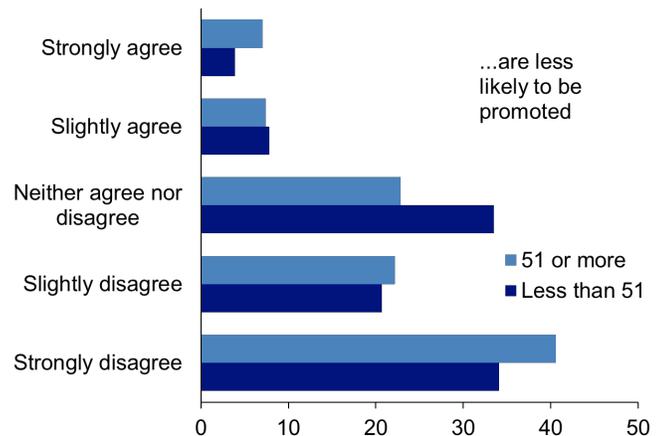
Employees who take all entitled time off...

By number of employees in firm, % of managers



Employees who take all entitled time off...

By number of employees in firm, % of managers



5 Conclusions

Paid leave is a key part of benefits packages offered by employers to attract high quality employees and most workers earn PTO. However, much paid time off goes unused; 42 percent of employees with PTO will finish 2013 without using their entitlement. On average, employees will use 86 percent of earned paid time off in 2013 and leave 3.2 days of unused time on the table.

Converting this unused leave to travel is a significant opportunity for the travel industry. Successful conversion into travel would generate an additional 581 million days of travel and an additional \$67 billion in travel spending in 2013. Including indirect benefits, the total economic impact would include a potential 1.2 million jobs and an additional \$52 billion in earned income.

In addition to these economic benefits, paid time off leads to improved productivity and better performing, more dedicated employees. Furthermore, employees report improved personal and social life as well as enhanced mental and physical health. Employees describe feeling less stressed and refreshed upon return to work and have a better attitude toward work. These benefits are recognized by both senior-level management and rank-and-file employees.

Still there are barriers to taking PTO. U.S. employees face a heavy workload, which both creates stress and also prevents the remedy – taking time away from work. Some employees indicate that corporate culture discourages taking leave. Most employees perceive support from managers and co-workers when taking leave, although many do not. And while most managers recognize the benefits of taking leave, many employees perceive a different attitude. Indeed, a substantial portion of managers view employees who take all their PTO as less productive, less dedicated and less likely to get promoted. Workers may be disinclined to take more PTO due to concerns over these perceptions.

Encouraging U.S. workers to take more of their earned leave would lead to productivity and health benefits, beyond the direct opportunity for the travel industry. However, achieving that goal would require meaningful changes in attitudes and perceptions in the workplace. More effective communication to managers and employees would help both groups to better understand the potential benefits of taking more leave from work.

6 About Oxford Economics

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Methodology and Survey

The primary research for this analysis was based on an online survey regarding amount of time available and expectations for usage in 2013 fielded from September 17-October 5, 2013.

Sample included 971 employees, 700 of whom receive paid time off (PTO) as part of their benefits package. For adequate public-sector representation, the sample included 126 public-sector and 576 private-sector employees with paid time off.

Results were projected to the U.S. employment base by industry sector (using BLS totals).

The share of unused time was applied to total leisure travel spending in the U.S. to determine dollar value of opportunity to the travel industry. The opportunity was then reduced by the share of respondents not taking time because of budgetary reasons or intentions to roll over for future use.

Impact of spending quantified using IMPLAN economic impact model for the U.S. to calculate jobs and tax impacts if unused PTO is converted to travel.

SURVEY

Sample Group = Employed persons in the U.S.

Quota=700 with Paid Time Off (including 300 managers or executives and 100 government) + 271 without Paid Time Off

Screening/Verification

S1. Please indicate your current employment status:

- Employed full-time
- Employed part-time
- Self-employed and/or business-owner
- Not employed

[IF NOT EMPLOYED, TERMINATE. OTHERWISE, CONTINUE.]

S2. Using the list below, please indicate the title that best describes your current position? *Select one*.

- Executive (CEO, COO, CFO, CMO, CIO, President, owner)
- Senior leadership (SVP, VP, Director, Managing Director)
- Management (Supervisor, Director, Manager, etc.)

- All other **[maximum 400]**

[PROG: S3, S4, S5 S6 can be drop downs on same screen]

S3. How many people does your company employ?

- 1-5 **[max 30]**
- 6-20 **[max 100]**
- 21-50 **[max 150]**
- 51-100
- 101-500
- 501+

S4. How many employees at your company report to you?

- 0
- 1-5
- 6-20
- 21-50
- 50+

S5. What is your gender?

- Male (**minimum 250**)
- Female (**minimum 250**)

S6. How old are you?

- 16-29
- 30-44
- 45-59
- 60+

S7. In what industry are you primarily employed?

- Agriculture, Forestry, Fishing, and Hunting
- Mining
- Utilities
- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Transportation and Warehousing
- Information

- Finance and Insurance
- Real Estate and Rental and Leasing
- Professional and Business Services
- Educational Services
- Health Care and Social Services
- Arts, Entertainment, and Recreation
- Accommodation and Food Services
- Other Services (except Government)
- Government (Federal) **minimum 100 (with State/local)**
- Government (State or local) **minimum 100 (with federal)**

Now we would like to ask you about the paid time off that you receive, including vacation time and personal days.

Q1. Do you receive any paid time off from your employer?

- Yes
- No

[IF “No”, TERMINATE. OTHERWISE, CONTINUE.]

Q2. How many days of paid time are you entitled to take in 2013, including vacation time and personal days? (Do not include any days rolled over from previous years.)

[Pull down 1 – “More than 50”]

Q2B Please allocate these days:

- Vacation time
- Personal days / floating holidays
- Total (PROG: autosum)

Q3. How many days of paid time do you expect to take in 2013, including vacation time and personal days?

[Pull down 1 – “More than 50”]

Q3B Please allocate these days you have either taken or expect to take in 2013:

- Vacation time
- Personal days / floating holidays
- Total (PROG: autosum)

Q2 and Q3 on same page.

You have indicated that you will leave (q2 minus q3) days of paid time off unused in 2013.

[IF answer to Q3 < Q2.]

Q4. How many of these days are you permitted to roll over into 2014?

[IF answer to Q3 < Q2.]Q5. What are the reasons that you won't take all of your paid time off in 2013? *Select all that apply.*

- I can't afford to travel
- I'm accumulating days for a future trip
- I can exchange these days for cash
- I can make more money if I work
- Taking the time will affect my performance at work
- Too much work to do
- My employer discourages taking time off
- It would put my job at risk
- My company needs me
- It's difficult to coordinate vacations schedules with family and friends
- I enjoy my job
- My paid time off includes sick days that I don't need
- I would return to too much work

Q6. In general, please rate how taking time off affects the following:

- Productivity beforehand
- Productivity afterwards
- Attitude at work
- Physical health
- Mental health
- Family life
- Social life
- Company performance

(Score 1 to 5 with three anchors: Worsens, No Effect, Improves)

Q7. If you were to take all of your paid time off, please rate how this would affect the following:

- Productivity
- Attitude at work
- Physical health
- Mental health
- Family life
- Social life
- Company performance

(Score 1 to 5 with three anchors: Worsens, No Effect, Improves)

Q8. When I return to work after time off, I feel...

- Recharged and refreshed
- Focused
- Overwhelmed with the amount of work waiting for me
- Less stressed
- More stressed

Q9 When I take time off, I sense...

- Disapproval from management
- Disapproval from colleagues
- Support from my colleagues
- Support from management
- None of the above **[mutually exclusive]**

(Check all that apply)

[PROG: IF S3>0, CONTINUE. OTHERWISE SKIP TO Q12.]

Q10. Please rate how taking time off affects the performance of your employees in terms of: ...

- Their productivity beforehand
- Their productivity afterwards
- Their attitude at work
- Their loyalty to the company
- Their longevity with the company
- Their contribution to company performance

(Score 1 to 5 with three anchors: Worsens, No Effect, Improves)

Q11. For your employees who take all of their paid time off, how would you describe them?

- They are less dedicated to their jobs
- They are less likely to be promoted
- They are generally less productive

(strongly disagree, disagree, neither agree nor disagree, agree, strongly agree)

Q12. For your colleagues who take all of their paid time off, how would you describe them?

- They are less dedicated to their jobs
- They are less likely to be promoted
- They are generally less productive

(strongly disagree, disagree, neither agree nor disagree, agree, strongly agree)

Q13. How would you describe your corporate team culture?

- It discourages / makes it difficult for employees to take all of their paid time off
- It doesn't discourage taking paid time off but the demands of work make it difficult
- It neither encourages nor discourages taking paid time off
- It encourages employees to take all of their paid time off but the demands of work make it difficult
- It encourages employees to take all of their paid time off

(select one)

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