How employees feel about company expenses during COVID-19

59%

WOMEN

80%

MEN
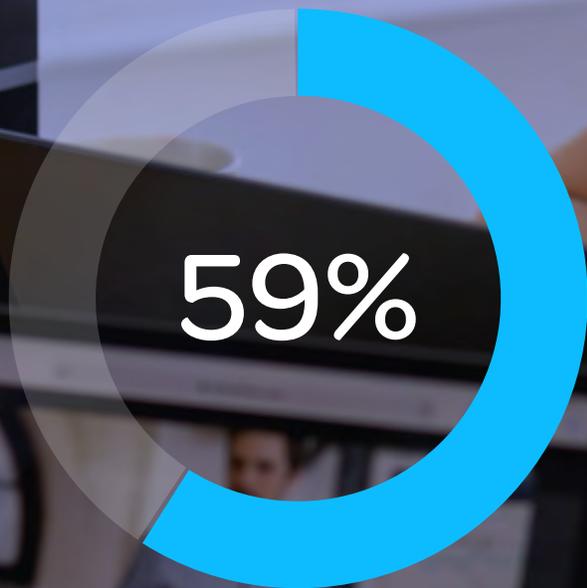
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Introduction

Throughout 2020, organizations have seen one of the most significant shifts in working habits since the advent of the Industrial Revolution. The COVID-19 pandemic brought about a seismic shift known simply as "working from home." To better understand these changes, during August of 2020, AppZen surveyed 1,000 participants from organizations with 250 or more employees and asked them a series of questions about how working from home has changed their expense claims. What we discovered was enlightening - not only a series of expected results, but clear indications of an unwelcome reinforcement of cultural bias.
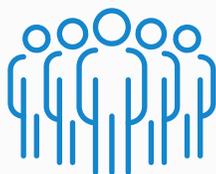
SAMPLE SIZE
n=1,000
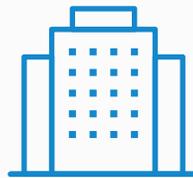
ORGANIZATION SIZE
250+

GEOGRAPHY
90% US
10% UK

The impact of expense policies

Q **Did your employer update their expense policy due to the coronavirus pandemic?**

Before COVID-19, sixty-nine percent of respondents regularly claimed expenses. During COVID-19, this has risen to seventy-five percent. There are clear reasons for this - anyone working from home may be entitled to claim at least their internet connection costs, and forty percent are doing so. The surprise, perhaps, is that the number claiming remote working expenses is not higher.

This discrepancy could be explained by organizations not updating their expense policies to allow this type of expense. Our research shows that only fifty-one percent of organizations updated their expense policies during 2020.

Employer updated expense policy due to COVID

Not sure
17%

51% Updated

31%

Not updated
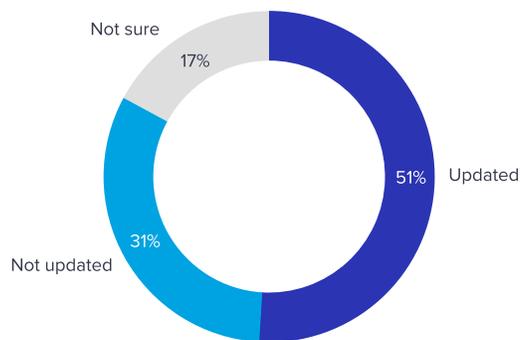
Only fifty-one percent of organizations updated their expense policies as a result of COVID.

Q How clear is the updated expense policy?
Do you know what types of expenses you can and cannot submit?

This lack of adaptability may be limiting the type of items employees can claim in many organizations, but it is also causing confusion and discontent among employees. Clear policies remove guesswork and extra steps, and lead to higher satisfaction ratings.

Almost all (ninety-two percent) employees working for organizations that pro-actively updated their expense policies to enable work from home said that the new policy was clear. This is in stark contrast to only sixty-two percent who felt the same working for businesses that did not refresh their policies.

Updated expense policy clarity

Policy is unclear
Unsure

5% 4%

92%   Policy is clear
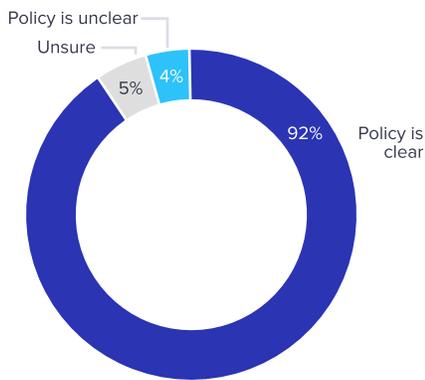
Unrefreshed expense policy clarity

Policy is unclear

Unsure

7%

28%   62%   Policy is clear
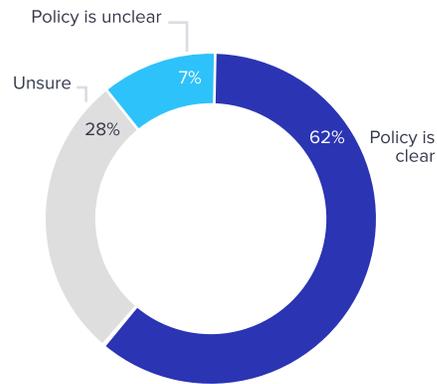
Failure to update expense policies led to employee confusion.

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Role-base bias

A nuance highlighted in the research is that C-suite and company executives are more likely than other employees to have company credit cards and expense accounts. Those with larger paychecks thus see no impact as a result of business-related charges.

Employees with corporate credit card or expense account privelages

Owner Partner	49%
C-Level	48%
Others	32%
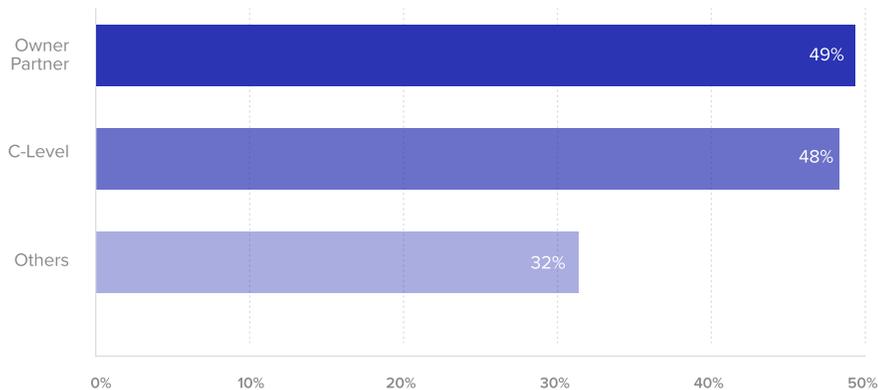
Owners and Senior execs used corporate cards and expense accounts.

Lower paid staff needed to use their own money.

On the other hand, those with lower incomes are expected to pay up front for business expenses and must wait to be reimbursed at the company's discretion. Because non-executive employees must use their own money, they have less in the bank to handle personal obligations. The financial impact is small if reimbursement is swift, but **in organizations where staff see frequent reimbursement issues, research shows that 71% of employees will likely begin looking for a new job.**[1]

This highlights the need for easy-to-use expense processing capabilities with rapid reimbursement at every company level.

[1] https://www.trinet.com/about-us/news-press/press-releases/survey-finds-three-out-of-five-business-travelers-had-problems-paying-a-personal-bill-due-to-expense-reimbursement-delays-by-employers

Expense-based gender gap?

We asked the respondents in our survey whether they felt fairly reimbursed for work from home-related expenses. The results were stark.

Employees who feel fairly compensated for work from home-related expenses

Women 59%   Men 80%
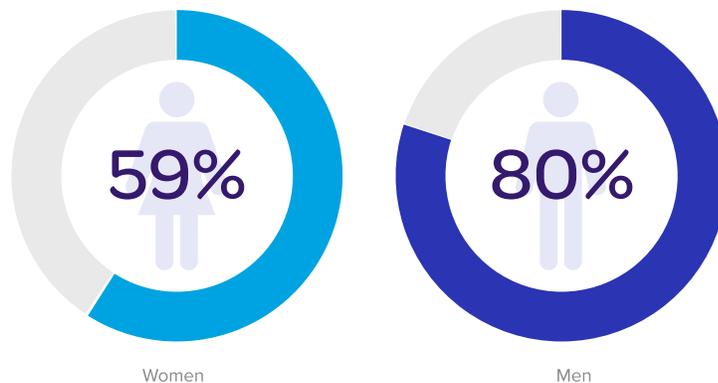
Women are less likely (59 percent) than men (80 percent) to feel fairly compensated while working from home. This is an interesting dynamic that could hide numerous underlying issues or simply be symptomatic of the increasing demand on women to handle unpaid, domestic tasks while also handling office work from home.

Without trying to impose gender stereotypes;

- Are women purchasing COVID-19-specific items such as protective facemasks, where men are not?
- Are men expensing gadgets such as new keyboards and monitors?
- Or is there something more systemic?

The data provided by this survey cannot answer these questions - it merely highlights the finding.

Expenses and compensation

The harmful effects of failing to update expense policies continued in other areas. Only twenty-nine percent of employees working with non-updated policies felt fairly compensated for their work from home expenses. As a result, the employee-employer relationship took a significant hit. On the contrary, for those organizations that did update their work from home policies, eighty-three percent of staff said they felt fairly compensated.

In addition, twenty-six percent of employees felt uncomfortable about claiming the new type of expenses. This again highlights the importance of proactive policy management during a crisis. Employee engagement is under fire from so many directions - the new working environment; isolation from friends, family, and colleagues; and the need to find a new work-life balance. Something as simple as proactively updating an expense policy to avoid adding to the disengagement should be a priority for enterprises.

29%

Employees who feel they are fairly compensated for new types of work from home expenses - such as childcare

26%

Employees who feel uncomfortable about claiming work from home expenses

Changing expense types

Since COVID-19 started, which of the following expenses related to working from home does your employer reimburse?

Work from home expenses that employers reimburse pre COVID vs during

	Before COVID-19	Since COVID-19
Internet	40	46
Additional computer screen/monitor	37	41
Comfortable working chair or desk	29	30
Utilities (electric, gas)	18	19
Lunches/food delivery	18	15
Childcare	11	11

0%   10%   20%   30%   40%   50%

■ Before COVID-19
■ Since COVID-19
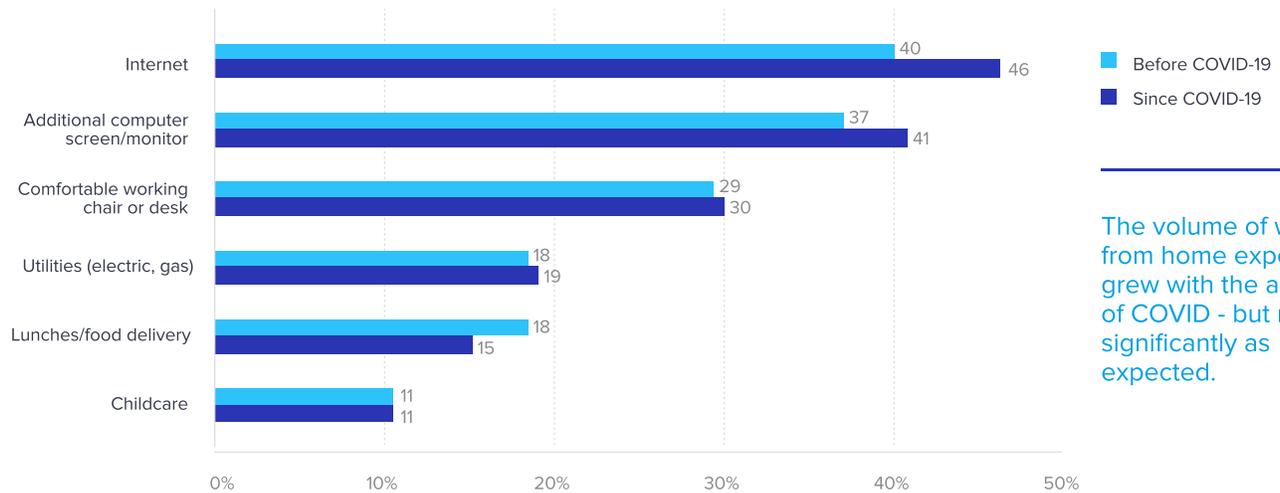
The volume of work from home expenses grew with the arrival of COVID - but not as significantly as expected.

Not surprisingly, the volume of work from home expenses grew with the arrival of COVID-19. What is surprising is that the growth was minimal - claims for internet usage at home rose a modest six percent. As mentioned previously, twenty-six percent of employees felt uncomfortable about claiming these new expenses at all, which may account for the minimal increases.

Of specific interest is the child care expense category. The research showed no increase in childcare claims, despite many schools being closed across the globe and many parents forced into home-schooling while also working from home. Indeed, only nineteen percent of respondents claimed that their employer fully considered childcare costs, though this could change the longer COVID-19 remains an issue.

Remote workers

Q **How has COVID-19 affected the way you work?**
Do you work from home?

Employees who work from home
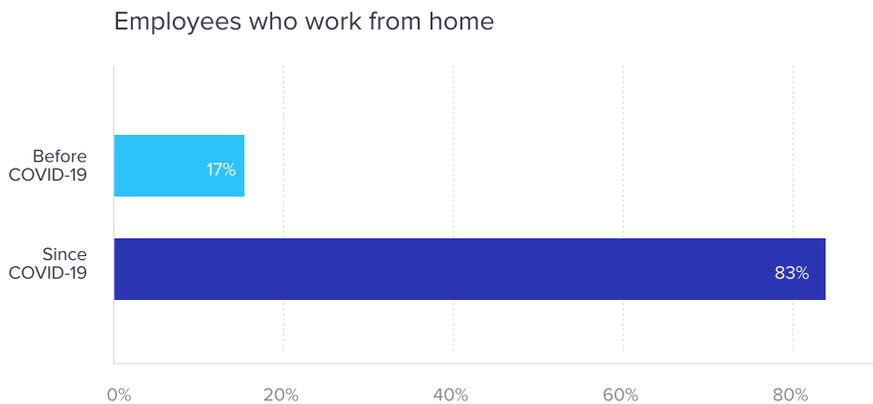
COVID has forced a drastic shift from office working to home working. Seventeen percent worked remotely before COVID, rising to eighty-three percent during COVID.

Our research shows the drastic shift from office work to working from home. Seventeen percent of our respondents worked remotely before COVID-19. That number rose to eighty-three percent during COVID-19.

Certain business roles were already remotely-enabled and partially working from home. For example, forty-two percent of business owners or business partners, and thirty-seven percent of sales managers, worked from home before the COVID-19 lockdown.

For organizations where this was the case, the transition to fully working from home was easier. Many of the senior leadership were able to shift without significant disruption. Those that were not in the same position had a more challenging transition.

Conclusions

We are all experiencing completely unforeseen changes to working habits in 2020. Yet, during this change, many established micro-themes remain within the workplace. The need for effective communication about updated policies, executives receiving preferential treatment, and a still-unbalanced dynamic between genders all remain consistent undertones to the new mode of work.

Using employee expenses as a lens for examining the changing workplace can help organizations focus on addressing these challenges. Will improving our spend management fix these issues? Probably not overnight - but Rome wasn't built in a day. Delivering efficiency, clarity, and parity across enterprise expense management can lay a foundation for employee satisfaction and pave the way for a more adaptable future.

Recommendations

Our research has highlighted some of the challenges faced by organizations during the COVID-19 pandemic. Most have resulted from a lack of action or, to be more precise, a lack of proactive steps to adapt to the changing situation. Below, we provide a series of best practice recommendations for organizations, to re-engage with their workforce and to build a modern, repeatable structure for managing expenses and change, moving forward.

1. **Embrace work from home expenses**
   As we have seen in this report, expense types have changed. Employees are not claiming classic travel and entertainment (T&E) expenses, but are claiming new types of work from home-related expenses. These include one-off items such as office chairs, external monitors, and desks; subscription costs, such as internet usage; and COVID-19-specific items like hand-sanitizer and face masks.

   Organizations need to adapt their expense policies quickly to embrace this changing environment. The new policies need to be clear, fair, and configured in a software system that can apply them the second they are activated.

2. **Ongoing review and adaptation of policies**
   Crises come and go, but we have learned from COVID-19 that the ability to adapt and roll out new policies quickly and dynamically is the cornerstone of resiliency.

   Best practice organizations will utilize their AI-enabled expense management platforms to automatically identify trends and changes in expense behavior, but all enterprises should create adaptive policy frameworks to ensure policies receive regular reviews.

   With new policies in place, organizations should proactively communicate the changes and why the changes have been made. The first time such a significant change is made, the communication should be as visible and personal as possible. Webinars or video meetings are ideal, in this situation.

   But communication should not stop after the initial flurry of activity. Reinforcement of the new policy rules and regulations is an essential tool for ensuring maximum understanding and compliance.

3. **Listen to employee concerns**

We see several unexpected nuances in the research. From a perception that senior executives are getting preferential treatment, to women feeling poorly compensated for work from home expenses, these nuances can only be truly understood by talking to staff.

CFOs understand the cost of perpetuating harmful industry and societal practices. This can cost the company valuable employees and put the company at risk of blowback. Through analytics and rapid adaptability, finance leaders are equipped to change these practices and improve the overall health of the business.

In addition, organizations should create a regular cadence for feedback from staff. This ongoing dialogue should be at least quarterly and involve both the finance team and leaders from within the business. By actively eliciting details of employee concerns, the organization can continually develop and refine policies that fairly compensate employees for out-of-pocket expenses.

Final Thoughts

Organizations need to develop an agile spend management mentality. Such agility will enable better employee engagement and provide maximum efficiency for the enterprise. Having the right IT systems to facilitate this agility is vital - capabilities to customize policy parameters, notify staff of changes, and automatically apply new policies to incoming expense claims are all necessary for the new environment. And these capabilities are all available - today.

Working in harmony, IT and the finance team can deliver a world-class expense management environment that is clear, fair, simple to use, pays employees quickly, and serves as a tool to strengthen the employer-employee relationship for years to come.

About AppZen

AppZen delivers the leading AI-driven platform for modern finance teams. The AppZen Platform is built on 7 years of learning from thousands of online sources, thousands of customers and billions of financial documents and transactions like invoices, contracts, expense and accounting data. Starting with business spend, we automate manual process, uncover problems and optimize decision making at scale for finance organizations around the globe, including one-third of the Fortune 500. The AppZen Platform combines patented computer vision, semantic analysis, and deep learning to understand financial transactions in business context and make decisions before those transactions happen. It is a must-have for CFOs and their teams to comply with policy and regulations, streamline process, and reduce spend.

Over 1,650 enterprises have standardized on AppZen, including four of the top five banks, four of the top ten media companies, four of the top ten pharmaceutical manufacturers, two of the top five aerospace companies, and six of the top ten software providers. Visit us at www.appzen.com and follow us on Twitter @AppZen

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