

# PROJECT:TIME OFF

## All Work and No Pay: The Impact of Forfeited Time Off

October 2014



As prepared by:  
Oxford Economics  
September 2014

# Key Findings

- Americans are taking less vacation time than at any point in the last nearly four decades. In 2013, employees entitled to paid time off (PTO) took an average of 16 days of vacation compared to an average of 20 days as recently as 2000.
- Among employees with PTO, nearly five days went unused in 2013. Of those five days, 1.6 days will be permanently lost, totaling 169 million days across the workforce.
- By choosing to work instead of taking PTO, employees are essentially working for their employers for free. The 169 million days of forfeited PTO equates to \$52.4 billion in lost benefits.
- Employees who forfeit PTO do not receive raises or bonuses at a faster rate than those who take all of their vacation time. However, employees leaving days on the table report higher levels of stress at work.

# Methodology

Oxford Economics' analysis is based on the Monthly Current Population Survey results reported by the U.S. Bureau of Labor Statistics (BLS) and a June 2014 survey of 1,303 American workers conducted by GfK Public Affairs and Corporate Communications in conjunction with Oxford Economics. The BLS data compiles long-term vacation activity, while the GfK results indicate average vacation days taken. By combining the two data sources, Oxford Economics determined long-term, historical vacation activity among American workers.

For a full methodology, refer to page 41.

## Long Term Trends in Vacation Usage

# Long Term Trends Vacation Usage Show Steady Decline

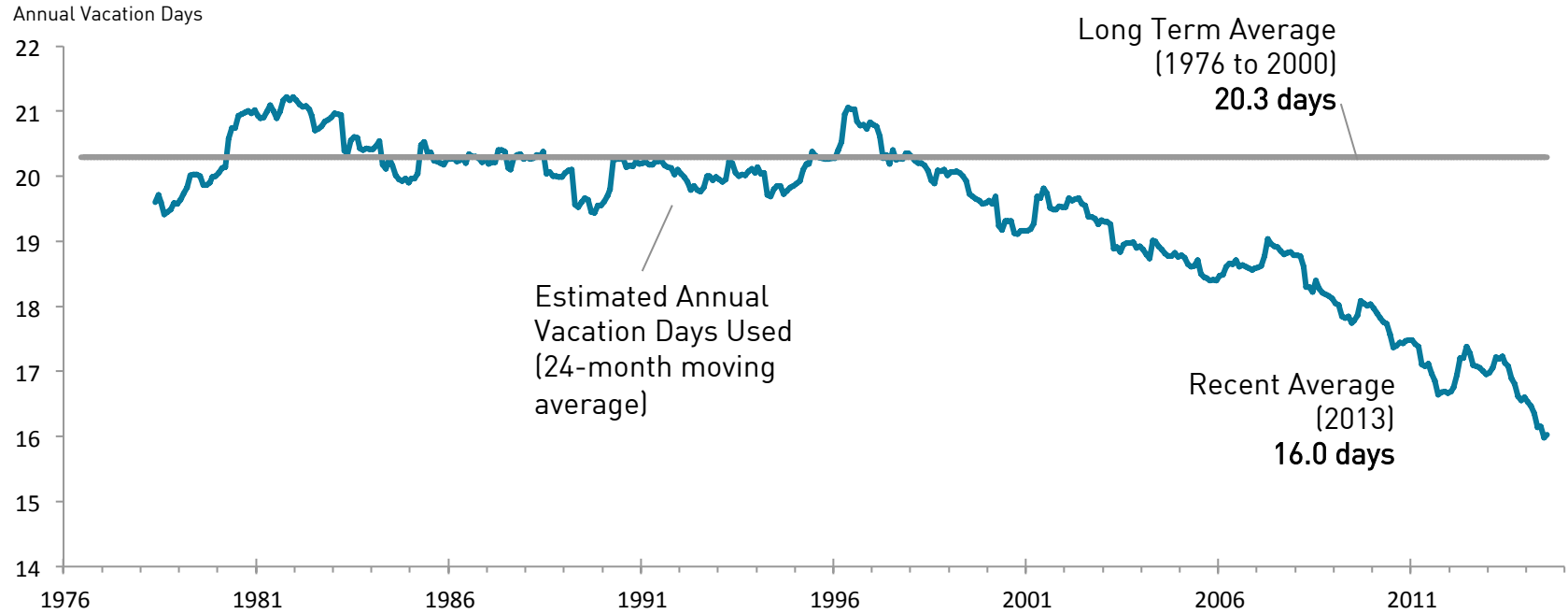
- Analysis of BLS data shows a steady decline in the number of vacation days taken by Americans over the past two decades.
- In 2013, employees with paid time off took 16.0 days of paid leave. As recently as the 2005 to 2010 period, Oxford Economics estimates employed adults took an average of 18.1 days of vacation annually. Over the long-term period from 1976 to 2000, annual vacation time used averaged 20.3 days.
- If Americans returned to vacation patterns experienced on average from 1976 to 2000 (20.3 days per year on average), annual vacation days taken by employed people would increase 27%, which would be equivalent to 768 million additional days of vacation at a national level (4.3 additional vacation days, times 179 million employed people based on Bureau of Economic Analysis).

## Long Term Trends Vacation Usage Show Steady Decline

- If Americans were to use those 768 million days, it would result in \$284 billion of economic impact, including \$118 billion in direct travel spending.
- Full-week vacations have steadily declined over the more than 35 years covered by the survey. The impact of this decline was offset by increased incidence of partial-week vacations through the mid-1990s. Since then, the frequency of partial-week vacations has eased, even as the frequency of full-week vacations has continued to decline.

# Annual Vacation Days

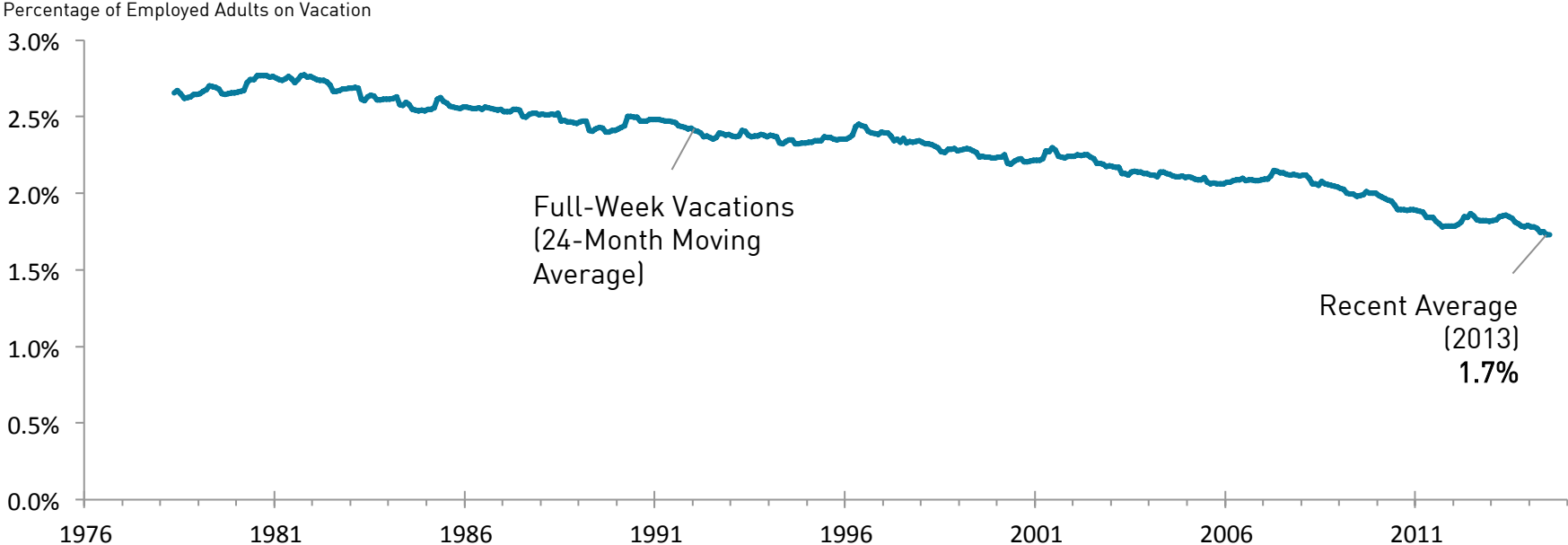
## Average Vacation Days Used, Among Employed Adults



# Full-Week Vacation Activity has Steadily Declined

## Full-Week Vacations

Not at work all week due to vacation, among employed adults



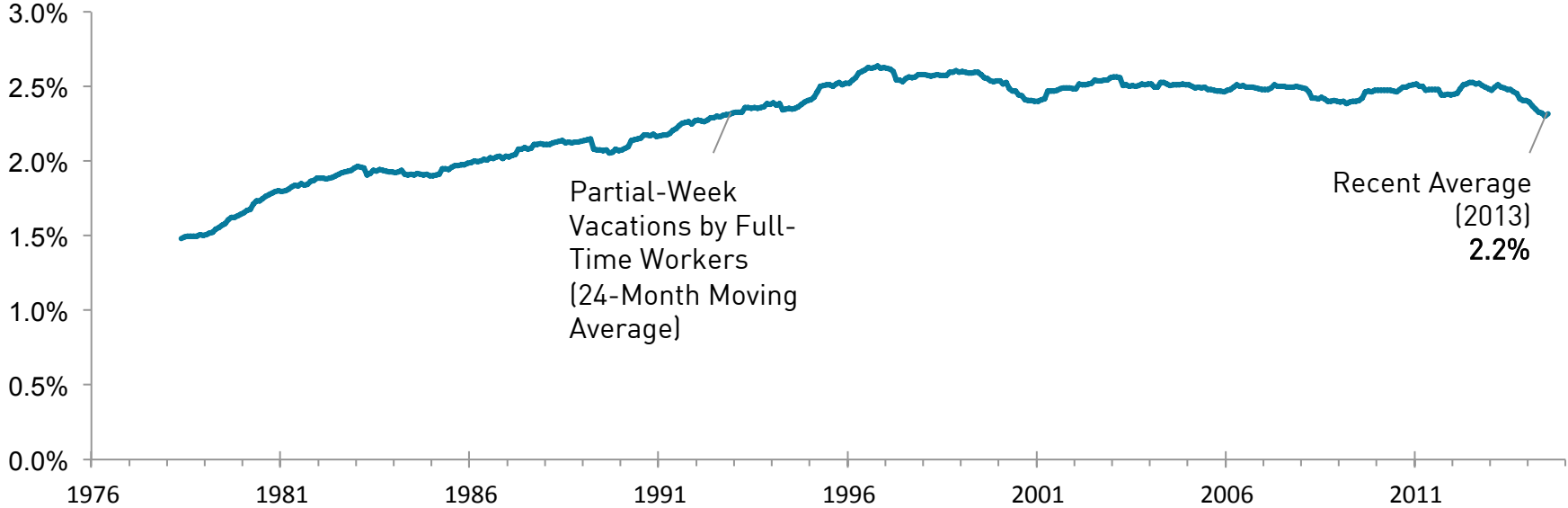


# Partial-Week Vacation has Leveled Off Since the Mid 1990s

## Partial-Week Vacations

Usually work full time, but worked fewer than 35 hours due to vacation

Percentage of Employed Adults on Vacation

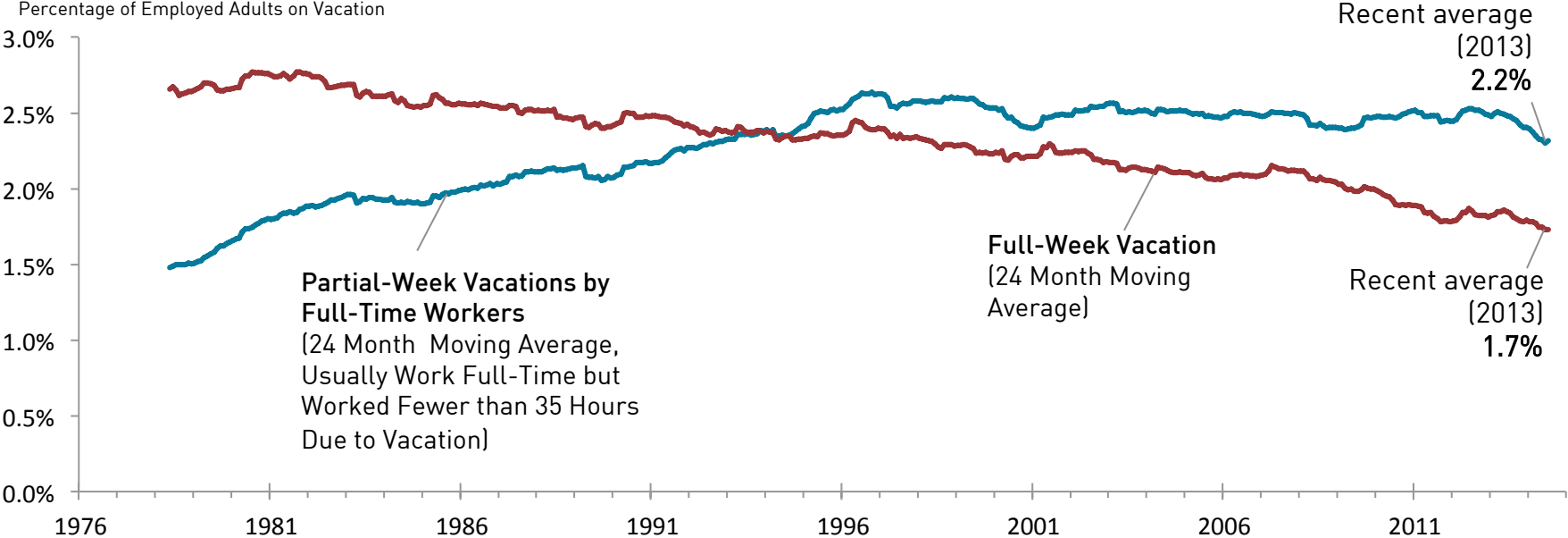


Partial-Week Vacations by Full-Time Workers (24-Month Moving Average)

Recent Average (2013) 2.2%

# Decline of Full-Week Vacations is No Longer being Offset

## Vacation Activity by Type Full-Week and Partial-Week Vacations



## Analysis of Unused Vacation Time

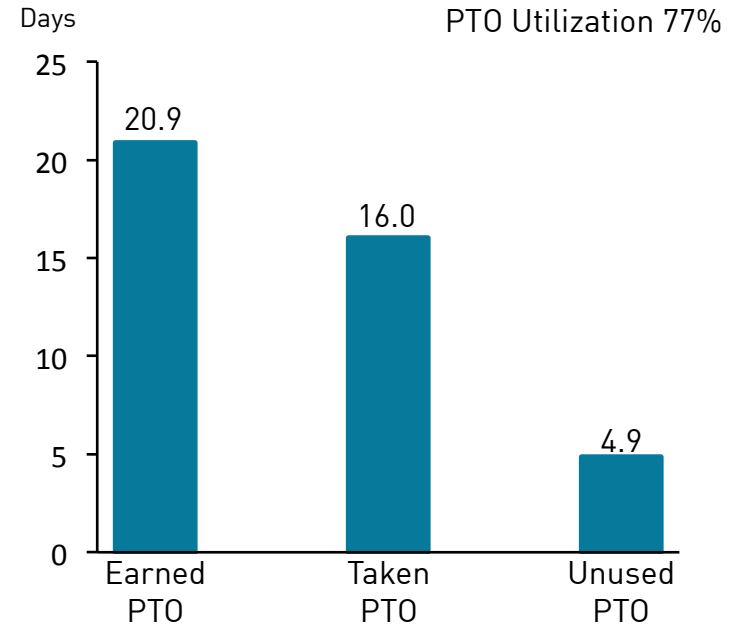
## Introduction to the Survey

- This analysis assesses the value of paid time off (PTO) forgone by US workers.
- For the purposes of this analysis, PTO includes vacation and personal days, but excludes sick days and paid holidays.
- The study is based on a survey conducted by GfK and Oxford Economics on behalf of U.S. Travel.

# Summary Metrics of PTO

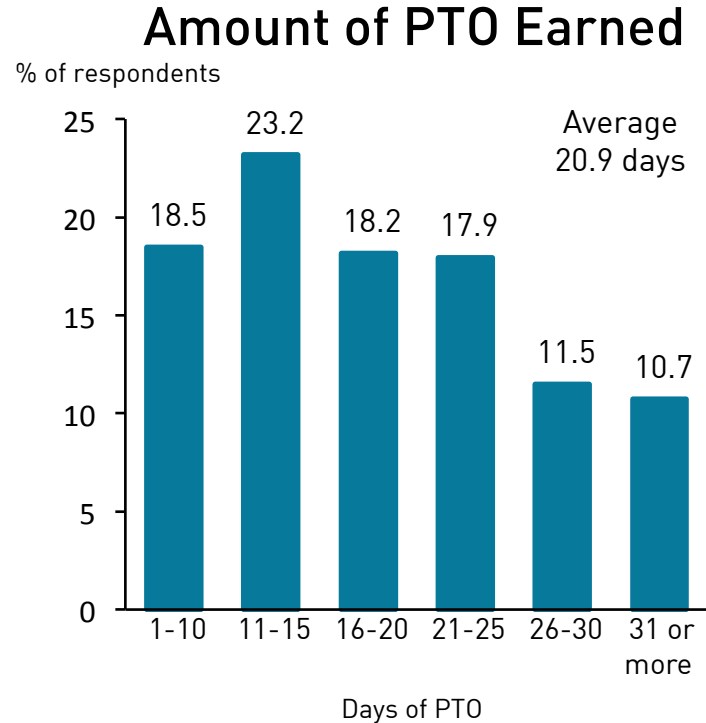
- On average, employees surveyed earned just under 21 PTO days in 2013.
- Employees took an average of 16 PTO days, and left 4.9 days on the table.
- On average, U.S. workers used 77% of earned PTO.

## PTO Summary



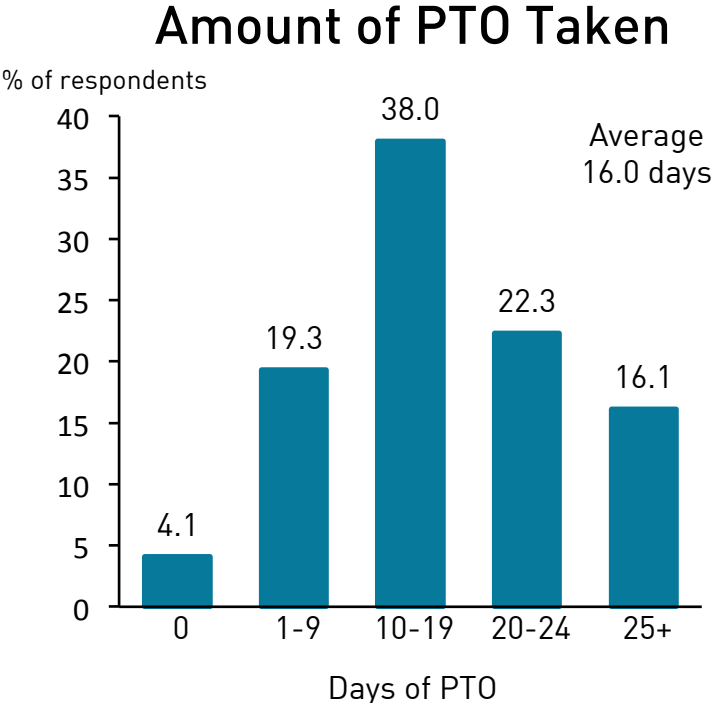
# Distribution of PTO

- Nearly a quarter of employees earn between 11 and 15 PTO days per year.
- Just under 60% of employees earn between 11 and 25 PTO days per year.



# Distribution of PTO Taken

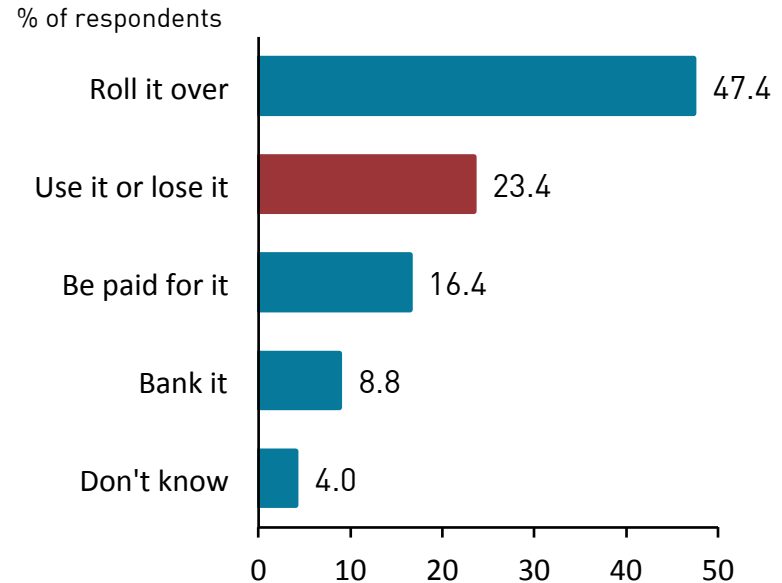
- Nearly 40% of workers take between 10 and 19 PTO days.
- Just under a quarter of employees take less than 10 PTO days.



# Options for Unused PTO

- Not all unused PTO is actually lost.
- Most employees (56%) can either roll over or bank PTO days for later use.
- But nearly a quarter (23.4%) lose it at the end of the year.

## Options for Unused PTO

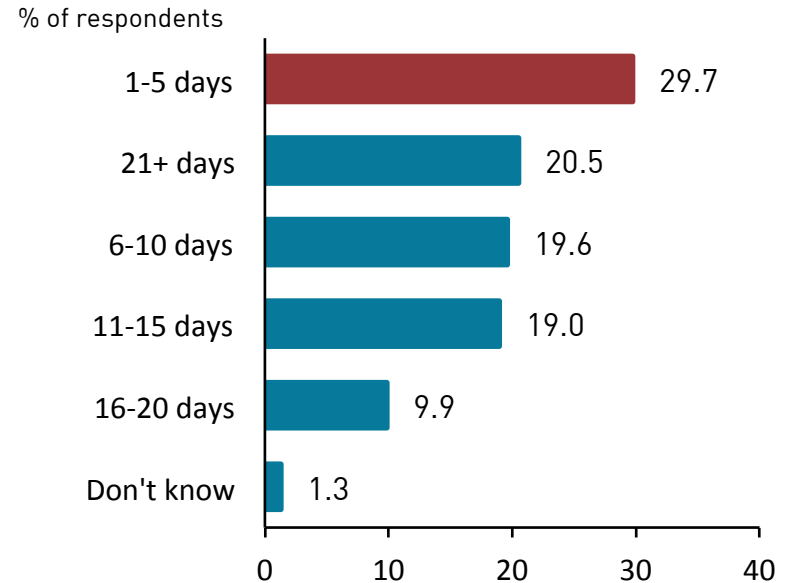




# Limits on Rolled Over PTO

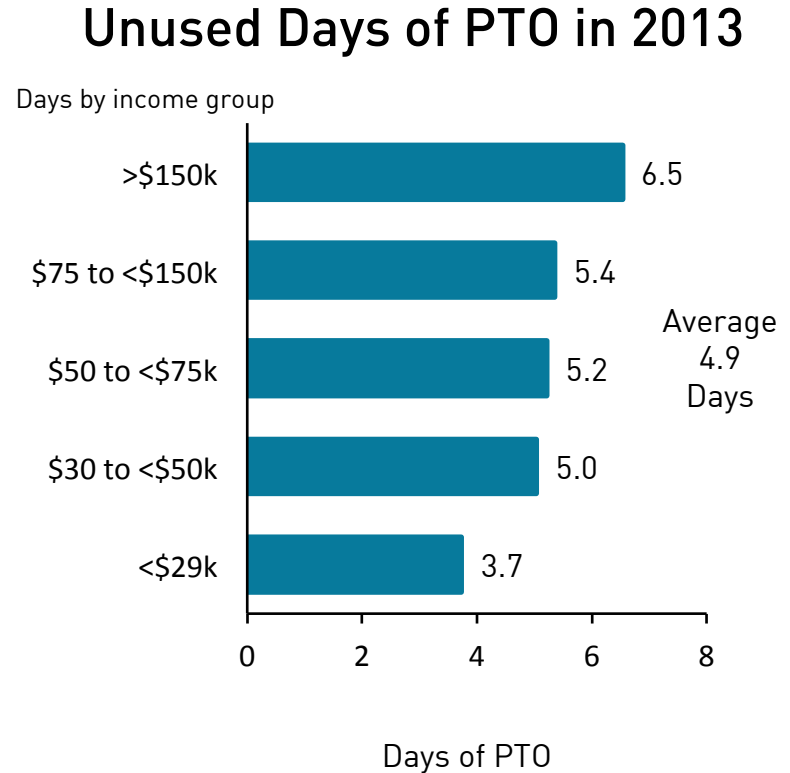
- Of those that can roll it or bank, there are caps and expiration periods.
- Nearly a third (29.7%) can only roll over or bank five days or less.

## The Limit to Bank it or Roll it Over



# Unused PTO by Income

- Higher income earners tend to earn more PTO, and also leave more PTO days on the table.
- On average, the US worker did not take 4.9 days of earned PTO in 2013.

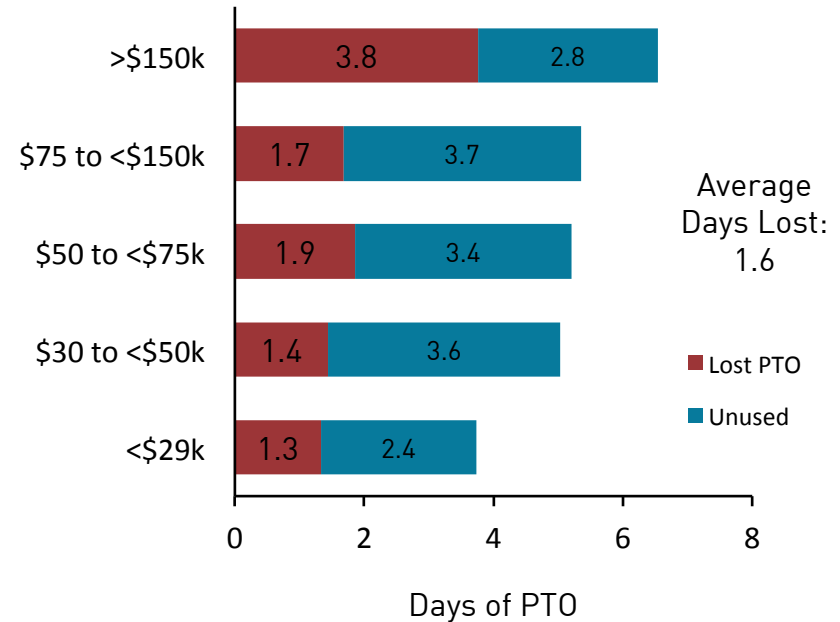


# PTO Lost After Constraints

- After taking into account caps and expiration of roll over and banked PTO, a portion is actually lost.
- Higher income earners have more to lose.
- On average, U.S. employees lost 1.6 PTO days in 2013.

## Days of PTO Lost in 2013

Days by income group

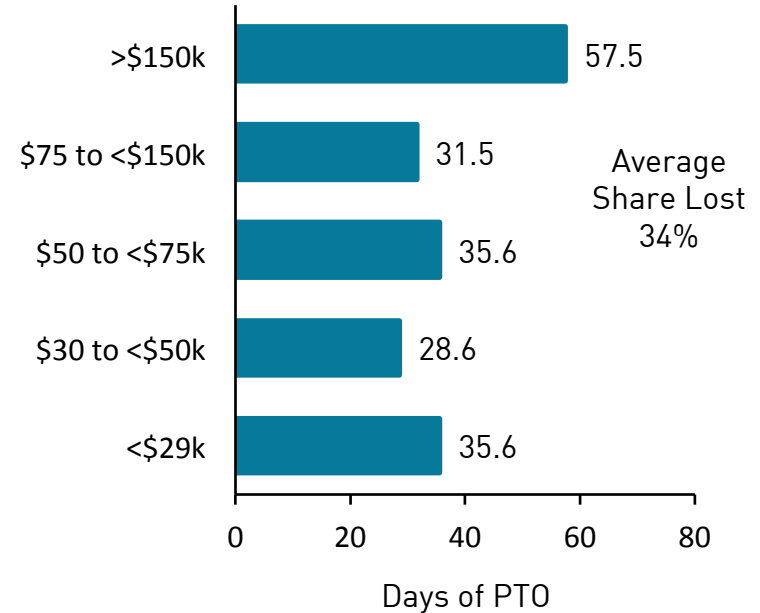


# Lost PTO

- On average, U.S. employees lost more than a third of their unused PTO.
- High income earners lost more than half of unused PTO days.

## Share of Unused PTO Lost in 2013

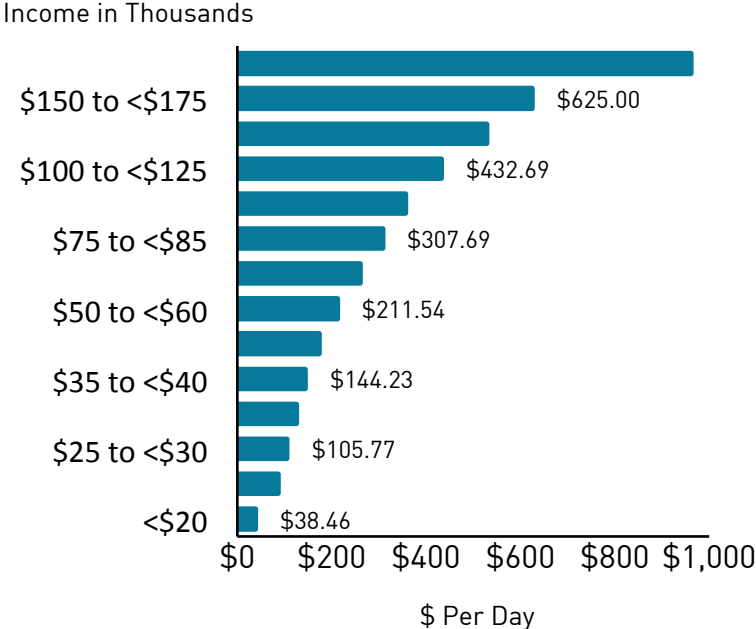
Share by income group, %



# Estimated Value of a Foregone PTO Day

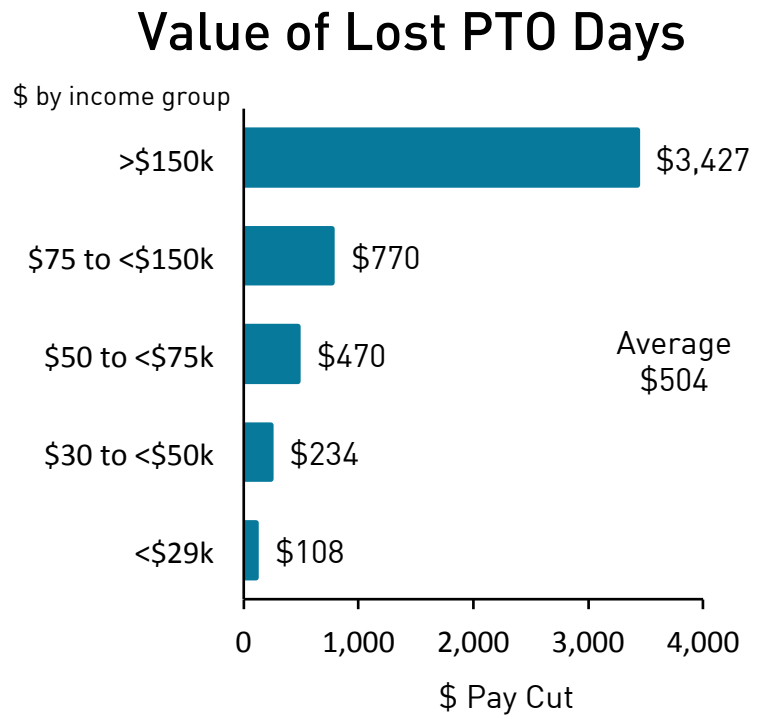
- Based on total annual income and an assumed 260 work days, the value of a forgone PTO day was estimated by income group.

## Estimated Value of a Foregone PTO Day



# Value of Lost PTO Days

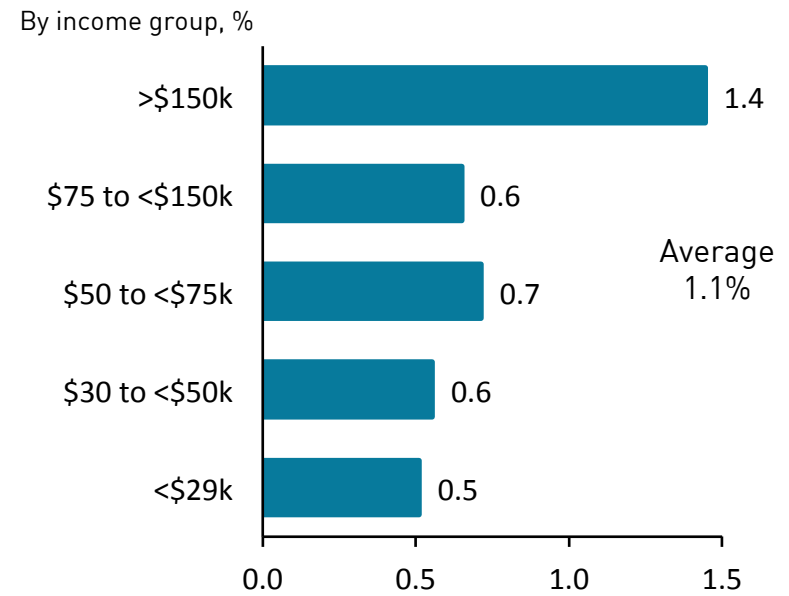
- Lost PTO days multiplied by the value of a forgone day yields an estimate of the monetary value of lost days by income group.
- On average, U.S. employees give up \$504 in paid time off – essentially giving their employers that amount in free work.



# Value of Lost PTO Days

- By forgoing these days, employees are essentially working for free.
- High income earners give up the most, 1.4% of their pay, on average.
- Overall, U.S. workers give 1.1% of their salary back to their employer each year, in the form of free work.

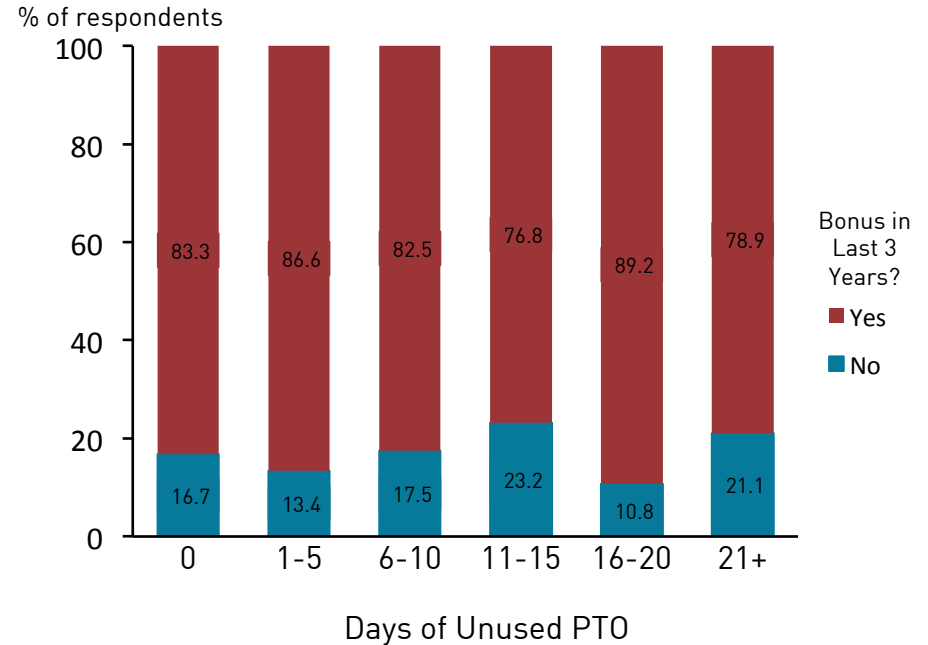
## Percent Value of Lost PTO



# Pay Raise Based on PTO Used

- There is no evidence that taking less time off boosts the chance of getting a raise or a bonus.
- Employees who used most earned PTO were just as likely to get a raise or promotion than those who left PTO unused.

## Recent Bonus by Unused PTO

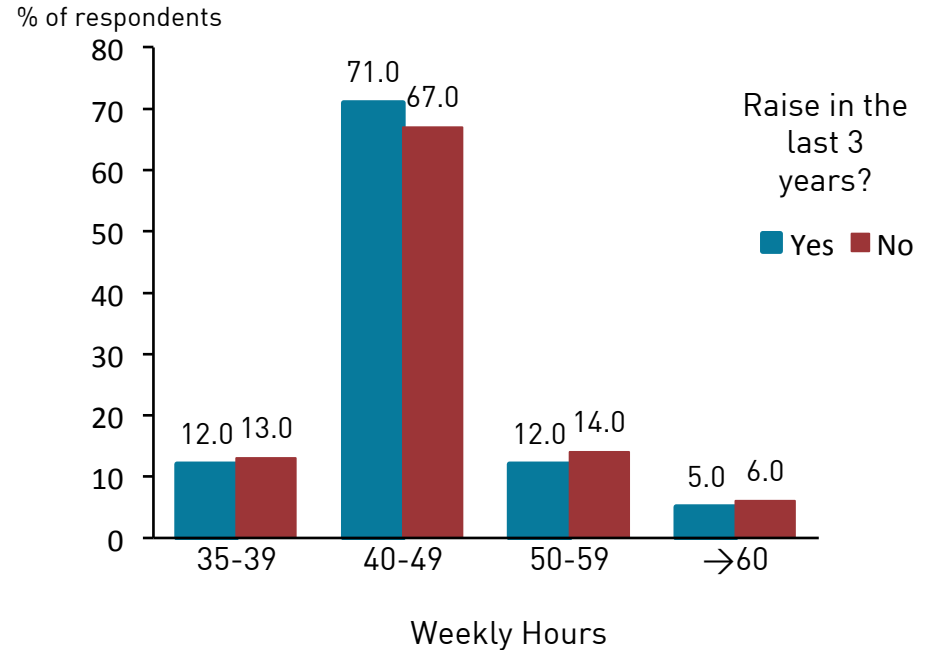




# Pay Raise Based on Hours Worked

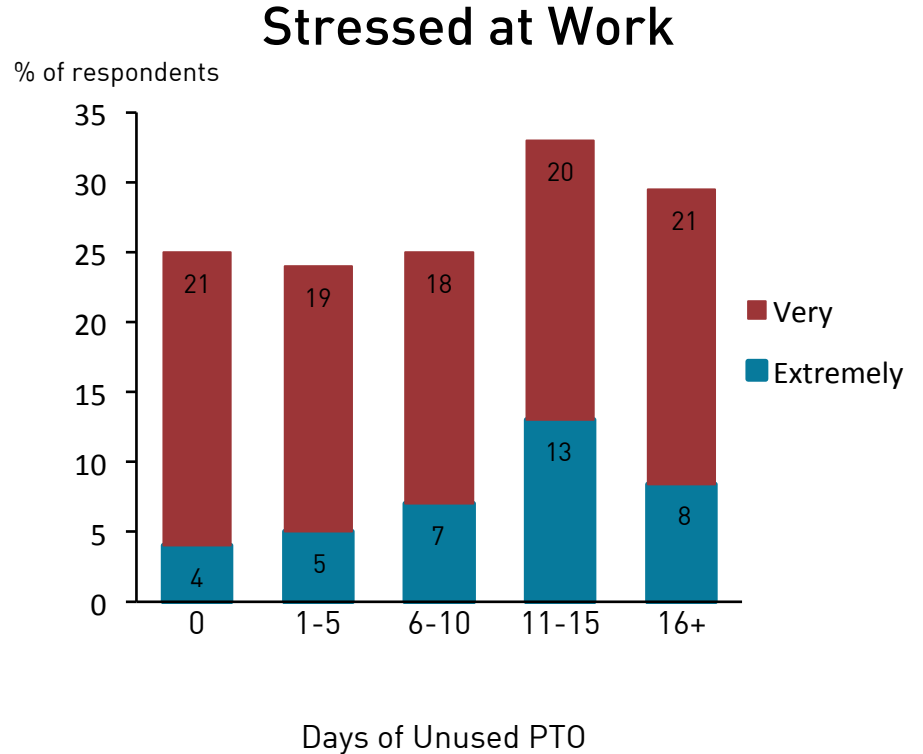
- Employees that worked between 40 and 49 hours per week were slightly more likely to have received a recent pay raise.
- But this relationship was not apparent at higher levels of hours worked per week.

## Weekly Hours by Recent Raise



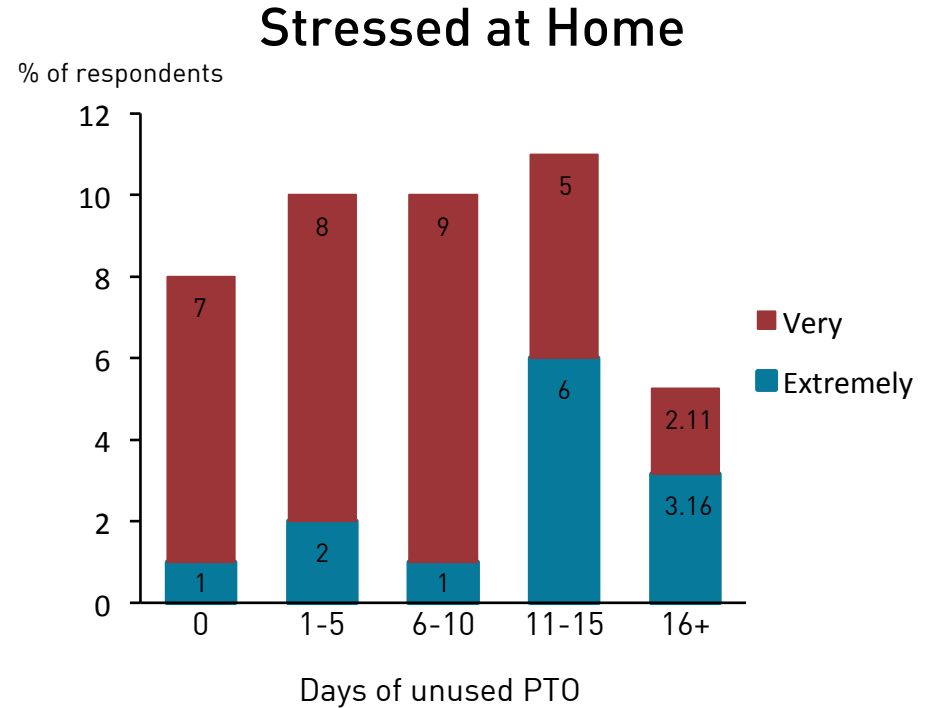
# Stress at Work

- Stress at work was clearly associated with leaving more unused PTO days.
- The more PTO days employees leave behind, the more likely they are to report being “very” or “extremely” stressed at work.



# Stress at Home

- While a relatively small share of workers reported stress at home, the share tends to increase the more days of PTO workers leave on the table.

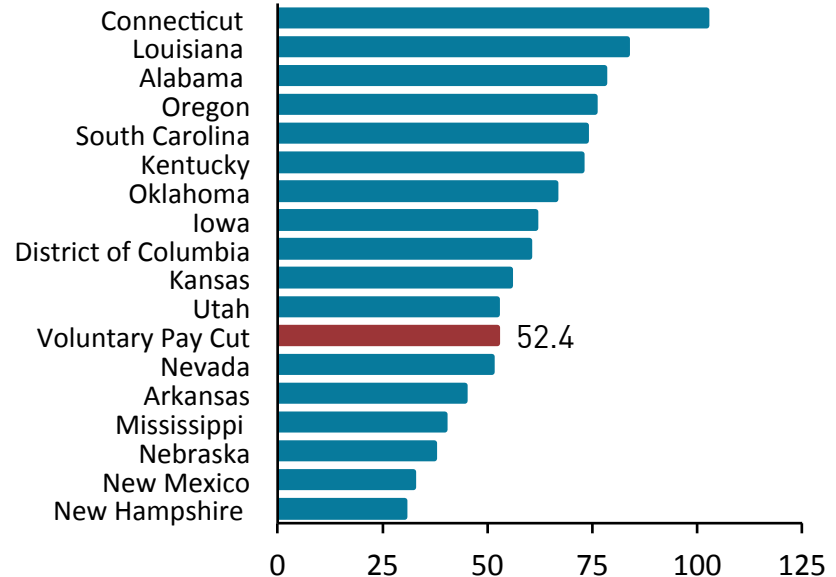


## Extrapolate to Total Economy

- The amount of time off forfeited for the entire economy is the average amount of free labor hours times the total jobs in 2013.
  - Average amount of free labor= \$504 per job
  - Estimated non-farm payroll jobs in 2013 that received PTO: 103.9 million
- Total economic impact= \$52.4 billion, which is greater than total wage and salary income in several states.

## Voluntary Pay Cut in Context

Total wage and salary income by state, \$ billions



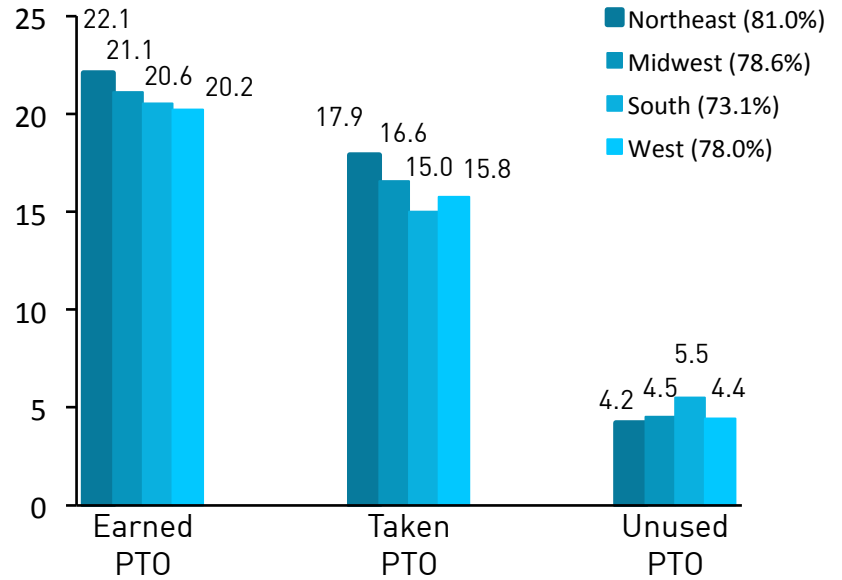
## Findings by Region

# PTO Summary, by Region

- Workers in the Northeast earn more and take more PTO.
- The South region stands out as taking less PTO than other regions and leaving more PTO days on the table.

## PTO Summary by Region

Days, utilization in parentheses (days taken/days earned)

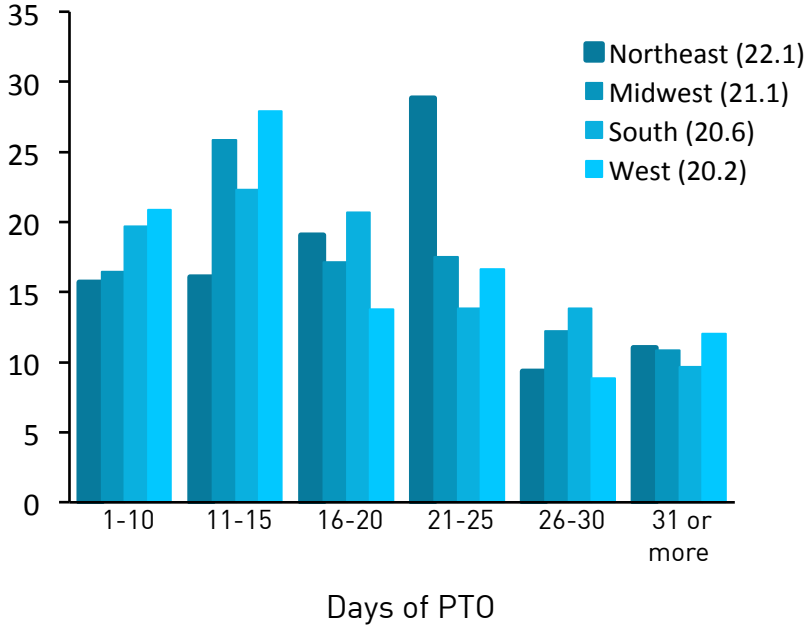


# Distribution of PTO Earned, By Region

- Workers in the Northeast earn an average of 22.1 days of PTO per year.
- More workers in the South and West regions earn less than 15 days of PTO.

## Amount of PTO Earned

% of respondents by region, average PTO earned in days in parentheses

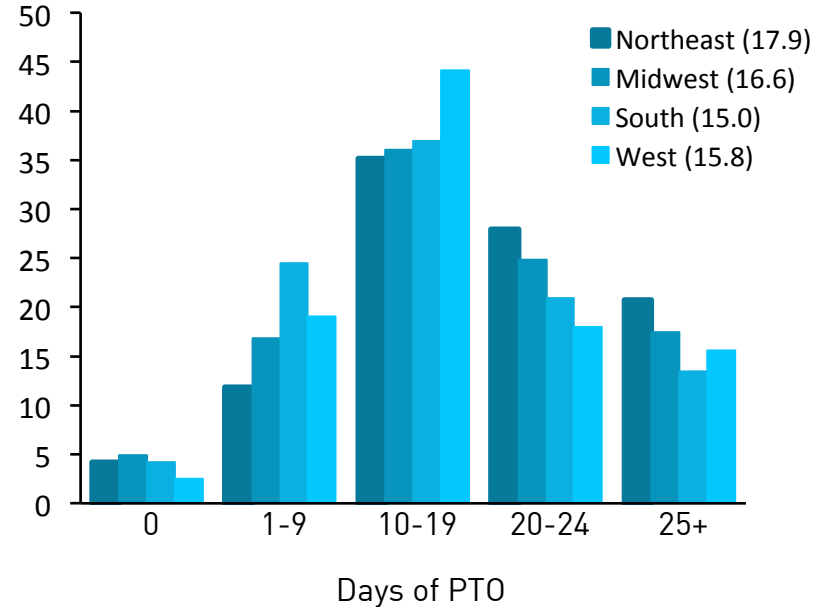


# Distribution of PTO Taken, By Region

- Few workers in the Northeast take less than 10 days of PTO per year.
- Just under 30% of employees in the South taken less than 10 days of PTO; this is a higher share than any other region.

## Amount of PTO Taken

% of respondents by region, average PTO taken in days in parentheses

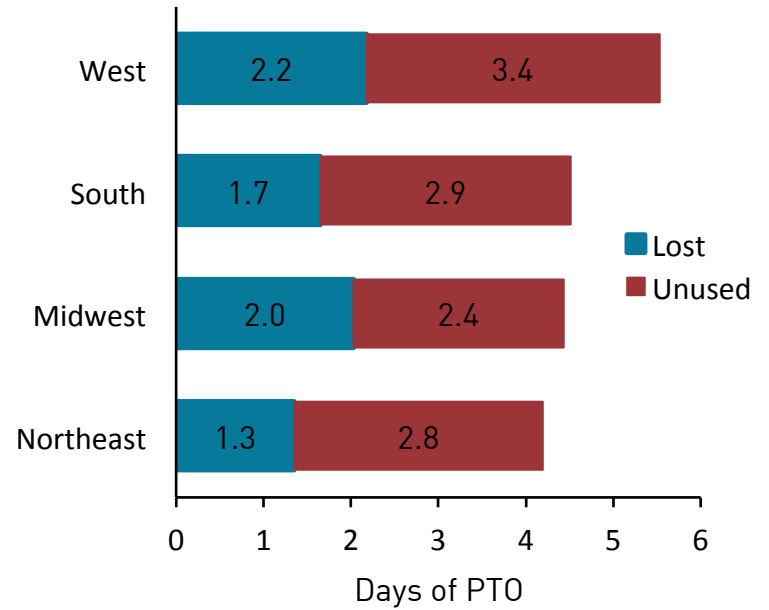




# Unused and Lost PTO, By Region

- The West region of the US reported leaving more PTO unused and also more PTO actually lost.
- The Northeast region left fewer days of PTO on the table and also lost fewer days of PTO.

## Unused and Lost PTO by Region

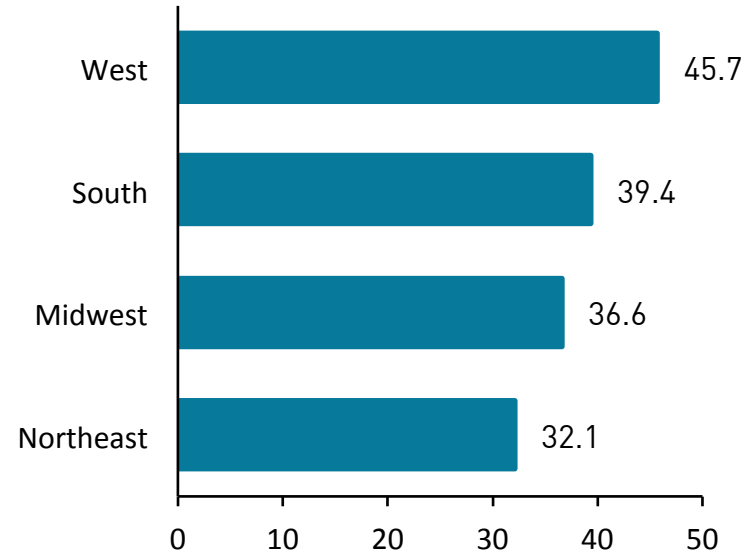


## Lost PTO as a Share of Unused PTO, By Region

- Of the unused PTO days, employees in the West tend to actually lose a higher share at 46% due to roll over caps and expiration banked and rolled over PTO.

### Share of Unused PTO Actually Lost

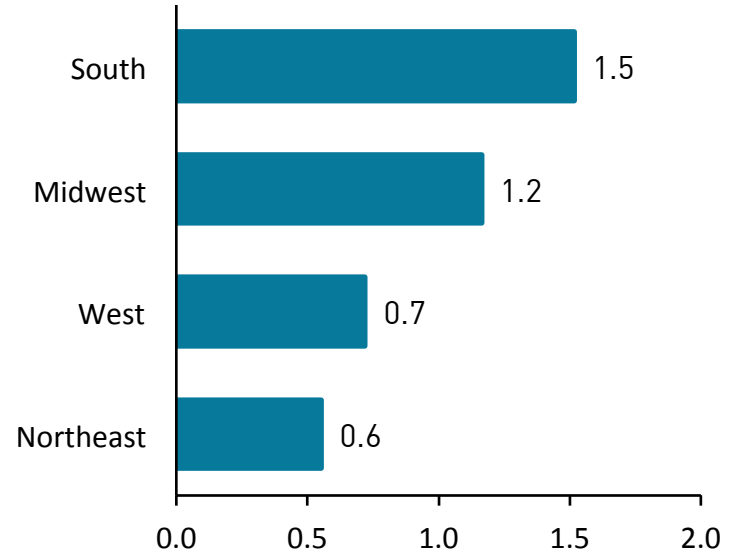
Share, %



## Findings by Region

- The value of employees' forfeited time off is highest in the South.
- This is due to the low utilization of PTO days. Also, more unused PTO days are forgone by those in the higher income groups.
- For Southern employees, this is the equivalent to 1.5% of their salary, compared to 0.6% in the Northeast.

### Percent Value of Lost PTO

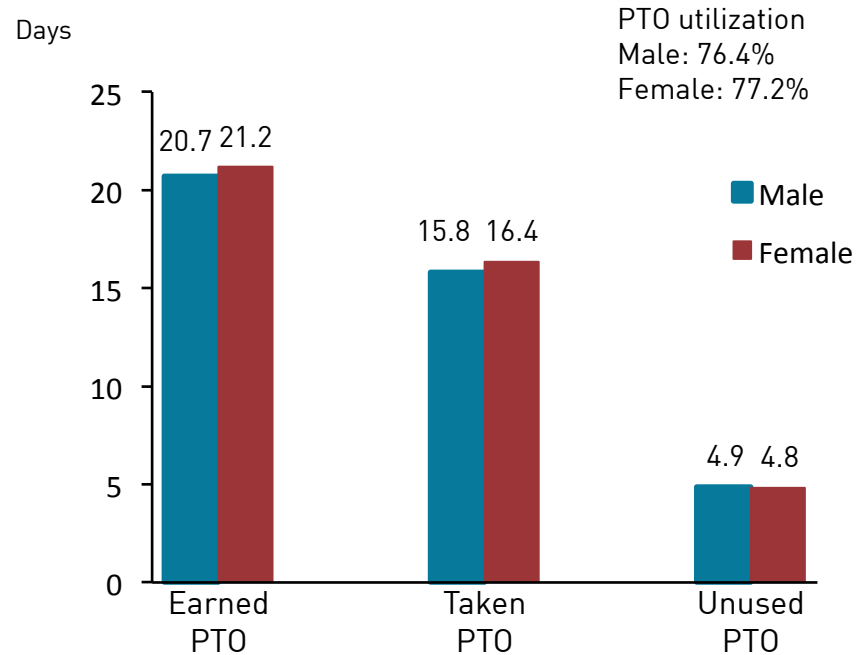


## Findings by Gender

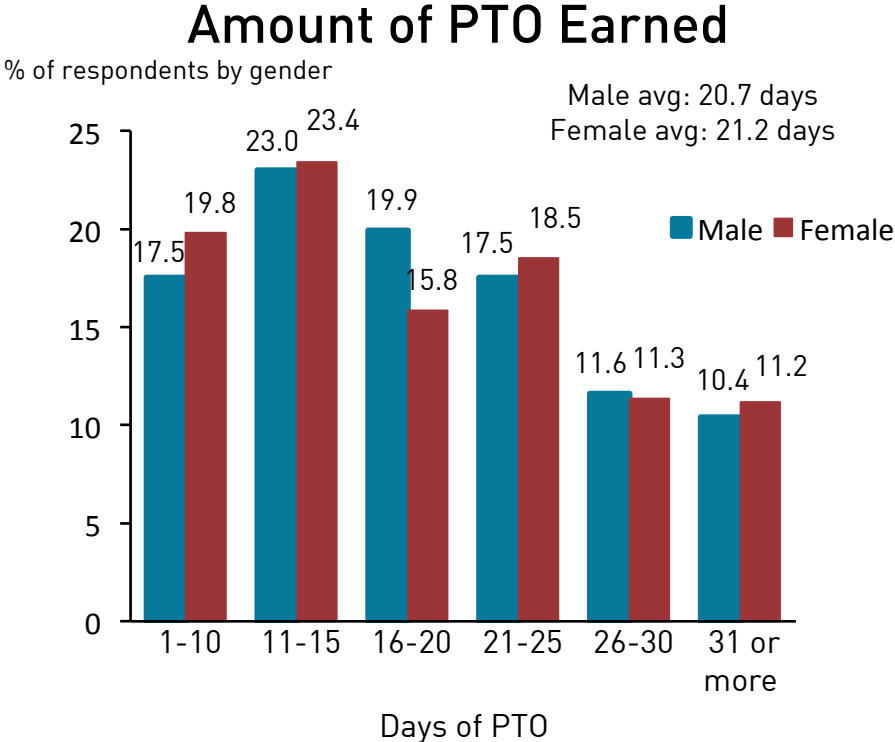
# PTO Summary by Gender

- There were no major differences reported by gender in terms of PTO earned.
- Men tend to take less PTO and leave slightly more on the table.

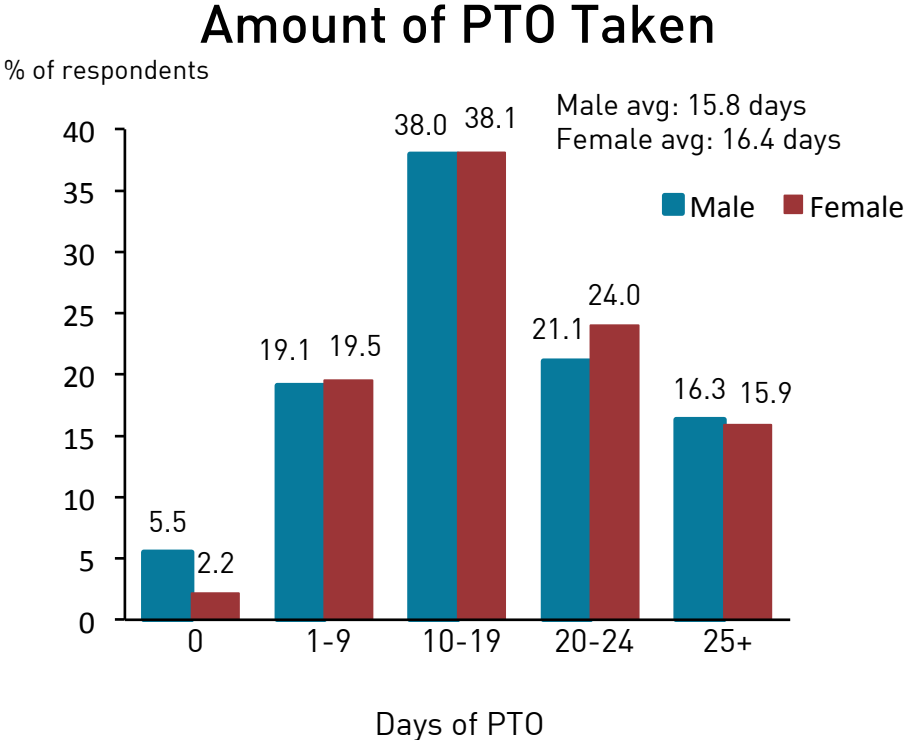
## PTO Summary by Gender



# Distribution of Earned PTO, By Gender



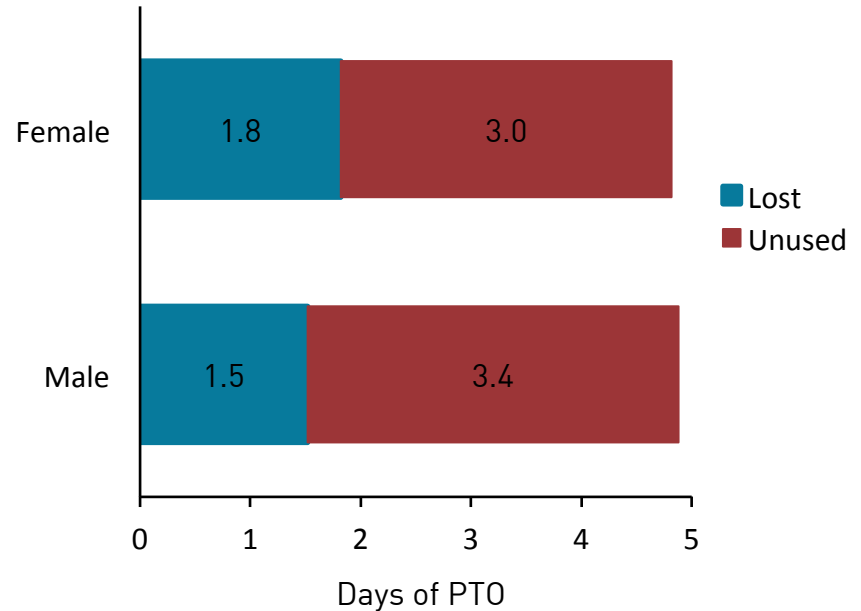
# Distribution of PTO Taken, By Gender



# Lost PTO, By Gender

- According to survey results, female workers tend to lose slightly more PTO days compared with male their counterparts.
- Women lost an average of 38% of unused PTO, compared with 31% for men.

## Unused and Lost PTO by Gender



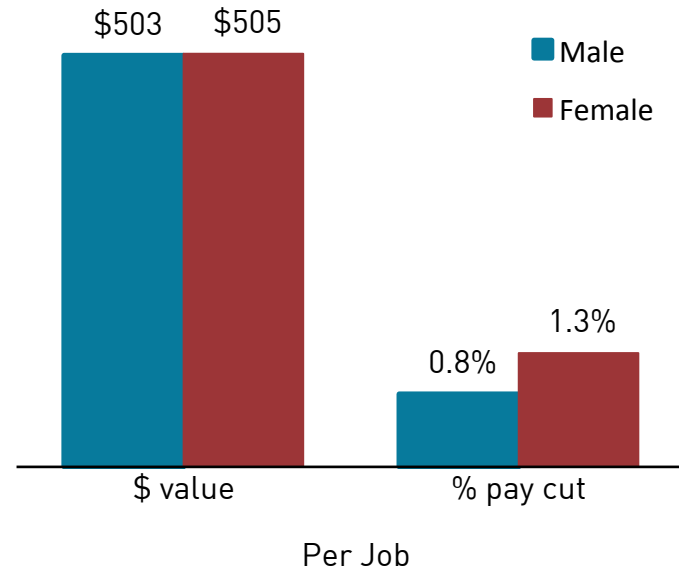


# Benefits Lost, by Gender

- Both men and women gave their employers just over \$500 of free labor per job.
- In percentage terms, women work for free more than men, equivalent to 1.3% of their salary vs. 0.8% for men.

## Benefits Lost per Job, By Gender

In dollars and % cut per job



## Methodology

# Methodology

- The analysis uses two sources of information. The first is the Current Population Survey (CPS), which is a monthly survey of U.S. households that provides the national unemployment rate and other labor force information reported by the Bureau of Labor Statistics.
- For the purpose of this analysis, Oxford Economics focused on two categories of employed people as tracked by the CPS. Those who were not at work all week, due to vacation, which we refer to as “full-week vacations.” Those who usually work full time, but worked fewer than 35 hours during the week, due to vacation, which we refer to as “partial-week vacations”
- We have referred to these two categories combined as: “employed, on vacation during part or all of the week”.
- These categories are focused on vacation time (including personal days), and exclude other reasons such as illness, bad weather, labor dispute, or economic reasons such as a furlough.
- The CPS asks respondents about their activities during a specific reference week each month. This is defined as the week (Sunday through Saturday) that includes the 12th of the month; it is modified on occasion to avoid major holidays that could impede data collection.

# Methodology

- Our analysis of CPS data found that people that were employed, but on vacation during part or all of the week, represented 4.0% of employed people on average during 2013.
- To put this measure in context, if an individual took vacation two weeks a year (either the full-week, or partial-week) it would represented 3.8% of the year (e.g. 2 weeks / 52 weeks).
- The second source of information used in our analysis is the Vacation Time Opportunity Survey conducted by GfK and Tourism Economics in 2014 that shows the average employee with paid time off used 16 days of vacation time in 2013.
- Starting with this survey-based average of 16 days of vacation during 2013, we estimated days of vacation historically, and forward into 2014, based on the CPS survey results.
- The process of scaling the CPS data based on the 2013 survey result included assumptions on the number of vacation days being taken by the two categories of survey respondents (full-week and partial-week).

# Methodology

- The CPS provides an indicator of vacation activity, but it has some limitations. For example: During the CPS interview, households are asked about the time they spent at work during specific mid-month reference weeks. These weeks are selected by the Bureau of Labor Statistics to measure stable work weeks, minimizing the impact of major holidays. As such, the CPS data is an indicator of how vacation activity has changed during mid-month periods over time, which may differ from vacation activity during major holidays.
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  - During the CPS interview, households are asked about the time they spent at work during specific mid-month reference weeks. These weeks are selected by the Bureau of Labor Statistics to measure stable work weeks, minimizing the impact of major holidays. As such, the CPS data is an indicator of how vacation activity has changed during mid-month periods over time, which may differ from vacation activity during major holidays.
  - Changes in the ways Americans use their vacation time during the year could impact the survey results independently of the actual quantity of vacation time used. For example, taking multiple short vacations, such as two days of one week and three days of another week rather than a full five-day week, could result in a greater incidence of vacation activity being measured in the CPS approach, even though the quantity of days could be the same. Similarly, a trend of taking shorter partial-week vacations such as two days off rather than three, would not be evident in the CPS-based results as a reduction in vacation activity.

# Methodology

- The CPS survey has been periodically redesigned, such as to improve the sample process or refine the interview process. One such redesign was implemented in 1994. To support comparability across the full period of available information back to June 1976, Tourism Economics has adjusted the data for the 1976 to 1993 period based on a comparison of survey results directly before and directly after the redesigned survey was implemented.
- In addition to stable seasonal patterns that do not detract from the analysis, such as higher vacation activity in summer months, there are also less stable patterns. For example, the impacts of certain religious holidays that occur during the reference week on certain months, as well as major weather events. Lastly, though there are 60,000 households included in the sample, there are also typical survey-related sources of variability.
- The CPS survey has been periodically redesigned, such as to improve the sample process or refine the interview process. One such redesign was implemented in 1994. To support comparability across the full period of available information back to June 1976, Tourism Economics has adjusted the data for the 1976 to 1993 period based on a comparison of survey results directly before and directly after the redesigned survey was implemented.
- The raw CPS data on vacation activity is volatile from month to month, requiring the use of longer-term averages, such as the 24 month moving average, to smooth the results.
- In addition to stable seasonal patterns that do not detract from the analysis, such as higher vacation activity in summer months, there are also less stable patterns. For example, the impacts of certain religious holidays that occur during the reference week on certain months, as well as major weather events. Lastly, though there are 60,000 households included in the sample, there are also typical survey-related sources of variability.

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