



Maximizing Your Relocation Program...To Meet the Needs of Today's Business Environment

More than ever, it is critical that your domestic relocation program is designed in a way that it addresses today's business environment. The primary influences affecting a relocation program will fluctuate over time. Often the weight associated with each can be related to business objectives and company culture. However, there are four basic factors which directly impact the effectiveness of a program, they are: real estate market conditions; employee/family resistance to move; talent recruitment and retention; and cost and budgetary pressures.

Let's take a closer look at each.

I. Real Estate Market Conditions:

No one can deny that current real estate market conditions are playing havoc with the ability to effectively and efficiently relocate people. With values dropping at a staggering rate and inventories building, companies and relocating families are faced with difficult decisions. And most housing forecasts for 2009 don't provide any relief.

- The fall out from the credit crisis will continue to affect real estate values coast to coast.
- There's no shortage of markets throughout the country that 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.
- Especially hard hit are 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 *Worldwide ERC 2008 Transfer Volume & Cost Survey* (see below), companies have begun to make the necessary changes. Enhancing certain policy provisions can help to soften the blow of a depressed real estate market.

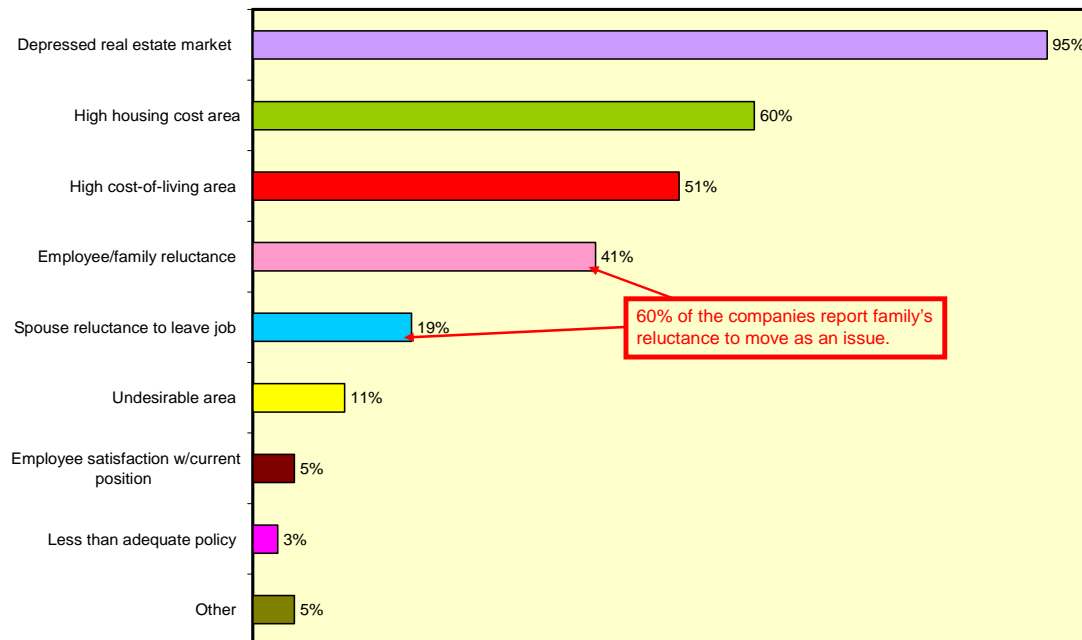
Type of Policy Change	Percent of Organizations
Expended temporary living Period	37%
Added a requirement to homesale programs that employees list their homes within a certain percentage of the buyout offer (BVO or GBO)	27%
Added or enhanced homesale bonus incentives for employee generated sale (AV)	23%
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

II. Employee/Family Resistance to Move:

To one degree or another, a family reluctance to move has always been a concern of many. But it seems that the make up of today's family unit, however it's defined, has caused relocating employees to decline a move. Often times this may have been the best candidate for the job. And very often the hiring manager is unaware of the reasoning behind the decision. This is illustrated in the findings of the *Worldwide ERC 2008 Transfer Volume & Cost Survey* (see Chart 2). As highlighted, sixty percent reported that "Family reluctance" and "Spouse reluctance" as factors in the decision to relocate.

Chart 2 - Reluctance to Relocate



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

Employers estimate that 32 percent of their U.S. transferees in 2007 were women, according to the recently released Family Issues report from Worldwide ERC, the association for workforce mobility. 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.

“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 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.”

Other key findings from the Worldwide ERC Family Issues report:

- Six in 10 transferees have dependent children; nearly three-fourths are married.
- 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 the domestic partners.
- Childcare assistance is provided by about 40% of employers.
- Almost half of the respondents provide school-finding assistance.
- 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.
- 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:

Addressing Employee/Family Issues

<i>Program and Policy Considerations</i>
Expand how “eligibility” is defined; i.e. “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).

III. Talent Recruitment and Retention

The war for talent... is it for real? Well it may be hard to believe with the vast number of layoffs being reported on a daily basis. However, 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 would outnumber applicants by more than three million.
- Others report by 2010, the U.S. workforce will need 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 diverse, with employees representing a total of four generations. They include traditionalists (sometimes called veterans), the baby boomers, Generation X, and Generation Y.

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

Employee retention is a top priority for many. Nearly every day, we hear something in the news about job cuts and 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 – now ranking higher than healthcare costs. The survey also stated, more than 413 HR professionals identified talent management as a top priority, and plan to revamp rewards and benefits programs to meet employee needs better.

When asked in a recent survey, companies state that they are considering alternatives in an effort to overcome recruitment and retention matters, including enhancements to relocation policies, short term assignments and virtual employees.

As you attempt to address the issue of recruiting and retaining talent, consider the following points:

Addressing Talent Recruitment and Retention Issues

<i>Things to Consider</i>
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 needs is a concern employees have cited for some time. Many organizations have implemented flexible schedules, on-site childcare centers, and similar resources. (<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 needs to support your business and growth strategies. Regularly conduct a complete policy review to determine what's working and what's not.

IV. Cost and Budgetary Pressures:

The cost of a corporate relocation will always be a concern for companies, as well it should be. Furthermore, reducing costs through thoughtful policy design should be a top priority. Is it possible to make program and policy enhancement and reduce costs at the same time? The answer is a resounding... yes.

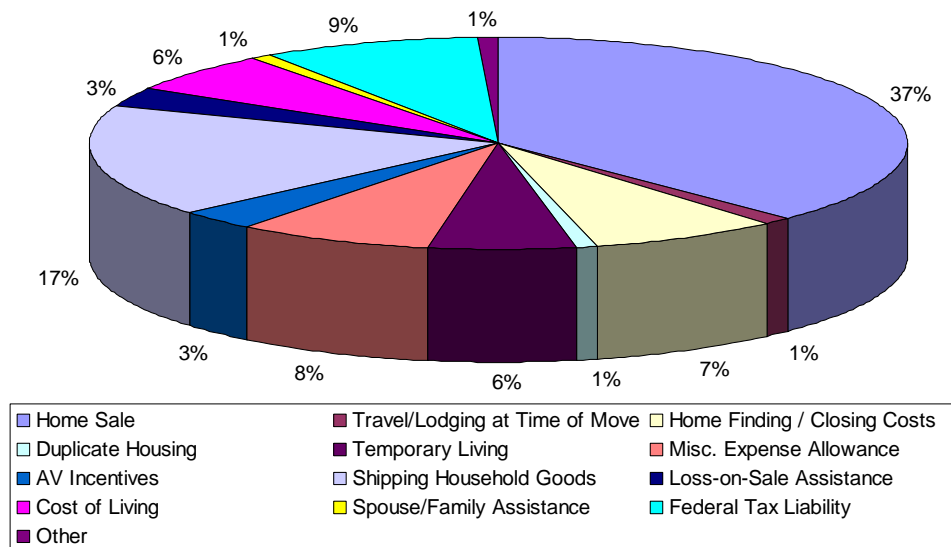
Let's first consider a few facts based on Worldwide ERC figures and IRS statistics for U.S. domestic transfers:

- \$32 billion is spent annually in the U.S. on corporate relocation as indicated by 583,900 U.S. tax returns deducted moving expenses
- \$13,548,821 - average annual amount each company spends to transfer its employees within the United States
- 794,000 - annual average number of U.S. domestic transfers; about half of those, or 397,000, are generated by Worldwide ERC members
- Of the 397,000, approximately 1/3 are 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 percent from \$62,185 to \$76,600, while the average cost to relocate a new hire homeowner increased 12 percent 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 percent 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 continued increases in these and other areas for the next year or more. The following chart, *Sample Homeowner Costs*, shows relocation costs components and a percentage of total expense.

Sample Homeowner Costs*



*Sample costs for illustration purposes only

Now let's go back to our original question; *is it possible to make program and policy enhancement and reduce costs at the same time?* Again, the answer is "yes". Here's one very simple yet very rewarding example, benefiting both the company and the employee.

For companies that offer only a direct reimbursement of home selling costs to their 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 following chart;

Direct Reimbursement vs. Buyer Value Option

	Direct Reimbursement	Buyer Value Option
Sale Price	\$350,000	\$350,000
Acquisition /Carrying Costs		\$1,500
Closing Costs	\$23,070	\$23,070
Estimated Gross Up (41.65%)	\$9,609	n/a
Program Fee (est.)	n/a	\$2,100
Total Home Sale Cost	\$32,679	\$26,670
% of Sale Price	9.34%	7.62%

Net Savings using BVO Program = \$6,009

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 which can help in reducing costs.
- Manage the Program – seeking advice from professionals and making your partners accountable for performance goals.

Furthermore, here are some areas to give some thought to as you begin your policy redesign:

<i>Cost Effective Relocation Policy Design</i>
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.

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