

A Guide to Developing Relocation Policies

A woman with short dark hair and glasses, wearing a patterned blouse, is standing and gesturing with her hands while holding a blue pen. She is addressing a group of people in a modern office setting. Two men and one woman are visible, listening attentively. The office has large windows and a wooden table in the foreground with a laptop, a blue mug, and a pen holder. An orange geometric shape is overlaid on the right side of the image.



“

We are not about just scheduling moves and coordinating transactions. We are in the future business. We are about moving people and companies to their future. We are about supporting the ability to live, work and thrive anywhere, across a lifetime.”

Barry Morris, President & CEO
CapRelo

About Us

CapRelo is a full-service global relocation management company that manages over 10,000 worldwide relocations and assignments annually for all sizes of companies – small to major multinationals alike. With 24 years of mobility expertise, we have established an extensive global footprint with presence in the Americas, EMEA and APAC. Your purpose drives our focus and allows us to be uniquely positioned to help you both acquire and retain the best talent. Our vision is lived by our staff, our daily interactions with clients and industry colleagues and our commitment to the communities we serve. We are proud to support the relocation needs for living, working, thriving anywhere across a lifetime.

150+

Global clients

8k+

Relocations/year

96%

Transferee satisfaction

Relocation Policies Guide

Setting and Revising Relocation Policies

Increasingly the global mobility function is being utilized as a talent management strategy and as such any relocation policies should reflect and support the organizational objectives. With the inevitable shift in the makeup of the global workforce and an increase in millennials and generation Z, the expectation and demands from the employee are also shifting towards flexibility and technology. In the competitive world of talent acquisition and retention, a competitive and innovative global mobility program can both help to retain and attract global talent.

Mobility and relocation policies should be reviewed regularly to benchmark against industry norms and to introduce best practices. Employee feedback should also be reviewed and incorporated into the policy design to ensure that the employee experience is improved, and cost saving opportunities identified. Historically for US domestic policies, home sale, partner support, finding a good neighborhood and a new home at a fair price rank near the top of the list for many employees. However, recent trends are reflecting employee requests for flexibility and autonomy to spend relocation budgets on less traditional lifestyle benefits.

Traditional relocation policies dictate the benefits and services that will be provided to all employees and are often tiered to provide more benefits or greater level of support to more senior employees. Increasingly employees are rejecting this approach and requesting more control over the services that they are provided with or the opportunity to cash out the benefits and organize the move independently. Although providing the employee with autonomy may decrease costs to the company, the loss in productivity from the employee and their overall experience should be considered prior to providing a lump sum only approach.



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Defining your mobile population: Understanding Tiers and Status

Any policy redesign should start with identifying the company strategy for talent and the population that it is intended to support. One traditional way to define a population is to separate the employees into tiers and statuses.

Status: An employee's status refers not to their status within the company, but their moving status. In other words, it addresses the services an employee may need when he or she moves. For instance, is the employee:

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- A homeowner or renter?
- Dependents/Partner?
- A new hire or current employee?

Additionally, an employee's status may address individualized needs. Does the employee have:

- Children in school?
- Dependents that may require care or special services?
- Pets that require transfer and licensing?

Tier



An employee's tier is related to their standing within the company. Employee tiers may be determined based on salary, title (job level), seniority or a combination of all three. Be consistent in determining employee tiers if this is to be used to determine relocation budgets to avoid resentment from employees if exceptions are made for certain relocating individuals.

Alternative options: To determine eligibility to a certain level of relocation support it is also possible to consider:

- The distance the employee is relocating.
- If the relocation is self-initiated or company requested.
- If this is the first relocation with the company.

Relocation Policies: What's Best for Your Company?



**Lump Sum
Relocation Policies**



**All Inclusive Lump
Sum Payment**



**Managed
Lump Sum**



**Direct Reimbursement
Relocation Policies**



**Core-Flex
Relocation Policies**



**Managed
Relocation Policies**

Lump Sum Relocation Policies

In a lump sum policy, employees are given a pre-determined amount to manage their relocation. There are several different lump sum programs available for your company.

All Inclusive Lump Sum Payment

In this policy, the employer issues a single payment to cover the employee's moving expenses. The burden is on the employee to manage all aspects of their own relocation. The employer has no say as to how the amount is spent; however, the payment provided would typically differ based on company defined variables including distance, family size, tier etc. The benefit for employers is that this type of policy is flexible, that there is a defined cost to the business and easy to administer. With technology solutions available to help the employee access relocation vendors and services, the employee reporting of spend and savings delivered can also be tracked if they use the solution available. The cost of services may vary based on the season and other variables outside of the control of the employee. Therefore, the employee experience and services that can be purchased will vary for each employee.

The employee experience may be impacted, and productivity may be affected if the employee is managing their move. Where relevant, tax and immigration services would also have to be delivered to the employee to ensure that any compliance requirements are addressed. Finally, cash payments will also be taxable on the employee as income. If the employer chooses to pay any tax on behalf of the employee, the payment will need to be grossed up to reflect the relevant taxes incurred.



Managed Lump Sum

With this policy, the employer allocates a lump sum amount to the employee but requires the professional assistance of a full-service relocation company. If the whole allowance is not spent, there can also be the option for the employee to 'cash-out' the remainder. Managed lump sums can be structured in a way that allows the company to place spending into categories to ensure that employee purchases core services such as transportation of goods and travelling expenses. This approach may be an appropriate hybrid for many companies, as it provides flexibility, cost control and professional guidance, resources, and quality control. With management of the lump sum, the spending can also be tracked and reported.

However, like the all-inclusive lump sum, the cost of services may vary based on the season and other variables outside of the control of the employee. Because of this, the employee experience and services that can be purchased will vary for each employee.

When creating an efficient and cost-effective lump sum program, it is helpful to remember that relocation benefits are taxed differently in different countries. However, in the United States all relocation expenses paid on behalf of the employee are considered taxable income.

Direct Reimbursement Relocation Policies

In a direct reimbursement relocation policy, employees are reimbursed for each item that is part of their move. In many cases, the employer—or a relocation firm acting on behalf of the employer—will offer assistance with recommending service providers and make discounted rates available to the employee.

The employee will pay expenses out of pocket but will submit receipts and be reimbursed. Expenses may be grossed up, so the employee does not incur a tax liability from his domestic or international relocation package.

This type of policy can work well, especially if the employer has preferred vendors or providers.

With a focus on the service provided rather than the cost, the employee's experience can be more consistent. However, with the high cost of some relocation services, the requirement to pay for services and submit for reimbursement may be difficult for some employees.

Core-Flex Relocation Policies

In this type of relocation policy, the employer provides a selection of core benefits to the employee and the option to select other services to meet the employee's needs. There can be a points or value allocated to each service to ensure that employees receive a similar overall package. The policy can be managed through technology, or the employer may choose to work with the relocation firm to assist the employee. With no upfront costs payable by the employee this approach offers a convenient and flexible approach to both the employee and the company.

Managed Relocation Policies

In this type of relocation policy, the employer or a corporate relocation firm handles every aspect of the move for the employee. The employer can work with the relocation firm to assure relocation service providers offer high quality, vetted services and support. The administrative burden and financial decision making associated with the relocation is taken away from the employee entirely. This traditional approach works well for senior and complex moves to ensure a positive employee experience.



There are several types of relocation policies that could work for your company. Above we have listed some considerations to be aware of.

US Domestic Relocations: Real Estate Tiers

In addition to deciding on a standard relocation policy, for US Domestic relocation the policy may introduce tiers for real estate sales support. Below are a few ways options to structure a tiered employee relocation package to address real estate concerns and encourage quick home sales.

Executive Level Home Sale Assistance

An executive level employee relocation package might include buyout of a home after the home has been on the market for a specific length of time. In today's market, this is not a preferred choice for many companies. The goal is to keep real estate out of company inventory whenever possible. But when the choice is holding onto a house or losing a key player in your company, a buyout option if the home does not sell could be the best choice.

Buyer Value Option (BVO) Program

Lower-level employees or middle management might receive a BVO option, placing the burden on the employee to sell the home quickly. A further variation of this would be a Guaranteed Buy Out (GBO) which is more relevant in a challenging real estate market.

Home Sale Bonus Incentives

A preferred option to a BVO program involves home sale bonus incentives. This can become part of any tiered relocation package for employees of any level. The amount of the bonus employees receive varies when they sell their home within a specified time period, using approved real estate service providers.

Balancing Flexibility with Cost: Getting it Right

All policies mentioned above can be structured in a way that provides a standard level of support and then tiers can be added to enhance the offering for relocating employees based on a set of pre-determined criteria. Many companies who use a tiered program reduce exceptions and administrative costs and have a more transparent budget. However, even a tiered business relocation policy may have hidden costs that need to be considered.

Establish the answers to these questions as you set your new relocation policy:

- Will you offer exceptions in a business relocation package? Under what circumstances?
- How many tiers will cover your different levels of employees?
- What factors will you take into consideration when determining the tiers? (i.e., seniority, self-initiated, distance, relocating with a partner, dependents, or pets?)
- Are your policies competitive for all locations/executives?



Final Thoughts:

Relocation policies and packages should support your business talent needs from a recruitment, retention, diversity and development perspective. Regularly reviewing the relocation offering and benchmarking to similar businesses in addition to being aware of innovative technology, trends and disruptions in the market will ensure that the mobility team can deliver for the company.



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