

Case Study - Paid Time off (PTO) Policies

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### **Introduction**

The purpose of this paper is to examine and analyze the PTO (paid time off) policies, which are being used by two companies, which have recently merged with one another. PTO policies have become one of the most effective techniques for HR staff, to utilize in terms of organizational incentives. It is important to notice that PTO is nothing more than a policy in some employee handbooks, which offers a bank of hours in which the employer pools personal days, vacation days, and sick days that allows employees to use as the need arises (Jackson, et.al, 2011). It has been established that PTO is found to be attractive to younger workers, who tend to keep perfect balance amid work and personal life. PTO plays an indispensable and incredible role in increasing job satisfaction in employees; hence results in more integrated operations of an organization. The proceeding paper will help in assessing different aspects and features, which are associated with an effective and valuable PTO system.

### **Overview of Given Scenario**

Two companies, namely Company A and Company B have been merged and both companies have entirely different PTO system. Company A has a PTO system in which employees are granted 30 days PTO per year. This PTO system shows that employees can get leaves with the rate of 2.5 days per month. Under this policy, sick and vacation leaves are all rolled into one paid leave and any absence whether pre-planned, like vacations or unplanned, like sick leave, are taken from the accumulated leave, which has already been earned by the employee.

On the other hand, Company B possesses traditional leave system in which employees are offered twelve days of vacations, including ten days holidays and ten days of sick leaves. During holidays, the company does not operate its functions and vacations of the employees, at Company B, are accumulated at the rate of one day per month. Sick leaves at Company B have an unconstrained accumulation. Now both the companies have merged and are working side by side; hence a single PTO system is needed. In this regard, the CEO of the company has appointed me, as an HR director, to observe the entire situation and make suitable recommendation for the system.

### **Answer 1**

#### **Additional Information required to recommend a Solution**

Being an HR manager, finding appropriate and suitable solution is one of the toughest tasks. It has been assessed that the merger of both the companies may create a compensation challenge, in terms of PTO. The employees of Company A may perceive to keep their PTO policies, whereas Company B may think that their policies are appropriate. Therefore, this situation may considerably affect the integrity of PTO and may lead them towards crises (Hill, 2013). In order to recommend suitable solutions, different details are needed. These may include complete and profound information about the number of employees, their pending off days, as well as their levels of work. More so, information about employee's pay rates is also required, as different companies have different pay rates or pay scales (Pfeffer, 2011).

All of these details or information are not initially provided and were not mentioned in the policy plans. It has been established that all of these details can be gauged from the accounting department and former personnel office of the companies. It is due to the fact that personnel department often deals with the compensation data of its employees (Hill, 2013).

On the other hand, accounts department deals with the calculation of the provided benefits and convert them to financial figures.

### **Answer 2**

#### **Potential Issues in Merging PTO System to a Traditional Leave System**

It is quite evident that merging of two companies means the merging of all departments, which are operating in the company. In the context of the given scenario, it can be considered as one of the most challenging task to merge traditional leave system to a PTO system (Pfeffer, 2011). It is due to the fact that various issues and challenges may take place in this merger. These challenges may range from when to disburse payment of benefits, setting certain criteria to accumulate these benefits, the time period, required to utilize these PTOs, overall benefits accumulated after employment termination, etc. Therefore, it can be stated that merging of both of the systems, i.e., traditional leave system and PTO system, is not an easy task and may pose several challenges to the companies (Hill, 2013). Some of the challenges are illustrated in the proceeding paper.

#### **When to Disburse Pay Benefits**

It has been assessed from the analysis of given scenario that both of the companies have different PTO policies, in terms of disbursing pay benefits. Being an HR director, I would like to find out a single solution, which will be advantageous for all parties. Company A employees were paid their benefits on annual basis, while Company B employees were paid their time off benefits on monthly basis (Lester, 2011). This situation is considerably challenging, as both parties have entirely different payment systems and both will tend to continue their former systems.

### **Issues in Adjusting Pay Rate**

Adjusting pay rates can be considered as one of the major issues, which may affect the functionality of both of the companies. It is due to the fact that different companies possess different pay rates, even on same duties and job tasks. Therefore, it is quite tough to set certain pay rates for the employees of two different companies (Jackson, et.al, 2011).

### **Standard to Accumulate Benefits**

It is assumed that the employees of two different companies may challenge the implemented criteria or standard to accumulate their job benefits. Thereby, it can be affirmed that the issue may significantly impact the functionality and operations of the newly merged venture (Pfeffer, 2011). In this scenario, being an HR manager I would try to cope with this challenge by proper negotiation and communication with employees and higher authorities of both of the companies.

## **Answer 3**

### **Potential Problems in Leaving Two Systems in Place**

It is a fact that both of the systems, (PTO system and traditional leave system), cannot run simultaneously in the newly merged business venture. Therefore, it is essential for both of the companies to have newly developed PTO policy, in order to cater the needs of all employees, working in a merger. It is due to the fact that issues are more likely to be occurred if there were two different systems, operating in the same environment and at a same time. This system may considerably impact the operational cost of the merger as well as the operations and performance of the employees (Sick, 2013).

Because of having two different systems, employees may have a feeling of biasness or workplace discrimination, which usually results in employee dissatisfaction and poor

performance. It has also been perceived that operating two distinctive systems, at the same time may also; result in low productivity, employee discontentment, and negative publicity of the merger. Thereby, it is suggested to the merger to identify and implement single and equally beneficial system, in order to assure the integrity and reliability of the new venture (Hill, 2013).

#### **Answer 4**

##### **Recommendation for One Common PTO System**

Being an HR director, I would suggest the PTO system, which was practiced in the working environment of Company A. According to Company A's PTO system, employees are provided with the 30 days of paid time off, per year. This system has been recommended to the merger, as it incorporates wide range of benefits. One of the major benefits of this system is that employees feel free to utilize their PTO, without any unnecessary constraints and restrictions (Hill, 2013). In other words, such PTOs provide the sense of relaxation and flexibility to the employees; hence results in more loyalty, employee contentment, and dedication towards the attainment of organizational goals and objectives.

On the other hand, PTO will also facilitate the employers, in terms of managing their workload and providing integrated services to the customers. It is due to the fact that PTOs control uninformed and unscheduled leaves and absenteeism; hence results in healthy, productive, more systematic and profitable organizational operations (Lester, 2011).

#### **Conclusion**

The preceding paper has incorporated the brief yet in-depth and thorough analysis of the leave systems, which are used by two recently merged companies. The paper has profoundly investigated potential issues, which are associated with the utilization of both of

these systems, at the same time. After considering those issues, an integrated and suitable solution or system has also been recommended to a merger.

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