



Royal Canadian Mounted Police External Review Committee

Relocation - A Painless Process?

DISCUSSION PAPER 2



Relocation – A Painless Process?

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**Royal Canadian Mounted Police
External Review Committee**

Discussion Paper Series
Number 2: Relocation

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FOREWORD

This research paper is the second in a series produced by the Research Directorate of the Committee for discussion purposes. It seeks to address the problems encountered by organizations and their employees who are relocated for employment purposes. The information it contains on relocation policies and practices has been obtained from several sources:

- (a) from a representative cross-section of private sector organizations including Air Canada, Canadian Pacific Ltd., and the Toronto Dominion Bank;
- (b) from the Treasury Board of Canada;
- (c) from the Royal Canadian Mounted Police which has its own relocation policy;
- (d) through discussions with relocation specialists in the private and public sectors regarding actual application, trends and current concerns. Examples include the Ontario Provincial Police and the Government of Ontario;
- (e) through discussions with companies and organizations which specialize in the relocation service industry. One example is ERC Relocation Services Ltd.;
- (f) from survey documentation pertaining to specific aspects of relocation obtained through sources such as the Conference Board of Canada and Runzheimer International Ltd.

Throughout the paper, reference will be made to percentages of companies providing certain benefits on relocation of their employees. These percentages refer to the companies sampled including those who responded to formal surveys, such as Runzheimer. They are intended to be representative of the Canadian norm regarding relocation practices.

The paper does not address the distinction some companies may make between benefits provided to all employees, including "blue collar", workers, and those reserved for senior managers and executives. The various benefits outlined in this paper ought not to be seen as an exhaustive list which must be part of a relocation package at any given time. The paper assumes that relocation is a legitimate employment activity for both employer and employee, and on that basis it assesses the fairness of such activity based on relocation benefits established over time.

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RELOCATION - A PAINLESS PROCESS?

I. INTRODUCTION

The most valuable resource in any organization is its workforce. The success of the organization in attaining its mission, goals, and objectives can usually be demonstrated to be the direct result of the effective management of its human resources. This means that an employer must be careful to recruit those individuals who have the organizational "best fit" in terms of personal attributes, education, qualifications, and/or experience. Further, the employer must provide an environment which supports that individual's job performance and overall well-being. Under these conditions, both employer and employee needs are met, and fairness results.

The type and size of the organization have an impact on its approach to the management of employees. For example, organizations which require a highly specialized work force for which training is not generally available in public educational systems must provide this training themselves. Such an employer incurs significant costs which must be compensated for by low turnover of staff. Some high technology companies, banks, military institutions, police and fire organizations fall into this category.

Other employers fare better in terms of a ready trained work-force. These might include the trades and professions such as education, law, medicine and accounting.

Although a period of on-the-job training is required in most cases, the "bring-learn" ratio of the above employment groups differs. In the first group, the prospective employee brings certain personal attributes and knowledge, but must acquire from the employer specialized knowledge and skills required to perform the job. In the second group the prospective employee brings a considerable amount of knowledge and skills as well as personal attributes, and the training provided by the employer is principally to polish and refine these skills as well as to orient the employee to the organization. These are not mutually exclusive groups, however, and often employers have a need for a work-force which includes both groups.

Organizations, either private or public, with operations spread over a number of geographical locations are faced with human resource management challenges which generally do not exist in the case of single location employers. Fiscal constraints, operational needs and availability of qualified personnel force the multi-location employer to make a decision whether to recruit locally or to move an individual already employed in another location. The latter choice, although perhaps warranted by circumstances, is not without costs, both to the employer and employee. The relocation can prove to be a painful experience for either, or both parties involved.

The employer's investment in time and money for initial recruitment and training plays a significant role in motivating such organizations to maintain and develop this work-force. The costs of hiring anew may be prohibitive and limiting in terms of the organization's mission, operational requirements or contractual responsibilities. The relocation of an employee in such cases can become the only viable answer to the employer's needs. The employer has little or no

alternative as the qualifications, expertise and experience of an employee may be crucial to the development of certain products, the provision of specialized services, or the solving of a particular operational problem.

Relocations, however, are not without their disadvantages. For the employer, there are significant costs associated with moving employees, their families (where applicable) and their possessions. Disruption through movement of key personnel between office locations may require adaptation by more than the employee or employees relocated. Anxiety may be experienced by other office staff unsure of what expectations will be placed on them as a result of personnel changes. This anxiety may also result in morale problems and diminished productivity.

Employees may also decide for career or personal reasons to refuse a relocation, leaving the employer with less desirable options in responding to organizational needs. The prospect of an unwelcome relocation may also result in the loss of highly trained and experienced employees who become frustrated by a lack of advancement and achievement, and either leave for better opportunities elsewhere or remain on the job with diminished interest and motivation. Eventually, both morale and productivity are affected, as is the organization's effectiveness and success.

From the employee's perspective, relocation may be the only way to meet personal career goals through a new challenge, new and perhaps broader experience, and an opportunity to gain more knowledge. It may also satisfy other personal goals such as a change of environment, an exposure to new cultures, and the development of new social contacts and opportunities.

There are also disadvantages for the employee in relocating. The prospect of a new job, new office, new managers and work colleagues can result in stress for the employee involved.

The move may mean an uprooting in terms of established work contacts, social contacts, and family relations. Financial stress may occur if there is a differential in the costs of living and housing which may not be compensated for by a promotion or suitable financial assistance from the employer. Dual career couples may find it difficult and expensive to readjust their careers, child day-care or schooling, community involvement, and home life in an effort to meet employer demands. Finally, the employee's needs regarding career development may not be fulfilled by repeated relocations to jobs which do not provide a challenge, new experience, or knowledge useful to advancement within the organization.

The drawbacks involved for the employee can be minimized through human resource management policies which are sensitive to these considerations. Many of these considerations are reviewed in this paper to familiarize the reader with some of the concerns employers and employees express regarding relocations. The paper also reviews some of the measures adopted by employers in balancing the needs of employees for challenge, job satisfaction, income, growth, dignity, and security with the needs of the organization in fulfilling its own requirements.

II. THE POLICE EMPLOYER

Police work is regarded by most members of the public as highly stressful. Researchers studying the impact of stress among police, and more particularly the "burn-out" effect of police and their families, have noted that the physical dangers which easily come to mind in police work are in fact not the prime "culprits" for this stress although they do contribute to it.

The ambiguity and conflicting values surrounding the job, the responsibility for other people's lives and their well-being, the long hours of inactivity mixed with unpredictable crises, the frustrating encounters with the court system and the police administration, the negative public image of cops in general - those factors are often more debilitating than the physical hazards of the job¹.

1 Maslach, C. and Jackson, S.E., Burned-out cops and their Families, Psychology Today, May 1979.

The police manager therefore faces a significant challenge in dealing with these stress factors, many of which may not be under his/her span of control or authority. Whether in making representations to colleagues in the justice system, in policy decisions regarding administrative matters or in dealing with a community relations strategy, the police manager must consider the impact on employee morale, job performance, absenteeism and turnover. The challenge can even seem insurmountable if the police manager also must contend with insufficient funding for the scope and level of policing services expected.

As police forces in Canada generally allocate in excess of 70% of their budget for human resources, it is important for the police manager to deal effectively with any issue which is likely to impact further on the force's financial situation.

Police organizations both provincial and national also have responsibilities which require their operations to be spread over a variety of locations. While there is a growing recognition that administrative and specialized technology positions as well as administrative support positions can be staffed locally with qualified civilians, there remains an operational need for experienced law enforcement personnel in these organizations to be mobile, serving in many locations during the course of their employment. The special nature of police contacts with the community can and often does bring unique pressures to the relocation of law enforcement personnel. These will be explored further as we deal with employer and employee considerations in the relocation issue.

Further, an important consideration which distinguishes the police as a paramilitary organization from other types of employers is the impact of a refusal to relocate. In an environment where a relocation is a condition of employment, this is not a regular occurrence. It is, however, an important consideration, particularly where police members rightly or wrongly have perceived their employer's relocation policy to be mobility for mobility's sake rather than for reasons of human resource management. The ability of the police employer to sanction an employee for refusing a relocation is therefore a significant element in the consideration of the balanced approach in such an environment.

III. RELOCATION CONSIDERATIONS

This section outlines certain aspects of the impact of a relocation on the parties concerned. As we have previously discussed, many employers have little or no choice but to relocate employees and, as a rule, make this a condition of employment upon hiring. For the purpose of this discussion, relocation is considered in this context, that is, as a condition of employment.

Social

Generally members of a community associate and integrate themselves into the community life and participate in a variety of its activities. Over time, roots are developed and attachments are made to family, friends, school associates and co-workers. Cultural and social associations are important and, in some respects, essential elements of an employee's lifestyle and well-being. A relocation brings about the break of these ties.

Even when a relocation is welcomed by an employee, the process of moving one's possessions and, where applicable, one's family to a new location with all its inherent uncertainties may create a stressful situation for all parties concerned. All who have been through it attest to the challenge involved in obtaining information regarding the new community, finding suitable accommodation, ensuring that belongings are either securely packed and transported or stored, registering children in new schools, and in "settling in" generally. This challenge and its resulting pressures often add to the employee's stress in adapting to a new work environment.

Increasingly, the stress experienced by family members in attempting to adjust to a new community is also being recognized and taken into consideration in reviewing the effect of a relocation on an employee. Experience suggests that an employee's domestic situation is in fact a salient factor in relocation stress and has a direct bearing on that employee's productivity².

2 Neill. R. Moving Can Damage Your Firm's Profits. The Bulletin, November 8, 1988.

Cultural considerations can also be a significant factor in relocations as employees from particular cultural, racial, or language groups often seek support from other members of that group in Canadian society. A francophone employee, for instance, relocated to a predominantly anglophone environment (or the reverse) may adjust more easily through support provided by the employer. That individual's spouse and/or children, left to their own devices, may have considerably more difficulty adjusting.

The extent to which the employee and, where applicable, the employee's family may be successfully integrated into the new community cannot be overemphasized as a consideration in the relocation issue. Where such an integration has failed the impact has been felt by both the employee and the employer.

An inability to cope with relocation stress has in many cases contributed to an employee's medical problems such as ulcers, back pain, and headaches. Alcohol and drug abuse have also

resulted. For the employer, relocation stress has also meant coping with low morale, impaired performance, absenteeism, and high turnover.

Spousal Employment

In this day and age, dual-career couples must increasingly be considered in the relocation decision. The employee's spouse may also be pursuing a career. Employers must be sensitive to the stresses introduced between spouses when one is relocated and the other must consider giving up a career or job and social network which provided that individual with financial as well as personal rewards. The spouse may also be a successful entrepreneur with business interests which are not easily divested. There are many instances today where the spouse may not follow in the relocation. Whether this is a decision reached through mutual agreement or unilaterally, such a decision usually has a significant impact on that couple's relationship and lifestyle. The fatigue resulting from commuting between two residences or the anxiety resulting from the separation may lead to possible deterioration of the relationship. Increased physical symptoms of stress including insomnia, loss of appetite, headaches and reliance on alcohol and drugs may be manifested. Eventually, the relocated employee's job performance and productivity may suffer.

For the police employer, the relocation issue takes on an added dimension when both spouses are members. The force has a considerable investment in both members and must be careful to ensure that its relocation of one also allows for the continued productive employment of the other. To do otherwise may deny the employee a career in the force, and in turn deny the force an employee on whom considerable time and money have been spent in training for police duties. While the solution is often to post these members in neighboring detachments, force policies in other operational areas such as call-back may nevertheless have consequences on the relocation and must be factored into the relocation decision.

Accommodation

When a relocation occurs, the issue of accommodation figures prominently. The employee usually prefers and may even expect to maintain a standard of housing in the new location similar to that being left behind or may wish to upgrade. Finding such accommodation generally requires a househunting or homefinding trip prior to the actual employee relocation. This activity is stressful under normal circumstances and may be exacerbated by time constraints. More stressful, however, is the situation where the employee is given no opportunity to travel to the new location for this purpose. This is particularly true for single employees.

The relocated employee is usually faced with many associated costs. The family home may have to be sold at a loss. A depressed housing market may well leave the employee unable to sell the family home altogether, facing the prospect of carrying two mortgages or renting until such time as the family home is sold. There may also be legal and real estate fees, mortgage differential or mortgage penalty costs and redecoration costs such as painting and the purchase of new drapes, carpets, etc.

The variances in the availability of affordable housing must also in certain metropolitan areas be seriously considered in the relocation decision. The employee relocating to a Metropolitan area such as Vancouver or Toronto must consider higher housing costs, a shortage of housing and if forced to consider the suburbs, significantly longer commuting time.

In some locations where housing is simply not available, the employee may be required to live in employer provided accommodation. This often occasions a loss of privacy and satisfaction as there may be limitations on changes which can be made to suit personal needs.

Lifestyle and quality of life for the employee and family members, where applicable, play a significant role in the success of a relocation. As accommodation issues are integrally linked to lifestyle and quality of life, they are important in the determination of the impact of relocations on the employee and employer.

Isolated Posts/Hardship Areas

Some employers, including the police employer, in exceptional circumstances and as a result of contractual or mandated responsibilities, have few options but to relocate an employee to a location where considerable hardships will be experienced by the employee and the accompanying family members. These are sometimes referred to as "forced transfers". While some employers including the RCMP follow the practice of relocating to such areas only those who volunteer for isolated/hardship posts, problems can nevertheless develop if the employee was ill prepared or misinformed regarding conditions, or if personal circumstances change. The employee wishing to leave such a post may be faced with a lengthy wait until a replacement can be identified. Problems can be compounded when the stress of such a relocation impairs that employee's performance of duties to the point that discipline is considered. whether in oil exploration or in policing, what may previously have been a bright, hardworking, promising employee may, without the right kind of assistance from the employer, become a problem employee or may be lost to the organization altogether through resignation or discharge. The extent to which the hardships of such relocations are recognized and dealt with by the employer has a significant impact on the morale and consequently the productivity of the employee.

Education

The relocation of an employee with school age children also poses certain difficulties. Timing must be considered so as to minimize the impact of the relocation on the long term education of the child. Parents generally prefer to relocate at the end of the school year in order to facilitate their child's adaptation to a new school, teachers and, if the move is interprovincial, to a different educational system altogether. The availability of special programs for children who are high achievers or have learning disabilities, or have been enrolled in French immersion may also be of concern to parents, as is the availability of schooling in French or English. In a family where children are living at home and attending university, a relocation whereby these children must now be accommodated elsewhere as they remain behind also occasions additional expenses. The employee and/or spouse may be undertaking graduate or post-graduate studies which may not be available in the new location. The interruption of these studies and the resulting impact on career aspirations also are considerations in the relocation issue.

Health/Medical Services

In some situations, the relocation of an employee may give rise to significant concerns by the family as to the availability and adequacy of health and medical services in the new location. Employees or family members may require specialized health care services or access to facilities for the handicapped which may not be available in the new location. Consideration more and more is given to the needs of elderly dependents which may also need to be relocated by the employee. This is particularly of concern in areas that can be considered isolated from the larger centres where a greater variety of facilities are available.

The individual may be relocated to an area where there is a high risk of disease which places the employee and the accompanying family at risk. The lack of facilities and the increased health risk must also be considered by both the employer and the employee in the relocation decision.

Career Development

Employees, if confronted with successive relocations which seem to offer little or no opportunity for career development, fail to see either the need or the benefit of such moves and grow to resent them. This is particularly so in organizations that tend to move their employees frequently. Although such employers perceive a benefit from this approach by ensuring that their work-force is always mobile, they do so at significant cost financially and organizationally. Few employers today can afford such costs, and consequently the relocation of employees is generally the result of a serious effort on the part of the employer to develop internal talent by pacing and directing employee assignments to different jobs and locations.

IV. RELOCATION ASSISTANCE PROGRAMS

As one might expect, the problems associated with the relocation of employees vary from organization to organization. The number of relocations per year, the locations from which and to which the employee moves, the anticipated length of stay at the new location and the selling and purchasing costs of employee residences are only some of the issues which must be considered.

Employers in both the private and public sectors have recognized the importance of making employee relocation "less painful". They have developed a number of relocation strategies incorporating benefit programs designed to minimize the problems of employee relocation. The scope and nature of some of these programs is explored under this heading.

Accommodation

1. Guaranteed Home Sale Plan

One of the key aspects in most relocations is the requirement for relocated employees to take up their new duties within specified time frames. Unfortunately, this may result in the employee having to dispose of the family home at a time when houses either are not selling well or are temporarily selling for less than the purchase price paid by the employee. The guaranteed home sale plan cushions the loss by providing the employee with a guaranteed market value price for the sale of the family home. The employee receives, as a minimum, the guaranteed price of the home within a specified period, usually 90 days, of making a decision to participate in the guaranteed home sale plan. The employee is protected from double mortgages for both old and new residences or delaying the relocation of family members. The guaranteed home sale plan usually includes houses, condominiums and apartments which are owned by the employee as the principal place of residence.

In the private sector, over 90% of the companies sampled provide some form of a guaranteed home sale plan to their employees. The Ontario Government also provides a Home-Owner Employee Relocation Plan for its civil servants and other Crown employees. A residuary discretion resides with the Ministry or agency responsible for the transfer. The Ontario Provincial Police is covered by this program.

The Federal Public Service provides a form of guaranteed home sale program for its employees in the management category only, at this time³. The Royal Canadian Mounted Police has its own relocation policy and administrative guidelines which are subject to Treasury Board approval and which do not at present include a guaranteed home sale plan.

3 New Relocation and Travel Provisions for Management, T.B. Circular No. 1988-27, November 9, 1988.

Generally only the principal residence which is owned and occupied by the employee is

eligible under the guaranteed home sale plan. Certain kinds of properties are either excluded or a modified value is placed on them. These usually include:

- (i) farms
- (ii) multiple family units
- (iii) mobile homes
- (iv) houses with excess acreage (more than 2 acres/.8 hectare)
- (v) income producing properties
- (vi) summer cottages used as secondary residence.

(a) Guaranteed Price

A guaranteed price has to be established immediately after the decision is made to participate in the plan. Initially two appraisals are prepared: one selected by the employee from an approved list of appraisers provided, and the other by the real estate company, or relocation services company representing the employer. The average of the two appraisals becomes the guaranteed property price if the difference between the two is five percent or less. If more, a third appraisal is carried out and usually the average of the two closest appraisals is the guaranteed property price. An offer regarding the guaranteed price is forwarded to the employee for acceptance.

(b) Acceptance or Rejection of Guaranteed Price

Once advised of the guaranteed property price, the employee has five to eight days to accept or reject the offer. If the offer is rejected, it is the employee's responsibility to dispose of the home and re-entry into the guaranteed home sale plan is not permitted.

(c) Sale of Home

On acceptance of the offer, the home is listed through Multiple Listing Service (M.L.S.) for 90 days. The offer is conditional on the employee vacating the property within the 90 days.

During the first 30 days, the property is listed for a price not exceeding twenty percent above the guaranteed price. During the second 30 days, the property is listed at a price not exceeding ten percent above the guaranteed price. If unsold after 60 days, the property is listed at the guaranteed price. It should be noted that the percentage increases above the guaranteed price at each stage vary considerably with the different employers; the percentages shown are the maximum limits.

In the event the home is unsold within 90 days, the employee will receive the guaranteed price. If the property is sold within the 90-day period for an amount higher than the guaranteed price, the employee will receive the additional amount, less any costs which may have been incurred while the property was vacant.

2. **Guaranteed Equity Plan**

Market prices of houses in Canada vary regionally resulting in significant discrepancies between certain locations; "boom" and "bust" economic periods have also resulted in rising and falling home prices within the same location.

This has had a negative effect, not only in the ability to sell, but in the actual value of the properties. In many instances employees have faced a loss in their equity when they have relocated.

In a few cases, employers have attempted to rectify this situation, but usually only in the case of senior executive positions. Such solutions are often "tailor-made" and the potential financial costs are impossible to control. Less than forty percent of employers surveyed provide any assistance in this area.

A potential means of addressing this situation is by considering equity protection. This comes into play if the housing prices fell during the period of a fixed-term assignment, or in cases of employer-initiated transfers at a time of prevailing low market conditions where such a sale causes a loss in relation to the original purchase price. Equity protection is provided by guaranteeing any equity loss that employees suffer as a result of the relocation. In this context, equity usually is understood to be limited to the amount initially invested by the owner and any subsequent payment of principal on the mortgaged property.

An example of this is when an employee invests \$20,000 in the purchase of a home and must then sell and relocate within a specified time. The guaranteed equity plan would prevent that employee's loss of the \$20,000 originally invested along with re-payment of mortgage principal where applicable. Unlike the guaranteed home sale plan, the guaranteed equity plan does not assure the sale of the home within a specified time. It also does not apply when the house is sold at or above the original purchase price. In such a situation, there is no loss of equity, therefore no need for equity protection.

In the police community, the RCMP is presently considering a guaranteed equity plan.

3. **Reimbursement of Costs for Disposal of Principle Residence**

The reimbursement of costs associated with the disposal of the principal residence prior to relocation are covered by over ninety percent of employers surveyed across Canada including Federal and Provincial Governments and their agencies. These costs fall into

the following categories:

- (a) Real estate commission on sale at normal local rates.
- (b) Legal fees and disbursements associated with the transaction.
- (c) Appraisal costs to establish the guaranteed price.
- (d) mortgage termination penalties where applicable.
- (e) Cancellation of lease for rented principal residence usually at a cost not to exceed three months, rent.
- (f) Administrative fees of real estate or relocation service companies.

Even if the employee does not accept the guaranteed home sale plan, the employer nevertheless reimburses real estate commissions, legal fees and disbursements, and mortgage termination penalties where applicable.

4. New Home Acquisition Fees Equity Advances

Most plans provide for equity advances to assist with the purchase of a home at the new location. These advances range up to ten percent of the guaranteed home sale price. In some instances the employer provides a guarantee to the employee's bank to cover a bank loan in order to make a holding deposit on a home at the new location. The interest payable on such a loan is covered by the employer until the employee receives the equity from the sale of the previous home.

As in the case of the disposal at the former location, the majority of the expenses associated with the acquisition of a new principal residence at the new location are covered by the employer. These fall into the following categories:

- (a) Reasonable legal fees and disbursements related to the purchase provided that the employee was a home owner prior to the transfer. This restriction applies to approximately sixty percent of the employers surveyed. Purchase must normally be made within a one-year period after relocation.
- (b) Land transfer taxes where applicable.
- (c) Services provided by relocation services companies to find suitable accommodation. Normally real estate companies provide this service free to the home seeker.
- (d) Interest and fees for "bridging loans" to secure a new principal residence while awaiting the equity from the sale of the former home. These loans normally have a three-month maximum period.

5. Mortgage Interest Differential

Mortgage interest differential reimbursement has become an important portion of the expenses of relocated employees. As a result, the majority of employers provide some form of taxable reimbursement in accordance with the following conditions. First, the principal residence at the new location must be of similar size and quality as the former residence. Second, full equity from the former principal residence must be reinvested in the principal residence at the new location.

The most common forms of taxable reimbursements include:

- (a) The difference in interest rate between the previous and the new mortgages is covered only up to the value of the previous mortgage. Only the interest difference is covered, not the size of the mortgage.
- (b) The mortgage interest differential is paid for a period not exceeding three years or the term of the original mortgage whichever is the shortest period.
- (c) Maximum payments vary with employers, based on the level of the employee in the organization or subject to a maximum overall cost. A common maximum figure established is \$5,000.
- (d) In cases where employees have a mortgage free principal residence, a mortgage interest differential is often considered if the new location is a higher-cost housing area.

6. Low or Interest-Free Loans

Low or interest-free loans to assist employees with purchases in high cost housing areas, such as Toronto at this time, are only available from about fifty percent of employers surveyed in the private sector and are not available in the Federal Public Service or other agencies covered by its programs.

The application of low or interest-free loans started as an ad hoc reaction to severe housing cost differentials between different locations in Canada. It quickly became evident that this situation would not correct itself in the near future, so policies were established by some employers to address the problem. Many employers, however, are unable to provide relief in this area of relocation. The employers who do provide assistance do so in different ways.

- (a) Interest rates range from zero percent to prime rate as established by the chartered Canadian banks.
- (b) Loan periods range from 5 years to 25 years or date of retirement, whichever comes first.

- (c) Maximum loan limits range from \$40,000 or one year's annual salary, whichever is the lesser, to \$100,000 or one year and a half of annual salary, whichever is greater.
- (d) About twenty percent of these employers increase the amount of the loans to offset the tax payable.

7. Housing Differential Allowances

A portion of private sector employers surveyed (about twenty percent) provide relief to employees relocating to high cost areas through a Housing Differential Allowance. Similar to the low and interest-free loans, there are various degrees of assistance provided.

- (a) Allowances are usually paid over a period ranging from one year to ten years.
- (b) Allowances are paid on a declining scale over the period.
- (c) The allowances range to a maximum limit of \$100,000 but usually fall in the \$40,000 range.
- (d) About half of the organizations who provide allowances increase the amounts to offset the tax payable.

8. Accommodation Provided or Subsidized

The majority of employers in Canada do not provide any form of housing for their employees and families. Employees in some locations and members of the Department of National Defence are either provided with rental accommodation or an allowance to cover the differential rental costs at the new location. Usually the rental allowances are based on a differential cost between the new location and a base location which is used as standard-cost base for all relocations.

The allowances are based on location and size of family and are considered as a taxable benefit.

In the situations where rental accommodation or allowances are provided, the employee who chooses to purchase a principal residence does not receive any assistance by these employers.

9. Interim Accommodation

Employees often face accommodation problems when the departure from the former location does not match the occupancy date at the new location. In these situations all employers surveyed provide financial assistance for commercial accommodation until occupancy of the new accommodation is available. The maximum period of interim accommodation is usually six weeks.

10. Househunting Trips

All employers surveyed provide househunting time for the employee and spouse to find suitable accommodation at the new location. Some employers establish a normal time limit of one trip for up to one week. The majority of private sector employers surveyed are flexible in this regard and allow sufficient time off to enable the employee to find satisfactory accommodation at the new location.

One of the newer trends in recent years due to the difficulty of moving families is the opportunity for family members, especially school age children to participate in one househunting trip to the new location. Some employers surveyed have experienced a positive reaction from the employee when the full family can participate in the search for a new principal residence and cover the school requirements early in the relocation process.

The expenses covered during these trips vary extensively from employer to employer. These items may include baby-sitting and child care expenses, telephone calls, car rentals, meals and incidental expenses.

Movement of Household and Personal Effects

The cost of the movement of household and personal effects are covered by all employers surveyed in Canada with only minor differences. They cover the following items:

- (a) Preparation
This includes packing, shipping and removal of household effects and personal belongings. Each employer has a list of those items which do not fall into this category for movement.
- (b) Insurance
Insurance is provided against breakage and loss in transit usually with reasonable limits while in the possession of the moving company and while in storage. It is usually the responsibility of the employee to insure special items of value such as jewellery, art collections, stamp collections, etc.
- (c) Storage
Storage charges are normally covered for periods up to sixty days when the employee is either required to leave his present accommodation prior to obtaining new accommodation or until the accommodation is available. Storage is sometimes required in cases of short-term transfers or transfers to locations where it is not desirable to transport household effects. In these situations, employers cover all expenses incurred for packing, shipping, storing, insuring and unpacking.

(d) Automobiles

Automobiles are covered in moving expenses by more than ninety-five percent of employers surveyed. The first automobile is usually shipped by a moving company. If the employee wishes to drive, and it is practical to do so, the employee is reimbursed for normal mileage costs plus reasonable expenses for meals and accommodation en route.

Over fifty percent of employers surveyed now cover moving expenses for a second automobile. Of the employers who transport a second automobile, some reimburse fifty percent of the cost while others cover the total cost.

(e) Unusual Items

The transport of unusual items is considered on an individual basis by all employers surveyed. Items such as recreational vehicles, boats, trailers, mobile homes, motorcycles and snowmobiles fall into this category.

In some instances, moving companies will consider transporting some of these items with household effects. Motorcycles and snowmobiles sometimes fall into this category due to their size but the employees are responsible for the proper servicing of such vehicles before movers will accept them.

(f) Payment in Lieu

Payment in lieu of movement of household effects has been implemented by a few employers surveyed. In specific cases the employee is reimbursed for fifty percent of the estimated moving expense. This is not a common practice.

(g) Incidental Expenses

Incidental expenses are covered by a lump sum payment by over ninety percent of employers surveyed. Incidental expenses are identified as other expenses which have not been covered elsewhere in the relocation programs.

The amount usually varies from a few hundred dollars per employee to two months salary. This may be a taxable benefit reportable for income tax purposes. This allowance is established to offset some of the expenses incurred for:

- (a) Connection of appliances and telephone.
- (b) Altering carpets and drapes.
- (c) Duplicate costs of school text books, etc.
- (d) Replacement of plants which were damaged in transit or could not be shipped.
- (e) Replacement of frozen foods and perishables which were not shipped.
- (f) other miscellaneous expenses.

V. OTHER CONSIDERATIONS

There are other areas which require consideration and have an impact on relocation policies and practices. A few of the more significant considerations will be addressed under this heading. They are:

1. Relocation Counsel

Many employers, particularly those who must regularly relocate a significant number of their employees, are hiring staff responsible for counselling employees and their families before, during and after the relocation.

Increasing numbers of psychologists are also being employed by large companies to assist relocated employees and their families in dealing with the physical, social and psychological impact of the relocation. They provide counselling to the relocated family and offer stress preparation programs. Such programs are particularly useful to the relocated spouse as current research indicates that "... trailing spouses (most often women) suffer most from relocation and that despite their loss of career, social network, self-confidence and self-direction, their needs are often neglected"⁴.

4 Neill, R. Moving Can Damage Your Firm's Profits, The Bulletin, November 8, 1988.

2. Isolated Posts/Hardship Areas

The majority of employers surveyed in Canada do not relocate employees to isolated posts/hardship areas. Most of the relocations of employees and their families are between major cities or at least centres with adequate housing and required facilities. Some of the employers such as the Federal Public Service, provincial governments, the Department of National Defence, RCMP, oil and mining companies have employees located in hardship and isolated areas due to the nature of the organization. There are special conditions taken into account in the relocation and duration of postings to these areas. Often such postings are voluntary and for a short period, usually a maximum of two years.

In the majority of situations, such as in the Royal Canadian mounted Police and the Ontario Provincial Police, employers provide furnished or partially furnished accommodation. In such situations, a base rent is established and paid by the employee. The comparative rental costs of housing are reviewed to determine the rental rate differential which is subsidized by the employer. This subsidy is a taxable benefit to the employee.

Changes to the Income Tax Act have been proposed which would make the isolated post allowance a taxable benefit with retroactive application. At the time of this paper, this issue remained a point of contention with strong opposition from those who consider this form of financial assistance as a necessary measure to offset the high costs of living in these posts. The matter remains under review. Employers must be constantly aware of the potential impact that changes to the Income Tax Act may have on relocations, particularly so when these changes have a retroactive application.

As one would expect, the accommodation at isolated posts may not meet the standards at other more central locations. When the posting is of short duration and provides a promotional or career progression opportunity for the employee, the situation may, however, be more acceptable to the employee. In other circumstances, such as a non-promotional posting or the unexpected extension of the posting, the impact is less acceptable even though the employee realized on commencement of employment that relocation was part of the normal working conditions.

Most employers provide isolated post or hardship allowances of various amounts based on the locations and family size. Shipment of household and personal effects are usually covered in the same manner as normal relocation; many employees, however, prefer to place their household effects in storage.

Minimum weight and other removal restrictions are unusual but do occur. Single employees are generally more affected by such restrictions.

The individual situation of each employee is normally considered in terms of relocation to isolated posts. The following are considered in order to provide the most appropriate option without incurring excessive costs:

- (a) Single or married.
- (b) Dependents.
- (c) Spousal career situation.
- (d) Special family considerations such as disabilities, etc.

Financial assistance is provided for education purposes where the relocation takes place during the school term and the age and education level would cause unnecessary difficulty on the student. There are no fixed standards in this regard. Each case is considered on its individual merit and the cost implications.

Health services may not be adequate in some locations to meet the specific needs of some employees and/or their family members. As with education, each case is reviewed and dealt with on an individual basis.

3. Spousal Career Considerations

Relocation practices are now being influenced to a greater extent by the increasing number of two career families. In many cases employees are rejecting relocations, even for promotion, in order to maintain the career opportunity of the spouse. This situation depicts a greater emphasis on "lifestyle" than on "employee promotional opportunities" as was once the case.

About twenty percent of employers surveyed in the private sector, have recognized this trend by assisting spouses to find employment opportunities at the new location. This sometimes takes the form of employment internally where this is possible and practical or of third party assistance in the job search.

The two career family poses far greater problems for the police employer if both members are employed by the force. In the smaller or more remote locations, the opportunity for both members to be employed is virtually non-existent even if vacancies exist. Where both members cannot be accommodated in the relocation, some police employers, the RCMP among them, provide to the spouse-member not being relocated a period of leave without pay for up to five years.

The desirability and in fact the necessity for the members to relocate within, or at least close to, the community in which they serve even complicates the situation further. This requirement is specific to the police community and the resulting problem will likely be more prevalent in the future.

4. Relocation on Retirement

The relocation of employees and their families on retirement is normally the choice of the employee and, therefore, any expenses incurred are paid by the employee. A minority of employers reimburse relocation costs to the full extent as per normal employee relocations but these are usually based on some restrictions. These restrictions fall within the following parameters:

- (a) Present location was at the employer's request and not the employees.
- (b) If the relocation is prior to retirement, the employee commits to working at the new location for a period of time; a period of two to five years is the range considered appropriate.
- (c) The employee on retirement may be relocated within a maximum two-year period. The majority of employers surveyed require that decision to be made in the twelve-month period after the date of retirement.

It should also be noted that in the event of the death of the employee prior to retirement, the above provisions remain in effect for the spouse and family.

VI. CONCLUSION

Relocation practices of employers across Canada, whether in the public or private sector are constantly evolving and moving towards solutions which address the individual concerns of employers and employees and their families. The establishment of the Canadian Employee Relocation Council (C.E.R.C.) in 1982 and its membership of more than 120 Canadian Corporations attest to the importance of this issue.

From the employers who provided input into this paper, the survey data obtained and policy documents studied, it has become clear that there is no standard way in which employers deal with relocations. There are common elements in practices observed, but the scope of the programs varies considerably. This is demonstrated by the range of policy and administrative manuals produced; they vary from a dozen pages in many private corporations to a few hundred pages in the Federal Public Service.

Employers with hundreds of relocations annually cannot effectively administer them without clear and precise guidelines, but the opportunity to exercise judgement and flexibility is often cited by employers and employees as a key factor in dealing with relocation. Such flexibility can address specific situations without setting costly precedents.

Relocation budgets are generally not open-ended. whether large or small, private or public, the employer usually has limited funds for relocations and is compelled to examine every opportunity to obtain the best return for the dollars spent in relocating employees. The increasing costs of relocations have in fact caused many employers to review their need to relocate employees. This has, in some cases, resulted in the identification of a greater number of positions which are staffed locally. Personnel managers are also re-examining positions and reassigning certain duties to provide greater variety in the tasks, and broader experience, thereby reducing the number of employees relocated for developmental purposes. Although developmental rotations continue to be necessary for succession planning and career development, the number of relocations an employee and employer must deal with can be reduced in this way.

Some employers can and do use the opportunity to promote and increase salaries when relocating employees. This reinforces the positive aspects of the career development for the

employee and generally makes the move more palatable.

For managers who must deal with the relocation issue, this brief overview has outlined the challenge and some of the means utilized by employers in meeting this challenge. Employers, particularly police employers who relocate a significant number of members annually, must continually balance the need for flexibility in dealing with the particular needs of an employee and the consistent or uniform treatment sought in the application of human resource management policies. Fairness requires this balance to be maintained.

Concerns for employee morale, effectiveness and productivity also weigh heavily on the employer. A balance must also be struck between the provision of a number of relocation assistance services, including relocation counselling and the costs of these programs. Obviously, the financial resource vary greatly from employer to employer and, although an employer may wish to provide a broad range of relocation assistance services, financial constraints require choices to be made in terms of forms of assistance. The implementation of these assistance programs may also have to be selective, or occur over time as other programs are phased out.

To facilitate these decisions, a greater number of employers are establishing mechanisms for monitoring and evaluating relocations and their impact on both the organization and the employee. Some, as in the case of the RCMP, have established committees, study groups or task forces to review the need for and viability of certain relocation assistance services. This is a continuous process for employers and again adds to the cost of managing relocations.

What are the long term costs, however, in ignoring this issue? Few employers can afford to do this although in this period of restraint, some may be tempted.

The relocation of employees has many benefits for both the employer and employee which can outweigh the negative aspects raised in this paper. The extent to which employers and employees cooperate in determining an appropriate program of relocation assistance services ultimately may lead to that program's success or failure. By extension, this is also a measure of that organization's management performance. Managing in a cost efficient and effective manner is not only desirable in the 1980's and in future years, but essential.

The police employer is no less affected by these pressures and hence the challenge of establishing employee assistance programs which are fair and necessary in spite of pressure to increase police services while reducing policing costs.

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