



## Maximizing Employee Relocation Benefits


### Could a Managed Move Option Save Money While Delivering a Better Experience?

Employee relocation programs are powerful tools for businesses looking to attract and retain top talent, globally. Deciding how to structure the right policies and benefits to support that movement can be challenging, especially when you're under pressure to control costs. The use of a lump sum payment may seem like an attractive choice up front, but does it really save organizations money in the long term?

#### **LUMP SUM:**

**A single monetary payment, determined by such variables as distance or volume of move, family size or job level.**

We get it. On the surface, a lump sum approach might appear to be cost effective and reduce your organization's administrative resources, since your mobile employees are managing their own moves. But the negative downstream impacts that can occur when assignees and transferees 'don't know what they don't know' means lump sum payments can end up costing companies far more in the long run.



When considering offering a lump sum model to your mobile workforce, it's important to evaluate the following risks to both your employees and your organization:

**Insufficient funds to cover the true costs of the move**, which can burden your employees with significant out-of-pocket expenses. (U.S. Bank reports that approximately 35% of employees on lump-sum-only programs reported spending more than \$5,000 of their personal finances. This financial strain can often cause frustration and a poor perception of your organization and the relocation support offered.

**Increases in exceptions or additional funding requests** that drive your costs up and strain administrative resources.

**A major distraction and source of stress for your employees**, as they manage the logistics on their own. This can create costly delays in getting them up and running in their new role, reducing the company's ROI on that employee.

**Additional taxes borne by your employees if not grossed up**, as the provision of a lump sum is a taxable benefit.

**A temptation by employees to:**

- **Use the cheapest services available or move on their own** to pocket some of the lump sum payment. The use of disreputable or inexperienced movers increases the potential for losses, damages and claims. Self-moves could lead to property damage or, worse, result in personal injuries that put your company at risk.
- **Spend too much money up front** on early moving milestones, only to find they don't have enough funds in reserve for the milestones that follow.

In both cases above, when things go wrong, the administrative hours you hoped to avoid can now be increased exponentially as your internal mobility team - often the HR leader at organizations who don't have dedicated relocation talent - has to step in and troubleshoot to avoid assignment delays - or complete derailments.

**Assuming a 'career expat' can handle a lump sum move** because they've been on so many global assignments before. (Even career expats won't be able to predict the nuances related to moving and settling into a new host location if they've never lived there before, or if regulations have changed since they've last lived there.)

**A poor moving experience that reflects poorly on your brand**, particularly for new recruits getting their first impressions of you as an employer. This can have further negative impacts on future talent acquisition and employee retention in the long run.

If you're finding that any of these risk-related scenarios are impacting your mobile population, perhaps you've considering tackling them by:

1. **Offering or enhancing a recruitment bonus to help defray the cost of their move**
2. **Increasing your lump sum amounts and/or tax gross-up support across the board**

But these options can also end up costing organizations. Both scenarios could be seen as 'throwing money at the program' and actually result in overpayment to the employee or, at the very least, not properly classifying the related expenses in the right bucket (recruitment vs. relocation). Instead, why not consider options that empower your internal mobility teams to offer guidance and customization to your mobile employees? In the long run, these options provide assignees and transferees with the services and experience they need for an efficient move and positive employee experience.

#### ALTERNATIVES TO THE LUMP SUM APPROACH

##### **Greater cost predictability and control**

Lump sum programs place the burden of management on the employee, who may lack the expertise to foresee and budget properly for all potential expenses, such as packing materials, temporary storage fees, and insurance. Managed moves cover these aspects comprehensively, avoiding surprises that can quickly inflate lump sum budgets. What's more, negotiating contracts directly with professional moving companies enables you to lock in rates and avoid the fluctuating costs associated with peak moving seasons and last-minute arrangements. Managed move programs also minimize the risk of unforeseen expenses and exception requests – and a direct line to your moving partner helps internal teams troubleshoot before problems occur. All of this leads to better budgeting, controlled spending, and strategic financial planning for your mobility plan.

##### **Preferred pricing**

With a lump sum approach, each move is treated as an individual transaction, often at a higher rate. But companies relocating multiple employees can leverage volume discounts through managed move programs. In addition, reduced- or no-cost full-value protection can also be an option that will significantly minimize costs. Corporate pricing will protect against the seasonality of activity-based pricing, which is how residential moving pricing is managed.

##### **An enhanced employer brand**

Employees are consumers who want to work for organizations that invest in their people and demonstrate values that align well with their own. If they feel supported during their relocation, they're much more likely to feel valued and satisfied in the long run. This fosters a sense of loyalty to your organization, which further leads to a reduction in turnover rates and associated replacement costs. A managed move program brings significant value to your brand as an employer, making your organization more attractive to top talent in a highly competitive market.

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When you contract directly with professionals, both your employees and the business will benefit from:

### **Less stress. Faster assimilation.**

Relocation is often an exciting, rewarding prospect for new opportunities. But experts agree that moving is also considered one of the top three stressors in life. Leaving all the planning, vetting and logistics to your employee adds to that stress and takes their focus away from getting settled into their new homes and roles quickly, which impacts their wellbeing and the business' bottom line.

### **Professional expertise**

Professional movers bring a level of knowledge and efficiency that's crucial to a seamless relocation. From packing and transportation to unpacking and setting up, their skills ensure a smooth and damage-free move. Employees benefit from a hassle-free experience, confident that their belongings are in safe and capable hands. Knowing that their employer has opted to support them with a vetted, experienced and caring moving company sends a strong message of genuine interest in their wellbeing and future success. Utilizing a moving partner's expertise also benefits the business by allowing internal teams to focus on other relocation and business priorities.

Ultimately, a company's greatest assets are its people. For HR and mobility leaders who are responsible for recruiting, retaining and getting the right people into the right places and roles, a managed move program can be a strategic choice that benefits both employees and the organizations they work for. Improved business outcomes and enhanced employee experiences make it a compelling alternative to lump sum relocation packages.



**Interested in an analysis to see if a managed move program could save you time and money?**

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#### **Contact us**

to see how leading global companies put their managed mobility programs to work to provide positive move experiences while controlling costs.