



# WORLDWIDE ERC® WEBINARS

Thursday, April 27

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**WORLDWIDE ERC®**  
WEBINARS

# **Employee Mobility: Cuts, Controls, and Innovations**

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# Today's Presenters



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What are companies  
doing to reduce and  
control costs?



# ✓ Reducing benefits





- ✓ Reducing benefits
- ✓ Removing benefits



- ✓ Reducing benefits
- ✓ Removing benefits
- ✓ Adding benefits



- ✓ Reducing benefits
- ✓ Removing benefits
- ✓ Adding benefits
- ✓ Changing approaches



# Reducing Benefits

- Miscellaneous Expense Allowance
  - Fewer basing MEA on one month of salary capped at \$10,000
  - More differentiating the amount by policy tier
    - Aires 2016 highest tier avg = \$8,600 < 2012 avg = \$12,186
    - Aires 2016 middle tier avg = \$6,500 < 2012 avg = \$7,295
  - Average amount is declining
    - Aires: 2016 avg = \$5,600 < 2012 avg = \$6,820
    - WERC: 2016 avg = 5,871 < 2012 avg = \$6,702



“Covering the right expenses for a relocating employee eliminates the need to hand out extra cash”



# Reducing Benefits

- Home Finding Trip
  - Decline in multiple trips
  - 5 and 3 days most common down from 7 and 5
- Temporary Housing
  - Number of days
  - Meal and incidental expenses
- Relocation Allowance in lieu of reimbursed expenses
  - Controls exceptions, increases satisfaction, decreases time to administer program



# Removing Benefits

- Home buyouts
  - Guaranteed Buyouts (with or without marketing periods) are declining
  - Reserved for highest tiers
- Direct Reimbursement
  - Properly executed Buyer Value Option eliminates need to gross-up
- Loss on Sale
  - Naturally declining to appreciation
  - Starting to be removed from policies
  - Growing trend for employee to bear portion of loss before employer benefit is offered



# Removing Benefits

- Loan origination fees & discount points
  - Remove reference to HUD-1
  - Remove reference to loan origination fees
  - Less than 10% of companies cover discount points
- Duplicate Housing
  - Less than half of companies now cover duplicate housing
  - Most common is 2 months down from 3 months





# Adding Benefits

- Discard-and-donate service
  - Reduces overall cost of HHG shipments
- Rental Incentive
  - WERC: 65% report increase in homeowners choosing to rent in destination
  - Reduces costs by eliminating home sale expenses for subsequent relocations
  - Support ranges from \$0 with extension of home purchase benefits to upwards of \$20,000
- Unpacking Service
  - Adding \$ to overall cost of service



# Changing Approaches

- Tiered packages
  - How many tiers is the right number?



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- Assignments vs. Permanent
  - Increase in domestic assignments; increase in international permanent relocations



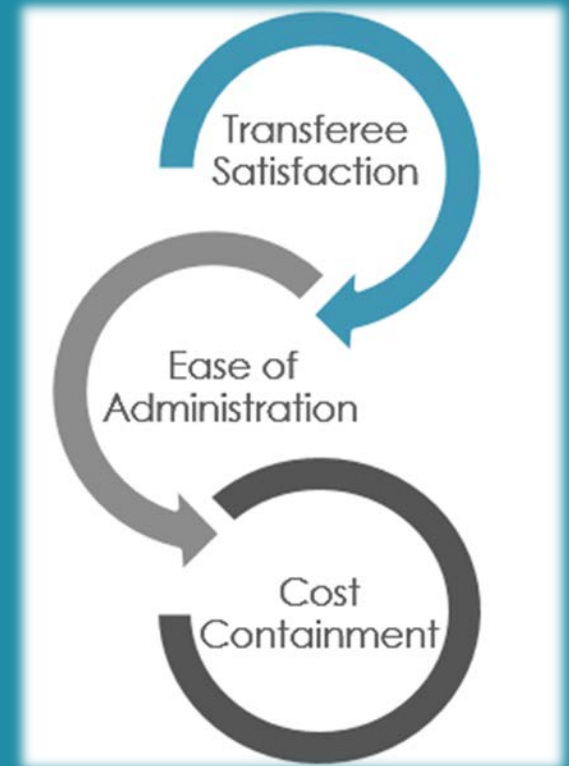
# Changing Approaches

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- Volunteers – Want to vs. Asked to
  - Company-initiated or Employee-Initiated?
- Assignments vs. Permanent
  - Increase in domestic assignments; increase in international permanent relocations
- Capped Costs
  - \$ limit on overall relocation or individual expense



# Impact of Policy Changes

- More cost efficient
- Clearly defined, modern packages
- Consistent allocation of benefits
- Appropriate stratification of benefits



What else are  
companies doing to  
reduce and control  
costs?



- ✓ Evaluating Relocation-Related Costs
- ✓ Purchasing Wisely
- ✓ Assuring Data Integrity
- ✓ Rethinking International Compensation Administration







# Non-traditional Cost Savings Opportunities



# Relocation Related Costs

## *Bundled Fees vs. A La Carte*

Why should you bundle?

- Use Referral fees to off-set costs
- Cost are tougher to control on an hourly basis



# Purchasing Wisely-

- 75-90% of Relocation related costs are pass-through
- Average internal costs of bank debt = 3%
- If program is funded by others – average costs are 5-12%

**\$100,000 relocation program-  
could save \$2,000-\$9,000  
annually!**



Most **cost effective funding programs** that are **EE friendly** are:

- Direct debit program – similar to payroll
- Quick Pay
- Deposit account

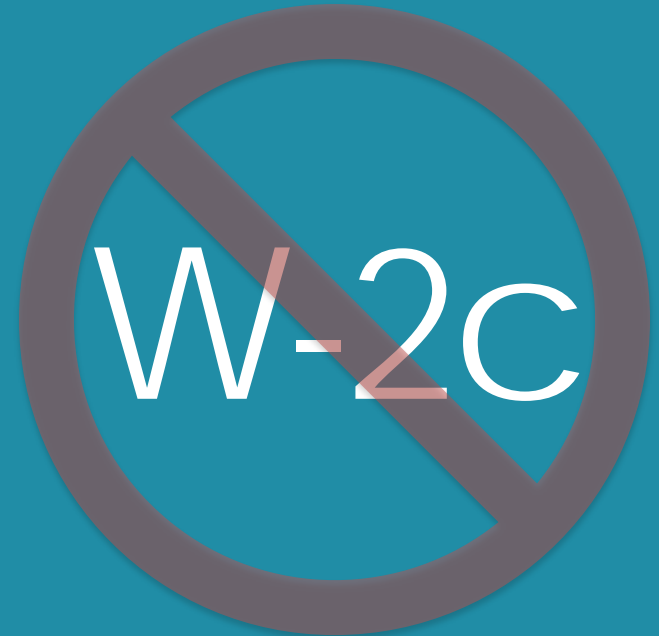


# Assuring Data Integrity

Potential costs related to W-2c

- W-2c creation/\$150-\$300
- Amended 941 filing/\$150-\$250
- Labor costs (payroll)/\$100-\$300
- Amended tax return/\$125-\$1,500
- Possible IRS penalties

Average total cost  
**\$1,438, ouch!**



# International Compensation Administration

“Engineer the process to avoid extensions”

- How to avoid extension:
  - Set goal of “No Extensions”
  - Track all your costs of extensions
  - Ask each service provider for recommendations
  - Coordinate and collaborate with all service providers



If tax return benefit is provided:

Cost per extension: 1-2 hrs./\$300-\$1,000



# Questions & Answers

Q  
and  
A



# Thank you for attending!

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