

Down, But Not Out

HR and relocation professionals are finding ways to cut costs and tweak their offerings for potential transferees in order to ride out the recession.

By Jared Shelly

It's no secret that The Great Recession has forced companies to make some serious cuts. From scaling back hiring to freezing salaries, it seems almost every facet of business has slowed – including relocations.

In a study of 180 senior HR leaders, Brookfield Global Relocation Services found 68 percent predicted an increase in relocation assignment activity for 2008, but only 37 percent actually reported an increase at the end of the year.

That's a 30 percent drop from 2007, when 67 percent reported an increase in assignments.

And the numbers for 2009 don't bode much better. A study by Atlas Van Lines found that more than half (52 percent) of 320 respondents predicted they will decrease the number of employees they move by the end of 2009. That represents the highest percentage of firms to predict a decrease since 1975, when 38 percent did so.

"Those numbers, compared to what we've seen in recent years, have been extremely, extremely [high], which is a concern for everybody," says Ryan McConnell, senior director of sales development for Atlas Van Lines in Evansville, Ind.

The slowing of relocation is mostly a product of companies looking to make cuts in all areas of their budgets, says McConnell, and "one easy budget target" has always been relocation. In the Atlas study, almost six in 10 (58 percent) companies reduced relocation expenses in 2008.

Joe Benevides, former chairman of Worldwide ERC, an Arlington, Va.-based association for workforce mobility, estimates that corporate relocations have dropped 30 percent to 40 percent since the start of the downturn.

The lack of hiring is having "the most dramatic impact on the [relocation] industry right now," he says. In the Brookfield study, only 11 percent of current expats are new hires, compared to 2003-2004, when 17 percent were new hires.

"A good percentage of the relocation industry's moves are based on people newly hired into the organization that's moving them, and, of course, most [companies] have, at a minimum, a hiring freeze, if not a reduction in staff," says Benevides, who also serves as senior vice president of global relocation services for Paragon Global Resources Inc. in Rancho Santa Margarita, Calif.

Coupled with these realities, however, is the fact that companies still need to relocate people. Since budgets are smaller and money is tight, experts say, HR should be doing all it can to relocate in a cost-effective way.

One way employers have been saving money is by curtailing their offerings to relocating workers. The Brookfield study finds that – of the companies that reduced relocation expenses in 2008 – 29 percent reduced offerings to relocatees.

"Companies are looking more and more at trying to minimize or optimize the generosity of the benefits to comply with what really is necessary," says Scott Sullivan, executive vice president of global sales and marketing at Brookfield.

Cost-Cutting Approaches

When trying to cut costs, it's hard for employers to get around paying for big-ticket items such as housing or schooling for children. They can save money by hiring younger workers, such as those who are fresh out of college or young professionals in their 20s and 30s who may not own a home or have children in school, says Sullivan.

Employees in this demographic group want mobility – especially global – on their resume and they tend to seek out relocation opportunities. Let's face it, there's a shortage of jobs out there, he adds, so if you're asked to move for work, you do it.

That creates "a larger pool of candidates who are willing to [be transferred] at ... a lower cost to the business," Sullivan says. "That's something we see a lot more usage of today than we ever did in the past."

Although the Atlas study found 46 percent of companies identified a "lack of qualified people locally" as the most significant reason to keep relocating, experts such as Benevides believe that might just be changing now, with so many people out of work.

"With unemployment being as high as it is right now, the likelihood of being able to find a qualified candidate locally is increased," says Benevides.

In these times of slowed relocations and slimmer packages, HR leaders need to take hard looks at their companies' current relocation programs, says Benevides. They need to make sure they include pre-decision counseling, i.e., showing the potential relocatee the financial implications of taking a move.

(Currently, he says, HR executives and their service providers are spending "a lot of time and energy" on people who realize much later that they can't relocate due to finances.)

He also urges HR to take a serious look at its loss-on-sale programs, either reinstating them or increasing the level of benefit offered by the company – which should make it financially viable for more relocating workers.

While initiatives such as these certainly cost money up front, they can save much more in the end by helping to ensure the employee will be happy and comfortable after being relocated, and will stay for the long haul.

Facing Financial Realities

At payroll and human-service-management company ADP, relocation is down from roughly 200 per year before the economic downturn to 150 now – a decline of 25 percent, says Rebecca Kirschbaum, senior director of corporate relocation and real-estate-assistance programs. The company transfers mostly existing executive-level associates and a few new hires to places such as its headquarters in Roseland, N.J., or other offices in the United States.

Once the country's economy began its downward spiral, HR leaders started doing their best to cut costs. One way was to decrease the number of workers who initially accepted relocation assignments but were eventually forced to renege due to financial pressures (most often, the loss on a home sale). All the money initially invested into relocating those employees would go to waste.

While ADP does have a loss-on-sale benefit, it was not far-reaching enough to compensate for the free-falling market. (It did, however, increase that offering this year, which is helping to alleviate some financial pressure on employees, says Kirschbaum.)

In response, HR authorizes the company's relocation department to conduct assessments with potential candidates – before giving them a chance to agree or not – to find out if a relocation would be financially feasible.

"We thought it made good sense to – up front, before you take the position – let you know what the program will pay for and what expenses you're going to have to pay from your pocket," says Kirschbaum.

After completing the assessment, HR and relocation staffers crunch the numbers – gathering the appraisal, a realtor's potential listing price and, if applicable, how much the company's loss-on-sale benefit will help. Then they present their business case for providing the candidate with a relocation package to their HR vice president, who also discusses the potential relocation with the president of the business unit, says Kirschbaum.

ADP's HR and relocation practitioners also make sure to try their best to save money on relocations on a case-by-case basis – which has been working well so far, through the company's long-held holistic approach of assigning one relocation counselor to each relocating family. The system allows relocation managers in today's economic climate to get creative in how they save the company money.

On a recent transfer, for example, an ADP associate had to be out of her old home a few weeks before her new home

was built. Putting all the household items in storage would have cost about \$13,000, says Kirschbaum, but the relocation counselor assigned to the case cut a deal with the builder – offering \$2,000 to store the goods in the new property before the associate moved in.

"A lot of other programs . . . would have one person working on household goods, another working on the home sale and maybe even a third on the home find, not coordinating," she says, "but I think having a counselor here to coordinate ... it gives us that added advantage of making immediate decisions that are cost-effective."

The company has also saved money by being more open to selling employee homes at a loss, in order to get deals done faster – as long as the employee approves (which they generally do because of the company's loss-on-sale benefit offering them 97 percent of the appraised price, says Kirschbaum.)

Although the company loses money initially, Kirschbaum says, it will save in the long run. The house will not sit in inventory and the process allows the employee to begin working in his or her new location sooner.

"When you take a home into inventory, generally the loss could be 10 percent or 11 percent," she says. "If we cut our losses up front, we're looking at less of a loss, between 6 percent and 8 percent, and we don't have carrying costs – so it's a significant saver of money."

With all these programs and approaches in place, Kirschbaum predicts ADP's relocation will hold steady at 150 for 2010. If the economy suddenly rights itself, she says, that won't necessarily lead to a bolt of mass mobility, but will allow the company to gradually begin to refocus on moves strictly made for developmental purposes, in which the business need is not the main reason for a move.

Rewording the Package

Saving money on relocation is also top-of-mind for HR at IT management company CA, according to Melissa Sudano, director of global mobility, who says that the Islandia, N.Y.-based organization relocated 350 people in 2005 but averaged only 40 in the past two years.

While the economy was not the only reason CA transferred fewer workers, it certainly played a part, according to Sudano.

One of the main cost-saving moves CA has made in response to the recession is to restructure its packages, from one with a financial cap – which generally resulted in exceptions for additional financial support when cash ran out – to a more defined program in which relocation offerings are provided with clear parameters.

It's also offering lump-sum sign-on bonuses in lieu of paying for ongoing relocation support, she says. Lump-sum programs can not only save money, but can also ease the administrative burden for HR, says Benevides.

"It's certainly a lot easier to administer a lump-sum program where you're issuing one check to the transferee as opposed to paying for a house-hunting trip or reimbursing [relocatees] for temporary living, so on and so forth," says Benevides.

CA is also working the communication angle. "Where lines of business do not intend to support relocation, [hiring managers] are much clearer in managing that expectation during the interview process," says Sudano.

Like ADP's Kirschbaum, Sudano expects the number of relocations to remain constant at CA for 2010. That's good news for those companies, considering that almost half (48 percent) of respondents to the Atlas Van Lines study predicted their relocation budgets would be cut in the future.

Nevertheless, says Benevides, the worst is most likely over for relocation; he predicts a slow climb in the near future.

"We are at or near the bottom – both from a value perspective and from a volume perspective," he says. "We should begin to see an increase probably over the last quarter of the year; certainly, in the first quarter of 2010."

That's not to say all companies have slashed and sliced their way to this holding pattern. Some have avoided relocation cuts altogether by adopting systems that are more immune to fluctuating economies. San Francisco-based Bechtel Group Inc., an engineering, construction and project-management company, for instance, works on a project-based system, which allows it to "expand and constrict" its mobility based on the amount of work coming in, according to Sharon Lyon, Bechtel's policy, process and operations manager. ([See sidebar](#).)

That's also not to say corporate relocations will return to pre-downturn numbers anytime soon. Developmental relocations, especially, will remain scarce for a long time, experts say. "I think most of the volume, most of the transactions," says Benevides, "are going to be related to [a] specific [company need]."

If Atlas Van Lines' McConnell were a betting man, he'd bet on the housing market dictating the eventual return to health, or demise, of the relocation industry.

"If the housing market stabilizes," he says, "then I think you start to see a new baseline of stabilization for where those budgets are going to be."

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