



2022 Strategies for Shipping Challenges

Supply Chain Crisis & Impact on Global Household Goods Moving

NOTE: We recognize that global shipping challenges are a fluid situation, so we will continue to provide updates as they become available.

It will come as no surprise to anyone that there is currently a global shipping and supply chain crisis directly affecting every facet of international commerce, including household goods shipments. The world's ocean, air, and trucking industries have always struggled to keep up with sharp surges in demand, but the arrival of the COVID-19 global pandemic set in motion a perfect storm that has severely impacted every aspect of global commerce that depends on ocean, air, rail, and road modes of shipping.

Unfortunately, the supply chain reprieve everyone hoped for leading into 2022 was erased by continued waves of the COVID-19 pandemic that swept the globe. The full impact is still being felt as terminals, trucking companies, and the entire supply chain struggles to keep staffing levels workable to operate effectively.

While simple solutions are not available in our interconnected global economy, there are some approaches you can take to mitigate some of the challenges of moving your employees. First, let's take a quick look at some of the supply chain challenges, as well as some strategies that may help your organization.

Background

As supply chains experience strain from the continuing effects of the pandemic, the challenges are still very evident with direct impact on moving costs and transit times that will likely continue throughout the rest of 2022 and into 2023:

- **Costs are skyrocketing** – The past 24 months has seen record-breaking cost increases when compared to pre-pandemic levels, including increased costs and shortage for all wood and corrugated products.



- **Global demand far exceeds supply** – Global demand exceeds air and ocean freight container capacity, and routes and rates remain unpredictable as backlog and port/rail/terminal congestion continues.
- **Infrastructure conditions in the US** – Conditions of US infrastructure are impacting transit as many critical roads that connect ports, rail yards, airports, and other intermodal facilities to the National Highway System are in poor condition. According to trucking.org, only 9% of connectors are in good or very good condition, and 37% are in poor condition. In addition, traffic congestion on freight intermodal connectors causes over one million hours of truck delays annually.
- **Port delays and congestion** – Ports in China, the US, and the UK are all being heavily impacted by demand and staffing shortages due to COVID. Demand and congested terminals throughout most countries are adding to the pressures and keeping the spot rates at record levels.

- **Ongoing driver and labor shortages** – Continued global shortages of truck drivers are causing further delays in deliveries. According to recent estimates from trucking.org, an additional 60,800 truck drivers are needed immediately, which is expected to grow to more than 160,000 by 2028. When anticipated driver retirement numbers and the expected growth in freight demand are factored in, the industry will need to hire roughly 1.1 million new drivers over the next decade.
- **Travel restrictions** – COVID-19 lockdown travel restrictions are often reinstated with little notice, causing further delays and congestion.
- **Carrier schedule reliability at record lows** – For most services, including packing, drayage, ocean, and air freight, advanced booking is required. Advanced booking does not guarantee desired time frames. Carrier schedule reliability saw continued decline and is at the lowest level ever recorded.

Setting Expectations for Stakeholders and Relocating Employees

Expectations need to be set for your organization's stakeholders. It is important to understand that there will probably be delays, increases in costs, requests for exceptions/extension, and it may take longer for your employees to get settled. It is important to update cost projections and accruals so that your business has greater visibility of the increased costs and why they are happening. While there are many challenges facing global household goods moving that are not likely to go away any time soon, there are some approaches we can take to help to improve the employee experience during these challenging times:

- **Close communication** – It is more important now than ever to maintain close and open communications channels—SIRVA, organizations, freight forwarders, moving employees—until business operations can return to normal.
- **Flexibility and advanced planning** – Timelines for the shipment and delivery of household goods will need to be adjusted, so advanced planning and flexibility is vital.
- **Knowledge is power** – Stay updated on the ever-changing rules and regulations due to COVID-19

with SIRVA's [COVID-19 Hub](#), which offers current information and links to helpful resources.

- **Consider a Carrier Delay Protection Program** – This program can provide peace of mind and offer some assistance in buying necessities if the employee's shipment is delayed beyond quoted transit times.

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Shipment Delay Strategies: Program Recommendations

The lingering effects of the pandemic continue to cause shipping delays, container shortages, congestion in ports, and onshore shortages of haulers and port staff, meaning shipping timelines and costs will continue to be impacted. Last year, SIRVA surveyed organizations with global mobility programs to explore the strategies being put into place to manage shipping delays. The best practices gleaned from those conversations continue to be valid.

Following are several strategies organizations have applied to address the impacts that shipping delays are having on their programs:

- **Extending temporary living benefits** – When shipments are delayed, relocating employees are not able to move into their long-term/permanent housing if they are unfurnished, so temporary accommodations may need to be extended, along with any other temporary living benefits such as per diems or allowances.
- **Short-term furniture rental** – In some locations, short-term furniture rental can enable employees to move into their long-term/permanent housing while they wait for their household goods shipment

to arrive. Short-term furniture rental can be a cost-effective way to avoid duplicate housing payments or the higher costs of temporary housing. This option may require additional consideration based on destination locations and inventory availability.

- **Air shipments** – When delays are expected for sea shipments, an air shipment can provide interim relief or can be used in lieu of a sea shipment, but there are some things to be aware of:
 - Organizations that provide an air shipment option along with a sea shipment are finding air shipment utilization rates rising as employees use the air shipment to bridge the time while they wait for their sea shipments.
 - Some organizations moved away from providing air shipments even before the pandemic due to high costs, so they may not be inclined to reinstate the benefit now that the costs have increased even further.
- **Furniture allowance/lump sum** – Some organizations are providing furniture allowances or lump sums in lieu of sea and/or air shipments for employees to purchase furniture and small appliances locally. This option may need additional consideration if destination locations have supply chain or inventory issues that would make purchasing difficult.
 - **Furniture allowance in lieu of shipment** – Traditionally, furniture in lieu approach was geared for entry-level employees like college graduates who don't have enough goods to justify shipment. Now we are seeing companies use this approach to support employees when shipping delays are prohibitive. A typical furniture allowance of \$5,000 is provided for the employee to purchase basic starter pieces in the new location versus shipping goods from the departure location.
 - **Furniture allowance in lieu of shipment for challenging locations** – Geared for long-term assignments for locations and scenarios where shipping goods is not possible, or the length of time it would take to ship goods is unreasonable. In these situations, a furniture allowance is determined for rental furniture or to purchase furniture. Goods purchased in the new location are not shipped back to the home location at repatriation.

- **Additional excess baggage** – Some organizations are providing additional excess baggage support to help bridge the time while waiting for sea shipments to arrive and have found that providing additional excess baggage is more cost effective than providing air shipment support.
- **Early shipments** – While this is not a best practice recommendation, some organizations have been experimenting with sending shipments before the employee leaves for the destination location. In these situations, temporary accommodations in the departure location are provided until the employee leaves for the destination location.

What is SIRVA Doing to Manage Global Household Goods Shipment Challenges?

SIRVA is committed to communicating timely and effective solutions to you in a collaborative manner, working transparently while still delivering a reliable service during these unprecedented times. We will continue to:

- Monitor the global supply chain situation closely and keep you updated of any new changes or solutions.
- Provide you with access to SIRVA's expansive global network of suppliers to offer you and your employees the best customer experience and solutions possible.
- Assist you and your employees with planning support, next steps, necessary documentation, and tracking.

We will continue to keep you updated on this ongoing challenge. If you have any questions, please contact your SIRVA representative, or email us at concierge@sirva.com.