

PlusOne: A diversified business strategy to operate in the 'new normal'



welcome to brighter

In today's competitive race to attract and retain highly skilled global talent, organizations require current, in-depth information on everything from local statutory benefits to salary trends to best practices on managing a diverse workforce. Learn about our extensive product lineup at <http://www.imercer.com>

We want to hear from you!

We love getting feedback from our clients on how we can improve our publications. We also make every effort to promptly answer any questions you may have about our data or analysis. For information about our products, please contact our publication team members.

Publication team

Product manager

Harrison Tan (harrison.tan@mercer.com)

Project manager and lead researcher

Vivian Cheung (vivian.cheung@mercer.com)

Project team members

Elaine Wong (elaine.wong@mercer.com)

Swati Rastogi (swati.rastogi@mercer.com)

Carol Cheng (carol.cheng@mercer.com)

Campaign manager

Zelia Lim (zelia.lim@mercer.com)

With thanks to

Chandranth Kamath (chandranth.kamath@mercer.com)

Condition of sale

Copyright © 2020. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or be transmitted in any form or by any means, electronic or mechanical, photocopying, recording or otherwise, without the prior written permission of the publishers. No responsibility for loss occurring to any person acting or refraining from acting as a result of the material in this publication can be accepted by the authors or the publishers.

Contents

Part I:

Introduction

Part II:

Overview of popular locations for diversifying operations (China, Cambodia, Hong Kong, India, Indonesia, Vietnam)

Part III:

Key legislation and market practice for employment conditions

Part IV:

Compensation practices

Part V:

Benefits policies

Part VI:

Mobility insights

Part VII:

About this report – glossary, methodology and sources

Part I:

Introduction

The world we know, where businesses seamlessly grow more globalized, is increasingly under stress and seemingly challenged. Multinational corporations (MNCs) have benefited massively from liberalization of trade, becoming engines of growth for the past few decades. Under the 'old' normal, MNCs would leverage setting up plants to manufacture their goods in lower-cost locations, chiefly in Asia. This considered the booming Asian market and its growth potential over the past 40 years — a story dominated by the rise of China. In 2020, these comfortable 'truisms' are less tenable due to the extraordinary confluence of factors heralding a 'new normal'.

Three key factors stand out.

First, **geopolitical risk** has risen sharply in the past couple of years, threatening current norms in complex, globalized supply chains that have proliferated since China joined of the World Trade Organization. In the early days, China became a key hub for trade and the supply chain due to the lower cost of production. China has since developed a sophisticated and unrivalled ecosystem of suppliers, intermediaries and strong manufacturing capabilities, despite rising costs. The US–China trade war that started in 2018 was a major flashpoint and is transforming into a broader geopolitical contest between the two nations. Businesses are increasingly mindful of their investment decisions, as politics is becoming an increasingly relevant factor.

Second, **demographic and environmental changes** are putting more stress on where companies establish their strategic operations in Asia. The talent available — in terms of the numbers as well as the quality of employable talent — is a big factor. The aging of China's workforce and the aspirations of the younger generation mean that current manufacturing or supply chain roles are facing challenges in terms of recruitment and retention. Quality of talent is twofold — the education ecosystem of the country for the local working population as well as the ease with which MNCs can move expatriates around. In regards to the latter, environmental factors show how attractive the city is by way of its quality of living and cost of living. Across Asia, there is wide variability in the two indexes that determine the ease of getting the right workforce and the willingness of workforce to work in particular locations.

Third, against the backdrop of the previously mentioned factors is the **global COVID-19 pandemic** that has upended the 'normal' way of life. COVID-19 has accelerated some of the underlying stresses of the previous supply chain and MNC operating models, heralding a new normal. In the course of the pandemic, different government policies have a part to play in keeping communities safe, and some of these measures look likely to stay for the foreseeable future. The performance of various locations in managing COVID will have a significant bearing on how MNCs view them as viable sites for further investments, especially as hubs to minimize disruptions to supply chains.

Notwithstanding these factors, we are observing that US- and European-headquartered MNCs will remain engaged in Asia. Instead of returning to home locations where the necessary skills and infrastructure might not be readily available, we believe a more practical strategy is to diversify across different locations within Asia. This takes advantage of the still growing Asia market but spreads the risk of any disruption that comes with having only one main hub. MNCs that are scoring and evaluating possible locations are pressed by the pandemic to accelerate or confirm plans for a multi-hub approach.

In this report, we have curated a few possible locations beyond China that have different aspects to be considered, especially in the new normal. We hope you find the report useful.

Harrison Tan

Regional Industry Leader

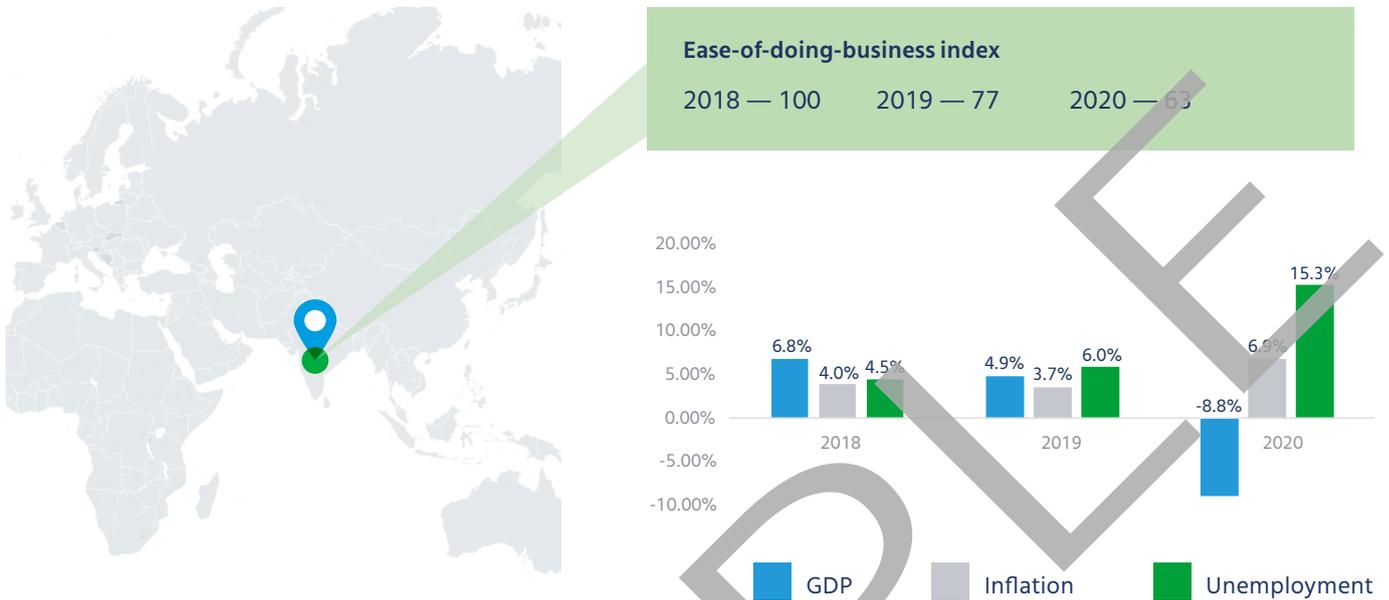
Part II:

Overview of popular locations for diversifying operations

This section is a short overview of the strengths and weaknesses of the different locations currently popular for diversification. This has been curated with an economic overview, market demographics and a short summary of the location.

Location X

Economic overview



Market demographics

	Population size in thousands	Gender Ratio
Total population	1,368,738	Male 52% Female 48%
Working age population (15-64), 2019	912,091	Male 52% Female 48%
Economically active population (15-64), 2019	494,259	Male 78% Female 22%
Human Capital Index	0.49	

Location X's ease-of-doing-business index has moved from 100 in 2018 to 63 in 2020. This is primarily because Location X has taken steps to encourage manufacturing and imports. The country's 'Make in Location X' campaign aims to transform Location X into a global manufacturing hub by facilitating investment, fostering innovation and building best-in-class manufacturing infrastructure. The government is also planning to create smart cities, trade corridors and industrial clusters that would make the environment more business-friendly.

Location X is a growing market where disposable income is increasing, and it is likely to be the third largest consumer market by 2025. Low labor costs, a large working population and an English-speaking workforce offer massive growth opportunities for any business.

However, Location X does still have challenges around contract enforcement and investor protections. Employment laws are byzantine, and quality of living varies from state to state.

Part III:

Key legislation and market practice of employment conditions

Here we offer comparative coverage of key legislation, including important information regarding employment:

- Working hours
- Employer notice period
- Overtime hours
- Overtime pay rate
- Severance payout

Location X	Location Y	Location Z	Location XX	Location YY	Location ZZ
Working hours					
5-day work week averaging 40 working hours per week			9 hours a day including breaks, 48 hours a week	5-day work week averaging 40 working hours per week	
Employer notice period					
1 month	6 months: 7 days 6 months to 2 years: 15 days 2-5 years: 1 month 5-10 years: 2 months >10 years: 3 months	1 month	At least 1 year: 1 month notice For other employee categories: employment-contract-driven	1 month	Indefinite term: 45 days Definite term: 30 days Seasonal: 3 working days Dismissal for disciplinary action: no notice period
Overtime hours					
1 hour per day or 3 hours per day in special circumstances	2 hours per day and to 200 hours per year	No statutory requirement; depends on the employee contract	For workmen: more than 9 hours in any day or more than 48 hours in any week	3 hours per day or 14 hours in 1 week	Maximum of 50% of normal working hours per day, 40 hours per month, and 200 hours per year
Overtime pay rate					
Working day: at least 150% of wages Rest day: at least 200% of wages Public holiday: at least 300% of wages	Daytime on normal working day: 150% of the wage Nighttime between 22:00-5:00 and during employees' weekly time off: 200% of normal wage	No statutory requirement; depends on the employee contract	2 x the ordinary rate (for workmen)	Working day: 150% of hourly wage for first hour and 200% of hourly wage for subsequent hours Public holiday/rest day: 200%-400% of hourly wage depending on length of overtime	Before 22:00 on weekday: 150% of hourly base salary After 22:00 on weekday: 210% of hourly base salary Before 22:00 on weekend: 200% of hourly base salary After 22:00 on weekend: 270% of hourly base salary During public holiday and paid leave days before 22:00: 300% of hourly base salary excluding salary paid during public holiday During public holiday and paid leave days after 22:00: 390% of hourly base salary excluding salary paid during public holiday

Part IV:

Compensation practices

Employee remuneration is a large component of the cost of any operation and determines a company's competitiveness. A fair and accurate gauge of the compensation data will help you in designing good recruitment and retention practices. The economic crisis of the COVID-19 pandemic has reinforced the need to review compensation packages and understand the compensation strategies adopted in each market.

Items covered here are:

- Market prevalence for common compensation policies
- Salary data for typical hot jobs
- Salary data for professional level and staff level compared across locations

Annual total cash (target) comparison between six locations

In our study, nearly 90% of companies use market median (P50) for pay benchmarking with reference to annual total cash target (comp 3). *(In short, the yearly salary plus variable bonuses assuming targets are met. For a detailed definition, please refer to Part VII: Appendix: glossary, methodology and Sources: Compensation items)*

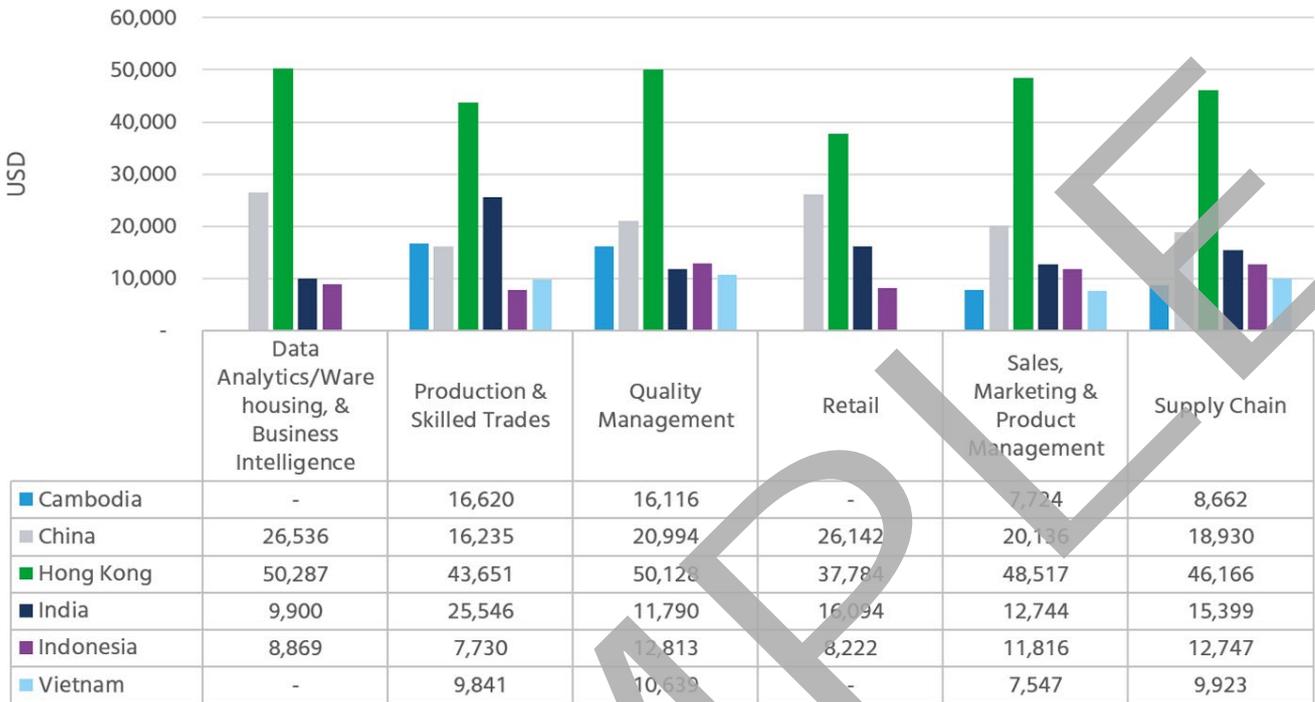
The following table summarizes the salary data of typical hot jobs in high demand among companies.

Job family	Typical job title/ job scope	Career level	Location/annual total cash (target) median in US dollars					
			China	Cambodia	Hong Kong	India	Indonesia	Vietnam
Administration, facilities & secretarial	General office administration	Experienced professional (P2)	100	100	100	100	100	100
Engineering & science	Repair & maintenance engineering	Experienced professional (P2)	100	100	100	100	100	100
Finance	Accounting	Experienced professional (P2)	100	100	100	100	100	100
HR	General HR	Experienced professional (P2)	100	100	100	100	100	100
IT, telecom & internet	General IT	Experienced professional (P2)	100	100	100	100	100	100
Legal, compliance & audit	General compliance	Senior professional (P3)	100	100	100	100	100	100
Quality Management	Manufacturing Quality Assurance	Senior Professional (P3)	100	100	100	100	100	100
Sales Marketing & Product Management	General Field Sales	Experience Professional (P2)	100	100	100	100	100	100
Supply Chain	General Logistics Operations	Senior Professional (P3)	100	100	100	100	100	100
Supply Chain	Procurement	Senior Professional (P3)	100	100	100	100	100	100
Retail	Operations (Non-sales)	Experience Professional (P2)	100	100	100	100	100	100

* () More job data can be provided when purchasing full Mercer Total Remuneration Survey (TRS) and Mercer Supply Chain Management Survey (SCMS) report. Please contact us for more details.

The following graphs show the comparison between supply chain jobs across locations.

B1. Supply chain: annual total cash (target) professional (median in US dollars)



B2. Supply chain: annual total cash (target) staff (median in US dollars)



Source: 2019 Mercer Supply Chain Management Forum, some data may not be covered in the survey

Part V:

Benefits policies

The aim of this section is to summarize the key benefits provided by a majority of organizations. Benefits are largely the same across all employee levels, but some are specific to employee category. The following table provides the overall prevalence for each of the key benefits.

Items covered here are:

- Leave benefits (annual leave, parental leave, other leave)
- Medical and insured benefits
- Overview of retirement schemes

The following tables show the comparison of market prevalence between markets.

1. Leave benefits

Location X	Location Y	Location Z	Location XX	Location YY	Location ZZ
Annual leave					
<p>Statutory annual leave states that after 1 year of service, employee is entitled to 5-15 days depending on employee's overall years of service in workforce</p> <p>Companies provide additional annual leave on top of statutory requirements</p> <p>91% of companies allow employees to carry forward unused leave days to next year</p>	<p>Statutory requirement is 1.5 days per month or 18 days after one year of service, which increases with seniority of employee at one day per three year of service</p> <p>Companies tend to follow statutory requirements</p> <p>Annual leave advancement and carry forward are common practices</p>	<p>Statutory paid annual leave is 7 days after 12 months of continuous employment, which progressively increases to maximum of 14 days after 9 years of service</p> <p>Companies provide annual leave above statutory requirements</p> <p>93% of companies allow employees to carry forward unused annual leave to next year</p>	<p>For factories employees, an adult who has worked 240 days in a calendar year is entitled to 1 day of annual leave per 20 days worked in the previous year</p> <p>For non-factory employees, leave depends on individual states, but is comparable to statutory requirement for factory employees</p> <p>Most organizations provide annual leave immediately upon employment</p> <p>Only 11% of organizations increase annual leave entitlement with years of service</p>	<p>Statutory minimum of 12 days of annual leave</p> <p>Companies provide annual leave above statutory requirements</p> <p>83% of companies allow employees to carry forward unused annual leave to next year</p>	<p>For normal working conditions, annual leave entitlement is 12 days, which increases by 1 day for every 5 years of employment</p> <p>Companies provide annual leave above statutory requirements</p> <p>88% of companies allow employees to carry forward unused annual leave to next year</p>
<p>Professional (median): 12 days in first year of service up to maximum of 20 days</p>	<p>Professional (median): 18 days in first year of service up to maximum 26 days</p>	<p>Professional (median): 15 days in first year of service up to a maximum 20 days</p>	<p>Professional (Median) - 21 days</p>	<p>Professional (median): 12 days in first year of service up to a maximum 18 days</p>	<p>Professional (median): 14 days in first year of service up to a maximum 20 days</p>
<p>Staff (median): 12 days for first year of service up to a maximum 20 days</p>	<p>Staff (median): 18 days for first year of service up to a maximum 26 days</p>	<p>Staff (median): 14 days for first year of service up to a maximum 20 days</p>	<p>Staff (median): 21 days</p>	<p>Staff (median): 12 days in first year of service up to a maximum 18 days</p>	<p>Staff (median): 14 days in first year of service up to a maximum 20 days</p>

Part VI:

Mobility insights

There is a need, upon the selection of key location, for the right mobility data. This section provides a high-level overview of the various cost components to help you to decide when setting up overseas in terms of relocating key talent. Note, this is by no means comprehensive coverage.

Items covered are:

- Personal income tax
- Cost of living
- International schools
- Housing and temporary accommodation

1. Personal income tax

Location X

Tax year: 2020		
Annual Taxable Income (RMB)	Tax on Lower Amount (RMB)	Tax Rate on Bracket %
0 - 36,000	0	3.0
36,001 - 144,000	1,080	10.0
144,001 - 300,000	11,880	20.0
300,001 - 420,000	43,080	25.0
420,001 - 660,000	73,080	30.0
660,001 - 960,000	145,080	35.0
960,001 and over	250,080	45.0

Location Y

Tax year: 2020/2021	
Annual Taxable Income (KHR)	Tax Rate on Bracket %
0 - 14,400,000	0.0
14,400,001 - 24,000,000	5.0
24,000,001 - 102,000,000	10.0
102,000,001 - 150,000,000	15.0
150,000,001 - and up	20.0

Location Z

Tax year: 2020/2021		
Annual Taxable Income (HKD)	Tax on Lower Amount (HKD)	Tax Rate on Bracket %
0 - 50,000	0	2.0
50,001 - 10,000	1,000	6.0
10,001 - 150,000	4,000	10.0
150,001 - 200,000	9,000	14.0
200,001 and over	16,000	17.0

The maximum tax, however, is limited to 15% of total income tax before the deduction of allowances

4. Housing comparison - Average monthly rental prices in US dollars

Location X	Location Y	Location Z	Location XX	Location YY	Location ZZ
1 bedroom apt. unfurnished					
2,430 (65-85 sqm)	1,300 (90-115 sqm)	7,460 (1060-1350 sqft)	-	724 (70-90 sqm)	-
2 bedroom apt. unfurnished					
2,930 (105-135 sqm)	1,950 (105-135 sqm)	10,933 (1320-1690 sqft)	-	978 (90-125 sqm)	1,800 (95-125 sqm)
3 bedroom apt unfurnished					
4,288 (160- 205 sqm)	2,500 (115-195 sqm)	16,721 (1760-2250 sqsf)	3,632 (2025-2590 sqft)	1,340 (115-145 sqm)	2,450 (150-190 sqm)
4 bedroom unfurnished apartment					
-	-	-	4,890 (2905-3715 sqft)	-	-
5 bedroom unfurnished apartment					
-	-	-	5,588 (3170-4050 sqft)	-	-

5. Temporary Housing - Average monthly rental prices in US dollars

Location X	Location Y	Location Z	Location XX	Location YY	Location ZZ
1 bedroom serviced apartment					
4,288 (60 - 70 sqm)	-	10,933 (1300-1450 sqft)	2,165 (2000 sqft)	-	3,120 (40-75sqm)
2 bedroom serviced apartment					
6,289 (95 - 110 sqm)	-	16,721 (1750-1920 sqft)	3,773 (2500 sqft)	-	-
3 bedroom serviced apartment					
-	-	27,654 (2500-2750 sqft)	-	-	-
Business hotel, single room					
-	153/night	-	-	52/night	-