

Domestic Relocation Best Practices

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Aligning Business Needs, Employee Experience and Country Nuances

In the current COVID-19 pandemic climate, domestic relocation has become a significant driver behind mobility due to a focus on local talent sourcing, cost containment, and international travel restrictions. While domestic relocation may seem less costly and, as such, less stressful to manage than an international relocation, organizations continue to grapple with the complexities and challenges of domestic relocation, whether a multinational company based in Asia Pacific (APAC), a global company based in Europe, or an American company with offices in the Middle East. With significantly disparate costs of living, cultural differences, a lack of well-defined policies, and/or a lack of host-country domestic knowledge due to a centralized mobility program, companies may struggle to find the right candidates and to align employee experience with business needs.

There are two critical actions that global mobility practitioners or human resource professionals need to take before designing an effective domestic relocation program. The first is consultation with the business to understand organizational needs and required talent skillsets. The second is benchmarking existing relocation strategies with competition in the same industry and region to ensure attractiveness of a relocation package. Once the first two are achieved, the process of designing a domestic relocation program that incorporates policies, processes, and service delivery models will be a far more constructive and efficient.

1. Consultation and Alignment with Business

Organizations often seek to define talent needs on a company-wide basis, rather than considering local business unit needs. At SIRVA, we find that organizational growth and workforce deployment are typically ranked as top organizational priorities in surveys that consider the overall success of organizations. Therefore, it is important for global mobility teams to consult with internal departments to understand:

- The business goals that are that are driving each relocation

- Which key strategic roles are required
- Key skillsets that are required for each role
- How a successful relocation will be defined

As with many organizational structures, global mobility could be managed in two ways: a centralized structure (which is managed from a single location – often from the organization’s headquarters) or a decentralized structure (with decision makers in multiple locations/regions). If utilizing a centralized structure, global mobility teams are challenged with being aware of cultural and geographical differences in varying countries (and locations within those countries) that could impact mobility.

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For instance, while some destination services may not be needed for an intra-country move within the United States, they may very well be needed in an intra-India move, as the country’s broad ethnic and linguistic diversity, and differences in educational structures and housing practices can make an employee feel as though s/he is relocating to a completely different country. There is no one size fits all solution for any intra-country relocation, thus it is important to consider:

- **Perception of the relocation program:** Perceptions of relocation (how it should be defined, what it should consist of, and the level of support provided) can vary from country to country, so it is important to understand regional and cultural norms and expectations – along with company and employee goals and expectations.
- **The interest level of local talent:** If the new location presents significant challenges for or changes to employees – regarding cost of living, housing availability, access to amenities, or security risks – organizations may need to consider enticing employees with increased relocation support or compensation.
- **Relationships with local stakeholders:** If utilizing a centralized mobility management structure, it is particularly important to define and formalize clear roles and responsibilities with global teams, utilize local expertise, and identify any potential challenges.

- **Decision-maker buy-in:** Particularly important if utilizing a centralized management model, securing localized stakeholder support of and adherence to the mobility program framework helps to ensure that processes run more smoothly. By incorporating local expertise when planning the mobility program, stakeholder buy-in is more readily obtained and troubleshooting ahead of time can be achieved, versus the need for reactive responses to challenges after they've already occurred.

2. Relocation Benefits Benchmark

Benchmarking a domestic relocation program is a good way to assess how it stacks-up against other organizations and is also a critical step in identifying what relocation strategies work best for varying desired talent profiles. A set of benchmarking metrics can be established by considering:

- Best practices and average cost benefits
- Competitors within the same industry
- Companies with a comparable number of annual relocations

When working with a relocation management company (RMC) to establish benchmarking metrics, clients benefit from that provider's years of experience and knowledge regarding the nuances of varying global locations. For example, there is a vast difference when comparing a Chinese multinational company's (MNC's) domestic program to another country's relocation benefits. In China, access to reputable public schools is dependent on [an employee's hukou system](#) and municipal residency, which would be a critical element to consider when domestically relocating an employee from a third-tier city to a first-tier city, or vice versa. These regional nuances exist regarding mobility components in many countries; RMCs with a wide global reach and extensive experience can offer valuable guidance on the differences – and innovative solutions – when benchmarking standards must be met.

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Domestic Relocation Program Design

The design of domestic relocation programs incorporates policies and processes that support a range of move types. A successful program should address both the needs of the business and the relocating employee by including flexibility in the nature, level, and delivery of support. There are many ways to address flexibility; one way includes leveraging a core-flex mobility program for a domestic relocation, which includes flexible components in conjunction with a core set of services that are provided to all employees within a group or move type. As one example, a global company, which has a decentralized mobility team in India, created a domestic policy that allows employees to choose between temporary living (15-30 days) or security deposit after identifying that different employee profiles preferred different accommodation benefits. This flexible component has proven to not only improve the employee experience but has also strengthened talent retention.

Areas to consider during the design phase include:

- Identifying criteria for service differentiation, such as grade level, family size, and talent scarcity on location
- Assessing potential relocation challenges for a particular assignee or origin/destination (e.g., in India, rental properties are not centrally listed and the market moves extremely fast, making destination services support critical to navigating the home-finding process quickly; in Germany, new property addresses must be registered within 14 days to be compliant with tax authorities).
- Clarifying who is responsible for any tax liability: Year-end tax reporting and how to capture all associated costs related to the transfer is important even for domestic transfers, as in most jurisdictions relocation support is deemed a benefit in kind and is subject to employment tax rules. In the UK, there can be tax relief for the employee on the first £8,000 of eligible relocation benefits. For small or moderate move types, companies have taken to giving a lump sum of £8,000 to company-sponsored transfers. Unless detailed reporting is captured for this amount through P11D and PSA reporting, the whole amount could attract full tax liability as only eligible expenses fall within the exemption, so careful thought needs to be given as to how all relocation costs are monitored and captured, including sundry employee expenses. End-of-year reporting is a key requirement for domestic moves as is guidance in policy regarding who will be responsible for bearing the cost of any tax liability.

- [Building a policy framework with flexibility](#) to remove barriers to relocation

A Need for Domestic Move Support

Business growth and a lack of readily available talent in some locations has resulted in the emergence of domestic assignments as a talent recruitment strategy; this is often a challenging task for mobility teams who are required to attract and retain local talent in an especially short span of time. For instance, a global company with a centrally managed mobility function in the United States faced the difficult task of retaining talent and providing adequate relocation support when moving an office from Shanghai to Beijing. SIRVA became the extension of the central mobility team, providing an objective consultation on policy elements that were needed for talent retention, as well as the market benchmarking of relocation benefits and insights into hukou application and [fapiao](#). Eventually, critical roles were retained; area orientation and settling-in services were also delivered through creative solutions in a timely manner amid the coronavirus pandemic.

From business consultation and policy benchmarking to aligning processes and implementation, an experienced RMC can be an extension of an organization's internal team, providing years of expertise and country specific, in-depth knowledge that fosters flexibility and agility. For organizations with a centralized mobility team, an RMC can provide local expertise, globally, to ensure that mobility programs are aligned with local nuances. For those with decentralized mobility teams, having a single point of contact with a relocation expert will be essential to support smooth domestic relocations.

For more information on how SIRVA can assist your company with domestic/intra-country relocations, contact us at conciierge@sirva.com.

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