The Lump Sum Conundrum

Ease of Administration vs. Employee Productivity

About this report

This summary includes insights shared by 85 corporate mobility participants in corporate advisory forums held by U.S. Bank throughout 2020. Many of these organizations utilize lump sums within their relocation benefit packages, ranging from a full lump sum program to a lump sum combined with certain individual services. This report also includes findings from surveys administered by several corporate participants to their transferring employees, and cites data from the Altair Global *Momentum* Survey[1] conducted with their clients' transferees that moved under a lump sum program.

Lump sum programs are common in today's mobility programs due to the appeal to companies of cost savings and ease of administration, whether real or perceived. Transferees are looking for self-service options that mirror the customized experiences they have in their personal lives, and enjoy their ability to make decisions on how they spend their funds.

Seems like a win-win proposition, right? Not always, however, because without access to additional support resources and experienced relocation guidance, transferees are losing productivity that can be critical to the success of their move and their overall experience. Not only that but, in many cases, it is costing employees in out-of-pocket funds, further degrading the customer experience. This, in turn, impacts companies with the loss of employee productivity, hidden costs, and a negative customer experience.

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We will take a look at three main areas of focus for lump sum programs — **employee productivity**, **duty of care**, and **balancing cost control with employee choice** — and offer best practice recommendations from both your peer organizations and transferring employees.

Employee Productivity Lost

One finding shared by corporate mobility professionals was that employee satisfaction with their relocation is higher for lump sum policies that include defined benefits versus lump sum-only moves. Corporate professionals who've conducted internal surveys with transferees shared two important findings about lump sum programs:

1. **Customer satisfaction correlates with more company-provided benefits:** Transferees receiving a lump sum with company-provided benefits, versus a lump sum-only payment, had customer satisfaction scores correlating directly with the number of benefits they received. So, the more benefits or services that were provided and

covered by the company, the higher the transferee's customer service score.

2. **Lump sum-only payments correlate with lost productivity and out-of-pocket expenses:** Of the transferees who received lump sum-only payments, 68% claimed that they spent more than 10 days arranging relocation services, and 35% of those who received lump sum-only payments stated that they spent more than $5,000 out of pocket.

Many transferring employees still see lump sum-only policies as a better option because they believe that they can manage their own choices better, and organizations see it as a way to reduce costs. The reality is that lump sum payments, without company support, can lead to a reduced employee experience, lost productivity, and increased out-of-pocket expenses.

Altair Global's *Momentum* Survey results showed even higher numbers of days lost by transferees coordinating their relocation. The chart below illustrates the correlation between the number of days of productivity lost compared with the lump sum amount, along with a breakout of homeowner versus renter and the percentage of employees that had to use their own personal funds.

Lump Sum Amount	Homeowner/ Renter	Used personal funds?	Days of Productivity Lost
< $5,000	12% homeowner 88% renter	53%	**26 days**
$5,001-$15,000	33% homeowner 67% renter	38%	**27 days**
> $15,000	50% homeowner 50% renter	33%	**31 days**

Source: Altair Global's *Momentum* Survey

Altair Global's survey showed that the percentage of transferees using their own funds to subsidize their relocation correlated to the amount of the lump sum payment. The lower the amount, the more transferees had to use their personal funds. But in every category, at least one-third or more utilized their own funds, supporting our corporate participant's survey finding that the transferee's perception that they can do it cheaper and better themselves is not necessarily accurate.

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While all lump sum amounts seem to create a significant productivity loss, the larger lump sum amount (greater than $15,000) correlates with a more complex move that may involve a higher number of family members and/or homeowner status versus renter status. While the higher number of days of productivity lost (31 days) for this more complex move group is not necessarily a surprising finding, what is a little surprising is that the group with a lower lump sum amount, largely a renter population, has only five fewer days of productivity lost than the larger lump sum payment group.

Top Productivity Drains

The Altair Global survey asked transferees to rate the separate activities of their relocation in terms of the amount of time taken away from the focus on their job. High-impact activities were those that caused three or more days (combined) of lost work productivity, and overall productivity impact was calculated by adding high-impact plus low-impact (three days or less of lost work productivity). The top high-impact concerns that had the most significant impact on transferee productivity were:

Activity	High Productivity Impact	Overall Productivity Impact
Arranging household goods transportation, packing, delivery	**55%**	**93%**
Finding an appropriate destination community	**55%**	**91%**
Securing a destination residence	**42%**	**87%**
Adapting to the new work environment	**33%**	**89%**
Managing relocation travel	**30%**	**88%**

Source: Altair Global's *Momentum* Survey

Supporting Employees: Duty of Care

The concept of duty of care, often applied to international moves which may have complex security, compliance, and tax implications, is loosely defined as your company's responsibility to protect its employees and ensure their health, safety and well-being. As we have illustrated above, duty of care applies well to lump sum programs since a lack of support can cause productivity drains and out-of-pocket expenses, leading to a poor employee experience and low satisfaction with the company.

From our experience, providing lump sums for selected services is recommended, rather than a lump sum for everything. Most commonly, we find that services such as the pre-move trip, final trip, temporary living, and trips back to the home location are good candidates for lump sum payments. Costs for more complex services, such as home sale, mortgage and household goods shipments, should be handled outside of lump sum payments as they are more likely to lead to employee dissatisfaction. Tax assistance should also be handled outside of lump sum funds.

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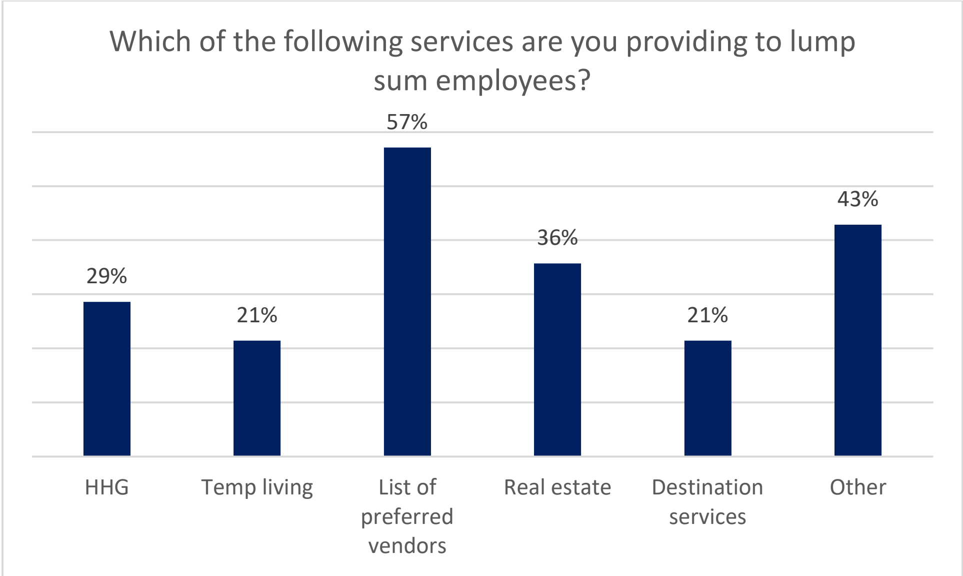
We asked the participants in the corporate advisory forum held by U.S. Bank which services they are providing to lump sum employees as support:



So, we see that providing at least some level of support outside of the lump sum payments, especially for the more complex and vital services, provides duty of care to your transferees and may help improve the employee experience.

Altair performed phone interviews with transferees that moved under a lump sum program. The following transferee comments illustrate some of the ways they would have felt supported in their move, and align well with the suggestions implemented by corporate mobility specialists.

"List of vendors for services that had negotiated discounted rates. Employee would pay for this from lump sum but would have vetted list of vendors."

"Having the relocation management company coordinate the household goods shipment versus being on my own."

"Local support for finding destination housing."

"Specific support for spouse employment or activity."

"Help securing a reputable household goods mover."

"Resources regarding what you need to think about before moving, e.g., checklist for action items and timing during move."

Balancing Cost Control and Employee Choice

This brings us to our third topic of striking a balance between controlling costs (hidden costs, loss of productivity, out-of-pocket expenses), supporting employees (duty of care for complex services), and providing employees with the flexibility and choice that they require. Transferees enjoy customization, choice, and flexibility in their personal life and want those same types of self-serve options in their business life.

Companies need to find ways to offer transferees the opportunity to manage their own choices while still providing a level of support that provides duty of care and improves the employee experience.

Some examples of ways to provide employee choice include:

- **Provide a vetted list of relocation-specific vendors** that the employee can choose from.
- **Offer a mix of technology plus personalized support** for complex services (can be offered in-house or delivered by a vendor).
- **Make services that the employee can manage part of the lump sum**, and provide support for high impact services such as household goods shipments, home sale, mortgage, home finding, etc.

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Insights and Best Practices from Corporate Forum Participants

With the popularity of lump sum programs so high, we compiled best practice recommendations from our U.S. Bank corporate advisory forum participants that may help you improve employee productivity for your lump sum program.

Lump sums for selected services

- **Offering lump sums for selected services** is recommended, rather than a lump sum for everything. Most common services offered in the lump sum are pre-move trip, final trip, temporary living, and trips back to the home location. Other costs, for more complex and time-consuming services such as home sale, mortgage and household goods shipments, are more likely to lead to employee dissatisfaction and should be handled outside of the lump sum payment.

- **Handle tax assistance** outside of any lump sums.

- **Provide additional support for lump sum programs.** For one company's in-house program, they acknowledge importance of minimizing lost productivity and provide a counselor and offer additional benefits to the transferee. In their program:
    - A preferred apartment list is offered for the area that offers special benefits and tiered pricing.
    - Lump sum is treated as the core, and the flex is the other services (e.g., household goods, temporary living) that can be plugged in depending on the circumstance.
    - Technology is utilized to evaluate the level of counseling each transferee needs, and a minimum number of touch points that the transferee receives during the process is established.

Support with managing providers

- **Provide support for managing relocation-specific service providers.** It is critical that you have some form of a managed program where the transferee is able to access a website and/or engage vetted relocation-specific service providers:

  - Some companies remove specific services from the lump sum and assign a vendor to work with the transferee to improve productivity on the most time-consuming services of the move.
  - Some companies provide a vendor list, so transferees have multiple competitive relocation-specific vendor options that offer discounts and have been vetted by the company for destination services, real estate, household goods movers, mortgage lenders, temporary living in hard to find locations, etc.

- **Provide a list of relocation vendors with negotiated reduced fees** for your transferees. This ensures that they are using a vendor that is familiar with relocation timelines and achieving cost savings when using their lump sum.

- **Offer a program with a vendor to manage lump sum funds** where you can plug the lump sum dollars into their system and the funds are allocated for various services like household goods, temporary living, etc. Transferees don't get to keep the leftover money at the end and there is no cash out option. The appeal of this option is that you are providing the transferee with funds, steering them to use the providers you have vetted, while still giving them choice and ensuring that funds are managed appropriately.

Local real estate broker and rental support

- **Provide area rental tours through local brokers.** Many transferees rent first in the new location, then buy later once they get to know the area. The company works with local brokers who may provide area tours at no cost in the hopes of working with the transferee later if they decide to buy.

- **Support your employees with finding a local real estate agent or rental finding company.** Employees may think that finding local real estate brokers and a rental finding company is something that they can do easily, but some form of support really makes sense to ensure that the employee is not spending their own time doing the leg work.

Mortgage support

- **Confirm that your mortgage lenders offer direct bill.** Offer mortgage lenders with direct bill capabilities for lump sum transferees moving to a high cost area, so they can administer a mortgage subsidy to assist affordability. Also, provide a lender list to transferees so they can access the negotiated cost savings from the lenders.

- **Provide mortgage lenders that have relocation expertise.** It is helpful to provide information for mortgage lenders that have expertise in relocation and understand the specifics of your company policy and processes.

- **Make sure that your mortgage lender(s) have a dedicated team** of relocation specialists, white glove service, and a streamlined process from sales through underwriting. Mortgage lenders that understand the complexities of relocation will offer a smoother, less stressful experience for employees.

- **Select mortgage lenders that can work with non-U.S. transferees.** For international moves, provide a lender who can work with transferees with no U.S. credit.

What's Next for Lump Sums?

As 2020 forced many changes in relocation, we asked Altair Global for an update and they stated, "Many companies are thinking more of a long-term vs. short-term approach. Short-term thinking would prompt a company to make a change, such as switching to a lump sum as a means to reduce costs. But that's a 'takeaway' and likely isn't sustainable long-term. Other companies are already thinking post-pandemic and what their programs should look like long-term. Those are the companies who are implementing enhancements and positive changes to their programs to ensure their employees are supported not just now, but in the future as well."

In all likelihood, lump sums will not only continue to be a popular choice, particularly with early career employees, but will increase post-COVID as many companies have suffered financially and are looking for areas to cut costs. Also, with the possibility of more remote work opportunities, a lump sum offering gets the employee to where they want to be in a more economical way. It is important that companies balance cost control with employee support to ensure that their transferees' experiences are positive.

[1]Altair Global's *Momentum* Survey data provided with the express written consent of Altair Global, LLC.

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