



Partner with your Employee to Control Relocation Costs and Ensure a Successful Relocation

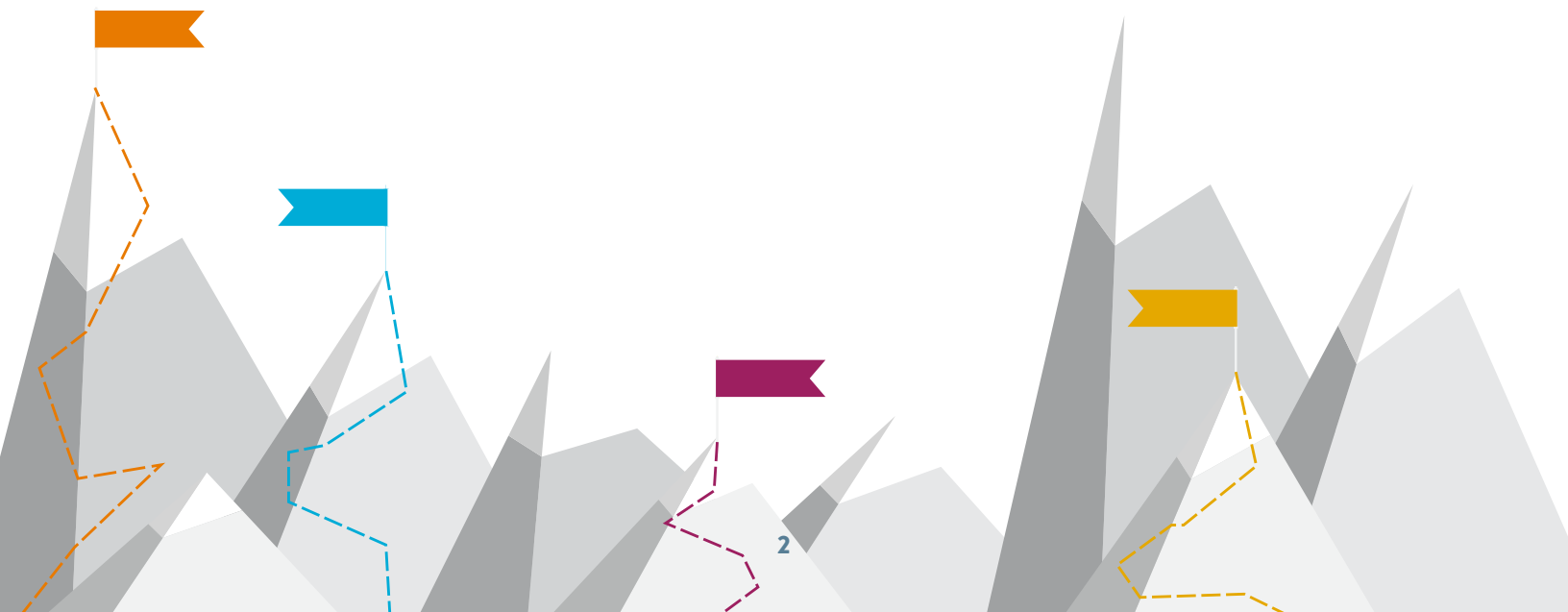


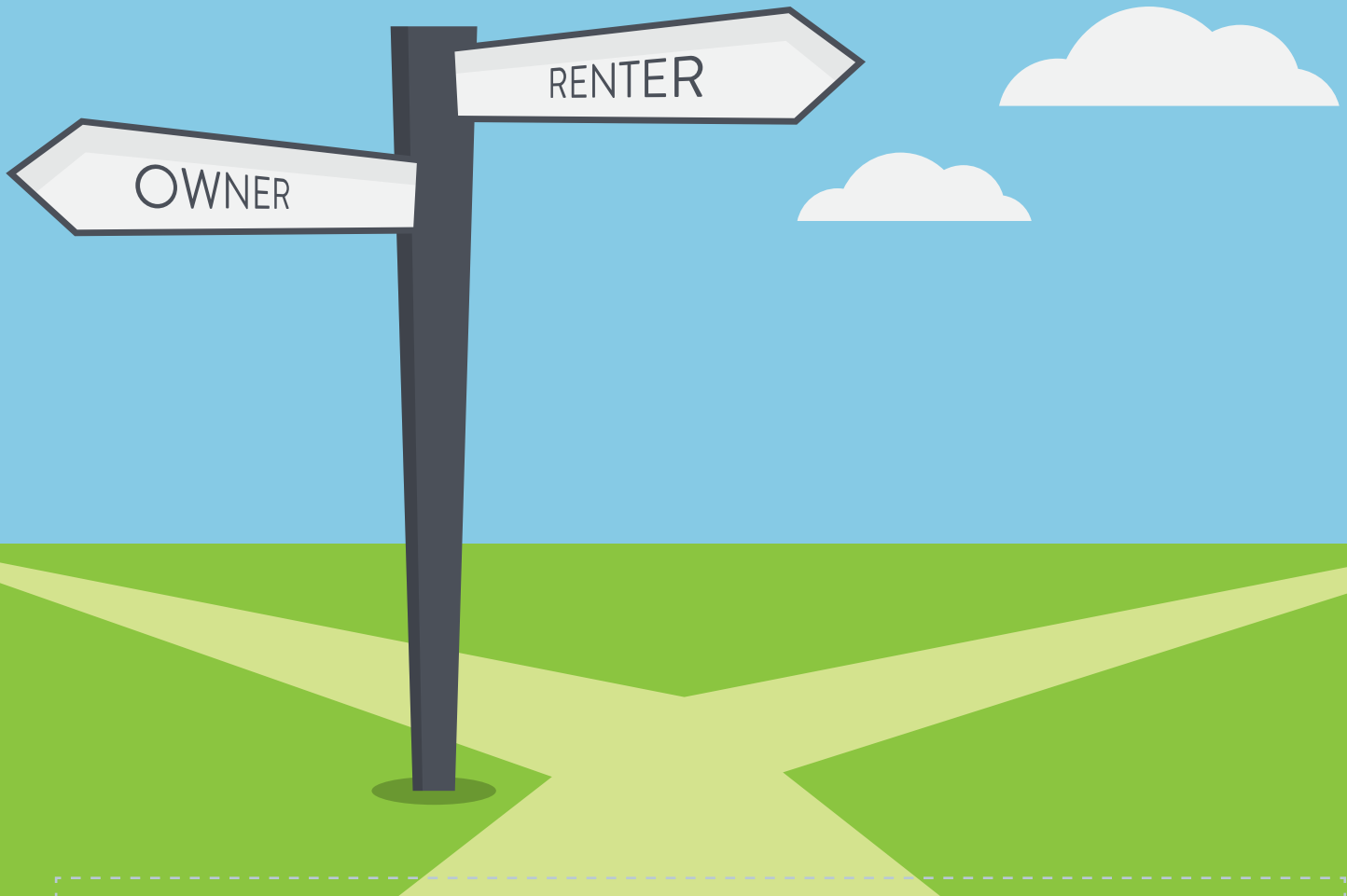
Relocation has been around for a long time, and it's still incredibly important for most organizations. But like all things related to the workforce, circumstances have changed.

In the past, employees were happy to let the company take care of all the details of relocation. But things are different now. Today's employees want more control over the activities that impact their personal lives.

A radical idea? Not really. Today's technologies give them the tools to do so in almost every facet of their life. Now employees have access to those tools to make relocation decisions and personally manage the relocation process.

Companies care more about this experience because relocation is becoming more and more important for effective talent management. As the job market gets increasingly competitive, finding the right talent locally isn't always possible. And getting your most valuable employees to the locations where they will have the greatest impact has always been a challenge.





Of course, relocation is expensive.

It costs about \$100,000 to move an employee who is a homeowner, and \$30,000 to relocate an employee who rents.

Personal circumstances can significantly affect these numbers.

This paper proposes a new approach to resolving a common business problem: controlling costs while ensuring a successful employee relocation. We make the case that it's essential to engage the employee in making the decisions that affect their lives and controlling the costs of those decisions through better partnership.

UNDERSTANDING CURRENT RELOCATION APPROACHES

The conundrum we want to solve is more complicated than it seems: How do you get an employee to the new job location, engaged and productive in the new position, without spending a penny more than necessary?

To get to the right answer, we need to understand the current landscape first. Companies typically take one of two approaches when it comes to relocating employees today:

The Policy Approach.

Most companies, especially larger ones, use relocation policies to manage relocations. They typically pay for a different mix of services depending on the job position and whether the employee is a renter or homeowner, or new hire or current employee.

The policy approach directs the employee to service providers that have been selected and pre-approved by the employer's procurement and HR departments or its relocation management firm. This ensures that the employee will use qualified suppliers that are committed to a service level that will get them to the new location efficiently and with the fewest personal disruptions.




Using policies for relocation is an accepted approach. They create a consistent experience that doesn't require reinventing the wheel every time you want to relocate a new or existing employee.

Policies were born out of pragmatism to ensure fairness and limit costs.

The Cash Payment Approach.

Today, many companies pay an employee a cash payment to cover the costs of relocating to a new job location. The assumption is that the employee — even a new hire — on their own, will use the money to pay for the transportation and services needed to complete their move.

Cash payments for relocation have always been an option. However, in recent years they appear to have become more popular for three main reasons:

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- > Writing a single check is easy to administer for the employer
 - > It sets a limit on the total relocation costs
 - > It gives the employee control of the money and the ability to pocket what isn't spent on the move

Both of these have their positives and are often used by organizations in tandem with one another — for instance, an executive relocation might have a policy-based move whereas a new graduate might just get a check from the company to cover some of the expenses of their move.

DEFICIENCIES WITH THE CURRENT APPROACHES

Unfortunately, there are some common problems that arise with both of these approaches:

The Policy Approach.

The type and amount of services provided under a policy approach are based on averages and past experience. If you offer more than is needed, the employee tries to find a way to retain the full benefit. If you offer too little, you encounter the exception problem.

Although policies were designed to keep costs under control, exceptions often become the rule. Exception management is a very inefficient way to manage costs, mainly because they often occur late in the process when it's difficult, if not impossible, to turn down a request for additional funds or services.

The policy approach falls short because it doesn't take into account the specific needs of each employee to successfully complete their relocation.



The Cash Payment Approach.

A cash payment to an employee for relocation is considered income, subject to a payroll tax deduction that reduces the funds available to the employee for the relocation. The employer can “gross up” the payment, which will add more than 50 percent to the total cost. But in either case, the employer loses out on significant tax savings since most relocation expenditures are “excludable” from employee income if paid directly by the employer.

When the employee receives the cash payment, there’s no accountability for how the money is spent. Many employees don’t budget well and end up asking for more money. Or, the employee cuts corners by using less reputable suppliers.

Most important, there’s a significant risk of employee disengagement with the cash payment approach. Trying to complete all of the relocation steps is complicated, time-consuming, and disruptive.

There’s a better way to take advantage of both approaches while minimizing the issues that come up.

By only providing a cash payment, an employer is rolling the dice that the employee will get settled successfully in a new community and arrive at the new job in one piece, on time and ready to work.

That’s a lot to ask. A bad relocation can send the wrong message to a new hire. Worse yet, it could lead to an early resignation.

PARTNERING WITH YOUR EMPLOYEE

Partnering with your employee allows you to take advantage of the best features of each approach that we've described. But “partnering” is very different.

Partnering with your employee means that you engage them, and those who are internally responsible for the relocation, in a planning process to decide on and approve the services the employee will receive and how much the company will spend.

The process has five important components:

#1

COLLECT INFORMATION.

Obtain specific information from the employee about what is needed to complete the specific relocation.

#2

ESTIMATE COSTS.

Estimate the cost of meeting these needs within the context of your policy or budget limits.

#3

CREATE A PLAN.

Prepare a “Relocation Plan” for review and approval among all of the players who have a stake in the outcome, including the hiring manager, HR, and others. A Relocation Plan describes the services the employee will be provided and the costs, or budget, associated with each of them.

#4

PUT AN AGREEMENT IN PLACE.

Prepare a Relocation Agreement for acceptance by the employee. The agreement incorporates the Relocation Plan.

#5

ENABLE RELOCATION SUCCESS.

Give the employee the information and tools that allow them to spend company funds as agreed, according to plan.

This is pretty basic business process. Unfortunately, it's seldom followed in the real world. Why? Because it can be complex, it requires a lot of information that's not readily available, and it takes a lot of time. It's a lot easier to write a check, or hand the employee a policy, and let the costs and employee experience take care of themselves.

NEW TECHNOLOGY ENABLES PARTNERING WITH YOUR EMPLOYEE

Frankly, it would be impossible using existing correspondence, budgeting, and analytical tools to adequately partner with your employee in a reasonable period of time. But today, technology is available that makes it easy to partner with your relocating employees.

That technology solution is CoPilot™ by NuCompass. CoPilot is a new cloud-based platform that makes relocation planning a reality. And it does much, much more. It not only helps an employer plan a relocation, it also supports the employee through every step in the process to get settled in the new location, ready to start their new job.

Using CoPilot, you can get input from the employee and instantly prepare an accurate cost estimate based on their situation. You can weigh the costs vs. benefits and make a business decision about how to proceed. You can circulate the information for management approval and gain the employee's commitment to a Relocation Agreement. All of which can be done online in a matter of hours, not days.

CoPilot is a software and services solution. After a decision is made, your employee gains access to a personalized portal to help manage every step of the move, 24/7, using any device. The portal connects the employee directly to pre-approved and vetted suppliers for all of the required services. Support is provided by the experienced experts at NuCompass until the move is complete.

Using technology, there's now a new way to get your employee to a new job location, engaged and productive, without spending a penny more than necessary.

READY TO LEARN MORE?

CONTACT US TODAY AND WE'LL HELP YOU START PARTNERING WITH YOUR EMPLOYEES TOMORROW.



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Contact us today at 925.734.3869,
and let us help you get the most out of
your relocation plan. Visit us online at
www.nucompass.com/copilot.