Canadian Employee Relocation Council

2015 Employee Relocation Policy Survey

Executive Summary

Domestic, Cross-Border & International Relocations

June 2015
Acknowledgements

This survey report would not have been possible without the contribution of our 2015 Survey Committee. CERC thanks the following individuals who gave freely of their time and energy in compiling this report.

Romayne Dillner       AIReS Relocation Solutions
Somaya Dmitri         Enbridge Inc.
Russ Haynie           Russ Haynie Consulting Services
Carolyn Willer        TransferEASE Relocation Inc.
Jennifer Connell      Weichert Workforce Mobility
Participating Organizations

The Canadian Employee Relocation Council would like to thank the following organizations for participating in this year’s survey.

Agrium Inc.                      Ernst & Young LLP
American International Group (AIG) exp Services Inc.
Air Canada                        Farm Credit Canada
Amec Foster Wheeler               Federated Co-operatives Limited
ATCO Electric                     Finning Canada
ATCO Power                         Fluor Canada Ltd.
Bell Canada Enterprises Inc. (BCE) Ford Motor Company
Canada Mortgage and Housing Corporation Goldcorp
Canada Post                   Government of Alberta
Canadian Pacific Railway Limited Husky Energy
Canadian Tire Corporation Limited Hydro One
Cenovus Energy Inc.             IBI Group
CGI                               IBM Canada
Cirque du Soleil                     Ingersoll Rand
Canadian National Railway          International Development Research Centre
Cummins                           John Deere
Department of Foreign Affairs, Trade and Development Kimberly-Clark Corporation
Canadian Department of National Defence (DND) lululemon athletica
Dow Chemical ULC                    Manitoba Hydro
Enbridge Inc                               Manulife
Encana Services Company Ltd.          Maple Leaf Foods
                                         McCain Foods Limited
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 2013. 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 2015, 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 2015 survey.
Executive Summary

The survey was conducted on-line between January and April 30, 2015. With 75 organizations participating, results are representative of mobility management practices of most of the major industry groups in Canada.

As in previous years, the 2015 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 scopes 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 2015 survey. The natural resources sector, at 26%, had the highest participation rate. Just over three quarters of companies are headquartered in Canada. A total of 59 organizations in the survey have global operations; 47% of those employ over 10,000 workers.

Almost three quarters (73%) of all respondents 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 8% said it was less difficult to hire personnel.

Within Canada, western provinces continue to experience the highest number of relocations and assignments. Despite economic headwinds emerging at the time the survey was in the field, relocation volumes overall are expected to remain relatively balanced over the next 12 months.

The top three destinations for assignments outside Canada are: the U.S.; the European Union (including the U.K.) and; the Middle East / North Africa region.

In 82% of organizations the mobility program is managed through a central location. Talent mobility is integrated into overall talent management programs in 71% of organizations.
In just 31% of organizations, a process is in place to determine the success or failure of the relocation. Only 10% of organizations report they have a process to measure the return on investment of a relocation.

Participant Profile

40% of participants self-identified as human resources / mobility managers and almost three quarters (74%) of those responsible for mobility confirm having three or more years of program management experience.

A new question was added to the 2015 survey to learn where respondents spend time performing activities today, and where they expect to spend time two years from now. From the results, it is abundantly clear that managers are expecting to 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 and managing services providers.

Transferee Profile

As in past survey reports, males account for the majority of all moves; females account for over 50% of all transfers in just 14% of organizations. Within that profile, married/common law couples with children account for the largest percentage of 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 2015 is $97,500 for a domestic transfer, $120,000 for a cross border transfer and $164,000 for an international transfer.

Relocation continues to be challenging in dual professional career families. Organizations are seeking 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 (57% partially outsource), policy development and review processes remain largely controlled in-house.

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 2013, 61% said no changes had been made. Further to that, 67% do not expect to make any changes to the program administration within the next two years. In 34% of organizations, requests for proposals will be issued over the next two years.
Domestic Mobility

In 2015, 59 organizations completed the domestic section of the survey. Domestic relocations include a government and private sector organizations.

Technical and professional staff accounted for the largest number of employees transferred within Canada. Talent acquisition and specific project needs are the leading goals of domestic relocation cited by participants at 78% and 75% respectively. Employee development represents a close third among the other reported goals.

Over the next 12 months, 75% of organizations expect permanent relocation volumes to remain unchanged, 11% expect volumes to increase and 14% expect to see a decline. Within the next 12 months 56% of organizations expect short term assignment volumes to remain unchanged.

The average cost to relocate a Homeowner is approximately $57,000, an increase of 6.5% from the $53,500, reported in 2013.

More companies report policy changes than in the 2013 survey. A reduction in coverage of temporary accommodation, household goods transportation and miscellaneous allowances are the top cited changes. This finding appears consistent with the overall trend to contain cost noted in many areas of this year’s survey.

Among planned policy changes, a significant percentage of companies report plans to reduce coverage of temporary accommodations and house-hunting trip expenses, 37% and 31% respectively, again reflecting the pervasive focus on cost management. 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 surpassed housing issues as the top two reasons employees are mostly likely to give when rejecting a domestic transfer. These issues have been perennial drivers of reluctance to relocate and with the increased focus on talent acquisition they should be an increasing focus of assistance in domestic programs, although only 5% of participants report plans to increase spouse/partner career assistance provisions and just as many report plans to reduce assistance in this area.

Fewer participants report applying a distinct policy for new hires, at 26%, and this reflects the competiveness of talent acquisition in some industry sectors leading to an increasingly harmonized scope of assistance offered to existing and newly-hired employees at similar levels or with similar skills or experience.

Lump sum payments continue to represent an established trend with almost two-thirds of organizations reporting use of this approach. An increasing percentage of companies are allowing employees to keep the unused portion of lump sum payments or spending accounts/budgets.
Home disposal assistance at the departure location is an increasing trend with guaranteed plans / amended value options reflecting notable increases since 2013, 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 2013 results with almost half (46%) providing assistance. More than half of those (54%) gross up the loss reimbursement to compensate for taxes, when applicable. Average equity loss protection in 2015 is approximately $50,000, increasing from the $42,000 reported in 2013.

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 2013, perhaps in recognition of the impacts these concerns have on talent acquisition in higher cost markets.

Cross Border Mobility

Given the extent of trade between Canada and the U.S., at approximately $750 million 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 participating companies’ mobility 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 67% of the organizations with cross border transfers (similar to 2013) volumes of permanent relocations are expected to remain unchanged over the next year; 13% of organizations expect to see an increase in permanent transfers, while 7% expect to see a decline in temporary assignments.

The average cost for a permanent relocation for a homeowner is $69,000 compared to the $73,800 reported in 2013. The average cost for a temporary relocation for a homeowner is $72,000, a slight increase from the $69,700 reported in 2013.

Tax and visa / immigration are cited at the most challenging aspects of cross border mobility to manage.

In more than half (54%) of the companies, a written policy combined with the employment agreement / offer letter is used to manage cross border mobility. Just 32% of organizations report making a change to their cross border policy since 2013. In the next two years, 36% of organizations expect to make changes to their cross border policy.

Home disposal assistance for permanent moves is provided by 51% of employers and guaranteed plan is the most common program in place (62%). Home Equity Loss protection is provided by 38% of organizations, and the average maximum payment is approximately $57,000.
Employees are allowed to purchase a home in the host country by 66% of organizations for long
term and permanent relocations. This is up 15% from 51% as reported in 2013.

A tax reimbursement policy is in placed in 40% of organizations (down from 50% in 2013) and
tax equalization is 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 26%, down from the 40% reported in 2013.

In almost two thirds of organizations (64%) education assistance for children in private schools
is provided, up from 53% in 2013.

An increasing focus on repatriation is evident for cross border assignments, with 50% of
employers reporting a formal repatriation program is in place.

**International Mobility**

Canadian businesses are increasingly active in the global marketplace, with 40 organizations
responding to this section.

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 for assignments in 2015 are, Central Europe, including the United
Kingdom, the Middle East/ North Africa and China in that order.

The majority of companies expect no change in volumes for permanent and long term
assignments in the next 12 months. Consistent with overall industry trends and observations
about growth in international markets, 33% of companies expect increased numbers of short term
assignments and 25% expect the number of long term international 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 $108,000, down
from the $125,200 reported in 2013. The average cost for a long term assignment for a
Homeowner is approximately $106,400, down from the $114,800 reported in 2013. The average
cost for a short term assignment for a Homeowner is approximately $77,000, down from the
$86,900, reported in 2013. Very clearly companies have been taking steps to control the costs of
transfers at all levels.

The majority of organizations manage international transfers through a written policy, or an
employment agreement. In 56% 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; visa and immigration compliance and; family issues 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 2013, 39% of respondents reported making a change to their international policy. In the next two years 41% of organizations expect to make changes to their international policy.

None of the organizations participating in the survey provide home disposal assistance for short term assignments; 32% will provide assistance for long term assignments and; 40% provide assistance for permanent relocations.

Almost all of the companies in the survey (90%) report making no changes to their international household goods policy since 2013. This mirrors the results of the 2013 survey. The last year in which organizations reported making significant changes to their international household goods policy was in 2011.

In 2015, 76% of the organizations report having a written tax reimbursement policy, a significant increase from the 58% reported in 2013. Tax equalization is the preferred method for managing the reimbursement. 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 short term assignments has decreased significantly since 2013 (91% down to 44%) while host country is still preferred by more than half of companies for permanent relocations.

Just over half (53%) of organizations provide complete home country pension and benefits package in the host country (a decrease from 73% in 2013).

Consistent with previous surveys, over two thirds of organizations (76%) provide educational assistance at private schools for children of the transferred employee and 96% of those cover tuition fees.

In 2015, 57% of organizations report having a formal repatriation program, (up marginally from 41% that reported having a program in 2013).

Nearly half of organizations (47%) have a program to facilitate an appropriate position upon repatriation. However, career planning has declined from 54% in 2013 to 29% in 2015. Reintegration counselling is a critical aspect of repatriation support for the employee and family, however just 24% of organizations provide this support in 2015, down from 69% in 2013.
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 in fulfilling the key human resources goals of talent acquisition and career development. That importance is underscored by the desire of mobility managers to deliver more value added supports to business operations. 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. 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 and repatriate at the end of the assignment. Too much tightening on these services may deliver short term financial benefit, at the expense of employee satisfaction, leading to increased turnover.

As noted throughout the report, the outlook for the volumes of transfers continues to be favourable, and despite the economic headwinds emerging at the time the survey was in field, the number of employers that expect volumes to remain balanced is an encouraging sign. The international mobility activity is encouraging with both short and long term assignments expected to grow in the next year. As noted in our 2013 report as global trades continues to expand, growth in international assignments will also increase.

Two areas of opportunity for organizations are in determining the return on investment of relocation costs and supporting the repatriation of employees.

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

While it is encouraging to see that 57% of organizations with international assignments have a formal repatriation program in place, it is concerning to see that just over one in four provide career planning and less than one quarter provide reintegration counselling for the employee and the family. 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.