

Trends in HR and Employee Benefits

Employers Try To Ease Workers' Commuting Pain

June 2008

With gasoline prices surging past \$4 per gallon, many employers are trying to help their employees cope with the rising cost of commuting to work. According to several recent news articles, a growing number of companies have undertaken a variety of initiatives to ease the commuting burden for employees. This bulletin touches briefly on recent news on this topic. **(Note: This information is taken mainly from secondary sources and is meant to be used only for informational purposes.)**

A Variety of Employer Responses

Employers are finding different ways to help employees hold down the cost of commuting. According to a recent survey conducted by the Society for Human Resource Management (SHRM), one-quarter (26%) of employers offer flexible work schedules, while 18% offer a telecommuting option.¹ Public transportation discounts are offered by 14% of surveyed employers.

Cash Subsidies Are Rare...

The SHRM survey revealed employers are generally using their benefit programs, not direct cash subsidies or increased pay, to assist employees. Only 2% of surveyed employers are helping by giving employees cash. A couple of those rare companies were highlighted in a recent *Wall Street Journal* article:²

- In St. Louis, one manufacturing firm is reimbursing workers' gas costs that exceed \$2.50 a gallon, based on a rate of 20 miles per gallon.
- A small Houston accounting firm has been adding \$50 a month to the paychecks of its employees, all of whom have no other means but to drive to work.

Creativity Is On the Rise

While the majority of companies aren't giving away cash to workers, some are coming up with ways both creative and generous to assist workers. A recent Forbes.com Workplace report described a couple of unusual ways that companies are trying to assist workers.³

- A few companies who have workers living closer to the office have been encouraging them to bike to work. For example, the New Belgium Brewing Company in Ft. Collins, Colorado provides employees with new bicycles on their one-year anniversary as an enticement to ride to work rather than drive. The company even provides showers for sweaty bikers arriving at the office each day.

(Interestingly, on May 21, 2008, the U.S. House of Representatives passed the Renewable Energy and Job Creation Act of 2008, which would provide for an employer-paid qualified bicycle commuting reimbursement fringe benefit as a qualified transportation fringe benefit.)

¹ "What Employers Are Doing to Help Their Employees with High Gas Prices in 2008," Society for Human Resource Management, June 2008.

² "Companies Help Employees Deal With Fuel Costs," *The Wall Street Journal*, Online Edition, May 20, 2008.

³ "Does Your Company Help You Commute?" Forbes.com, May 9, 2008.

- A very unique initiative, one which is perhaps among the most generous offered by any company, is as follows: in return for allowing them to completely wrap a qualifying employee's car with the company's logo, the career search Web site Jobing.com will pay for 100% of the employee's gas. In addition, the company will pay the employee a \$500 stipend each month. The company has a list of approved cars that employees can choose to buy or lease. But even after the car is paid off, the company will continue to pay the \$500 benefit.
- One company with a household name—Microsoft Corp.—provides a company-sponsored bus.² In September 2007, Microsoft Corp. began offering a bus system called the Connector, with five routes that service about 3,700 employees and run as far as 21 miles from the company's headquarters. Since then, it has added another 11 routes servicing an additional 2,300 people.
- The Principal Financial Group also arranges free bus rides with the local transit authority for its employees.⁴

Alternative Work Arrangements

Instead of focusing on how to get them to work, some employers are making it easier for employees to work at home or to work a full schedule in fewer days. According to Hewitt's 2007-2008 survey of *Salaried Employee Benefits Provided by Major U.S. Employers*, 88% of employers (869 employers) report that they offer alternative work arrangements. Of this group:

- 38% of employers indicate that they allow employees to telecommute; and
- 27% offer compressed work schedules.

Furthermore, in another recent Hewitt survey of 90 U.S. employers focused on telecommuting, the majority said that the benefits of allowing employees to telecommute outweigh the costs.⁵ While telecommuting can cut costs for employees by reducing the number of commutes each week, companies also can benefit by reducing their real estate costs when such programs are implemented on a large scale.

One successful example of a large-scale telecommuting policy is the Open Work program at Sun Microsystems.⁴ Over half (54%) of the employees take advantage of the Open Work program. Established ten years ago, employees save an average of \$2,000 per year on gasoline costs.

Shortening the workweek is also an effective way to help employees save on the cost of commuting, as well as reducing the stress levels associated with driving. For example:

- At Kent State University in Ohio, 78 of 94 custodial staffers took up the university's offer to work four 10-hour days instead of five 8-hour days.⁶
- In Oklahoma, a state legislative proposal is pending that would encourage state agencies to allow a four-day workweek.⁶
- Riverside County, California has expanded its alternative-schedules program to more of its 19,000 employees in an effort to get them either to work a four-day, 10-hour-a-day workweek or to telecommute.⁷
- Consulting firm State Tax Advisors of Kingwood, Texas recently instituted a 9/80 work schedule under which employees work 80 hours in nine days and get every other Friday off.⁸

⁴ "Companies Help Workers Cope With Gas Price Spike," CNBC.com, May 29, 2008.

⁵ [Timely Topics Survey Report: About Flexible Working Arrangements](#), Hewitt Associates, February 2008.

⁶ "Thank God It's Thursday? Employers Turn to Four-Day Work Week to Save Gas," FinancialWeek.com, May 30, 2008.

⁷ "Alternative Workweek Touted; Saving Gas: Riverside County Will Let More Employees Telecommute or Work Four 10-Hour Days," *The Press Enterprise*, June 11, 2008.

Commuter Benefit Programs

Where mass transit options are available to employees, some companies have adopted tax-free commuter fringe benefit programs. Commuter benefits allow an employee to pay for his or her commute with pretax dollars—up to \$115 a month for transit expenses, whether the commute is by bus, train, subway, ferry, or van-pooling, and up to \$220 a month for commuter-related parking costs. Employers also benefit through the program by reducing payroll taxes.

Despite the potential savings to both employer and employee, companies have apparently been slow to adopt such benefits. A survey of 1,048 employees sponsored by the TransitCenter, a nonprofit organization specializing in tax-free commuter benefits, revealed that 60% of respondents reported their employers do not offer tax-free commuter benefits.⁹ In companies that offer the benefit, 62% of employees participate. In companies that do not offer the benefit, 53% of respondents said they would participate in a program if their company offered it.

Commuter Stress—Beyond Dollars and Cents

Several recent studies seem to suggest that employees' growing anxiety over rising gas prices could have a negative effect on their morale at work. For example:

- A survey of 800 employees conducted this spring by Wayne Hochwarter, professor of management at Florida State University's College of Business, revealed that high gas prices lead to more stress on the job and affect employee performance.¹⁰ In fact, one-third of the respondents said they would quit their job for a similar job closer to home.
- In another survey by outplacement consulting firm Challenger, Gray & Christmas, 34% of employers said they had candidates turn down jobs because of potentially long commutes.¹⁰

The general frustration with commuting—including increased travel times, as well as higher fuel costs—is reflected in the IBM Commuter Pain survey, released on May 30, 2008.¹¹ The survey was conducted among 4,000 drivers in ten U.S. cities by IBM's Institute for Electronic Government. Among the key findings:

- 63% say that traffic has gotten worse over the last three years, with 24% saying it is much worse.
- 19% say traffic has negatively affected their work or school performance.
- 45% report increased stress and 28% report increased anger.
- 46% will reconsider driving altogether if gas prices near \$4.50.

"Traffic is choking our cities and our economy, causing a significant drag on productivity and reduced quality of life," said John Nyland, Managing Partner, IBM Public Sector, in the survey report press release.

⁸ "Companies Help Workers Put Brakes on Costly Commutes; New Shifts, Work From Home Saving Gas, Easing Stress," *The Houston Chronicle*, June 12, 2008.

⁹ "The Impact of Commuting On Employees," sponsored by the TransitCenter and conducted by BusinessWeek Research Services, February 2008.

¹⁰ "Company Programs Help Workers Save on Gas," *The Wall Street Journal*, Online Edition, May 30, 2008.

¹¹ "Feeling the Pain: The Impact of Traffic Congestion on Commuters," Institute for Electronic Government, IBM Corporation, May 30, 2008.

Looking Ahead

Unfortunately, it doesn't appear that the days of \$2 per gallon gas are going to return anytime soon. In fact, during congressional testimony on June 11, Guy Caruso, chief administrator of the Energy Information Administration (an agency of the U.S. Department of Energy), said that prices will likely remain at the \$4 per gallon level for most of the year.¹² In addition, Goldman Sachs estimates that gas could even reach \$5 per gallon in certain economic situations.¹³

However, a bright spot in this grim economic picture is the fact that many employers are making efforts to ease their workers' commuting burdens. Employers that haven't addressed this difficult issue yet would be wise to do so—this could be an opportune time for them to build goodwill with their employees. Struggling workers who see that their employers are trying to help—whether it be in the form of transit subsidies or merely dusting off the firm's policy on alternative work arrangements—will likely be appreciative and more mindful of their employers' commitment to retaining them.

¹² "U.S.: Gas to Peak at \$4.15 a Gallon But Stay High," *Associated Press*, June 11, 2008.

¹³ "Gas Prices Could Top \$5 A Gallon In Bad Economy," *CBS2Chicago.com*, May 8, 2008.