



# The Surprising Truth About Startup "Unlimited Vacation" Policies

*by Dennis Hammer*

These days, a lot of startups offer unlimited vacation time to their employees.

Some of the biggest tech companies in the world—like Netflix, Evernote, Twitter, LinkedIn, Virgin, and Amazon—let their teams have as much paid time off as they please. While only about [1% of companies](#) in the United States offer unlimited vacation, [the trend is rising](#), especially in Silicon Valley.

On the surface, unlimited vacation time seems unbelievably generous. Who wouldn't want to work for a company that pays you regardless of how often you're at your desk? Plus, some employees find the trust and freedom empowering.

But is unlimited paid time off right for your startup's team? Are the benefits worth the cost?

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## Vacation Time Isn't Just a Nice Perk

Too often, founders think of vacation time as a *perk* they have to give out to their teams. Smart and talented people expect paid time off, right? If you don't give it to them, some other company will.

Yes, that's true. If you don't compensate your team fairly according to their position, skills, and experience, they'll eventually move on. But taking vacation time also creates a lot of value for the business.

In 2006, the accounting firm [Ernst & Young ran an internal study](#). They found that for each additional 10 hours of vacation time employees took, their year-end performance ratings rose 8%.

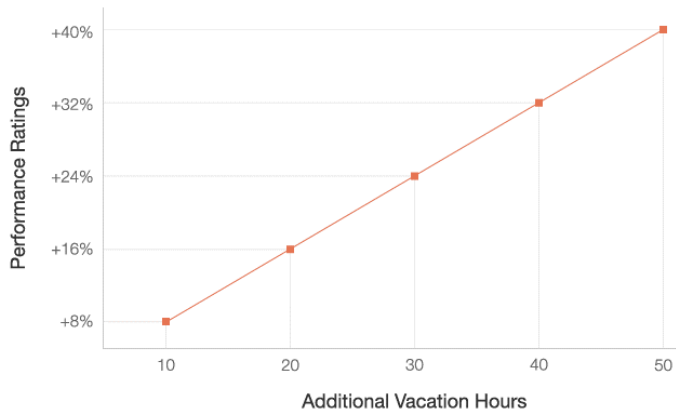


Image: [groovehq.com](http://groovehq.com)

Further, if you don't give your team time off, you risk overworking them. This leads to lack of sleep, which costs companies more than [\\$63 billion in productivity every year](#). It can also affect your team's health and [make them sick](#) which just causes time off anyway.

In short, giving people time off is important if you expect both their best work and their loyalty.

# The Problem with Unlimited Paid Time-Off

So if you give your team unlimited time off, they'll be refreshed, work hard, and love the company so much they'll never leave... Right?

Unfortunately, it's not that simple. Unlimited paid time off can create more problems than it solves.

In some cases, employees end up taking far less time than they would under a traditional vacation policy. Kickstarter ended their unlimited vacation policy because their employees took too little time off and burnt out faster. They now allow managers to approve up to 25 days off a year (still generous!). [According to BuzzFeed News](#), "Kickstarter's human resources team felt that providing clearer guidelines would help employees get a better sense of how much leisure time versus work time is right."

## Why don't employees take time off when they have unlimited vacation?

First, it's cultural. The average American [only takes about 50% of their allotted vacation time](#) every year. [According to Oxford Economics](#), vacation day use is at the lowest point in 40 years. [13% of Americans—and 17% of Japanese—don't take vacation at all!](#) Some people are *proud* of their lack of time off.

"Vacation is a touchy subject, especially in the States, and paying lip service to it isn't enough," [says Alex Turnbull](#), CEO and founder of Groove. We like to think of ourselves as loyal and hardworking. Some of us like to brag about our long hours and accumulated vacation time.

Others are averse to taking time off because they're afraid of the consequences. [According to Scott Dobroski](#), career trends analyst for Glassdoor, people fear getting behind on their work or being replaced. They don't want their leaders to think they're lazy or greedy, or they don't want to push more work on to their coworkers.

Second, people who work under unlimited vacation policies struggle with unspoken expectations. Obviously they can't disappear for six months. But are four weeks per year too much? Three weeks?

Founders and managers always have a general range of acceptable vacation days, even if that range isn't communicated. Instead of being the employee who takes too much time off, people only take the minimum—what they *know* is acceptable. They identify this "acceptable" number of vacation days by comparing themselves to other people, which usually means there's a race to the bottom and they end up taking far less than they can, or none at all.

The final reason some people don't take their paid time-off is because they're committed and hardworking. They don't think of their own health and well-being because they're *invested* in

something. These are exactly the sort of people you want working at your startup—but as their leader, it's your job to make sure they don't burn out by overworking themselves.

Further, unlimited vacation can breed resentment among your team. Experienced, highly skilled, or critical employees may feel they deserve more vacation time than newer team members.

One manager from a company that gives unlimited vacation time [told Digiday](#) he resents it that new employees have just as much vacation time as him. "It's one of those things you never will mention, because it makes you look greedy or petty, but paid time off is a reward for service, or should be."

## Making Vacation Work as a Small Team

As a small, lean team, you depend on everyone. If the PHP developer wants to take a week off, that usually means no one will be writing PHP that week. If you had 10 developers, you could still meet your deadlines (with a little re-prioritization), but when everyone is critical, vacation time means that work stops.

So it's tempting to let everyone work as long as they're comfortable. But no complaints doesn't mean that no one is dissatisfied, uncomfortable, or browsing Monster.com.

As their leader, it's important to give people time off without sacrificing the health of the company. How do you do that?

### 1. Don't call it "unlimited"

Calling your vacation policy "unlimited" isn't accurate because there *are* limits. You'll want your team to hit certain deadlines or complete certain projects uninterrupted, which means they can't disappear from work randomly. And of course you can't permit them to take endless time off, otherwise work wouldn't get done. Instead of "unlimited," use words like "self-managed," "flexible," or "personalized."

### 2. Plan for vacation time in your roadmap

Planning your startup's trajectory is one of your biggest challenges. You'd like an accurate roadmap, but everything takes longer than you think—even when everyone works at full productivity and there aren't any unforeseen challenges.

Make sure to account for vacation time during your project planning. This will help you encourage your team to take time off without missing deadlines and milestones.

### 3. Be generous, but practical

Instead of giving your team an unlimited amount of time off (which they may take to mean "Show me how little time off you're willing to take"), give them a range that also indicates how much time they're *supposed* to take. HubSpot's COO J.D. Sherman refers to their vacation policy as "[two weeks to infinity](#)."

You might say “Employees can have three to five weeks of paid time-off” or “Employees have one mandatory week of paid time-off and three additional optional weeks.” You can also give them the option of requesting additional time off outside of the window.

Providing the minimum helps people know how to behave, and makes it easy to measure if you’re seeing the desired behavior.

#### 4. Take time off yourself

As the founder, you’ll invest more time into your startup than anyone else. That’s just how it goes. Your team will take cues from you. They won’t want to violate the standard you’re setting if they see you working nonstop without time off.

After Buffer founders Joel Gascoigne and Leo Widrich took their own vacation, they saw a new trend among their staff. Suddenly everyone else began using their vacation time too. By taking time off themselves, the founders signaled that vacation time was acceptable.

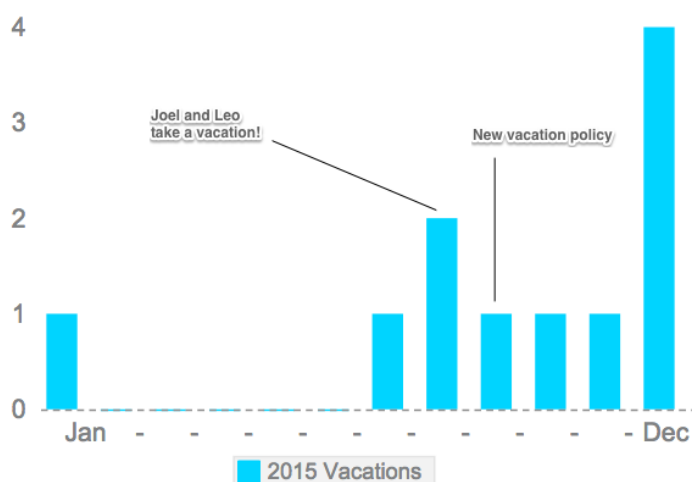


Image: [buffer.com](http://buffer.com)

#### 5. Create a process for time-off

The process could as simple as “Send Chuck an email and add the time off to our shared calendar,” but there has to be *some* system. You don’t want to start a new project only to learn someone has disappeared for two weeks. You may also want to make sure that only one person at a time is on vacation on your small team. In your process, outline some circumstances where time off requests won’t be automatically approved.

#### 6. Shift your focus to your team’s contribution

Once you stop watching the clock, you have to measure your team’s *contribution* instead. Ask yourself what you consider a “good job” for each team member. Regularly measure their performance against that standard (at a performance review, for instance) without considering

their vacation frequency. It's only if they don't meet your standard that you should consider if time off was a factor.

"Managers and employees alike need tools for defining and communicating an employee's expected contribution," [says Nathan Christensen](#), CEO of MammothHR, "So employees can manage their schedules and their managers can evaluate and guide their performance."

## 7. Hire people who manage themselves

It's important to hire people who know how to manage their own workloads; people who don't need babysitting. This is especially true if your team works remotely. They should be committed to the job but also have robust, balanced personal lives. It helps if they understand the benefits of taking time off for themselves and the team.

## 8. Give them time to take time

Managers, team leaders, and founders have a lot of sway over their team's time off. The way you structure people's work loads—as well as the things you do and say—can influence how much time they take.

Give your team control over their own schedule as much as reasonably possible. Let them juggle their own projects and deadlines so they can plan their vacation time.

In many cases, people assume their leaders don't want them to take vacation—but that often isn't the case (and shouldn't be at your startup). Eliminate the taboo of taking time by talking openly about it. Let them know you don't just offer vacation time—you *expect it*.

Buffer co-founder Leo Widrich likes to [ask his team directly](#). "I've started to ask regularly in one-on-one conversations, 'When was your last vacation?' I want to start to encourage it, if it was a while ago I might ask if you want to take a vacation. It's about helping people to regularly make that time."

## Does This Matter for Young Startups?

You might be asking yourself: "Why should I care about this? My team is small, committed, and compensated with equity. We aren't thinking about vacation time."

That's a fair point, but people who work all the time will eventually burn out. No matter what. Even you.

Remember too that eventually you'll have to make a non-equity or small-equity hire. That person will probably be a talented, experienced professional who expects a clear vacation policy as part of his or her compensation. Consider your vacation policy now, before you [start hiring](#).

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