The High Price of SILENCE

Analyzing the Business Implications of an Under-Vacationed Workforce
It is the punch-line to the clichéd, “What’s your biggest weakness?” interview question: “I work too hard. I care too much.” But somewhere along the way, the joke became prophecy.

The inability to take time off has become one of America’s greatest work culture failings, defining hard work quantitatively not qualitatively, epitomized by the 658 million vacation days workers left unused last year.

Americans consistently assert their vacation time is important, yet the majority leave days unused each year. Who is to blame? The strongest influencer over taking time off is not workers themselves: it is their bosses. *The High Price of Silence* analyzes management’s viewpoints, pressures, and privileges regarding time off.

We must better understand how to create meaningful solutions that work for individual employees and companies. The vibrancy and success of the American business community depends on it.
METHODOLOGY

GfK conducted an online survey using the GfK KnowledgePanel® from January 20-February 16, 2016 with 5,641 American workers, age 18+, who work more than 35 hours a week and receive paid time off from their employer. GfK’s KnowledgePanel® is the only large-scale online panel based on a representative random sample of the U.S. population. This report looks at a subset of this data, including 1,184 respondents who have managerial responsibilities and 312 managers who are executive and senior leaders.

Throughout the report, the data will be referenced according to the following definitions:

- **Non-manager employees**: respondents who are not involved in decision-making and do not have managerial responsibilities. These responses are exclusive of manager and executive and senior leadership responses.

- **Managers**: respondents who have managerial responsibilities, inclusive of executive and senior leaders.

- **Senior leaders**: respondents who are involved in decision-making at their companies and have a title comparable to senior vice president, vice president, director, and managing director.

- **Executive leaders**: respondents who are involved in decision-making for their companies and whose current position title is CEO, COO, CFO, CMO, CIO, president, or owner.

Oxford Economics completed a review of Form 10-K financial statements filed with the Securities and Exchange Commission (SEC) by 115 public companies employing 457,000 private sector workers. The financial statements reported the total cash value of accrued paid vacation time and the number of employees for each firm. These data were used to estimate a per-employee liability for the sample of public companies. Oxford Economics used the GfK survey to extrapolate the 10-K analysis to the broader private sector economy.
THE MANAGERS’ CONTRADICTION:
BELIEFS DISCONNECTED FROM BEHAVIOR

Managers’ perspective on vacation time is a study in contradictions. While managers are incredibly supportive of taking vacation, they are out of touch with employee attitudes concerning time off and how loudly their actions communicate a much different message to workers.

Managers believe vacation time is important for themselves and those they manage (95% and 93%, respectively). Another nine-in-ten (91%) managers believe that they actively encourage employees to use their vacation time. But nearly one-in-three (32%) managers admit they never talk to direct reports about the importance of taking time off. Forty-three percent talk to employees just once a year or less.

Perhaps that is why more than two-thirds (68%) of non-managers say they hear nothing, negative, or mixed messages about taking vacation—reinforcing the disconnect between management and front-line employees. Ironically, a majority (58%) of managers also say they hear nothing, negative, or mixed messages about taking vacation, despite the overwhelming number of managers who feel they encourage time off.

Executives and senior leaders further exacerbate the divide between perception and reality. They feel much greater support for taking their time off (55%, compared to 39% of non-managers). That leaves more than six-in-ten (61%) non-manager employees feeling that management is either ambivalent or disapproves of time off.

Managers’ behavior also sends a clear message and reinforces employees’ belief that vacation is not encouraged. Six-in-ten (59%) managers reported leaving time on the table, compared to slightly more than half (53%) of non-managers. Executive and senior leaders are considerably worse; fully two-thirds (67%) of executive and senior leaders left vacation unused last year.
Managers feel the pressures of their position. They confirm it is harder to take time off as you climb the company ranks—their second-biggest challenge (39%) to taking time off, edging out “no one else can do the work” (37%). Again, there is a divide between the highest levels of leadership on the idea that no one else can do the work. More than half (52%) of senior leaders feel that way, but, somewhat ironically, just 34 percent of executive leaders report the same.

Executive and senior leaders experience more extreme levels of guilt around time off, and worry about the perception of their dedication if they do take vacation. One-quarter (24%) of executive and senior leaders say the guilt they feel stops them from taking vacation, compared to 17% of non-managers. Nearly one-third (32%) of executive and senior leaders believe that skipping vacation will demonstrate their complete dedication to the company, a feeling shared by just 20 percent of non-managers.

Managers cite returning to a mountain of work as the greatest challenge to taking vacation, but in significantly greater numbers than non-manager employees (47% and 33%, respectively). A majority (55%) of senior leaders felt the same way. Executive leaders actually fear returning to a mountain of work much less: 26 percent.

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The High Price of Silence
THE POWER OF VACATION

Bring your pet. On-site masseuse. Laundry services. Ping-pong tables. Nap pods. Free lunch. Free gym. Sponsored happy hours. The list of perks companies are introducing seems one of never-ending length and creativity. But one of the biggest perks a company can offer is already part of the benefits package. Paid vacation time is essential to employee recruitment, retention, engagement, and performance. And, while 97 percent of companies offer paid time off—few companies are tapping into its full potential.¹
VACATION MATTERS

Workers value paid vacation more than pay raises, performance bonuses, and retirement plans, according to a Monster Insights survey of American workers. Vacation time was the second-most valued benefit, with a quarter (25%) of respondents calling it their most important, trailing only a healthcare plan (cited by 32 percent as their top benefit).  

Glassdoor found similar results in its 2016 research of employee benefits. Vacation ranks just behind healthcare plans as the most important benefit (37% listed vacation as a top consideration, compared to 40% who listed healthcare plan). Performance bonuses, paid sick days, and retirement plans rounded out the top five on Glassdoor’s list.

While business leaders may feel that simply providing vacation time as a benefit should suffice, corporate productivity expert and author Maura Thomas believes more is needed. “If you think you are coming off as neutral by not encouraging or discouraging taking vacation, your silence could be interpreted negatively,” Thomas wrote in the Harvard Business Review. “While senior leaders may understand intellectually that paid time off improves their employees’ performance, that can get overshadowed by a stronger (and often subconscious) belief that more work equals more success.”

This silence appears to be interpreted negatively by workers, with two-thirds (65%) of Americans saying they hear nothing, negative, or mixed messages about vacation leading to more than half (55%) who are not using their hard-earned time off.
THE RESPONSIBILITY OF LEADERSHIP

When it comes to taking time off, the boss is the single-most important influencer—even more important than employees’ own families. The same is true for managers. Managers rank the boss (24%), family (23%), and company (20%) as their top three influencers. Executive and senior leaders have an even stronger workplace slant, placing the boss (24%) and the company (21%), ahead of family (18%) as their top influencers. Accordingly, 80 percent of Americans say they would be more likely to use their time if they felt encouraged by their boss.

Executive and senior leaders are like all American workers when it comes to wanting support from their boss and colleagues to take time off, and strongly believe it should be part of company policy and performance reviews. More than two-thirds (67%) of non-managers would like their company to make it an organization-wide policy to encourage taking time off, and even more executive and senior leaders—75 percent—say such a change would make them more likely to take time off. While 45 percent of non-manager employees would like to see vacation usage as part of their performance evaluation, a clear majority (54%) of managers say the same.

There is a responsibility for managers to appreciate the power of their influence. Failing to do so could be at their expense. “More than half of people who leave their jobs do so because of their relationship with their boss,” said Travis Bradberry, co-author of *Emotional Intelligence 2.0* and president of TalentSmart.⁵ “Nothing burns good employees out quite like overworking them...Overworking good employees is perplexing; it makes them feel as if they’re being punished for great performance.”
If the boss breaks the culture of silence, it yields compelling rewards for the company. Project: Time Off’s *State of American Vacation 2016* found that employee happiness with their job and company correlates to greater support from the boss for taking vacation.

Happiness is a predictor of results, according to the findings of Shawn Achor, *New York Times* bestselling author of *The Happiness Advantage* and *Before Happiness*. Through his research, Achor found that when the brain is positive and people are working with a positive mindset, nearly every level of performance improves, including productivity, creativity, and engagement. Achor calls this the “happiness advantage.”

Achor’s research is corroborated by a meta-analysis of 225 academic studies published in *American Psychological Association Journal*. Researchers Sonja Lyubomirsky, Laura King, and Ed Diener found that individuals who are happy are more likely to have fulfilling marriages and relationships, high incomes, superior work performance, community involvement, robust health, and a long life compared to less happy individuals.
Concerns around guilt and perception highlight the burden of life at the top. But many business leaders are missing the point: it is not about them; it is about the employees they rely on every day. Failing to actively encourage vacation could be one of the biggest mistakes business leaders make today—but it is also one of the easiest to fix. A growing cohort of companies and leaders understand the power of vacation and have harnessed it to drive their success.
VACATION LIABILITY

Vacation time can be costly for companies that do not encourage it.

There is a $272 billion vacation liability sitting on the balance sheets of American companies. Perhaps most striking is that the number is up 21 percent since 2015 when the vacation liability stood at $224 billion. The per employee liability is $2,226, up from $1,898 in 2015.

This liability has been amassed over years of employees rolling over unused paid time off and does not include sick or personal leave. Sixty-nine percent of vacation days can be carried over, with the other 31 percent subject to expiration, rollover caps, and Use It or Lose It policies.

ADP’s Chief Human Resource Officer Dermot O’Brien recognized his company’s vacation liability presented him with a unique opportunity. After reviewing the financials, O’Brien discovered ADP was adding $50 million to its costs each year as a result of unused vacation days. When he reported it to ADP’s CEO, O’Brien was told that if the $50 million carryover was eliminated, he could keep $10 million for his department.8

Rather than pulling out the hatchet, O’Brien gave employees three years to use their banked days. He then forced the changes as a wellness initiative and motivated employees to use their time to connect with loved ones.

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INCREASED ENERGY AND AVOIDING BURNOUT

Managers feel more stress than their employees, though stress is high at all levels. More than three-quarters (76%) of managers feel stress at work, compared to 68 percent of non-managers. There is a difference across leadership levels when it comes to work stress. Where executive leaders report stress levels on par with non-managers at 67 percent, it is particularly high with senior leaders at 78 percent.

Managers feel more pressure to check in with work while on vacation. Nearly half (45%) said they put some or a lot of pressure on themselves to check in, compared to less than a quarter (24%) of non-managers. The pressure to stay connected is higher at the top, where a majority (59%) of executive and senior leaders remain checked in even when they are on vacation.

Brian Scudamore, CEO of O2E Brands, which includes 1-800-GOTJUNK, can relate to the pressure, but also sees the rationale for disconnecting—not just for himself, but for his employees. “As a CEO of four brands, it’s tempting to check in all the time, but I don’t want to be that person. And I sure don’t want to be the boss interfering with my employees’ well-earned breaks,” Scudamore shared with The Wall Street Journal.

“I realized that unless I unplug completely on vacation, I cheat myself out of generating fresh, new, creative ideas. In the long run, business suffers from my burnout,” Scudamore said. “I also think that if our people don’t disconnect, they end up compromising their contributions to our overall mission.”

Though not as intense, managers also feel more pressure from their bosses to stay connected on vacation. One-in four (25%) managers say they feel pressure from their boss to check in with work while taking time off, compared to 14 percent of non-manager employees. This pressure is higher with senior leaders (31%) than it is with executive leaders (26%), though executive leaders may not have traditional reporting structures like senior leaders do.
The higher up you are, the greater the expectation to work on vacation or default into working on vacation because of uncertainty. Executive and senior leaders (44%) feel the highest expectation to work during time off compared to managers (34%) and non-managers (21%).

It’s no surprise that nearly four-in-ten (38%) managers admit that pressure from their company prevents them from approving vacation requests. Here, the pressure is lower for executive and senior leaders; just 28 percent feel that company pressure affects their ability to approve vacation requests.

Managers say the most compelling reason for time off is to cut down on burnout. Nearly nine-in-ten (89%) managers agree that by using their time off, employees can de-stress, and improve their health and wellbeing, ultimately cutting down on sick days and burnout.

Dr. Kathleen Potempa, dean of University of Michigan’s School of Nursing, wrote in *The Wall Street Journal*, “In addition to mental and physical stressors, long periods of work without vacation can lead to reduced productivity, diminished creativity, and strained relationships. Americans seem to believe that logging more hours leads to increased output, but respite deprivation can actually increase mistakes and workplace animosity—in addition to prompting or exacerbating stress-related illnesses.”

In addition to mental and physical stressors, long periods of work without vacation can lead to reduced productivity, diminished creativity, and strained relationships.

Dr. Kathleen Potempa, Dean, University of Michigan’s School of Nursing
PRODUCTIVITY

Vacation is not just a tool for avoiding burnout; promoting time off makes it easier to ask employees to log extra hours at critical moments. A majority (72%) of managers agree that encouraging time off makes their employees more willing to put in the long hours when really needed.

But those critical moments should be an exception not a constant. Inc.com contributor and marketing strategist Samuel Edwards says that working hard should be about working smart, “Hard work doesn’t equate to productivity,” he wrote. “Pouring more hours in doesn’t make those hours more valuable.”

Intellectually, many business leaders agree with Edwards’ thinking, as evidenced by the 85 percent of managers who believe time off allows their employees to return to the office ready to work more efficiently and productively.

Joseph Folkman and Jack Zenger, co-authors of How to Be Exceptional: Drive Leadership Success by Magnifying Your Strengths, studied vacation’s impact on productivity and found that “having more vacation time seems to help employees better understand the importance of being impatient for results and getting as much done as possible” and “that simply spending less time at your desk forces you to waste less time.”

Fast Company’s Lisa Evans referenced a 2011 Intuit Study that showed 82% of small business owners who took a vacation experienced an increase in job performance upon returning to work. She wrote, “That renewed energy and positivity is contagious and can help the entire team be more productive.”
BOOSTING CREATIVITY AND PROVIDING PERSPECTIVE

The vast majority (84%) of managers agree that when employees take time off, they return to work with improved focus and creativity.

“Freed from the daily stresses of my working life, I find that I am more likely to have new insights into old problems and other flashes of inspiration,” Virgin Group founder Richard Branson wrote in an op-ed on taking an inspiration vacation. “If you didn’t come back from your vacation with some ideas about how to shake things up, it’s time to consider making some changes.”

Time off has been behind many of America’s most admired companies. The filters that made Instagram so successful were inspired during a walk on the beach that founder Kevin Systrom took with his fiancé while on vacation in Mexico. Dropbox started as a simple idea that founder Drew Houston had while traveling. Lin Manuel Miranda, creator of Hamilton, came up with the idea for the musical on vacation. He told Arianna Huffington it was “no accident that the best idea I’ve ever had in my life—perhaps the best one I’ll ever have in my life—came to me on vacation.”

“Vacation is one of the few times, especially if someone has a full-time job, to be able to think deeply about a subject and create something new,” Bryan Mattimore, author of Idea Stormers: How to Lead and Inspire Creative Breakthroughs, told Forbes. “Because many things are new on a vacation, it naturally encourages people to transcend their perceptual thinking ruts...which can be great fodder for new ideas.”

If you didn’t come back from your vacation with some ideas about how to shake things up, it’s time to consider making some changes.

Richard Branson, CEO, Virgin Group
Even Starbucks was defined by a vacation experience. In the early 1980s, Starbucks CEO Howard Schultz was attending a conference in Italy and added some extra time to his trip to take in the culture.

On a day trip to Verona, Schultz noticed the craftsmanship and reverence at each coffee shop. “In each shop I visited I began to see the same people and interactions, and it dawned on me that what these coffee bars had created, aside from the romance and theater of coffee, was a morning ritual and a sense of community,” Schultz shared in a company news release. “I left Italy absolutely energized by the culture. I couldn’t wait to sit down with the two remaining founders of Starbucks and tell them, ‘We’ve got to do this.’”

We began to elevate the romance and theater of the beverage, integrated with the merchandising and storytelling of roasting and selling whole bean coffee. It’s all steeped in that trip to Italy in 1983. Everything is about that.

Howard Schultz, CEO, Starbucks
TALENT DEVELOPMENT

In the wake of one of the steepest economic downturns since the Great Depression, the need to assert one’s indispensability at work is understandable. Accordingly, the feeling that “no one else can do the work” is one of the biggest roadblocks to taking vacation for all employees, not just managers.

But managers must think twice about the message they are sending when they believe no one else can do their work. They may be missing out on opportunities to develop the talent they manage—something that reflects well on them. They should consider it a major trouble spot if, in fact, no one else can step in while an employee is away.

Deloitte Consulting CEO Jim Moffatt had an epiphany after sending an email to his team before a vacation. He recounted the email—and what was wrong with it—in a piece for Forbes, “…I started off talking about all the work we had to do and naming a few priorities. I ended the note saying, ‘I encourage you to unplug a little before Labor Day, if you can.’ Not exactly encouraging people to take a real break. By saying ‘if you can,’ I might as well have said, ‘Don’t try.’”

Shortly thereafter, he received some advice from a trusted colleague and friend: stop worrying and start trusting. He was assured that if he had hired the right people and given them the proper strategic direction, there would be no need to send emails while he was on vacation—and if he hadn’t done that, a few emails was not going to fix what was wrong.

“[Trusting your people is] the only way to give others an opportunity to make decisions and gain confidence in their abilities. If you don’t do that, you can’t be sure whether your talent strategy is working,” Moffatt said of the experience.

“You’ll be amazed at what you can do when you’re unplugged—and what your people have accomplished when you plug back in. I can personally attest, you’ll be a more confident and better leader because of it.”

If your business can’t survive your vacation, you’ve got a bigger problem.

Jim Moffatt, CEO, Deloitte Consulting
TALENT RETENTION AND DEVELOPMENT

The economy is improving and, with it, the talent wars are heating up.

“Businesses are in a war for capabilities,” said Josh Bersin, principal at Bersin by Deloitte at Deloitte Consulting LLP. “Every industry we study is undergoing rapid technological, demographic or regulatory change—driving a need for new technical and professional skills. As the economy recovers, these challenges become more acute. Meanwhile, skilled workers see new opportunities, and people will start changing jobs.”

Accordingly, 85 percent of managers agree that encouraging employees to use their vacation time can dramatically improve morale and cut down on employee turnover.

The costs of replacing an employee are significant. Beyond the time a company may have a position unfilled, there is a cost associated with hiring, training, and getting a new employee’s productivity up to speed. The Society for Human Resource Managers estimates the direct cost of replacing an employee is as high as 50 to 60 percent of an employee’s annual salary, with total costs associated with turnover ranging from 90 to 200 percent of the annual salary.

“High-performing companies serve their employees just as well as they serve their customers,” Bersin advised in a LinkedIn column. “Retention may be no more than a symptom, but it’s something you should take seriously. In today’s heating economy and rapid shift in demographics, you’ll be competing for talent regardless of your industry.”

Vacation is at the heart of Grant Thornton’s talent strategy. The 91-year-old accounting firm introduced unlimited vacation last fall, and though it is not the typical adopter of unlimited vacation, this established company is forward-thinking when it comes to getting the best employees.

“This is a modern move for an industry where these types of benefits aren’t really common,” said Pamela Harless, chief people and culture officer for Grant Thornton told Bloomberg. “We are convinced it will help us to be far more attractive in retaining talent as well as attracting talent.”
FullContact CEO Bart Lorang wanted to attract and retain the best talent pool and ensure his employees had a life outside the office. The software provider offers the Holy Grail of vacation incentives: $7,500 to workers who take their time off and disconnect. And it all started with a photo. Hanging in his office is a picture of Lorang and his then-fiancé riding camels with the Egyptian pyramids in the background. Instead of taking in one of the wonders of the world, Lorang is checking email on his phone. After seeing this photo, he resolved he would not miss out again, nor would his employees, and “paid paid vacation” was born.25

While he acknowledges that disconnecting is difficult for many employees, Lorang believes it corrects what he calls a “misguided hero syndrome.” “That’s not heroic,” Lorang says of an employee’s feeling that no one else can do his or her job. “That’s a single point of failure. It’s not good for the employee or the company.”

Since instituting the incentive in 2012, FullContact reports increased productivity, a “dramatic” drop in healthcare costs and sick days, and nearly eliminated turnover.26

Jaclyn Pickard, HR relationship manager and benefit specialist with FullContact, was drawn to work for the company because of its paid, paid vacation policy. She shared with Project: Time Off that the company, which also offers unlimited vacation, instituted a minimum requirement of 15 vacation days a year. “We found when it was just unlimited, it wasn’t working out the way we’d hoped.”

“It’s been a wild ride but it’s a great company and we’re growing super fast—the policy has helped that,” Pickard said. “Once a year, you have this opportunity and I haven’t heard of anyone who has ever forfeited it.”
IDEAS FOR ALLEVIATING VACATION FEARS

Several companies are taking an active role in creating policies and opportunities for employees to feel more comfortable taking time off.

To reduce the fear of returning to a mountain of work, Huffington Post introduced an email detox program. Inspired by a similar program at Daimler, employees have the option of using a tool that deletes any incoming work email. Senders receive a reply thanking them for their message that informs them the recipient is on vacation, provides the option of an emergency contact, and suggests the sender reconnect upon their return. Employees return to an inbox that does not take hours to sort through while removing the visible “mountain of work.”

“Adopting an ‘always-on’ lifestyle and ignoring these natural rhythms of work and rest comes at a cost, both for an individual’s well-being and productivity, and for a company’s bottom line,” wrote Huffington Post’s Carolyn Gregoire. “But when we do take the time to unplug, the results can be nothing short of transformative.”

To alleviate the pressure employees feel to check in while on vacation, some companies are designating office-wide closures. Adobe shuts down for two, one-week periods: one in the summer and one in December.

Since 2009, TED, the idea-generating nonprofit made famous by its short video talks, closes for two weeks every summer, going so far as to shut down phones, email, and even the office Wi-Fi.

“Our shared vacation time is a little hack that solves the problem of an office full of Type-As with raging FOMO,” Editor Emily McManus writes on TED.com. “We avoid the fear of missing out by making sure that very little is going on.”

“We all return feeling rested and invigorated,” said June Cohen, TED’s executive producer. “What’s good for the team is good for business.”
Vacation has the power to give American companies a competitive advantage, but only if they use it.

Managers from the C-suite down need to shake free of guilt and perception issues and embrace the potential time off holds for themselves and their employees. Ignoring vacation is a choice—a choice to fall behind companies that are maximizing its potential to grow their bottom line.

American work culture is on the verge of a transformation. Smart business leaders will drive that transformation, rather than running to catch up.
ENDNOTES


