



# LUMP SUM VS. MANAGED SUPPORT: WHICH IS RIGHT FOR YOUR MOBILITY PROGRAM?

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When companies choose to move away from a Managed Support Program to a self-service Lump Sum Program, they are typically making a number of assumptions. They are assuming their employees have the financial savvy to be efficient purchasers of relocation services, and they have the expertise necessary to source, coordinate, book, and manage those needs and services as well. The reality is that moving in today's ever-changing environment can be challenging, and there are circumstances beyond the employee's control that reinforce the need for a Managed Support Program now more than ever before.

## The State of Lump Sum Programs

Lump Sum programs are typically best utilized in domestic relocation programs for junior-level new hires and college new hires. It can also be an effective approach for hourly or non-exempt employees. Looking at Sirva's 2022 US College Graduate Program population, 62% of organizations provide a lump sum only and 38% provide a lump sum with additional support, including: household goods shipment, rental tour, lease cancellation, and final trip. We are finding that Lump Sum-only programs are not working for organizations, and more companies are now choosing to provide additional relocation support.

**There are a number of reasons why a Lump Sum Program may not be right for your organization including, but not limited to:**

- International cross-border moves due to their complexity
- Employees moving with families with school-aged children, special requirements, etc.
- Challenging locations due to safety concerns, complex housing markets, not knowing the host language, etc.
- Moves to locations where temporary housing is limited
- Mid- to senior-level employees
- Not being able to provide a highly supportive experience

**Some of the feedback that was shared from employees moving as part of a Lump Sum program:**

- Feeling like they are all alone trying to figure out how to move, no one to turn to for assistance
- Regrets for poor choices
- Frustrated and stressed
- Negative impacts on the family
- Ran out of money and had to dip into savings and/or investments to cover costs
- Costly mistakes, for example:
  - Securing a lease in a location that is unsafe, not in the right location for schools, or does not provide the lifestyle they expected
  - Losing money due to untrustworthy landlords or not understanding standard leasing protocols
  - Not speaking the native language
  - Not properly registering

Following are some of the advantages and disadvantages, from the perspective of both your company and your relocating employees, of administering a lump sum policy.

# LUMP SUM ADVANTAGES AND DISADVANTAGES: COMPANY PERSPECTIVE



## Advantages of Lump Sum Policy

### Fixed costs for relocation benefits

- Allows a company to establish firm limits for relocation spending and limits financial exposure

### Streamlined administration

- Reduces time spent reviewing, auditing, and processing employee expense reports
- Reduces time spent managing vendors and coordinating employee moves

### Improved budgeting

- The company is better able to predict and budget for relocation expenses

### Reduced exceptions

- May reduce exception requests as the employee understands upfront costs that will be allowed

## Disadvantages of Lump Sum Policy

### Reduced productivity

- Employee time and energy spent determining how to best use funds is lost productivity

### Reduced impact on employee experience

- The company is not able to influence the type of experience they want to offer employees based on level, driver, or budget
- Additional needs or adaptive support is not taken into consideration
- Decreased ability to manage employee expectations

### Reduced impact on sustainability and DEI initiatives

- Loss of the ability to align sustainability and DEI goals with mobility activities
- Employees with disabilities no longer have support

### Company may be perceived as unsupportive or non-competitive

- Employees who have previously relocated with a traditional, provisions-based policy may perceive the Lump Sum policy as too limited or not competitive
- The lump sum provided may not be enough to cover actual costs based on employee needs and market impacts: supply and demand, inflation, etc.

### Potential to overpay employees

- Lump Sum policy payments may provide funds for provisions which may not be needed

### Difficulty establishing payment amount

- May be difficult to determine an equitable and defensible payment amount
- Establishing payment amounts are especially challenging for international moves

### Possible tax disadvantage

- If a company grosses up the lump sum payment, unnecessary taxes may be paid on funds to cover items such as home sale assistance

### Duty of Care

- Does not align with core duty of care philosophies
- Loses the ability to track and monitor employees and their families
- Increased risk to physical safety, mental well-being, and financial impacts

### Does not allow for adaptive or specialized support

- Risks associated with unvetted suppliers

### Loss of travel cost savings

- The company is no longer able to leverage volume for discounts with a travel provider for airfare, hotels, and rental cars

### Loss of data

- Over time, the company will lose first-hand knowledge of actual relocation costs
- Loss of insight into benefit utilization, which leads to future uncertainty of what should be considered in the lump sum calculation



# LUMP SUM ADVANTAGES AND DISADVANTAGES: EMPLOYEE PERSPECTIVE



## Advantages of Lump Sum Policy

### Perceived flexibility

- Employee has the freedom to spend funds at their own discretion

### Ease of administration

- Employee is not required to submit expense reports to document relocation spending

### Financial incentive

- If the employee manages their payments carefully, they may have funds left over for personal use or to cover other relocation-related expenses

## Disadvantages of Lump Sum Policy

### Employee perception of benefits

- Employee and family may experience higher stress having to plan how to allocate funds and make their own arrangements
- Loss of productivity

### Lack of support

- Employees may experience frustration at being left on their own to manage the entire relocation process
- Greater likelihood of mistakes or miscalculations that may prevent the employee from using their funds wisely and negatively impact the move timeline and employee productivity

### Potential for employees to select lower quality suppliers

- May result in poor service and a negative experience if employees choose suppliers based only on low cost

### Cash flow challenges

- Employees may not use funds appropriately and then face difficulty managing actual relocation costs
- Exchange rate fluctuations and market forces can impact costs





For more information on whether or not a lump sum program is right for you and your relocating employees, and how we can help you make an informed decision, please contact Sirva Global Advisory Services at [globaladvisoryservices@sirva.com](mailto:globaladvisoryservices@sirva.com) or reach out to your Sirva representative.



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