

# A Guide to Mobility Costs

CapRelo



“

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



## Adding Value not Cost

Globally there has been a shift in expectations about working locations which has expanded the mobile employee population significantly. Ongoing technological advancements offer more flexibility and new opportunities on how organizations can economically support and encourage mobility.

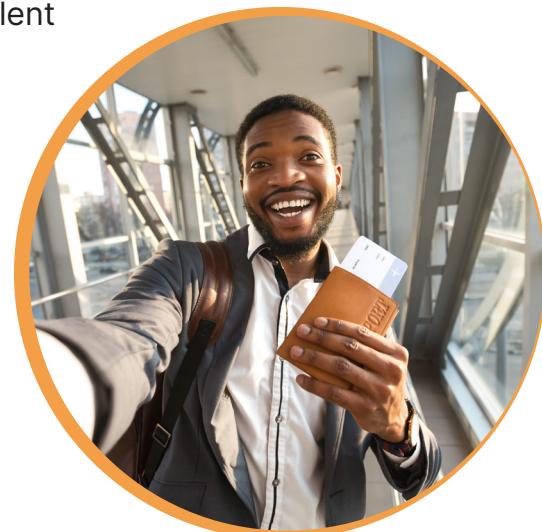
Increasingly, the role of mobility is strategic, to add value to the business and allow the company to retain and attract talent globally. The historic approach of being reactive or purely operational and containing costs through reducing the number of transfers or assignments each year has been replaced with technology supported options that deliver enhanced employee experience and choice for a pre-defined budget.

The employee experience and need for flexibility will continue to become increasingly important with the expectation that the company will ensure compliance while delivering choice to the employee. To ensure constant refinement of the relocation package and that only valued benefits are provided to employees, companies should consider working with professional relocation management companies to help report on benefits used and requested to constantly revise and streamline their policy suites to best suit their company needs and strategy.

## Top Talent Wants to Relocate

In today's competitive marketplace, attracting and retaining top talent is a main business priority for many companies. But with the ongoing skills shortage and the rise of the gig economy, it is not always possible for employers to find the right talent in the right place. Fortunately, virtual collaboration tools make it possible for remote teams to work together without being in the same office, city or even country. Yet there are always positions that can't be filled by virtual workers. In fact, a significant number of highly skilled professionals are looking for opportunities that allow them to relocate either domestically or internationally. Top talent continues to consider gaining work experience in a different culture or region – whether in the same country or not – an essential aspect of their career development.

In times of rapid growth or restructuring, companies need top talent that is productive and engaged. A streamlined and flexible, competitive relocation package can help both to attract and retain high-performing team members.





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## Cost Saving Through Talent Retention

Ensuring that the mobility team are able to collect and present strategic data on the cost savings associated with attracting and retaining talent can assist with ensuring that the appropriate level of investment and support for mobile employees is in place. If key talent is reluctant to relocate, the associated costs may impact the company in several ways:

### The possible loss of intellectual property and human assets

While companies generally have intellectual property protections in place, losing a high performer can, to a certain extent, jeopardize the future development of intellectual property. In addition, attrition of top talent could lead to the resignation of other key team members.

### The cost of key talent going to a competitor

If a non-compete clause wasn't signed – and in some cases even when one was signed – an employee might accept a position with a competing company. This can have a negative impact on the company's competitive positioning.

### Poor public relations

Especially when high-profile leaders leave, it can send a negative message about the company.



## Bad PR if a CEO or other upper management position goes unfilled for an extended period of time

Finding a replacement for a leadership position can be challenging. Unfortunately, if a CEO or other upper management position remains vacant for a long time, people could make negative assumptions about why a company is unable to fill the position.

## The costs of recruiting, hiring and training new employees

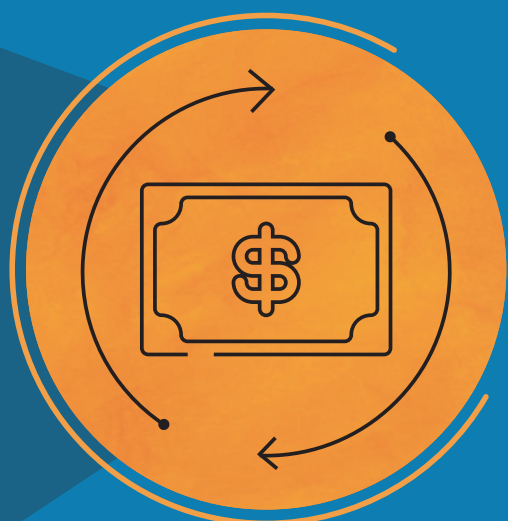
The recruitment process is costly with increasing expenses as the seniority of the hire increases.

## Loss of productivity during ramp-up time with new employees

When an employee leaves, there is not only a loss of productivity during the time the job is vacant, but also during the time it takes a replacement to reach peak productivity.

It should be clear that these consequences could cost a company much more in terms of time, money, resources and reputation than the cost of a relocation or an international assignment.

Fortunately, it is possible to lower the risk of losing key talent. Allowing for more flexibility or working with a relocation management company can help increase the value current and future employees attribute to a relocation program while containing costs.



## What Are Your Largest Mobility Expenses?

It is crucial to identify the most expensive benefits and services to understand and manage overall mobility costs. Historically the largest costs, especially for relocations involving the United States of America are related to real estate.

## Controlling Escalating Real Estate Costs

The largest employee relocation expense falls into the real estate category with the highest costs attributed to top executives. If an employee is unable or unwilling to sell their home, policies without home sale benefits are unlikely to be attractive. Issues are present regardless of the current housing market. In a slower housing market, the inability to sell is an issue and in a more buoyant market, higher real estate prices in the destination location mean that employees need a larger budget to purchase or rent.

## Managing Costs and Expedite Home Sales

Policies that are flexible and supportive can encourage employees to compromise on the asking price of their current and choice of new home. Companies recognize the value a quick home sale creates in the form of reduced stress for the employee and faster relocation. These both improve the chances of employee retention following a move and contributing to a faster return to productivity.

Historically, home assistance programs were designed to generate fast home sales without much consideration of cost. With the availability of technology to better support employees' individual needs, a flexible bespoke solution can be delivered to each employee ensuring that their specific needs are met, and costs do not escalate on benefits that are unnecessary for that employee.

### Benefits to Encourage Fast Home Sales



**Loss-on-sale benefits**



**Fast home sale bonuses**



**Home staging services**



**Hiring the most qualified real estate agents**

Depending on the employee's role in the company, as well as their personal situation, a good home assistance program could include the options for lease break or loss-on-sale assistance as well as bonuses for quick sales and guided home-buying tours at the destination. By offering employees options rather than all services, the associated costs can be managed in addition to encouraging mobility and retaining the associated talent.

A successful relocation program finds a balance between encouraging relocations, delivering a positive employee experience and adding value.

## Accounting for Tax Gross-Up

Many employees are surprised to hear that expenses that aren't deductible or excludable as relocation costs are taxable. To reduce the burden to the employee, your company can assume a certain portion of this tax liability. This is called grossing up and can be used to persuade employees who may be reluctant to move.

However, it is also important to understand that the costs of grossing up can quickly add up. The larger the costs of the relocation, the larger the gross-up, so only include tax gross-up as a standard feature in the relocation package if there is strategic value in doing so.

## Best Practices to Manage Move and Household Goods Organization

Ensuring that an employee's possessions arrive at the destination intact and on time is critical to a successful relocation experience. With multiple variables including packing, storage, hauling and unpacking and in the case of a global move, customs and licensing, this is a complex service.

The more aspects of household goods moving managed by one moving or removals company, the greater the chances of a successful relocation. While some employers try to cut costs by booking separate companies for the individual components of the move, this can easily lead to an uncoordinated, disorganized process that is highly stressful for the employee.

An advantage to working with a relocation management company is that it can leverage the total volume of its clients with a network of suppliers for each client, which yields higher levels of service and competitive pricing.



## Planning for Temporary Living

In the event an employee needs temporary living before finding a long-term residence, many companies offer to either assist with or cover the costs of temporary living. These costs can involve anything from renting a home and furniture to covering the costs of internet and home security.

Unfortunately, in locations with significant demand, finding suitable houses to rent can be challenging. That means that depending on the location, temporary living expenses can have a significant impact on employee experience and costs.

Companies should strive to provide as much notice as possible about a relocation and work with a relocation management company or a broker to interface with local leasing offices to find suitable properties in the desired price range.

## Understanding Miscellaneous Cost Variables

Many mobility packages contain a standard sum for miscellaneous costs, which can be used at the employee's discretion. Having one set value is the simplest way to approach miscellaneous costs. In some instances, taking a case-by-case approach might reduce exception requests and be a more cost-efficient option. The costs will vary depending on factors such as:



**The distance of the move**



**The number of family members that are moving**



**The method of transport to the destination**



**Costs of living at the origin and destination**

For example, an employee moving from New York to London with a spouse and two children will have higher miscellaneous expenses than a single employee moving from Omaha to Detroit.

## Supporting the Whole Family Unit

Providing quality family assistance is essential to keep employees engaged. Moving is an emotional experience for both the employee and their family. It can have a negative impact on a partner's career and affect dependents' education and care.



Employees will have their own concerns that go beyond the broad strokes of finding a job for their partner or determining whether the schools or care options in the area are suitable.

Some employees have family members with special needs who need assistance both during the move and at the destination. Some may be used to an active social life and need assistance finding organizations or clubs to join. Others may be worried about their dependents adjusting to their new environment.

Because each employee's needs are unique in this area, setting a flexible budget for family assistance could prove to be a better financial option than simply allocating the same amount to all employees. Companies may find that working with a relocation management company to provide family assistance on a case-by-case basis is a smart financial option.

## Relocation Expense Management Options

Expense management is one of the keys to a successful mobility program and can be supported and understood through regular data reviews and reports.

If companies choose to provide a fixed lump sum to employees in place of defined benefits, it may be easier to maintain a budget, but it could backfire if the ensuing relocation experience is negative. For instance, if an employee selects a lower-cost and lower-quality real estate agent and their home doesn't sell quickly or at a fair price, employees may require additional support in other areas such as:



**Temporary  
Housing**



**Trips to and from  
the home for sale**



**An unexpected  
loss-on-sale bonus**

Alternatively, a direct reimbursement package could make it harder to predict costs. In addition, companies need to work with multiple high quality service providers and to manage employee reimbursement dispersion and issues like tax gross up.

## Final Thoughts

Maximizing the value mobile employees bring to the company and delivering a positive employee relocation experience should be the goal, whether the mobility program is managed in-house or through a partnership with a professional relocation management company. With an expectation from employees of increased flexibility in working location and lifestyle, having the right policies in place to deliver for a diverse population is key.

With a focus on delivering choice to the employee rather than providing a set of standard services to all will enable the employees to focus on what is important to them. Ensuring that the employee has access to support at every step of the way will enable the relocating employee to experience a faster return to work and full productivity. Furthermore, the employee will be more likely to both stay with the company or relocate again if required, and that is of real value to the company.



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