



*Uncomplicated  
Uncompromised  
Unparalleled*

## ***Maximizing Your Relocation Program to Ensure It Weathers Any Economic Climate***

Faced with a tough economic climate, companies today are forced to reevaluate virtually each and every policy and procedure to ensure they are minimizing costs while maximizing results. This white paper takes a look at a particular area of business that has fallen under the company microscope due to current real estate market conditions – relocation programs. It will closely examine the four factors that impact the effectiveness of a relocation program and provide guidance on how to align each factor to sustain any business climate and maximize your company's relocation program.

Now more than ever, it is critical that your domestic relocation program is designed to address the challenges presented by today's business environment. While the primary influences affecting a relocation program will fluctuate over time, there are four basic factors which directly impact the effectiveness of a program: real estate market conditions; employee/family resistance to move; talent recruitment and retention; and cost and budgetary pressures. The weight associated with each factor is often related to business objectives and company culture. Let's explore each of these factors more closely.

### **Real Estate Market Conditions**

#### ***Bleak, but not insurmountable***

Current real estate market conditions are playing havoc with the ability to effectively and efficiently relocate people. With home values dropping at a staggering rate and inventories increasing, companies and relocating families are faced with difficult decisions. Unfortunately, most housing forecasts for 2009 do not provide any relief. According to Housing Predictor ([www.housingpredictor.com](http://www.housingpredictor.com)):

- The fallout from the credit crisis will continue to affect real estate values coast-to-coast.
- Most markets throughout the country will sustain double-digit declines in housing values in 2009 as the credit crisis widens.
- Unemployment is expected to rise before it levels off.
- The epidemic of foreclosures is projected to continue.
- Those areas hit the hardest include metropolitan markets and areas close to major urban communities.

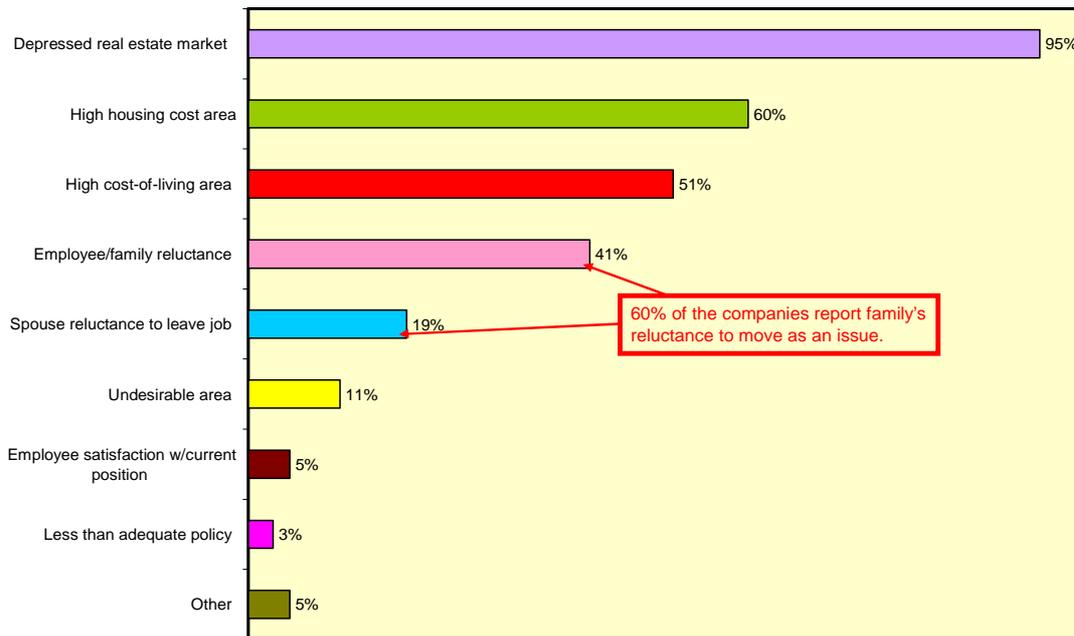
To address current real estate market conditions, companies need to adjust their homeowner policies accordingly. As indicated by the results of the *2008 Transfer Volume & Cost Survey* (see below) conducted by Worldwide ERC, the association for workforce mobility, companies have begun to make the necessary changes. Enhancing certain policy provisions can help to soften the blow of a depressed real estate market.

<b>Changes Companies Are Making to Homeowner Policies to Address Current Real Estate Market Conditions</b>	
<b>Type of Policy Change</b>	<b>% of Org. Reporting a Change</b>
Expend temporary living Period	37%
Added a requirement to homesale programs that employees list their homes within a certain percentage of the buyout offer (BVO or GBO)	27%
Added or enhanced homesale bonus incentives for employee generated sale (AV)	23%
Added or enhanced duplicate housing assistance	23%
Added or enhanced a guaranteed buyout provision	14%
Added a requirement that employees use selected real estate agents to market their homes	14%
Modified policy to provide loss-on-sale in greater dollar amounts	13%
Added or enhanced homesale incentives for buyers	13%
Modified policy to provide loss-on-sale assistance to more employees	11%
Limited the availability of guaranteed buyout to select employees	10%
Added loss-on-sale provision	10%
*Source: The Worldwide ERC 2008 Transfer Volume & Cost Survey	

**Employee/Family Resistance to Move**  
***New family dynamic increases reluctance to move***

Although reluctance to move has always been a factor companies have been faced with when offering an employee an opportunity that requires a physical move, an increasing number of employees are declining such opportunities. Unfortunately for the company, the employee who declines is often the best candidate for the job and, quite frequently, the hiring manager does not know the reason behind the decision. This is illustrated in the chart below also from the *Worldwide ERC 2008 Transfer Volume & Cost Survey*. As highlighted, 60 percent of companies surveyed reported that “Employee/Family reluctance” and “Spouse reluctance to leave job” were factors in the reluctance to relocate.

Chart 2 - Reluctance to Relocate



\*Source: The Worldwide ERC 2008 Transfer Volume & Cost Survey

What appears to be influencing the increasing number of declined transfers is the makeup of today's family unit. "The family unit and household have changed over the years, and that makes a difference in the way U.S. employers manage their relocation programs," said a Worldwide ERC Research and Education staffer. "The traditional family with a working father and stay-at-home mother now represents less than 13.5 percent of all households, it is common for both parents in a family to be working, and quality child care has become increasingly important. All of these factors draw attention to family issues for employers who need to maintain a mobile workforce."

According to the recently released *Family Issues* report from Worldwide ERC, employers estimate that 32 percent of their U.S. transferees in 2007 were women. The report includes information provided by corporate mobility professionals on key issues specific to the relocating family and offers data on transferee demographics; spouse and partner employment assistance; child-care, school-finding, and elder-care assistance; and commuter marriages. Other key findings of this report include:

- Six in 10 transferees have dependent children; nearly three-fourths are married.
- Forty percent (40%) of the responding companies have formal policies that provide employment assistance to the spouses of transferees.
- Nearly one-third of organizations offer assistance to domestic partners.
- Childcare assistance is provided by about 40% of employers.
- Almost half of the respondents provide school-finding assistance.
- Seventy-five percent (75%) of respondents currently do not offer any type of assistance for elder care; 17% have a formal policy and 7% offer on a case-by-case basis.
- Twenty-four percent (24%) of employers provide assistance to transferees with commuter marriage arrangements – 3% via formal policy; 21% on a case-by-case basis.

To combat the concerns around a family’s resistance to relocate, your policies must address the specific issues. Some areas to consider are as follows:

<b>Addressing Employee/Family Issues: Program and Policy Considerations</b>
Expand how “eligibility” is defined; for example, “family” means the employee and dependents or employee and all current, permanent household members.
Develop flexible policies that address the diverse needs of employees and their families.
Offer family support services before, during and after the move.
Provide destination services and settling-in services.
Support the family’s dual career concerns by offering partner career assistance.
Offer lifestyle/transition assistance and resources to accompanying partners and children.
Provide child and elder care programs and alternatives.
Help families get connected to others in the community and offer local support (company-sponsored events; interest groups).

## **Talent Recruitment and Retention**

### ***The war for talent... is it for real?***

It may be hard to believe there is a war for talent given the vast number of layoffs being reported on a daily basis, but recruitment and retention are the two strategies companies focus on to build solid businesses that generate both profit and good corporate reputations.

- Over the next several years, the U.S. Bureau of Labor Statistics reports Americans could see a situation in which jobs outnumber applicants by more than three million.
- Others report by 2010, the U.S. workforce will need nine (9) million more degree holders than will be available.
- Experts continue to debate the labor shortage projections and the impact of such a scenario, but in the meantime most companies don’t play games when it comes to recruitment and retention.
- Relocation policy can be an effective tool in the “War on Talent,” as well as employee-specific needs you might want to consider as your company develops its most effective strategy to attract, win, and retain the best possible employees.

For the first time in history, today’s workplace is comprised of employees representing four generations. They include Traditionalists (sometimes called veterans), Baby Boomers, Generation X, and Generation Y.

After Gen Xers arrived in the workplace, older professionals began to notice generational differences in a variety of areas, such as how an employee viewed his/her position and role, how employees communicated with one another, and even an employee's work ethic. With Gen Y/Gen Next on the scene, the contrast between more seasoned and younger employees is even greater. Companies that adopt a generational perspective of their employees can learn more about how to keep them productive and engaged, which can help improve long-term profitability and reduce turnover.

Employee retention is a top priority for many. Almost daily, news reports reveal the latest job cuts and rising unemployment rates in the U.S. While economists and news anchors highlight job loss concerns, many corporations across the nation – particularly large companies – express that they

are more concerned about how to reduce turnover in order to retain employees. A recent *TalentKeepers* survey revealed that 81% of HR executives from more than 600 U.S. organizations across all major industries listed employee retention as a key priority. An additional survey from *Deloitte* and the *International Society of Certified Employee Benefits Specialists* showed that employee retention has become the biggest challenge U.S. employers face, surpassing healthcare costs. The survey also stated that more than 413 HR professionals identified talent management as a top priority with plans to revamp rewards and benefits programs to better meet employee needs.

In a recent survey conducted by Runzheimer International, companies revealed they are considering alternatives such as enhancements to relocation policies, short term assignments and virtual employees in an effort to overcome recruitment and retention matters. As your company attempts to address the issue of recruiting and retaining talent, consider the following points:

<b>Addressing Talent Recruitment and Retention Issues: Things to Consider</b>
Satisfying work. A survey of 7,500 employees worldwide cited this factor as key for deciding to stay in a particular position ( <i>BlessingWhite, 2008</i> ).
Work-Life balance. Balancing work and life is a concern employees have cited for some time. Many organizations have implemented flexible schedules, on-site childcare centers, and similar resources to address this concern. ( <i>SHRM/Boston Consulting Group/The World Federation of Personnel Management Associates, 2008</i> ).
Understanding of their place in the company. When employees don't see how their assigned tasks affect an organization's success, don't believe they are doing meaningful work, see no job or career mobility or don't trust management, workforce disengagement results. ( <i>Chronicle Herald, 2008</i> )
Healthcare and other benefits. Enhanced and expanded benefits will help to engage employees more fully.
Communicate with your employees to identify their needs. Consider "Retention Interviews" which resemble exit interviews but are conducted before your employee finds a better offer somewhere else.
Relocation Programs need to support your business and growth strategies. Regularly conduct a complete policy review to determine what's working and what's not.

## **Cost and Budgetary Pressures**

### ***Enhancements and lower costs – can it be done?***

The cost of a corporate relocation will always be a concern for companies, which is why reducing costs through thoughtful policy design should also be a top priority. Is it possible to make program and policy enhancements *and* reduce costs? The answer is a resounding – yes!

First, consider a few facts based on Worldwide ERC figures and IRS statistics for U.S. domestic transfers:

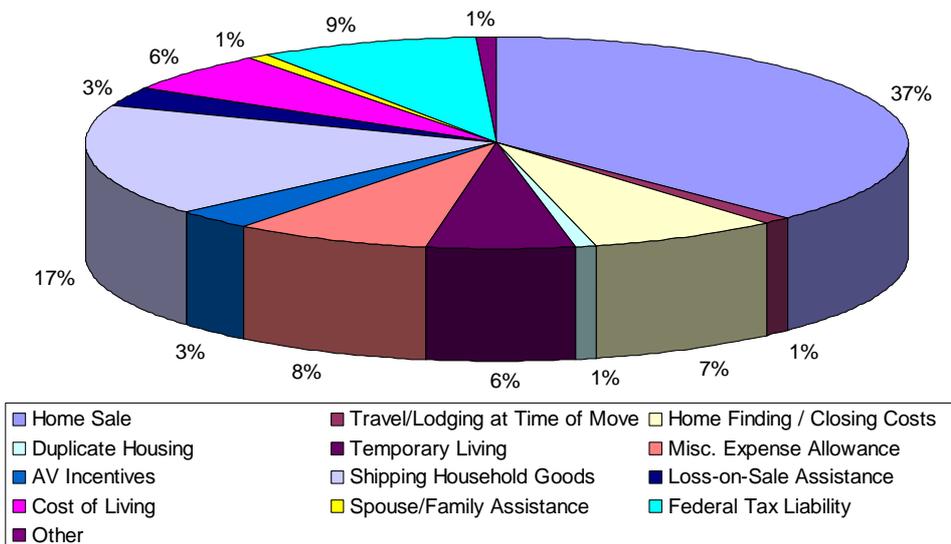
- Corporations in the U.S. spend \$32 billion annually as indicated by the amount of deducted moving expenses on 583,900 2007 U.S. tax returns.
- The average annual amount each company spends to transfer its employees within the United States is \$13,548,821.
- The annual average number of U.S. domestic transfers is 794,000; about half of those, or 397,000, are generated by Worldwide ERC members.
- Of the 397,000, approximately 1/3 is new hires (131,000) and 2/3 are current employees (266,000).
- Of the 397,000, approximately 54% (214,380) are homeowners and 46% (182,620) are renters.

According to the *Worldwide ERC 2008 Transfer Volume & Cost Survey*, in 2007 the average cost to relocate a current employee homeowner jumped 23% from \$62,185 to \$76,600, while the average cost to relocate a new hire homeowner increased 12% from \$55,165 to \$61,929 for the same time period. The average cost to relocate a renting current employee in 2007 was \$22,112—20% higher than \$18,365 in 2006. There also was a rise in average costs to relocate new hire renters from \$16,177 to \$18,355 in 2007.

Virtually every aspect of relocation costs increased in 2007. Much was spurred on by the depressed housing market which significantly increased expenses such as duplicate housing assistance and loss on sale assistance. We can expect to see increases continue in these and other areas for at least the next year if not longer.

The following chart, *Sample Homeowner Costs*, breaks down relocation costs into various components and shows the percentage of total expense for each component.

### Sample Homeowner Costs\*



\*Sample costs for illustration purposes only

Now, back to our original question...*Is it possible to make program and policy enhancements while reducing costs at the same time?* The following is a simple yet rewarding (for both the company and the employee) example of why the answer to this question is a big “Yes!” The Buyer Value Option.

Companies that only offer a direct reimbursement of home selling costs to relocating homeowners are missing out on a great opportunity. Moving from a direct reimbursement program to a Buyer Value Option (BVO) program, will save thousands of dollars and help the employee effectively market and sell their home. The cost savings is detailed in the chart below.

**Direct Reimbursement vs. Buyer Value Option**  
*Net Savings using BVO Program = \$6,509 per property*

	<b>Direct Reimburseme</b>	<b>Buyer Value Option</b>
<b>Sale Price</b>	<b>\$350,000</b>	<b>\$350,000</b>
<b>Acquisition /Carrying Costs</b>		<b>\$1,000</b>
<b>Closing Costs</b>	<b>\$23,070</b>	<b>\$23,070</b>
<b>Estimated Gross Up</b>	<b>\$9,609</b>	n/a
<b>Program Fee (est.)</b>	n/a	<b>\$2,100</b>
<b>Total Home Sale Cost</b>	<b>\$32,679</b>	<b>\$26,170</b>
<b>% of Sale Price</b>	<b>9.34%</b>	<b>7.48%</b>

**Understanding What You Have Before You Change It**

Before you can make smart program and policy changes, you must first know what's working and what's not.

- **Analyze your Relocation Costs:** many companies don't know their actual relocation costs. Be sure to account for all costs associated with relocating an employee.
- **Educate and Communicate:** ensure management understands the costs and risks associated with relocation.
- **Consider Alternatives:** can the position be filled locally? Is telecommuting a possibility? Are there less expensive housing options?
- **Benchmark** within your industry and your marketplace.
- **Keep informed** of trends and innovations that can help reduce costs.
- **Manage the Program:** seek advice from professionals and hold your partners accountable for performance goals.

**Cost Effective Relocation Policy Design**

Once you understand your existing policy strengths and weaknesses, here are some areas to think about as you begin your policy redesign:

- **Tiered Policies** to limit offering such benefits as home sale to selected groups only (i.e. grade level; job type; hard to hire positions or locations; etc.)
- Implement a **Broker Value Option Program** and eliminate the Guarantee Offer and/or Direct Reimbursement Programs.
- Reduce and manage the number of **exceptions** that are granted.
- Consider **property management** and renting vs. homesale and purchase.
- **Aggressive home selling strategies.** Mandate agent selection and list price; require a comprehensive marketing plan, with periodic price reductions. Offer incentives for employee, agent and buyer.
- Provide **pro-active, professional relocation counseling**, to ensure adherence to policy and budget restraints.

- Require a **“pay back” agreement** under which the employee must reimburse the company for all or part of their relocation costs, if they choose to leave the company within a specified period of time (i.e. one or two years).
- Be sure your program costs, including household goods tariffs and discounts are **competitive**.
- Annually, **review your relocation policy** for competitiveness and cost effectiveness. And consult with your internal tax counsel to ensure compliance.

### **Optimize Your Relocation Policy**

Like any other facet of your business, you want to get the most out of your relocation policy. You want to be sure it is cost effective yet delivering quality services for your employees, which can be a tricky balancing act. That is why it is critical to review your relocation policy each year. This white paper outlined several key factors to closely examine when conducting your annual review – Real Estate Market Conditions, Employee/Family Resistance to Move, Talent Recruitment & Retention and Cost & Budgetary Pressures. While these are not all elements of a relocation policy, they provide a solid base from which to begin your review.

### **About OneSource Relocation**

This white paper was written by Michael Nimer, Chief Operating Officer of OneSource Relocation, a U.S. domestic and international employee relocation management and consulting services company located in Atlanta, GA. OneSource Relocation has successfully managed thousands of corporate relocations worldwide and prides itself on offering companies a “Boutique Experience,” which ensures every customer experience exceeds expectations by providing a worry-free relocation for customers and its employees. For more information on OneSource Relocation, visit <http://www.onesourcerelocation.com/index.html> or call 888-544-7767.

