Canadian Employee Relocation Council

2017 Employee Relocation Policy Survey Executive Summary

Domestic, Cross-Border & International Relocations

July 2017

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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:

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Introduction

This report summarizes the results of a bi-annual survey of employee relocation policies and practices of organizations with operations in Canada. The last survey was conducted in 2015. The CERC policy survey report is an important benchmarking tool used extensively by members within the organization.

In response to changing trends and information needs of members, the survey questions are reviewed and updated each time the survey is conducted. Several changes were made to the survey in 2017, in order to streamline the survey and make it easier for participants to complete. As a consequence, there may be some aspects of the survey where comparison to previous years is not possible.

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 the media, researchers and academics with an interest in workforce mobility.

As in previous years, participants completed the survey using a web based survey tool. This same survey tool was used in the 2017 survey.

Executive Summary

The survey was conducted on-line between January and May 31, 2017. With 56 organizations participating, results are representative of mobility management practices of most of the major industry groups in Canada.

As in previous years, the 2017 survey provides important information about policy trends and practices in workforce mobility. In addition, the survey provides a snapshot of the corporate profile, information about the employee, the family makeup, and costs associated with the assignment. Through this survey we also continue to build a more complete understanding of the scope of responsibilities of corporate mobility managers.

Several changes and updates were made to the survey questions to shorten the length of the questionnaire and focus on areas where trends are developing.

Survey results indicate that organizations continue to provide assistance to employees and their families in order to ensure an effective transfer. There are inherent financial and human implications to each transfer, and this survey provides an excellent overview and analysis of the policies and practices employers have in place to support those transfers.

The results are presented in four sections: *General Observations; Domestic Mobility; Cross Border Mobility and; International Mobility*. The Executive Summary highlights the general trends observed and, where possible, provides an explanation of the underlying reasons for the change.

General Observations

A diverse range of industry sectors participated in the 2017 survey. The natural resources sector, at 23%, had the highest participation rate. Two thirds of companies are headquartered in Canada. A total of 48 organizations in the survey have global operations; 47% of those employ over 10,000 workers.

Just over half (55%, down from 73% in 2015) of organizations report that the level of difficulty to recruit new staff has remained unchanged in the past 12 months, while 19% said it was more difficult and 22% (up from 8% in 2015) said it was less difficult to hire personnel.

Within Canada, western provinces continue to experience the highest number of relocations and assignments. Overall, relocation and assignment volumes are expected to remain consistent with current levels.

The top three destinations for assignments outside Canada are: the U.S.; Central Europe (including the U.K.); South and Latin America; Other Asia Pacific Regions and China.

In 68% (down from 82% in 2015) of organizations the mobility program is managed through a central location.

In just 27% of organizations, a process is in place to determine the success or failure of the relocation. The majority (96%) of organizations report they do not have a process to measure the return on investment of a relocation, consistent with survey findings from previous years.

Participant Profile

Just over on third (35%) of participants self-identified as human resources managers and 42% identified as mobility managers. The overwhelming majority (86%) of those responsible for mobility confirm having three or more years of program management experience, with 44% reporting over eight years of experience.

In 2017, 67% of those managers (up from 58% in 2015) say they spend over 50 % of their time managing relocation, and almost half (46%) spend over 75% of their time.

Once again in 2017, the survey set out to identify the amount of time managers are spending managing activities today, and where they expect to spend time two years from now. From the results it is clear, that despite expectations for a more strategic function, the majority of time spent today remains focussed on operational activities.

There remains a strong expectation that managers will spend considerably more time on value added strategic supports to business units, managing risk and compliance, controlling costs and measuring the return on mobility, while spending less time on day to day operational related activities

Transferee Profile

As in past survey reports, males account for the majority of all moves; females account for less 50% of all transfers in the majority of organizations. Within that profile, married/common law couples with children account for the largest percentage of transferees within Canada.

A "typical" relocating employee is male aged 26 - 40 years, with professional and technical employees accounting for the largest number of transfers, followed by managerial staff.

The average annual income of a transferee in 2015 is $106,500 for a domestic transfer, $129,300 for a cross border transfer and $143,200 for an international transfer.

Relocation continues to be challenging, particularly in dual income professional career families. Organizations continue to seek out innovative and flexible solutions in response to the growing needs of the modern family.

Program Administration

As noted in previous years, while the outsourcing of services remains popular (64% partially outsource), policy development and review processes remain largely controlled in-house at 87% of organizations.

All organizations participating in the survey have a relocation program in place, and in 30% of the organizations one program covers all types of relocation. The majority of organizations (52%) benchmark their relocation program.

In 49% of organizations no changes have been made to the administration of the program since 2015. Further to that, 56% do not expect to make any changes to the program administration within the next two years. Almost one third (31%) of organizations expect to issue requests for proposals over the next two years and 22% expect to change suppliers.

Domestic Mobility

In 2017, 44 organizations completed the domestic section of the survey. Domestic relocations include a government and private sector organizations.

Technical/professional/ skilled trades were the most common categories of transferring employees among participating organizations (40%), a slight decrease over 2015.

Meeting business needs is noted as the most important goal of the domestic mobility program in 85% of organizations. This is a change from 2015 when talent acquisition was the most important.

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Over the next 12 months, 60% of organizations expect permanent relocation volumes to remain unchanged, 29% expect volumes to increase and 10% expect to see a decline. Within the next 12 months 60% of organizations expect short term assignment volumes to remain unchanged.

The average cost to relocate a Homeowner is approximately $73,500, an increase of 29% from the $57,000, reported in 2015. Soaring home sale prices in some markets have resulted in escalating real estate commissions, thereby increasing the average costs to relocate. A further factor driving overall cost may be due in part to the incidence of home equity payments in deflated housing markets, in Canada.

Substantially less companies report policy changes than in the 2015 survey. A reduction in Miscellaneous Relocation Allowances is the top cited change over the past two years. This finding appears consistent with the overall trend to contain costs noted in many areas of this year’s survey, and is likely driven by efforts to find cost savings in response to escalating housing costs.

Among planned policy changes, a significant percentage of companies report plans to reduce coverage of temporary accommodations and house-hunting trip expenses, both at 33%. In 42% of organizations reductions in the Cost of Living assistance are planned. Reductions in mobility benefits may also be reflective of the increased focus on developmental goals since some companies will occasionally capitalize on the shared benefits of mobility opportunities tied to career development by offering a less generous scope of assistance with transfer costs.

Family issues and spouse/partner career transition concerns continue to rank at the top of the list of reasons employees are mostly likely to give when rejecting a domestic transfer. Family and spousal issues are perennial drivers of reluctance to relocate. With the increased focus on talent acquisition they should be an increasing focus of assistance in domestic programs. Looking ahead, only 8% of participants report plans to increase spouse/partner career assistance provisions and just as many report plans to reduce assistance in this area

The majority of respondents did not offer relocation benefits to new hires. This reflects the changing landscape of talent acquisition over the past two years. A significant downturn in some industry sectors has provided some relief to employers in their search for talent. There has been an increase in the percentage of participants who apply a distinct policy for new hires at 30%.

Policies that include core and flex benefits are offered by 43% of organizations. Core/flex payments continue to represent an established trend. A similar percentage of companies are allowing employees to keep the unused portion of lump sum payments or spending accounts/budgets.

The number of participants offering home disposal assistance at the departure location is similar in 2017, with guaranteed plans / amended value options remaining steady since 2015, again likely consistent with the increased focus on talent acquisition and program competitiveness.

The number of companies providing equity loss protection is relatively unchanged since 2015 with half providing assistance. Only 43% gross up the equity loss reimbursement to compensate for taxes, a drop of 10% over 2015 results. Average equity loss protection in 2017 is approximately $55,000, increasing from the $50,000 reported in 2015.

Benefits provided for differential costs between the old and new locations, including rental or housing cost differentials and cost of living allowances, have all increased since 2015, perhaps response to the talent acquisition realities in higher cost markets.

Cross Border Mobility

Given the extent of trade between Canada and the U.S., at approximately $730 billion per year, it is no surprise that cross border mobility continues to be an important element in supporting the trade and commercial relations that exist between our two countries. Cross border mobility continues to represent a strategic component of business activity with special projects, employee career development and talent acquisition all cited as key drivers for cross border relocations and assignments. The majority of relocations involve the movement of less than 10 employees per year.

In 56% of the organizations with cross border transfers (*similar to 2015*) volumes of permanent relocations are expected to remain unchanged over the next year, 18% of organizations expect to see an increase in permanent transfers, while 14% expect to see a decline in temporary assignments.

The average cost for a permanent relocation for a homeowner is $81,000 compared to the $69,000 reported in 2015. The average cost for a temporary relocation for a homeowner is $92,600 a substantial increase from the $72,000 reported in 2015.

Tax and family issues (including education) are cited at the most challenging aspects of cross border mobility to manage. This is a change from 2015 where visa / immigration issues were identified the second most challenging factor. Issues around spousal employment, children's education and family settlement continue to heighten in importance for transferees who are making a decision on whether to accept a relocation.

In almost half (48%) of the companies, a written policy combined with the employment agreement / offer letter is used to manage cross border mobility. Just 15% of organizations report making a change to their cross border policy over the past two years. This is a significant drop from 32% in 2015. Small volumes are likely driving this behaviour, as mobility managers focus on their domestic programs. In the next two years, 37% of organizations expect to make changes to their cross border policy, which is very similar to 2015 results.

Home disposal assistance for permanent moves is provided by 65% of employers and guaranteed plan is the most common program in place (50%). While the number of companies providing home disposal assistance has increased in 2017, the number providing a guaranteed plan has reduced. Home Equity Loss protection is provided by 30% of organizations, and the average maximum payment is approximately $55,000, similar to 2015.

Allowing employees to purchase a home in the host country was reported by 41% of organizations for long term and permanent relocations. This is down 25% from the 66% reported in 2015.

A tax reimbursement policy is in place in 52% of organizations (*up from 40% in 2015*) and tax equalization continues to be the preferred method for managing the reimbursement.

Head office requirements most often determine how and where employees are paid while on a long or short term assignment. The number of organizations providing some form of foreign exchange protection on compensation is 42%, up from the 26% reported in 2015.

In almost two thirds of organizations (64%) education assistance for children in private schools is provided, in the same as reported in 2015. Of note, is that few organizations provide this benefit for permanent relocations.

The focus continues on repatriation programs for cross border assignments, with 50% of employers reporting a formal repatriation program is in place.

International Mobility

In 2017, 24 organizations responded to this section of the survey.

Technical / professional and skilled trades account for the majority of international transfers, followed by management personnel. The majority of companies report transferring or assigning fewer than 25 employees each year.

The top three destinations outside of North America for assignments in 2017 are, Central Europe, including the United Kingdom, Other Asia Pacific, South and Latin America and China.

The majority of companies expect no change in volumes for permanent and long term assignments in the next 12 months. Just one on four companies expect short term assignments to increase.

Main reasons cited for changes in volume are increased business opportunities, business expansion, and cost reduction measures. The latter is likely achieved by moving to assignments of shorter duration.

The average cost for a permanent relocation for a Homeowner is approximately $121,000, up from the $108,000 reported in 2015. The average cost for a long term assignment for a Homeowner is approximately $110,000, up from the $106,400 reported in 2015. The average cost for a short term assignment for a Homeowner is approximately $97,200, up from the $77,000, reported in 2015. Higher cost housing markets in key locations are likely a significant factor in these increases.

The majority of organizations manage international transfers through a written policy, or an employment agreement. In 74% of the organizations a policy specific to international relocation is used to manage the program. Specific project needs was cited as the most important goal of the international relocation program, with employee development a close second.

The top three challenges in effectively managing permanent and long term relocations are: tax; family issues and; visa and immigration compliance, respectively.

The most often cited challenges in managing short assignments are noted as tax and immigration compliance, areas that can be particularly difficult to track for a highly mobile population.

Since 2015, 38% of respondents have made changes to their international policy. In the next two years 46% of organizations expect to make changes to their international policy.

Home disposal assistance is provided by 27% of organizations for short term assignments and by 46% long term assignments and permanent relocations.

Again in 2017, tax equalization is the preferred method for managing the tax reimbursement program. Consistent with prior surveys, the majority of organizations will provide tax counselling assistance to the employee throughout the course of the assignment.

The practice to administer payroll through home country for long term assignments has increased by 19% over 2015. The majority of organizations (81% up from 53% in 2017) provide complete home country pension and benefits package in the host country.

Consistent with previous survey results, over two thirds of organizations (80%) provide educational assistance at private schools for children of the transferred employee and 96% of those cover tuition fees. Of note is that no organizations provide educational assistance for permanent relocations.

In 2017, 67% of organizations report having a formal repatriation program, (up from 57% in 2015). Just 33% of organizations have a program to facilitate an appropriate position upon repatriation. Reintegration counselling is a critical aspect of repatriation support for the employee and family, however just 30% of organizations provide this support in 2017, a slight increase over 2015.

Repatriation continues to be an opportunity for employers to retain key employees with critical global experience, which will increasingly be in demand. The retention of repatriated employees is tracked by just 30% of respondents and the majority report the employee remains with the organization for over 24 months following the date of return.

Conclusion

Employee mobility is vitally important to the successful fulfilment of key business objectives. In addition, mobility supports the organization's human resources goals of talent acquisition and career development.

That importance is underscored again in 2017, as managers expect to spend considerably more time in the next two years on value added strategic supports to business units, managing risk and compliance, controlling costs and measuring the return on mobility, while spending less time on day to day operational related activities. Mobility managers are well positioned to provide enhanced strategic guidance in the development of policies and programs that will deliver greater business outcomes while maintaining employee satisfaction.

Survey results indicate that employers are continuing to provide strong supports for their transferring employees and family members. The 2017 survey also noted that relocation costs rose on average by 29% for domestic transfers, 17% for cross-border transfers, and 11% for international transfers. These are significant increases, largely driven by increasing housing costs in key locations globally. And, while not readily apparent in the survey results, cost increases may also be impacted through the payment of home equity losses in markets that have experienced deflated housing markets.

For these reasons it is to be expected that organizations are seeking out new and innovative ways to reduce spending in other areas of the relocation benefits policy in order to contain costs. As noted in previous surveys, this is a careful balance. Too much tightening on these services may deliver short term financial benefit, at the expense of employee satisfaction, leading to increased turnover, especially at a time when skills shortages are expected to grow.

Looking ahead, the outlook for the volumes of transfers continues to be stable, and the number of employers that expect volumes to remain balanced is an encouraging sign. Some modest increases are expected for permanent domestic moves and along with increases in short term assignments for cross border and international moves.

As noted in previous CERC survey reports, an ongoing opportunity exists for organizations to find ways to demonstrate the return on investment of relocation. Less than a handful of organizations have a process in place to measure these returns. Considering the tens of thousands of dollars it costs for even the most simple of relocations, this important cost area deserves closer attention.

It is encouraging to see that more organizations have a formal repatriation program in place for cross border and international assignments than in previous years. In those organizations where these supports are provided and retention of repatriated employees is tracked, retention rates are strong, with the majority of employees remaining in the organization for over two years after the return date. Given that career development is a fundamental human resources management goal that can be enhanced through relocation, repatriation is an opportunity not to be overlooked.

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