Short Distance Corporate Moves: Challenges & Considerations

If asked the question, “Would you prefer to move your company or division a long or short distance?” many executives would immediately reply, “short.” A misconception exists among many companies that short distance moves mean shorter planning, shorter policies and ultimately, less time involved. When in truth, short distance moves can be just as unpredictable and time consuming as long distance moves.

Short distance moves occur when companies move office locations within the same metropolitan area, often from a city setting to the surrounding suburbs. At first this may not appear to be a significant challenge, as one could reason the impacted employee population will simply commute to the new work location without relocating. Conversely, the other percentage of impacted employees will not be able to make the new commute and will need to be relocated in order to work at the new location.

Key Differences

An IRS Survey revealed that relocation assistance is frequently provided for relatively short distance relocations. These moves, however, are treated differently than long distance moves, as corporations must determine:

– What the organization determines to be a “reasonable” commute
– Who will qualify for commute assistance
– How to fairly and equitably determine who is eligible to relocate

Long distance moves typically encompass two groups of employees – those who move with their job and those who choose not to. In short distance moves, a third group forms – commuters. Within this group, a fortunate sub-set of employees is advantageously affected by the move as it is to an area where they already reside. The remaining commuter population is not as fortunate as they face increased commute time and costs.
Special Challenges

*For Employees:*

Deciding to follow one’s current job in a short distance move is not easy. The impacted employee will consider if the new commute is reasonable enough that he/she can sustain it over time or get home quickly in case of emergency. Rather than pull-up roots and relocate, these employees may try to make the commute work to preserve current community ties, schools and spouse/partner employment. Even so, commutes may negatively impact child-care and/or eldercare arrangements, lifestyle and decrease precious family time or personal amenities (recreation, shopping, schooling, doctors, etc.)

*For Employers:*

Considerations described above can prolong employee attrition over a longer period of time, as employees attempt to make the commute work, or do it until another job opportunity is secured. Additionally, business disruption and employee productivity may be impacted as many will spend more time commuting and less time in the office than they did previously. Employers may also be asked to adopt or expand upon ride-share programs, flexible work hours, telecommuting arrangements and commuting security considerations. The nature of such benefits depends on:

- Geographic locations
- Residential distribution of the employee group
- Nature of the jobs impacted
- Budget considerations
- Ease of administration
Performing Necessary Research

In order for a company to understand the impact of the move on its current employee population, it is necessary to examine the residential distribution of all impacted employees as compared to current and future work locations. This data can be overlapped with a computer-derived analysis of accurate rush-hour commute times via both public (if applicable) and personal transportation. An assessment of current and future commute times — not mileage - should be the focus as mileage does not account for heavy traffic volume, tolls, bridges, weather, long-term construction, etc. This analysis provides data on 1) how long employees are commuting presently; 2) how long the new commute will be; and 3) the impact, or differential in time and cost. It also depicts how many employees may feasibly be able to commute and how many are advantageously impacted by the work location change.

The next step is to determine geographic eligibility criteria for employee qualification for relocation, commutation or no assistance at all. This may depend upon geography and topography as, in many instances, county borders are used as cut-off points. In others, a natural boundary (river, mountain range, etc.) or a major roadway are often used, and in some situations, zip code borders make the most sense.

It is a good idea to survey employees regarding their commute mode preferences, willingness to participate in ride-share programs, preferred work start and end times, frequency of overtime, and estimated impact of the new commute in time and cost. Survey responses can be used in conjunction with the objective analysis of the impact on each employee’s commute mode, cost and time described above. A commute assistance program can then be developed which balances both employee needs and company objectives such as retention and budgeting.
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Short Distance Move Communications / Roll-out

It is advisable for companies relocating a short distance to have a well-defined strategy for communicating separate benefits to address the needs of the employees who have a more expensive and longer commute time. Again, the key to successfully communicating short distance benefits is first determining eligibility. Employees need a clear understanding of the criteria used in determining who qualifies for what – be it relocation benefits, commute assistance, or those who can commute without company assistance.

Tax Ramifications

As is the case with any move, a change in work location may result in different local and state personal income taxes. All clients and their employees should check with their legal and accounting counsel regarding these specifics. In general, dollar subsidies to compensate for a longer commute, and perhaps additional tolls, are treated as income by the Internal Revenue Service. Most often, companies provide tax gross-up for such assistance, so that the employee actually “takes home” the derived differential amount.

Other corporate-sponsored programs exist which enable employers to provide an employee subsidy for mass-transit commutes and receive a corporate tax deduction. The feasibility of such programs varies greatly with each move situation, depending upon the existence of public transportation and whether it is used by a significant portion of employees. In addition, the company’s ability to take on administrative processing of such a program should be considered.
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Short Distance, Many Considerations

Although it may seem overwhelming at first that a short distance move would bring to the front so many considerations, there are many programs and policy development tools available to assist in addressing these issues and others. Prudential Relocation’s Global Consulting is available to assist no matter what the distance – long or short. With programs such as group move planning, strategy and policy development, employee retention and attrition predictors, communications planning, cost estimates for budgeting, employee survey capabilities and more, we can assist your company in crafting a transition plan and program that will best achieve your company’s business objectives.

Your company wants to go far, even though your move may not be. Prudential Relocation will help you get there.

Please submit your employee mobility-related questions directly to Prudential Relocation’s Global Consulting Group via our Ask a Consultant feature at www.prudential.com/askaconsultant.