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Relocation

Workers on the move

Why some companies outsource their relocations

*By Barrie White
For Workplace News*

A mobile work force, for some companies, is the price of doing business. Relocating employees to a new facility, and sometimes to a new home in a whole new city or province, can involve a juggling act of costs, technology, and work-life balance.

In 2003, corporate housing was a \$170-million industry in Canada. According to the Canadian Employee Relocation Council, however, there was no discernable change in volume of transfers between 2001 and 2003, and the average cost for domestic relocation remained at approximately \$42,000.

What has changed, says Stephen Cryne, the executive vice president of CERC, is the growing number of short-term assignments and the choice and flexible-spending type packages being offered to employees who are relocating.

Relocation services can include anything from temporary housing to inoculation of pets. Ten years ago, a relocation company's brochure might have five points on it. Now they run to 15 or more.

After managing one of the largest group moves in Canada, when Canadian Pacific moved head offices from Montreal to Calgary, Linda Ward-O'Farrell, then director of HR, decided not to make the move herself.



"Your high priced talent are flying into hot spots and then moving on."

- Jim Lockington

She founded Ward O'Farrell Consultants in 1996 to work with companies in policy design, supplier management, and other relocation services.

As relocation has become a greater part of meeting the strategic needs from a human capital perspective - putting your right people in the right place for the right reason - there is an increasing need to go outside the organization.

Royal Bank, Imperial Oil, General Motors, are just a few of the companies that have outsourced entirely the work around relocation, from policy consulting to supply chain management.

"There was an interest to outsource this seven years ago for cost reasons," says Ward-O'Farrell, "but it was not very successful because they hadn't outsourced the decision making. It kept creeping back into corporate HR, who rightfully wondered 'Why am I working just as hard now that I'm outsourcing it?' Now corporations are looking at all the factors involved in outsourcing."

Companies are using what are called lump-sum arrangements, both as a way to contain costs and shift the load to employees, says Larry Kruger of McWilliams Moving & Storage. The employee is given, say, \$30,000 to move from Calgary to Toronto and manage the move independently. "This cafeteria-style approach addresses the different needs of, for example, a single person and one with a family of five."

While flexibility certainly seems to be the name of the game in relocation policies, Ward-O'Farrell doesn't know if the pendulum is going to swing all the way to lump sum arrangements. "If you are trying to get someone as quickly as possible to a new location, you don't want to add to their shoulders the complexity of managing a move. You want them to be productive, and while a move is one thing, a successful move is quite another.

"You might have a core set of services - evaluating the home, buying the home, protecting against a down market, subsidies for higher cost of houses, and the move itself; but there might be a budget for a flex-account that they can draw on for things like home search trip, temporary accommodation, duplicate housing, spousal counseling and so on."

Traditionally, new hire packages consisted of movement of household effects, one-month temporary accommodation and a bonus of two weeks' salary. "Now," says Ward-O'Farrell, "we are

seeing more ad hoc approaches where, depending on the position and the market in the offer letter, you'll see far richer benefits than in regular relocation. Cost containment is always balanced by how badly you need the person."

Jim Lockington, president of Royal LePage Relocation Services, says, "The policy design speaks to the company's culture and how you want people to feel after a move. Do you want people to move? Do you care, or is it easier to replace them? If you do want to move people five times, you'd better do it right."

And quite often, people are moving multiple times, as part of career development or through mergers and acquisitions. Executives can expect to change jobs every four years. If they are on a fast track they can expect to change even more often. It's part of the corporate culture and lifestyle, like the military, so it's expected.

Lockington believes that baby boomers, as a group, are less mobile than their parents' generation or even 10 years ago. "Today spouses have careers, own businesses, and have much more substantial investments in where they're at and don't uproot well."

From industry-wide surveys, he says there are a number of trends. "The difficulty for corporations in getting people to accept assignments has increased. One of the key issues is the turn-down rate, resulting in going to the second, third or fourth candidate."

There's also significant corporate reluctance to get into full relocation costs, in the traditional respect, when cost reductions are the order of the day. "Companies would rather not incur the risk or cost of full relocation."

Ward-O'Farrell says, "Given the shift in mobility and how it's used to meet certain business needs, it's often a question of getting employees into key markets, and developing new markets from a sales perspective."

Sending someone out for six or nine months is cheaper. The company has maintained a certain amount of flexibility, dropped costs, and induced a key resource to go when that person might have balked at a permanent move.

Aside from physically moving someone to the work, you can move the work to them a lot more easily with today's technology. "Today, I can go to Calgary for six months, fix the problem and then babysit it from Toronto. You don't need to be physically there, to be in

control," says Lockington. "Your high priced talent are flying into hot spots and then moving on."

Earlier this year, Royal LePage Relocation Services launched a new division, Assignment Solutions, to handle the growth in temporary, short-term assignments.

"Our clients are clambering for help on the assignment side. Having an employee going from Regina to Halifax for three months, another to Ottawa for nine then on to London, England for two years. HR can't necessarily handle it."

Lockington says work mobility and temporary assignments will continue to grow, whereas the historic practice of guaranteed home sale will probably not.

In addition to lower costs, technology and work-life balance, Lockington and others see the potential impact of the looming labour shortage. "We are not going to have the people to move around like we did before. Whether they are willing to move or not, there just won't be enough of them."

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