

A Survey Report
by the Society for
Human Resource
Management

SHRMTM

SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

Examining Paid Leave in the Workplace

Helping Your Organization Attract and Retain Talented Employees



About This Survey Report

In October 2008, the Society for Human Resource Management (SHRM) conducted a survey that examined paid leave policies and practices in the workplace. The purpose of this report is to shed light on how organizations approach various paid leave options, such as paid time off plan, vacation, sick leave, holidays and others.

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About SHRM

The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 250,000 members in over 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India. Visit SHRM Online at www.shrm.org.

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Paid Leave: Valued by Employees, Yet Costly to Business

An attractive employer-sponsored benefits program makes it easier for organizations to retain and attract great employees. According to the *SHRM 2008 Job Satisfaction* survey report, employee benefits are one of the most important job satisfaction factors for employees.¹ Leave and other employee benefits are important tools in the retention efforts for the current and future workforce.

Leave benefits encompass paid and unpaid time off from the workplace for a variety of activities ranging from vacation and sick leave to bereavement leave and jury duty. Paid leave benefits provide employees with the opportunity to recharge and deal with non-work-related issues; however, their associated costs are considerable. According to the most recent U.S. Chamber of Commerce Employee Benefits Study, employer costs associated with paid leave are ranked

behind only employer benefits costs for medical and retirement benefits.² Even with the high cost of paid leave, this benefit is one of the most frequently offered to employees.

Today's organizations are facing the challenge of designing competitive and attractive paid leave programs for their employees while managing the related costs and administration requirements associated with operations of these programs, especially in the current economic climate. SHRM developed this report to provide insight into what organizations offer in the area of paid time off. The report examines aspects of paid time off plans, vacation leave, sick leave, personal days, holidays and bereavement leave. It also presents data from a recent poll on unscheduled time off in the workplace.

The benefit of PTO plans to organizations is that they **reduce the total number of paid leave days available to employees,** and fewer organizations offer employees the option to roll over the unused days from a PTO plan to the next year.

Executive Summary:

Examining Paid Leave Benefits Offered to Full-Time Employees

In the United States, the popularity of paid time off (PTO) plans has been gradually increasing among employers. A paid time off plan combines paid leave into one comprehensive plan, while a traditional paid leave plan splits vacation time, sick leave and personal days into separate plans. According to this research, 42% of organizations provide a paid time off plan as an alternative to a traditional paid leave plan. The percentage of organizations with a paid time off plan increased from 29% in 2004 to 42% in 2008. This suggests that PTO plans are appealing to employers, especially during a time when businesses are challenged financially. The benefit of PTO plans to organizations is that they reduce the total number of paid leave days available to employees, and fewer organizations offer employees the option to roll over the unused days from a PTO plan to the next year.

Despite the fact that leave benefits are not required by law in the United States, a large proportion of businesses offer leave benefits for their employees. Nearly nine out of 10 organizations provide some form of paid vacation leave to their full-time employees: 42% of organizations offer paid vacation leave through a paid time off plan, which includes sick, vacation and personal days all in one plan, and 46% offered a stand-alone paid vacation plan.

While fewer businesses offer sick leave benefits than vacation benefits, a majority of organizations do provide paid sick leave as a benefit for employees. Overall, eight out of 10 respondents report their organizations provide some form of sick leave: 42% offer paid sick leave through a paid time off plan and 39% offer a stand-alone paid sick leave plan.

What Do These Findings Mean for Businesses?

Leave programs are crucial to an employee's overall benefits package, but they are also very costly and

difficult to administer. What are some ways for organizations to leverage the benefit to employees against the costs to organizations? How can organizations make sure that the leave programs they offer meet the needs of their employees?

◆ **Determine if a PTO plan would work for your company:** PTO plans have a handful of benefits for organizations, which is why more organizations have started utilizing them. They are less burdensome administratively because all leave is put into one bucket. Organizations tend to offer fewer days in PTO plans compared with organizations that have separate paid vacation, sick and personal days. This may reduce overall leave benefits costs to organizations and, at the same time, benefit employees in that these plans afford employees more flexibility to use their time as they choose without having to report to their supervisors whether they are sick or on vacation. However, that flexibility may be challenging for some employees as it requires them to be responsible with their time and plan for unexpected events, illnesses and emergencies.

◆ **Consider the Demographic Make-Up of Your Workforce:** Is your workforce culturally or religiously diverse? Is a large proportion of your workforce comprised of younger employees (i.e., under 35 years of age)? If so, it would be wise to closely review your leave policies to ensure that they meet the needs of your unique workforce. PTO plans, floating holidays and personal days automatically provide inherent benefits for employees from diverse backgrounds. Employees have more flexibility with these types of leave plans to chart their own leave schedules. They are not restricted or forced to take off days that may have no meaning for them or to use their vacation time or take unpaid leave for their religious and cultural holidays. Most PTO and vacation plans are based on years of service, but does this rationale still work? Employees tend to change jobs and

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PTO plans, floating holidays and personal days **automatically provide inherent benefits for employees from diverse backgrounds.** Employees have more flexibility with these types of leave plans to chart **their own leave schedules.**

companies more frequently than in the past. This means that each time an employee starts a job with a new employer the number of paid leave days for the employee is reduced to the minimal level offered by the organization (94% of organizations offer vacation time based on years of service). For younger employees, who value flexibility and the ability to balance work with their personal lives, this type of structure may seem outdated.

◆ **How Does Unscheduled Leave Affect Your Business?** Employees who call in sick or take time off from work with little or no notice may negatively affect productivity and morale in the workplace. This is even more relevant during economically challenging times when organizations are downsizing and employee workloads are increasing. For certain in-

dustries, such as manufacturing and service, unscheduled leave can have huge implications in terms of productivity and coverage in key positions. This has led some organizations to develop formal incentive strategies to curtail unscheduled absences by employees (17%). These plans reward employees who reduce their number of unscheduled time off and, in some cases, have consequences for employees who use all of their paid sick or PTO leave. Of those organizations that reported having a formal incentive strategy to minimize unscheduled leave, 87% indicated that the incentive plan reduced employee use of unscheduled leave to a “large extent” or “to some extent.” The most commonly offered incentives for employees were compensation for unused leave, extra time off and bonuses.

For certain industries, such as manufacturing and service, unscheduled leave can have huge implications in terms of productivity and coverage in key positions.

Survey Results

Paid Time Off Plans: Are They on the Rise?

A paid time off (PTO) plan combines traditional vacation time, sick leave and personal days into one comprehensive plan. Under these plans, employees have more freedom and flexibility in managing their leave. Employees with PTO plans do not have to worry about explaining or classifying their time off. For employers, these plans allow for easier tracking and management, are effective in reducing unscheduled absenteeism and provide an equitable strategy to manage a diverse workforce. In addition, managers do not have to question whether an absent employee is using a genuine sick day. According to Bob Cartwright, SPHR, a member of SHRM's Total Rewards/Compensation and Benefits Special Expertise Panel and president & CEO of Intelligent Compensation LLC, part of the appeal for PTO plans is that "employees need free time to handle home life and non-work issues. As a result, many companies view being employee-friendly as a competitive advantage in attracting and retaining valuable employees. It has been reported in numerous publications that PTO plans have been found to reduce absences in the workplace by helping employees balance work

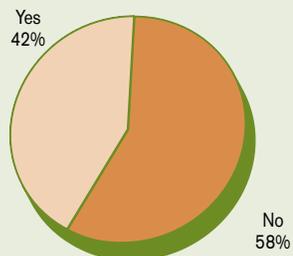
life, home life and non-work pressures while helping employers control absentee costs. As a result, the popularity of PTO plans continues to grow."

Overall, 42% of organizations offered a PTO plan, which includes sick, vacation and personal days all in one plan (this excludes paid holidays).³ These data are illustrated in Figure 1. When responses were analyzed by organization sector, respondents from nonprofit organizations (50%) and privately owned for-profit organizations (43%) were more likely than those from government agencies (22%) to offer a PTO plan.

While most companies have restrictions on the number of paid days off employees can take each year, some companies are experimenting with offering employees an unlimited number of paid time off days per year. One benefit to employers is that since employees are not able to accrue paid time off, employers are not forced to pay a lump payout for unused paid time off if an employee leaves the organization. Among respondents who indicated their organizations had a PTO plan, only 6% reported that their plan provided employees with an unlimited number of days off per year. Figure 2 shows these data.

Paid time off plan, as defined by this study, includes **sick, vacation and personal days all in one plan.**

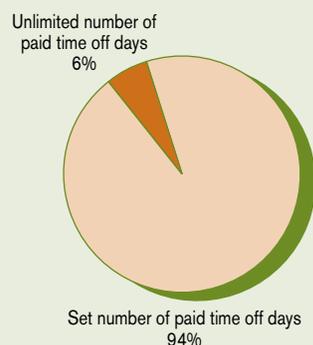
Figure 1 Organizations Offering a PTO Plan



(n = 502)

Source: Examining Paid Leave in the Workplace (SHRM 2009)

Figure 2 PTO Plan With an Unlimited or Set Number of Paid Time Off Days



(n = 212)

Note: Asked only of respondents who said their organizations offered a PTO plan.
Source: Examining Paid Leave in the Workplace (SHRM 2009)



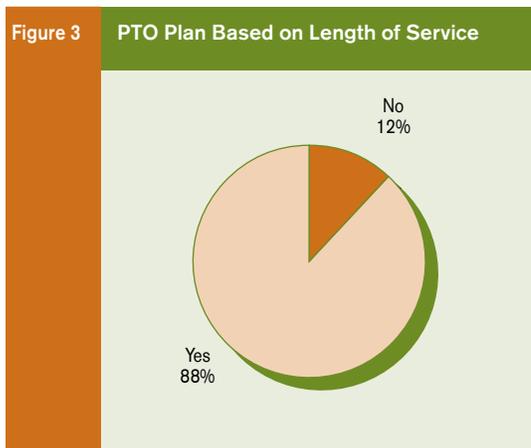
Organizations have to make decisions about how to handle leave policies for new hires, such as whether to allow new employees to use time immediately or after a predetermined probation period. HR professionals were asked when new hires were able to begin accruing and taking leave from their PTO plans. Among organizations with a set number of paid time off days, 58% reported new hires were immediately eligible to accrue paid time off and 36% indicated new hires were able to immediately take paid time off. These results and the eligibility regulations for new hires to accrue and take paid time off are shown in Table 1.

In the United States, the amount of leave that is generally allocated depends on the employee’s tenure. Eighty-eight percent of companies reported their PTO plan system was based on length of service. These data are shown in Figure 3. This is not necessarily the case in other parts of the world, especially in countries where leave benefits are mandated by the government. Basing leave time on years of service allows businesses to reward employees with more time off as a benefit for staying with the organization. However, this is not necessarily beneficial to employees because each time they start a new job their leave time may be reduced. For the younger generation of workers, who tend to stay at jobs for shorter periods,

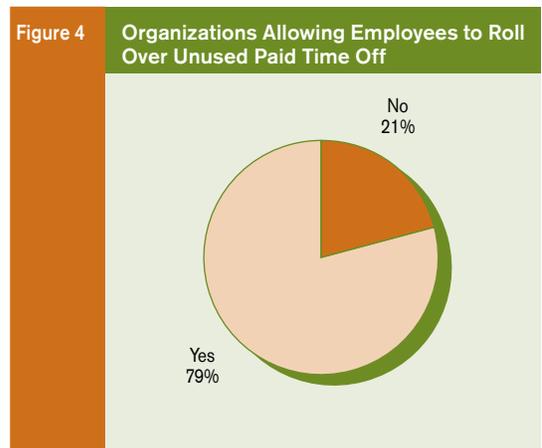
58% of respondents reported new hires were immediately eligible to accrue paid time off and 36% indicated new hires were able to immediately take paid time off.

Time	Accrue Paid Time Off	Take Paid Time Off
Immediately: their first day of work	58%	36%
1st of the month	7%	7%
30 days after start date	3%	10%
60 days after start date	3%	13%
90 days after start date	23%	15%
More than 90 days after start date	6%	19%
Other	1%	0%

(n = 199)
 Note: Asked only of respondents who said their organizations offered a PTO plan with a set number of paid time off days.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 199)
 Note: Asked only of respondents who said their organizations offered a PTO plan with a set number of paid time off days.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 198)
 Note: Asked only of respondents who said their organizations offered a PTO plan with a set number of paid time off days.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)

this makes it more difficult to earn more days of paid time off. This is noteworthy because employees 35 and younger value opportunities to balance work and life more than older workers, according to the SHRM's job satisfaction research.⁴ As mentioned earlier, an interesting alternative that a few businesses are considering is to allow an unlimited number of paid days off.

Table 2 shows the average number of PTO days per year by employee tenure among organizations with a system based on length of service. A number of organizations noted that for employees with less than one year of service, the amount of leave received was prorated based on the employee start date.

Organizations vary in how they handle unused employee leave. Some companies permit employees to roll over unused leave to be used in the next fiscal year; others require employees to use all leave each year, though many individual states also have laws governing what happens to an employee's unused leave. Seventy-nine percent of respondents whose companies offered a PTO plan indicated that their organizations allowed employees the option of rolling over at least some unused leave into the following year. These data are illustrated in Figure 4.

Organizations may or may not have restrictions on the amount of leave an employee can carry over from year to year. On average, employees were allowed to roll over a maximum of 30 days into the following year. Additionally, some companies indicated that the number of days an employee could carry over depended on the number of days an employee accrued for the year (for example, an employee could roll over half the number of leave days earned that year).

Some companies also provide employees with the option of purchasing or selling paid time off or vacation. This alternative is attractive both to more tenured employees, who cannot use all the paid time off to which they are entitled, and to new employees, who have accrued an insufficient amount of time off. Seventeen percent of respondents whose organizations offered a PTO plan indicated employees had

the opportunity to sell paid time to their employer, and 12% gave employees the option of purchasing additional paid time off from their employer. These data are depicted in Table 3.

An alternative to rolling over unused leave or having a "use it or lose it" leave policy is a leave program that allows the donation of paid time off to another employee who needs additional leave. Employees are typically eligible to receive additional paid time off if an unusual circumstance such as a serious crisis or

79% of respondents whose companies offered a PTO plan indicated that their organizations allowed employees the option of rolling over at least some unused leave into the following year.

Years of service	Days of Paid Time Off Per Year
1 year of service	15 days
2 years of service	16 days
3 years of service	17 days
4 years of service	18 days
5 years of service	20 days
6 years of service	21 days
7 years of service	21 days
8 years of service	22 days
9 years of service	22 days
10 years of service	24 days
11 years of service	24 days
12 years of service	24 days
13 years of service	24 days
14 years of service	24 days
15 years of service	25 days
16 years of service	25 days
17 years of service	26 days
18 years of service	26 days
19 years of service	26 days
20 or more years of service	26 days

(n = 175)

Note: Asked only of respondents who said their organizations offered a PTO plan based on length of service.

Source: Examining Paid Leave in the Workplace (SHRM 2009)

Leave Benefits in a Tough Economy



Because paid leave is considered one of the costliest benefits employers offer, a dwindling economy may result in fewer employers offering leave options. However, as more organizations look to alternative leave options as a potential way to deal with the fallout of an economic meltdown, new work patterns that encourage broader use of employee leave benefits could also emerge.

The pressure to cut costs

As more companies are forced to operate with fewer employees and smaller budgets in a troubled economy, more employers may be less willing to offer leave of any kind, especially paid leave. But more likely employers will continue to offer both paid and unpaid leave and will instead look for ways to minimize costs. Aside from offering fewer paid leave hours (both vacation and sick leave), employers may begin to adjust policies related to existing plans.

Paid time off plans

The use of paid time off plans has increased over the past decade, and many employers see it as a way to minimize the cost of leave because the combined number of days offered is generally less than the number offered through separate vacation and sick leave plans. The current economic downturn could encourage more employers to adopt these types of plans, not only to save on the cost of leave benefits but also to streamline and simplify the leave administration process.

Vacation time

Some employers are looking to save costs by encouraging employees to take rather than bank their vacation time and are reducing the number of vacation hours that can be carried over from year to year. A small number of organizations are encouraging employees to take unpaid vacation time as a way to save on labor costs.

illness completely depletes their leave. This type of policy produces a win-win situation in that employees who have not used their leave feel that they are helping a fellow employee by donating their leave instead of feeling that they have wasted their leave time. And those employees who have depleted their allotted pay leave as the result of unexpected circumstances are able to have more paid leave time. Thirty-one percent of respondents reported their organizations offered this benefit (see Figure 5).

Many organizations compensate terminated employees for any unused paid time off. Eighty-eight percent of respondents indicated their organization paid at least some portion of unused paid time off upon termination. These data are depicted in Figure 6.

Paid Sick Leave: How Does Your Organization Compare?

Overall, 81% of companies provided some form of paid sick leave to employees: 42% of respondents reported that their organizations offered paid sick leave through a paid time off plan and 39% offered a stand-alone sick leave plan (see Figure 7). Paid sick leave benefits protect employees against the loss of income during short-term absences from the workplace.

Data analysis by organization staff size revealed that respondents from large organizations (44%) were more likely than respondents from small organizations (33%) to report offering a paid sick leave plan. A greater proportion of respondents from government agencies (62%), compared with those from privately owned for-profit (38%) and nonprofit (37%) organizations, reported their organizations offered a paid sick leave plan.

Overall, 81% of companies provided some form of paid sick leave to employees: 42% of respondents reported that their organizations offered paid sick leave through a paid time off plan and 39% offered a stand-alone sick leave plan.

Table 3 Purchasing and Selling of Paid Time Off

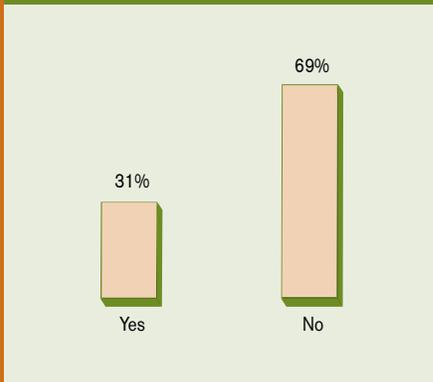
	Available	Not Available
Selling paid time off	17%	83%
Purchasing paid time off	12%	88%

(n = 199)

Note: Asked only of respondents who said their organizations offered a PTO plan with a set number of paid time off days.

Source: Examining Paid Leave in the Workplace (SHRM 2009)

Figure 5 Organizations Allowing Employees to Donate Paid Time Off

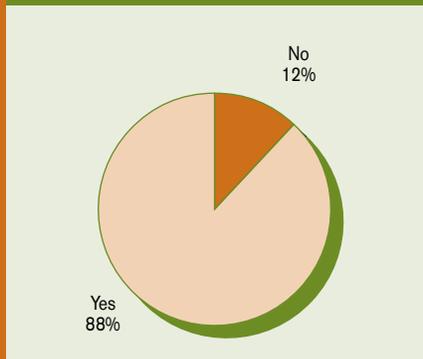


(n = 199)

Note: Asked only of respondents who said their organizations offered a PTO plan with a set number of paid time off days.

Source: Examining Paid Leave in the Workplace (SHRM 2009)

Figure 6 Organizations Paying Employees Any Portion of Unused Paid Time Off Upon Termination



(n = 199)

Note: Asked only of respondents who said their organizations offered a PTO plan with a set number of paid time off days.

Source: Examining Paid Leave in the Workplace (SHRM 2009)



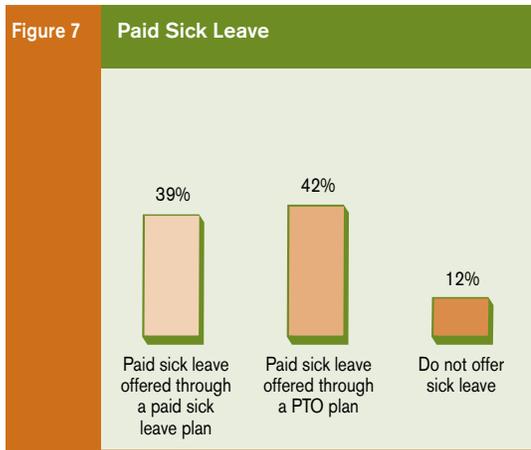
Among respondents who indicated their organizations offered a separate paid sick leave plan, 14% reported their plan provided employees with an unlimited number paid sick days per year, up to the point where it becomes short-term disability (see Figure 8).

Respondents were asked when new hires are able to begin accruing and taking leave from their sick leave plans. Among organizations that provided a set number of paid sick days, 59% reported new hires were immediately eligible to accrue paid sick leave and 38% indicated new hires were able to immediately take paid sick leave. These results are shown in Table 4.

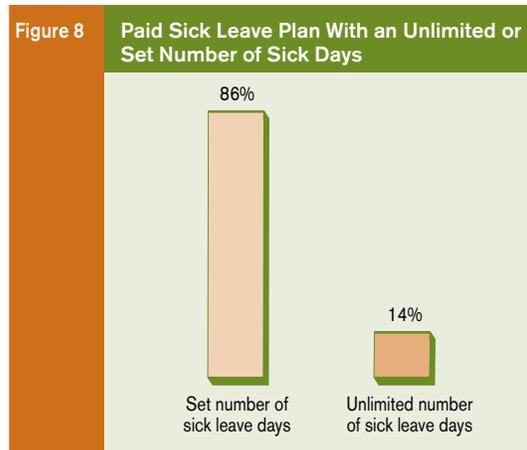
Only 15% of organizations that offered paid sick leave indicated that the number of paid sick days provided to employees was based on the number of years of service (see Figure 9). Respondents from organizations that offered a set number of days reported that their organizations offered an average of 10 days of sick leave each year.

HR professionals were asked if their organizations paid employees any portion of unused sick leave upon termination. Sixteen percent reported their organizations compensated terminated employees for a portion of their unused sick leave. These data are depicted in Figure 10.

Among respondents who indicated their organizations offered a separate paid sick leave plan, 14% reported their plan provided employees with an unlimited number paid sick days per year, up to the point where it becomes short-term disability.



(n = 507)
Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 199)
Note: Asked only of respondents who said their organizations offered a sick leave plan
Source: Examining Paid Leave in the Workplace (SHRM 2009)

Eligibility	Accrue Paid Sick Leave	Take Paid Sick Leave
Immediately: their first day of work	59%	38%
1st of the month	9%	8%
30 days after start date	5%	10%
60 days after start date	5%	11%
90 days after start date	9%	16%
More than 90 days after start date	11%	16%
Other	2%	1%

(n = 171)
Note: Asked only of respondents who said their organizations offered a paid sick leave plan with a set number of paid sick days.
Source: Paid Leave in the Workplace (SHRM 2009)

Astron Solutions: Sick Time Cash Out Program

By Jennifer C. Loftus, SPHR, CCP, CBP, GRP

National Director, Astron Solutions

SHRM Total Rewards/Compensation and Benefits Special Expertise Panel Member



Astron Solutions is a small, rapidly growing consulting firm located in New York City. We recognize that our people are our strategic advantage. We need a strong team to fuel our success. Since we compete in such a large market with many well-known firms in the area, our total rewards package is our primary tool for attracting and retaining talent.

Astron provides separate sick, vacation and holiday time to its employees. Vacation accrual is based on length of service. Each employee earns 40 hours of sick time on his or her anniversary date. Employees can bank up to 10 days of sick time before accruals stop.

About four years ago, our sick time program became a source of concern. Some employees used most or all of their time due to legitimate medical needs. On the other hand, those employees who did not use their sick time, or used it sparingly, perceived their co-workers' patterns as abuses of the program. Morale was starting to suffer as a result. As perception is often an employee's reality, we had to take positive action to balance these employees' competing needs.

After researching various options, we implemented a quarterly sick time cash out program. Every three months, we reach out to all our employees, asking them if they would like to receive extra pay in exchange for some or all of their accrued sick time.

Employees can cash out sick time at a 50% rate. For every two hours of sick time cashed out, the employee receives one extra hour of pay. We opted for this approach because we wanted the following solutions:

1. A way to not penalize those employees who legitimately need and use sick time.
2. A way to reward those employees who maintain their good health.
3. A method for ensuring that the program would not be so strong of an incentive that someone would come to work when genuinely ill.
4. A program that would be time-sensitive with respect to employees' current needs. A cash out of some sick time can effectively serve as some extra holiday spending money, for instance.
5. A system that would be easy for Human Resources and Payroll to administer.

Since the program's implementation, morale has improved. Employees no longer comment on their co-workers' use of sick time. Rather, genuine concern is expressed when someone uses a day. We focus on our clients' needs and project work rather than internal water cooler chats on attendance. The program has also been a helpful selling point for Astron in conversations with applicants during the interview process.

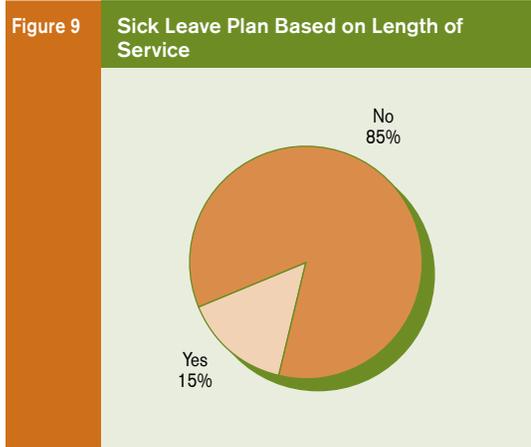


Organizations are faced with the question of what to do with sick time that is not used by employees. Some organizations allow the unused sick time to be used in the following year, while others have a “use it or lose it” policy. Bob Cartwright, member of SHRM’s Total Rewards/Compensation and Benefits Special Expertise Panel, believes that “use it or lose it” policies actually end up costing employers more because “many employees feel they must use all of their allotted time, whether it’s for sick leave, personal business or leisure. ‘Use it or lose it’ policies have cost employers more money.” Fifty-eight percent of

respondents who offered a paid sick leave plan indicated that their organizations allowed employees the option of rolling over at least some of their sick leave into the following year. These results are depicted in Figure 11.

Thirty-three percent of respondents indicated that their organizations offered a bank of sick leave, which allowed employees to donate sick leave to a general pool where the donated leave could be used by workers who had exhausted their own sick leave. These data are shown in Figure 12.

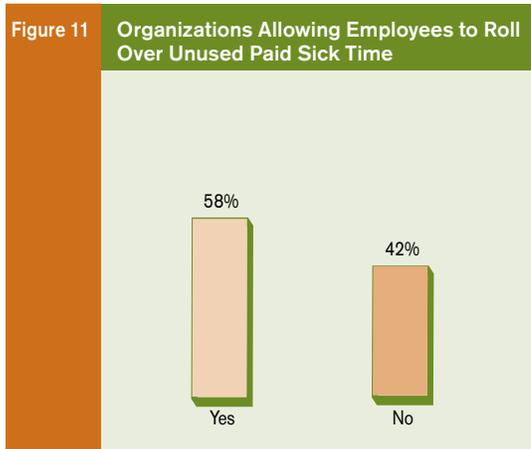
33% of respondents indicated that their organizations offered a **bank of sick leave, which allowed employees to donate sick leave to a general pool** where the donated leave could be used by workers who had exhausted their own sick leave.



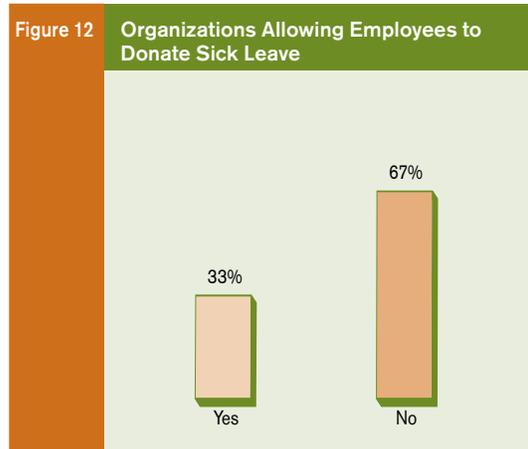
(n = 171)
 Note: Asked only of respondents who said their organizations offered a paid sick leave plan with a set number of paid sick days.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



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 Source: Examining Paid Leave in the Workplace (SHRM 2009)

Unscheduled Time Off and Its Impact on Business



HR professionals face numerous challenges when managing and administering paid leave programs. One of the biggest and most expensive challenges is the use of unscheduled leave by employees. The high costs and reduced productivity related to unscheduled leave can be considerable. In November 2008, SHRM conducted a poll on the topic of unscheduled time off. The poll explored how organizations with either a paid sick leave or PTO plan addressed this problem.

Among the 593 HR professionals from organizations with a paid sick leave or PTO plan, 17% reported that their organizations had a formal plan or strategy that offered employees incentives to minimize their use of unscheduled time off.

Overall, 7% of HR professionals felt that employee use of unscheduled time off for illness or other reasons was an issue for their organizations to a “large extent,” and 63% said “to some extent,” while 30% of respondents did not see this as an issue for their organizations (responded “to no extent”). To assist employees with more flexible arrangements to

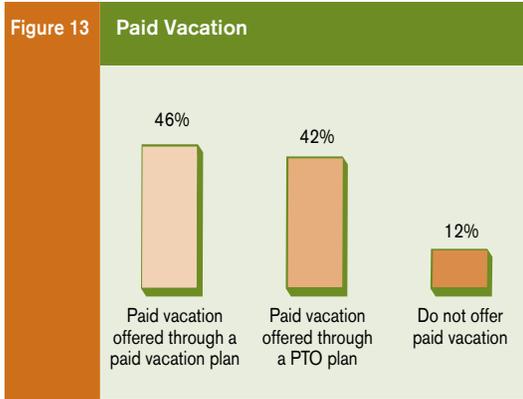
improve work/life balance and consequently prevent the use of unscheduled leave, many organizations have turned to PTO plans.

Additional data from organizations that offer incentives to curb unplanned absences:

- ◆ The most commonly offered incentives provided to employees are compensation for unused leave (36%), extra time off (21%) and bonuses (19%).
- ◆ Sixty-four percent reported their formal plan or strategy to minimize the use of unscheduled time off had been in existence for five or more years.
- ◆ Eighty-seven percent of HR professionals indicated that their incentive plan reduced employee use of unscheduled leave either to a “large extent” or “to some extent.”
- ◆ Thirty-five percent of these organizations have documentation or metrics that prove this plan has reduced unscheduled time off.

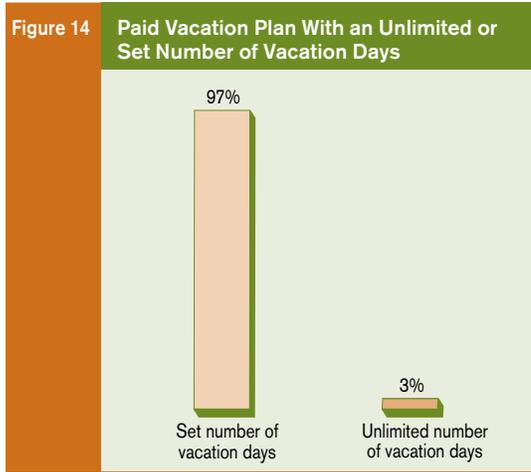
Paid Vacation Plans: The Most Commonly Offered Leave Benefit

As illustrated in Figure 13, 88% of respondents reported their organizations provided some form of paid vacation leave to their full-time employees: 42% of respondents reported that their organizations offered paid vacation leave through a paid time off plan and 46% offered a stand-alone paid vacation plan. When responses were analyzed by organization staff size, medium (48%) and large (49%) organizations were more likely than small organizations (40%) to offer a paid vacation plan.

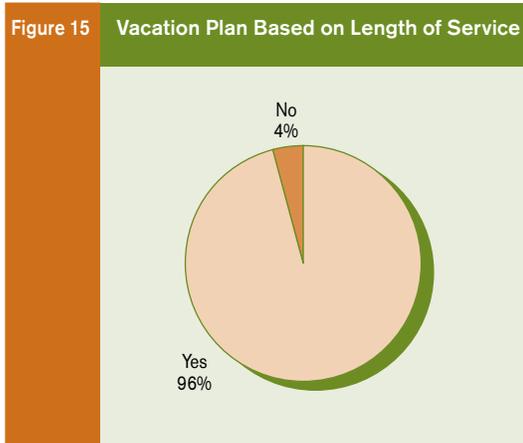


(n = 507)
Source: Examining Paid Leave in the Workplace (SHRM 2009)

88% of respondents reported **their organizations provided some form of paid vacation leave to their full-time employees**: 42% of respondents reported that their organizations offered paid vacation leave through a paid time off plan and 46% offered a stand-alone paid vacation plan.



(n = 234)
Note: Asked only of respondents who said their organizations offered a paid vacation plan.
Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 234)
Note: Asked only of respondents who said their organizations offered a paid vacation plan with a set number of paid vacation days.
Source: Examining Paid Leave in the Workplace (SHRM 2009)

Eligibility	Accrue Vacation Time	Take Vacation Time
Immediately: their first day of work	62%	35%
1st of the month	5%	6%
30 days after start date	16%	12%
60 days after start date	9%	19%
90 days after start date	5%	16%
More than 90 days after start date	2%	12%
Other	1%	0%

(n = 234)
Note: Asked only of respondents who said their organizations offered a paid vacation plan with a set number of paid vacation days.
Source: Examining Paid Leave in the Workplace (SHRM 2009)

Among respondents who indicated their organizations offered a paid vacation plan, the vast majority (97%) reported their plan provided employees with a limited number of vacation days per year. Paid vacation plans with an unlimited number of days do exist, but they are very uncommon, with only 3% of companies offering them. These data are depicted in Figure 14.

Respondents from organizations that provided a set number of paid vacation days per year were asked

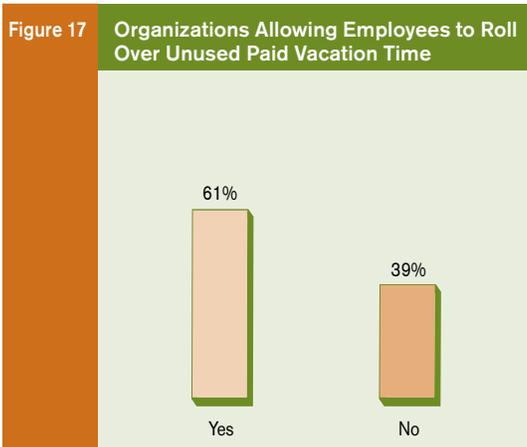
when new hires were eligible to accrue and take paid vacation time. These results are depicted in Table 5.

Similar to paid time off plans and other forms of leave, the number of vacation days allocated to employees is based on the number of years they have worked for the organization. As illustrated in Figure 15, 96% of HR professionals reported that their paid vacation plan system was based on length of service. HR professionals from organizations with a paid vacation plan based on length of service were asked the average number of paid vacation days (excluding paid

Among respondents who indicated their organizations offered a paid vacation plan, the vast majority (97%) reported their plan provided employees with a limited number of vacation days per year.



(n = 234)
 Note: Asked only of respondents who said their organizations offered a paid vacation plan with a set number of paid vacation days.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 234)
 Note: Asked only of respondents who said their organizations offered a paid vacation plan with a set number of paid vacation days.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)

Years of service	Days of Paid Vacation Per Year
1 year of service	10 days
2 years of service	11 days
3 years of service	12 days
4 years of service	12 days
5 years of service	15 days
6 years of service	15 days
7 years of service	16 days
8 years of service	16 days
9 years of service	16 days
10 years of service	16 days
11 years of service	18 days
12 years of service	18 days
13 years of service	19 days
14 years of service	19 days
15 years of service	20 days
16 years of service	20 days
17 years of service	20 days
18 years of service	20 days
19 years of service	20 days
20 or more years of service	21 days

(n = 219)
 Note: Asked only of respondents who said their organizations offered a paid vacation plan based on length of service.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



Fourteen percent of respondents whose organizations offered a paid vacation plan indicated that **employees had the opportunity to sell accrued vacation leave**, and 8% provided employees the option of purchasing additional vacation leave.

Overall, 61% of HR professionals indicated their organization **allowed employees to roll over unused vacation time into the following year**.

holidays) allotted to their employees (see Table 6). It is interesting to note that more organizations based paid vacation leave on employee length of service compared with paid time off leave (96% compared with 88%, respectively). This is likely the case because sick leave is included under paid time off plans and is not perceived as a type of leave that is “earned” by an employee, whereas vacation leave is.

Similar to the earlier results in the PTO plan section, the vast majority of companies (91%) indicated that terminated employees were paid at least a portion of their unused vacation leave. These results are shown in Figure 16.

Overall, 61% of HR professionals indicated their organizations allowed employees to roll over unused vacation time into the following year (See Figure 17). HR professionals from organizations that allowed vacation time to be rolled over reported that a maximum of 20 days, on average, could be rolled over per year.

Fourteen percent of respondents whose organizations offered a paid vacation plan indicated that employees had the opportunity to sell accrued vacation leave, and 8% provided employees the option of purchasing additional vacation leave. These data are depicted in Table 7.

Paid Personal Leave: Added Flexibility for Employees

Paid personal leave provides employees with paid leave to use as they see fit. Personal days may be used by employees for their birthdays, religious purposes, mental health days, etc. By offering this benefit, companies recognize the need for employees to take time off for purposes other than illness or vacation. These additional days allow employees more flexibility. As illustrated in Figure 18, 33% percent of organizations offered paid personal leave separate from paid vacation and paid sick leave plans (PTO plans include personal days). Organizations offer an average of three days of paid personal leave each year. Eighty-six percent of companies that offered paid personal leave allowed employees to carry some or all of their



(n = 507)
Source: Examining Paid Leave in the Workplace (SHRM 2009)

	Available	Not Available
Selling paid vacation leave	14%	86%
Purchasing paid vacation leave	8%	92%

(n = 234)
Note: Asked only of respondents who said their organizations offered a paid vacation plan with a set number of paid vacation days.
Source: Examining Paid Leave in the Workplace (SHRM 2009)

Could Modifying Leave Policies Be an Alternative to Layoffs?



A gradual shift in views on leave benefits has occurred over the last 12 months, prompted primarily by the weakening economy. In the past, organizational policies on four-day workweeks, vacation time, paid-time off banks and sabbaticals were mainly debated within the context of supporting work/life balance. But as the recession deepened, many of these options started to be considered as viable responses to a weak economy and a way to avoid layoffs.

In the current downturn, many employers appear to be looking for alternatives to layoffs whenever possible. This could be due to the growing recognition of the negative impact of layoffs on productivity, motivation and turnover. A December 2008 Leadership IQ survey of 4,172 workers at 318 companies where corporate layoffs occurred in the last half of 2008 found that 81% of surviving employees say custom-

er service has declined, 77% see more errors and mistakes being made and 64% say their colleagues' productivity has declined.⁵ SHRM research found that when the economy began its abrupt descent in late October 2008, many employers were looking for alternatives to employee layoffs.⁶ Along with traditional approaches such as attrition, hiring freezes and reducing the use of contingent workers, employers encouraged employees to use their vacation time and reduced working hours, including implementing organizationwide shorter workweeks, with a small percentage of employers even offering other alternative work arrangements such as job sharing and unpaid sabbaticals.

Shorter Workweeks

A growing number of employers offering shorter workweeks could influence how and when employees take vacation and use their leave benefits

overall. Many state and local governments have implemented four-day workweeks as a way to save on building maintenance costs. In the summer of 2008, Utah became the first state to institute a mandatory four-day workweek for most state employees, and many other states are considering following suit. State officials give multiple reasons why four-day work weeks are being welcomed: it helps them meet their energy use reduction goals, saves employees money on gas at a time when few states and local councils can afford to give employees bonuses, and helps employees manage their work/life balance. Other employers are joining the public sector in mandating four-day workweeks, but rather than keeping the same number of hours by working longer over four days, they are dialing down employee work hours for hourly workers as a way to save on labor costs.

Unpaid Sabbaticals

The need to reduce headcount may also make some employers more open to offering unpaid sabbaticals. Some high-performing employees may even be able to leverage the current economic downturn to argue for an unpaid sabbatical. If a company is looking for ways to cut costs, it may now be more willing to grant longer periods of unpaid leave than it would under more favorable economic conditions. It is not yet clear if granting unpaid sabbaticals is rising as a result of the downturn, but it could become more common as the Baby Boomers reach retirement and many highly valued older employees look for alternatives to phased or cliff retirement.

As more organizations try to respond to rapidly changing economic conditions, a wide range of alternative working arrangements may become more acceptable. For example, telecommuting has been strongly influenced by volatility in gas prices; when SHRM conducted a poll on steps organizations are taking in response to rising gas prices in May 2008, only 18% of organizations said they offered telecommuting as a way of helping employees deal with rising fuel costs, but by September 2008 that percentage had risen to 40%.⁷ Economic conditions could have a similar effect on leave benefits, and while new approaches to managing work hours and leave may become more accepted as a way to respond to severe economic challenges, some could have staying power and be viewed through the lens of promoting work/life balance for recruiting and retention purposes as the competition for talent heats up once again.

unused paid personal leave over into the next year (see Figure 19).

HR professionals were asked when new hires may begin to take paid personal leave. Almost half (49%) reported that new hires were eligible to take their leave immediately. These results are shown in Table 8.

When asked if their organizations paid employees any portion of paid personal leave upon termination, 28% of HR professionals reported their organizations did so. Only 8% of organizations allowed employees to donate personal leave time. These data are shown in Figures 20 and 21.

Paid Holidays: Time Almost All Employees Can Bank On

Federal holidays in the United States are recognized by the United States government. A box in the next column shows the 10 public holidays designated by federal law for 2009.⁸ In addition to these holidays, employers in the United States observe a variety of local, state and religious holidays throughout the year. For example, on the third Monday in April, many organizations are closed in the state of Maine and Commonwealth of Massachusetts to commemorate Patriots' Day.

2009 U.S. Federal Holidays

Thursday, January 1 | **New Year's Day**
Monday, January 19 | **Birthday of Martin Luther King, Jr.**

Monday, February 16 | **President's Day**

Monday, May 25 | **Memorial Day**

Friday, July 3 | **Independence Day**

Monday, September 7 | **Labor Day**

Monday, October 12 | **Columbus Day**

Wednesday, November 11 | **Veterans Day**

Thursday, November 26 | **Thanksgiving Day**

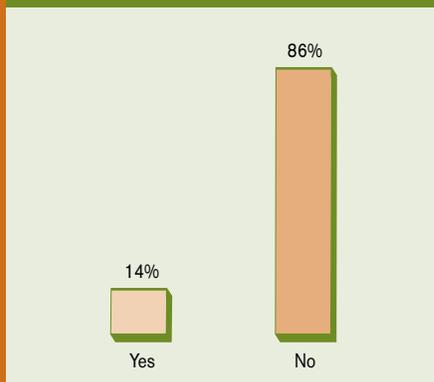
Friday, December 25 | **Christmas Day**

Note: July 4, 2009 falls on a Saturday in 2009. For the majority of employees, Friday, July 3, will be treated as a holiday.

Twenty-eight of HR professionals reported that **their organizations paid terminated employees for a portion of their unused personal leave.**

Overall, 97% of organizations offered paid holidays to their full-time employees. In organizations that offer paid holidays, employees will receive, on average, nine paid holidays in 2009. For some of the most commonly observed U.S. holidays in 2009, HR professionals were asked whether their organization's offices will be closed, will close early or will remain open. There are five federal holidays upon which most companies (95% or more) are closed: New Year's Day, Memorial Day, Labor Day, Thanksgiving Day and Christmas Day. These data are summarized in Table 9.

Figure 19 Percentage of Organizations Allowing Employees to Roll Over Unused Paid Personal Time



(n = 168)

Note: Asked only of respondents who said their organizations offered a paid personal leave plan.

Source: Examining Paid Leave in the Workplace (SHRM 2009)

Table 8 Eligibility for New Hires to Take Paid Personal Leave

Eligibility	Take Paid Personal Leave
Immediately: their first day of work	49%
1st of the month	1%
30 days after start date	4%
60 days after start date	4%
90 days after start date	26%
More than 90 days after start date	14%
Other	2%

(n = 168)

Note: Asked only of respondents who said their organizations offered a paid personal leave plan

Source: Examining Paid Leave in the Workplace (SHRM 2009)

Floating and Swapping Holidays: Accommodating Religious and Cultural Diversity

Floating holidays allow employees a certain number of days to be used throughout the year for holidays of their choice. As shown in Figure 22, almost one-half (45%) of HR professionals reported that their organizations offered paid floating holidays, and HR professionals indicated that employees were provided an average of two floating holidays per year. According to SHRM's *Religion and Corporate Culture: Accommodating Religious Diversity in the Workplace* survey report, almost six out of 10 HR

professionals reported that their organizations offered paid/unpaid leave for the observance of religious days or holidays not covered by their organizations' regular holiday schedule.⁹

Floating holidays and the option to swap holidays help make it easier for employees to take time off to celebrate the holidays that are important to them. Eighteen percent of HR professionals reported that their organizations allowed employees to swap holidays to observe an unpaid holiday—for example, allowing an employee to work on Christmas Day in

Overall, **97% of organizations offered paid holidays to their full-time employees.**

In organizations that offered paid holidays, employees will receive, on average, nine paid holidays in 2009.

Table 9 2009 Holidays Organizations Plan to Observe

2009 Holidays	Offices Closed	Offices Close Early	Offices Remain Open
Thursday, January 1 (New Year's Day)	97%	*	3%
Friday, January 2 (the day after New Year's Day)	12%	2%	86%
Monday, January 19 (Martin Luther King Jr's birthday)	36%	0%	64%
Tuesday, January 20 (Inauguration Day)	5%	0%	95%
Monday, February 16 (President's Day)	33%	0%	67%
Friday, April 10 (Good Friday)	26%	7%	67%
Monday, April 13 (Easter Monday)	7%	0%	93%
Monday, May 25 (Memorial Day)	95%	0%	5%
Friday, July 3 (the day before Independence Day)	66%	12%	22%
Monday, July 6 (the Monday following Independence Day)	6%	0%	94%
Monday, September 7 (Labor Day)	95%	*	4%
Monday, October 12 (Columbus Day)	13%	0%	87%
Tuesday November 3 (Election Day)	2%	2%	96%
Wednesday, November 11 (Veterans Day)	18%	0%	81%
Wednesday, November 25 (the day before Thanksgiving Day)	5%	16%	79%
Thursday, November 26 (Thanksgiving Day)	97%	0%	3%
Friday, November 27 (the day after Thanksgiving Day)	72%	1%	27%
Thursday, December 24 (Christmas Eve)	42%	33%	26%
Friday, December 25 (Christmas Day)	98%	0%	2%
Thursday, December 31 (New Year's Eve)	21%	25%	53%

* Less than 1%.

(n = 507)

Source: Examining Paid Leave in the Workplace (SHRM 2009)

18% of HR professionals reported that **their organizations allowed employees to swap holidays to observe an unpaid holiday.**

Almost one-half (45%) of HR professionals reported that their organizations offered paid floating holidays, and HR professionals indicated that employees were provided an average of two floating holidays per year.

exchange for taking Yom Kippur or the Chinese New Year as a holiday (Figure 23).

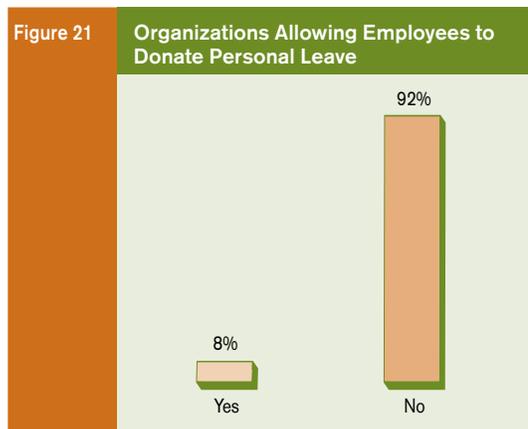
Paid Bereavement Leave: Allowing Employees Time to Grieve

As shown in Figure 24, 90% of HR professionals indicated that their organizations offered paid be-

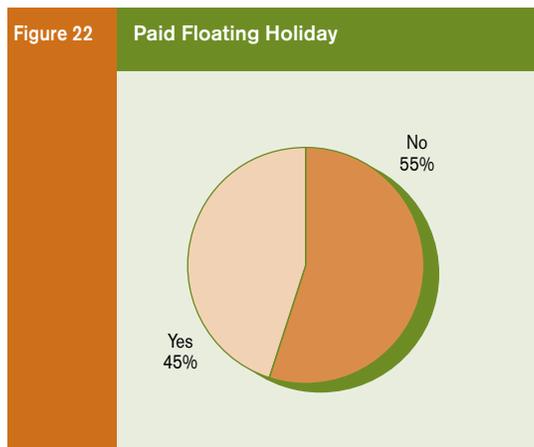
reavement leave, which allows an employee to receive paid leave because of the death of a close relative, friend or associate. Bereavement leave is separate from leave available from paid time off, vacation, sick and personal leave plans. The availability and amount of paid bereavement leave available to an employee may vary depending upon individual circumstances such as distance to a funeral, responsibility for funeral and



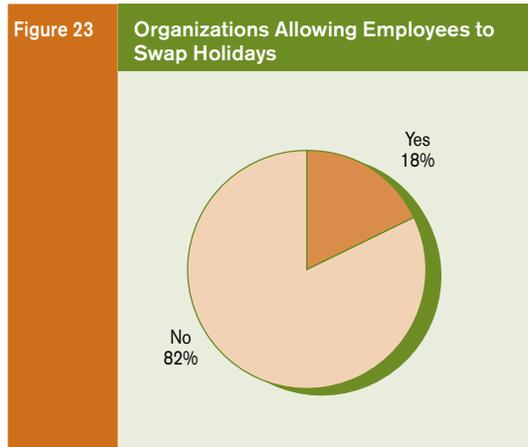
(n = 168)
 Note: Asked only of respondents who said their organizations offered a paid personal leave plan.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 168)
 Note: Asked only of respondents who said their organizations offered a paid personal leave plan.
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 507)
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 507)
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



estate arrangements or the relationship between the employee and the deceased. All organizations indicated paid leave was available for the death of a child, parent or spouse/partner. Tables 10 and 11 examine

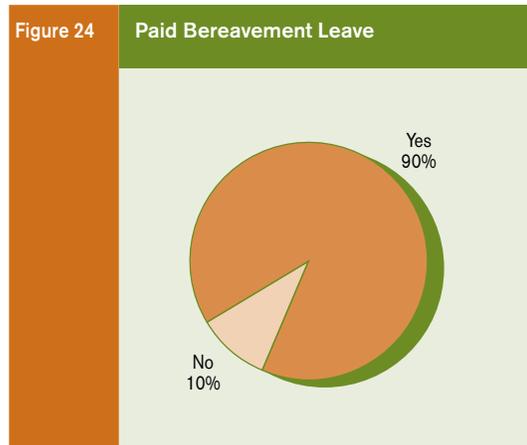
the availability and number of bereavement days provided based on the employee relationship with the deceased individual.

90% of HR professionals indicated that **their organizations offered paid bereavement leave.**

Table 10 Paid Bereavement Leave Available (by Relationship to the Employee)

Relationship to the Employee	Percentage
Child	100%
Parent	100%
Spouse /partner	100%
Sibling	99%
Parent of spouse /partner	95%
Sibling of spouse /partner	79%
Miscarriage and/or stillborn baby	62%
Colleague	13%
Friend	12%

(n = 454)
 Note: Asked only of respondents who said their organizations offered paid bereavement leave
 Source: Examining Paid Leave in the Workplace (SHRM 2009)



(n = 507)
 Source: Examining Paid Leave in the Workplace (SHRM 2009)

Table 11 Number of Bereavement Days Allowed (by Relationship to the Employee)

	1 Day	2 Days	3 Days	4 Days	5 or More Days	Unlimited
Child (n = 433)	1%	3%	69%	4%	22%	1%
Parent (n = 433)	1%	3%	72%	4%	19%	1%
Spouse /partner (n = 433)	1%	3%	69%	4%	21%	1%
Sibling (n = 426)	3%	4%	72%	4%	17%	0%
Parent of spouse/partner (n = 408)	6%	6%	72%	4%	12%	0%
Sibling of spouse/partner (n = 342)	15%	6%	65%	3%	11%	1%
Miscarriage and/or stillborn baby (n = 267)	2%	4%	70%	3%	18%	4%
Colleague (n = 57)	67%	4%	21%	0%	9%	0%
Friend (n = 52)	63%	2%	25%	0%	10%	0%

Note: Asked only of respondents who said their organizations offered paid bereavement leave
 Source: Examining Paid Leave in the Workplace (SHRM 2009)

Conclusions

Paid leave benefits are an important piece of an employee's total compensation package. These benefits are used to recruit and retain employees, but they can be very expensive and time-consuming to administer. Times of economic uncertainty may force organizations to take a closer look at their leave programs. Likewise, incentive programs to curb unscheduled absences may become more prevalent as businesses are faced with the need to increase productivity in the midst of downsizing. Employees consider paid leave programs an important benefit, and some employees have been accustomed and even may feel entitled to receiving them. A disconnect may exist between the amount of money organizations spend on these programs and the employees' perception of their monetary value.

Organizations should promote these programs so that their employees do not take them for granted. Since these programs are almost as expensive as health and retirement benefits, they should be regularly evaluated not only to monitor costs but also to evaluate their competitiveness. HR professionals are regularly called on to develop a strategy that provides the correct mix of benefits and to ensure that it is aligned with their organization's business strategies, meets the employee's needs and is cost-effective. A well-designed paid leave program can have a measurable effect on employee productivity and satisfaction while meeting the goals of the organization.

Times of economic uncertainty **may force organizations to take a closer look at their leave programs.**

Methodology

A sample of HR professionals was randomly selected from SHRM's membership database, which included approximately 225,000 individual members at the time the survey was conducted. Only members who had not participated in a SHRM survey or poll in the last four months were included in the sampling frame. Members who were students, consultants, academics, located internationally or had no e-mail address on file were excluded from the sampling frame. In October 2008, an e-mail that included a hyperlink to the SHRM Examining Paid Leave in the Workplace survey¹⁰ was sent to 3,000 randomly selected SHRM members. Of these, 2,668 e-mails were successfully delivered to respondents, and 507 HR professionals responded, yielding a response rate of 19%. The survey was accessible for a period of three weeks, and four e-mail reminders were sent to nonrespondents in an effort to increase response rates.

The sample of HR professionals was generally representative of the SHRM membership population, although there were some differences by organization staff size.¹¹

Notations

Analysis

Analyses by organization staff size and employment sector are presented and discussed, when applicable. In some cases, the data are not depicted in corresponding tables/figures even though the results are statistically significant.

◆ *Organization staff size categories:* small (1 to 99 employees), medium (100 to 499 employees) and large (500 or more employees). The analysis by staff size refers to the number of full-time employees at the HR professional's work location only.



◆ *Organization sector:* publicly owned for-profit organization, privately owned for-profit organization, nonprofit organization, government sector and other categories. Results are not presented for other employment sectors due to the small number of organizations in this category.

Differences

Conventional statistical methods were used to determine if observed differences were statistically significant (i.e., there is a small likelihood that the differences occurred by chance). Therefore, in most cases, only results that were significant are included, unless otherwise noted. It is also important to note that in some cases, data may be discussed in the text of this report but not presented in an accompanying figure or table.

Tables

Unless otherwise noted in a specific table, the following are applicable to data depicted in tables throughout this report.

- ◆ Percentages for a question or a response option may not total 100% due to rounding.
- ◆ The sample size is based on the actual number of respondents by organization sector who answered the question using the response options provided.

Figures

Unless otherwise noted in a specific figure, percentages for a question may not total 100% due to rounding.

Generalization of Results

As with any research, readers should exercise caution when generalizing results and take individual circumstances and experiences into consideration when making decisions based on these data. While SHRM is confident in its research, it is prudent to understand that the results presented in this survey report are only truly representative of the sample of HR professionals responding to the survey.

Number of Respondents

The number of respondents (indicated by “n” in figures and tables) varies from table to table and figure to figure because some respondents did not answer all of the questions. Individuals may not have responded to a question on the survey because the question or some of its parts were not applicable or because the requested data were unavailable. This also accounts for the varying number of responses within each table or figure.

Confidence Level and Margin of Error

A confidence level and margin of error give readers some measure of how much they can rely on survey responses to represent all SHRM members. Given the level of response to the survey, SHRM Research is 96% confident that responses given by responding HR professionals can be applied to all SHRM members, in general, with a margin of error of approximately 4%. For example, 42% of the responding HR professionals reported that their organization had a paid time off plan. With a 4% margin of error, the reader can be 96% certain that between 38% and 46% of SHRM members work for organizations that have a paid time off plan. It is important to know that as the sample size decreases, the margin of error increases.

About the Respondents

Organization Staff Size

Small (1-99 employees)	25%
Medium (100-499 employees)	40%
Large (500 and more employees)	35%

(n = 487)

Sector

Privately owned for-profit organization	48%
Publicly owned for-profit organization	21%
Nonprofit organization	20%
Government agency	10%

(n = 494)

Region

Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin)	32%
Northeast (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont)	18%
South (Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)	29%
West (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Montana, Oregon, Utah, Washington, Wyoming)	22%

(n = 479)

Industry

Manufacturing	16%
Health care, social assistance (e.g., in-home care, nursing homes, EAP providers, hospices, etc.)	10%
Government/public administration—federal, state/local, tribal	9%
Services—professional, scientific, technical, legal, engineering	7%
Other services	6%
Financial services (e.g., banking)	6%
Educational services/education	5%
Retail/wholesale trade	5%
High-tech	4%
Insurance	4%
Transportation, warehousing (e.g., distribution)	4%
Consulting	3%
Services—accommodation, food and drinking places	3%
Association—professional/trade	2%
Construction, mining, oil and gas	2%
Telecommunications	2%
Arts, entertainment, recreation	1%
Biotech	1%
Pharmaceutical	1%
Publishing, broadcasting, other media	1%
Real estate, rental, leasing	1%
Utilities	1%
Other	5%

(n = 494)

Endnotes

¹ Society for Human Resource Management. (2008, June). *SHRM 2008 job satisfaction: A survey report by SHRM*. Alexandria, VA: Author.

² U.S. Chamber of Commerce. (2007). *Employee benefits study*. Retrieved December 1, 2008, from http://www.uschambermagazine.com/content/0803_5a.htm

³ The paid leave options in this survey were mutually exclusive. HR professionals were asked to indicate that their organizations offered either a PTO plan or paid vacation plan, paid sick leave plan and/or paid personal leave.

⁴ Society for Human Resource Management. (2008, June). *SHRM 2008 job satisfaction*. Alexandria, VA: Author.

⁵ Leadership IQ. (2008, December). *Leadership IQ study: Don't expect layoff survivors to be grateful*. Retrieved from www.leadershipiq.com/index.php/news-a-research-/recent-studies/150-layoff.

⁶ Society for Human Resource Management. (2008, October 30). *SHRM poll: Layoffs in light of 2008 challenges to the U.S. economy*. Retrieved from www.shrm.org/Research/SurveyFindings/Articles/Pages/Layoffsinlightof2008challengestotheUSEconomy.aspx.

⁷ Society for Human Resource Management. (2008, September 22). *SHRM poll: Assistance organizations offer to help employees deal with high gas prices*. Retrieved from www.shrm.org/LegalIssues/StateandLocalResources/StateandLocalStatutesandRegulations/Documents/w092408_-_Gas_Prices2.

⁸ On Inauguration Day, January 20, 2009, federal employees who work in the District of Columbia and surrounding counties in Maryland and Virginia scheduled to perform nonovertime work are entitled to a holiday.

⁹ Society for Human Resource Management. (2008, October). *Religion and corporate culture: Accommodating religious diversity in the workplace*. Alexandria, VA: Author.

¹⁰ This survey instrument is available upon request by contacting the SHRM Survey Program at surveys@shrm.org or by phone at 703-535-6301.

¹¹ Compared with the general SHRM membership, more HR professionals in this sample were from medium-sized organizations (100-499 employees) and fewer were from small-sized organizations (1-99 employees).

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