Canadian Employee Relocation Council

2013 Employee Relocation Policy Survey

Executive Summary

Domestic, Cross-Border & International Relocations

July 2013
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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 2011. 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 by the survey committee each time the survey is conducted. Several changes were made to the survey in 2013, 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 researchers and academics with an interest in workforce mobility. The media also refer to the survey for information and research purposes.

As in previous years, participants completed the survey using a web based survey tool. This same survey tool was used in the 2011 survey.
Executive Summary

The survey was conducted on-line between February and May 2013. With 82 organizations participating, results are representative of relocation management practices of most of the major industry groups in Canada.

As in previous surveys, the 2013 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 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. This year’s survey questionnaire did not include salary data. A separate salary survey is being considered across the relocation industry later in 2013.

Organizations assign employees for a variety of reasons. For domestic relocations, new hires are the most common reason for relocations (89%), followed by operations (87%). Cross border and international moves are most commonly driven by operations and special projects.

Results of the survey indicate that most 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 Relocation; Cross Border Relocation and; International Relocation. The Executive Summary highlights the general trends observed and, where possible, provides an explanation of the underlying reasons for the change.

Building on the gains in 2011, there continues to be a healthy outlook for stability in the volumes of employees being transferred over the next 12 months. While the majority of employers expect volumes to remain unchanged, 30% of employers in the survey expect to see domestic relocation volumes increase, a further 25% expect an increase in cross border activity, and 30% are expecting an increase in international activity.

General Observations

A diverse range of industry sectors participated in the survey. The largest participation rate was from the natural resources sector at 24%. Almost three quarters of companies are headquartered in Canada, with just over two thirds employing over 1,000 people, and 53% employing over 5,000 people globally.

Almost two thirds of respondents report that the level of difficulty to recruit new staff has remained unchanged in the past 12 months, a similar finding to that reported in 2011. At the same time, 29% said recruitment was more difficult and 6% said it was less difficult. In 2013 63%, down from 80% in 2011, report they have made no changes to their hiring policy to attract new hires during this period. Just over one third (37%) will offer a signing bonus for new hires.
Almost three quarters of organizations report administering the program through a central function.

Within Canada, western provinces continue to experience the most frequent number of relocations and assignments. The top international destinations (in order) are: the U.S., the EU (including the U.K.), Australia, China, and South America. Most notable amongst the distribution is China, which dropped from third place to fourth spot with a decline of almost 10% in the number of companies reporting assignments to China (25% in 2011 to 15% in 2013).

Almost three quarters (71%) of participating organizations report that talent mobility is integrated into the organization’s overall talent management programs.

In 28% of organizations, up from 19% in 2011, there is a process in place to measure the success or failure of the relocation.

Participant Profile

Almost half of participants identified themselves as human resources / relocation managers and just over half have over five years of experience in relocation management.

In 81% of the organizations, slightly lower than the 89% reported in 2011, the relocation manager reports through the human resources management function. In 40% of the organizations the relocation manager spends less than 25% of his or her time managing the relocation function.

Transferee Profile

As in past reports, males account for at least 75% of all domestic transfers, and 81% of international moves. Within that profile, married/common law couples with children account for the largest percentage of transferees. For domestic transfers, 73% of organizations, and for international transfers, 54% of organizations, report that over 50% of transferring employees are accompanied by a spouse or partner that is actively working at the time of transfer. Homeowners account for almost three quarters of all transferees.

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 2013 is $108,500, up from the $95,000 reported in 2011. This growth points to an increasing need for highly skilled employees for domestic and international postings. Consistent with previous years, an employee who declines to relocate will most likely do so because of concerns regarding family issues and spousal career/employment.

Relocation is becoming increasingly challenging in dual professional career families and will place more requirements on organizations to find 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 (51% partially outsource), policy development and review processes remain largely controlled in-house. In the
majority of organizations, relocation budgets are centralized within the organization. There has been little noticeable change in this area.

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 benchmark their relocation program.

When asked if they had made any change to the administration of the program since 2011, 71% said no changes had been made. Further to that, 60% do not expect to make any changes to the program administration within the next two years. In 30% of organizations requests for proposals will be issued over the next two years.

**Domestic Relocation**

Domestic relocations involve a mix of government and non-government moves. In 2013, 55 organizations completed the domestic section of the survey.

Technical and professional staff (59%) accounted for the largest number of employees transferred. Talent acquisition was cited as the most important goal of the domestic relocation program.

Over the next 12 months approximately one in two organizations expects volumes to remain unchanged. Within the next 12 months 27% of organizations expect temporary assignments to rise and 31% expect permanent relocations to increase. Business expansion is seen as the basis for increases amongst those organizations.

The average cost to relocate a Homeowner is approximately $53,500, down 4.5% from the $56,000 reported in 2011. This likely reflects some moderation and stabilization in housing markets across Canada over the past two years. The majority of respondents cite housing issues at origin and destination, along with family issues as being the major obstacles in effectively relocating employees.

In 45% of organizations, the level of relocation assistance is the same for all employees, with 13% reporting a significantly different level of assistance for executives. The number of organizations offering lump sum / flexible allowance payments has increased to 66% of respondents. In 71% of organizations the lump sum is available to all levels of employees.

In 69% of organizations some level of home disposal assistance is provided, with 49% offering a guaranteed plan to the employee. Home equity loss protection is provided by 43% of organizations.

Home purchase assistance in the new location is provided by 82% of organizations. Most common expenses covered are legal fees, home inspections and land transfer taxes, in that order.

As organizations look for ways to control costs, restrictions on the movement of household goods are in place in 94% of organizations. Packing and unpacking of household goods is provided by 100% of organizations, and 92% provide storage in transit for employees.
Cross Border Relocation

Cross Border relocations are an important element of the trade and commercial relations that exist between the U.S. and Canada. Cross Border relocations between Canada and the U.S. continue to represent a strategic component of participating companies’ mobility activity with business expansion, special projects, employee career development and talent acquisition all cited as key motivators for cross border relocations and assignments. The majority of relocations involve the movement of less than 10 employees.

In 67% of the organizations with cross border transfers (63% in 2011) volumes of permanent relocations are expected to remain unchanged over the next year; only 4% expect a decline in permanent relocations, continuing a downward trend from 12% in 2011 and 39% in 2009, while 25% expect an increase in volumes. For temporary assignments 16% (down from 22% in 2011) of organizations expect volumes to increase.

The average cost for a permanent relocation for a Homeowner is $73,800 compared to the $77,300, reported in 2011. The average cost for a temporary relocation for a Homeowner is $69,700 a slight increase from the $68,000 reported in 2011.

Tax and family issues are the reasons most often cited by employees for declining a cross border move.

Just over one third of organizations have a policy that is specific to cross border.

Home disposal assistance for permanent moves is provided by 58% of employers and guaranteed plan is the most common program in place. Home Equity Loss protection is provided by 27% of organizations, and the average maximum payment is approximately $51,600, a significant increase from $39,000 reported in 2011.

A tax reimbursement policy is used by 40% of organizations and tax equalization is the preferred method for managing the reimbursement.

Head office requirements most often determine how and where employees are paid. The number of organizations providing some form of foreign exchange protection on compensation increased to 40%, from the 35% reported in 2011.

The number of organizations opting for international insurance programs increased in 2011 while declines are seen in host country programs. Particular change was noted in hospital medical coverage under international insurance which increased from 26% in 2011 to 47% in 2013.

The number of organizations offering education assistance for employee’s children in private school is at 53%, up from 40% in 2011.

An increasing focus on repatriation career planning is reflected in the number of organizations indicating they have a program in place to facilitate an appropriate career position upon return to the home country; an increase from 28% in 2011 to 37% in 2013 with all of those with programs offering career planning.
International Relocation

Canadian businesses continue to be very active in the global marketplace, with 43 organizations responding to this section.

Management and executives employees account for 54% of the expatriate population, followed by technical employees at 39%. The majority of companies report transfers are for fewer than 25 employees.

Our 2011 survey reflected the first year of an improving global economy. Many companies reported very significant increases in the use of international assignments then, compared to 2009, when companies were taking a more conservative posture. It’s not surprising then that fewer companies expect a further increase in international assignments in the coming year compared to 2011. Still, 30% expect an increase in short-term assignments (42% in 2011) and 27% expect long term assignments to increase, while 32% expect permanent relocations to increase during this time. The majority of companies expect no change in volumes. Increased business opportunities are cited as the key reason for the anticipated change in volume.

The average cost for a permanent relocation for a Homeowner is approximately $125,000 up considerably from the $97,500 reported in 2011. The average cost for a short term assignment for a Homeowner is approximately $87,000 up from the $69,000 reported in 2011. The average cost for a long term assignment for a Homeowner is approximately $114,700 increasing from the $108,000 reported in 2011, with 22% estimating the costs at more than $150,000.

The majority of organizations manage international transfers through a written policy, or an employment agreement. Over half (57%) of the organizations have a policy specific to international relocation. Employee development was cited as the most important goal of the international relocation program, reflecting the fact that more and more organisations are integrating mobility with their talent management strategies.

The top three challenges in effectively managing permanent and long term relocations are: (i) tax; (ii) visa and immigration compliance; with payroll and family concerns tied for third spot.

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.

Home disposal assistance is provided for permanent relocations by 51% of participating organizations and 37% of organizations provide this assistance for long term assignments. Almost all organizations (at 98%) offer interim accommodations. More organizations will allow the employee to purchase a home in the host country when on a long term assignment (32% vs. 15% in 2011); and 81% allow the purchase in the case of a permanent relocation.

Goods and services allowances are most often used for temporary international transfers. Cost of living allowances are provided for long term assignments by 76% of organizations, and by 57% for short term assignments. Miscellaneous allowances are provided by 85% of organizations, the average amount of the allowance is $9,500 for a homeowner.
In 87% of participating organizations restrictions are placed on the movement of household goods. The majority of companies (over 90%) report they have made no changes in their international household goods movement policy since 2011.

Among the 58% of organizations that have a tax reimbursement policy, tax equalization is the preferred method for managing the reimbursement. The majority of organizations will provide tax counselling assistance to the employee throughout the assignment.

Home country continues to be the preferred option for payroll purposes and for determining base salary for temporary and especially short term assignments. Host country is most common for permanent relocations.

Because of potential language difficulties and differences in school curricula, over two thirds of organizations (71%) provide educational assistance at private schools for children of the transferred employee and 97% of those cover tuition fees.

In 2013, 41% (33% in 2011) of organizations report having a formal repatriation program and 39% of organizations report having a program to facilitate an appropriate career position upon repatriation. Both are further indications that talent management and talent mobility are becoming more closely aligned.
Conclusion

Employee relocation plays an important role in fulfilling the key human resources goals of talent acquisition and career development. From this year’s survey it is clear that talent mobility is becoming more integrated into the overall talent management processes within many organizations.

Survey results also indicate that employers are continuing to provide strong supports for their transferring employees and family members. At the same time it is clear that benefits are being tightly controlled on some of the services designed to assist the employee and family acclimatize to the new location. It will be interesting to see if this trend will continue in future surveys.

As noted throughout the report, the outlook for the volumes of transfers continues to be favourable with approximately 30% of all employers expecting some level of growth across all areas of relocation. As global activity continues to expand, growth in international assignments will also increase.

Repatriation of employees continues to be an area where employers should place more focus and attention. Just 41% of organizations with international assignments have a formal repatriation program. In those organizations where 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.

As noted in previous CERC survey reports, an ongoing opportunity exists for the industry 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.