

5.1: READ- Paid Time Off - Costs and Benefits



Image: [Worker Burnout](#). VectorPortal.com. CC-BY 4.0

Why do Employers Offer Paid time off?

Employee burnout is real. Taking time away to refresh can not only improve overall productivity, but can increase overall retention of your employees. A good paid time off policy is essential in business today.

Paid time off, otherwise referred to as PTO, is exactly what it sounds like: It is an employee benefit in which the employer pays the employee for an allotted number of days off of work each year. Employers can choose from a variety of different PTO options like federal holidays, floating holidays, vacation days, sick leave, parental leave, bereavement leave, jury duty and military leave.

When reviewing total compensation, it is important to consider not just the costs of wages and salaries but also the costs of providing various benefits. Paid time off is a necessary benefit to stay competitive in the market. But before offering additional time off, be sure to know what it's going to cost the bottom line.

Employer Costs for Employee Compensation

When observing overall employee compensation, it is important to consider not just the costs of wages and salaries but also the costs of providing various benefits. Aside from wage data, the [Employer Costs for Employee Compensation](#) (ECEC) provides detailed benefits cost data for a more comprehensive look at overall compensation. The ECEC provides the employer cost of a specific benefit as well as the percent of total compensation that the benefit represents.

Paid leave benefits cost employers on average \$2.94 dollars per hour in September 2022, representing 7.4 percent of total compensation costs. The cost of paid leave is calculated by multiplying the total leave time used by the rate at which the employee was paid during the used leave time.

Paid leave includes a combination of four leave benefits, as shown in Chart 1. Vacation leave (3.8%), holiday leave (2.2%), sick leave (1.0%), and personal leave (0.4%) benefits, as a percentage of total compensation sum to paid leave (7.4%). Paid leave benefits accounted for 25.1 percent of the costs of total benefits.

Among different occupational groups in private industry in September 2022, employer costs for paid leave benefits (per hour worked) varied. Employer costs for paid leave benefits averaged \$0.86 for service workers and \$7.50 for management, business, and financial workers. The average among all private industry workers was \$2.94.

In September 2022, private industry employer costs of paid leave benefits averaged \$3.79 for union workers and \$2.86 for nonunion workers. Vacation leave accounted for 3.6 percent of total compensation for union workers and 3.8 percent of total compensation for nonunion workers. While paid personal leave accounted for 0.3 percent of total compensation for union workers and 0.4 percent of total compensation for nonunion workers.

Source: [Employer Costs for Employee Compensation Fact Sheet](#). Bureau of Labor Statistics. BLS.gov

Source: "How to create a paid time off policy that reduces employee absences", Business News Daily, December 20, 2023.

NOTE: Printable PDF attached below.

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