Navigating Mobility Policy Design

Aligning Relocation Policy Structure with Mobility Strategy

If you relocate employees, you are familiar with the term policy – a generic term for the document or documents that detail the types of services and expenses offered to relocating employees. There is no shortage of combinations of services and expenses that may be included in policies. When those benefits differ by eligible employees, they are often referred to as policy tiers.

There are different configurations by which policy tiers are structured. In this document, we will feature each of those configurations, the advantages and disadvantages of each, and tips on how to determine which may best suit your mobility program.

Let's start with the basics. Below you will find a summary of the policy structures in use today.

Managed Relocation – standard set of professional services and reimbursed expenses

Lump Sum – one-time cash payment

Lump Sum Plus – one-time cash payment accompanied by a professional service or additional expense, most often a household goods shipment

Core/Flex – standard set of professional services and/or reimbursed expenses that are offered to all individuals combined with additional flexible & variable professional services/reimbursed expenses offered as a result of need, budget, and/or some pre-determined criteria

A la Carte – no standard set of professional services or reimbursed expenses; each relocation package is customized

Capped Relocation (aka Managed Cap or Managed Lump Sum) – employee has the choice of various professional services and reimbursed expenses, but the total amount of their selected support cannot exceed a pre-determined dollar amount

Point System – employee has the choice of various professional services and reimbursed expenses which are each assigned point values and the total number of spent points cannot exceed a pre-determined maximum number of points

Hybrid – combination of any of the possible options (e.g., Core plus additional capped amount or core plus points). Lump Sum Plus is technically a hybrid policy, but its use in so many mobility programs (often as a lower-to mid-level tier) has led to it being considered a mainstream policy structure.

Managed Relocation

These policies tend to be the most supportive but can also be the most expensive. Managed relocation policies are often considered to be robust and include a wide variety of support from pre-departure through post-arrival, offering benefits such as a home finding trip, home sale and lease cancellation, home purchase and rental assistance, household goods shipment and auto shipment, storage, temporary housing, final travel, miscellaneous allowance, and other support such as spouse/partner assistance, pet transportation, return trips home, duplicate housing, cost of living assistance, and gross-up of taxable expenses. This may sound like a lot, and it can be more than what some companies are willing to pay for. The truth is this type of policy has been – and continues to be – the most common type of policy structure. Research suggests that at least eight out of every ten companies with employee mobility programs utilize a managed relocation policy with at least some of their employee population.

Companies often address the costliness of this policy structure by tiering their policies, starting at the top (e.g., executive) with more substantial services/reimbursed expenses and incrementally decreasing the offerings to lower-level employees (often designated by position, grade level, etc.).

Managed relocation policies offer a standard, consistent level of support to relocating employees, often with the lowest personal financial burden compared to other types of policies; however, this depends on the types of services/reimbursed expenses included in the managed relocation. Managed relocations also allow for abundant spend reporting and analysis of services utilization and reimbursed expenses. They are best supported by a written policy that is shared with relocating employees explaining all of the services and reimbursed expenses that are included.

Not all employees who are offered a managed relocation will fully utilize all available services/reimbursed expenses. Although managed relocation policies are typically the most expensive of all the policy structures, there is also a great degree of variability in the costs. The total cost of a managed relocation is driven by a relocating employee's individual circumstances (e.g., family size, home value, amount of items to ship, distance of move, etc.).

Advantages

- Employee experience
- Professional support and counseling
- Cost containment via tiered policies
- Shared policy documentation
- Data analysis

Disadvantages

- High cost
- Variable costs

Lump Sum

Lump sum programs are a stark contrast to managed relocations. Rather than providing specific services and paying for certain expenses, an employee is provided a one-time payment to spend as they see fit.

Lump sums give employees autonomy and flexibility to spend funds where they need the most assistance. Lump sums are administratively the easiest for employers because they are a one-time payment, which makes them straightforward to budget and makes them a popular approach. Research suggests that at least six out of every ten companies with employee mobility programs utilize a lump sum policy with at least some of their employee population.

Lump sums do have challenges that can vary in degree depending on the amount of the lump sum and individual needs. Lack of professional support, lack of knowledge of relocation needs and expenses, inexperience, and an overall temptation to spend money on non-relocation items could lead to misappropriation of funds. Additionally, differences in geography, family size, and relocation distance could lead to inequities. Paying lump sums also eliminates any data analysis of how the funds are spent.

Lump sums are often associated with cost savings or low-cost relocations. This may not always be the case, depending on the lump sum amount. Research shows that most lump sums range from $5,000 to $20,000, with the most common amount being $10,000. Lump sums are most commonly provided to employees ranging from interns to mid-level, and the highest level of utilization is with entry-level or inexperienced hires (although they are also found among higher-level employees, just less frequently).

Advantages

- Administratively easy
- Budget-friendly
- Employee flexibility

Disadvantages

- Greater burden on employee to procure services
- Little to no professional support
- Lack of data analysis
- Geographic differences

Lump Sum Plus

Although similar to the lump sum policy previously discussed, the major difference seen in the lump sum plus policy is that some level of professional support is provided in addition to the one-time payment. A shipment of household goods is the most common plus that accompanies a lump sum. Some companies choose to offer temporary housing, or even a home sale, but the ultimate goal of a lump-sum-plus policy is to balance the predictable cost (the lump sum) with professional support to facilitate the relocation.

Advantages

- Administratively easy
- Budget-friendly
- Employee flexibility
- Some professional support

Disadvantages

- Greater burden on employee to procure services
- Lack of data analysis
- Geographic differences

Core/Flex and A la Carte

Core/flex borrows the concept of a standard set of benefits from the managed relocation approach but adds in flexibility by having additional benefits that may be offered to an employee. The standard set of benefits is typically very minimal. Domestic relocations typically including final travel, gross-up, and sometimes household goods shipment; international relocations typically including those same benefits and add in immigration and professional tax services for compliance. Everything else is usually a flex benefit.

A la carte benefits are similar, but are all flex, no core.

Both core/flex and a la carte policy structures are known for controlling costs by not offering a full suite of services and reimbursed expenses to employees. Both policy structures also allow for data analysis to determine how funds are being spent and what services and expenses occur most often.
Unlike a managed relocation and lump sum, written policy documentation is difficult with a core/flex or a la carte program because employee relocation packages are not standard. Policy documentation is often internal, and employees typically receive a customized offer letter to define the eligible support. Research suggests that approximately four out of every ten companies with employee mobility programs utilize a core/flex or a la carte policy with at least some of their employee population.

Who decides what benefits to offer to which employees? That is the main challenge with these types of programs. In traditional core/flex and a la carte programs, it's usually the business that determines an employee's needs and then decides the services and expenses the company is willing to pay for. Balancing the overall cost with an employee's needs can involve not only the employee and their manager, but also recruiters, HR, and Mobility teams. Core/flex and a la carte management can become a group effort, leading to negotiations, cost estimates, revisions, and ongoing discussions until the final package is determined.

Advantages

- Cost control
- Flexibility
- Data analysis

Disadvantages

- Administratively time-consuming
- Greater involvement required from Talent Acquisition, Recruiting, HR, Mobility, and/or hiring managers
- Disparity among relocation offers
- Possible exceptions due to changing or unanticipated needs or delays

Capped Relocation

Some say that a capped relocation strikes a balance between offering a variety of services/reimbursed expenses found in a managed relocation and the customization of core/flex or a la carte policy. With capped relocations, the employee has a ceiling (i.e., a dollar value limit to spend) and can choose how they want to spend it based on what is most critical to their needs and wants by selecting from a pre-determined list of services and expenses. A traditional capped relocation is similar to an all-flexible policy with an imposed spend limit.

This sounds like an ideal solution for those wanting to balance cost control with flexibility, but there can be obstacles. Sometimes these obstacles are caused by the employer overemphasizing cost control with unrealistic ideals of the cost of relocating an employee. Employers who emphasize cost control over employee needs may unintentionally foster disappointment and unsatisfactory employee experiences. Research has found that exceptions are more common among capped relocations than any other policy structure. There is a direct correlation to the capped amount and the rate of exceptions – the lower the capped amount, the higher the exception rate.

Caps should be realistic. Companies employing a cap should understand potential relocation costs and what costs can be practically covered by capped amounts.
Research suggests that only about one out of every ten companies with employee mobility programs utilize a capped relocation policy with at least some of their employee population.

Advantages

- Cost control
- Flexibility (employee choice)
- Data analysis

Disadvantages

- Cap may not cover employee's critical expenses
- Dissatisfaction with cap amount
- Potential for overspending
- Potential for employee financial burden
- Higher rate of exceptions due to low caps, changing or unanticipated needs, and delays

Point-Based Relocation
In comparison to the other policies that have a generally long life in the world of relocation, point-based policies are the newest kids on the block. Similar to capped relocations that rely on a spend ceiling, point-based policies rely on a point ceiling, and the employee can select various point-valued services and expenses while maximizing their point allotment.

Most of what has been said about capped relocations also applies for point-based policies; however, the obvious difference is dollars versus points. Dollars and points are both definitive amounts, but the points are based on average costs, which means actual costs are going to vary. Point-based policies may not work well for those who are not tolerant of varying costs. It is important to understand the complexity of calculating average costs to assign point values that are practical, reasonable, and provide service level options to employees. Point-based policies are more about flexibility than cost savings. Flexibility is in the employees' hands rather than those of the recruiters, managers, or HRBPs. Those with core/flex programs that go back-and-forth determining flex benefits could benefit from piloting a point-based approach and letting the employee select what they need or want on their own.

As with a capped policy, an organization with a point-based policy has to decide their stance on unused allotments. Can the employee cash out what hasn't been spent or is it use it or lose it? If cashing out, what dollar value will be placed on any unused points?
With a capped policy, there is typically no cash out option of unused funds, but some point-based policies may allow a cash out of points (for less than what they would be worth if paying for actual services and expenses).

The other consideration with point-based policies is their rarity. Less than 1% of companies use a point-based system. Those that use point-based systems often do so for very specific business reasons and realize they are offering a program that is unique.

Advantages

- Flexibility (employee choice)
- Reduced administration
- Professional support
- Data analysis

Disadvantages

- Variable costs
- Potential for employee financial burden
- Little-to-no industry data/standards
- Exceptions (i.e., points spent too soon along with other unexpected needs can lead to a higher exception rate)

Hybrid Policies
Taking one policy structure and blending it with another policy structure is referred to as a hybrid approach. There are two common hybrid policies found in employee mobility today – Managed Relocation with Lump Sum and Lump Sum Plus.

Managed relocation with lump sum often provides for household goods shipment, home sale, and home purchase, and provides a one-time cash payment to cover all additional expenses such as home finding, temporary housing, and all travel. Lump sum plus, as previously explained, is a one-time payment with one or more services/expense reimbursement offered in addition.

Some other (less utilized) examples of hybrid policies may include:
- Lump Sum with Capped Flex Policy – the employee receives a one-time payment and a dollar amount to spend on select additional services/expenses
- Core with Capped Point-Based Policy – the employee receives a core set of services/expenses and an allotment of points to spend on select additional services/expenses

The policy structures described here can be merged to create new, creative approaches to formulating relocation packages.

What policy structure is best?
All of these options can be the right choice – in the right organization, and for the right reasons – but it often comes down to the goals and objectives for the mobility program.

Companies have a lot to consider when it comes to their employee mobility goals and objectives – recruiting and talent needs, organizational culture, budget/costs, the employee experience, and overall desired level of administration – to name just a few. All of these factors impact what policy structure (or structures) can best serve a company’s mobility program.

It is important to understand that a generous lump sum can be very lucrative for an employee, and a managed relocation could leave an employee paying 50% of their relocation costs out of pocket. The knowledge and professional opinions about each of these types of policies is not intended to sway a reader in one particular direction; rather, it is a dissection of the common characteristics of and considerations for each policy type. The information throughout this document recognizes common policy approaches with the understanding that all programs are unique.

Effective policies balance three components that drive their mobility programs – administration, cost, and experience.

> Administration – everything and everyone that is involved with managing the policy (developing relocation offers, determining eligibility for services/expenses, delivery of services, approving exceptions, etc.)
>
> Cost – everything involved with the bottom line (total overall costs, exceptions, budget, projections, etc.)
>
> Experience – all about the employee (the level of support they receive, the amount of out-of-pocket expenses they have, clarity of the processes, etc.)

Each organization has their own perceived values placed on each of these three components. Some organizations place more emphasis on cost, while others may place more emphasis on experience.

Each of these policy structures can be generally classified by how they relate to each of these components. Please note – the generalized classifications for Cost and Administration are based on the perspective of the organization (rather than the employee or the RMC).

CONTROLLED, LOW-COST	Lump Sum Lump Sum Plus A la Carte	Capped	Core/Flex Points	Managed	**VARIABLE, HIGH-COST**

SIMPLIFIED ADMINISTRATION	Lump Sum Lump Sum Plus Managed	Points Capped	Core/Flex A la Carte	**COMPLICATED ADMINISTRATION**

LOW QUALITY EMPLOYEE EXPERIENCE	Lump Sum	Capped Lump Sum Plus A la Carte	Core/Flex	Points	Managed	**HIGH QUALITY EMPLOYEE EXPERIENCE**

Understanding the organizational culture, talent needs, mobility objectives, cost tolerance, preferred administrative balance, and desired employee experience can lead to a better understanding of which policy types would be the best fit for an organization.

If you would like to discuss your mobility program with any of Aires’ subject matter experts, please contact your Aires representative to schedule a consultation.