

Commuters: Complexity, Compliance, Cost, Cultural Aspects and the Shrinking Working Week

By Chris Debner, Chris Debner LLC
Posted November 2015



Commuters are on the rise is what several surveys are suggesting. I want to raise the question: **Are all the factors that come with Commuters fully considered** when offering this option in your suite of policies?

Experience shows that there are mainly five factors that have to be observed when it comes to using commuters, who return from the workplace to their home country and families for the weekend. Three of the four factors I want to refer to as hard factors, being simply **challenges that a company has to decide if it wants to deal with it for the benefit of having commuters** in their programme. The fourth and fifth one, culture and the shrinking working week are rather soft factors that tend to be often overseen.

Complexity

Complexity starts with the various forms of commuters. You might decide for a host-based commuter, who earns the local salary of its workplace location. Especially in a European context, he might be eligible to remain covered in his or her home country's social security. Here you have the issue of mixing the competitive gross salary of one country with the social security deductions of another country. And what you end up with is most likely a non-competitive net salary.

Do you choose a host-based approach with host social security, consider if the family at home would still be covered?

Another complexity appears when you use a home-based compensation build-up and look at a cost of living adjustment. Is a daily allowance for a short-term assignee the right thing (and would you pay on weekends, travel days), or a customised cost of living adjustment? Some commutes run for more than 12 months and some are even unlimited. Some are treated like short-term assignees and some like eternal business travellers.

Lastly, there is no standard in terms of the contractual relationship of the commuter. You have to consider immigration, social security and workplace guarantee when deciding on a contractual set-up that fits your needs.

Compliance

The tax situation tends to be more complex, because a commuter will likely end up filing several tax returns. This also influences the net pay (see complexity) and makes it necessary to find a system to ensure a fair net salary.

Foremost, it adds additional burden to achieve compliance. If you chose, as most companies do, to cover the tax compliance for commuters, you are ending up with an additional cost.

Some commuters tend to extend their weekend at home and work from home or in their local office. This has the potential to cause another headache, because this employee might create under certain circumstances, a permanent establishment for the company he is commuting to. Leading companies consider this and decide jointly with the tax function a set of do's and don'ts for the commuter to avoid these risks.

And lastly, especially in labour markets like Switzerland and the United Kingdom, where you have a lot of foreign hires, the employees themselves might decide to commute within Europe at their own expense. These stealth commuters, who are often unknown to HR or the mobility function, have the potential to cause compliance requirements for their employers in their home country. This form of commuter is certainly not very frequent and nothing that a company can forbid since it happens at the expense and time of the voluntary commuter. But it needs to identify these individuals and observe if they create a tax liability for the company in their home location.

Cost

The cost of commuters is often underestimated and the argument brought forward is that you can save money on all those expensive family related benefits you do not need for a commuter, such as bigger housing, relocation, spousal assistance and schooling. All these savings are only offset by the cost of the weekly travel is what I often hear on the market. I observed a case of a group relocation within Europe, where the company offered a commute for 6 months (to accommodate school year starts) to 150 employees. They made a cost estimate for the travel and realised at the end that they underestimated the commuting cost by a whopping 150%. When investigating the reasons behind that, it was foremost the frequent changes of booking and the underestimation of other related expenses (e.g. road transport, meal expenses). You might argue that they were not setting the rules right or simply made a wrong estimate. But to me it clearly showed the risk of underestimating the cost of a commuter.

Culture

Talking with many commuters, some experience it as a hardship to be separated from spouse and kids on a regular basis for 70% of their time, while others state that this causes no issue for them. These are certainly an individual's own characteristics that drive this. But as a company, I have to ask myself, if I really want to promote commuters as an alternative to a real assignment and incentivise the separation of a family. This is typically down to company culture to decide this.

At the same time, it is unlikely that a commuter will get a firm grasp of the host country culture, when his centre of vital interest is still at home with his family.

Another aspect is **if a commuter option is really there, who still wants to go on a short-time assignment?** And for the latter the argument that it is cheaper, as with a family is not valid. Often the benefits are very similar, it's just that the commuter has not 4 or 6 but 52 home leaves a year! This can become a hard sell for short- and long-term assignees working alongside a commuter.

Shrinking Working Week

Commuters are reported to show sometimes a so-called shrinking working week. Some fly in on a Monday midday or evening and leave on a Thursday night. They often claim the lower flight costs at these times. You might argue if the work gets done, this is no issue, but consider if your commuter works with teams, which he or she likely is, and how that might **influence the team performance**. It must be clear that as a company you cannot expect your employee to fly on a Sunday night and leave Saturday morning. So a company will in any case have to **bear some of the cost of unproductive travel time**.

Strategy and Bottom Line

Some might use commuters, because they **see no other choice to move someone** in a dual career situation where the partner might be unwilling to give up his or her career. Companies need to define their key challenges in mobility and then see if commuters are a viable strategy or if there are other options. The majority of companies I worked with do have a commuter policy in place (restricted to a maximum of 1 or 2 years), but this is not part of the official policy suite on the intranet. It is **used only on an exceptional basis and with a clear business case behind it**. This helps to minimise the numbers of commuters and **the challenges that come with it**. And if you have commuters, you may want to keep in mind or re-examine what you are doing in the light of the above challenging factors around commuters.