



Behind the Deal and Beyond: Relocation and Immigration Considerations

New Reality Symposium
April 3, 2007

Agenda

1. The background behind the Offer
2. Offer Letters
3. Relocation Program Design
4. Immigration



Salary

- Company's compensation philosophy and how the salary was determined
 - what is "fair to local market"?
 - What does "keeping an employee whole" mean?
- Statutory deductions (Tax, EI, CPP)
 - potentially higher taxes, but lower mandatory contributions to Employment insurance, Health Insurance and Pension
- Canadian tax system and tax credits
 - Non-working spouses, child tax credits, etc.



Salary

- Payment cycle (semi-monthly, bi-weekly)
 - Impact on cash flow considerations
- Number of pay periods
 - Canadian annual salaries = 12 months
 - In some countries, salaries based on 13 months. Be careful if negotiating “monthly” salary.
- Provide cost of living information
 - Very helpful if candidate lives in a more expensive location



Benefits



- Provincial health care (MSP)
 - Cost to employee, if any
 - Services are covered
- Company benefits plan: extended health, dental
 - Employee contributions, if any (potentially very different)
 - What benefits are covered and payment/reimbursement process
- Insurance: Life, AD&D, short- and long-term disability
 - could be a benefit the employee has not had in the past or used to a very different model



Benefits

- RRSP
 - Similar system in U.S. (401K)
 - Some countries have similar system (rare), others have different mechanics
 - Tax benefit
 - Have alternative for 1st year: RRSP eligibility based on previous year's income, which does not exist in year 1
- Relocation package
 - Explanation and expectations

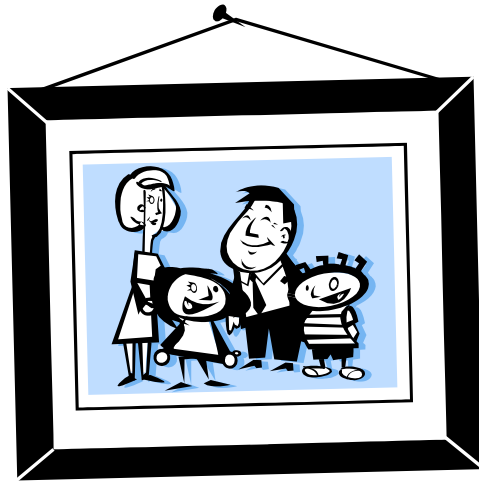


Tax

- Provide general information to create awareness
 - Avoid getting involved in discussing personal situations
 - Impact on personal tax situation (eg. Investments, stock options, property)
- Children and marriage
 - Tax credits for family likely very different
- Get professional advice
 - Tax consultation with an international tax consulting firm
 - Do not use your in-house tax accountant
 - Assistance with filing 1st year tax return in Canada and for home location



Anticipate FAQs



- Spousal employment
- Housing
 - neighbourhoods
 - hot housing market
- Schools
 - special needs
 - post-graduate studies
- Pets



Offer letters

- Protect the company
- Spell everything out in writing
 - Contingent upon immigration approval
 - Temporary/permanent position (immigration status?)
 - Responsibility for work permit renewals
 - Assistance with Permanent Residency
 - Description of relocation benefits or reference to policy
 - Repayment clause (handcuffs)
 - Repatriation
 - Termination



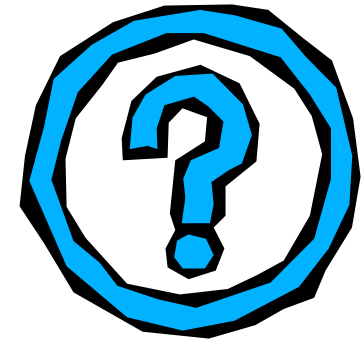
Is this a good deal?

Should Geoff accept the company's offer?



Questions on...

- Global sourcing?
- Global recruitment?
- Closing the deal with a foreign candidate?



Your time is precious

Research, re-use, and recycle

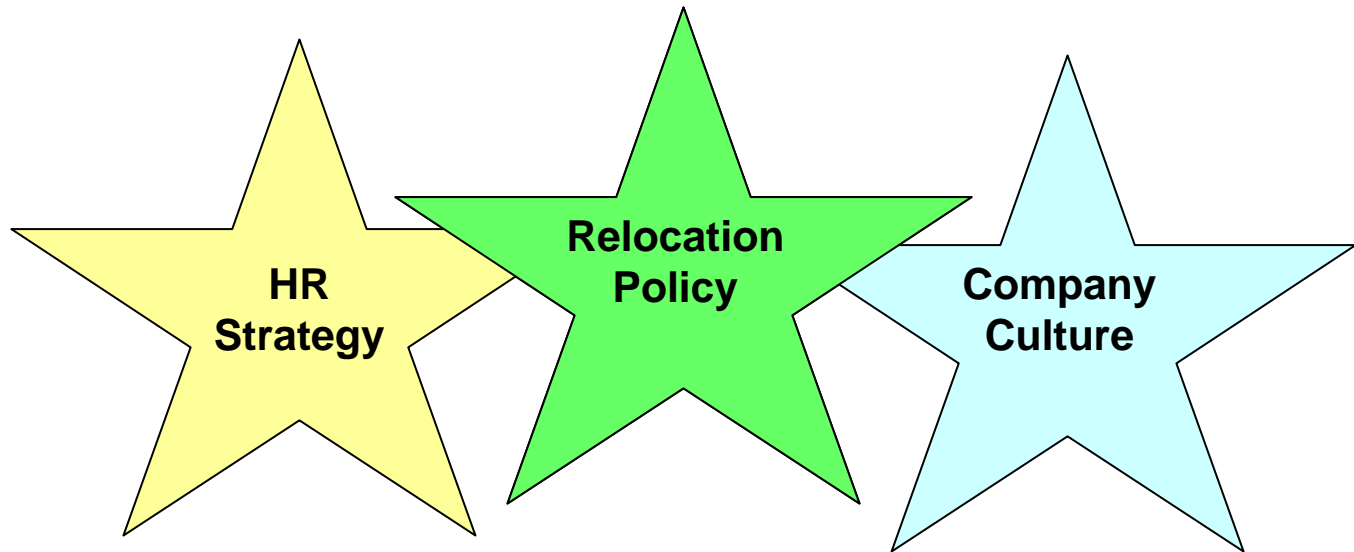


- Create or obtain helpful information materials (summaries, web resources, government brochures etc.)
- Streamline communication process (re-use email templates, step-by-step instructions etc.)
- Get expert assistance



Relocation Policy Design

Make sure your stars are in alignment



External Influences

- Talent market
 - How hard is it for you to attract good candidates? Do you want to be an Employer of Choice?
 - Where do we want to be compared to competitors? Do you need to do some benchmarking?



Internal influences

- **Cost**
 - What's our budget?
 - What's our cost model? Do we want to keep employees whole or do we expect cost sharing?
- **Equality**
 - Are we treating certain employee groups differently than others?
 - Based on position: executive, manager, or rare skillset
 - Type of employee (new hire or internal transfer)
- **Resources**
 - Do we have the internal resources to manage the relocation process?



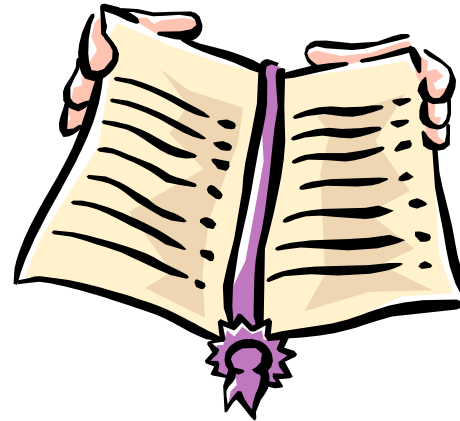
Typical Relocation Benefits

Prep	House-hunting or Look & See trip
	Pre-move tax consultation and First year tax return filing
Arrival	Travel (flights or mileage/gas and meals/lodging if driving)
	Moving of household goods and storage, cars
	Temporary accommodation, rental car, meals
	Private medical insurance to cover MSP waiting period
	Tax gross-ups on taxable benefits
	Miscellaneous allowances
Home	Home sale/home purchase costs
	Duplicate housing costs/lease break or mortgage penalties
	Home purchase assistance



Relocation Programs

- 1) Traditional
- 2) Tiers
- 3) Core +
- 4) Capped or Budget
- 5) Total Lump Sum
- 6) combination



Traditional

All employees receive the same (usually fairly generous) benefits

↑ simple administration, great consistency

drives higher cost; often need for exceptions

↓ same treatment for all
might not fit company culture



Tiers

Two or more policies based on level within company, skillset, internal-external, homeowner – renter, etc.

- benefits tailored to employee type/levels
- ↑ consistent within groups
lower costs than traditional program
- ↓ complicated when too many tiers



Core +

Basic benefits for all employees plus extra benefits as desired

↑ cost containment
flexible

↓ creates inequity, encourages “squeaky wheels”
inconsistent handling throughout the company



Capped or Budget

Benefits provided up to a specific dollar amount
(usually limited to non-taxable items or budget
includes gross-ups)

easy forecast of total cost

↑ cost savings if budgets are set low
flexibility for employee to choose what he/she needs

↓ difficult to administer
counseling intensive due to tax issues
time intensive



Total Lump Sum

Lump sum provided for the entire move (less statutory deductions)

- ↑ little administration
- flexibility for employee
- ↑ immediate access to funds
- employee can claim tax deductions with tax return

- ↓ all responsibility left to employee
- no ability to track cost or monitor providers
- not the best value for the money (taxable benefit)



Combination

Incorporate aspects of each of program's strengths:

- direct billing of big ticket items (e.g. move)
- reimbursement of specified items (e.g. home sale)
- small lump-sum to cover miscellaneous expenses
- tiers for different employee groups as needed
- put caps on certain relocation expenses (eg. home sale/purchase)



Costs

Average relocation costs *

- Domestic home-owner: \$40,000 - \$60,000 CAD
- Cross-border home-owner: \$50,000 – \$100,000 CAD

Cost of Failure

- Money
- Time: spent on recruitment, relocation, training
- Morale

* From the 2005 CERC survey



Cost containment



- Obtain quotes from service providers
 - agree on acceptable deviations
- Limit the number of service providers
 - negotiate volume discounts
 - more leverage when discussing issues
- Negotiate corporate rates with nearby hotels, rental car companies etc.

Taxable Benefits

- Significantly different tax regulations from country to country
- Some room for interpretation
- Clear statement of who is responsible for tax on taxable benefits
- Educate your managers: beware of easily given, but costly, promises
- Different methods for gross-ups
 - Eg. standard flat rate, individual tax rate or full gross-up
 - Full gross-ups add up to 77.6% to the expense



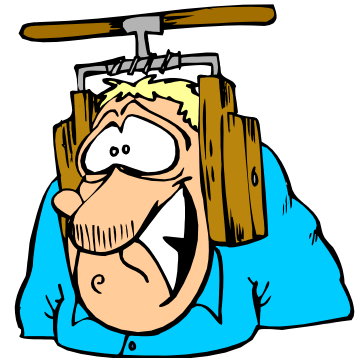
Relocation Management & Administration

- In-house
 - Direct interaction with relocating employee
 - Sense of control over the process
 - Expense management
 - Management of and communication with various service providers
 - Policy owner



Relocation Management & Administration

- Outsourced
 - Partially or fully outsourced
 - Employee deals with relocation management company
 - Management of expenses and other providers taken care of
 - Remain policy owner, e.g. approver of exceptions



Upon Arrival

- Welcome your new employee!
- Small things that make a big difference:
 - Extra attention through Orientation
 - Assign a Buddy or Family Buddy
 - Spousal employment assistance
 - General settling-in assistance
- Beginning of your retention strategy



Immigration Considerations

- Evaluate immigration options at each stage
- Don't want to proceed, then realize the candidate doesn't qualify
- Can be more than one route; choose the best one for the situation and factor in:
 - effort
 - processing times
 - personality
 - family



Options

- Labour Market Opinion through Service Canada
 - Explain recruitment efforts and benefits to Canada
- NAFTA Professional
 - 63 specific professions and requirements
- Intra-company Transferee
- BC Provincial Nominee Program
 - Work permit and Permanent Residency



Assess

LMO	<input checked="" type="checkbox"/> Unique skills and knowledge <input checked="" type="checkbox"/> Recruitment efforts <input checked="" type="checkbox"/> Benefits to Canada
NAFTA	<input checked="" type="checkbox"/> Citizenship does not qualify ? If U.S. or Mexican, maybe Chemist
Intra-company Transferee	<input checked="" type="checkbox"/> Employed by the organization for at least 1 year ? If internal candidate, maybe Specialized Knowledge Worker
BC PNP	<input checked="" type="checkbox"/> BC is destination province <input checked="" type="checkbox"/> Unique skills and knowledge <input checked="" type="checkbox"/> Recruitment efforts <input checked="" type="checkbox"/> Benefits to BC ! Assumes employee wants to become a Permanent Resident



Process

LMO	1)Service Canada <ul style="list-style-type: none">• Foreign Worker Application 2)Canadian Consulate or Port of Entry <ul style="list-style-type: none">• Present Labour Market Opinion and supporting documentation
NAFTA	n/a but it if was, then Canadian Consulate or Port of Entry <ul style="list-style-type: none">• Present cover letter and supporting docs
Intra-company Transferee	n/a but it if was, then Canadian Consulate or Port of Entry <ul style="list-style-type: none">• Present cover letter and supporting docs
BC PNP	For later discussion



Timely programs



- Regional Occupations Under Pressure
 - Check the list
- Temporary Foreign Worker Unit
 - Confirmation-exempt applications (eg. NAFTA, Intra-company transferees)
 - Pre-screening
 - Pilot program



??? Questions ???

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Thank you!

