Mobility Outlook for 2023

Contents

Sterling Lexicon Service Trends and Policy Responses Review

With the re-emergence of business travel and workforce mobility following the pandemic, many organisations are considering a re-evaluation of their global mobility policies. Indeed, according to AIRINC's 2022 Mobility Outlook Survey, the average number of global mobility policies an organisation has in operation has increased from 5.3 in 2019 to 6.5 in 2022. No doubt this increase can be attributed in part to changes in working practices and the expansion of Global Mobility's role, however a global economic slow-down and increased demand for flexibility from relocating employees is also a factor driving the need to review.

Relocation benefits always vary by move type, however our summary below provides a general outline of the challenges organisations face when relocating employees and the trends we are seeing in policy responses.

Temporary Accommodation

During the pandemic, many serviced accommodation operators reduced inventory or leased their properties for other uses. The post pandemic resurgence of business travel and relocation has resulted in demand significantly outweighing supply, with ongoing delayed transit times in international shipping and a shortage of rental properties in some markets also contributing to the shortage. According to SilverDoor, the average length of stay has increased from 33 to 42 nights between 2021 and 2022.

An influx of refugees brought about by the conflict in Ukraine has further exacerbated the supply and demand imbalance in Europe. In some locations, organisations have made block bookings of apartments, thus limiting supply and driving up price in other areas of the market. As a result, relocating employees are encountering a lack of choice in their preferred location due to availability; meanwhile, global mobility is seeing a need to revise costs due to the rapid increase in rates. Supply and demand vary from market to market with markets such as Dublin and Berlin providing more of a challenge than larger markets such as London.

In spite of the challenging backdrop to serviced accommodation, few organisations are making substantive policy changes to their temporary accommodation offering for fear of making a long-term precedent which will eventually have to be unwound with future policy reversals once markets stabilise. Many organisations are allowing for an extended temporary accommodation stay with worst case scenario costs when compiling their cost projection and managing extensions over and above the standard policy offering as a matter of course. Furthermore, providing alternative or supplementary offerings in other areas of policy can help mitigate temporary accommodation costs and forego the need for policy change. This might include an option to provide rental furniture where an employee is able to move into their permanent residence but is awaiting delivery of their shipment, or avoiding the cost of temporary accommodation entirely by encouraging the employee to secure rental accommodation whilst on look-see or business trips. In some cases, organisations are agreeing to furnished short-term lets in lieu of serviced accommodation for a period of up to six months.

Standard Provision	
Length of stay	30 days
Split between home/host	Yes
Budget guided by	Data provider or RMC or Combination

Permanent Accommodation

Residents of many cities across the world left in large numbers at the start of the pandemic creating excess supply and sending rents plummeting. The median asking rent in Manhattan fell by 21%, whilst rents in London dropped by 24%. The lifting of restrictions in all but a few countries across the globe has prompted many to return with companies requiring employees to be in the office for at least part of the week. With demand now outweighing supply in many major cities, asking rents have risen steeply. Rental listings in London for the first quarter of the year were 45% lower than the five-year average with the average rental price increasing 14% year-over-year or 4% since the start of the pandemic. In Manhattan, the scenario is starker still with equivalent figures of 20% and 10%.

A similar picture can be painted in Western Europe. In Berlin for example apartment rental prices have risen 18% over the past year. Prices in many locations are being inflated by entrepreneurial tenants subletting. Whilst the practice is often illegal, it is nevertheless commonplace in many locations. In Dublin rental prices have risen by 10.6% over the course of the year whilst availability of properties has fallen by 81%. In Amsterdam the shortage of available rental properties is particularly acute. As with many major cities popular with tourists across the globe, the housing shortage in Amsterdam has been exacerbated by the growing popularity of Airbnb style holiday lets which can prove extremely lucrative for landlords. As a result, the Dutch government implemented an outright ban on Airbnb rentals in three districts of the capital in July 2020.

In Dubai, which saw an influx of Russian nationals following the invasion of Ukraine, rents are around 10% higher overall, however like London and New York, desirable areas have seen sharper increases such the Palm 36%, Jumeirah Park 25%, and the Lakes 21%. According to Statista, Paris was the most expensive city to rent a furnished one-bedroom flat among the 22 leading European cities surveyed in Q1 this year. All 22 cities saw the average rent increase dramatically between the first quarter of 2021 and the first quarter of 2022.

Standard Provision	
Housing allowance guided by	Data provider or RMC or combination
Utilities included	Yes
Lease signed by	Assignee (with specific market exclusions)
Deposit paid by	Corporate organisation
Housing norm deducted	No
Home search assistance provided	Yes
Home purchase assistance provided	No

Similarly, low supply is driving higher rents in Singapore where withdrawal of luxury condominium rental stock by local Singaporeans who returned home to wait out the pandemic exacerbated the already tight supply situation. Analysts expect rents to rise around 8% to 15% in the coming year.

Recognising the difficulty in securing rental accommodation, many organisations have maintained a traditional home search benefit in their employer-driven assignment and relocation policies. Using an expert home search consultancy provides the advantage of narrowing options to only those properties truly available on the market and avoiding unscrupulous landlords and agencies. The shortage of available properties has led organisations to approve additional support in some cases with home search consultancies flexing the format of the service to meet the needs of both the market and the individual employee.

As a result of rising rental prices, many organisations are having to provide flexibility around housing allowances, consulting with both their data provider and their relocation management company to establish an appropriate budget at the time the employee is relocating. This process is easily managed through an exceptions process and budget-to-actual reforecasting when the employer is assuming responsibility for the cost of the rent in its entirety. When the employer, is only making a ‘contribution’ to rent however, organisations have found policy application to be slightly more problematic.

Over the course of the year, sustainability has become an increasingly emergent trend. It’s possible that over time, more organisations may start to adopt sustainability measures into policy benefits; for example, requiring assignees to live in energy-efficient properties. Utility allowances may be based on the cost of green energy providers and utility support may be limited to efficient energy usage levels for the given country location. In the face of soaring energy prices, encouraging employees to make sustainable choices has multiple positive outcomes.

Equally, as organisations make sustainability adjustments to their car fleets, it’s possible that there will be an increased demand for home charging points for electrical vehicles. This may have an impact on the choice of properties available to an employee.

Household Goods Shipping

The cost of international shipping and delays in transit have been well-documented over the past few years. Whilst freight costs have fallen on the whole, fuel prices remain high, labour shortages remain and industrial action continues to disrupt port operations.

In a survey conducted by Sterling Lexicon and the RES Forum earlier in 2022, 11% of respondents indicated that they have made adjustments to the shipping allowances documented in their policies whilst 16% indicated that they have eliminated the benefit. Overwhelmingly the most popular approach taken by organisations looking to offer an alternative to household goods shipments was to provide the shipment as a flexible benefit, with cash in lieu or a furniture allowance being offered. In the same survey, several companies referenced an increased use of air shipments despite rates remaining more than three times typical pre-pandemic prices. As the peak of the shipping crisis has past, an increasing number of organisations are evaluating the merits of air freight from both the perspectives of cost and sustainability. Leaning policies towards excess baggage allowances in place of air freight is gaining momentum.

Also gaining momentum is the number of families moving with domestic pets. Pet ownership increased significantly over the pandemic years and many organisations are being asked to consider equality matters with regards to supporting employees with children but not employees with pets. The level of support varies from assistance with pet shipping services to capped reimbursement of related costs. Few organisations continue to offer employees support with storage, however, in the spirit of championing sustainability, an increasing number of organisations are willing to support discard and donate services.

	Standard Provision
Surface Shipment	20 ft. container for unaccompanied assignee or assignee accompanied by spouse/partner with no dependants; 40 ft. container for assignee accompanied by spouse/partner with dependants
Air Freight	500 pounds for unaccompanied assignee; 750 pounds for assignee accompanied by spouse/partner with no dependants; up to 1,000 pounds for assignee accompanied by spouse/partner with dependants. In cases of multiple dependants, max of 1,200 pounds considered as reasonable exception Or Excess baggage – 20KG - 50KG per family member
Storage in Transit	Max 30 days
Storage	No
Insurance value capped	Yes
Pet shipment covered	No

Language Training

Language training was undoubtedly one of the first mobility benefits to be digitised, benefitting the relocating employee and their family by providing the flexibility to be able to learn at a time and place convenient for them. From a corporate perspective, a digital product can prove more cost effective. Many organisations provide some discretion around the delivery method and approved number of hours dependent on the employee job role and the individual needs of the relocating family. This may vary from simply providing a cash allowance for the employee to purchase an off-the-shelf digital product, to providing a full blended learning approach for the whole family.

Standard Provision	
Hours approved	50 - 100 hours assignee and dependant 80 hours dependants Supported with online learning
Target language	Host language or third language where role appropriate

Cultural Training

Cultural training has for a long time been a service which has fallen victim of managers attempting to manage the cost of an assignment, with the importance of cultural adaptation being grossly undervalued. Many organisations do still offer the service to the employee and relocating family where there are obvious cultural differences between the home and host locations. Like language training, the service can be delivered digitally, as a face-to-face training course or a blend of the two.

Standard Provision	
Programme type	2-day programme supported with online learning

Partner Support

Dual career households are more commonplace now than they have ever been and as a result organisations need to account for this when acquiring, re-deploying and retaining talent. Terminology such as 'trailing spouse' has, thankfully, become anachronistic with organisations recognising the need for flexibility in supporting the whole family. Many policies provide employees with a choice of professional partner support services or cash in lieu.

Standard Provision	
Programme type	6-month support programme
Cash allowance set by	Corporate organisation

Contact us to schedule your policy review in 2023