1982 · 2007

CERC

Leadership for Workforce Mobility

Canadian Employee Relocation Council

2007 Employee Relocation Policy Survey

Domestic, Cross-Border & International Relocations

Executive Summary

Acknowledgements

This survey report would not have been possible without the dedication and commitment of our 2007 Survey Committee. These individuals gave freely of their time and energy in compiling this report.

Paul Presswood (Chair)	Taylor Moving and Storage
Somaya Dimitri	Prudential Relocation Canada Ltd.
Tom Hogan	TransferEase
Rob Stone	TheMIGroup
Stephen Cryne	CERC

Canadian Employee Relocation Council
180 Dundas Street West
Suite 1010
Toronto, Ontario M5G 1Z8
416 593 9812
1 866 357 CERC (2372)
www.cerc.ca
Leadership for Workforce Mobility

Participating Organizations

The Canadian Employee Relocation Council would like to thank the following organizations for participating in this year's survey.

3M Canada Company
Agrium Inc.
Alcan Inc.
ALTA Gas Income Trust
AMEC
American Bureau of Shipping
Bank of Canada
BCE Corporate Services
Best Buy Canada Ltd.
BMO Financial Group
BMW Canada
Bombardier Aerospace
BP Canada Energy Company
Canada Mortgage & Housing Corporation
Canada Post Corporation
Canadian Broadcasting Corporation
Canadian Imperial Bank of Commerce
Canadian International Development Agency
Canadian National Railways
Canadian Natural Resources Ltd.
Canadian Pacific Railway Company
Canadian Tire Corporation Limited
Canadian Western Bank Group
Cargill Limited
City of Leduc
Coca-Cola Enterprises Inc.
Conoco Phillips Canada
Conroy Ross Partners
Department of Foreign Affairs and International Trade
Dofasco Inc.
Eastman Kodak Company
Electrical and Utility Safety Association
Enerflex Systems Ltd.
Enbridge International
EnCana Corporation
Farm Credit Canada
Fluor Corporation
General Dynamics Canada
General Dynamics Land Systems Canada
General Electric Canada
Husky Energy Inc.
Husky Injection Molding Systems Inc
Hydro One
Hydro Quebec
International Development Research Centre
Jacobs Engineering Group Inc.
Klohn Crippen Berger
KPMG LLP
L-3 Mas Canada
Lanxess Inc.
London Economic Development Corporation
MacDonald Dettwiler & Associates
Magna International Inc.
Manitoba Hydro
Manulife Financial
MDS Inc.
Methanex Corporation
Morneau Sobeco
National Energy Board
NAV Canada
Nestlé Canada
Nexen Inc.
Nokia
Novartis Pharmaceuticals
Ontario Power Generation
Pulp and Paper Research Institute of Canada
Patheon Inc.
Petro-Canada
Progress Career Planning Institute
Purdue Pharma
RBC Financial Group
Research In Motion
Saskatchewan Property Management
Saskatchewan Telecommunications
Sierra Systems Group Inc.
Smurfit-Stone Container Corporation
SNC-Lavalin Inc.
St. Marys Cement Inc.
Sun Life Financial
Talisman Energy Inc.
TD Bank Financial Group
Telesat Canada
Telus Communications Inc.

Terrapoint Canada Inc.
The Bank of Nova Scotia
The Home Depot
Total S.A.
TransCanada PipeLines
TransAlta Corporation
Transport Canada
University of Western Ontario
Vermilion Energy
Wellco Energy Services
Wescast Industries Inc.
WestLink Innovation Network Inc.
Weyerhaeuser Company Limited
Whirlpool Corporation
Woodbridge Foam Corporation
Xstrata PLC

Introduction

This survey is a bi-annual survey of employee relocation policies and practices of organizations with operations in Canada. The last survey was conducted in 2005. The CERC policy survey report is an important reference tool used extensively by members within the organization.

We continue to improve the scope of the survey, in response to changing trends and information needs of members.

The survey includes responses of both public and government organizations that relocate employees. The survey is an important reference tool for organizations wishing to review and benchmark their policies to those of similar industry sector, size or location. The survey is widely referenced by service suppliers who respond to changing demands and trends taking place in industry. Additionally the survey is an important reference tool for researchers and academics with an interest in workforce mobility. The media also refer to the survey for information and research purposes.

Participants completed the survey using an on-line web based survey tool. This same survey tool was used in the 2005 survey.

Executive Summary

Organizations relocate and assign employees for a variety of reasons; business development and career growth are the most prominent. Most organizations provide some form of assistance to employees in order to ensure an effective move for the employee and their family. There are inherent financial and human implications to each transfer. This survey provides an excellent overview and analysis of the policies and practices employers have in place to support these relocations.

Approximately 500 organizations were invited to participate in this year's survey. A total of 99 organizations participated in the survey over an eight-week period in the spring of 2007. The response rate represents a statistically sound population size given the wide range of industry sectors that participated.

The 2007 survey provides important information about trends and practices in workforce mobility. In addition to an extensive mining of policy data, the survey provides a comprehensive snapshot of the corporate profile and valuable information on the profile of the employee, the family makeup, and a geographical indication of where assignments are occurring. As in previous years we have been able to gather a more complete understanding of the role and responsibility of corporate relocation managers including salary data for those managers.

As in the 2005 survey, the 2007 report highlights important data and identifies significant trends and changes observed over the past two years. From these trends, we hope to identify the social, economic and cultural factors influence how organizations manage mobility issues.

This executive summary is presented in four sections: *General Observation; Domestic Relocation; Cross Border Relocation and; International Relocation*. The summary highlights the general trends observed and provides a possible explanation of the cause. It should be noted from the outset that while cost containment and increased organizational control continue to be the primary drivers of change, we have noted some important changes that reflect how companies are responding to a tightening labour market and increased housing costs

General Observations

As in previous surveys, a diverse range of industry sectors is represented. Over 75% of these organizations based their headquarters in Canada with 58% employing over 1000 people – one quarter of the organizations employed over 5,000 people. While noting that some organizations are from the government sector, roughly 53% of these participating companies had annual Canadian revenue of at least $100 million, and 31% report annual revenues exceeding $2 billion.

Half of all respondents have experienced some difficulty in hiring over the past twelve months. 30% have changed hiring policies to attract new hires and 57% of organizations offer assistance to new hires, an increase of 16% over 2005

Policy Administration

Outsourcing of some relocation services continues to grow in popularity. In 2003, 51% of corporations handled the administration of their relocation policy totally in-house; this dropped to 41% in 2005 and 32% in 2007. Within that trend however, policy review processes remain largely controlled in house. Most relocation budgets are centralized within the organization.

Companies continue to relocate employees in response to specific business needs, and they will relocate a particular employee for the same reason. Companies continue to provide relatively little advance notice of the relocation – three quarters of organizations will give less than two months notice of an impending move and over one third will provide less than one month. As noted in previous reports this lack of notice may have adverse implications to the success and costs of the relocation.

90% of companies track relocation costs, but almost three quarters have no process in place to determine the success or failure of a relocation; of those that do, 85% report a success rate of between 76-100% for their employee moves. Since there does not appear to be a formal measuring process involved, it would suggest this is solely based on the respondent's experience or opinion.

Only 6% of participating organizations have a process in place to measure the return on investment of a relocation, which is largely unchanged since 2005. As reported in previous reports, this lack of a measurement process presents an opportunity for Human Resource Departments to play a strong strategic role in manpower planning and deployment. Considering the increasing cost of relocations today, it is surprising that there are so few measurements in place for both determining success and measuring return on investment.

Participant Profile

Just over half of all respondents hold management positions, with an average of eight years experience in relocation management. In 83% of the organizations the relocation manager is part of the Human Resources Department. Just over 45% of respondents spend less than 25% of their time on relocation program management, and 32% spend between 75% and 100% on relocation. This variance is largely attributable to annual relocation volumes and use of external outsourcing resources. Average annual salary is reported at $78,100 in 2007.

Transferee Profile

A "typical" relocating employee is male aged 36-40 years, with a working spouse, an income of $88,325 and is most likely a homeowner. In a shift from 2005, technical professional positions accounted for the largest number of relocating employees. An employee who rejects relocation will most likely do so because of concerns regarding children, compensation and spousal career/employment. This latter reason coincides with the fact that the majority of employees who may potentially relocate have a working spouse/partner.

While there appears to be a relatively even distribution of movement across Canada by region, we continue to observe growth in the number of relocations into Western Canada

Supplier Relations

Almost all organizations utilize a supplier in one form or another. Most of these organizations will use more than one supplier for household goods moves and temporary living needs. The main reason is geography, since employees are moving across Canada; suppliers in each city are required. Half of all organizations only use one supplier as their third party relocation supplier, and as reported in previous surveys this is largely due to the centralized services a relocation company can deliver.

57% of respondents have formal policy and procurement requirements in place. Relationships with suppliers are mostly reviewed on a situational/ad hoc basis, however over 53% of organizations conduct reviews based on policy or procurement needs. Regardless of the method of review, suppliers are changed due to service concerns in 86% of cases and/or cost considerations in 67% of cases. Suppliers are primarily chosen a request for proposal/tender in 69% of cases; an increase of 17% over 2005. Service is cited as being the most important factor to forming an effective service relationship by 97% of the organizations.

Relocation Policy

Over 90% of organizations have a formal relocation policy; a slight change is noted in that quality of benefits ranked as being most important by almost three quarters of respondents. A 21% increase is noted in the provision of interim accommodation policy and a similar increase in financial assistance policy, suggestive that corporations are responding to increased employee needs in a tight housing market. Also in 2007 a significant decrease is noted (37% to just 15%) in the number of organizations offering a lump sum allowance; at the same time there is an increase of 27% in the number of organizations offering core benefits plus options. In 91% of organizations policies are benchmarked in one form or another, although 61% conduct a review on an ad hoc basis. Almost 75% of those responding indicate they will be changing elements of the policy in the next two years.

It is typical for organizations to make exceptions to policy for their employees and almost 75% report doing so. The most important factor in deciding on the exception is the legality of the exception. While 72% of organizations expect to make changes to their policy within the next two years, almost three quarters do not expect to make any change to the administration of their programs.

In an attempt to identify tracking of retention among repatriated employees questions were asked in the cross border and international sections of the survey. The data gathered in these responses will provide benchmark data for future surveys in this area

Domestic Relocation

Domestic relocations involve a mix of government and non-government moves. 78 organizations completed the domestic section of the survey.

Volumes are on par with those reported in 2005. 55% of organizations report relocations of between 11-50 relocations, 24% have more than 100 relocations per year, and 81% of all moves are permanent. Just over half of the organizations expect no change in the volumes over the coming year, while 32% expect an increase – an increase of 10% above that reported in 2005. Worthy of note is that a growing number of firms cite domestic and international recruitment as key reasons behind the increase.

The average cost to relocate a homeowner in Canada was reported at approximately $45,000 in 2007.

The majority of respondents cite housing and family issues as the major obstacles when effectively relocating employees.

In 43% of organizations the level of relocation assistance is the same for all employees, with little variance between executive and non-executive staff. 8% report significant difference in the level of assistance between executive and non-executive staff.

Popularity of lump sum programs seems to be falling out of favour, with just over one third of respondents reporting they provide this benefit, compared to 46% in 2005. 89% of organizations provide some levels of home disposal assistance. Overall guarantee and home-sale assistance appears to have increased, while lump sum programs have declined since 2005.

75% of all respondents offer home purchase assistance in the new location; 42% provide housing cost differentials and 23% offer mortgage differential assistance. Reporting on this question for the first time, only 22% of companies have programs in place to protect the organization in the event of a downturn in the real estate market.

Cross Border Relocation

Cross Border relocations are an important element of the trade and commercial relations that exist between the U.S. and Canada. Survey results have confirmed that organizations doing business between our two countries regularly transfer management and technical staff to support operations. Overall activity has increased slightly since the 2005 Survey, confirming expectations for stabilization and continued growth over time.

The majority of relocations involved the movement of less than 10 employees, Overall volumes are expected to remain relatively stable in the coming year, with almost three quarters of respondents expecting volumes to remain the same and 16% expect an increase in the number of cross border moves.

Based on information provided by respondents, the average cost of a cross border move is $57,275; 13% of moves are in excess of $100,000. While the majority of organizations state they have cost tracking mechanisms in place, it is not entirely clear that there is commonality in the methodologies and costs being tracked between companies.

Policy and administrative challenges identified by companies are on par with those reported in 2005, with tax and family issues being the dominant challenges that relocation managers report having to address.

Housing assistance varies with 69% of companies providing assistance with home disposal; on par with that reported in 2005. Just under half of all companies provide equity loss protection, unchanged since 2005. For new location costs housing cost and rental cost differentials increased by 20% and 12% respectively. The number of companies providing COLA increased to 66% from 34% in 2007

Miscellaneous expenses provided to transferees are on par with those reported in 2005.

Notable change is observed in the decline in the number of companies with a written tax policy, falling from 70% to 57% in 2007. There is a significant increase in the number of firms reporting the use of tax equalization methods to handle reimbursements. A greater number of firms are also including federal/state/provincial tax protection within their protection policy.

Payroll trends observed include a significant shift in the number of companies using home country versus host country as the basis for payroll, increasing from 26% to 42% in 2007.

As in 2005, just over one third of companies have a formal repatriation program. There is a 10% increase in the number of companies that provide employees with repatriation assistance programs, and of those companies with a program in place planning does not occur until close to the end of the assignment. Less than half of the companies track retention of the repatriated employee.

International Relocation

The 2007 survey confirmed that Canadian businesses remain very active in the global marketplace, with 46% relocating employees internationally. 74% of companies expect ***permanent*** international relocations to increase or remain at similar levels over the next 12 months, and 82% of respondent companies anticipate that ***temporary*** international transfers will increase or remain at similar levels over the next 12 months.

The average cost of a permanent relocation is reported at $91,125. Over 30% of firms reported average costs of over $100,000. The average cost of a temporary relocation/ assignment is $77,875.

The vast majority of companies, 81% continue, to manage their international relocation through a written policy, with 15% reporting they manage international mobility through an Employment Agreement on an ad hoc basis.

The number of companies providing employees with a Cost of Living Allowance, at 70% is similar to 2005. Reversing a 2005 trend is the number of companies that provide Hardship Allowances or Foreign Service Premiums - 73% and 78% respectively compared to 62% and 59% in 2005.

Overall assistance provided to transferring employees in miscellaneous expenses is similar to 2005. The number of companies providing re-employment assistance for the spouse has increased to 45% - following a decline to just 25% in 2005. There is a noticeable decline in the number of companies providing coverage to maintain children in the former location for education purposes.

As reported in 2005, international concerns around terrorism and security have not impacted acceptance rates for foreign postings with just 6% of companies reporting a decrease in acceptance rates for security reasons.

As noted in the Cross-Border section the number of corporations with a written tax policy declined in 2007; for international assignments this dropped from 73% to 49% today. 74% of corporations with a global workforce use tax equalization as their preferred method of tax treatment of expatriates.

The major management challenges, as reported by these corporations, continue to be family and tax issues, remaining largely unchanged since 2005.

As reported in previous surveys legal firms are the service of choice for obtaining visas in almost two thirds of the organizations requiring assistance.

There is a definite trend in the number of companies using the home country for payroll purposes - increasing to 68% in 2007 from 36% in 2005.

Only 29% of companies report having a formal repatriation program; 40% have a program to facilitate an appropriate career position upon repatriation - increasing from 27% in 2005. The majority of companies with a program in place did not begin the career planning process until close to the end of the assignment. Only 23% of companies track retention rates among repatriated employees.

32 of the 51 companies completing the international section of the survey responded that they have short-term international assignees; 56% of those firms expect an increase in volume in the coming year. As in 2005, the most common challenge is tracking short-term assignments for tax purposes.

Conclusion

Overall the trends and direction identified in the survey appear stable and in line with expectations reported by participants in the 2005 survey. There are clearly pressures stemming from labour shortages and housing that are prompting policy changes in these two important areas. It is clear that companies are paying greater attention to relocation policies in place to support recruitment, with half of all respondents experiencing difficulty in hiring over the past twelve months. It would appear that organizations are contemplating future challenges and expect increased relocations to be part of the succession planning of retiring employees.

Outsourcing of relocation services continues to increase; strategic management and policy setting however continues to be largely managed in house. This reflects trends underway in other areas of human resources management. It will be interesting to see how this trend continues to unfold by the time of the next survey in 2009.

An ongoing puzzle is the lack of attention to the return on investment of relocation. With only 6% of organizations having a process in place to measure these returns, it begs the question as to why only a few organizations see benefit in measuring return on these costs. Considering the several thousands of dollars involved in even the most simple of relocations, there exists great opportunity for organizations to improve overall cost reporting and demonstrate the return on investment for this important cost area.

Cross border relocations continue to show growth, reflecting the strong trade relationship in place between Canada and the U.S. This too is in line with expectations of participants in 2005. Expectations are that current levels will continue to increase over time.

Internationally, the number of assignments illustrates the strong presence that Canadian based organizations have in the global marketplace. Expectations for future growth are strong among respondents, with 21% expecting permanent relocations to increase and 32% expecting temporary relocations to increase.

Overall volumes of relocation have increased marginally since 2005. The majority of organizations report volumes of between 1 and 10 moves per year. There does not appear to any large group moves on the horizon, although 5% of the organizations expect activities to significantly increase in the next two years.

Similar to previous reports the emphasis on cost and quality of service dominate for corporations striving to maximize value for money. A slight change in the primary goal of the corporate relocation policy being focused on greater quality, perhaps demonstrates efforts to ensure satisfaction among transferees.

It appears that organizations have reversed a trend in 2005 regarding support to the trailing spouse on foreign assignments. With a 20% increase over the number of companies providing this support since 2005, it appears that organizations have consciously elected to respond to employee needs in this area. This issue was flagged as a concern in our 2005 report.

As noted in 2005, while the majority of organizations (90%) have processes in place to track relocation costs, just over one quarter have a process in place to determine whether the assignment was a success. And as noted earlier only 6% of all responding organizations have a process in place to track the return on investment of the relocation.

The lack of repatriation programs for cross border and international assignments continue to be an area of missed opportunity for organizations. With only 37% of organizations reporting the existence of a repatriation program for cross border moves and 29% for international moves, there is a significant chance of losing highly skilled and experienced professional managers who are not adequately reintegrated into the organization. For the first time the survey has gathered data regarding retention rates for repatriated employees, which will be used to benchmark future surveys.