

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.

By Mariam Lamech

This year's Worldwide ERC® Transfer Volume & Cost Survey results show that transfer activity is on the decline and is expected to continue through the end of the year. In addition, the housing market is continuing to affect companies' programs.

The 131 member organizations responding to this survey relocated nearly 50,000 employees in 2007, averaging 381 transfers each. They anticipate relocating an average of 372 employees by the end of 2008. One-third of respondents have 100 or fewer relocations annually, while 24 percent report more than 500. Companies with relocation activity between 101 and 500 domestic transfers per year comprised the largest group and account for 44 percent of the respondents.

### **Transfer Activity**

**Transfer volume.** Although transfer activity had been increasing steadily between 2002 and 2006, there was a 4 percent decline between 2006 and 2007—from an overall average of 397 relocated employees to 381.

In 2007, organizations relocated on average 256 current employees and 125 new hires. The average number of current employees relocated in 2007 was the same as in 2006. During the same period the average number of new hires decreased from 141 to 125—an 11 percent drop.

Company projections for 2008 indicate a continued decline in current employee transfer activity; the predicted decrease is nearly 6 percent below 2007. Projections for new hires, on the other hand, show a small increase of approximately 4 percent for the same period.

Two-thirds of employees relocated in 2007 were current employees and, according to the projections, the ratio of current employees to new hires will be similar in 2008. In addition, 53 percent of transferees overall were renters and 47 percent were homeowners.

Similar to last year, respondents reported 82 percent of their U.S. domestic transfers in 2007 were interstate moves, while only 18 percent were intrastate.

## Trend in Transfer Volume Over Time

Current Employees and New Hires



### Reluctance to Relocate

Compared to last year, organizations report growing employee reluctance to relocate. This is not unexpected given the continued challenges in the real estate markets and the mortgage troubles of some transferees.

Overall, 70 percent of organizations report having at least some minor problems with employee reluctance to relocate (last year's figure was 60 percent). More significant, however, is that one-third of this year's respondents cite moderate to major problems in this area, compared to only 21 percent in 2007; another 37 percent report minor difficulties.

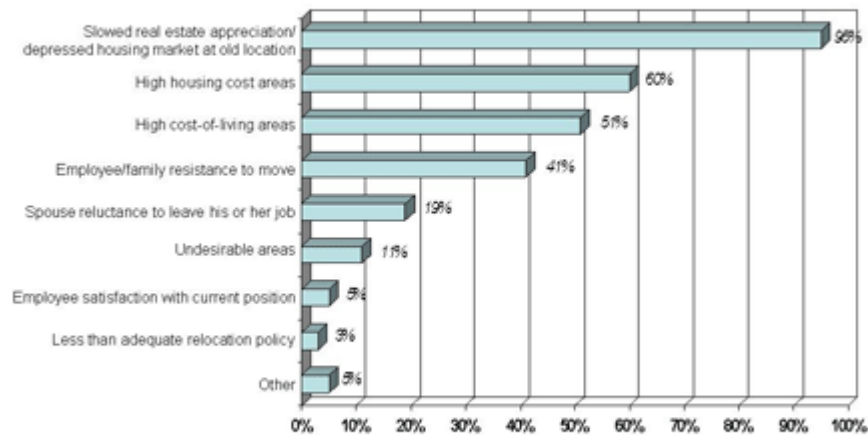
The top three reasons for reluctance to relocate cited by organizations are financial in nature. Similar to last year, the top reason is the direct result of the weak housing market. Ninety-five percent of respondents who reported experiencing problems with employee reluctance to relocate identified "slowed real estate appreciation/depressed housing market at the old location" as the reason their employees are unwilling to move. This is a significant increase from last year, when 70 percent of the respondents mentioned it as a reason for reluctance, and a dramatic increase from 2005, when only 16 percent of respondents selected it as a reason for reluctance among their employees.

Some respondents are dealing with more than just reluctant employees—53 percent said they have had employees turn down transfer offers altogether in the last year solely because of the housing market. Data reported for 2007 by the National Association of Realtors® (NAR) indicates that existing homesales declined by 13 percent in 2007, while the decline from the previous year had been about 8 percent. The value of homes also dropped during this time period. NAR's 2008 Housing Affordability Index reported that the median price of an existing family home dropped nearly 1.8 percent between 2006 and 2007—from \$221,900 to \$217,900—and this value has continued to fall in 2008. Relocating in circumstances like these

can be an obvious deterrent for employee mobility.

### Reluctance to Relocate

Percent of Organizations\*



\*Based on 88 organizations (70 percent of respondents) that reported experiencing employee reluctance.

The two other most cited reasons for employee reluctance to transfer pertain to the high cost of housing and living in certain areas. Though real estate markets have declined across the country, there still are areas where housing costs remain relatively high and 60 percent of respondents indicated this was an important reason behind employee reluctance to relocate. “High cost-of-living areas” was the third most frequently reported reason—mentioned by 51 percent of organizations.

For the first time in 14 years, family concerns did not rank in the top three reasons for employee reluctance. Slightly more than 40 percent of respondents indicated this as a reason for reluctance to relocate, a significant drop from last year’s figure of 63 percent.

### Policy Changes\*

Type of Change	Percent of Organizations
Extended temporary living period	37%
Added a requirement to homesale programs that employees list their homes within a certain percentage of the buyout offer (or BMA or appraisal) in order to qualify for homesale assistance	27%
Added or enhanced a homesale bonus/incentive for employees who find buyers for their homes	23%
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	23%
Added or enhanced a guaranteed buyout provision to homesale programs	14%
Added a requirement to homesale program that employees use selected real estate agents to market their homes in order to qualify for homesale assistance	14%
Modified policy to provide loss-on-sale in greater dollar amounts	13%
Added or enhanced homesale incentives for buyers	13%
Modified policy to provide loss-on-sale assistance to more employees	11%
Limited the availability of the guaranteed buyout provisions to select employees	10%
Added loss-on-sale assistance	10%

\*Based on 79 companies (65 percent of respondents) that reported making changes over past two years.

## **Effects of Current Real Estate Market on Transfer Activity**

As evidenced in the previous section, the real estate market has created challenges for companies trying to move employees. Not only are employees reluctant to move, some have opted out of transfer opportunities because of it. These markets also are driving up relocation costs for companies—so much so that one in five reported having reduced transfer activity as a direct result.

What costs are increasing most? Respondents reported they had observed cost increases in the following areas: temporary living (67 percent), loss-on-sale assistance (67 percent), and assistance/incentives provided to employees to encourage relocation (48 percent). Other cost increases noted by respondents included:

- duplicate housing;
- inventory; and
- homesale incentives.

## **Policy Changes**

In the past two years, nearly two-thirds of companies (65 percent) reported having made changes to their relocation policies. As can be seen in Chart 5, many of the reported policy revisions are the direct result of the slowed housing market and its effect on relocation costs, as well as on transferees' willingness to move. Through these modifications, it is clear organizations are aiming to control inventory costs by trying to keep homes from coming into inventory in the first place (A survey conducted by Worldwide ERC® among U.S.-based HR/relocation managers in the fall of 2007 indicated that 79 percent were experiencing increased levels of home inventory.), and also encouraging transfers by providing employees with more attractive relocation packages.

## **Transfer Acceptance and Reporting to the New Job**

The number of days employers are allowing transferees to consider and accept a transfer offer, as well as to make the move to a new location, continue increasing. Today, employees are allowed nearly eight weeks on average to accept the offer and move. This is an overall increase of eight days above that reported for 2007 and 16 days over figures provided in 2006.

On average, organizations permit their employees almost three weeks (19 days) to accept a formal transfer offer—a four-day increase from last year. Responses ranged from two to 120 days, with 14 days being the most common response (last year, seven was the most common response).

Once the employee has accepted the initial transfer offer, employers are allowing the transferee an average of five weeks (35 days) to report to their new job. This is four more days than 2007. Responses ranged from seven to 150 days. As in the past, the most common response was 30 days.

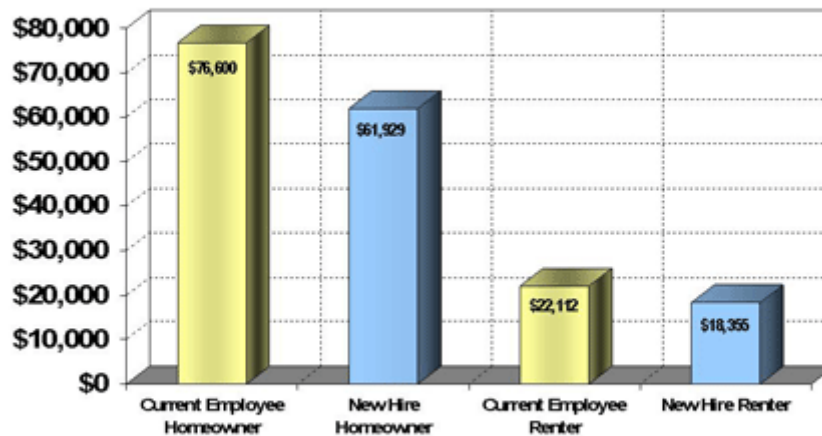
The increased time companies are allowing employees most likely is a consequence of current economic conditions. Companies recognize that it will take longer for employees to make the decision about a move, as they have to more carefully assess the effect of the housing market and economic realities on their personal situation. Once the decision to move is made, transferees have the added task of disposing of their home in a slow housing market, which can extend the time to make the move to the new location.

## **Relocation Costs**

Overall, companies indicated that their average cost to relocate current employees rose about 20 percent between 2006 and 2007, while the average cost to move new hires increased approximately 12 percent

during the same time period.

### 2007 Average Relocation Costs



It is important to note that costs reflect national averages and include all industries, transfer volumes, and homeowner and renter programs. 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 2007, the average cost to relocate a current employee homeowner jumped 23 percent from \$62,185 to \$76,600, while the average cost to relocate a new hire homeowner increased 12 percent from \$55,165 to \$61,929 for the same time period.

**Renter costs.** The average cost to relocate a renting current employee in 2007 was \$22,112—20 percent higher than \$18,365 in 2006. There also was a rise in average costs to relocate new hire renters from \$16,177 to \$18,355 in 2007.

**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.

Averages for every major component cost except three (bonuses/ incentives given for employee-generated homesale, spouse employment assistance, and preferential rate mortgages) increased between 2006 and 2007 (see Chart 8).

The challenging housing market drove the increases in the two components experiencing the greatest cost escalations between 2006 and 2007. The first is duplicate housing assistance, with an average 2007 cost of \$5,244 (73 percent higher than 2006). The second is loss-on-sale assistance, which jumped 33 percent over 2006 to \$20,243.

Also experiencing somewhat hefty increases were average costs for travel and lodging at the time of the move (20 percent), miscellaneous expense allowances (23 percent increase), and homefinding trips (increase of 29 percent).

**Average Component Costs\***

<i>Component Costs</i>	<i>2006</i>	<i>2007</i>	<i>Percentage Change</i>
Loss-on-sale assistance	\$15,255	\$20,243	33%
Shipping household goods	\$10,342	\$11,680	13%
Purchase closing costs	\$8,818	\$8,967	2%
Federal tax liability	\$7,707	\$8,957	16%
Bonuses/incentives given for employee-generated homesales	\$6,764	\$6,408	-5%
Miscellaneous expense allowance	\$4,457	\$5,466	23%
Temporary living at new location	\$4,882	\$5,377	10%
Duplicate housing assistance	\$3,030	\$5,244	73%
Preferential rate mortgage	\$6,368	\$4,564	-28%
Homefinding trips	\$1,836	\$2,375	29%
Travel and lodging at the time of the move	\$1,246	\$1,498	20%
Spouse employment assistance	\$1,520	\$1,351	-11%

*\* Averages are based on transferees who actually received assistance.*

**Mariam Lamech** is research manager for Worldwide ERC®, Arlington, VA. She can be reached at +1 703 842 3426 or e-mail [mlamech@WorldwideERC.org](mailto:mlamech@WorldwideERC.org).