



Taking Your Policy's Pulse

The main objective of any global mobility policy is to establish a framework to support the company's ability to consistently recruit, mobilize, motivate and retain the best and most qualified global professionals.

Companies today are faced with unprecedented challenges with market conditions (financial and real estate), budget constraints, reduction in staff to support relocation and global mobility, country regulations tightening from all angles, mergers and acquisitions, business closures and other circumstances—in concert with meeting the business objective of recruiting and retaining top talent.

Mobility/HR is tasked with interpreting provisions and ensuring the spirit and intent of the policy is applied. As provisions are communicated, exception requests begin to arrive. This is not unusual as each relocating employee has unique situations which cannot always be addressed by the policies. As a result, policies are always evolving, and it is important to define how the company accommodates the requests and ensure that the company knows when to make policy changes.

Is a Policy Review Necessary?

Often, policy revisions are made on a reactive basis (such as exception requests, market conditions, etc.). Companies are challenged with proactively designing their mobility program to effectively recruit, motivate and maintain costs.

What considerations should be at the forefront and reviewed to stay ahead of the curve? In order to meet these challenges, organizations are faced with tough questions:

- Is the company experiencing growth in one location but suffering losses in another?
- Is there a talent pool? Can redundant employees be placed into open positions?
- Is it necessary to take deliberate and proactive measures to review or revamp the policy?
- Do policy provisions need to be re-aligned with company objectives?

Tips to Jump Start Your Review

1. Establish an annual policy review process.
2. Review policy exception requests—Why were they requested? What is the frequency of the request? Were the requests denied or approved? What was the bottom-line cost to the company?
3. Identify benefits that can be adjusted and define the hard- and soft-dollar savings and impact.
4. Review market conditions and the impact of these conditions to the overall cost of the relocation program.
5. Review company objectives—Is there alignment within the overall company and Human Resources philosophy?
6. Staff to effectively manage the program—What functions can and should be outsourced?
7. Develop a management model with defined processes, standard operating procedures and clearly communicate parameters to control cost and facilitate administration.

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Domestic Policy Trends

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Several trends have emerged over the past two years as the real estate market continues to present major challenges to mobility programs.

- **Repayment Agreements:** As relocation costs continue to escalate, companies have increased the time period of repayment agreements. Primacy's 2009 *U.S. Domestic Relocation Practices Survey* identified 88% of companies have a repayment agreement with 30% of respondents increasing the repayment period from one year to two years.
- **Loss on Sale:** With the continued soft real estate market, many relocating employees are faced with selling their home for less than the original purchase price. As a result, they look to the company for assistance. It is strongly recommended that companies consistently adhere to policy guidelines even if exceptions have previously been granted. Benchmarking within the industry will assist in determining the best practice approach for your company.
- **Pre-Decision Program:** According to Primacy's 2009 *U.S. Domestic Relocation Practices Survey*, 64% of companies have implemented pre-decision counseling on either a case-by-case basis or as a standard part of their relocation program. Failed relocations are extremely costly, therefore the employee must understand how their financial situation (ability to sell their home, anticipated LOS and ability to purchase a home in the new location) may be impacted based on the benefits and assistance provided by the company.
- **Marketing Assistance Programs:** Having a strong marketing assistance policy has long been a staple of a successful relocation program. Listing guidelines, mandatory list price reductions, mandatory marketing periods and use of a preferred broker are all proactive policy components needed to sell a home in a slow market. In addition, incentives which include quick sale bonuses, marketing allowances and buyer or agent bonuses are making their way into policies to help the employee in selling their home. Offering a marketing allowance will assist the employee in renovating their home so that when the home hits the market, it is in "model" condition, setting it apart from the competitive listings. All these components will help to create a strategic program that will result in a quicker sale promoting the mobility of the employee.
- **Lump Sum Programs:** As the marketing periods of homes have lengthened, the requests for additional temporary living have increased. To assist with these requests and the need for cost efficiencies, companies have been adopting lump sum programs for the home finding trip, temporary living and return trip components. Versions of lump sum programs may also include the final move trip and the relocation allowance. Both Worldwide ERC® and Primacy's 2009 *U.S. Domestic Relocation Practices Survey* have noted an increase in the use of lump sum programs, with 51% of respondents to Primacy's survey indicating a lump sum program had been developed within the last two years.





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International Policy Trends

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- **Fundamental Benefits:** In the interest of aligning business dynamics and program administration, companies are further defining policy components based on core benefits (or common foundation) that are considered statutory for all assignees and flexible benefits based on family profile and home/host locations.
- **Policy Types:** An increasing number of companies are moving toward developing policies based on assignment type rather than location. This approach enables the company to more easily and consistently apply policy guidelines and processes worldwide.
- **Cost Projections:** Today's corporations are much more rigorous in determining why a person is selected for assignment and more attentive to projections of assignment costs, budgetary control and regulatory reporting. Projections are prepared for all assignments for HR and management approval and for the finance department for the budgeting/accrual of expenses.
- **Program Structure:** Companies are all over the board when defining the HR management structure – centralized, decentralized, regional, bi-regional or tri-regional. Each program structure presents varying challenges and they must be reviewed in order to determine which one best fits your organization. Success can only be achieved with management buy-in, clearly-defined benefits and processes and a seamless relationship within the organization and with outsourced providers.

Conclusion

We recommend careful review of the company objectives and determining whether the relocation/assignment policies assist in meeting these objectives. What appears to be a cost-saving strategy can often result in more costs to the company as they approve exceptions to policy provisions and HR staff hours in an effort to resolve issues. Keep in mind that a policy or program change that may have returned dividends (hard and soft dollars) to one company may not have the same affect with another.

Success can be measured when the right people with the right skills and attributes are in the right place at the right time, and focused on the right priorities.

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