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Pulse Points 2010: Trends and Best Practices for Global Mobility Programmes

U.S. Domestic Relocations, International Assignments, and Global Programme Administration



White Paper

 PARAGON

Overview

As relocation volume stabilises and shows signs of a slow, but steady recovery, early indicators suggest 2010 will be a year of programme recalibration. The U.S. housing market continues to struggle. Many practices highlighted in 2009's Trends and Best Practices report still apply. Strict Home Marketing parameters, use of buyer incentives, and formal loss on sale and negative equity provisions remain. While these benefits will underscore most U.S. domestic programmes, Paragon is choosing to focus on some new themes this year as the impact of "The New Normal" is poised to take center stage.

Pulse Point 1: Due Diligence

As companies and transferees become risk adverse in the "New Normal" environment, Paragon predicts a bias towards more focused due diligence as the initial step in domestic transfers and international assignments.

Pre-Decision / Recruitment Support Services

Paragon advises all companies to consider Pre-Decision / Recruitment Support Services programme as part of the initial offer to hire / transfer employees. Pre-Decision Services, coordinated by a relocation management company, can help acquaint the employee and family with the local area to help "sell" the move, ultimately increasing job acceptance rates. Further, it helps establish the employee's financial position in both the departure and destination; providing the necessary preliminary data in order to make an informed decision as to whether or not relocation makes sense for the family's particular situation. Services may include:

- Needs Assessment / Policy Counseling
- Move Cost Estimate based upon individual circumstances
- Coordination of Area Tour for Representative Housing
- Reimbursement of Travel Expenses
- Broker Market Analysis

Specifically, a Broker Market Analysis (BMA) can be ordered to establish a baseline in determining an employee's equity position in their home, revealing potential burdens such as the need for Loss on Sale support. In addition, the BMA can provide valuable information about the average days on market (DOM) to provide a more realistic timeframe for the move. While an investment in the beginning of the process, Pre-Decision / Recruitment Support Services may ultimately increase employee retention rates post transfer, securing a Return on Investment (ROI). To avoid discrimination, Pre-Decision / Recruitment Support Services should be provided in conjunction with the job offer.

Total Spend Management / Paragon Assignment Cost Estimate (PACE)

Before placing an employee on international assignment, Paragon suggests companies conduct a Return on Investment (ROI) analysis, which includes an individual expense analysis on a line item basis showing the actual cost of assignment over the projected time period. Total spend management provides assistance with accruals, as well as visibility to the anticipated cost of the move. This transparency may ultimately drive down exception requests.

Paragon can compile individual, centralised tax cost estimates utilising PACE. Some benefits of PACE include, but are not limited to:

- Facilitates more expedient and quantified decision making by reviewing all the costs, especially with tax costs totaling approximately 30% of an assignment
- Calculate tax costs for over forty of the most common cross-border assignment countries
- Country specific tax inputs with built-in Help text makes it simple to answer the necessary questions
- Straight-forward reporting with specifics of the tax
- Managed by a team of experts who understand the components necessary to capture a total spend

Candidate Assessment Tool

A Candidate Assessment tool analyses a candidate and family's suitability along with readiness to take on an assignment, increasing the probability of a successful transfer. Also, the tool can create an internal pool of candidates for future international assignments. Once a candidate is selected, the following techniques may be beneficial:

- Clearly define the scope and strategic reasons for the transfer
- Integrate assignees/returnees more effectively onto teams
- Define performance measures specific to the assignment
- Institute a Knowledge Sharing / Networking outlet which communicates lessons learned while on assignment with colleagues
- Establish roles and responsibilities for key populations with regard to career planning and repatriation programme

While preparing employees, companies must equally prepare internally for the assignment. The departure and destination locations should work together to verify the assignment meets the company's overall business strategy and to create a clear job description including an employee development plan. Often, the company needs individuals' job competencies in the destination location and the business manager may then use the assessment tool to monitor performance through the mentoring/coaching process. This allows the job to fit the employee, the employee to focus on the assignment's goals and ease the employee's worry if there will be a suitable position upon return. As the overall cost of a global assignment continues to grow, it will become more important to ensure that professional opportunities upon return home are addressed to enable the company to retain talent. Due diligence will facilitate selection of the best candidate for a successful move for the company and the family.

Pulse Point 2: Adapting to Demographic Shifts

Homeowner Shift to Renter / Renter Shift to Homeowner

Traditionally, relocation programmes have been designed to keep housing position “equal” in departure and destination locations. However, the U.S. Housing market bust has had far reaching impact on transferees’ equity positions and ability to obtain financing; resulting in an influx of homeowners converting to renter status in the destination. Conversely, favorable interest rates, tax credits, and overall affordability of homes listed for purchase make now an ideal time for first-time homebuyer’s to enter the marketplace. There are approximately four scenarios prevalent in the marketplace worth considering:

Renters who want to buy	Homeowners who cannot sell:	Homeowners who can sell but cannot purchase:	Homeowners who do not want to purchase
<ul style="list-style-type: none"> Favorable interest rates Affordability of entry level housing Potential tax credits 	<ul style="list-style-type: none"> Real Estate Market downturn Loss on Sale Negative Equity 	<ul style="list-style-type: none"> No equity to invest Credit issues – mortgage qualification Priced out of the market (Cost of living) Spouse employment status – lack of dual income 	<ul style="list-style-type: none"> Concern over employment – job stability / layoffs Economic Factors - Homes are not appreciating – risk of additional loss

Perhaps the best way to weather this perfect storm is allowing the transferee a choice to reallocate relocation dollars from their existing policy; facilitating the transferee to quickly settle in the new location at similar cost to the company.

Some examples include property management assistance, lease negotiation, and security deposit in lieu of homesale or home purchase for homeowners and fee-based escorted area tours and home purchase benefits for renters.

Assignment Shift to Localisation

In the late 1990’s and early 2000’s, the relocation industry saw an increase in short-term assignments as a cost containment measure. As the new decade unfolds, Paragon anticipates a further shift from “assignments” to localisation models. At-post support in the form of allowances for housing, goods and services, education, and transportation can be very costly to an organisation. These expenses can be eliminated whether hiring local or converting a foreign national to local status immediately or using a phase-out schedule.

Pulse Point 3: Budget-Based Benefits

Unlike capped move programmes which are difficult to administer and cause potential inequity within the relocation programmes, budget-based benefits offer maximum flexibility while establishing firm parameters for cost containment.

Lodging and Meals / Incidentals Parameters

The General Services Administration (GSA) establishes the per diem rates utilised by the U.S. Federal Government. Information for most U.S. cities, as well as many foreign locations is compiled in the per diem reports. Many cost of living tables, including Economic Research Institute (ERI) pull lodging and meal cost data from the GSA, making it the gold standard in budget-based parameters related to travel. The tables are accessible at not cost at www.gsa.gov. Paragon suggests that companies institute caps on lodging and meal costs based upon the GSA per diem for the location of travel.

Mortgage Subsidy (U.S. Domestic Only)

Unlike an interest-rate based subsidy, a cash-based Mortgage Subsidy establishes unbiased eligibility to all employees transferring between the destination and origination areas. Since the subsidy is not tied directly to interest rate, it allows maximum flexibility to employees, allowing them to utilise whichever approved mortgage lender and product best meets their needs. Additionally, the flat dollar amount provides consistent treatment across the board, not punishing those that may be more fiscally responsible (eligible for a better rate or have a larger down payment). The company may also save dollars as housing costs across employee levels may vary drastically.

Eligibility could be based upon a two-city comparison (old home location to new work location) with a minimum cost-of-living differential threshold. Once the pre-determined hurdle is met, the company could subsequently calculate the amount of assistance to be provided over a phase-out schedule of three to five years. The initial differential is paid out at closing with an annual payment each subsequent year for the duration of the subsidy. In cases where the subsidy is paid directly to the lender, funds are kept in escrow until such time they are applied as a monthly payment. If the employee is transferred or leaves the company, the subsidy stops. Additionally, any funds in escrow are credited back to the company.

Housing and Education Budgets (International Assignments)

Housing and dependent education are some of the most expensive components of international assignments. In the early days of international assignments, companies would not place restrictions on these benefits, resulting in potential windfalls to many at-post expatriates. However, if following the philosophy of keeping things “equal” while on assignment, companies are encouraged to work with their global compensation provider or local destination service partners to establish budgets for destination housing and dependent education. While the assignee will have choice in their housing and education, the company is only committing to what is local and customary. Should the personal choice exceed the budget, the assignee would be responsible for the increased cost.

Assignment Leave (International Assignments)

In offering the Assignment Leave benefit, keep in mind that the organisation's primary goal should be to allow the employee a sense of connectivity. Whether the assignee wishes to re-connect with friends and family at home or with people of an entirely different culture, the ultimate goal of the assignment programme and the Home Leave benefit is to ensure that the assignment is successful. It is therefore important to keep in mind that what may make an assignment successful for one employee may vary dramatically from another. Because of this philosophy, Paragon promotes the use of a Budget-Based Assignment Leave benefit.

To establish a baseline for all assistance, a budget could be established for the assignee. Approximately 42% of companies recently surveyed in a Paragon Pulse establish the budget based upon the estimated cost of advanced-purchase airfare between the host location and point of origin. Next, the maximum number of round trip tickets will be based upon the assignee and number of eligible dependents. Rather than providing this as a lump sum to the assignee which could have additional tax implications dependent upon location, the final figure should serve as a not to exceed value when booking travel. To offer maximum flexibility, the assignee should be able to book to any location of their choosing. Should the travel costs exceed, the assignee would be responsible for any additional charges above and beyond the predetermined Leave budget. Because there is an element of personal choice within this structure for the Leave benefit, the days during leave should be deducted from the assignee's time off balance, unless business is being conducted. The parameters as outlined offer an equitable approach to administration while considering assignee needs.

Pulse Point 4: Creative Offerings

Despite limited funds, companies are seeking ways to "delight" transferees. This has resulted in low cost, creative service offerings to give the move that special touch.

Staging Allowance

Engaging the employee in the home selling process and establishing realistic property value expectations are vital to the success of any home marketing process. Ensuring the proper list price and home condition will attract the largest pool of home buyers. Many companies have a discretionary balance in place with its third-party provider to manage repairs and improvements required for properties that come into inventory. Instead of waiting, companies may want to consider providing relocation dollars, which would have otherwise been used if the home entered into inventory to fund these items at the beginning of the marketing process; ultimately enhancing the property's marketability, edging out the competition, and increasing the likelihood of a quick sale.

Paragon suggests the employee have an account of 1 USD per square foot, not to exceed 5,000 USD from which to draw for repairs or improvements. Examples of items eligible for reimbursement would include: replacing of carpet, painting the home, landscaping services, and any other suggestions made by the realtor within the Broker Market Analysis. To maximise the Staging Allowance, items should be completed before placing the home on the market.

A Staging Allowance is encouraged for all transferring homeowners, regardless of providing homesale assistance benefits. Extended marketing times may impact other areas of the programme, especially requests for extensions in temporary living and duplicate housing. Investing in strategies targeted towards

the sale of the home may ultimately drive cost savings in the long run, while allowing the employee to focus on work and life in the new location.

Employee and Family Concierge Services

Employee and Family Concierge Services provide **red carpet** treatment for transferring families. Usually, the services will be tailored based upon the employee and family's personal transition needs. Services may include but are not limited to the following:

- Move in day resource to the family. This resource may assist with overseeing locksmith and security alarm personnel; furniture and appliance deliveries, errands
- Welcome services including additional community orientation after move in, researching information on special interest activities, sporting and cultural schedules, volunteer organisations and social networking groups
- Identifying, interviewing and scheduling appointments with the executive and family for quotations with service professionals e.g. decorator, electricians, plumbers, handyman services, cleaning services, etc.
- Chauffeuring and errands for the executive and family during or after move in

Pulse Point 5: Supply Chain Solutions

With relocation departments integrated in the broader context of the supply chain, companies are expected to review current partnerships, assess administrative features of the programme, and create additional metrics on which to evaluate supplier performance.

Partner Select Household Goods Programme

Paragon's Partner Select programme was designed to provide companies with the highest level of household goods shipping services at pricing that is verifiably lower. To implement this programme, we first selected best-in-class household goods providers that can provide the highest service levels; but at the lowest price. The pricing component involves a bidding process where each move is actively bid on by three of Paragon's partners using one survey completed by one of the partners. This concept was developed by Paragon in cooperation with our partners. The result is a streamlined process designed to secure the lowest possible cost through competitive bidding.

Supply Chain Management

Planning is a key ingredient when going out to bid. Members of procurement and key end-users should meet in a team environment to identify key goals and objectives of the supplier engagement. Careful preparation of a bidder's package, coupled with a formal methodology for scoring the proposals should result in entering a partnership with an organisation that models core values and can meet expectations of the relationship.

Further, Paragon recommends companies establish Key Performance Indicators to measure supplier success. This includes establishing metrics, developing customer evaluation surveys, compilation of reports, managing contracts, and annual review. Paragon can work with procurement and end user to manage Key Performance Indicators (KPIs) as a valuable on-going consulting service.

In Summary

Paragon will continue to take the “pulse” on emerging trends and best practices throughout the course of the year. Topics for the monthly 2010 Paragon Pulse surveys include, but are not limited to: Relocation Procurement, US Real Estate Market, Relocation as Part of the Overall HR Strategy, Cross Cultural Training, and Relocation Programme Financing. If you are interested in participating in the Paragon Pulse survey or for further information about Paragon’s 2010 Trends and Best Practices, please contact consultingservices@paragondri.com.

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Karen has nearly a decade of relocation experience with leading service providers in operations and consulting. She has successfully designed and implemented new relocation programmes for numerous client organisations by applying her front-line experience to cultivate approaches to policy design that both appeal to the client’s bottom line while providing relevant benefits to increase employee satisfaction. In addition, Karen’s portfolio includes research projects and benchmark studies, as well as recently being published in Mobility Magazine. Karen holds a B.A. in English from Northern Illinois University in DeKalb, IL. In addition, she has continuing education credits in Illinois Real Estate Practices, Real Estate Appraisals, and is presently pursuing her Project Management Professional (PMP) designation.

About Paragon Decision Resources

Originally founded as a relocation consulting company in 1987 specialising in domestic and international relocation and global assignment programme development consulting, our mission is to develop cost-effective mobility programmes that offer more services to the transferring employee at less cost to the organisation. Today we maintain an extensive consulting practice focused on global mobility issues in their entirety. Paragon Decision Resources Inc. (PDR) is a wholly owned subsidiary of Paragon Global Resources, Inc. and is dedicated to strategic US domestic and global corporate relocation consulting services targeted at organisations desiring to fully review their corporate relocation spending as well as supplier relationships.

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