



# Five Ways to Improve Recruitment with Enhanced Relocation Benefits

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from HomeServices  
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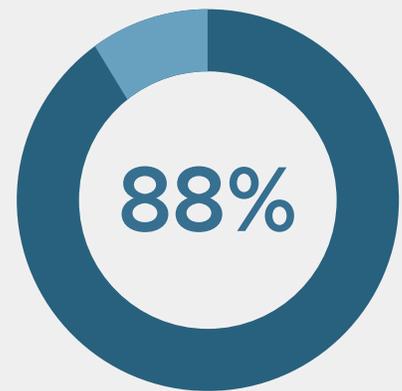
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## Enhance recruitment efforts

Despite a growing consensus that a recession is just around the corner, economists do not expect unemployment numbers to rise.

As of January 2023, there are still nearly two job openings for every unemployed worker. HR leaders should anticipate that staffing challenges will continue in 2023 and competition for talent will remain strong.

With the passage of the Tax Cuts & Jobs Act in 2017, relocation benefits were reclassified as income to the employee and therefore subject to Federal, State, and FICA tax. As a result, corporations moved away from professionally managed relocation support in favor of a Lump Sum or “relocation bonus” paid directly to the employee. The exceptionally tight labor market of 2021 and 2022 has empowered candidates to demand more than a Lump Sum. Add the increasing awareness by candidates of moving related fraud and the time consumed when planning a relocation, it is no surprise that the pendulum is swinging back towards professional relocation support.



88% of HR decision makers believe hiring in 2023 will be more or as difficult as 2022<sup>1</sup>

## How can your organization improve recruitment efforts by way of professionally managed relocation support?

### 1. Differentiation

Lump Sum relocation packages, or relocation bonuses, became popular in the 1980s and are a common method of providing corporate moving expenses. A Lump Sum package essentially requires employees receiving a predetermined amount of money to plan, manage, and execute their own relocation process.

Since the Pandemic, employee expectations have changed, and a run-of-the-mill Lump Sum benefit is not a valid strategy for winning the war on talent in

a tight labor market. Initially attractive as a way to simplify the moving process, Lump Sums presented less complications for HR departments around relocation support. The dynamic challenges brought on by the Pandemic and evolving shifts in how we define work are now forcing employers to re-examine their role and relationships with employees beyond pre-Pandemic norms. More than ever, HR leaders are understanding the value of managed relocation as a key component in their retention and recruitment goals.

<sup>1</sup> <https://www.jobvite.com/lp/employ-quarterly-insights-report-q4-2022/>

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## Improve the employee experience

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*"I'm a \$110,000 professional that is just about to turn down an offer for a "perfect job" because they offered me a \$5,000 Lump Sum for moving (from MS to TX). This is with a 100,000-employee company and you probably know the name. I almost laughed when they made that offer with a straight face. No wonder the job has been open for 14 months."*

Scott A., Relocation Candidate

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Even if a company is not currently in a position to increase relocation support, shifting to a Managed Cap relocation program may help to secure employment with a potential candidate who is likely comparing offers. Employees will still receive a budgeted relocation amount, but they also gain access to a preferred network of movers and suppliers, plus personalized guidance for making the most of their relocation dollars.

Partnering with a third-party Relocation Management Company to guide employees through the relocation process creates a culture of inclusion and trust. The most important factor in determining employee satisfaction and retention during a move is ensuring you have a well-structured and managed relocation policy.

### **2. Professional Support Improves the Employee Experience**

A top priority for recruitment and retention strategies should be to curate a fulfilling employee experience. Companies who set their people – and themselves – up for success with a unifying employee experience from the hiring process through onboarding and beyond, have a far better chance of capturing the attention of valuable candidates. In terms of recruitment, the relocation process is a critical part of onboarding. It is often the first impression an employee will receive about their new employer.

A company spends tens of thousands of dollars interviewing, recruiting, and training employees. Successful onboarding for a corporate transferee should include benefits which ease the physical, mental and financial burdens of relocation. Properly cared for, transferring employees recognize their employer as a caring company who is committed to their success and their family's well-being.

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## Align with employee priorities

A Lump Sum relocation benefit may appear to be a flexible solution but can quickly turn into a failed relocation for an employee who is unfamiliar with managing the move process. Finding reliable resources to support a move is time-consuming. On their own, the employee is also vulnerable to fraudulent moving operators with the potential for significant disruption, increased stress and inflated costs. Not to mention the loss in work productivity and focus, because the employee is mired in managing a move that presents unforeseen obstacles.

Job relocation failure can be strongly correlated with failure to address relocation challenges, such as loneliness, anxiety, spousal needs, family issues, and difficulties settling in. Providing active relocation support when an employee needs it most sends a message of care and concern.

According to a recent MetLife Employee Benefit Trends Study, employees who say their employer offers a benefits package that meets their needs are 41% more likely to feel resilient and 60% more likely to trust their employer's leadership.<sup>2</sup>

### 3. "Walk the Walk" on Company Values

Communicating your company's values and culture to prospective hires is an inherent part of the interview process. To articulate your employer brand, you must tell a compelling story. Telling a candidate that your company is a great place to work because you have a pool table is not going to cut it. You also have to walk the walk.

Today's employees are prioritizing their own wellbeing, along with a sense of purpose and belonging. And they expect their employer to honor these priorities too. Employers must act,

not just talk, when it comes to mobility and the employer's duty of care when hiring an employee that needs to relocate.



**Employer brand is a strategy that takes your culture, vision and purpose and creates an authentic story to improve the employee experience within an organization.**

Moving is one of life's most stressful events. Without professional guidance, transferring employees with Lump Sum Only benefits will inevitably have questions as they try to navigate the time and resources needed to plan and schedule their own move. The HR department will most likely be the first call for help when the employee encounters problems and needs support. The employee's excited and happy smile from the day he or she accepted the offer is gone. HR professionals must now conduct research on behalf of the employee and help manage their move. Other HR department priorities are placed on hold.

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## Increase acceptance rates

Failing to recognize the benefits of a planned relocation benefit policy, regardless of volume, means lost productivity, challenges in recruitment and retention, tax compliance issues and exposure to financial risk. And nothing demoralizes an employee more than the perception that caring stops as soon as an offer letter is signed.

### 4. Pre-Decision Support

Whether recruiting from the outside or enticing an experienced player to take on a new role, transferees have many questions about relocation benefits and the destination location that must be answered.

Utilizing Pre-Decision services during the offer period helps candidates make informed decisions, leading to higher acceptance rates and work engagement. Pre-Decision counseling works to alleviate concerns, address objections, and includes all the tangible ways an employer demonstrates duty of care and concern for employees and their loved ones.

Offered as a free service from HomeServices Relocation, Pre-Decision support begins with a policy review with recommendations that focus on aligning relocation benefits with the employee's unique needs. Eligible program benefits for both transferee and family will be addressed. Through our extended network of real estate professionals, the assigned agent will provide the employee with a personal orientation, address lifestyle issues, and counsel them on the current real estate market and agency practice. If provided as part of policy, HSR can coordinate and manage a pre-decision trip with area tours in any domestic or global location.

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*Offering a Lump Sum Only benefit is like when your brother gives you a gift card for your birthday. It says he cares about you, but not enough to find out what you really want.*

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A full Pre-Decision Assessment includes:

- Policy Review and Advisement
- Relocation Cost Estimates
- Transferee Expectations and Needs Evaluation
- Cost of Living Comparisons
- Mortgage Consultation including Pre-Approvals
- Insurance Consultation
- Real Estate Agent Consultation
- Community Resources
- Education Options/School Reports
- Broker Market Analysis (Home Sales)
- Destination Services (Home Purchase/Rental)
- Pre-Decision Trip
- Spousal Career Counseling
- Family Special Needs Consulting



## Be clear on tax responsibilities

### 5. Taxes

A Lump Sum relocation benefit is classified by the IRS as ordinary income. The employee is responsible for Federal, State, and FICA taxes. In addition, any relocation related expenses (for example the employee's final trip to destination, shipment & storage of household goods, or a 30 day stay in furnished housing) paid directly by the employer on behalf of the employee are also treated as ordinary income and are therefore taxable.

If you elect to offer a \$5,000 Lump Sum benefit to a relocating employee, you must choose to gross up the amount and pay the applicable Federal, State, and FICA tax or withhold taxes from the \$5,000 Lump Sum payment.

Most corporations elect to provide a gross up allowing the relocating employee to spend the

entire Lump Sum amount. Failing to do so means the spendable amount will be significantly less than what was offered. Having read in an offer letter that the organization would pay a \$5,000 Lump Sum to offset relocation expenses, relocating employees are disheartened if the spendable amount is significantly less. They can't help but feel that the offer was disingenuous, even though it is accepted that compensation is always taxed.

### Preparing for the Future

Hiring is currently and will remain a challenge for the near future. Candidates have leverage to ask for additional support beyond a Lump Sum relocation bonus. Implementing a Managed Cap relocation program and partnering with a third-party Relocation Management Company are cost-effective tools to improve recruitment methods.

### Recognizing Tax Changes that Affect your Bottom Line

The most sweeping US tax legislation since the Tax Reform Act of 1986 was signed into law on December 22, 2017. The Tax Cuts & Jobs Act ushered in many changes to tax code, some of which significantly impacted relocation benefits. The most significant change was the elimination of the exclusion from taxable income of household goods (HHG) shipment, final trip expenses, and other previously non-taxable relocation benefits.

These expenses are now subject to income taxation and significantly increased gross up costs for employers.





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