**Vacation, sick VS. PTO**

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|  | PTO | Vacation / Sick |
| Definition | Paid time off typically combines all leave types into one bank (vacation, sick and personal time). Typically, does not include holidays, bereavement or jury duty leave.  | Provides a separate bank for sick and vacation leave. Different rules and accruals may apply to each bank. Typically, employers allow employees to use vacation if they run out of sick but they do not allow employees to use sick time for vacation or personal reasons. |
| Pay off at termination? | Yes, all | Yes, vacationNo, sick |
| Accrual method | Various options available. Most employers accrue a portion each payroll period. Must meet CA sick requirements if providing PTO in lieu of sick. | Vacation: Various options available. Most employers accrue a portion each payroll period. Sick: Various options available but must meet CA sick requirements (or other local ordinances if they apply). |
| Max bank | Must allow employees to carry 1.5X the employees annual accrual rate in their bank. Employer may set it higher but not lower.  | Vacation: Must allow employees to carry 1.5X the employees annual accrual rate in their bank. Employer may set it higher but not lower. Sick: Must meet CA sick requires. Depending on method selected there may be a cap. May set a “use it or lose it policy” each year. Many employers allow some carry over from prior years in case an employee has a bad health year. This also discourages using sick days when you are not sick.  |
| Benefits of this method | * Employees tend to prefer it.
* Since you only have one bank, it is easier to track.
* Employees have flexibility in how they use their time. If they never get sick they can use it all for vacation. If they have a really bad health year they can take use it all for sick time.
* A properly designed PTO policy will still comply with CA sick leave requirements and you will NOT be required to over both.
 | Smaller liability. When an employee terminates you only have to pay off the vacation bank. Sick is not required. |
| Drawbacks | At termination all PTO must be paid off. Must allow a cap of 1.5X the accrual rate. Can be very challenging to create a PTO policy that meets both the CA Sick leave requirements and PTO requirements.  | Employees sometimes call in “sick” when they are not (since they do not want to lose their time). This leaves you in a bind because you can’t plan ahead. It also punishes your “best” employees who don’t call in sick because they lose their time (if that is your policy).Sick must be paid at “regular rate”. For commissioned employees this means calculating their rate with commissions taken into account.  |
| Notes | * Company policy still dictates many aspects of these leaves – for example if you decide to allow people to go negative, your annual amount, accrual method and others.
* There are over 20 cities and municipalities that have their own sick requirements (usually providing more sick time than the California PSL).
* The decision to implement PTO vs. Sick (and possibly vacation) depends on the type of business and employees a business has. One solution is not best for all.
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