

The Cost of Relocating For a Job With Employer Assistance or On Your Own

According to the most recent U.S. census data taken in 2001, the number of people who moved to another state for work jumped 11 percent. This is not surprising data, because job seekers tend to be more willing to relocate when there is a tight job market. They are also more willing to make that decision whether or not the employer pays for relocation expenses.

According to the 36th Annual Corporate Relocation Survey taken by Atlas Van Lines, the “lack of qualified people locally” was the primary external factor that caused survey respondents to seek candidates outside of their geographic area. In fact, 47 percent listed this as a reason in the 2003 study, whereas only 21 percent felt this was a concern in 2002. The Atlas Van Lines survey also found that almost three-fourths of the companies surveyed have some kind of formal relocation policy. What is included in those policies can vary tremendously from a flat fee to cover moving costs to assistance with selling a home.

Even if a company or organization states in their job posting that they offer no relocation assistance, you may be able to negotiate to have some expenses covered once they have made the final job offer. For that reason, it is important to determine what your relocation needs are when you start your job search. Would you be satisfied if the employer covered only the cost of moving your household furniture and not your car? Do you feel it is important to have one or two scouting trips to the new area covered by the employer? Create a list of the primary expenses you would like the employer to pay for, and include ancillary items that you would be willing to pay for on your own, if necessary.

What You Can Expect

Although more than 80 percent of the employers who responded to the Atlas Van Lines survey offer relocation assistance, an increasing number of them have moved to a tiered policy based on the employee’s salary level or job title, offer a cap on moving expenses, or require employee co-payment of expenses.

In the Atlas survey, 56 percent of the employers surveyed offered full reimbursement of moving expenses to new hires. Thirty-eight percent of new hires received a partial reimbursement based on their salary or position and 30 percent received a lump sum payment. Only 7 percent offered no reimbursement of moving expenses.

Companies who have a tiered relocation policy will tend to offer entry-level employees assistance with moving household goods, storage fees for a prescribed period of time, limited funds to assist with searching for an apartment or home, and a per diem for lodging and meal expenses en route to the new location.

When it is a mid-level, manager, or senior level position, the individual also offered assistance with selling their home and purchasing another one in the new location. In many cases, there is a time limit established for selling the old home on your own and then offering a flat rate to have it sold for you. If the individual is a renter, the policy tends to cover the cost of breaking a lease. They will also cover the cost of one or two trips to the new area to scout for a new home. The manager or executive might also receive assistance with child-care and offer the spouse help with locating a new job.

A meeting planner from the Seattle area recently negotiated a relocation package with her new employer that included all of these items, plus quite a few more. Her new employer agreed to a flat fee to cover the expenses listed below. (Noted next to each is the percentage of companies with less than 500 employees that offer the same type of assistance according to the Atlas Van Lines survey).

* Two scouting trips to the San Francisco Bay Area to look for a new apartment (49%)

* Moving of all of her household goods (69%)

* Security deposit and first month's rent in her new apartment (28%)

* Cancellation fees for breaking her lease with the apartment in Seattle (42%)

* Set-up fees for establishing phone and cable service (31%)

In addition to these items, 33 percent of companies offer to move one or more automobiles, 22 percent offer assistance with renting a storage facility, and 40 percent typically apply a temporary living allowance toward rent.

In the end, the employer doubled the anticipated expenses to a total of \$10,000. According to figures compiled by the Employee Relocation Council (ERC), which is a national association of companies concerned with employee mobility, this meeting planner negotiated very well because they estimate that the cost to relocate a new hire who rents is \$11,491. Where the new hire is a homeowner, the ERC's figures indicate that the average cost to relocate them is around \$41,000.

Employee Agreements Tied to Relocation Expenses

The Seattle meeting planner agreed that if she stayed through the association's 2005 Annual Convention, she would not have to repay any portion of the relocation expenses. If she left before that time, the association would require her to repay a pro-rated portion of the cost. In the case of another meeting planner, an association offered to provide a flat \$5,000 for moving expenses if she agreed to stay in the position for at least one year. They asked her to repay a pro-rated portion of the expenses if she left before then.

Tax Deductibility of Relocation Expenses

If you have to pay for all or a portion of your relocation expenses, the IRS has two tests they use to determine if you qualify for a relocation tax deduction – time and distance. With the time test, you must work full time for 39 weeks during the first 12-month period after arriving at the new job. The distance test is based on the new place of work being at least 50 miles farther from your former residence than the old primary residence.

The IRS allows deduction of expenses such as the cost of packing and shipping your furniture and other household items, the cost of shipping your pets, and the cost of lodging while in transit to your new job. The IRS Publication 521 on Moving Expenses explains what in more detail the allowed deductions. You can download this publication from the IRS at www.irs.gov/.

The other thing to keep in mind is that relocation reimbursement is taxable. The best relocation package includes what is referred to as “grossing up” the amount. This means that the total provided for the amount that you would pay in taxes. If your relocation costs are \$5,000 and you are in the 30 percent tax bracket, your out-of-pocket costs would be \$1,500. Under a gross-up plan, you would receive \$7,142 (reimbursement expenses divided by one minus the tax rate), and pay \$2,142 in taxes that is actually the employer’s money, and not yours.

The Cost of Interviewing

Unless you are in a senior level or executive position, it is unlikely these days that the prospective employer will pay to fly you out for an interview. A meeting planner, who had been living away from her hometown for more than 10 years, decided she wanted to move back home. During the nine months that she spent looking for a job in Cincinnati, she sent her resume to fifteen different places – a mix of corporate, association, and non-profit positions. In her cover letter, she indicated that she would pay for face-to-face interviews, and ended up getting five of them. Out of the five in-person interviews she received, she ended up with three job offers.

A senior meeting planner in the Midwest has found that “...unless the job came to me as a referral or through a headhunter it's more difficult to get your resume put on the top of the pile. I recently had an employer tell me she had pulled my resume because I had great qualifications, but due to my location put it on the bottom of the short list. It becomes very frustrating because if I'm willing to relocate myself I'd at least like the opportunity for a phone interview. After the phone interview and learning a little more about the company and the position either party might not be interested or become more interested in the candidate”. This candidate recently drove from Minneapolis to Chicago for an interview. As a result, she has been invited to the association’s headquarters in New York City for a final round of interviews.

In your cover letter, consider suggesting an initial phone interview in addition to offering to pay for an in-person interview. A phone interview is a good way for both parties – the employer and the job seeker – to determine whether the individual is a good prospect. Quintessential Careers has a good article on their website called “Phone Interview Etiquette Can Propel You to the Next Step in the Hiring Process” (www.quintcareers.com).

Offering to Pay to Relocate

Before you offer to pay for your relocation expenses, make certain you have an idea what it is going to cost you to move to that new location. There are numerous sources on the Internet that can help you determine the cost of living in a new location. Some sites to check out are www.homefair.com/homefair/calc/salcalc.html, www.moving.com, www.cityrating.com, www.relocationapartments.com, and www.123relocation.com.

Negotiate When You Can

Negotiating contracts is an essential part of what we do as meeting professionals. As the meeting planner from Seattle realized if part of her job involves negotiating contracts for her company or organization, then she should be able to negotiate reimbursement of some, if not all, of her relocation expenses. The key is to wait until they formally offer the job to you before beginning negotiating for assistance with relocation expenses. Decide in advance whether you will accept the position even if the employer declines to provide any assistance.

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