

## Developing a Paid Time Off (PTO) Policy

**What is Paid Time Off (PTO)?** PTO is basically a bank or pool of paid hours employers provide employees to use for vacation, sick and personal days. In the past, companies provided separate hours for vacation and sick time. Common practice today is to provide one bank of hours in the form of PTO.

According to a recent survey by GDP Advisors, 94% of employers offer some type of paid time off (more than half of respondents had less than 100 employees). AgHires also conducted a recent survey of over 100 ag dealers where 95% of participants offer PTO.

Writing a solid PTO policy that allows the benefit to really be a “benefit to employees” and not a “burden to employers” requires a well thought out and defined policy. Walk through the below questions to determine what should be included in your PTO policy and view a sample policy below.

1. What is the goal for your PTO policy?
  - a. Simply a benefit to employees?
  - b. Manage time-off more effectively?
  - c. Manage current issues and concerns with time off work?
2. Who is eligible?
  - a. Full-time employees only?
  - b. Part-time over a certain number of hours?
3. How much PTO time will employees be eligible for?
  - a. Will it increase after so many years of employment; common policy is after 5 years
4. When does PTO start to accumulate hours?
  - a. Upon hire date?
  - b. After a waiting period?
    - i. PTO starts to accumulate after a certain period (90 days after hire, one year after hire)
    - ii. PTO accumulates from hire date with restriction it can't be used for a certain amount of time (90 days, etc.)

5. How does time for PTO accrue?
  - a. Weekly, bi-weekly, monthly?
    - i. Recommend it aligns with payroll cycle (i.e. employee accumulates hours per bi-weekly pay period)
6. What will PTO be used for?
  - a. Vacation time, personal time, sick time?
  - b. Holiday included or separate?
7. How small of an allotment can PTO be taken?
  - a. 15 min, 1 hour, 4 hours, 8 hours?
    - i. Recommendation is no less than 4 hours at a time for manageability
8. Requirements for approval in advance?
  - a. How much advance notice must be given for planned personal/vacation days?
  - b. How will emergency and sick time be managed and approved?
9. What happens when an employee does not have any accumulated PTO and is requesting unpaid time off?
10. How to manage unused PTO at end of year?
  - a. Use it or lose it policy?
    - i. If "lose it" policy, will you pay-out unused time?
    - ii. If "use it" policy will you allow employees to take all remaining time off in December?
  - b. Rollover unused PTO?
    - i. Rollover 100% or partial
    - ii. Consider time limit; must use time from prior year within the first three months of next year
    - iii. Place a max on how much PTO an employee can rollover
11. When an employee terminates employment?
  - a. Consideration for State law requirements on payouts
12. Other considerations
  - a. How to handle requests for advance use of PTO before it has been accrued
  - b. How to handle requests for time-off when an employee has no PTO left, will unpaid time off be granted? If so, in all cases? Just emergencies?
  - c. Recommendation to always describe the PTO bank in terms of hours not days
  - d. Some farms opting to have a company wide shut down for 1-2 weeks with pay

### Example PTO Policy

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Paid Time Off (PTO) is available for full-time employees scheduled to work at least 40 hours per week. Part-time employees working more than 30 hours per week will accrue PTO on a prorated basis depending on the number of hours worked.

PTO will accrue on a bi-weekly basis on each pay period worked and may be used for vacation, illness, caring for children, school activities, appointments, personal reasons and/or emergencies.

Full-time employees will be eligible for 80 hours of PTO per calendar year; prorated amount for new hires that start in the middle of the year. Eligible employees will begin accumulating PTO their first day of work, but will not be eligible to use that time until after 90 days of employment.

Employees are required to provide their supervisor with reasonable advanced notice and obtain approval prior to using PTO. This allows for management to prepare for time off and assure that all staffing needs are met especially during peak seasons. The expectation for vacation time requests is two weeks prior. There may be occasions such as sudden illness where an employee cannot notify their supervisor in advance, in those situations the employee must notify their supervisor of the circumstances as soon as possible.

Employees must use available PTO prior to requesting unpaid time off. It is management's discretion to allow for unpaid time or unpaid leave of absences.

The minimum amount of PTO an employee can use at one time is no less than 4 hours.

Employees may carry over unused PTO time from one year to the next calendar year. Rolled over PTO time will be available to use for the first 90 days in the following year. After 90 days, any accumulated, unused PTO will expire.

When an employee leaves the company either voluntary or involuntary, they will be paid for all accrued but unused PTO.

Please note, AgHires is not a legal firm and does not practice law in any state. When writing employee policies it is best practice to consult with a legal team that has knowledge of state laws and requirements.