BENEFITS TRENDS IN ASIA
A look at key benefits across industries & geographies
31 MAY 2012

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Singapore
Benefits Trends in Asia

Agenda

• Introduction

• Snapshot poll findings
  – Benefits effectiveness

• What are companies offering?
  – Flexible benefits
  – Leave benefits
  – Medical benefits
  – Company Car
  – Car Allowances

• How to make the best use of benefits information?

• The shift away from traditional benefits - Be Bold, Experiment & Measure
Before We Begin

• Country abbreviations will be used in this presentation

• In the interest of time and based on feedback, the following countries are selected

<table>
<thead>
<tr>
<th>CN</th>
<th>HK</th>
<th>ID</th>
<th>IN</th>
<th>SG</th>
<th>VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Hong Kong</td>
<td>Indonesia</td>
<td>India</td>
<td>Singapore</td>
<td>Vietnam</td>
</tr>
</tbody>
</table>

• The data used in this presentation is based on median values

• All benefits that are covered are supplementary benefits, sponsored by employers, and provided to locally hired employees
Thank you for participating in the snapshot survey
Who has contributed?

**Industry Type**
- Chemical: 12%
- Energy: 2%
- Engineering & Construction: 3%
- Financial Services: 5%
- Manufacturing: 14%
- Oil & Gas: 3%
- Pharmaceutical & Health Care: 11%
- Retail & FMCG: 9%
- Technology: 15%
- Transportation: 2%
- Others: 24%

**Headcount**
- 1 - 99: 14%
- 100 - 499: 29%
- 500 - 1500: 20%
- > 1500: 37%

N=768
Companies continue to spend on benefits

Benefits cost > 15% of total pay roll

51% of surveyed respondents

Estimate of benefits cost as a percentage of total payroll

Top 3 countries with highest % of companies spending >15% of total payroll

Philippines, Indonesia and Malaysia

Source: APAC Mercer Market Pulse Survey
Importance of benefits to companies
Factors influencing effectiveness of benefits policies

• Companies recognize the importance of benefits
• Effectiveness of benefits is influenced by:
  – Benefits investments
  – Level of importance placed on it

- Very Important, 291, 44%
- Increasingly Important, 346, 53%
- Not important, 20, 3%
Effectiveness of Benefits policies
It is dependent on the level of investment………..

Role of benefits in organization

- Effective & Increasingly effective
  240 respondents

- Not Effective
  38 respondents

Approximately 70% of companies invest > 10% of total payroll on benefits

Close to half of these companies invest <10% of total payroll on benefits

- Threshold for benefits spend: 10%

- Spending more **does not necessarily** increase the return on investment

- Effective benefits policies are dependent on various factors such as meeting employees’ needs, organizational culture and execution & communication
Effectiveness of Benefits

and the level of importance companies place on benefits

• If benefits are viewed as not important they are not likely to be effective

• Likelihood of benefits being effective increases as employers place more emphasis on them
Shifting perspective on benefits

• Present day definition of benefits policies goes beyond the traditional benefits provided such as health, retirement, insurance etc.

• Employees take on a broader perspective of what defines benefits e.g.
  – Flexible working arrangements
  – Recreational items

**benefit** (bĕn’ə-fĭt)

n.

1. **Something that promotes or enhances well-being; an advantage**
So what are companies doing with benefits?
Benefits Trends
What we notice across industries and geographies…

• Companies keep close to legislation or market median, although this is changing recently

• The focus remains on medical benefits, risk benefits, leave policies and transportation (the traditional benefits) but there is a shift towards how to offer these traditional benefits (low cost, optimal execution)

• Health benefits are moving from focus on ill employees to making sure employees do not fall ill via health management programs

• Flexible benefits – in the broader sense of the word – are here to stay

• Prevalence and trends differ from country to country and need to be assessed on a local basis to make benefits successful
Flexibility
### Flexibility
Ranked as one of the top future opportunities

When, where and how a person will work and options a person can have to better meet individual and business needs

<table>
<thead>
<tr>
<th>When, where and how</th>
<th>Other Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Flexible working hours</td>
<td>- Flexible benefits</td>
</tr>
<tr>
<td>- Telecommuting</td>
<td>- Flexible spending account</td>
</tr>
<tr>
<td>- Part-time work</td>
<td></td>
</tr>
<tr>
<td>- Creative leave options</td>
<td></td>
</tr>
<tr>
<td>- Job sharing</td>
<td></td>
</tr>
</tbody>
</table>
Flexible Work Arrangements
Telecommuting and flexible work hours are more common

Although.....

• Telecommuting is most prevalent in Australia, New Zealand and India
• Flexible start time is most prevalent in New Zealand, Singapore and India

.....Prevalence is not that high
Flexible Work Arrangements
High tech and Pharmaceutical/Healthcare industries lead the way

Chemical

Consumer

High-Tech

Pharmaceutical & Healthcare

Flexi Start Time  Telecommuting
Flexible Benefits
Not prevalent across countries

- Where provided, it is provided in the form of a flexible spending account
- Effective in meeting different employee needs
  - Apart from health and insured benefits, can allow employees to flex their allowances, club memberships to meet different
  - Option to include dependant coverage

<table>
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<tr>
<th>Country</th>
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<th>HK</th>
<th>ID</th>
<th>SG</th>
<th>VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of flex plan as % of total payroll</td>
<td>-</td>
<td>1%</td>
<td>3%</td>
<td>2%</td>
<td>*</td>
</tr>
<tr>
<td>Cost as % of base pay per employee</td>
<td>6%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Flexible Benefits

- Total annual cost per employee per year

<table>
<thead>
<tr>
<th></th>
<th>Flexible Spending Account</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(USD)</td>
</tr>
<tr>
<td></td>
<td>Top Management</td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
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<tr>
<td>Singapore</td>
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<td>Vietnam</td>
<td></td>
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<tr>
<td>China</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Exchange rate:

- USD 1 : IDR 9552
- USD 1 : SGD 1.28
- USD 1 : VND 20,805
- USD 1 : CNY 6.35
Leave
Mostly aligned with legislation

• Except for annual leave where companies tend to supplement legislation

• Leave for company sponsored courses, compassionate and marriage leave are common

• Providing exam leave for non-company sponsored courses and sabbatical leave provision are not prevalent across industries and geographies
Annual Leave
Carry forward of unused leave is common

- The general timeframe for carry forward is usually 1 year
- India is the one country with no defined time limit for carried over leave to expire.
- Chemical, High-Tech and Pharmaceutical & Healthcare companies have higher prevalence of leave being allowed to be carried forward, while Consumer companies have slightly lower prevalence
- High-Tech companies tend to be above the industry norm for length of time leave can be carried forward until
Creative leave options

- New ways to provide leave benefits?

**Bucket approach of leave**
- Flexibility of usage
- Ownership to handle one’s time off for different purposes
- Less administration
- Increased perceived value

**Forced Sabbatical leave**
- Break to re-charge and reflect on career development
- System for organization to ensure business continuity processes and succession planning are in place
Health and wellness benefits
Health and wellness benefits
Necessary to ensure employee well-being and contain cost

• Aging population in most countries will increase the cost of medical benefits
• There is increased prevalence of co-sharing with employees to control the rising cost of benefits
• Health and wellness programs are used as preventive measures
• Premium sharing for dependants (62% of companies) is more common than for employees (12% of companies)

• Dependents usually pay 50% of the premium cost compared to 20% for employees

• Dependents usually have the same claim limit per visit as employees
Health Benefits
Hong Kong

- Some companies require premium co-sharing for dependant coverage
- Traditional Chinese Medicine (TCM) is being accepted by more companies
Health Benefits

India

• Unlike other countries, provision to dependants includes parents and in-laws
• Companies give employees the option to pay additional premium to:
  – buy additional coverage for self and dependants
  – buy hospitalisation cover for dependants not covered
• Outpatient clinical benefit is provided on a medical reimbursement basis
• Hospitalisation usually covers up to 4 dependants
• Common inclusions under hospitalisation are pre-existing illnesses, maternity and baby from day one

### Hospital Surgical

<table>
<thead>
<tr>
<th></th>
<th>All Industries</th>
<th>Consumer</th>
<th>High-Tech</th>
<th>Pharma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim Share</td>
<td>10%</td>
<td>*</td>
<td>10%</td>
<td>*</td>
</tr>
<tr>
<td>Premium Share</td>
<td>14%</td>
<td>*</td>
<td>14%</td>
<td>*</td>
</tr>
<tr>
<td>Individual Limit</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>*</td>
</tr>
<tr>
<td>Family Limit</td>
<td>300,000</td>
<td>400,000</td>
<td>400,000</td>
<td>300,000</td>
</tr>
</tbody>
</table>

Hospital Surgical

- Provision to dependants
- Dependant premium sharing
- Dependant claim sharing

• Outpatient clinical benefit is provided on a medical reimbursement basis
• Hospitalisation usually covers up to 4 dependants
• Common inclusions under hospitalisation are pre-existing illnesses, maternity and baby from day one
Health Benefits
Indonesia

- Outpatient benefit typically covers employees for outpatient specialist and vision care, dental for both employees and dependants.

- 57% of employers provide inpatient entitlement as charged so long as the room and board policy is followed.

<table>
<thead>
<tr>
<th>(Employee)</th>
<th>All Industries</th>
<th>Chemical</th>
<th>Consumer</th>
<th>High-Tech</th>
<th>Pharma &amp; Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Limit ('000)</td>
<td>5,000</td>
<td>5,000</td>
<td>4,987.5</td>
<td>5,100</td>
<td>4,250</td>
</tr>
<tr>
<td>Premium Share</td>
<td>10%</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Claim Share</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
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</tr>
</thead>
<tbody>
<tr>
<td>Room &amp; Board</td>
<td>450,000</td>
<td>475,000</td>
<td>450,000</td>
<td>550,000</td>
<td>375,000</td>
</tr>
<tr>
<td>Premium Share</td>
<td>10%</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Claim Share</td>
<td>15%</td>
<td>20%</td>
<td>10%</td>
<td>*</td>
<td>25%</td>
</tr>
</tbody>
</table>
Health Benefits
Singapore

- It is increasingly common to combine outpatient clinical with other benefits with the intent of having a combined cap
- Traditional Chinese Medicine (TCM) is being accepted by more companies

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Limit</strong></td>
<td>600</td>
<td>*</td>
<td>*</td>
<td>1,000</td>
<td>*</td>
</tr>
<tr>
<td><strong>Claim Share</strong></td>
<td>30%</td>
<td>20%</td>
<td>*</td>
<td>20%</td>
<td>*</td>
</tr>
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</table>

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Room &amp; Board</strong></td>
<td>280</td>
<td>275</td>
<td>280</td>
<td>295</td>
<td>268</td>
</tr>
<tr>
<td><strong>Claim Share</strong></td>
<td>13%</td>
<td>15%</td>
<td>*</td>
<td>20%</td>
<td>*</td>
</tr>
</tbody>
</table>
• Employers generally do not restrict the type of doctors that employees visit
• Dental is typically covered as part of outpatient benefit
• >90% of the employers will provide periodic medical check-up
• Vision care is not a common benefit amongst employers
Health & Wellness Programs
Maintain health costs by inculcating the right behaviours

• Useful to serve as preventive health measures and to encourage right behaviours amongst employees

• Close to 20% of those who do not have a health & wellness program indicated they are planning to implement one in the near future
Car Policy:
Company Car and Car Allowance
Car Policy

Company car still viewed as a prestige

• Provided as a perquisite for top management in non-sales functions mainly
• Company car provision is more prevalent in Indonesia and Pakistan
• Provision of drivers to top management is more prevalent in developing countries
• Chemical companies have the highest prevalence for providing company car to its head of organization, while companies in the high-tech industry generally have the lowest prevalence
• Typical brands of cars provided include Audi, Buick and Passat

• It is likely that chemical and pharmaceutical companies provide cars because of the location of the office
• Typical brands of cars provided include Mercedes, BMW, Audi, Lexus, Toyota, Honda

• Providing company cars to their non-sales top management employee is more prevalent in the consumer industry than in all industries

• High-Tech – few companies offer car or car allowance to senior employees
Typical brands of cars provided include Mercedes, Toyota, Honda and Hyundai.

For the higher employee levels the Equal Monthly Instalment (EMI) is typically not recovered from employee’s salary.
• Typical brands of cars provided include BMW, Toyota, Honda and Nissan
• Pharmaceutical & Healthcare industry companies have the highest provisions for cars, followed by those in Chemical industry
• Typical brands of cars provided include BMW, Mercedes, Toyota and Honda

• Car allowance is more commonly offered in Singapore because of the high COE prices to provide a company car
Car Policy Vietnam

- Typical brand of cars provided include Toyota, Suzuki, Ford, Honda and Mitsubishi.
- Employers generally does not differentiate between top management and function head in terms of price of car.
Making the best use of trends and market practice

What next?
What do you do with all this information? The ideal process…..

*Analysis: The four perspectives

- **Employer**
  - Business analysis, trends, and themes
  - Executive interviews & surveys
  - Workforce profile and projections

- **Employee**
  - Employee surveys
  - Preference analysis
  - Engagement data & analysis
  - Communication audit

- **External**
  - Competitive positioning
  - Emerging trends
  - Environmental developments
  - Projected changes in labor markets

- **Cost**
  - Cost trends
  - Cost & business performance projections
  - Cost saving opportunities
  - Risk management

(Re)-Design Plans
Aligned to Strategy

Delivery
Communication
Administration
Financing

Measure and Manage
Benefits of the different benchmarks
Companies conduct benchmarks to determine competitiveness

**Prevalence comparison**

**Considers:**
- Trends, Statistics
- Plan design
- Median and quartile comparison
- Prevalence

**Advantages:**
- See how your individual benefits compare to the market
- Justify decisions about changes in plan design

**Value-based comparison**

**Considers:**
- Plan design only
- An apples-to-apples comparison of benefits plans

**Advantages:**
- Effectively compare benefits that have different plan designs
- Justify decisions about changes in plans design for one benefit or your benefits offering as a whole
- Identify gaps in your benefits plans for your different employee groups
## Examples of Benchmarks

<table>
<thead>
<tr>
<th>Summary of ABC Current</th>
<th>Market Practice - Hi Tech Sector</th>
<th>Comments / Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td></td>
<td>ABC Norway is in line with the market sector practice in offering a retirement benefit. However, more companies at the moment provide defined contribution plans than defined benefit plans.</td>
</tr>
<tr>
<td>ABC Norway offers a Defined Benefit plan.</td>
<td></td>
<td>ABC Norway offers slightly more generous pensionable salary than the majority of companies by including all fixed allowances. Limit of the pensionable salary is in line with market practice.</td>
</tr>
<tr>
<td>Pensionable salary is defined as base salary plus any fixed allowances. Maximum is 12 G.</td>
<td></td>
<td>In line with the market.</td>
</tr>
</tbody>
</table>

- 93% of peer group companies offer some kind of retirement benefit.

### Defined Benefit Plan

- 25% of companies offer DB plan. Where the plan is in pesos, all employees are eligible to join it.
- Pensionable salary is defined in 80% of cases as just base salary (paid in 12 months), in 15% of cases it is salary plus bonus, and in 5% of cases it is base salary plus other. If there is an upper limit for pensionable salary/earnings, it is 12 times Norwey Base Amount (G) = NOK75,941 as of May 2010.
- Normal retirement age is always 67.
- Where companies offer a DB plan, all employees are eligible to join the plan. 75% of peer companies do not define final pensionable earnings / salary (FPS) as an average of pensionable earnings.
- In all companies DB plans are financed by employer contributions only (average 12%). No employee contribution is required.
- Benefit formula is 60% or 65% of FPS in 20% of companies each, 60% of FPS in 40% of companies, and 70% of FPS minus national social insurance scheme amount in 20% of companies.
- None of the responding companies guarantee increases above CPI to pensions after retirement.

### Total Benefits

<table>
<thead>
<tr>
<th>MYR</th>
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<tbody>
<tr>
<td>25,000</td>
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<tr>
<td>20,000</td>
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<tr>
<td>15,000</td>
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<tr>
<td>10,000</td>
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<tr>
<td>5,000</td>
</tr>
</tbody>
</table>

- Total Benefits
- Lower quartile
- Median
- Upper quartile

Ranking: 5
Index: 24%
The shift away from traditional benefits

Be Bold, Experiment & Measure
Once you have gotten your basic benefits policies right…
Be Bold, Experiment & Measure

Reasons for introducing non-traditional benefits

- 42% of the employers introduce benefits to meet employee needs
- Need not take a lot to increase the perceived value of employees

- Meeting needs of employees
- Improve employer branding
- Focus on innovative benefits/trends
- Part of regional/global initiative
- Others

• 42% of the employers introduce benefits to meet employee needs
• Need not take a lot to increase the perceived value of employees
Non-traditional benefits that companies are offering

**Time Off**
- Unlimited annual leave: 10
- Innovation days: 24
- Take a break program: 45
- Overseas incentive trip: 122

**Facilities/ Services**
- Concierge services: 35
- Free massages: 44
- Game room: 96
- Fully stocked pantry: 131
- Gym: 197

**Activities**
- Karaoke sessions: 10
- Social & recreational activities: 350

**Miscellaneous**
- Allow employees to use their own tech device: 93
- Others: 143
- Allow social networking sites during work: 153
- Individual coaching: 156
Conclusion

Benefits need not require a large investment, but it needs to be right.

Focus on the benefits that give the most value to employees, yet are sustainable in the long run.

Know your employees

Know your competition

Create your own competitive advantage