

ANALYTICAL REPORT

DATE: July 14, 2014

PREPARED FOR: CEO and Board of Directors of LinkedIn Inc.

REPORT BY: Student Name, independent consultant

SUBJECT: Unlimited Vacation Policy

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EXECUTIVE SUMMARY

To encourage employees to take more vacations, the executives of LinkedIn Inc. want to implement an unlimited vacation policy and let employees decide when to take the time off, while others believe that the policy is unnecessary and will create confusion. **The purpose of this report is to determine and analyze the pros and the cons of adopting an unlimited vacation policy at LinkedIn Inc.**

There are potential advantages to implementing the policy. First, the policy will eliminate the incentive to accumulate days off. The human resources department would no longer need to keep track of its employees' accumulated days of vacation, and could eliminate large payouts when employees quit. The policy would give LinkedIn employees flexibility and freedom to take days off based on their own preferences. Allowing people to be in charge of their vacation time would empower many employees, and potentially boost morale and productivity. In addition, the policy could help recruit the best talent due to the appeal that not every company offers this.

There are also disadvantages to implementing the policy. Adopting an "unlimited vacation" option for employees could lead to ambiguity and confusion over vacation time. This could then lead to spending more time on defining and possibly revising the policy later on. Management would also have to develop a system of approving and planning ahead for individuals' vacation time, especially in the context of team projects and deadlines. Instead of encouraging people to take time off from work, the policy could have the opposite effect. Employees might not be at ease with a "limitless vacation" policy. Last but not least, the policy does not translate across departments where many employees cannot be on vacation at the same time.

In conclusion, based on the following report, potential disadvantages of the policy outweigh the advantages. The unlimited vacation policy is better in theory than in practice. Work schedule flexibility can be embraced without the policy. Based on the research, I would advise LinkedIn Inc. to refrain from implementing the unlimited vacation policy.

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There are many other alternatives that LinkedIn Inc. can use to encourage its employees to take time off from work. **My recommendations include the following:**

- Set a mandatory minimum of accrued vacation days per year.
- Give employees incentives to go on vacation or take days off.
- Set up a flexible working policy so that it would be easier for employees to manage work and their personal life.

INTRODUCTION

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PURPOSE OF THE REPORT: to determine and analyze the pros and the cons of adopting the unlimited vacation policy. The report presents research on the topic with well-supported recommendations in regards to the policy.

BACKGROUND: The CEO of LinkedIn Inc. has stated that his employees would be more productive and engaged when they have a better work and personal life balance. Certain members on the board of directors and the CEO believe that an unlimited vacation policy will encourage many employees to take time off from work, while others believe it would be detrimental to both the company and its employees.

SOURCES AND METHODS: the report includes information obtained from professional databases and publications (with citations). Research came mostly from secondary sources, with one primary interview source.

SCOPE: because the idea of unlimited vacation is relatively new and untested, the report will present well-supported arguments against the policy implementation in LinkedIn Inc.

REPORT ORGANIZATION: first, the report states the advantages and disadvantages of the unlimited vacation plan. Later, based on the findings, it presents a well-supported conclusion and recommendations that LinkedIn Inc. can use to encourage its employees to take time off from work.

ADVANTAGES OF AN UNLIMITED VACATION POLICY:

1. LinkedIn Inc. will eliminate employees' accumulation of vacation days.

According to a recent survey, employees only use 51 percent of their eligible paid time off (Fottrell, 2014). Many employees tend to accumulate vacation days because they worry about falling behind at work, save days off in case they need them later, or prefer to get a payout if they decide to quit their job. This is a bad incentive for both the company and its employees because employees get burned out from taking little time off from work.

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2. LinkedIn Inc. could eliminate the administrative burden of keeping track of accrued vacation time for individual employees.

An unlimited vacation policy makes tracking vacation time easier. Also, the company will eliminate large payouts when people quit. Employees will be accountable and responsible for managing their workload and vacation.

3. The policy will give employees more freedom and flexibility in their work schedule.

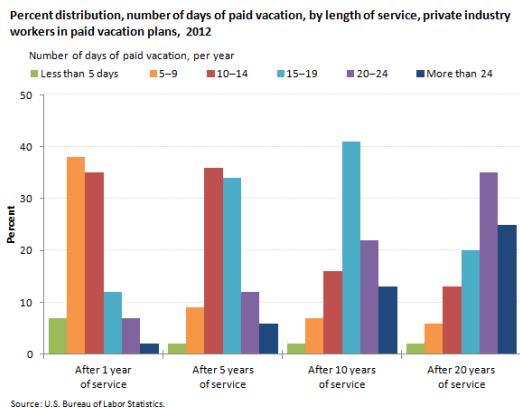
An unlimited vacation policy gives employees flexible hours to manage a work schedule and their lives. Because of this new policy, employees would not have to worry whether they have sufficient accrued vacation to cover unexpected absences. Statistics also suggest that committed employees will often work while on vacation anyways. According to a recent study, while on vacation, one in five employees have been contacted by their boss and around 61 percent of Americans worked while they were on vacation (Fottrell, 2014).

Many employees value the autonomy that their workplace provides them. In fact, a Cisco survey found that 45 percent of young employees and 40 percent of students would accept a lower-paying job if it had more flexibility than a higher-paying job with less flexibility (Regus, 2014).

4. The policy will improve employees' productivity and stress levels.

Studies have shown that employees perform better when they have less stress in their daily lives and take more time off from work to rejuvenate (Ternynck, 2014). An unlimited vacation policy will bring flexibility to the workplace. There are correlations in flexibility and productivity to workplace revenue. According to recent studies, 72 percent of global businesses reported that an increase in productivity was a direct result of flexible working. In addition to that, 68 percent of businesses stated that they generated more revenue because of flexible working (Regus, 2014).

FIGURE 1



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5. The policy might help LinkedIn Inc. to recruit and retain the best talent.

According to the above graph, after a year of work, private industry workers averaged 10 days of vacation; after 5 years of service, they averaged 14 days of paid vacation; after a decade of service, they averaged 17 days; and after 20 years of service, the workers averaged 19 days of paid vacation (Bureau of Labor Statistics, 2012). How does this general model appeal to current job-seekers?

An open vacation culture can be a competitive differentiator for recruitment. Candidates, especially millennial job seekers, look favorably on unlimited days versus the 5-14 days most U.S. companies provide. Because of that, the policy might not only attract new employee, but also increase retention and engagement of the existing ones. For example, Netflix has documented an increase in employee engagement and retention after introducing its unlimited vacation policy (Ternynck, 2014).

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DISADVANTAGES OF AN UNLIMITED VACATION POLICY:

1. An unlimited vacation policy might actually result in employees taking fewer days of vacation.

In a competitive atmosphere, it would be hard for employees to take vacation days without any guidelines. Unlimited vacation may turn into “limited” vacation when some employees start feeling guilty about taking too much time off from work. Employees need specific guidelines to policies. In fact, companies that have implemented unlimited vacation policy have adapted specific incentives and features to their policies. For example, Evernote offers \$1,000 to an employee who takes a full week off to go on vacation, while “staycations” do not qualify for this compensation. Ironically, the CEO of the company, Phil Libin, doesn’t lead by example since he hasn’t taken vacation in years (Weber, 2013).

According to Lotte Bailyn, a professor at the MIT Sloan School of Management, employees may end up taking less time off with an unlimited vacation policy because without a structure and guidelines, many workers will be less comfortable with taking vacations. Employees tend to rely on standards in regards to how much time off is appropriate (Kaufman, 2014).

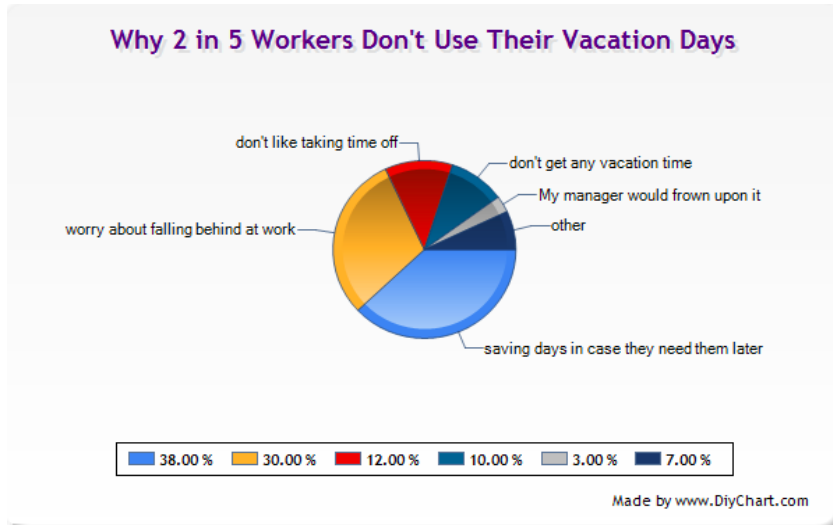
2. Employees offered unlimited vacation may be the least likely to use it.

Without incentives and encouragement to go on vacation, the driven employees of LinkedIn Inc. will find reasons not to take time off from work. According to David DeLong, there's a certain A-type personality prevalent among many jobs with limitless holidays, so employees need incentives and upper management examples to take time off from work (Weber, 2013).

Employees find many reasons not to take time off from work. An independent research firm which conducted a study on behalf of OfficeTeam interviewed 436 adults working in an office environment. The study uncovered the top reasons why two in five people do not use all their paid time off. About 38 percent said they were “saving days in case they need them later,” while 30 percent claimed they worry about falling behind at work. The remaining respondents claimed, “I don’t like taking time off” (12 percent), “I

don't get any vacation time" (10 percent), "My manager would frown upon it" (3 percent), and "Other" (Smith, 2014).

FIGURE 2



3. The policy does not fit every department within a company.

It would be difficult to implement the policy at LinkedIn Inc. if it is prevalent for small groups of people to be responsible for important projects. Also, the policy might not translate equally across departments where several employees cannot be out at the same time. For example, a senior web developer at LinkedIn confirms that certain assignments in his area are particularly time-sensitive, and requires the presence of colleagues overseeing the same tasks (E. Yu, personal communication, July 7, 2014). Some managers may need all employees to be present at work during particular times and for collaborative assignments.

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4. The policy does not reflect company culture.

LinkedIn Inc. has a workaholic culture. Implementing the policy may negatively affect employees' morale as many will believe that an unlimited vacation policy is akin to a "no vacation" policy. For example, a study has shown that companies which implemented unlimited vacation policies actually showed a decrease in vacation time used (Sackett, 2014). In a corporate environment, employees are compelled to limit personal vacation time to fit in with company culture. Sheena Iyengar, a professor at Columbia Business School, claims that it overwhelms employees when they have too much choice. Some feel guilty when they take more vacation than their peers. Employees may also become "risk-averse" or unable to

choose their vacation times. Iyengar insists that it would be hard for employees to decide what amount to take without any guidelines (Mochari, 2014).

5. The policy is not showing popularity.

Based on a report by the Society of Human Resource Management, only one percent of companies adopted an unlimited vacation policy last year. The number is lower than that of previous years (3 percent of companies offered it in 2009, and 2 percent in 2011). These statistics show a decline.

CONCLUSION

The unlimited vacation policy is worth considering in eliminating some financial burden associated with traditional policies. Other advantages include increased flexibility in work schedule, and a differentiator for recruitment. However, despite the potential benefits, there are pitfalls in the policy. First, the policy might be difficult to define initially, and cannot be implemented across every department. Also, unlimited vacation time may be more confusing than helpful as too much choice often overwhelms employees. Due to the competitive corporate culture of LinkedIn Inc., many employees could end up taking fewer days of vacation. In conclusion, the disadvantages of a new vacation model outweigh the advantages.

The report concludes that the unlimited vacation policy won't compel employees to take time off from work. In theory, the policy will allow flexibility, whereas in practice, it will discourage workers of LinkedIn Inc. to take any breaks from work. Employees need a transparent vacation policy that sets specific limits and guidelines.

According to this report, employees would find many reasons not to take time off from work as many are concerned about their managers' reaction and worried about falling behind at work. Enforcing the policy won't ease those fears, so LinkedIn Inc. should come up with different ways to encourage its employees to take time off from work.

RECOMMENDATIONS

1. Set up a limit on the number of accumulated vacation days.

Limiting the number of accumulated vacation days per year will compel employees to take days off. According to Figure 1, there are people who continue to take less than 5 days of vacation even after 20 years of employment. Setting a limit would discourage employees from working many years without taking a break.

2. Give employees incentives to take days off.

In addition to setting a limit on the amount of accrued vacation time, the company should also provide incentives for taking time off. By doing so, LinkedIn Inc. will demonstrate that it values its employees and cares about their long-term well-being.

3. Set up a transparent and flexible working policy.

A 2003 study that surveyed professional and technical workers found that the presence of formal or informal flexibility policies was associated with higher productivity. According to the report, employees value flexibility (Mochari, 2014). LinkedIn Inc. does not have to change vacation policy to allow its employees to manage a more flexible work schedule. For example, important meetings should not be scheduled before 9 a.m. and employees should not be expected to be at work after 6 p.m.

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