

2010 U.S. Transfer Volume & Cost Survey

BY MARIAM LAMECH

Worldwide ERC® is engaged actively in the study and benchmarking of employee mobility data, and the Worldwide ERC® Transfer Volume & Cost Survey is an annual enterprise that offers analysis of data pertaining to employees transferred domestically within the United States. Lamech offers analysis of the 2010 survey results illustrating mobility activity within the United States.

This year's Worldwide ERC® Transfer Volume & Cost Survey results show that while transfer activity in 2009 declined significantly from the prior year, companies are projecting an uptick in their transfer volumes for 2010.

The 136 member organizations responding to this year's survey relocated nearly 40,000 employees in 2009 averaging 287 transfers each. These organizations anticipate relocating an average of 299 employees by the end of 2010. Forty percent of the respondents reported having between 101 and 500 relocations annually, while only 11 percent report moving more than 500 transferees. Companies with 100 or fewer domestic transfers per year comprised the largest group and account for 49 percent of the respondents.

Transfer Activity

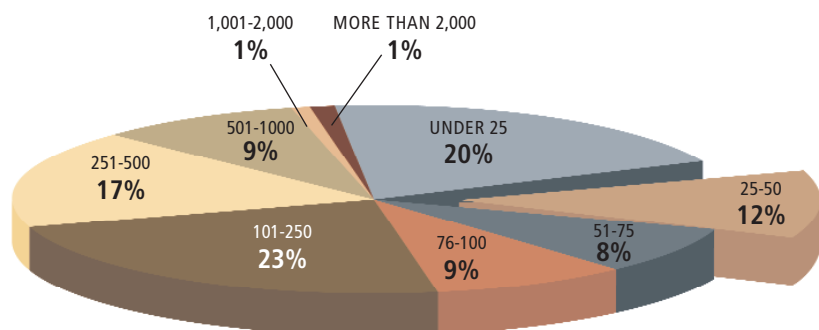
Transfer activity in member organizations has been on the decline since 2006.

Between 2006 and 2007, overall U.S. domestic relocation volume dropped 4 percent and, between 2007 and 2008, transfer activity declined an additional 3.4 percent. However, between 2008 and 2009, there was a precipitous drop of 22 percent in transfer volume—from an overall average of 368 employees to 287.

FIGURE 1: Represented Industries
Percent of Organizations

TYPE OF INDUSTRY	PERCENT (%)
Aeronautics, aerospace, electronics/electricals, business machines, computers, computer software, computer services, semiconductor	9%
Automobiles, automotive parts, industrial machinery/equipment, metals and alloys, transportation	4%
Chemicals, plastics, rubber/rubber products, cement products, wood and paper products, glass/glass products	8%
Communications, telecommunications, publishing, printing	4%
Government, military services, public utilities, non-profit	2%
Professional services: accounting, auditing, consulting, law, advertising	8%
Financial services: insurance, banking, finance	14%
Petroleum, gas, refining and distribution, pipeline construction, engineering, mining, forestry, energy, construction	15%
Retail, wholesale, distribution, consumer products, manufacturing	24%
Pharmaceuticals, health care, medical devices/diagnostics	7%
Conglomerate (diversified)	4%
Other	1%
Total	100%

FIGURE 2: Breakdown of Companies by 2009 Transfer Volume
Percent of Organizations



During these years, new hire activity accounted for most of the decline, decreasing more than 36 percent between 2008 and 2009. Current employee activity, on the other hand, declined 15.2 percent during the same period. However, the decline in current employee transfer volume between 2008 and 2009 was far greater than the 2.3 percent experienced between 2007 and 2008.

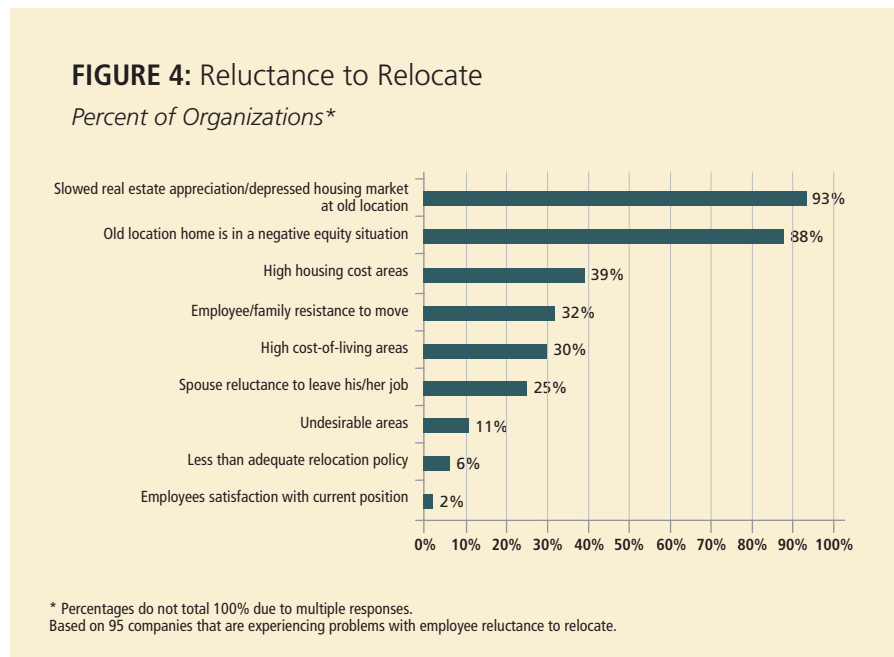
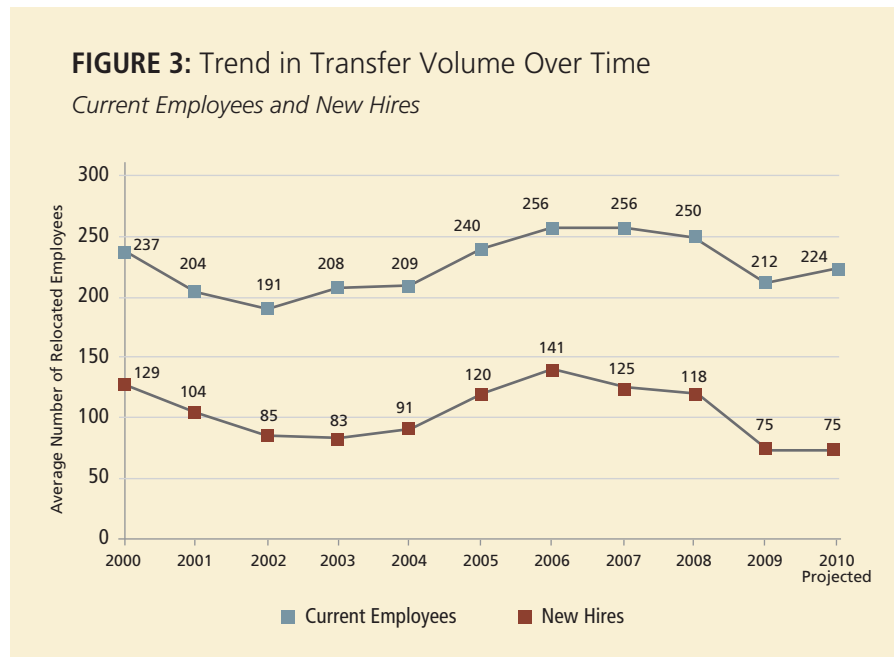
For 2010, respondents project an overall increase in transfer volume of 4 percent from 2009. This projection includes an increase in current employee transfer activity, which is anticipated to be nearly 6 percent above the 2009 level (up from an average of 212 current employee moves to 224). New hire activity in 2010, however, is not projected to change from 2009.

Nearly three-fourths (74 percent) of employees relocated in 2009 were current employees and, according to the projections, the ratio of current employees to new hires will be similar in 2010. In addition, the percentage of transferees was split evenly between homeowners and renters in 2009. The decrease in the percentage of renters from 2008 (56 percent of the relocated employees were renters) is likely a consequence of the significant decrease in the movement of new hires, many of whom are renters.

Respondents also report that 83 percent of their U.S. domestic transfers in 2009 were interstate moves while only 17 percent were intrastate.

Reluctance to Relocate

Organizations continue to report growing employee reluctance to relocate. Three-quarters of respondents report having at least some minor problems with employee reluctance to relocate. Forty-three percent cite



moderate to major problems in this area (compared to 41 percent in 2009 and 33 percent in 2008), while another 33 percent report minor difficulties.

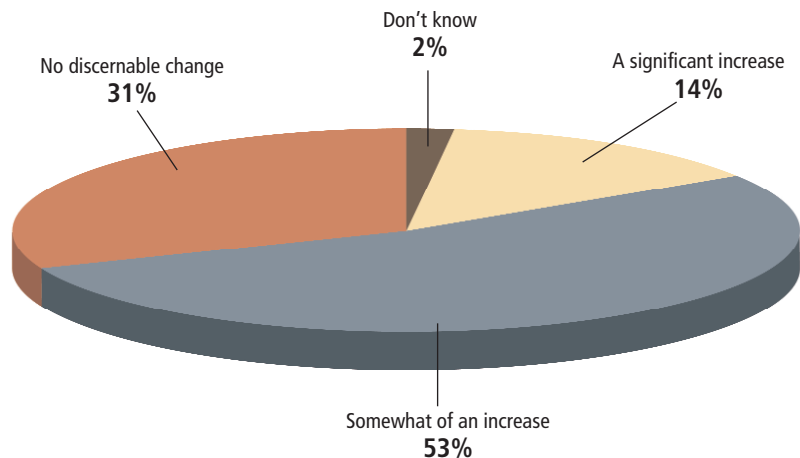
As expected, the difficult housing markets prevalent throughout the country are directly implicated in the top two reasons for employee reluctance to relocate. Ninety-three percent of the responding companies with reluctance problems report that “slowed real estate appreciation/depressed housing market at the old location” is the primary reason their

employees are averse to moving (similar to the 95 percent figure reported in 2009). The second reason is that the transferee’s old location home is in a negative equity situation (reported by 88 percent of respondents).

Running a distant third on the list of reasons for employee reluctance to relocate is “high housing cost areas.” Though real estate markets have declined around the country, there still are areas in which housing costs remain relatively high, and 39 percent of respondents indicated this

FIGURE 5: Trend in Homeowning Transferees Choosing to Rent at New Location

Percent of Organizations



was an important reason behind employee reluctance to relocate (this is a 10 percentage point increase from the prior year).

Pre-decision Assessments

In these uncertain times, some employees are in financial situations that make it difficult for them to relocate. As reported earlier, nearly 40 percent of respondents said their employees were reluctant to relocate because their homes in the old location were in a negative equity situation. Sometimes employees do not discover this until they already have accepted the transfer offer and the relocation is underway. To tackle this issue, companies sometimes provide a pre-decision assessment to help candidates determine if a relocation would be feasible (financially and otherwise) if offered.

Nearly 40 percent of the responding organizations report that their organizations provide candidates with a pre-decision assessment—9 percent offered such assessments prior to 2007. Four percent added this provision in 2007, while 22 percent did so in 2008 or 2009 at the height of the economic and real estate crisis. The

remaining 4 percent is offering it for the first time this year.

Renting Versus Purchasing a Home in the New Location

Due to the problematic housing markets of the past few years, homeowning transferees and their companies have experienced a variety of challenges causing both groups to search for new solutions. Home rental (versus home purchase) in the new location is one solution that may help both employees and their companies to remain mobile while keeping costs in check.

Two-thirds of organizations reported an increase in homeowning transferees choosing to rent at the new location rather than buying a new home (14 percent witnessed a significant increase while 53 percent reported only somewhat of an increase). Thirty one-percent noted no discernable change and the remaining 2 percent were unaware.

One-third of the responding organizations report encouraging homeowning transferees to rent at the new location if they are likely to be relocated again. Nine percent have incorporated this into their formal policy

while the rest do so on a case-by-case basis.

Twenty-seven percent of the companies (12 companies) that encourage homeowning transferees to rent at the new location offer relocated employees a financial incentive if they agree to rent for a specified period of time. For two-thirds of these companies, the time period ranged from 12 to 72 months, with 24 months being reported by half of the respondents. The remaining companies indicated that the time period varies.

The amount of the incentive varied widely. Two companies offer a lump sum averaging \$5,500 and another two companies provide a lump sum equal to a percentage of the employee's salary—averaging 21 percent. Other incentives provided include 50 percent of rental amount with a cap, rental bonus equal to one month's rent, and a rental subsidy.

Policy Changes

Seventy percent of companies reported having made at least one change to their relocation policies in the past two years. Illustrated in Figure 6, the reported policy revisions continue to revolve around solutions to address homesale challenges. This is not surprising, as during this time period, housing prices had continued to fall across the nation. Data from the National Association of Realtors® (NAR) showed that the average price of an existing home dropped from \$266,000 in 2007 to \$242,700 in 2008 to \$216,900 in 2009.

The most frequently cited policy changes were: an added or enhanced bonus/incentive for transferees who found buyers for their homes; an added requirement for homes going through the company's homesale program to be listed within a certain

FIGURE 6: Policy Changes*

TYPE OF CHANGE	PERCENT OF ORGANIZATIONS
Added or enhanced a homesale bonus/incentive for employees who find buyers for their homes	34%
Added a requirement to homesale program that employees list their homes within a certain percentage of the buy-out offer (or BMA or appraisal) in order to qualify for homesale assistance	32%
Extended temporary living period	28%
Added a requirement to homesale program that employees use selected real estate agents to market their homes in order to qualify for homesale assistance	25%
Modified policy to provide loss-on-sale assistance in greater dollar amounts	23%
Limited the availability of the guaranteed buy-out provision to selected employees	19%
Added or enhanced duplicate housing assistance for employees who purchase a home in the new location prior to selling the one in the old location	19%
Added loss-on-sale assistance	19%
Modified policy to provide loss-on-sale assistance to more employees	17%
Added or enhanced home fix-up allowance for employees marketing their homes	13%
Added or enhanced a homesale incentive for buyers	13%
Increased lump sum for temporary living	13%
Increased use of appraisals in homesale program	12%
Modified policy to provide loss-on-sale assistance in more limited dollar amounts	11%
Added or enhanced a guaranteed buy-out provision to homesale program	8%
Changed methodology to determine the guaranteed offer (e.g., if three appraisals are needed, average two lowest vs. two highest)	6%
Added preference or requirement that employees select appraisers from a list of approved appraisers	6%
Added or enhanced mortgage subsidy	6%
Added or enhanced coverage for home purchase closing costs	6%
Added or enhanced an equity loan/advance	5%
Other	31%

Based on 95 companies that reported making changes during the past two years.
*Percentages do not total 100% due to multiple responses.

percentage of the company's buyout offer; and extended temporary living.

About one-third of those who made policy changes cited "other" types of changes, of which there were a wide variety. Examples include addition of imported drywall exclusion, addition of repayment agreement, addition to company list of the types of homes that are ineligible for the homesale program, and elimination of points and loan origination fees as reimbursable closing costs.

Transfer Acceptance and Reporting to the New Job

This year, the average amount of time employers allow for transferees

to consider and accept a transfer offer, as well as to make the move to the new location, declined by one week compared to 2009. Today, employees are allowed, on average, a little more than six weeks (45 days) to accept the offer and move.

On average, organizations permit their employees just over two weeks (16 days) to consider a formal transfer offer—an increase of three days from last year. Responses ranged from two to 120 days, with 14 days being the most common response (same as last year).

Once the employee has accepted the transfer offer, employers allow the transferee an average of four

weeks (29 days) to report to the new job—10 fewer days less than last year. Responses ranged from five days to 90 days and, as in the past, the most common response was 30 days.

Having peaked in 2008 with the economic crisis, the overall time allowed for employees to accept a transfer offer and report to the new location has declined during the last two years.

Relocation Costs

Note: Costs reflect national averages and include all industries and transfer volumes. Some industries or programs will experience higher or lower average costs than those reported here. The reported figures represent only general trends.

Homeowner costs. In 2009, the average cost to relocate a current employee homeowner increased 18 percentage points from \$76,600 in 2007 to \$90,017, while the average cost to relocate a new hire homeowner increased from \$61,929 to \$66,610 (8 percentage points) for the same time period.

Renter costs. While homeowner costs increased during the past couple of years, the cost to relocate renters decreased. The average cost to relocate a renting current employee in 2009 was \$20,750—7 percentage points lower than the \$22,212 reported in 2007. There was also a 3 percentage point decrease in average cost to relocate new hire renters from \$18,355 in 2007 to \$17,877 in 2009.

Component costs. Given a list of cost components for current employee relocation assistance, companies were asked to indicate the average cost of each component and base the figures only on the number of employees who actually had received

assistance. Cost comparisons have been made with 2007 costs.

Averages for six major component costs increased, i.e., loss-on-sale assistance, shipping household goods, federal tax liability, miscellaneous expense allowance, temporary living at the new location, and spouse employment assistance. The five components with decreased averages include purchase closing costs, bonuses/incentives given for employee-generated home-sales, duplicate housing assistance, homefinding trips, and travel and lodging at the time of the move.

The challenging housing market continued to drive the increases in loss-on-sale assistance, which jumped 52 percentage points between 2007 and 2009 to \$30,671. Connected with the increased loss-on-sale payments is the increased amount companies spent on federal tax liability assistance, which rose 34 percentage points to \$12,046 in 2009 compared to \$8,957 in 2007.

Conclusion

The 2010 survey certainly reveals steep declines in transfer activity between 2008 and 2009, and some significant increases in costs. These results are unsurprising as the economy struggles to recover from the worst recession since the Great Depression. The turbulence of the past few years has driven organizations to continually seek policy and program options that curtail their costs. In addition, challenging housing markets and negative home equity positions continue to fuel employee reluctance to relocate, which continues to be a problem for companies.

The upside for 2010 is that several areas are showing signs of a slowly improving economy. This survey found that companies are anticipating

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FIGURE 7: Trends in Acceptance and Reporting Periods Over Time

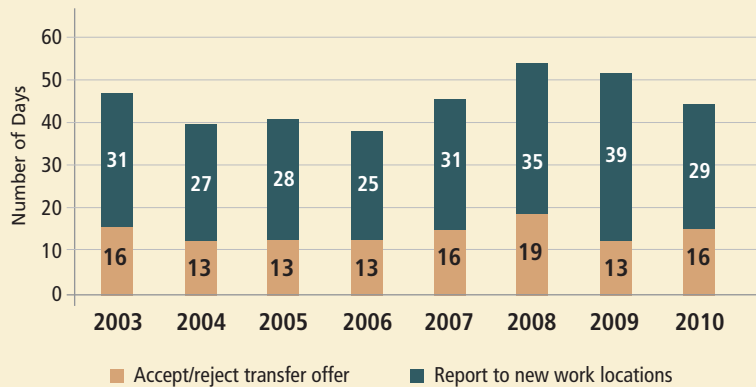


FIGURE 8: 2009 Average Relocation Costs

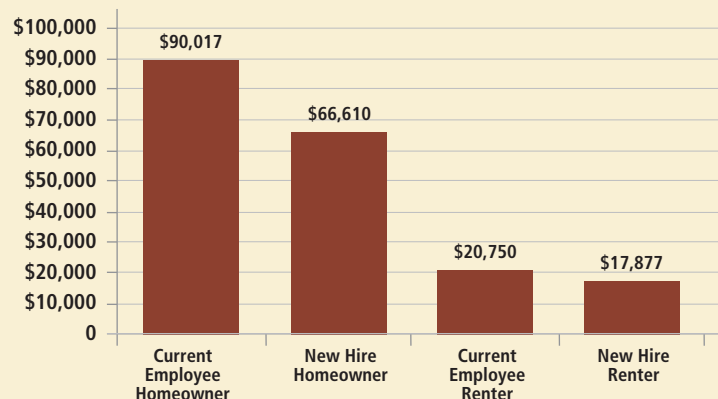


FIGURE 9: Average Component Costs*

COMPONENT COSTS	2009	2007	PERCENTAGE CHANGE
Loss-on-sale assistance	\$30,671	\$20,243	52%
Federal tax liability	\$12,046	\$8,957	34%
Shipping household goods	\$11,900	\$11,680	2%
Purchase closing costs	\$7,815	\$8,967	-13%
Miscellaneous expense allowance	\$6,464	\$5,466	18%
Bonuses/incentives given for employee-generated homesales	\$6,280	\$6,408	-2%
Temporary living at new location	\$5,515	\$5,377	3%
Duplicate housing assistance	\$4,995	\$5,244	-3%
Homefinding trips	\$2,056	\$2,375	-13%
Spouse employment assistance	\$1,485	\$1,351	10%
Travel and lodging at the time of the move	\$1,392	\$1,498	-7%

*Averages are based on transferees who actually received assistance.

an increase (albeit small) in transfer activity over last year. The American Moving & Storage Association (AMSA) recently reported that the overall volume of household goods shipped between January and May of 2010 was up 4.2 percent from the same period a year ago and that corporate relocations were up nearly 2

percent. In addition, data released in late June by Standard & Poor's for its S&P/Case-Shiller Home Price Indices show that the annual growth rates of all 20 metropolitan statistical areas (MSAs) tracked, as well as the 10- and 20-city composites, improved in April when compared to March 2010. Also, the 20-city com-

posite was up 3.8 percent from April 2009, while the 10-city composite was up 4.6 percent. While the data does not show that housing prices are in sustained recovery, the news is hopeful. ■

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