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Vacation as Compensation

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Vacation as Compensation

There is
enormous
variation in
vacation time.

Just as there are differences in what pay mix and workplace practices are normal, so are there differences in vacation time — across countries, occupations, companies and time. According to Mercer's World-wide Benefit and Employment

Guidelines, for example, employees in Austria have the most potential working days off at 38, if you count statutory holiday entitlement (25 days) and public holidays (13 days). They point to Canada as having the least, just 19 days (see "Employee Holiday Entitlements Around the World," December 2011, www.mercer.com/press-releases/holiday-entitlements-around-the-world). Among the 62 countries listed, the United States is the only one without guaranteed vacation days. And, since 2003, the percent of U.S. private sector workers with 10 or more paid holidays fell five percentage points from 33 percent to 28 percent (U.S. Bureau of Labor Statistics' "National Compensation Survey," 2003 and 2011). Even the traditional system of paid time off with specific allotment for vacation is giving way to PTO banks that don't distinguish between what is a vacation day and what is a sick day, for example. (WorldatWork, "Paid Time Off Programs and Practices: A Survey of WorldatWork Members," May 2010.)

But, who really uses all their vacation anyway? Here survey results also run the gamut, ranging from 67 percent



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of Japanese workers leaving vacation days on the table, to just 11 percent of French workers (Ipsos Global @dvisory, “Taking a Break,” August 2010). In the United States, a majority — about 57 percent of working Americans — did not use all their vacation allotment by the end of 2011 (Harris Interactive, 2012, from Annalyn Censky, “Vacation? No Thanks, Boss,” CNN Money, May 18, 2012, www.money.cnn.com/2012/05/18/news/economy/unused_vacation_days/index.htm).

Whether it’s a colleague in the next cubical or workers in far flung geographies, watching someone else trade in their punch card or BlackBerry for a little R&R in the dog days of summer may evoke the rationalization that those with more time off must have less of other forms of compensation, keeping balance in workplace total rewards. However, research suggests such balance is not the case.

Vacation Begets Vacation and More

Despite all we hear about vacation days not used, work by Joseph Altonji and Emiko Usui (“Work Hours, Wages, and Vacation Time,” *Industrial and Labor Relations Review*, 60(3), April 2007) reveals that U.S. workers with more paid time off at their disposal take more time off. Actual vacation time rises one for one with paid vacation. Also positively associated with paid vacation: pay levels and fringe benefits. Altonji and Usui, statistically removing, for example, the effects of years of seniority and whether employees are unionized, find that Americans with more vacation time are also likely to be paid more and have more other employer-provided benefits.


Altonji and Usui also find evidence supporting gender differences in vacation usage. According to their analysis, women use their vacation days to a greater degree than their male counterparts by taking “one more week of vacation than men, but receiv(ing) only slightly more paid vacation.” And, while married individuals receive and take more of their vacation time, “married women take less vacation if their spouses have more paid vacation” (page 22).

Personal Preferences versus Productivity

It is difficult to say what is the optimal time off. Some folks count the days until retirement and others enjoy their jobs and continue to work long past normal retirement age. Some spend all of their vacation time and others lose it rather than use it in a given year. If, year after year, some folks are too busy to take time off, maybe, in the jargon of economists, their utility function suggests a preference for work over leisure — in other words, they just like working.

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A cynical view of the struggle for vacation is that employers want to get workers to work as much as possible and employees seek to work as little as possible (given some desired level of income). But surely the employer-employee relationship regarding vacation versus work is more nuanced. Employers themselves may want employees to have time off, during a day and during the year, because of altruistic reasons, but also because it may make the workers more productive. Major League Baseball starting pitchers often work on something like five days rest, that is, if they pitch on a Monday, they may not pitch again until Saturday. Of course, there are instances of pitchers working on short rest, such as in the World Series. But there is a reason that pitchers routinely have long breaks — if they didn’t they would *break*.

Designing and implementing a clear, careful and convincing study to investigate the costs and benefits of the optimal level of time off would be difficult business and worth serious consideration, but first, maybe, a walk on the beach with my wife. 



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