Since 2004, Netflix employees have taken as many vacation days as they’ve wanted. They have the freedom to decide when to show up for work, when to take time off, and how much time it will take them to get the job done. As far as I can tell, this hasn’t hurt Netflix one bit. Since instituting the policy, it’s grown its market cap to over $51 billion.

Just because there’s flexibility at Netflix doesn’t mean it lacks accountability. Employees have to keep their managers in the loop, and they’re expected to perform at a very high level. High performance is so ingrained into Netflix culture that they reward adequate performance with a generous severance package.

Netflix employees have unlimited vacation because no one is tracking their time. Instead of micromanaging how people get their jobs done, the leadership focuses only on what matters—results. They’ve found that giving people greater autonomy creates a more responsible culture. Without the distraction of stifling rules, employees are more focused and productive.

Why Traditional Vacation Had To Go

When Netflix still had your typical vacation policy, employees asked an important question:

“We don’t track the time we spend working outside of the office—like e-mails we answer from home and the work we do at night and on weekends—so why do we track the time we spend off the job?”

Management listened. They couldn’t deny the simple logic behind the question.

Back in the industrial age, when people stood on the assembly line from 9 to 5, paying for time made sense. With advances in technology, however, that’s no longer the case. People work when work needs to be done, from wherever they are. There’s really no such thing as “after hours” anymore.

We’re now operating in a participation economy, where people are measured and paid for what they produce. Yet, when it comes to time off, we’re still clinging to the vestiges of the industrial economy, where people were paid for the time they spent on the job. This is a huge demotivator. Netflix realized this, and it changed its policy to reflect the way that work actually gets done.

Brazilian Origins

While Netflix was one of the first notable American companies to take on an unlimited vacation policy, the idea didn’t start there. Brazilian company Semco has been quietly offering unlimited vacation for more than thirty years.

After a health scare when he was just 21, Ricardo Semler, the son of the company’s founder, realized that the schedule he was keeping was slowly killing him, and that if it could kill him, then it could kill his employees too. So, he made the radical decision to do away with schedules, sick days, and vacation time.

Contrary to the prevailing worry that productivity would plummet, Semler found that employees actually became more productive and fiercely loyal, and when the employees thrived, the company did, too. When Semler first instituted this policy in 1981, Semco was just a $4
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million company. It’s now worth over $1 billion.

Overworked in the United States

As successful as unlimited vacation policies have been, less than 1 percent of U.S. companies have adopted them. That’s not hard to digest when you think about our workaholic culture. U.S. employees get less vacation time than workers in any country, except South Korea.

In fact, American companies aren’t legally required to give any paid time off at all, whereas it’s mandated in many other countries. Workers in the United Kingdom, for instance, are entitled to 28 paid days off per year (including national holidays). In Austria, Denmark, Finland, France, Luxembourg, and Sweden, employees receive a mandated 25 days of paid leave, and in Brazil workers get 30 paid vacation days each year plus 11 national holidays.

Do People Take Advantage of It?

Companies defend their strict vacation policies with the belief that employees will take advantage of anything else. But companies that have actually tried unlimited vacations have found the opposite to be true. Freedom gives people such a strong sense of ownership and accountability that, like business owners, many end up taking no vacation at all.

Employers that have instituted unlimited vacation policies have also had to make policies that encourage people to actually take time off. Evernote, for example, gives employees $1,000 to spend on vacation, and FullContact gives employees a whopping $7,500. Since employees are hesitant to take time off, they have to submit receipts showing that the funds were spent on a vacation in order to be reimbursed.

While workaholic employees might sound good on paper, that’s not what smart companies want. Smart companies know that when employees take time off to recharge—especially when they have the freedom to take time when they need it—they come back even more creative and productive. Subsidizing that time off is money well spent.

Bringing It All Together

It’s sad that we’re still compensated according to an assembly-line mentality. We work from whenever and wherever necessary to get results, so it only makes sense that our compensation and benefits reflect that shift.
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Dr. Travis Bradberry is the award-winning coauthor of *Emotional Intelligence 2.0* and the cofounder of TalentSmart®, the world’s leading provider of emotional intelligence tests and training serving more than 75% of Fortune 500 companies. His bestselling books have been translated into 25 languages and are available in more than 150 countries.