

# THE ECONOMIC IMPACT ON GLOBAL MOBILITY

GRAEBEL REFLECTS ON HOW THE FINANCIAL CRISIS HAS ALTERED THE MOBILITY OF THE GLOBAL WORKFORCE AND IDENTIFIES TRENDS SHAPING RELOCATION DECISIONS.

It's no secret the global economic downturn has affected the way businesses are managed. Companies have identified ways to cut costs across the board – from downsizing their staffs, to reducing or eliminating capital expenditures, to adjusting their global mobility programs. While these practices have short-term benefits, they could also affect how a business moves forward when economic vitality returns.

The world is more connected than ever before. Advancements in technology and global trade have placed an increasing importance on globalization. Emerging markets present businesses with opportunities to reach new consumers and expand their reach. These trends will likely continue far into the future, which will also lead to increases in the cross-border movement of employees.

Today's economic climate may have prompted companies to take a smarter approach to their global mobility programs, but it has not put an end to the process.

## RIGHT PEOPLE, RIGHT PLACES

Over the past few years, the relocation industry has seen a decrease in corporate relocation



volume of 50-percent.<sup>1</sup> Now, companies are taking a more strategic approach to relocating employees before initiating an assignment or transfer. They are engaging in more "pre-decision" activities with prospective transferees to determine if the move is right for corporate strategy and personal development, as well as cost-effective for both parties.<sup>2</sup>

Additionally, companies are filling openings with local talent rather than incurring the costs of relocating employees from other regions. In the

2010 Global Relocation Trends Survey Report by HRO Today, local-hire policies increased slightly from 37- to 38-percent.<sup>3</sup>

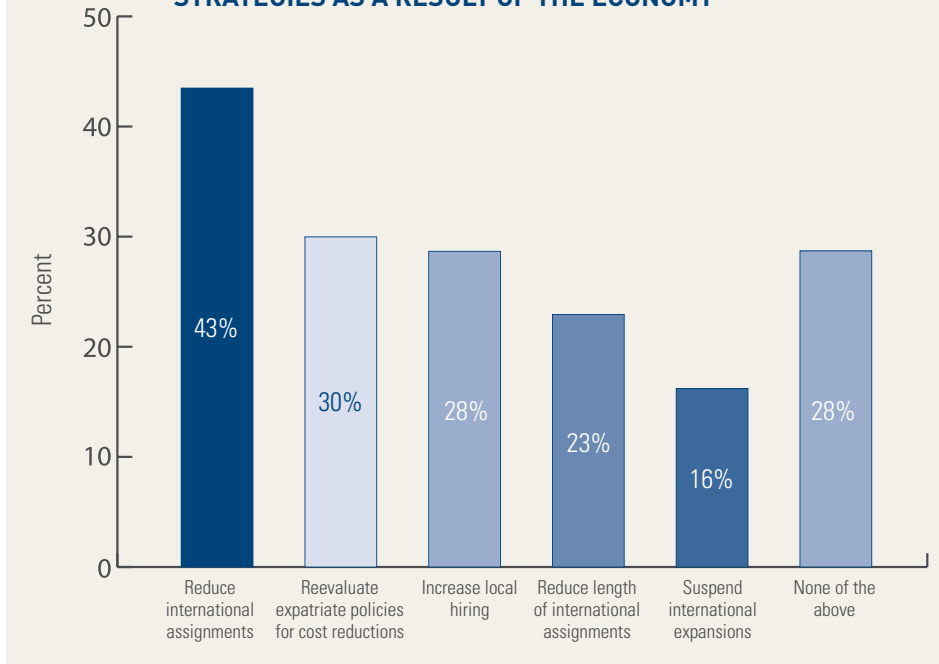
One of the strongest criteria companies are using to evaluate employees for relocations is long-term talent retention. In a survey conducted by PricewaterhouseCoopers, 97-percent of CEOs indicated "having the right talent is the most critical factor for their business growth."<sup>4</sup> Companies will therefore invest in identifying and training key people, and move them to where they're needed.

<sup>1</sup> Eric Kell. "The Business of Relocation: Not Good." HR Magazine, August 1, 2010.

<sup>2</sup> Ibid.

<sup>3</sup> Debbie Bolla. "The New Realty Reality." HRO Today, May 2010.

<sup>4</sup> PricewaterhouseCoopers. "Talent Mobility 2020." April 2010.

**FIGURE 1. CHANGES TO GLOBAL MOBILITY STRATEGIES AS A RESULT OF THE ECONOMY<sup>7</sup>**


Despite the tough labor market, top performers can and will leave their current companies if they do not receive the desired support, benefits, and career opportunities. As the economy picks up steam, this trend will become more evident. Employees who successfully helped their organizations navigate the downturn and who have a proven history of accomplishments will be in high demand – for retention and recruitment.<sup>5</sup>

“Ongoing policy review, cost management and specifically policy exception control, and return on investment are necessary for companies to achieve their business strategies through successful relocations,” explained Bill Graebel, CEO of Graebel Companies, Inc. during a recent Graebel Relocation Alliance conference. “Relocation benefits adopted a few years ago may need to be re-evaluated for gaps and relevance in today’s marketplace. Carefully screening and weighing candidates along with their families’ ability to overcome obstacles

during relocation are also proving to be critical components in successful mobility programs.”

Continued Graebel, “When return on investment is left unchecked, companies can be burdened with low morale and job satisfaction, poor performance, and lost productivity from relocated employees. Ultimately, employee turnover causes untold losses of profound organizational knowledge, and adds steep out-of-pocket costs for recruitment, training, and certifications, as well as relocation costs to re-position people.”

### RE-EVALUATING GLOBAL MOBILITY PROGRAMS

Instead of scrapping assignments altogether, companies are considering non-traditional alternatives. For example, short-term assignments and extended business trips can reduce relocation costs and other expenses associated with allowances, benefit packages, and taxes. Plus, these assignments can be beneficial for both

the employee and the company, as an employee may be reluctant to relocate his/her family permanently and companies may not view a family transfer as a cost-effective move.

By approaching relocations with an eye toward the necessary, companies are able to trim costs. Two examples of using more stringent assignment objectives and approval process include moving mid-level employees in place of senior executive-level employees and focusing on relocating people only to business-critical locations.<sup>6</sup>

Figure 1 shows the mobility strategies Fortune 1000 companies are using to combat the economic downturn, as per a survey conducted by Ernst & Young.

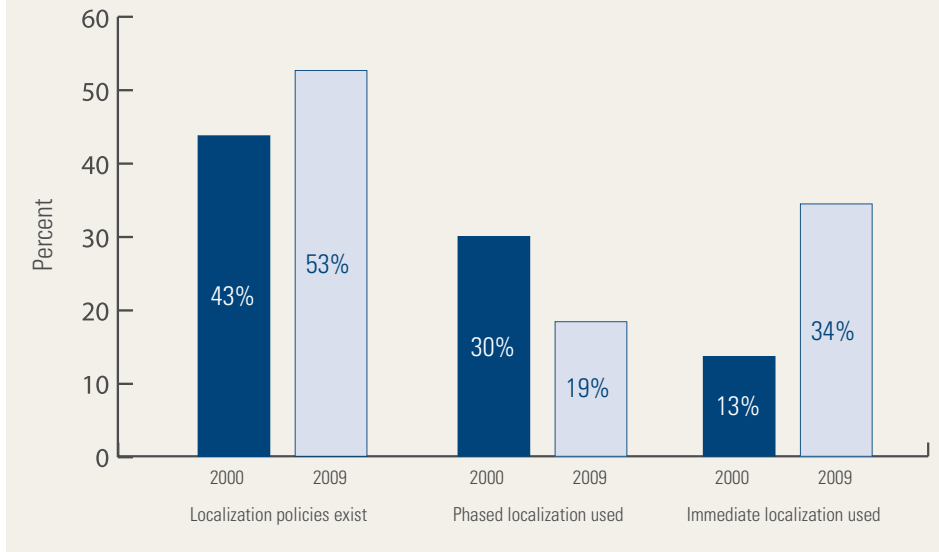
Changes in localization policies – where transferred employees become local employees and thus receive host country compensation and benefits – have been made to reduce the costs associated with long-term assignments and simplify or eliminate the process of extending assignments. In the past, this process was conducted gradually with employees receiving reduced benefits over three to five years,



<sup>5</sup> Robert Half. “2010-2011 Global Financial Employment Monitor.”

<sup>6</sup> PricewaterhouseCoopers. “Global mobility in a downturn – managing through and emerging stronger.” 2009.

<sup>7</sup> Ernst & Young LLP. “Managing today’s global workforce.” May 2010.

**FIGURE 2. LOCALIZATION APPROACHES<sup>9</sup>**


but now, companies are starting to localize employees immediately upon relocation.<sup>8</sup> Figure 2 details the increasing use of localization and the change in timeframes that have occurred over the past decade.

### RELUCTANT EMPLOYEES

The housing crisis has negatively affected mobility. Some people who ordinarily would move to find new jobs are unable to because they owe more on their homes than the homes are worth. Unfortunately, the reluctance of Americans to move has impacted relocations both internationally and domestically. For example, between March 2008 and March 2009, only 1.6-percent of Americans moved to different states – a level of sluggishness not seen in more than 50 years.<sup>10</sup> The mobility of the American worker has helped lift the nation from economic turmoil in the past, but of late, the housing crisis and high unemployment rate throughout the country appear likely to prevent history from repeating itself.

“In the past, people tended to move to where the jobs are,” said Alan B. Krueger, assistant secretary, U.S. Department of the Treasury. “Now it is necessary to have more of a strategy to move the jobs – and create new jobs – in areas where the people are.”<sup>11</sup>

Housing markets in other parts of the world have also been impacted by the financial crisis. In Europe, markets are varied. Spain, Ireland, and a few Eastern European countries experienced significant pricing declines over the past few years, while the U.K. and France have performed well.<sup>12</sup> Asian housing markets, on the other hand, have experienced pricing increases that have led to speculation of a potential real estate bubble – causing the governments to take steps to curtail real estate gains in places like Hong Kong.<sup>13</sup>

Bill Graebel remarked, “Corporations are facing global mobility challenges seldom encountered. These range from employees refusing to move to avoid an exorbitant loss on the sale of

their property or an unwillingness to consider relocations as they envision little intrinsic value in uprooting their family or losing dual incomes in today’s economy.”

### THE IMMIGRATION SLOWDOWN

When labor markets constrict, people tend to pay closer attention to immigration issues. Workers fear competition for jobs from foreign workers, and may start calling for tougher restrictions.<sup>14</sup> Politicians may listen to public sentiment and pass tougher immigration policies. In any case, this anti-immigration sentiment could impact global mobility – both as immigrants return to their native lands and as governments tighten policies.

Once unemployment began to rise, some countries – including the U.S., U.K., Ireland, and Italy – have taken steps to restrict the number of immigrants from entering the country or have issued policies to discourage employers from hiring illegal immigrants or foreign workers on temporary visas.<sup>15</sup>

History has shown that for every 100 jobs lost in a high-immigration country, 10 immigrants leave the country.<sup>16</sup> However, some countries (Spain, France, Japan, Czech Republic, and Denmark) have taken measures to increase this 10-percent rule by adopting programs, such as paying travel costs, to encourage foreigners to leave the country.<sup>17</sup>

### THE MOVE TO THE CLOUD

As businesses look to find new ways to decrease costs and increase flexibility, they are turning to cloud computing – the idea of using the Internet to deliver shared resources, software, and information to users on demand. Through cloud computing, businesses can reduce capital investment, simplify IT management, and provide staff with access to the documents and applications they need even when they are offsite.<sup>18</sup>

<sup>8</sup> Bridget Mintz Testa. “Special Report on Employee Relocation: Strategic Moves.” Workforce Management, July 2010.

<sup>9</sup> PricewaterhouseCoopers. “Localization policies and practices.” 2010.

<sup>10</sup> Michael A Fletcher. “Few in U.S. move for new jobs, fueling fear the economy might get stuck, too.” The Washington Post, July 30, 2010.

<sup>11</sup> Ibid.

<sup>12</sup> Property Wire. “Housing Growth Could Slow in Several Countries.” September 21, 2010.

<sup>13</sup> Simon Packard. “Hong Kong Seen Leading Home-Price Growth in 2011 as Bounce Ends.” Bloomberg, September 13, 2010.

<sup>14</sup> Moira Herbst. “Immigration Amid a Recession.” Bloomberg Businessweek, May 8, 2009.

<sup>15</sup> Liz Goodwin. “Study: Recession sparked global immigration crackdown.” Yahoo! News, July 6, 2010.

<sup>16</sup> Timothy Hatton and Jeffrey Williamson. “Global economic slumps and migration.” VOX, April 29, 2009.

<sup>17</sup> Liz Goodwin. “Study: Recession sparked global immigration crackdown.” Yahoo! News, July 6, 2010.

<sup>18</sup> Peter Hann. “How on the cloud computing can be used as a competitive advantage.” Helium.

Mobile or virtual workers – individuals who work from homes or non-traditional sites – are expected to make up 34.9-percent of the worldwide workforce by 2013.<sup>19</sup> Cloud computing, high-speed Internet, and teleconferencing capabilities have enabled this increase, making it easier for workers to collaborate with colleagues across the globe.

As companies look to save money on real estate and relocation costs, virtual work arrangements may increase. With virtual work programs, companies can recruit talent from anywhere, “without committing significant capital to recruitment and relocation costs.”<sup>20</sup>

### CAPITALIZING ON EMERGING OPPORTUNITIES

Developing markets may attract companies looking to expand, reach new consumers, and counteract a weakened U.S. dollar. As companies invest in these markets, they will need employees to help them get their new ventures up and running.

Populations across the globe are shifting. These shifts have created new population centers,

and this will affect where businesses operate in the future. Table 1 shows how the top five population centers have changed and grown – and what they will likely look like in 2025.

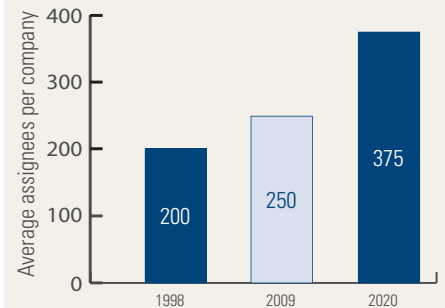
Companies are also likely to expand the number of countries to which they transfer employees. As of 1998, a typical global organization hosted employees in an average of 13 different countries. This number grew to 22 in 2009, and PricewaterhouseCoopers estimates that by 2020, companies will have employees stationed in an average of 33 different nations.<sup>22</sup>

The continuing trend of global integration will help maintain the importance of posting employees overseas for mid-sized and large companies.<sup>23</sup> Not only will these policies help generate competition and growth, but they could help to increase international assignments, as shown in Figure 3.

### YOUR GLOBAL MOBILITY PARTNER

For 60 years, Graebel has provided world-class relocation services to Fortune 500 clients and their employees. Over the years, Graebel’s experienced team has remained on the forefront

**FIGURE 3. PREDICTED GROWTH IN INTERNATIONAL ASSIGNMENTS<sup>24</sup>**



of trends in global mobility, helping clients navigate and understand the implications of an ever-changing industry.

“At our 10th annual Graebel Relocation Alliance, we brought together relocation executives from the Fortune 250, leaders from our global supply chain, and members from our relocation staff,” explained Bill Graebel. “Aligning global mobility and talent management strategies was among our conference’s think-tank topics. Findings and recommendations presented at the conclusion of the conference are available.”

By taking the time to understand the shifts in global mobility – and their causes – Graebel is able to help companies create cost-effective and efficient relocation policies. Through resources like ReloTRENDS<sup>SM</sup> and white papers, Graebel informs its clients of new compliance and regulatory controls that countries are likely to put in place in response to the economic crisis and pending recovery.

**TABLE 1: TOP FIVE CITIES BY POPULATION<sup>21</sup>**

1950	1990	2007	PROJECTED 2025
New York (12.3 million)	Tokyo (32.5 million)	Tokyo (35.7 million)	Tokyo (36.4 million)
Tokyo (11.3 million)	New York (16.1 million)	New York (19.0 million)	Mumbai (26.4 million)
London (8.4 million)	Mexico City (15.3 million)	Mexico City (19.0 million)	Delhi (22.5 million)
Shanghai (6.1 million)	Sao Paulo (14.8 million)	Mumbai (19.0 million)	Dhaka (22.0 million)
Paris (5.4 million)	Mumbai (12.3 million)	Sao Paulo (18.8 million)	Sao Paulo (21.4 million)

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<sup>19</sup> Giovanni Forte. “Where Mobility Meets the Cloud.” Forbes, September 3, 2010.

<sup>20</sup> Chad Thompson and Pat Caputo. “The Reality of Virtual Work: Is Your Organization Ready?” Aon Consulting, 2009.

<sup>21</sup> PricewaterhouseCoopers. “Talent Mobility 2020.” April 2010.

<sup>22</sup> Ibid.

<sup>23</sup> Ernst & Young LLP. “Managing today’s global workforce.” May 2010.

<sup>24</sup> PricewaterhouseCoopers. “Talent Mobility 2020.” April 2010.