



# The U.S. is No Vacation Nation...Here's What a Mandate Might Look Like

By: Kathryn Buschman Vasel – June 14, 2013

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Workers in the European Union get at least 20.  
Canadian and Japanese employees get at least 10.  
Americans get zero.

A recent study released by the Center for Economic and Policy Research (CEPR) shows the U.S. is the only advanced economy that doesn't legally guarantee paid vacation and holiday time for workers. Without the requirement, nearly one in four Americans has no paid time off. Of course, many employers offer paid time off as part of benefit packages to lure top talent, with CEPR, a Washington-based nonprofit, reporting private-sector workers get an average of 10 paid vacation days and six paid holidays a year.

The U.S. has been dubbed the no-vacation nation because of the lack of government-mandated paid time off, but is it really such a bad label to have?

"Considering the economic health of many of the eurozone countries and their employment record, I am mystified that we should feel obligated to compete with their vacation-day track record," says Dan Mitchell, economist and senior fellow at the Cato Institute. "There are dozens of things that affect the economy, but vacation days aren't going to be the straw that breaks the camel's back."

Research is divided when it comes to correlating paid time off with productivity levels. Germany mandates six-weeks of paid time off, but is one of the most productive nations in the world. Other experts argue that if paid time off was crucial to workers they would have demanded it by now.

### What a Paid-Vacation Mandate Would Look Like

If legislation were to mandate paid time off, it would have to be at the federal level to avoid companies relocating to avoid having to offer the benefit, said Gary Burtless, an economist at the Brookings Institution.

"You could pass this kind of thing at the state level, but a lot of states would then have to worry about footloose industries — they would just move across state lines," he said.

Democratic Florida Congressman Alan Grayson introduced a bill in May that would require employers to offer at least one week of paid leave vacation a year.

"This is a matter of justice and equality for all Americans," Grayson said in a statement. "Sure, some Americans receive paid vacation leave, but an increasing number receive nothing at all — and this comes at a time when middle-class Americans are working harder than ever."

Grayson claims mandating time off would be financially beneficial for companies since it would reduce job stress, absenteeism, lost productivity and health issues, factors that cost businesses \$344 billion annually.

### More Time Off Means Smaller Paycheck?

As the debate surrounding the government's health-care mandate continues to swirl despite the Supreme Court upholding its constitutionality last summer, experts say a vacation mandate could curtail hiring and impact small businesses the most.

“If you are going to make it more expensive to hire workers, or a certain segment of workers, you will see fewer people get hired,” says Mitchell.

He adds that small businesses and companies that rely on younger and less-experienced workers will take the biggest financial hit because that segment tends to be the ones without paid vacation days.

According to the CEPR report, 69% of workers at small businesses have paid time off compared with 86% of those working at medium and large companies. Among lower-income earners, less than half, 49%, have paid vacation time.

Bryan Caplan, professor of economics at George Mason University, says a vacation mandate might result in lower wages to help employers offset the cost.

“Employers will cut pay to adjust for the extra benefits...in the long run, workers are worse off when they have more vacation time. They would rather have the cash. Employers don’t do stuff just because they can afford to do it, they do it because it’s required.”

Mandating paid leave wouldn’t hurt employers’ hiring edge, says Caplan. “If you want to lure workers, there are so many tax loopholes that employers can take advantage of, like offering free food, day care, things like that are actually considered a perk.”

Labor-Law Reform Stuck in Neutral

Labor laws in the U.S. haven’t changed significantly over the last 30 years and he says instituting a mandate would be difficult in the current political and labor environment.

“Leading up to and into the 1970s we were the world innovator in terms of demanding paid-time off, pay, private welfare benefits and worker safety, but the traditional coalition that forced labor laws has gotten weaker and diffused over the years and other personal rights issues have become more important,” Burtless said.

He likens mandating vacation days with raising the minimum wage, saying the cost impact on employers would be minimal. “If we raised the minimum wage across the country, the total compensation costs for employers is usually a very tiny amount because people making the lowest wage get such a smaller proportion of the total compensation in the economy.”

Vacation policies seem to be in flux at companies with some tightening the reins on policies and some becoming more flexible. Tech giant Google (GOOG) is known for offering first-year employees up to 15 days of paid vacation while other companies are limiting carry-over policies in the face of tight budgets.

“Over time vacation time has become less generous where I work,” says Burtless. “We can carry over smaller and smaller amounts of vacation days, but most of the time we are so busy that we just end up losing them.”

He adds that in Japan, it is estimated workers lose half the vacation days they are contractually-obligated to have. “Worker demand is high enough there that they are too scared to take time off, so they are essentially working some days for free.”