

Designing a commuter benefits program for today's modern workplace

Simplifying benefits for everyone.



Introduction

For many Americans, the commute to the office is when the real work begins. And that commute gets longer and longer every year. In 2018, the average one-way work commute was nearly 27 minutes.¹

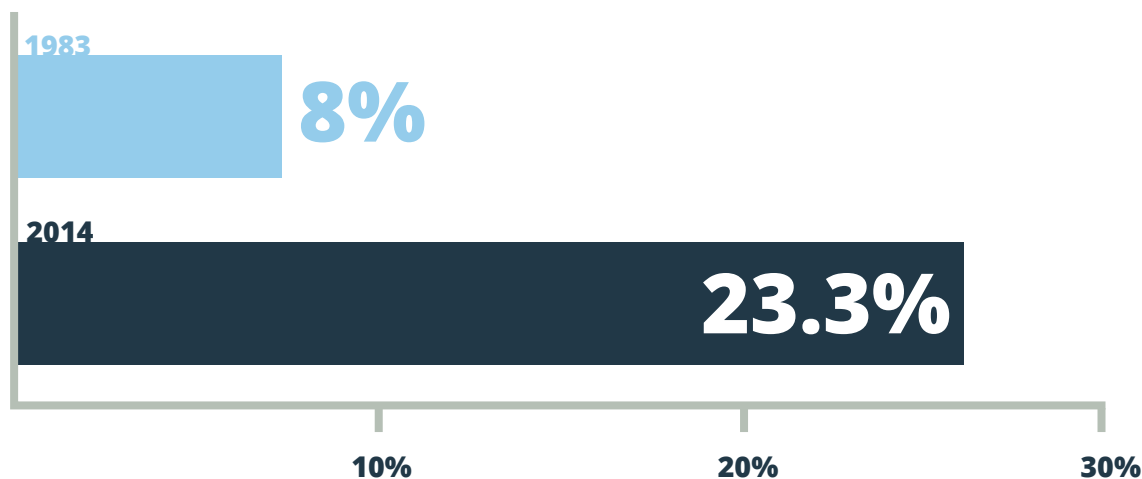
That's taking a toll on your employees. A recent study shows the more time someone spends driving to work, the unhappier they are.² That's one reason many Americans, especially millennials, don't drive at all.

You can offset stress and costs affiliated with your employees' commute by providing financial incentives through a commuter benefits plan.

These benefits encourage healthier, stressrelieving habits and go a long way in helping with recruitment and retention in your workplace, which takes on greater importance when you consider recent record-low unemployment numbers.

Commuter benefits encourage your employees to ditch the tiring task of driving to and from work every day while providing them with flexible ways to save money through pre-tax dollars. And these pre-tax benefits help your business reduce its payroll tax burden. This white paper outlines what commuter benefits are, how they'll improve your employees' lives and what questions you should ask yourself when building your commuter program.

Percentage Of Americans Between 20 And 24 Years Old Who Don't Have Driver's Licenses



1 <https://www.washingtonpost.com/business/2019/10/07/nine-days-road-average-commute-time-reached-new-record-last-year/>

2 <https://www.healthline.com/health-news/why-public-transit-is-better-than-driving-022315>

3 <https://www.usatoday.com/story/money/cars/2016/01/19/drivers-licenses-uber-lyft/78994526/>

Understanding the modern work commute

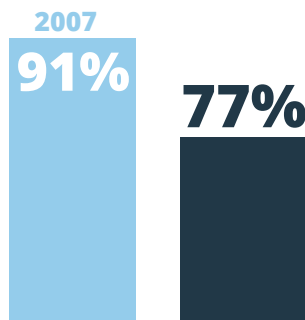
Expanded public transit. The rise of ride-sharing. Increased traffic congestion. The work commute has transformed in recent years, as lawmakers and civic officials grapple with how to effectively keep people moving through their ever-growing cities.

New York City, Washington, D.C. and Seattle are among cities that have enacted laws and ordinances requiring employers of a certain size to offer commuter benefits to their employees. A number of major cities are also considering or have implemented congestion pricing, which charges drivers a fee for driving in highly congested areas.

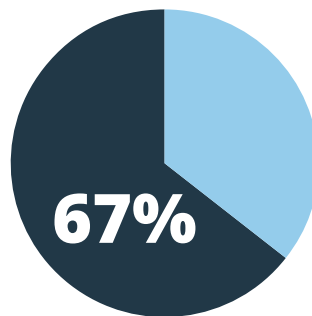
Employees have embraced these changes, and employers should take note. Over two-thirds of millennials use multiple modes of transportation to reach their destination several times per week. And 42 percent say their use of multiple modes of transportation is increasing.⁴

These are significant changes because millennials now make up the greatest portion (35%) of the U.S. labor force.⁵ And their transportation habits are having greater influence. It's not surprising that public transportation ridership has increased 21 percent since 1997 (outpacing U.S. population growth during that span).⁶

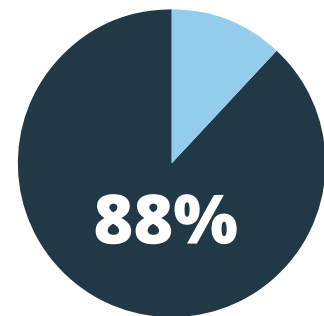
More About The Modern Commuter



77% of Americans get to work via a car.
That's down from 91% in 2007.⁷



67% of millennials say they own a car because they need one, not because they enjoy having one.⁸



88% of millennials say the length of their work commute is important to them.⁹

4 <https://www.apta.com/wp-content/uploads/Resources/resources/reportsandpublications/Documents/APTA-Transformation-of-the-American-Commuter.pdf>

5 <https://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/>

6 <https://www.apta.com/news-publications/public-transportation-facts/>

7 <https://news.gallup.com/poll/241805/commuters-work-without-cars-past.aspx>

8, 9 <https://www.apta.com/wp-content/uploads/Resources/resources/reportsandpublications/Documents/APTA-Transformation-of-the-American-Commuter.pdf>

How commuter benefits help

Commuter benefits allow employees to set aside pre-tax dollars to pay for expenses related to commuting to and from work. These plans let them save 40 percent or more on their monthly commuting costs.

Expenses eligible for commuter benefits are:



Mass Transit

Commuter benefits can be used for expenses incurred for a pass, fare card, voucher or similar item for transportation on mass transit. Mass transit examples include train, bus and subway.



Vanpooling

Funds can be used for expenses incurred in a commuter highway vehicle, which is defined as any vehicle that seats at least six adults, not including the driver. At least 80 percent of the mileage in the vehicle must be used for the purpose of transporting employees to and from work, and the number of employees is on average at least half of the adult seating capacity of the vehicle. Lyft Shared and uberPOOL comply with IRS vanpooling regulations.



Parking

Eligible parking expenses include amounts paid for parking of your vehicle at or near work or at a location used to commute to work (such as a park-and-ride facility).



4 things to know about commuter benefits

1

Commuter Benefits Are A Monthly Benefit

2

Funds Roll Over From Month To Month

3

Unused Funds Are Forfeited
When An Employee Terminates

4

Most Commonly, Funds Are Available
To Participants As They're Contributed

How commuter benefits transform the work commute

By following a few simple steps, your employees are able to dramatically reduce – or even eliminate – the amount of time they spend behind the wheel commuting to and from work. And, by participating in a commuter benefits plan, they'll save money too.

Here are a couple examples:

Scenario One



Commuter drives personal car to work.



Commuter parks in ramp near work and uses benefits debit card to pay.



Commuter arrives at work.

Scenario Two



Commuter Contacts uberPOOL or Lyft Shared for ride to work.



Commuter uses benefits debit card to pay for expenses and gets ride to work.



Commuter arrives at work.

Scenario Three



Commuter drives personal car to bus/train station or parking lot.



Commuter parks car and gets on bus/train, using their benefits debit card to pay for both expenses.



Bus/train brings commuter to work.



Commuter arrives at work.

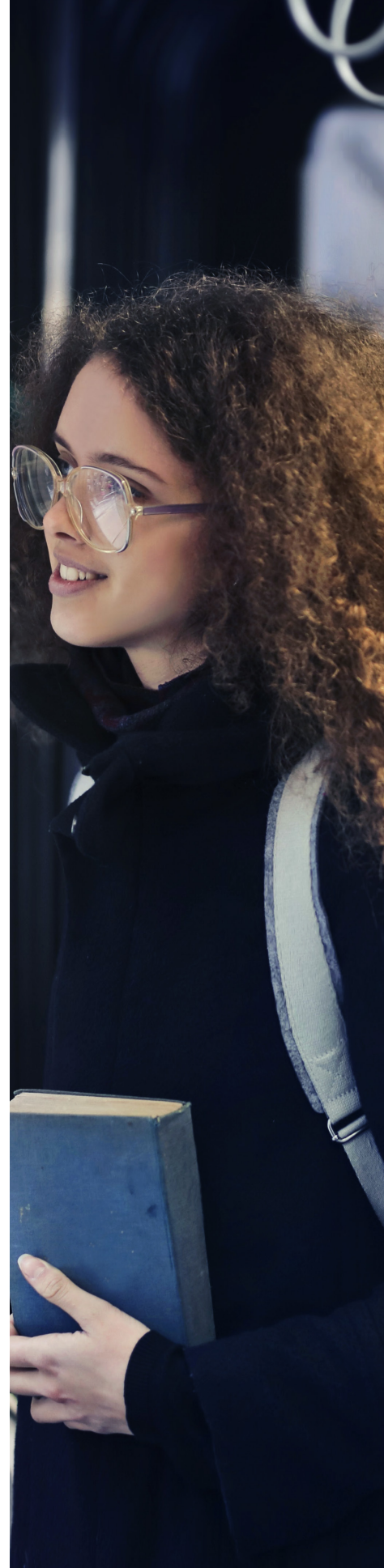
3 ways your employees benefit with commuter benefits

Healthier Results

Your employees' wellness affects their health — and your bottom line.¹⁰ A recent study found that unhealthy workers cost companies \$1.1 trillion in lost productivity annually.¹¹ And providing healthcare for obese employees costs \$12.7 billion due to increased costs in healthcare, sick leave, disability and life insurance.¹²

Commuter benefits can help. One study found that women who commuted to and from work “by any means other than a private vehicle” had a BMI 0.7 points lower and weighed more than five pounds less than women who drove to work. For men, the drop in BMI was 1.0 points, and they weighed nearly seven pounds less than their driving counterparts.¹³

After the city of Charlotte, North Carolina, installed a light-rail system, it was found that residents who used the light-rail system had a BMI that was 1.18 points less than those who didn't. And light-rail users in that city were also 81 percent less likely to be obese.¹⁴



¹⁰ <https://www.forbes.com/sites/kevinharrington/2015/05/13/corporate-wellness-health-wellness-and-an-improved-bottom-line/#ade2e7ae82bb>

¹¹ https://www.huffpost.com/entry/employee-wellness_b_3101223

¹² https://www.huffpost.com/entry/employee-wellness_b_3101223

¹³ <https://www.bmj.com/content/349/bmj.g4887>

¹⁴ <https://www.ajpmonline.org/article/S0749-3797%2810%2900297-7/abstract>



Reduced Stress

Employee stress can lead to long-term health issues, including heart disease, obesity, diabetes and depression.¹⁵ And stress can have more immediate and damaging effects on a business, leading to missed deadlines, employee turnover and damage to your company's image.¹⁶ Unfortunately, the drive to and from work can be a significant stress trigger.

Providing employees with pre-tax incentives to take mass transit or vanpooling can help reduce stress, which increases the productivity and effectiveness of your business. And the financial incentive and tax savings that come with commuter benefits also alleviate another important stress trigger, since nearly half of employees say financial stress has caused them to miss work or has reduced their productivity.¹⁷



Less Time Driving

There's never enough time in the workday. The average American works somewhere between 44 hours and 47 hours every week.¹⁸ One-third of employees work more than 50 hours per week and that doesn't include the time spent driving to and from work.¹⁹ These time commitments are threatening employees' abilities to maintain a healthy work-life balance and can lead to employee burnout.

Encouraging employees to take mass transit or vanpooling helps them avoid the negative effects driving can have on their brain and mental wellbeing.²⁰ When they're riding instead of driving, they can also spend time on other things, whether it's catching up on personal emails, listening to a meditation, or starting their day with a favorite podcast or music. This may put them in a better state of mind entering and leaving work.

¹⁵ <https://www.webmd.com/balance/stress-management/features/10-fixable-stress-related-health-problems#1>

¹⁶ <https://www.bizjournals.com/bizjournals/how-to/growth-strategies/2017/10/how-anxiety-hurts-workplace-productivity.html>

¹⁷ <https://www.pwc.com/us/en/private-company-services/publications/assets/pwc-financial-stress-and-bottom-line.pdf>

¹⁸ <https://www.cnn.com/2017/05/03/how-the-8-hour-workday-changed-how-americans-work.html>

¹⁹ <https://www.themuse.com/advice/7-ways-to-always-leave-work-on-time>

²⁰ <https://www.webmd.com/balance/features/driving-is-hazardous-to-your-health#3>

4 ways employers benefit with commuter benefits

Save On FICA Taxes

Employers pay a 6.2 percent tax rate toward social security and 1.45 percent toward Medicare from each employee's gross pay. When employees contribute to a pre-tax benefits plan, such as commuter benefits, it reduces the employer's taxes.

In the below example, Employee A and Employee B each make \$50,000 per year. Employee A contributes \$265 per month in mass transit and \$265 per month in parking benefits to a commuter benefits plan, while Employee B doesn't participate. **See how much the employer saves on Employee A's taxes:**

	Employee A	Employee B
Annual salary	\$50,000	\$50,000
Mass transit + parking benefits annual contributions	\$6,360	\$0
Taxable salary	\$43,640	\$50,000
Your FICA tax responsibility	\$3,339	\$3,825
In This Scenario, You'll Save \$486 In FICA Taxes Per Employee Per Year		

Improve Sales By Showing You're Environmentally Aware

Increasingly, the term "ecofriendly" is becoming a key part of a company's profile. A recent study found that 87% of consumers have a more positive image of a company that supports social or environmental issues.²¹

²¹ <https://www.forbes.com/sites/forbesnycouncil/2018/11/21/do-customers-really-care-about-your-environmental-impact/#2ee729f2240d>



The same study also found that millennials are the most likely demographic to tell friends and family about a corporation's social responsibility. And 76 percent of Americans expect a company to support efforts to reduce climate change.²²

Transportation is the primary source of greenhouse gas emissions in the United States.²³ By offering commuter benefits, you're encouraging employees to develop environmentally friendly habits and showing your commitment to reducing pollution.



Attract And Retain The Best Talent

The amount of time employees spend traveling to and from work each day is a big reason why offering commuter benefits is one of the best ways to boost retention and attract the best employees. A recent report found that 86 percent of American workers consider commuter benefits to be "beneficial and useful."²⁴ And, as more cities implement congestion pricing, the drive to work will become even more costly. Commuter benefits will help them save money rather than pay more, and that's an attractive perk for all employees.



Provide A Unique, Comprehensive Benefits Offering

Commuter benefits is just one slice of the employee benefits pie. The single highest priority for employers over the next three years is to diversify or expand their benefits choices for their employees.²⁴ And that's even more important to your younger employees. According to a PWC survey, nearly half of millennials say they want more choice in their employee benefits. While health savings accounts (HSAs) and flexible spending accounts (FSAs) are more commonly included in an employee benefits package, offering commuter benefits allows you to separate your business from the competition and entice the best candidates.

²² <http://www.conecomm.com/research-blog/2017-csr-study>

²³ <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

²⁴ <https://www.bestworkplaces.org/pdf/workspan.pdf>

²⁵ <https://www.willistowerswatson.com/en-US/News/2019/06/employers-top-health-care-priority-offer-choice-and-decision-support-tools-to-meet-benefit-needs>

5 questions to ask when tailoring a commuter benefits plan to your needs

What commuting options are available and what do they cost?

Consider your office location(s) and what commuting options are available to employees. Are there mass transit options or parking garages nearby? Does your community offer a vanpool program or assistance in organizing vanpools? Or perhaps if commuting is very expensive in your region, do you want to allow employees to contribute post-tax funds to their commuter benefits account? Do you want to subsidize the cost for employees?

An experienced third-party administrator can navigate these questions and help you design a program that's streamlined for your employees and easy to use.

How will my employees access their benefits?

Purchases for mass transit and parking expenses are made a variety of ways across the country. Determine how your employees who are already using mass transit or vanpooling, currently pay for it. Do they make purchases online or through a mobile app? Do they set up an auto-load to their commuter smart card? An administrator with payment methods makes it easy for you to support the way your employees pay for their daily commute.

How will payroll deduction amounts and updates be handled?

Many employers use payroll vendors to communicate payroll deductions and updates to their third-party administrator. An administrator that has integrations in place to automate this process will help you save time and preserve data accuracy.

How will my employees enroll and update their elections?

There are a number of enrollment decisions you'll need to make when you offer commuter benefits. How often will your employees need to enroll? What platform will they use to enroll? How will enrollment updates be communicated to your third party administrator?

To create a seamless experience for you and your employees, choose an administrator that supports and is able to administer all of your plans. An administrator should also provide valuable insight to help you answer your enrollment questions.

How will my employees be educated about their benefits?

Education is critical in encouraging your employees to participate in commuter benefits plans. When evaluating administrators, determine what resources they have available for your employees to learn more about these plans. Resources could include handouts, videos, an online knowledgebase of articles and more.

How do participants spend their funds?

Depending on your area's public transit and your administrator, your employees should have flexible ways to spend their commuter benefits funds. **Some common options are:**



Benefits Debit Card



Direct Loading Of Funds Onto A Transit Authority's Smart Card



Pay The Provider

(For example, by sending a check for the expense)



Reimbursement Via Check Or Direct Deposit To The Employee

(Limited to parking benefit)

Conclusion

The effects of a physically healthy workforce with reduced stress are underlying, but focusing on improving their health produces results that are wide-ranging and affect businesses in a number of positive ways.

Providing commuter benefits as part of a comprehensive employee benefits package shows you care about your employees' physical, mental and financial wellbeing. That's important for the modern business, and it will become increasingly more important in the future. Millennials, in particular, want to work for businesses who care about and support them.²⁷ And it keeps you ahead of the commuting curve, since many cities are already mandating employers offer commuter benefits or are considering charging your employees fees to drive on congested streets.

Plus, by promoting transit, vanpooling and parking savings through commuter benefits, you're taking another important step in cultivating a happier, healthier and more productive workforce.



²⁷ <https://www.forbes.com/sites/sarahlandrum/2017/12/08/the-importance-of-working-for-a-boss-that-supports-you/#33950306486a>

About WEX

WEX, a leading financial technology service provider, simplifies payment solutions across continents and industries including fleet, corporate payments, and healthcare. WEX serves millions of companies worldwide and operates in more than 10 countries and in more than 20 currencies through more than 5,000 associates around the world. WEX has been publicly traded since 2005 and is listed on the New York Stock Exchange under the ticker symbol "WEX."

WEX's consumer-directed healthcare solutions — including health savings accounts (HSAs), flexible savings accounts (FSAs), health reimbursement accounts (HRAs), commuter benefits, COBRA and billing solutions — support third-party administrators, health plans, financial institutions, payroll companies, the public sector, and more. More than 500 entities partner with WEX and its best-in-class technology platform.

WEX enhances the ability of those we support to offer commuter benefits for their employees. Our one debit card, one mobile app and one online account solution makes it easy for participants to access and manage all of the accounts you're administering through WEX, including commuter benefits. The mobile app and online account put all of their funds easily within reach at their convenience. They can purchase transit passes, vanpooling services and parking passes with our benefits debit card. Plus, our Smart Commute program lets participants in select cities automatically load funds onto the transit smart cards they're already using for their daily commute. Employers can easily manage all of this through their online account to reduce paperwork and ensure employees are getting the most out of their plans.

Learn more at www.wexinc.com

Simplifying benefits for everyone.

