Senior Executives Association
the voice of career federal executives since 1980
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Federal Relocation Practices and Human Capital Implications

A Whitepaper by the Senior Executives Association

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Introduction

The Senior Executives Association (SEA) represents the highest level of career civil servants in the federal government, including those in the Senior Executive Service (SES), and those in Senior Level (SL), Scientific and Professional (ST), and equivalent positions. Since its founding in 1980, SEA has sought to improve the efficiency, effectiveness, and productivity of the federal government through strong, professional leadership focused on delivering quality service to the American public.

Employee relocation has been a longstanding issue of concern for SEA since 1983 when SEA worked closely with members of Congress to change the law which had restricted agency flexibility for implementing relocation programs. In response to SEA's efforts, Congress updated relocation regulations to provide agencies greater flexibility to facilitate home sales and personnel transfers. Now, thirty years later and as the country emerges from the Great Recession, SEA once again offers its perspective on federal relocation practices.

Issue Statement

In 2009, the U.S. government provided relocation services for 4,605 employees at a cost of $55.2 million (average payment of $12,000).[1] Relocation is a critical tool used by agencies to ensure that personnel are appropriately positioned to administer government programs and services successfully. Employee mobility also provides vital professional development opportunities and is often a mandatory part of career development. The intent of employee relocation programs, especially for those in the Senior Executive Service, is to provide the government with a mobile cadre of skilled employees and managers able to be deployed around the country where and when they are needed.

Unfortunately, federal employee relocation has often been treated as a function of procurement or travel, rather than as a human capital issue. The effect of this practice has been a lack of alignment between the needs of agencies, the principles guiding human resources and human capital officers, and the personal experience and satisfaction of employees being relocated. To improve this alignment, this white paper builds on the 2005 findings and recommendations of the GSA Government Relocation Advisory Board (GRAB). While some of the recommendations from GRAB have been implemented, many have not.

[1]U.S. Office of Personnel Management, *Recruitment, Relocation, and Retention Incentives – Calendar Year 2009*.http://www.opm.gov/3rs/Reports/2009/2009%203Rs%20report%20clean.pdf

The Senior Executives Association supports the revision of relocation regulations and guidelines to facilitate the implementation of the GRAB recommendations, as well as private industry best practices that have emerged in the wake of the Great Recession.

SEA believes that revisiting the GRAB recommendations, and the structure and administration of the federal relocation program, is an important exercise given the current fiscal climate in Washington. Budget pressures placed on federal managers and their agencies have reduced the resources available for human resources management, including relocation programs. Saving taxpayer money and overseeing the effective and efficient implementation of government programs is an overarching goal of those in the Senior Executive Service.

History & Background of Federal Employee Relocation

The federal government's relocation program began in 1983 with the passage of PL 98-151 which authorized agencies to contract for civilian relocation management services that included features such as counseling, rental assistance, home sales assistance, and guaranteed home sales. Guaranteeing home sales was an important aspect of the early relocation program because it prevented reassigned employees from being required to simultaneously pay duplicate housing costs during a move. Since the security clearance of many federal employees is subject to having clean credit, enabling relocation companies to purchase the home of an employee that would not sell within a reasonable timeframe removed the home sale burden from the employee, while also protecting their job security and credit rating. Employees typically have 30 days to relocate and have frequently reported to the new location before relocation services are initiated. Over the years some agencies switched to a system of direct reimbursement for employee expenses either because they perceived that market conditions rendered benefits unnecessary or as a means to contain costs. Today, a mix exists among agencies with respect to which system is used.

From the mid-1980s thru the early 1990s, most agencies independently designed and developed relocation management contracts for employees. In 1992 GSA established the first Schedule for government-wide relocation services and in 1996 GSA incorporated relocation services into Schedule 48 Transportation, Delivery, and Relocation Solutions. Beginning in 2002, GSA began a process to evaluate relocation programs within the government and in the private sector. This initiative and its associated forums, which brought together industry and government, culminated in 2004-2005 with the work of the Government Relocation Advisory Board (GRAB). The GRAB report included over one hundred recommendations, many of which highlight areas where federal rules differ substantially from private sector best practices. GSA's Office of Government-wide Policy was charged with implementing the regulatory changes recommended by the report. In 2011, regulatory changes to Federal Travel Regulation (FTR) as a result of GRAB recommendations went into effect. Some GRAB recommendations require legislative changes; however these changes have not yet found a sponsor in Congress.

The Great-Recession, which began in late 2007, ushered in new challenges for federal relocation programs. It also rendered some of the GRAB recommendations obsolete, because the Board had not considered the effects of a recession on federal relocation programs. Prior to the recession, 85% of all agency home sales services were under Schedule 48. In 2008 federal mobility decreased 15% as a result of the recession. Home sale fees had been set during a robust period of home sales in the mid-2000s, and, with the declining market value of homes and extended period of homes kept in inventory, three companies (Cartus, SIRVA, and Corporate Relocation Services, representing 70% of the federal relocation market) pulled out of their government Schedule agreements because they could not secure adequate lines of credit to pay off employee's mortgages.

To reflect changes in the housing market as a result of the recession, in 2008 GSA amended its terms with relocation firms to provide them with more flexibility. These changes included allowing contractors to service rather than pay off mortgages; permitting managed home sale programs which mandated the use of relocation company brokers, delayed appraisal process and prolonged marketing periods in the hope of finding home buyers; permitting caps on listing prices close to the Broker Market Analysis (BMA) suggestion; and unbundling services so that contractors did not have to offer full buyout programs but could instead simply provide Buyer Value Option (BVO) or managed programs.

Between 2009-2011 federal mobility recovered to 2006 levels and contractors who had left the federal market began to reapply to the GSA Schedule. Agencies are currently working to re-procure relocation services or are defaulting to direct employee reimbursements plus gross up. GSA expects 85% of agency home sale programs to be re-procured over the course of 2012-2013.

Why Does the Government Need an Employee Relocation Program?

The federal government requires an adept relocation program that is able to effectively navigate of the variety of options available for moving personnel. Every relocation has different circumstances and challenges, and some options may provide opportunities for cost-savings to agencies. Furthermore, relocation is also a major life event for an employee and his or her family. Therefore, it behooves agencies to strive to ensure a successful and efficient relocation for benefit to both the employee and to the agency. Strong relocation programs are an important aspect of a broader human capital strategy that can help ensure the federal government is able to adequately recruit and retain high level talent.

Agencies of the federal government are required, by statute, to relocate an employee only "at the convenience of the Government;" that is, not at the convenience of the employee. Federal agencies may offer a relocation incentive to an eligible employee if the agency has determined that the position is likely to be difficult to fill in the absence of such an incentive.[2] Approximately 91% of relocated federal employees serve with the Departments of Defense, Justice, and Veterans Affairs.[3] Several categories of federal employee positions are eligible for relocation incentives: General Schedule (GS); senior-level or scientific or professional (SL/ST); Senior Executive Service (SES); Federal Bureau of Investigation and Drug Enforcement Administration (FBI/DEA) SES; law enforcement officer (LEO);

[2] Relocation incentives are offered as part of a broader human capital strategy that also includes recruitment and retention incentives. Together, relocation, recruitment, and retention incentives are known as the 3Rs.
[3]U.S. Office of Personnel Management, *Recruitment, Relocation, and Retention Incentives – Calendar Year 2009*.http://www.opm.gov/3rs/Reports/2009/2009%203Rs%20report%20clean.pdf

Executive Schedule (EX); prevailing rate (wage) positions; and positions in a category for which payment of incentives has been approved by OPM at the request of the head of an executive agency.

Why is Relocation a Human Capital Issue?

Over the years, agencies have outsourced relocation programs and services to private sector contractors while paring down in-house staff with relocation expertise. *That shift has led to a loss in knowledge and technical aptitude of those within agencies responsible for managing relocation programs.* By shifting relocation services out of agency human resource offices, the focus on relocation as a human capital issue has been lost. Relocation is not only a serious, life-altering event for an employee, but also represents a significant human capital investment decision made by the organization. For the government to continue attracting and retaining top level talent, relocation must be provided proper recognition as a human resources/human capital component of agency planning. Furthermore, agencies may have to resort to more temporary duty assignments (TDYs) if positions cannot be filled through relocation, which would actually increase agency costs. GSA and the Office of Personnel Management (OPM) should be more involved in promulgating and enacting a more holistic personnel strategy for the federal government.

Many Senior Executives, human resources personnel, and typical government employees receive little-to-no training or information on how relocation programs work. This is problematic because hiring managers often lack the knowledge they may need in order to recruit an employee to make a move. By better engaging employees, and their current and future managers, throughout the relocation process the broader organization will be best served. Shifting the focus of the government's relocation program toward a human capital approach should allow the government to rein in unnecessary and extraneous costs related to relocation while providing employees with an improved relocation experience that lets them get back to work faster.

Providing managers and high level GS employees who are eligible for elevation into the Senior Executive Service more information about relocation may alleviate some of the concerns that prospective SES members have raised. A 2009 SEA survey of GS-14s and GS-15s found that the stress and financial implications of accepting relocation served as an impediment to joining the Senior Executive Service.[4] These employees also expressed concerns about the work/life balance associated with becoming a Senior Executive, especially how mandatory relocation could affect their family or a spouse with a non-transferrable job. These concerns are important for the broader success of government management, since more than 77% of relocated employees are in intermediate- and upper-level positions of the General Schedule (GS-11 through GS-15). To address these concerns, the survey's authors recommended that OPM annually report data on the number of involuntary geographic transfers under the SES mobility provision, which could demonstrate to potential SES candidates that such a reassignment may be less likely to occur than they assume.

As managers responsible for overseeing federal agencies and operations, Senior Executives have a vested interest in ensuring programs are successfully fulfilling their missions in a cost-effective manner. The members of the Senior Executives Association have highlighted many of the challenges associated

[4] SEA's Taking the Helm study

with fulfilling mission mandates due to the implementation of the current relocation system. There is a trend toward posting vacancy announcements without covered relocation expenses for national scope jobs, which has the adverse consequence of discouraging many of the best eligible candidates. Without the appropriate relocation benefits, managers cannot effectively recruit nationwide. This restriction is especially problematic for national security personnel, whose security clearances are threatened by inadequate relocation benefits.

What is Missing from Current Government Relocation Programs? Lessons from the Recession and Suggestions for Improving Relocation Government-wide and for the SES

Given the importance of agency relocation programs to employee satisfaction, retention, and the ability of an agency to meet its mission, it is important that agencies review lessons learned in the wake of the Great Recession.

An excellent article by Linda Rothleder, a relocation industry expert, in *Mobility* magazine, detailed many key takeaways from the recession for the relocation industry. The article highlighted the fact that GSA and agencies had not taken into account the impact of economic cycles on relocation contracting and planning. As a result, many employees were left to manage their relocation when service providers pulled out of the GSA Schedule during the peak of the recession. Employees were put in the position of having to defer or turndown career-advancing transfers, carry the burden of higher out-of-pocket costs, or were left in the middle of a home sale without a contractor. Unfortunately, the nature of Schedule contracts was such that several relocation service providers had to leave the Schedule during the economic downturn, only to reapply once the market rebounded.

In the future, with better communication between private industry and government, and by including predictive metrics based on market activity, GSA and agencies can better identify percolating issues before they begin to affect services and employees relying on those services. In doing so, employees can focus on their moves while agencies will be able to more efficiently transition the relocated employee into their operations.

Improved communication between government and relocation service providers should also provide an avenue to addressing another issue raised by Ms. Rothleder – that agencies should make better use of the expertise of relocation companies to manage programs when the agency HR staff lack sufficient training or are unavailable. Leveraging the expertise of contractors can be relatively low cost but have a significant positive influence on employee satisfaction, resulting in a quicker transition of that employee to fully productive status.

Additionally, agencies should do more to capture the benefit from the existence of multiple providers for relocation services. *By benchmarking successful examples from service providers, agencies can capture the cost-savings benefits of private market competition*. Further, agencies should move beyond low performance penalties to a system that includes monetary incentives and rewards, established through Service Level Agreements (SLAs), for making the moving experience a seamless and swift one for a federal employee. SLAs are a common practice in the private sector and provide benefit to both the employee being relocated and the agency in terms of cost-saving.

Lastly, GSA and agencies should consider the experience level of potential contractors for providing national account level service. Included in this consideration should be overall customer satisfaction ratings, corporate experience in the federal marketplace, demonstrated competency and involvement of key personnel, financial strength and depth, access to credit markets, and an evaluation of performance during the Great Recession. Considering these factors prior to awarding contracts may prevent the unfortunate circumstances that many employees and agencies found themselves in during the Great Recession.

The relocation industry itself has also adapted as a result of the recession. The period 2008 through 2010 saw many companies changing their policies and philosophies to reflect conditions of the recession. While stability has returned in the following years, the changed perspective of the relocation industry is likely permanent. Relocation services providers are moving from "transactional" thinking to more strategic thinking. Government agencies would do well to follow suit.

Such *strategic thinking includes increased use of pre-decision programs to manage risk and return on investment (ROI) and tiered programs to attract and retain high-potential talent*.[5] Pre-decision counseling and support for employees subject to relocation allow that employee and his or her family to make an informed decision about accepting relocation. This counseling can help employees examine the personal, financial, and career considerations related to the relocation assignment.[6] Understanding that a failed relocation can triple costs for a relocation provider, not to mention lost time and productivity for the employee and agency, explain the increased use of pre-decision programs.

Clearly establishing expectations ahead of relocation provides benefits to the employee, the agency, and the relocation services provider. Relocation service providers are establishing stricter criteria related to home marketing, broker selection, minimum marketing periods, and listing prices, while also offering home sale incentives and loss-on-sale protection. To protect return on investment, most companies now require payback agreements from employees who leave the organization within a specified timeframe following their move. Collectively, these arrangements serve to help employees sell their homes more quickly to prepare for relocation, while protecting relocation providers from holding homes in inventory. These agreements send a message that the employee is valued and the organization seeks the best decision for both the employee and the organization.

Conclusion

Relocation continues to be an important tool used by agencies to staff critical positions and ensure the continuous delivery of services. Yet because geographic relocation is a life altering event for employees and their families, it is important that agencies relocating employees focus on the customer service aspects of relocation. Agencies should also consider arrangements that provide benefits to relocation service providers and agencies because they facilitate a swifter, and potentially cheaper, relocation with minimal burden on the employee, who can then return to productive status faster. Strengthened partnership between agencies and national level relocation service providers will continue to provide a

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[5] Weichert 2011 Benchmarking Research Study
[6] Runzheimer Reluctance to Relocate Paper

pipeline that brings private industry best practices and economies of scale into the service of government.