Managing Rising Mobility Costs without Sacrificing Employee Experience

Practicing mindful mobility in a challenging market

Worldwide, prices are rising on everything from food to fuel and housing, and global mobility is no exception. With mobility program costs increasing by anywhere from six to 80 percent between 2019 and 2022, the pinch felt by executives in Dallas is similar to the struggles of executives in Dubai.

Faced with persistent inflation and annual budgeting processes that can't keep up, corporate leaders are sounding the alarm and demanding cost cuts.
The resulting challenge for mobility professionals is having to balance fiscal responsibility with delivering an exceptional mobile employee experience.
Taking a "mindful mobility" approach, which balances a focus on positive employee experiences with strategic approaches to efficiency and cost management, is more important today than ever before.

> ***Companies that find relocation solutions that are cost efficient while protecting the mobile employee experience will enjoy a return on investment across the organization, ultimately saving time, money and resources in the long run.***
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> **- Clint Rivet, Chief Financial Officer, Graebel Companies, Inc.**

Why is striking a balance so important? Successful relocations have a variety of beneficial financial implications for a company, including positive ROI and increased revenue and productivity. Conversely, the cost of failed relocations – early repatriation, damaged

employee engagement, disruption to business plans, more program management time and negative impacts on a company's mobility brand reputation – is high.

Graebel's State of Mobility Report for 2022 found that knowledge workers are eager to relocate, meaning it's also a strategic talent attraction and retention tool.
With an empowered talent pool willing to make changes if workplaces don't meet their expectations, talent management strategies need to be judged on whether they deliver a competitive advantage, including creating inclusive relocations that meet the unique needs of each mobile employee. For some mission-critical roles, the negative impacts and cost of not mobilizing the assignment could be significantly higher for a company than the cost of relocating an employee.

Why are mobility program costs increasing so dramatically, how are they impacting the mobile employee experience and what can mobility professionals do when they're stuck between a rock and a hard place? Leveraging current data and decades of experience supporting clients and their employees through economic highs and lows, we've pulled together some insights regarding global cost challenges – with specific nuances in the Americas, APAC and EMEA – plus tips to maintain exceptional experiences for mobile employees to drive organizational goals.

Causes of Rising Mobility Costs and Implications for the Mobile Employee Experience

There are five factors leading to rising mobility costs, whether you're relocating mobile employees to Sweden or San Antonio:

1 War in Ukraine

What's happening? There are multiple factors that have led to tight housing markets around the world, including a lack of temporary housing, no room to build new housing, the opening up of borders post-pandemic and more. Perhaps one of the biggest impacts, at least in EMEA, is the war in Ukraine, which to date has displaced over 7.2 million people. With refugees fleeing to places like Berlin, Prague and Warsaw, housing markets are at capacity, with less than one percent of housing available in some areas.

What does this mean for mobile employees? There are more people looking for housing than there is inventory, creating increased competition and rising costs. For mobile employees — and their families — this means it's much harder to find housing that delivers all of their wants, like living in the city center or having an apartment with luxury amenities. Mobility managers need to help employees understand the nuances of the market where they're relocating so they can determine their true needs, what really matters to them, and be flexible on their wants.

2 Energy Costs

What's happening? The global shortage of natural gas, which is often used to generate electricity, has been compounded by the war in Ukraine as many countries look to decrease their reliance on Russian natural gas. The supply crunch is expected to worsen this winter as peak heating season arrives in Europe. Utilities will pay more to buy or generate power, leading to record-high energy prices in EMEA and APAC and consumers paying twice as much as one or two years ago in the United States.

What does this mean for mobile employees?
Because energy is needed for every step of the relocation process — producing furniture, powering the shipment of household goods, mobile employee travel, etc. — mobility managers can expect to see increased costs at each stage of the relocation process. Unless mobility professionals practice mindful mobility, rather than simply focus on the bottom line, this could lead to delayed household goods shipments, longer travel days or inadequate housing cost allowances for mobile employees.

3 Supply Chain Challenges and Labor Shortages

While this section focuses on the challenges and impacts to household goods shipping, destination service providers, particularly in EMEA, are facing these same challenges.

What's happening? Pre-2018, mobility managers expected a one to three percent annual increase in household goods shipping prices, aligned with the consumer price index (CPI). In 2018, household goods supplier partners across the industry raised prices by 10 percent to improve their margins. Now, annual price increases are tied to the producer price index, which is higher than the CPI due to inflation. This is combined with supply shortages and worldwide supply chain issues. Pre-pandemic, there was a steady flow from port to port of full shipping containers, meaning shipping containers were loaded in one location, shipped to and unloaded in another, then refilled with new goods destined for the original port. This process repeated, with related organizations able to maximize shipping amounts and costs. Since the pandemic, there have been empty containers in some places with no goods to fill them, so it's not financially sound to move them to other ports where goods are waiting, and there are full containers in other areas with either no labor to unload them or no way to bring the goods into their destination country, given border closures or city lockdowns, like those we've seen in China.

Labor shortages are making supply chain challenges in the household goods shipping industry worse. During the pandemic, the industry experienced a loss of capacity as many employees retired, switched careers, dealt with illness or stayed at home. As shipping volumes decreased dramatically during the pandemic, some household goods shipping companies closed their doors, leaving the industry with less capacity.

It's been hard to attract and retain new talent to fill the gaps, as it's a demanding job to pack and load household goods correctly to minimize or prevent damage. The other change leading to labor price increases is the shift from hourly wages to daily rates. While previously companies could expect to pay $15 - $20 an hour for a few hours for workers, the going rate today is $400 a day, regardless of the size of the shipment and how long workers will be needed.

What does this mean for mobile employees? Gone are the days of last-minute relocations; moving services now take longer to set up and get delivered. Mobility managers previously needed to give four to six weeks' notice of a move to household goods shippers, but now six to eight weeks is required. It's not uncommon for sea shipments to take four to eight weeks to reach their destination now, depending on location, whereas previously a few weeks was the standard. And once they arrive, sometimes shipments are delayed in port due to the previously mentioned labor shortages, meaning mobile employees need to rent furniture or stay in hotels. Even air shipping timeframes, which are typically quicker, have been delayed from 10 days to a month, as household goods take a backseat to shipping medical supplies and consumer goods.

4 Inflation

What's happening? According to the International Monetary Fund's October 2022 World Economic Outlook, global inflation is forecasted to rise to 8.8 percent in 2022, driven by skyrocketing energy prices, largely due to the war in Ukraine; COVID-related supply chain disruptions; rising food costs and more. In the United States, for example, the Federal Reserve is raising interest rates to battle inflation. This will flow through to mobility: Higher interest rates will impact home mortgages. Homeowners lose buying power if they purchased their home at a lower interest rate during the pandemic and now have to buy a new home at a much higher interest rate. The monthly principal and interest payment won't buy them as much.

Anthony Cristaudo, from Ruoff Mortgage, adds, "Buyers, sellers and real estate professionals around the United States are trying to adapt to a housing market that's vastly different from just a few months ago. Sellers have had the upper hand for the past couple years and buyers have had to accept anything thrown their way, but the tone has changed quickly with buyers gaining the upper hand. Challenges remain with higher interest rates lowering the amount buyers can afford to pay however, and mortgage experts are split on whether rates will stay the same or even decline in the near term… Buy based on your budget and needs."

What does this mean for mobile employees?
Rising inflation means the cost of each step throughout the entire relocation process is inherently more expensive. If mobile employees are on allowance-based policies, this means their money doesn't go as far — and could even mean mobile employees need to contribute more of their own money to moves, to cover the difference between the costs and company-provided allowances.

5 COVID-19 Pandemic

What's happening? When borders closed and countries implemented travel restrictions in 2020 due to the COVID-19 pandemic, relocations largely came to a halt, but pent-up demand remained. As relocations rebounded, mobility professionals have been tasked with managing increased volumes all year round, with no more traditional "busy seasons" for global mobility. Factor in all the challenges mentioned above, and you can see how needing to relocate more employees, all at the same time, amplifies the challenges.

For example, while it might have been easy to find housing for five employees in Sydney pre-pandemic, trying to find, furnish and pay for 50 houses in today's market – on time and on budget – poses a significantly more difficult challenge. Or take for example the fact that during the pandemic in Japan, the demand for rental furniture dropped, leading to layoffs and reduced manufacturing capacity. Now that demand has increased, in part due to supply chain challenges, inventory can't keep up, driving up prices. As world events — economic, health and political — unfold, the number of relocations may fluctuate but the costs to manage that fluctuation are expected to be equally mercurial.

What does this mean for mobile employees? With more people — whether they're refugees, mobile employees or local residents — vying for the same houses, shipping cargos, flights, etc., relocations will not only be more expensive, they'll also take longer. Mobile employees will need to be patient and flexible, while also being ready to make quick decisions.

Solutions for Balancing Costs and the Employee Experience

Here are six ways mobility professionals can work with relocation management companies, supplier partners and mobile employees to find strategic cost cutting solutions, while prioritizing the mobile employee experience:

1 Communicate Realities to Set Expectations.

Communicate about the realities of the current mobility landscape to ensure stakeholders know what's truly going on. Mobility managers also need to help mobile employees understand what they're embarking on so they can adjust expectations on timing, housing, location, etc. accordingly. While many mobile employees see these challenges in the media, some may have a false sense of security because they have a relocation management company (RMC) or supplier partners supporting them.

While RMCs and expert supplier partners can certainly ease the path forward, they can't wave magic wands and make the challenges disappear. Setting expectations with mobile employees is a balancing act for mobility professionals; the employees are needed for assignments so, despite the challenges, mobility professionals need to entice them, while helping them realize the limitations of current markets. Relocations must be a win/win for both the company and employee, and also a talent attraction and retention tool. A poor employee experience could push mobile employees to decline an assignment or leave the organization altogether.

Expectations also need to be set with company leaders. As mobility professionals pull together cost estimates, they should discuss them line by line with executives to explain the value of the different benefits. For example, in some scenarios, company leaders may not grasp the importance of culture or language training for mobile employees' families, assuming it could be an easy benefit to cut to save on relocation costs. However, if mobile employees' families aren't settling into the host destination well because they can't communicate or assimilate, it could lead to employee stress, which further leads to productivity issues or an early repatriation. This can have negative cost impacts and ripple effects for the program and business objectives. Comparatively, the cost of family culture and language training would be the sounder investment.

2 **Plan Ahead.** Whenever possible, companies and mobility professionals should be planning at least a year in advance and forecasting what mobility programs will be up against at that time, while also allowing for flexibility to adjust budgets as needed in the interim. In doing so, mobility professionals should put programs and policies in place that'll allow for easier implementation when it comes time for the relocation. For example, for mobile employees that are homeowners in the United States, consider adding an addendum to policies that'll help cover any loss on sales, which is expected to be an issue in the next year as the housing market cools. That way, when you experience this scenario in the future, you'll be ready with an approved plan to implement, saving a significant amount of time and frustration.

Giving as much detail as possible to RMC partners is also helpful, allowing them to better prepare for and support relocations. So rather than simply saying you're relocating 20 employees in three months, be as specific as possible: Where are they moving to? Will there be families or individuals? Are there special needs or exceptions? This also means talking with the relocating employees to understand their concerns and priorities, which can then be communicated to RMC partners to address.

3 **Re-Evaluate Budgets.** Despite planning ahead to the best of abilities, budgets need to be re-evaluated often, perhaps even quarterly, to ensure they're up-to-date and are able to address the current volatilities in varying global markets. This is especially true for budgets that haven't been updated in decades, which are likely no longer realistic. For example, a pre-set budget could previously cover a three-bedroom apartment in Singapore but can now only cover a two-bedroom apartment. Re-evaluating budgets also provides an opportunity to add some flexibility to address unexpected costs that are likely to pop up.

4 **Design Flexible Policies.** Volatility requires flexibility. It's also an opportunity to test new policies to see what really works from both a mobile employee and company cost perspective. This can mean making small changes like considering renting in lieu of corporate housing in India, where the market is incredibly tight. Or it could mean air shipping them to get the goods to the destination faster, which may cost more in the short term but save money long term (when factoring in things like temporary housing and furniture rental fees).

Or it may mean bigger changes like shifting to core-flex policies, which provide a set of core benefits and allowances for additional benefits suited to specific mobile employee needs. It's also important to keep in mind that a one-size-fits-all approach to mobility doesn't work; each mobile employee will have unique needs that should be considered to create inclusive relocations and exceptional experiences that'll help retain top talent.

5 **Try New Strategies.** Try innovative strategies to address the challenges we've discussed, such as shipping and housing, where standard strategies are no longer working. For example, companies might explore the use of rotational or block apartments to house employees. This scenario involves a company purchasing one big property with multiple apartments that mobile employees can move into and out of for their assignments. To alleviate some of the household goods shipping costs, companies can test providing stipends to acquire furniture and household items in destination countries, reducing the need to ship items. There's also an opportunity to donate items to organizations like Move For Hunger or Discard and Donate, helping those in need while reducing the shipping content *before* a relocation and saving on volume and moving costs.

6 **Leverage Data.** A successful mobility program should be based on facts, rather than gut feelings. Mindful mobility requires being strategic — and leveraging data to see what's working and what isn't is an important factor when strategically evaluating the success of mobility programs. By tracking savings from innovative strategies or evaluating which benefits are least used to determine which to cut – or change service levels on – mobility professionals can earn trust from company leaders. Data also can be used to demonstrate the value of mobility and earn a seat at the decision-making table.

Practicing Mindful Mobility

At the end of the day, it's important to keep in mind *why* you're relocating mobile employees – and stay focused on that. While it's always a good business practice to look for efficiencies and cost savings when developing your mobility program, it should never come at the expense of the mobile employee experience. Mindful mobility, the consideration of both, results in better alignment with company goals, retaining talent, the creation of future business leaders, and improving your company's bottom line.

Leveraging data and years of experience, Graebel can help mobility professionals practice mindful mobility to streamline their programs, ensuring the unique needs of all mobile employees are met and strategically proving the organizational value of mobility. Reach out to your Graebel representative for more information and up-to-date guidance on rapidly changing trends and solutions or contact us by visiting our Contact Us page.