mBurse

DATA SHEET

Car Allowance Survey 2017

Compare your policies with the results to find out if you're leading the way or lagging behind.

At mBurse, we believe that data should drive decision-making, not prior assumptions or the way a company has "always done things."

Car Allowance Survey Data

Every year, we survey companies across the country about their car allowance policies and compare them with the data-driven best practices we have discovered over the years. Every year's results are illuminating, and 2017 is no exception.

Our survey data represents the anonymous responses of 100 HR managers from a range of companies. Their number of employees ranged from 100 to 1,500, and they covered a variety of sectors: technology (18%), manufacturing (19%), food and beverage (27%), medical devices and pharmaceuticals (21%), professional services (6%), other (14%). Our questions pertained to car allowances paid out to offset the driving costs of sales and operational employees that drove personal vehicles for work purposes.

AT A GLANCE

We surveyed 100 HR managers from a wide range of companies that offer a car allowance.

Respondents answered eight multiple-choice questions anonymously and gave us some great data on the reality of car allowances in 2017.

The results indicate that most companies overlook car allowances as a business tool—nearly 80% had not reviewed their allowance amount in the last 10 years, and fewer than a quarter could say with confidence that their employees were happy with their allowance.

mBurse uses a data- driven approach to enable organizations to evaluate and improve their car allowance policies.

Contact mBurse for your free car allowance benchmarking report.

Top Finding:
Look Who's Asleep at the Wheel

The first thing that stood out to us was the relative lack of importance companies placed on their car allowance. Only 7% had performed a review of their allowance amount in the last three years. The vast majority had not reviewed their allowance for many years: 77% selected 10+ years and an additional 12% selected 7-9 years. In other words, nearly 9 out of 10 companies have ignored their allowance amount year after year.

We also noticed the striking lack of data that informed decisions about the allowance amount. Only one-third of respondents indicated an in-house process such as a data model for determining the amount of the allowance, and many of these used a step program based on such factors as tenure and role, not on data that reflected the actual needs of employees. Amazingly, 21% selected "Random amount," 14% had no idea what the number was based on, and 31% simply used the amount of a competitor (who likely had not based their amount on data, either). Only 23% could say for sure that their employees were happy with their allowance. Over half had never checked, and 26% had received complaints in the previous two years.

Only 7%

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Just 1 in 3

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Further Findings: Car Allowances are Underutilized and Misunderstood

Our survey results also indicated that the majority of businesses that pay car allowances may be misusing them. We asked respondents whether their company pays a single, flat allowance or different amounts to different employees. It turns out that 58% pay the same exact amount to all employees. Best practice, however, requires that the allowance address the needs of all employees equitably, and a flat rate cannot do this.

Here's why: different employees experience different costs. Variations in territory sizes mean variations in mileage. Gas prices, car insurance premiums, and registration fees also vary by locality, so companies with locations in multiple states may be shortchanging some employees and overpaying others. This inequity can result in underpaid (and unhappy) employees driving less than they should in order to save money.

Some employers try to address the variations in driving costs by adding a fuel card or mileage reimbursement into the mix. According to our survey data, 27% percent use this combination approach. However, this strategy can bring other costly problems, such as employees "driving for dollars" when sales are flat or failing to clearly differentiate between business miles and personal miles (or fuel purchases).

A final indicator that companies underestimate the power of a data-driven car allowance policy is the fact that 87% pay out the allowance as taxable income. This is likely because it seems simpler and easier not to substantiate business usage and thereby render the allowance non-taxable. But tools exist that can quickly and easily track business mileage, allowing employees to save money in taxes—plus, the employer gets to deduct non-taxable car allowances. This is a win-win situation that can turn an car reimbursement policy into powerful tool for attracting and retaining talent.

The bottom line: few companies have discovered the power of a data-driven car allowance—one that promotes equity, addresses individual employees' needs, and avoids tax waste. Contact mBurse today to join the growing number of organizations that recognize the vital importance of basing car allowances on real data.

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