

Welcome to *Policy Matters*, an engaging and informative monthly e-newsletter featuring expert insight and analysis on emerging relocation products, policies and services that can provide immediate benefit to your organization.

## Temporary Living—the pressure continues to extend benefits

The continued challenge of the real estate market in the United States has had a myriad of consequences. One of these consequences is the impact the residential housing market has had on existing relocation policies and specific features within the policies. This impact is seen visibly in the increasing number of transferee requests to provide extended temporary living benefits (sometimes referred to as temporary housing). We define temporary living as the benefits provided to the transferee and his/her family for an interim period of time at the new work location, (e.g. housing, food).

As the historical real estate process of selling a home and then buying another home has dramatically slowed, the pressure to provide more temporary living benefits has increased. Homes are taking longer to sell, especially with a pure Buyer Value Option (BVO) home-sale program as (by definition) there is not a guaranteed buyout. Therefore, a majority of the pressure to extend temporary living benefits is found in BVO/BVX-type home-sale programs. Although transferees are still reporting to their new work locations, they are often in need of extended temporary living benefits while they wait for their home to sell in the origin location. Given the state of the residential real estate market, it's understandable why transferees often seek an extension of these benefits.

Although somewhat subjective, there is a strong consensus among mobility experts that temporary living ranks as the highest "request for exceptions". And not only are these requests being made in large numbers, but they are typically granted for at least an additional 30 days. As a result, there is more pressure to change the policy. However many companies are reluctant to permanently change their temporary living benefits as they believe when a stable real estate market returns, they will be "stuck" with an overly generous benefit which would be difficult to reduce back to a "normal" level.

There are a number of factors to consider when building a U.S. domestic temporary living component into a relocation policy. A properly constructed benefit reflects a prudent use of corporate funds, is easy to administer, takes into consideration possible impacts on lifestyle and is in balance with the other components of a relocation policy.

Some key points to consider are:

### **Eligibility and Benefit Options**

A key decision to be made is whether to include or exclude family members during the temporary living period. Including family members on an "as needed" basis is an increasing trend, and this is often driven by the desire to have children start the school year in the new location. If the decision is made to provide family coverage, consider containing costs by placing a cap on meal coverage (per diems or a lump sum). However, some companies have eliminated the food benefit for transferees and their families using the reasoning that they would, of course, be eating at the old location as well.

One other option is to include temporary living costs in a larger lump sum allowance. This lump sum, which may include the Miscellaneous Expense Allowance (MEA) and the house hunting trip, provides the transferee with the flexibility to spend these funds based upon his or her specific needs and family situation. This use of a lump sum tends to reduce the number of requests for exceptions since the total amount available to the transferee is larger.

However, please be aware that if you do use a lump sum, it is essential to work with your relocation service provider to explore all the temporary housing options available, including: corporate apartments, extended stay hotels and economy hotels.

### **Location**

Temporary living should only be provided at the new work location. It would be extremely rare to ever allow temporary living at the old location as the intent of a relocation policy is to facilitate the transition to a new job in a new location. Temporary living at the former location works against this objective.

### **Length of Coverage**

Best practice suggests providing 30 to 60 days of benefit coverage. This decision is driven by several factors, such as: whether or not a tiered relocation policy is in place, the type of home-sale program offered and the financial constraints of the company. In an effort to control costs, policies have often provided fewer benefits (days) to those who rent in the old location than to those who own a home in the old location. However, the popularity of this practice is declining as both renters and their companies are becoming more sensitive to the fact that the total cost of a renter's relocation is much less expensive than a homeowner's. Therefore, more companies are realizing that benefits, such as temporary living, unrelated to home sale ought to be the same regardless of whether they are a home owner or a renter. The same level of sensitivity should be considered when determining any distinction between current employees and experienced new hires.

Although there are no hard and fast rules, offering less than 30 days of coverage, under typical circumstances, is generally seen as counter-productive and not cost effective.

### **Expenses Covered**

Temporary living expenses may include: lodging, meals, transportation and car rental. Lodging expenses can vary dramatically based upon unit size, location and condition. If cooking facilities are available, it may be advisable to provide an initial set-up allowance of \$100 to \$150 to stock the kitchen with basic items and then provide a weekly stipend for groceries. If the transferee cannot locate a temporary housing unit with cooking facilities, then provide a per diem (no receipts) of \$20 to \$25 to help cover meals with this amount, which excludes lunches. Per diems remove the administrative burden of directly reimbursing meal expenditures and eliminate the cumbersome task of receipt retention for both the company and transferee. A per diem is also an excellent way to avoid misinterpretation of the term "reasonable" which is frequently seen in policies. Laundry (including dry cleaning), telephone and cable expenses (not covered in the lease) incurred during temporary living should not be reimbursed, but rather noted as items covered under the Miscellaneous Expense Allowance.

Transportation coverage should include the initial trip to the temporary location site and return trips (transportation expenses only) to the old location if the transferee is unaccompanied by his/her family. If the family is accompanying the transferee during the temporary living period, the number of return trips home should either be eliminated or related to a specific business need. A universally accepted best practice is to provide the transportation expenses for one return trip home to the old location for every two weeks of temporary living incurred or, in lieu of return travel back to the old location, to allow a family member to visit the new location (transportation expenses only).

### **Rental Cars**

Reimbursing rental car charges is one area of temporary living which continues to receive close scrutiny. A significant number of policies still provide for the rental car expense—sometimes for as long as the temporary living benefit runs. In order to control expenses, this is a benefit companies should consider reducing or even eliminating. Typically, the transferees know well in advance when the temporary living will begin, thus there is usually adequate time to plan for what will be needed, including transportation. Generally, transferees have time to either drive a car to the new work location or have a car shipped. If companies feel a compromise is needed, consider providing reimbursement for the first 5 to 7 days.

### **Lodging Options**

Lodging options are "location driven", but whenever possible the policy should encourage the selection of an apartment-style accommodation, which includes cooking and laundry facilities. By avoiding traditional hotel accommodations, a company will better control costs and provide a living environment for the transferee that allows for a more normal lifestyle and assimilation in the new work location. Parameters need to be set around the size and monthly rental expense that a company will cover. There should also be wording included in the policy that restricts the amount of personal belongings the transferee can accumulate within their temporary housing unit to avoid extra household goods expenses (a second pick-up).

### **Stay in Balance**

When offering temporary living benefits to transferees who need to sell their home in order to complete their relocation, take the time to evaluate whether or not the temporary living portion of your policy is aligned with your home-sale assistance offering. For example, if your home-sale program is a BVO program or one that requires extended or mandatory marketing, offering only 30 days of temporary housing may be out of balance and generate frequent exception requests for additional coverage. Be conscious of the length of household goods storage as it pertains to the temporary living offering. Policy components may not be in balance if the length of temporary living and storage of household goods are not aligned.

### **Family Choices and New Construction**

One of the most frequent requests for exceptions, pertaining to the temporary living provided, stems from transferees who (1) do not want to take their children out of school at the old location at that point in time or (2) are building a new home in the new location and have construction delays. Many companies do provide flexibility for family situations related to school or other factors but few (if any) would allow an extension of temporary living benefits to accommodate the building of a new home. In the case of new construction, it is recommended to state upfront in the policy that this is a personal choice, and the company will not provide extensions to temporary living benefits in this circumstance.

### **Temporary Living Statistics**

The statistics below on relocation assistance for transferred employees were published by the Worldwide ERC® and are based on the 2008 Transfer Volume & Cost Survey. These statistics tell us the following:

- 95% of companies provide temporary living assistance

- 54% provide temporary living assistance for families (although this percentage is steadily declining)
- At 37%, 60 days is the most common timeframe for temporary living followed by 30 days at 32%
- 27% of companies use a Lump Sum Allowance (which may include a per diem) to assist with expenses
- Only 6% of companies provide employees with the choice of a Lump Sum Allowance or reimbursement off receipts
- The number of companies covering the expense of meals for employee and family is declining
- Two trips to the old location each month are typically allowed to maintain the family relationship
- \$5,377 is the average temporary living cost for current employees

**The SIRVA Statistics**

SIRVA completed a benchmark study in January, 2010, on temporary living time periods in relation to the home-sale program provided in the policy. Results below are based upon 65 companies with an Appraised Value Option (AVO/AVX) home-sale program and 83 companies with a Buyer Value Option (BVX/BVO) home-sale program. All of the companies vary in size, relocation volume and industry.

AVX or AVO Home Sale Program	
Days	Percent
30	11%
45	3%
60	65%
90	21%
120	0%

BVX or BVO Home Sale Program	
Days	Percent
30	29%
45	6%
60	53%
90	11%
120	1%

**Summary**

Temporary living benefits have been a standard part of virtually all relocation policies. However, in light of the current pressure to extend these benefits, now may be an excellent time to revisit this feature in order to ascertain if allowing time extensions could be offset by higher transferee efficiency. The prudent use of a lump sum, food per diems, limited use of rental cars and reduction of meals provided can reduce the cost of temporary living in this difficult housing environment.

*An appropriately designed temporary living benefit can have a positive impact on both transferee morale and productivity. For more information on this topic, please contact David Barlow, SCRP, GMS, senior consultant, SIRVA Relocation, at 925.824.3109 or at [david.barlow@sirva.com](mailto:david.barlow@sirva.com).*

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The foregoing is intended as general information only. SIRVA suggests that decisions as to your specific situation should be made only after full evaluation of your circumstances with your company leadership, tax and legal advisors, and HR personnel.

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