Are You Making Deals When You Should Be Making Policy?

Were you around when your company moved its first employee? Did anyone even know that the first official "relocation" was taking place? Probably not. Most likely the company simply "made a deal" with the transferee. They covered moving expenses, maybe offered a lump sum allowance, reimbursed commission, and may or may not have grossed up appropriate reimbursements. No one really knows.

The more pressing issue is that this may have established a pattern of "deal-making" that continues to this day. Many companies that have formal policies in place for almost every other Human Resource/Compensation and Benefit program continue to operate without a formal relocation policy.

This approach most likely costs the company and or the employee needless money, reduces benefits to the employee, and just as importantly creates needless inequities.

You would like to provide your transferees with the appropriate benefits, while effectively managing your budget. You need to design a program that encourages your valued employees to accept assignments that require relocation without benefiting from the move monetarily. In short, you are looking to design a program that fits your corporate culture, keeps you competitive within the marketplace and your industry segment, all the while keeping your transferee "whole".

Where do you start the process? With a complete relocation review and policy consultation.

Key categories to assess:

I. Historical Data

No matter how informal your policy, take a good look at what benefits you have provided in the past. What has worked? What aspects have you continually had to make exceptions to, and why?

II. Review types of moves

- Promotional/ Lateral
- New Hire/ Existing Employee
- Homeowner/ Renter
- Expatriate/ Repatriate

III. Review your "most expensive" benefits

Typically this is the disposition of the employee's primary residence. What program fits your corporate culture: Direct reimbursement, BVO program or Home Purchase

Program? Assess the tax ramifications of each programs and how your program should be restructured.

IV. Shipment of Household Goods

You are most likely covering the cost of having a professional carrier pack, load and move the household goods. Review your contracts closely to ensure you are receiving competitive rates and discounts, and paying only for services appropriate to your corporate culture.

Contact your transferees to assess the level of satisfaction related to issues such as claims, professionalism and on time pick up and delivery. Are your transferees wasting valuable time obtaining their own estimates?

V. Temporary Living

Determine how often you pay for temporary living, and for what length of time. Determine if these stays could have been avoided or if the length of the stay could be reduced. The use of an effective and well-managed upfront Marketing Action Plan (selling the departure house quickly) can reduce the need for temporary housing.

VI. New Home Closing Costs

If you are allowing for new home closing costs, what transferees (levels/ types) are eligible? Are you covering only existing homeowners or do you include renters looking to purchase? Maybe your paying for "points" in all cases when you could do so only when the interest rate of the new loan exceeds that of the old loan. Do you make use of "direct billing" programs in order to lesson the burden on your transferee? If you have no new home closing cost program as part of your policy, your transferees may be absorbing substantial expenses they would not have incurred had the company not asked them to relocate.

VII. Tax Implications

Ensure your program is structured to take advantage of and comply with the current tax and legal regulations. Consider a more formal Home Sale Assistance program in order to make better use of money currently going to tax and gross up expense. Expenses such as storage, temporary living, duplicate mortgage payments, and final move expenses all have to be accounted for in the appropriate manner. Companies can incur very expensive fines for non-compliance.

VIII. Payback Agreement

Are your transferees required to sign an agreement to reimburse the company for any monies paid on their behalf for relocation? Relocation is an extremely expensive investment for a company. Should the employee leave the company shortly after the relocation is complete, would you expect a return on that investment? Most companies have implemented some sort of payback agreement. You may want to consider doing so. Percentage of return and duration are two key features to be considered.

This list is in no way complete when it comes to policy review or design. It is, however, a starting point we have found successful with clients when determining where to go with their new policy or revising an existing policy. Is it the appropriate point in your company's life to move beyond the days when each and every move is negotiated individually? As with all HR benefits, having a formal yet flexible policy in place will allow you to provide for your company needs while treating your employees in a fair and equitable manner.

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