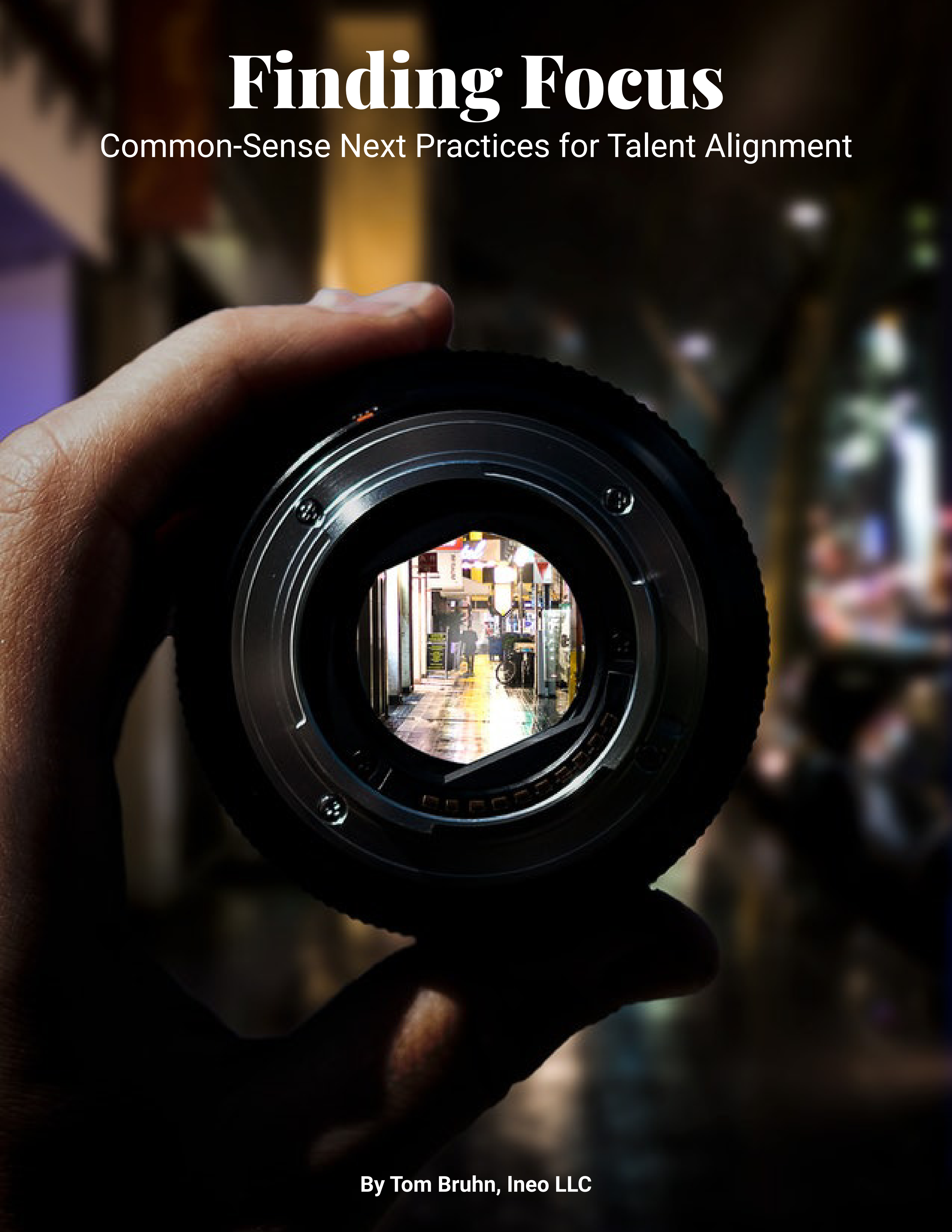
Finding Focus

Common-Sense Next Practices for Talent Alignment



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Some people have tried new recipes or learned how to bake bread. Others organized their homes or planted a garden. Some are even learning a new language. But we in the mobility industry can do something even more productive with the strategy shifts driven by the pandemic: let's step back and let the lens of talent alignment offer us valuable perspective as to which practices should be kept and which should be modified, released or replaced. We can make exceptional use of this time for an intelligent, well-considered mobility program redesign that positions employers for the future!

REALLOCATION AND REDESIGN

Many of us have seen the shift that occurs over time when certain relocation benefits evolve into multiple variations on a theme. No matter which department a team reports to on the org chart, we all share the responsibility to periodically assess the viability of options and assistance. All mobility professionals must remain attuned to organizational goals and metrics aligned with attracting, retaining, and developing talent.

Focusing on "full suite benefits" relocation programs and setting aside those delivered within more of a lump sum model, there are some old and new next practice recommendations that can help drive a meaningful program redesign. In most of the examples below, mobility program savings achieved through elimination of "entitlement spend" can be reallocated to reward and recognition for meeting and (better yet) exceeding KPIs.

ALLOWANCES

For decades, the label of “Miscellaneous Expense Allowance/MEA” (or similar naming convention) has been utilized for monies meant to provide coverage for relocation expenses not directly addressed within a given policy. Conventional wisdom has caught up to the realization that “miscellaneous” is far too vague. Many organizations now refer to an “exception allowance,” with language effectively mandating that, “Unless addressed separately, you can assume any expense ***not*** explicitly stated in this policy is not covered by the company/firm, and that your exception allowance is meant to be utilized toward any unspecified expenses.”

Regardless of whether the policy outlines permanent move, assignment, business travel, or commuter benefit parameters, it is useful to provide a detailed listing of expense examples that the exception allowance may fully or partially cover, making sure to clarify that the listing is not comprehensive. In reviewing other categories of relocation benefits, this article will reference examples that can be included within an exception allowance listing.

TEMPORARY LIVING

This coverage is meant to help bridge a period when the transferee or assignee must report to work in the new location prior to establishing purchase or lease of the “permanent” destination home. Historically, costs associated with temporary living have often been the relocation expense category with the highest incidence and financial impact on exceptions. In keeping with the fact that in many locations, corporate housing reservations are booked in monthly increments, best practices specific to the duration of a temporary living benefit for permanent moves have been remarkably consistent for a long time: capped at 30 days for transferees who rent at the origin location, and at 60 days for transferees who own at the origin location. These thresholds are applied to lodging, meals, and round-trip return travel to the origin location, and there is a strong argument to also tie duration of household goods storage to the same limitations. Anything greater should fall into the “exception allowance” coverage category.

It should also be noted that a temporary living lodging benefit is sometimes granted based on the assumption that the start date in the new location precedes disposition of the origin home. This usually occurs in situations where an urgent business need requires that the “new work” role commence within a matter of weeks, if not days. Assuming the destination accommodation included a kitchen with appliances, it was understood that the transferee was not suffering a hardship *unless* he/she left dependent family members behind, in which case meals were being prepared in two locations. In time, more transferees insisted on moving the entire family into the temporary accommodation *with* meal coverage when reporting to the new location, especially when more stringent residency requirements related to school registrations increasingly became the norm. Again, when the family lives and eats together under one roof, outside of a potential cost of living differential that is appropriately addressed elsewhere in the policy, there is no hardship. Additionally, if the origin home is owned and remains unsold, another potential sticking point is the added cost for months of vacant home insurance.

DUPLICATE HOUSING

The category of duplicate housing, which is separate and distinct from Temporary Housing, typically was only granted when the homes at the origin and destination locations were both owned, allowing for reimbursement on the lower of the two locations for mortgage interest and property taxes combined, with other items (association fees, utilities and maintenance) sometimes taken into consideration.

Over time, controls in driving compliance around duplicate housing policy intent vs. situational circumstances became more flexible, with the outcome that important benefit eligibility requirements were either ignored or eliminated. It became common to allow a comparison between a mortgage vs. a rent payment between locations, which in no way constitutes an “apples to apples” parity. Especially in situations involving comparison of an origin rent to a destination rent or mortgage payment, housing payment differentials that exceed an origin lease cancellation benefit should be handled within the exception allowance.

HOME SALE / HOME PURCHASE

For “full suite” relocation programs, virtually every policy tier will include some level of final move and household goods transportation benefit, often with a more generous benefit based on two variables: 1. Job/Salary Grade; and/or, 2. Current Employee vs. New Hire.

Under these criteria, there are several relocation benefit categories where basic eligibility requires either a job/salary grade threshold and/or status as a current employee with the company or firm. In tiered programs, many organizations will delineate between current employee and new hire packages within each tier. In addition to the possibility that an exception allowance for a current employee or homeowner will be greater than that for a new hire or renter, the same logic extends to eligibility for home sale and home purchase assistance.

There are many programs that either never extend home sale/purchase benefits to new hires, or when they do, it is only to executives. In a similar vein, transferee or assignee renters rarely receive a home purchase benefit: the long-standing best practice is that home purchase is predicated on ownership of the home at the origin location. Whether granted as a policy standard or exception, both home sale and home purchase should include policy hooks that mandate utilization of preferred brokers, title companies, appraisers, inspectors, and lenders.

HOUSEHOLD GOODS

As with extended temporary living benefits, household goods-related crating and third-party services often prove to be one of the most expensive categories in exception spend. Since jewelry, coin/stamp collections, fine art, antiques, and any items that have high intrinsic monetary or sentimental value are routinely excluded from being handled by the carrier, there is no small irony in the fact that organizations are asked to pay exorbitant costs in getting certain other “non-essential” items from point A to point B, e.g., fine wine and liquor collections, taxidermy, home gyms, home entertainment centers, home playground equipment, and such.

Policies should always have a stated monetary threshold for crating and third-party services, and any amount exceeding the threshold should be handled within the exception allowance. In the case of assignment repatriations, this is especially true: just as anyone who will be moving back to the origin location is discouraged from purchasing a residence for an assignment of three to five years or less, that same individual should be discouraged from amassing expensive jewelry, wines, liquors, fine art, etc., and/or of having any expectation her employer or firm will pay to transport it all back to the origin location.

One need only consider the extremes tenured mobility professionals have experienced, and which are typically easy to deny: items such as speed boats, sports cars, horses, livestock, farm equipment, hot tubs, and “eagle’s nests.” The list is considerable, and the costs can be too, so utilize policy language that anchors the discussion to reasonable expectations. Although there are those who might debate these items as being “essential”, the line in the sand between “benefit” and “entitlement” can be clearly described within the policy. Relocation policies should not be expected to address costs that essentially support expensive hobbies!

LOSS ON SALE

Of all relocation policy benefit categories, loss on sale is arguably one that should always be segregated as an “exception only” standalone benefit. Loss on sale gained traction in the 1980s within the oil and gas industry during the downturn in predominantly petrochemical-based regional economies. Until the impact of increased foreclosure and REO activity was felt on a national level by mortgage companies, this made perfect sense. At the point lenders established guidelines around mortgage relief via restructuring and short-sale processes, loss-on-sale payments had the potential to unjustly enrich homeowners who “played their cards” right. From a purely “tough love” perspective the question arises whether an employer should ever be on the hook for an employee’s investment, especially within the context of relocation benefits.

It goes without saying that relocating homeowners virtually never have to share equity when their home appreciates, and employers rarely (if ever) offer loss protection for stock picks, option grants, or other de facto investments that fail to appreciate. By extension, should there be an implicit guarantee or expectation within a relocation program that “break even” or appreciation will be realized whenever an employee made a personal decision to purchase the home they now need to sell in the origin location?

Finally, even as an exception, loss on sale should almost never be offered to new hires, and eligibility should almost always be offered only at the executive/senior management level under extremely well-defined parameters that include qualified capital improvements and required documentation. When extended, mandatory utilization of preferred brokers, title companies, appraisers, inspectors, and lenders at the origin and destination locations should be a policy *handcuff* – not just a hook! The rationale for compliance at the destination end is to minimize the possibility of a risky purchase, i.e., a home that is likely to have higher potential for loss on sale down the road.

REST AND RELAXATION

From the perspective of a pure "entitlement benefit," perhaps no relocation policy parameter fits the definition more than "rest and relaxation." Most often included in long-term assignment policies tailored to a specific hardship location, it is also one of the least common. The benefit basically covers travel expenses associated with a vacation spent somewhere *other than* the assignee's home location, beyond a home leave benefit, and typically within a reasonable travel distance from the work location in the host country or region.

Even when structured for hardship locations, suitable compensation should arguably be achieved in the hardship premium and/or qualified PTO, and over time, questions will arise as to why one location allows for the benefit while another does not. (In other words, as with hardship premiums, the list of eligible locations must be reviewed regularly and often.) When a rest and relaxation benefit is granted, it should be tied to reward and recognition for exceeding goals established prior to the assignment.

HOME LEAVE

Specific to the home leave benefit, many organizations have required at least one mandatory meeting with home office management and staff during each home leave trip to maintain and shore up the company cultural connection imperative to a successful repatriation. Although these meetings can be structured as a business review for the assignee, a more progressive approach has allowed for a separate social, often "meal-focused" event that includes the families of repatriated assignees and colleagues. Since it is commonly understood that assignees often experience unexpected culture shock when repatriating from multi-year assignments, the proportionately minor cost is money well spent to improve the odds the company or firm will reap the benefit of the global experience and expertise from its assignee population for years to come.

SPOTLIGHT: ADOPTION OF HR PHILOSOPHIES IN MOBILITY DESIGN

Kerwin Guillermo, global head of employee mobility at Hewlett Packard Enterprise, is a thought leader in our field who has been on a transformation journey that is buttressed by the adoption of well-embraced HR philosophies into mobility practices. He has shared across multiple platforms in relation to the possibilities and practices that align mobility design with known HR principles. These cross the verticals of attract, retain, develop and motivate talent, thereby orienting conversations to a more strategic focus beyond the achievement of cost savings and logistics coordination. Here are a few examples:

DIFFERENTIATED INVESTMENTS AND MOVE STRATEGIES.

This is premised on understanding the "why of mobility" for every move. Is it about attracting talent as part of a hiring action … is it entry level or an experienced hire from a competitor? Is it about revenue generation where there could be limitations on investments to meet a targeted business margin? Understanding the why behind the move provides an increased appreciation of the investment level corresponding to segmented experiences that could assure a more successful fulfillment of the why of mobility.

GOAL SETTING AND INCENTIVES FOR IMPROVED PERFORMANCE AND RETENTION.

For a high-performance culture, clarity of goals is imperative, and this holds true whether the move is international of domestic. The goals associated with the move are an important conversation that must be weighed against the more traditional and limited focus on affordability. Clarity of goals raises the engagement level between the manager and the employee who is considering a move in fulfillment of their own "why of mobility." Placing a financial incentive to the attainment of those goals provides an additional layer of motivation, and this is where we start to see traditional mobility provisions transition from a culture of entitlement (traditionally based on level or program) into a culture of eligibility based on performance.

Specific to the second example, a Repatriation Allowance can be structured on a sliding scale calibrated to achievement of original assignment goals, i.e., meeting or exceeding goals ties to a higher payout. When administered in this fashion, the timing of the payout might best be aligned with the ***end*** – as opposed to the beginning – of the assignee's repatriation.

Without a doubt, most mobility teams are in a "survive and thrive" mode. This explains why it's even more important – right now – to examine policies and procedures and make changes to cultivate the tightest, most effective programs with the highest levels of efficiency, consistency, fairness, and sustainability. We may also harness some level of creativity in connecting our dots with broader HR principles. Our focus is all about being able to look at what we can control internally and understanding how we find and strengthen partnerships across parties who share custody of the same customer.

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