

#relosolutions

Lump Sums and other four-letter words

Lump Sum Only programs

Per the 2020 Atlas Corporate-Relocation Survey, 26% of relocations are Lump Sum Only programs, where the sole benefit provided is a lump sum amount. For larger companies, over 50% provide a payment of \$10,000 or more. Such programs are appealing to human resource departments as they are easy to administer and still allow them to meet the requirement that a relocation benefit is provided to their transferees. But how effective are such programs in accomplishing mobility goals?

Without a professional relocation counselor, 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.

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.

Lump Sums do not contribute to effective onboarding

The goal of most companies is to drive high levels of employee engagement. This helps to ensure good customer service, productivity and innovation. Recent research from MIT¹ finds that "Enterprises with top-quartile employee experience achieve twice the innovation, double the customer satisfaction, and 25 percent higher profits than organizations with a bottom-quartile employee experience." Effective onboarding gets employees off on the right foot for employee engagement. Nothing impacts onboarding like the relocation experience. Employees who receive actual services and guidance recognize the investment made by their employer and feel more cared for and engaged as a result.

Lump sums are 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. When personal and company success hinge on transferees being able to focus on their new role, providing a full suite of relocation benefits is a game-changer.

Moving is hard

One of the goals of mobility spending is to help transferees cope with the stress and complexities of moving them and their families. By providing aid, guidance and service coordination, we strive to reduce the time transferees spend on moving activities, reduce stress and thus enhance productivity. Nothing saps productivity more than having to focus on the many and varied facets of moving. Researching vendors, ordering services, filling out forms, following-up, supervising providers, following-up, auditing invoices, following up, and making payments all serve to distract employees from what you really want them doing, namely, focusing on giving their best to their new position. A lump sum benefit may provide the aid part of the equation, but not the guidance and service coordination. It provides the means, but not the tools.

Transferee motivation may lead to poor decisions

Even assuming a lump sum amount adequate to cover all the expenses of a move and expert guidance provided by a relocation management company, most transferees will still not make the best decisions. Most transferees see their lump sum amount as a “signing bonus” and consistently make decisions that work against having a smooth, stress free relocation. Many are motivated to “save as much as possible” so that they can spend the money elsewhere. This often leads lump sum transferees to refuse expert recommendations made by the RMC and try to find cheaper and less effective solutions, resulting in more stress, lower productivity and worse (see Rogue Movers below).

Rogue Movers and Other Scams

Unfortunately, the world is not always safe for consumers. Particularly when the consumer has limited knowledge of the product or service. When you go to the grocery store to buy milk, you know from experience to look at the “sell by” date, you are familiar with pricing and you know there are several sizes and types to choose from. You can also be sure that the milk meets certain standards. But when was the last time the average consumer purchased interstate moving services? Or auto shipment? While some transferees move more than once, the vast majority have no experience with moving services, do not know where to start and would not know a good deal from a bad deal. By giving your transferee a Lump Sum Only allowance, you are essentially creating a scenario ripe with risk. Many will go to the internet and start searching for services, which is the last thing they should do. This is where Rogue Movers capture many unsuspecting transferees.

Rogue Mover scams begin with an estimate that is significantly less than estimates from other, more reputable, moving companies. Once the household goods have been packed and loaded,

the rogue mover will hold your personal items hostage, demanding additional payments, prior to delivery. Despite efforts to curtail moving related fraud, reports of Rogue Movers are increasing. The police consider these cases to be a civil matter and will not intervene to help consumers get their belongings.

Care for you transferees

Moving is a stressful time and added stress makes your transferee more susceptible to unscrupulous providers. While providing a Lump Sum Only may be easier, having to help your employees extricate themselves from a bad supplier can be harder in the long run.

The company has spent 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 well-being. Nothing demoralizes an employee more than the perception that caring stops as soon as an offer letter is signed.

1. https://cisr.mit.edu/publication/2017_0601_EmployeeExperience_DerySebastian