



Summer's for vacation — encourage your workers to take one

Ahh, summer! You're probably looking forward to time off from work — anything from a long-anticipated trip abroad to a U.S. road trip to a "staycation," where you might enjoy reading a good book with an iced drink in your own backyard. But not everyone takes a summer vacation. In fact, several studies say that only about half of Americans take time off in the warmer months.

Despite providing paid time off (PTO) as a fringe benefit, your business may also employ workers who don't take holiday or sick days. This can be a problem for both workers who lose their valuable benefits and your organization, which may experience lower productivity and higher fraud risk. Let's look at the problems and some solutions.

Too much time in

The 2025 *FlexJobs Work and PTO Pressure Report* found that 23% of U.S. workers didn't take any days off in the previous year. Other surveys have shown that most employees leave at least some PTO unused at the end of the year. Depending on your business's policies and applicable state laws, employees could lose unused PTO hours when a new calendar year begins.

Unfortunately, your business is also likely to suffer if workers don't take time off. Overworked employees are generally more stressed, less productive and more prone to making errors. The primary reason workers don't take time off, according to the FlexJobs survey, is that they feel their workload is too heavy. In addition, some employees fear that taking vacation time makes them look less committed to the job. This can result in poor morale across your organization.

Failure to take time off is a major red flag for occupational fraud, too. Employees engaged in fraud schemes typically decline vacations and time off for illness because they fear exposure if others fill in for them. For this reason, your business should consider requiring workers to take a minimum amount of PTO each year.

Encouraging time off

In addition to establishing an official PTO policy, supervisors should regularly remind their reports to schedule days off. To appease workers who worry about their workload, arrange for other employees or a temporary worker to fill in for them. You might want to tell them that taking accrued time off won't negatively affect their performance evaluations. After all, the business will likely benefit when workers return from vacation refreshed and newly energized.

For supervisors to play this role, they'll need access to running PTO totals — possibly through your payroll management system. You may also want to engage a third-party provider to send easily digestible wellness content and vacation reminders to employees.

Other strategies

If some of your workers always end the calendar year with unused PTO, you might want to consider revising your plan to allow them to carry over a certain number of days. Just understand that large amounts of carried-over PTO can add liabilities to your balance sheet. Also, know that some states (including California and Montana) place significant restrictions on PTO forfeiture, which might require you to carry over all or some of your employees' unused balances.

Another option? Establish a PTO contribution program. These programs allow employees with unused vacation hours to convert them to retirement plan contributions. If you offer a 401(k) plan, it can treat these amounts as pretax contributions similar to employee payroll deferrals. Alternatively, the plan can treat the amounts as employer profit sharing. If your 401(k) plan doesn't already include a PTO contribution arrangement, you'll need to amend it. You must continue to follow the plan document's eligibility, vesting, rollover, distribution and loan terms.

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