The (not so) hidden bias of corporate expense policies

As companies enhance other perks to confront the Great Resignation, it's time they also reform reimbursement policies that unfairly burden financially stressed workers.

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BY ERIC FRIEDRICHSEN

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Whether you call it the Great Resignation or rebrand it the Great Reprioritization, all signs point to a massive shift in workplace culture. Employees across industries and all levels of work are calling it quits. They're not ambiguous about their reasons for leaving, either. Many admit the pandemic was a wake-up call to seek out more supportive environments with better benefits, work-life balance, and culture.

This transformation has sent tremors through the job market. Scrambling to fill open positions, companies are rolling out an unprecedented array of perks, offering higher salaries, debt-free education benefits, and hiring and retention bonuses to lure in new workers.

These benefits are welcome improvements. But, as the CEO of an expense management platform, I'd argue that there's one element many companies are overlooking in their efforts to support the needs of today's diverse, modern employees—their expense policies.

EXPENSE POLICIES TAKE EMPLOYEES TIME, MONEY, AND IDENTITIES FOR GRANTED

Most expense policies require workers to make purchases out of pocket while letting the employer off the hook to pay them back any time up to several weeks later. I can't name another situation where asking an employee for an interest-free loan would be appropriate.

Placing the up-front burden of spend on employees isn't equitable given that many staff members experience financial or cash flow challenges on a regular basis. Some are in debt, and may now face special COVID-19-related expenses such as hospital bills, back rent, and more.

But current expense policies don't accommodate employees with poor financial health. If they have a low credit limit or a finite checking account, paying for big-ticket items like client dinners, flights, and hotel rooms might lead to financial hardship, cause an overdraft, or force them over their credit card limit—which can trigger extra fees, higher interest rates, and a blow to their credit score.

The long waiting period before getting reimbursed (most expense reports that are put through antiquated expense systems take more than a week to process, and 15% of companies take more than two weeks) is also based on the assumption that employees have ample funds to incur company-related expenses in advance. But as anyone on the adverse end of the massive American wealth gap will tell you, even one unexpected expense or late source of income can snowball into a real financial crisis—affecting their ability to pay bills on time, and ultimately negatively impacting their credit score.

There's partiality too, in which vendors and which expenses are eligible for reimbursement. Many policies direct employees to preferred hotel chains and airlines. If you're not going to give employees a choice, you need to check your vendors' politics. Consider adding a step in the RFP (request for proposal) process to research whether your potential partners are donating to causes or politicians that infringe on the rights of marginalized employees.

I'd also be remiss not to give credit to working mothers for calling out how expense policies fail to consider childcare a reimbursable expense because it's not tax deductible. I hear that—and I also believe gender bias is just the tip of the iceberg.

EXPENSE POLICIES REINFORCE EXISTING SOCIAL STRUCTURES

The standard corporate expense policy is designed with the most privileged members of society in mind, most of whom are men in their forties and fifties who are white, married, and financially comfortable.

Who does the policy fail to support? In particular, Americans who have less disposable income and lower credit limits, a high percentage of whom are Black, Indigenous, and people of color or millennials and Gen-Zers. There's also a remarkable disparity in credit limits. Across income levels, Black and Latinx households are almost twice as likely as white households to be denied credit or to be approved for stingy credit lines, according to a 2020 Federal Reserve survey.

Younger Americans are also trapped in a desperate cycle. Millennials in particular suffer from subprime credit scores, crippled by the $1.7-trillion student debt crisis. Those who have climbed out of debt (or experienced it secondhand from friends or family members) tend to be wary of incurring any more. This only hurts their ability to build credit.

If you haven't paid much attention to the financial situation of younger Americans, you need to start now. Millennials are very likely to be your next hires: They're the largest generation group in the U.S.

MAKE YOUR EXPENSE POLICIES MORE EQUITABLE

Rigid expense policies leave employees feeling like their time and money are disposable.


Eric Friedrichsen [Photo: courtesy of Emburse]

Be the company that supports the whole employee and plans for different levels of financial health. To establish a more flexible, equitable, and employee-centric policy, you can start by providing your team members with physical or virtual corporate cards as the de facto payment method. And this means all of them. The ones who are least likely to usually have a corporate card are also the ones who are most likely to need it.

You can customize these cards either with a corporate credit facility or with preloaded budgets. Spend policies can be configured at a very granular level to limit any concerns about uncontrolled spending. You can also pair them with an expense management automation solution to streamline the approval, issuance, and administration processes, speed up monthly reconciliation, and streamline third-party billing. You'll still be in control of expenses. You're just no longer forcing employees to pay with their own cards and then wait weeks to get reimbursed.

If you want to hire and retain strong talent in the midst of a global work-life reset, commit to honoring employees with diverse identities and financial-health backgrounds. They'll commit to you, too.