

# Managing Relocations in the Current Economy

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# Agenda / Discussion Items

- Are policies being adjusted to aid in recruitment / internal staffing efforts?
- Are policies being adjusted to assist relocating homeowners?
- Have policies changed in response to foreign exchange fluctuations?
- Policy Changes or Exception Matrices
- Are we on the brink of another employee relocation philosophy shift?

# What we hope to leave with today...

A better understanding of:

- What's different in the market today. What changes are taking/have taken place.
- What employees are concerned about.
- What employers are concerned about.
- Policy options for consideration

# Economic Factors

- Housing trends
- Real estate absorption rate
- Inflation/increased cost of goods
- Interest rates
- Currency fluctuations
- Fuel prices
- Employment rates
- Political affects
- Media influence on the economy

# How Far on \$500 Worth of Diesel?



# Consider this....

## Currency Fluctuations: Canadian to USD\*

Sept 1, 2005	.8443	1.185
Sept 1, 2008	.937	1.068

2005

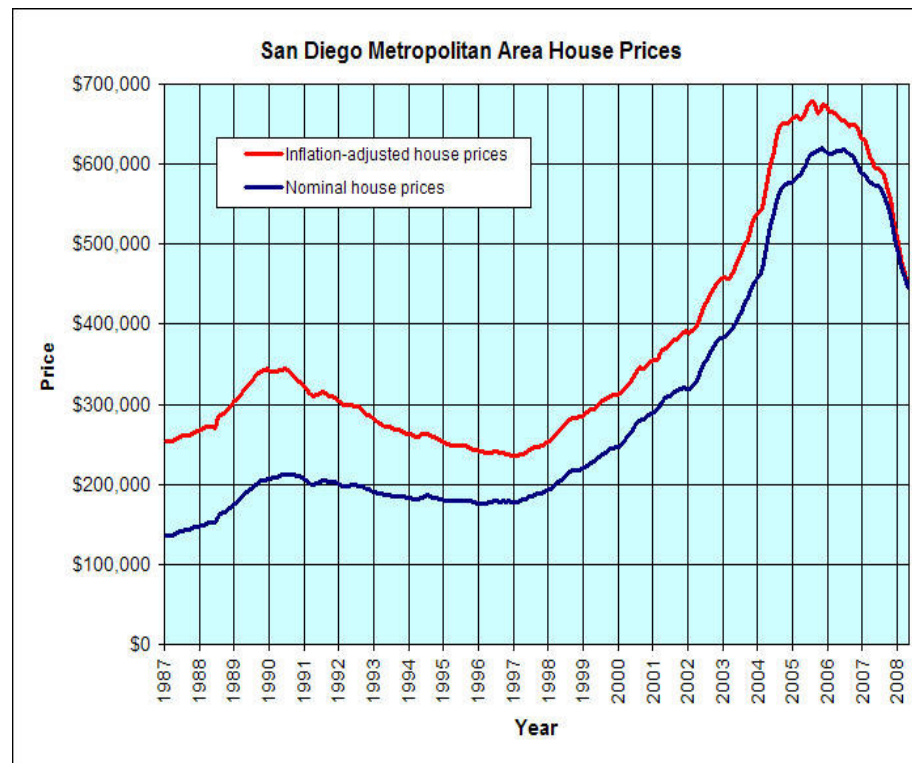
2008

C\$100,000 → US\$84,430 → C\$90,171  
US\$100,000 → C\$118,500 → US\$111,035

\*Source: [www.xm.com](http://www.xm.com)

# Consider this....

This is the condition of many US housing markets



# Consider this...

## Average housing prices:

	2005	2008	
Oakville	C\$390,000	C\$500,000	↑ 28%
San Diego	US\$580,000	US\$505,000	↓ 13%

Now consider the 10% loss via the currency conversion

Does your policy accommodate this employee repatriating back to Canada?

Housing price source:

US: <http://housingbubble.jparsons.net>, National Association of Realtors, Standard & Poors

Canada: Royal LePage Historical Database; CMHC

# The way it was...

- Primary employee concerns about a relocation were...
  - \$Total Compensation\$
  - Position/Title
  - Location
  - Career aspirations
  - Rewards or incentives
  - Spousal & family support

# The current state...all the above, plus:

- Housing concerns
  - What if my house doesn't sell?
  - What if the value has declined?
  - Can I afford to purchase?
  - Should I purchase?
  - Interest rates have gone up
  - **What will the company do to help me?**

# The Company's concern...

- Cost of programs
- Meeting global requirements
- Skills shortages
- Match talent with location
- Employee satisfaction
- Employee retention
- Compliance (tax & immigration)
- “Hassle free” administration

# Industry Trends\*

- Short-term international assignments on the rise
- Employees declining relocation due to housing concerns
- Increase in housing inventories
- Steady increase of transfers to China and other parts of Asia

# Industry Trends \*

- Demographics of transferee
  - Mostly single men
  - Only 19% females (2007)
- Mandatory cross-cultural training
- Creative home sale marketing programs

\*Source: Workforce Management, August 11, 2008

# What is your Corporate Strategy & Philosophy?

- Equal treatment of all employees?
- Flexible policies?
- Treatment of exceptions to policy?
- Is cost a factor?
- Employee satisfaction above all else?
- How much/little support is offered?

# Your Corporate Strategy & Philosophy (cont'd)

- Is a relocation/assignment strategic as a component of career advancement?
- Do your relocation programs align with your strategy?

# What are your Organizational Needs?

- Needs differ significantly between companies and industries:
  - Specialized skills shortages?
  - Locations?
  - Moving into new global markets?
  - Off-shoring operations/manufacturing?
  - Downsizing? Acquisition-mode?
  - Cost containment?

# Policy Considerations

Declining house prices in home location:

- Allow employee to rent and extend home sale provision;
- Extend temporary living benefits or extend duplicate housing provision;
- Offer incentives to expedite a sale
  - To purchaser
  - To employee
- Deter home sale & purchase for assignees

# Policy Considerations

- Moving into a high cost area
  - COLA, mortgage subsidies or interest buy-down provisions;
  - Extend home purchase provision if market is uncertain;
  - Retain preferred lender to assist with qualifying and financing;

# Policy Considerations

What level of flexibility?

- Benefits based upon needs;
- Managed lump sum program;
- Allow “trade-off” of waived benefits;
- Short-term assignment versus permanent relocation options

# Other Considerations

- Mortgage interest differentials – are these coming back?
- Exchange rate protection on equity
- Establish home purchase & sale policy for assignees – offer property management
- Storage versus shipping goods

# What's The Other Guy Doing??

- **Policy Changes vs. More Exceptions**
- **Industry Dependant or Across all industries?**
- **Are the Challenges of the 3 R's (Recruitment, Retention, Repatriation) seen as a 'faze', a 'farce' or a 'fact'?**
- **Aren't most recruits/employees more interested in the career benefits then worried about economics?**

What's The Other Guy Doing??  
**The 'Secret' Answers**

- Yes and No
- Most industries
- Fact
- NO!!!

# Those Who Believe “This too shall pass”

- 3-5 year assignments discourage home sale or penalize those who proceed
- In GTA, buyers are compensated for regular LTT (Land Transfer Tax) are not always so lucky with the higher GTA LTT
- Employees encouraged to maintain their properties in their home country, having them available for home leaves, and not being hit with a housing norm if they rent.
- COLA is typically adjusted (if not removed totally) only if the employee moves to another location rather than back to origin, even when origin costs have not kept up with salaries.
- COLA caps are becoming the norm and based on lower salary maximums
- Tax is not always included in the COLA calculation

# Some Proof for ‘Ye of Little Faith’

- **Recruitment costs have tripled**
- **Signing bonuses are becoming the norm**
- **Average tenure of a ‘quality’ employee reduced from 10 years to 3 year**
- **Reluctance to relocate at an all time high**
- **Overseas recruitment on the rise**

# Acceptance of Reality?

- Trend to tiered policies
- Minimum differentiation between current employees and experienced new hires
- New Hire policies tiered at 2 or even 3 levels (executive, technical, management)
- Return to signing bonuses

# Acceptance of Reality?

- Slowly trending to incorporating COLA and/or Housing Differentials to new hires
- Slowly trending to Equity Loss Protection for New Hires (with higher caps)
- Currency protection almost a standard
- Canada to US moves regularly including Equity Loss protection and/or housing differential on repatriation to Canada (handled usually by Housing Subsidy or Loan programs)

# ***REAL REALTY***

Policy adjustments are carefully made and many situations are treated on an exception basis vs. incorporating ‘new’ benefits into policies.

Companies remain conservative and are willing to ‘ride out’ both the housing market adjustment on both sides of the border, as well as a return to what they believe will be a more balanced CD/US dollar

# More *REAL REALITY*

- Policies are usually not changed readily as a reaction to the real estate markets, economic state of the country/province/state, etc.
- Exceptions do occur when spikes or dips in the real estate markets happen and on occasion - exceptions become the norm
- Comparable Value reports increase and consideration is given to increase the amount of mortgage subsidy provided for employees moving into the higher priced communities or to equity protect original purchase price.
- Policies are being reviewed, if not changed, more frequently

# Foreign Exchange Rates

- FX guarantees have slowly been fading out
- Transferees were expected to accept the risk and often came out ahead
- As employee global relocations become the norm and the pool of potential qualified Western employees becomes shallower, this will be a bigger issue

# Wouldn't it Be Nice?

- It can certainly be argued from both sides though... wouldn't everyone like to purchase stock knowing it would never decline or buying it with a guarantee of a certain % return?
- The question which must be posed by each corporation is whether the business need for a specific employee or recruit is strong enough to warrant giving such a benefit

# The Third World Solution?

Whether politically correct or simply reality, the third world is producing qualified human resources whose expectations are still modest in relation to the first world resources

The question that should be asked is how long can corporations ride on this reality before first world savvy becomes a third world expectation.

# Thank You!

Questions?

Comments?

See you in Vancouver!!