Company Car and Vehicle Allowances 2008

A Survey Brief by WorldatWork November 2008



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About WorldatWork®

The Total Rewards Association

WorldatWork (www.worldatwork.org) is a global human resources association focused on compensation, benefits, work-life and integrated total rewards to attract, motivate and retain a talented workforce. Founded in 1955, WorldatWork provides a network of more than 30,000 members and professionals in 75 countries with training, certification, research, conferences and community. It has offices in Scottsdale, Arizona, and Washington, D.C.

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Introduction and Methodology

As the world economy weakens and money becomes tight, companies are continuously searching for creative ways to contain budgets and lower operating costs. Furthermore, as businesses struggle to find the right balance between costs savings and attracting and retaining key talent, rewards packages are being constantly evaluated.

While company car and car allowance programs continue to be prevalent, especially for executives and sales employees, worries about high fuel prices have significantly influenced many companies to redesign these programs making them less generous to employees. Companies are keeping attraction and retention in mind as they adjust their programs realizing that an individual seeking a field sales job, for example, will expect a company car or car allowance program that protects their earnings from high fuel costs associated with business travel.

This report summarizes the results of a survey conducted in July 2008 by WorldatWork to gather information about car/vehicle benefit policies and practices. The survey instrument was sent electronically to a representative random sample of 4,424 WorldatWork members to gather information about car and vehicle benefit policies and practices. A total of 570 members participated in this survey during a two-week period, generating a 13 percent response rate.

The demographic profile of survey respondents is representative and similar to that of the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America. Ninety-five percent of the *Fortune* 1000 companies have at least one employee who is a member of WorldatWork. More detail regarding respondent demographics can be found in the Demographics section at the end of this report. (*See Figures 9-11*.)

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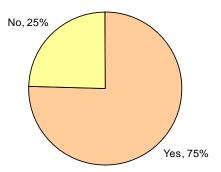
Summary of Key Findings

- Three-fourths (75 percent) of respondent organizations offer either a car allowance or company car benefit to at least some employees. (See Figure 1.)
- The most common car-related benefits are vehicle allowances and fuel or mileage reimbursement programs (76 and 74 percent, respectively). (See Figure 2.)
- Eligibility for a car allowance or use of a company car is concentrated among executives and sales employees, but 27 percent of companies have expanded criteria to include any employee with a bona-fide business need. (See Figure 3.)
- Sixty percent of organizations vary the amount of benefits offered through a car allowance or company car program(s) by employee level. (See Figure 4.)
- The majority of the organizations (72 percent) do not allow eligible employees to choose between vehicle allowance and a company car. (See Figure 5.)
- When an employee selects a car below the value of the allowance, most companies (82 percent) will not refund the employee in cash. (See Figure 6.)
- The median car allowance benefit is \$842, \$675 and \$500 for the highest, middle and lowest eligibility groups, respectively. (*Figure 7.*)
- Record-high fuel prices have caused 68 percent of the surveyed organizations to make their car benefits program(s) less generous to employees. The most common change has been to limit car options and/or models, followed by restricting the use of cars to fewer positions. (Figure 8.)

Detailed Survey Results

Figure 1: Prevalence of Company Car or Car Allowance Benefits

Does your organization currently offer either a car allowance or company car benefit to any employee or group of employees? (n=551)



Most of the 25 percent who do not currently offer either type of program (89 percent) have not had the program in place within the last years. The remaining 11 percent of those companies however, indicated that they did have a car or allowance program but eliminated it within the last three years usually due to high administration and/or operating costs.

Figure 2: Types of Program(s) Offered

Please indicate the type of vehicle-related benefit program(s) that your organization currently offers. (n=416)

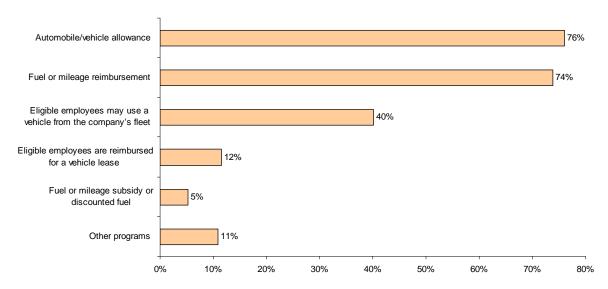


Figure 3: Program Eligibility

Which of the following groups is eligible for your organization's car allowance or company car program? (n=416)

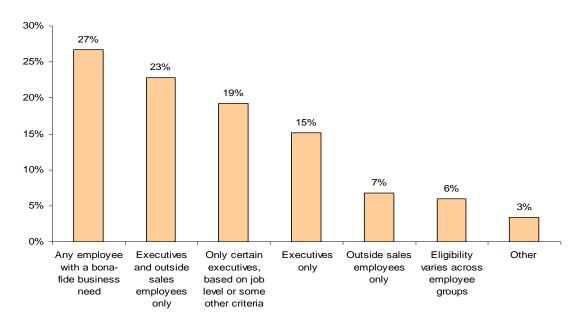


Figure 4: Benefit Variance

Does the amount of benefit offered through the car allowance or company car program vary by employee level? In other words, do certain positions receive more benefit than other positions? (n=406)

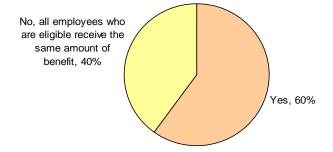
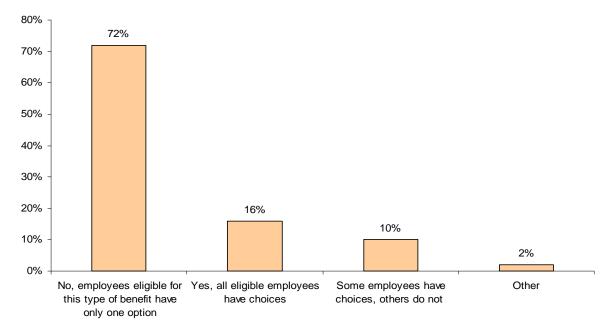


Figure 5: Degree of Choice

Does your organization allow eligible employees to choose between automobile allowance and a company car and/or other options? (n=414)



A total of 12 percent selected "some employees have choices, others do not" and "other." Openended responses reflected that the majority of eligible employees who have a choice between a car allowance and a vehicle are executives while those who either use a vehicle from the fleet or a leased vehicle are sales and other eligible employees such as field personnel and branch managers. Respondents also indicated that choices may vary depending on the employee's position or job level and on their expatriate's status or country policies.

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Figure 6: Refunds on Allowances

If an employee chooses a vehicle that is below the allowance limit, is the employee eligible to receive the difference as cash compensation? (n=404)

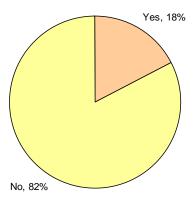


Figure 7: Monthly Car Allowance Amounts

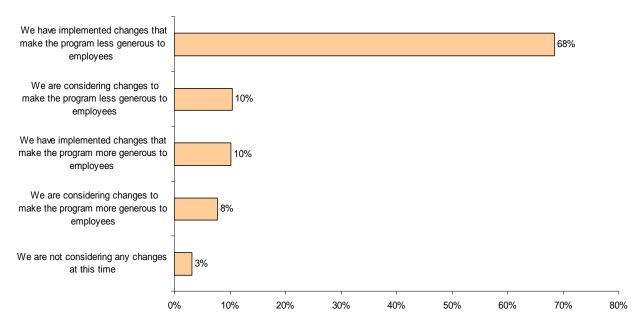
If your organization has a car allowance program, please indicate the monthly allowance amount by eligibility level.

			Frequency of Responses				
Eligibility Level	Median	Most Common Responses	\$1-\$499	\$500-\$999	\$1,000- \$1,499	\$1,500- \$1,999	\$2,000+
Highest eligibility level or only level if one exists (n=238)	\$842	\$500 (8%), \$750 (8%), \$1,000 (8%)	9%	48%	24%	11%	8%
Mid or median eligibility level (n=136)	\$675	\$500 (12%)	18%	62%	11%	2%	7%
Lowest eligibility level (n=150)	\$500	\$500 (13%)	43%	47%	3%	0%	7%

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Figure 8: Impact of Fuel Costs

Have fuel costs caused your organization to either consider or actually make changes to your vehicle allowance/company car program(s)? (n=412)



The most significant change among companies that have made programs less generous to employees is the implementation of restrictions on car options or models, followed by the use of cars for fewer positions and the cash amount of allowances and reimbursements. For those companies who are just considering changes, the most common consideration is to reduce the number of company owned vehicles.

Companies that have implemented changes to make the program more generous to employees have increased the mileage rate, reimbursements and/or car allowances. Most companies considering more generous changes are reviewing and analyzing their programs, but some plan to actually increase car allowances and reimbursements and to adjust rates according to IRS guidelines.

Demographics

Figure 9: Organization Size

Please choose the total number of full-time employees (FTEs) your organization employs worldwide. (n=417)

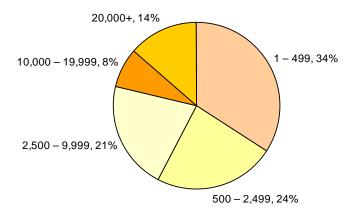
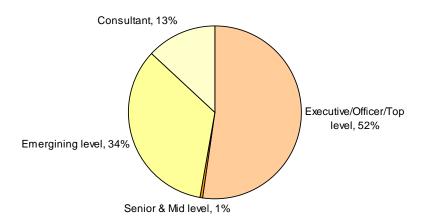


Figure 10: Responsibility Level

Please choose one category that best describes your responsibility level within the organization. (n=535)



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Figure 11: Industry

Please choose one category that best describes the industry in which your current organization operates. (n=399)

Consumer Goods & Manufacturing	21%
Finance & Insurance	17%
Consulting, Professional, Scientific & Technical Services	14%
Health Care & Social Assistance	6%
Utilities, Oil & Gas	6%
Retail Trade	5%
Information (includes Publishing -Electronic and Print, IT, etc.)	4%
Wholesale Trade	3%
Real Estate & Rental & Leasing	3%
Educational Services	3%
Public Administration & Government	2%
Accommodations/Hospitality, Food & Beverage Services	2%
High Tech	2%
Arts, Entertainment & Recreation	2%
Transportation & Warehousing	2%
Construction	2%
Mining	2%
Nonprofit (Includes Member Association)	2%
Pharmaceutical & Biotechnology	1%
Telecommunications	1%
Aviation, Aerospace & Defense	1%
Marketing & Media	1%
Administrative & Support, Waste Management & Remediation Services	1%
Agriculture, Forestry, Fishing & Hunting	1%
Other Not Identified Above	5%