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Cost containment in employee relocation a short-term solution

BY STEPHEN CRYNE

CloseUp Relocation

DOING more with less has been widely embraced as the key to organizational success these days. Both private and public organizations are under immense pressure from shareholders and taxpayers to cut costs, trim fat and show healthy bottom lines.

In pursuing strategies to achieve these goals few stones are left unturned — relocation is no exception.

Preliminary results from the Canadian Employee Relocation Council's (CERC) *2003 Survey of Employee Relocation Policies* of 88 large Canadian corporations and government agencies indicate the average cost of an employee relocating within Canada is about $40,000, relatively unchanged since 2001. With relocation costs ranging anywhere from $15,000 to $300,000, it's no wonder companies are trying to contain costs. But short-term cost containment can be a dangerous game in an era where corporate success means tapping into labour mobility.

In a mad rush to demonstrate value and effectiveness, corporate HR executives have been forced to find new and innovative ways to defer relocating employees and identify strategies aimed at reducing costs of those employees who are relocated.

For example, in the past, where the company would guarantee the sale price of the home for a transferring employee of $250,000 and the house sold for $260,000 the employee would often receive the full proceeds from the sale. Now a lot of companies are keeping the extra money or at the very least recovering the costs of any improvements made to the house to make it more marketable.

There is also a trend towards lump sum payments to cover the cost of relocation if for no other reason than it is easier, and therefore less costly, to administer. In an effort to trim costs, some organizations that once used an external provider to administer the financial management of a relocation program are bringing it back in-house to gain better control of the dollars going into each relocation assignment. Meanwhile the relocation service providers themselves are reporting that they are getting squeezed by their customers to continually provide more service for less money.

Other strategies include more short-term work assignments and weekly commuting (a growing trend in North America). Organizations simply aren't putting as many people on the ground in new locations anymore, preferring instead to send someone on a temporary assignment to train someone else to do the work rather than actually moving someone. It's part of a general trend to reorganize work, where possible, to avoid the costs of relocation in the first place.

However, some strategies for cutting costs may end up costing the company more down the road. For instance, many organizations are eliminating or capping programs that deal with the "softer" issues like elder care, educational assistance and career counselling for spouses.

While cutting back on these "soft" costs may save money on one side of the ledger, it increases the chances of a failed relocation. That can prove very costly for an organization, not just in terms of the direct costs but also the incremental costs of lost business opportunities, hiring and training staff to complete the assignment, disruptions to customer service and a negative hit to employee morale. Failed relocations often evolve from poor program planning by the organization and complex expectations of the employee.

Relocation programs need to be flexible and relocation philosophies should never lose sight of the big picture. A company's policy may include paying to ship one family car to a new relocation. But what if the transferee is a car buff, and also wants a second car that is his pride and joy shipped at a

See Next Page

Strong relocation programs a recruitment advantage

Continued From Previous Page

cost of $2,000? Is it worth adhering to a one-car policy if it means the right person for the relocation turns down the assignment?

Firms responding to economic conditions by cutting relocation expenditures for short-term savings, may be hurting themselves in the long term. Strong relocation programs will play a big role in the ability of organizations to recruit and deploy workers in a global labour market.

Today many companies pay little attention to relocation and workforce mobility for strategic planning purposes, but that view is very likely to change in the near future. With an aging workforce and a looming labour shortage, which many experts predict will be a crisis in North America, the pressure to recruit and retain the very best talent will only increase. Canadian and American firms will be competing with each other and on a global stage for workers. Successfully relocating employees will become a must.

According to demographic expert David Baxter, there will be a shortfall of about 107,000 new workers in Canada each year for the next several years. Simply assuming the problem can be solved through immigration overlooks the fact that the labour shortage south of the border is even greater, which means American firms too will be looking to bring in more immigrant workers.

According to the U.S. Department of Labor, 78 million baby boomers are starting to retire, and only 43 million workers are ready to enter the workforce. Canada with its highly educated populace will also be an obvious target for U.S. recruiters. And it's not just white collar workers who will be hard to find. It's predicted that by 2006 there'll be a crisis in skilled trades with tool makers, plumbers, millwrights, mechanics and carpenters and cooks all in short supply. The problem is not only confined to the private sector. The federal government will need to recruit 7,000 new workers annually for the next several years to just to replace retiring workers.

Under these circumstances, good relocation programs become a competitive advantage for Canadian firms fighting the war for talent.

Organizations that plan ahead and link human resources, workforce mobility and organizational effectiveness into strategic business planning, will be positioned to meet the challenge of recruiting and retaining the best talent. A knee-jerk approach to cost containment in relocation just won't cut it in the long run.

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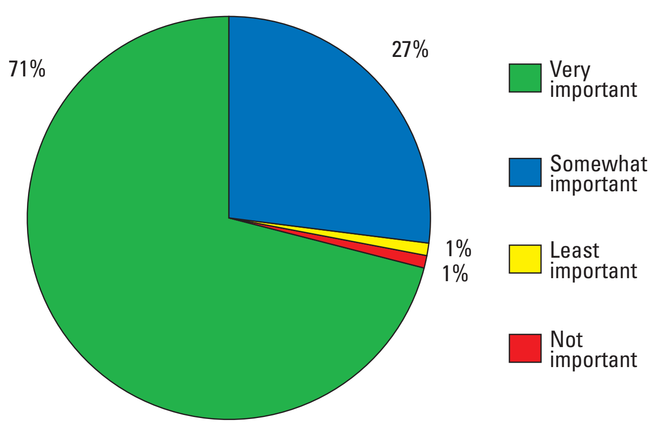
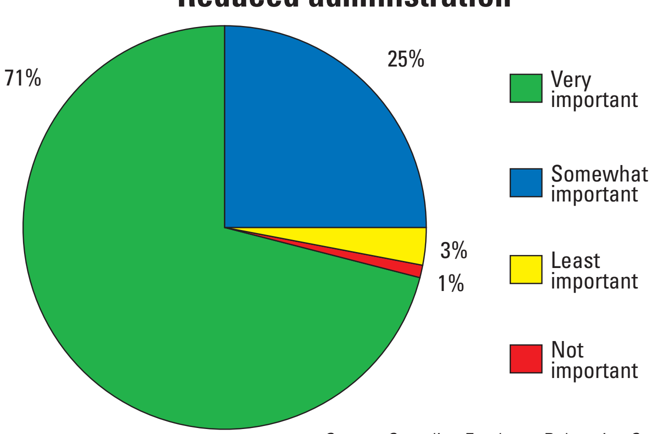
Goals of corporate relocation policy

For its *2003 Survey of Employee Relocation Policies*, the Canadian Employee Relocation Council, surveyed 88 large Canadian corporations and government agencies on their relocation programs. Respondents were asked to rate the importance of various goals including cost containment and reducing administration.

Cost containment



Reduced administration



Source: Canadian Employee Relocation Council