



Leadership for Workforce Mobility

Canadian Employee Relocation Council

2009 Employee Relocation Policy Survey

Domestic, Cross-Border & International Relocations

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Participating Organizations

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

3M Canada	Fairmont Hotels & Resorts
AbitibiBowater Inc.	Farm Credit Canada
Aecon Industrial	Finning (Canada)
Agrium	Foreign Affairs and International Trade Canada
Air Canada	General Dynamics Land Systems-Canada
AIR Energi	Genivar
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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 2007. 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 a web based survey tool. This same survey tool was used in the 2007 survey. In efforts to improve the quality of the survey report, several changes were made to the survey in 2009, including new questions that identified important trend data for short term and long term assignments and permanent relocations.

Executive Summary

Approximately 500 organizations were invited to participate in this year's survey. A total of 98 organizations participated over an eight-week period in the spring of 2009. The response rate represents a statistically sound population size given the wide range of industry sectors that participated.

Organizations relocate and assign employees for a variety of reasons; business development and career growth being the most prominent. Today, most organizations will 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.

The 2009 survey provides important information about trends and practices in workforce mobility. In addition to an extensive mining of policy data, the survey provides a 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. Through this survey we also continue to build a more complete understanding of the role and responsibility of corporate relocation managers including salary data.

As in previous surveys this report highlights important trends and changes observed over the past two years. From these trends, we hope to identify the social, economic and cultural factors that influence how organizations manage mobility issues.

The executive summary is presented in four sections: *General Observations; Domestic Relocation; Cross Border Relocation and; International Relocation*. The summary highlights the general trends observed and, where possible, provides an explanation of the underlying reasons for the change underway.

While the emphasis continues to focus on cost containment and organizational control, it is evident that over the past two years costs have increased. Underlying causes are increased costs for housing and accommodations. Some organizations have also seen costs increase as incentives have been added to recruit new employees since 2007. Supporting comments suggest that organizations are tailoring benefits for strategic hires, with greater numbers citing policy exceptions, enhanced relocation benefits and targeted signing bonuses.

The poor economic conditions in the first quarter of 2009, the period during which this survey was completed, point to expectations of declining volumes of relocations and assignments over the next twelve months, and to increased measures to control costs.

In response to cost increases, almost three quarters of respondents plan to review their policy, with cost containment being the driving factor behind those reviews.

General Observations

A diverse range of industry sectors participated in the survey. Just over 75% of these organizations based their headquarters in Canada with 65% employing over 1000 people, and 29% of organizations employing over 5,000 people. While noting that some organizations represent government and crown corporations, roughly 73% of participating organizations had annual Canadian revenues of at least \$100 million and 45% report annual revenues exceeding \$2 billion.

Just over half all respondents report that the level of difficulty to recruit new staff has remained unchanged in the past 12 months. Almost one third say it has been more difficult to recruit staff during this period. This is in line with findings reported in 2007, however given the current rates of unemployment it is likely this difficulty has declined substantially.

The top four relocation destinations identified in 2009 were: Western Canada, the U.S., Eastern Canada and Europe (including the U.K.).

Policy Administration

As noted in previous reports, while the outsourcing of services remains popular (50% partially outsource), policy review processes remain largely controlled in-house. In the majority of organizations, relocation budgets are centralized within the organization.

Organizations continue to relocate employees in response to specific business needs, with 78% identifying operational requirements as the main reason. Employers continue to provide relatively little advance notice of the relocation – with three quarters giving less than two months notice of an impending move. As noted in previous reports this lack of notice may have adverse implications for the success and overall costs of the relocation.

Formal succession planning is in place in 63% of organizations, and 80% of those report that potential transferees are identified during that planning process.

When it comes to tracking costs, 86% of organizations report doing so, but almost three quarters have no process in place to determine the success or failure of a relocation. In those organizations that do measure success, the negative impact on relationships and workplace culture are the most common indicators.

Only 3% of participating organizations have a process in place to measure the return on investment of relocation. And, while there are significant challenges to developing a precise tool to measure return on investment, as noted in previous reports, this presents an opportunity for human resources managers to adopt a more strategic role in manpower planning and deployment.

Participant Profile

Participants self selected their position within the organization, with 37% holding management positions, *compared with 53% that held management positions in 2007*, and 47% self identifying as technical specialist, *compared with 36% in 2007*.

In 90% of the organizations the relocation manager is a member of the human resources department. Just over 40% of respondents spend less than 25% of their time on relocation program management, and 33% spend between 75% and 100% of their time on relocation program management. This variance is largely attributable to annual relocation volumes and use of external outsourcing resources.

The average annual salary is reported at \$77,413 in 2009, down slightly from the \$78,100 recorded in 2007. This is likely reflective of the change in the demographic since 2007, with fewer participants reporting having more than eight years of service.

Transferee Profile

Males account for between 75% and 100% of all transfers in 50% of organizations, while 58% indicate females account for less than 25% of transfers. Within that profile, married/common law couples with children account for the largest percentage of transferees. Two thirds of transferees are homeowners.

A “typical” relocating employee is male aged 26 - 40 years, with a working spouse, an income of \$92,592 up from the \$88,325 reported in 2007. Two thirds are homeowners. An employee who rejects a 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. This factor is becoming increasingly challenging in the current economy and uncertainty around employment and housing.

Supplier Relations

There are no observable trends in the 2009 data. Service concerns continue to be the most common determinant when switching a supplier. When considering switching suppliers 70% of organizations will opt to issue a request for proposal (RFP) to evaluate suppliers.

Relocation Policy

A formal relocation policy exists in 90% of responding organizations. In seeking a clearer understanding of the human resource (HR) management objectives that relocation policy supports, a new question was added in 2009. From this we learned that talent acquisition and talent development were equally weighted as the top HR objectives relocation policy supports, followed by employee retention. This will serve as an important benchmark in future studies.

In 87% of the participating organizations relocation policy is benchmarked, and 72% changed their policies over the course of the two year period, *increasing from 60% in 2007*. Changes to the miscellaneous allowances were ranked as the most common change across all programs.

Almost three quarters (74%) expect to make policy changes in the next two years. And very likely in response to difficult housing markets in Canada and the U.S., home disposal policy is noted as the most common change that will be made to domestic and cross border policy. For international policy, the structure of international policy is the most common change expected.

The most significant factor that will influence change is cost containment, cited by 77% of organizations in 2009, *increasing from 67% in 2007*.

The downward trend on the number of organizations offering lumps sum allowances appears to be long term, with just 17% offering lump sum allowances in 2009. A significant drop from the 37% reported in 2005 and on par with the 15% reported in 2007.

Domestic Relocation

Domestic relocations involve a mix of government and non-government moves. In 2009 73 organizations completed the domestic section of the survey.

Volumes for 2009 are on par with those reported in 2007. There is a significant increase in the number of organizations that expect volumes of permanent relocations to decline in the coming year, yet 47% expect volumes to remain unchanged.

The average cost to relocate a homeowner is approximately \$50,400, *up from the \$45,000 reported in 2007*. This increase is likely a reflection of increased housing and accommodation costs.

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

In 40% of organizations the level of relocation assistance is the same for all employees, with 17% reporting a significantly different level of assistance for executives. At 34%, the payment of lumps sum allowances is consistent with results in 2007.

In 82% of organizations, some level of home disposal assistance is provided, and 38% include home equity loss provisions. Home purchase assistance in the new location is provided by 77% of organizations. Only 10% have programs in place to protect the organization in the event of a downturn in the housing market.

As organizations look for ways to control costs, 81% report having restrictions on the movement of household goods, and particularly in regard to recreational vehicles and equipment.

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. The majority of relocations involve the movement of less than 10 employees.

Reflecting the poor economic climate, expectations for number of relocations in the coming year have declined since those reported in 2007. Today 51% of respondents (*down from 78% of respondents in 2007*) expect volumes of permanent relocations to remain unchanged over the next year and 39% expect a decline in permanent relocations. At the same time, 57% of respondents (*down from 77% of respondents in 2007*) expect volumes of temporary cross border relocations to remain unchanged over the coming year, and 28% expect a decline in the number of temporary assignments.

The average cost of a permanent cross border move for a homeowner is \$64,941, an increase from the *\$57, 275 reported in 2007*.

Family issues are the reason most often cited by employees for declining a cross border move.

More organizations appear to be developing cross border specific policy, *up by 10% since 2007*. Almost two thirds provide home disposal assistance and organizations are providing longer periods of interim accommodations until suitable housing is located. The provision of miscellaneous allowances, covering expenses such as destination services and settling-in assistance, is common practice among organizations with cross border activity

Just one third of organizations have a tax reimbursement policy with tax equalization being the preferred method for managing the reimbursement.

Head office requirements most often determine how and where employees are paid. The number of organizations providing foreign exchange protection on compensation decreased to 18% from the 34% reported in 2007. In determining the standard for the payment of base salary, there is an even split in the number of organizations basing the standard in Canada and those basing it in the U.S.

From the 2009 results it appears there are a growing number of organizations opting for international health insurance and health coverage in the host country, as an alternative to home country coverage than in previous surveys.

The number of organizations offering education assistance declined to 38% in 2009 from the 50% that reported providing this benefit in 2007.

Consistent with findings in 2007, just over one third of organizations have a formal repatriation program, and that same number of organizations offers an appropriate career position upon repatriation.

International Relocation

The 2009 survey confirmed that Canadian businesses remain very active in the global marketplace, with 46% of participating organizations responding to this section.

Management employees account for 73% of the expatriate population, with 55% reported at the executive management level.

Consistent with responses for domestic and cross border activity, fewer numbers of organizations expect permanent international relocations to increase or remain at similar levels over the next 12 months. Just under one half of respondents (48%) expect levels to remain unchanged and 70% (82% in 2007) anticipate that *short term* international transfers will increase or remain at similar levels over the next 12 months.

The average cost of a permanent relocation for a homeowner is reported at \$92,172. In an effort to improve cost reporting in 2009, organizations were asked to estimate the cost of a short term international assignment (that is between three and 12 months duration) and a long term international assignment (being between 13 and 60 months duration). Average costs for a short term assignment are \$64,354, and \$105,272 for a long term assignment.

The majority of organizations, at 84%, manage long term assignments through a written policy. Of those, 51% have a policy specific to international moves and 42% report having one centralized global policy, *an increase above the 26% reported in 2007*.

The top three management challenges in effectively relocating employees internationally continue to be family concerns, tax implications and cultural issues, which are largely unchanged since 2007. The most often cited challenge in managing short and long term assignments is noted as tracking of assignments to avoid tax complications.

Home disposal assistance for permanent and long term assignments is provided by 50% of organizations. All organizations offer interim accommodations. Fewer than 20% of organizations will allow the employee to purchase a home in the host country when on a long term assignment; 54% allow the purchase in the case of a permanent relocation.

Consistent with findings in 2007, 78% of organizations provide a cost of living allowance and three quarters provide a miscellaneous allowance. For long term assignments it is common practice to include benefits such as destination services, language and cultural training, and relocation counselling.

Among the 46% of organizations that have a tax reimbursement policy, tax equalization is the preferred method for managing the reimbursement. Tax counselling is provided by 85% of the organizations prior to departure for a long term assignment, similar to 2007, and 81% provide tax preparation assistance during the term of the assignment.

Home country continues to be the preferred option for payroll purposes and for determining base salary. Head office requirements are the determining factor for how and where employees are paid. The number of organizations providing foreign exchange protection on compensation has increased since 2007 with just over one third providing this benefit. Home country is used by 78% of organizations in maintaining employee pension plans.

Consistent with findings in the cross border results, more organizations are using host country health plans and international health insurance as an alternative to home country coverage.

Almost two thirds of organizations provide educational assistance at private schools for children of the transferred employee and 92% of those cover tuition fees.

Repatriation programs are garnering more attention with 45% reporting that a program is in place up from the 29% reported in 2007. Elements of the program include career planning and employee and family reintegration.

Conclusion

Overall the trends and direction identified in the survey indicate continued pressure to reduce costs. Expenses for housing and accommodation reflect increased costs over the past two years. The outlook for relocation volumes for the next 12 months drew less optimistic responses than the 2007 survey in all areas and is reflective of the economy in the first quarter of 2009.

It is interesting to note that talent acquisition and career development are the human resources management goals that relocation programs support. These factors will likely be ongoing drivers for policy change.

As reported almost three quarters of organizations plan to make changes to their relocation policies within the next two years. It will be interesting to see the scope of change, and how much of a determining factor cost will play. It is also noted that 50% of the organizations that plan to make changes intend to issue a RFP.

Outsourcing of relocation management services appears to have moderated, remaining largely unchanged since 2007. Worthy of note is that strategic management and policy setting continues to be mainly managed in house.

An ongoing opportunity for the industry is to find ways to help organizations demonstrate the return on investment of relocation. Less than a handful of organizations have a process in place to measure these returns. Considering the several thousands of dollars involved in even the most simple of relocations, this important cost area deserves closer attention.

The notable increase in the number of organizations with repatriation programs is a very positive development. This is a critical part of the relocation process and important for the retention of highly skilled employees and professional managers.