

Asia-Pacific Rewards Trends and Insights

For 2022 and beyond

27th July 2022

A business of Marsh McLennan



Today's speakers



Puneet Swani, Senior Partner

Career Business Leader
AMEA & Pacific, Mercer



Kulapalee Tobing, Partner

Regional Industry and Solutions Leader
Asia Pacific, Mercer

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Talent and workforce insights

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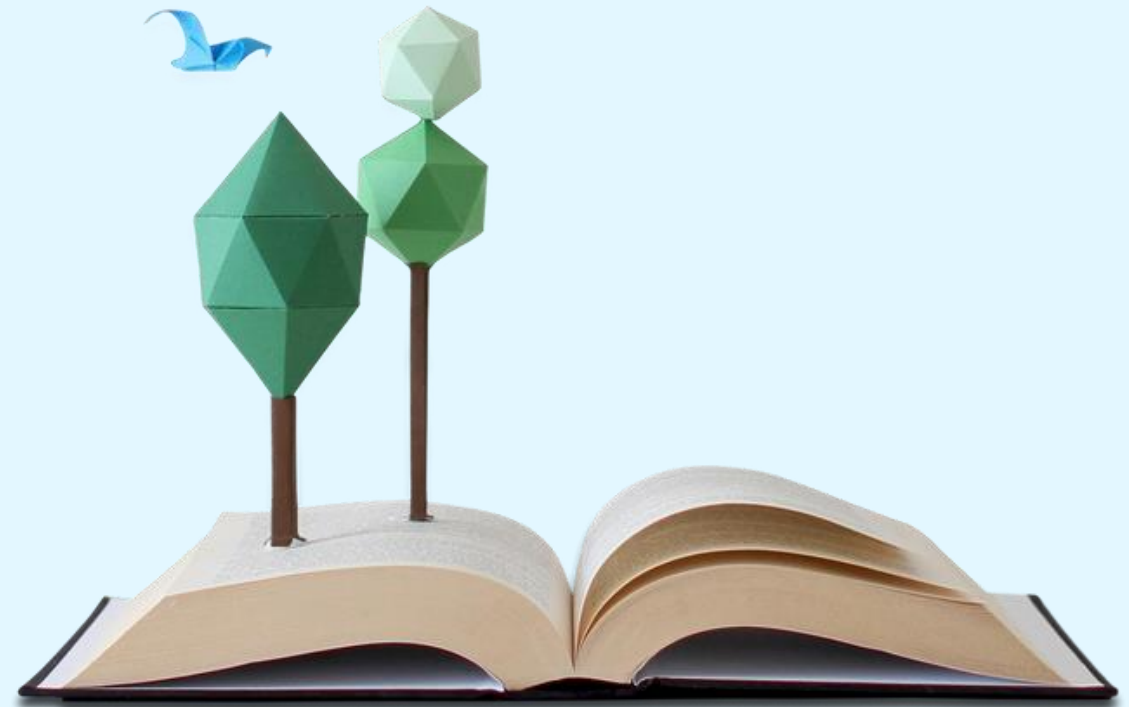
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Conclusion and Q&A



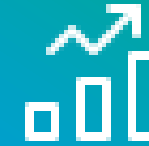
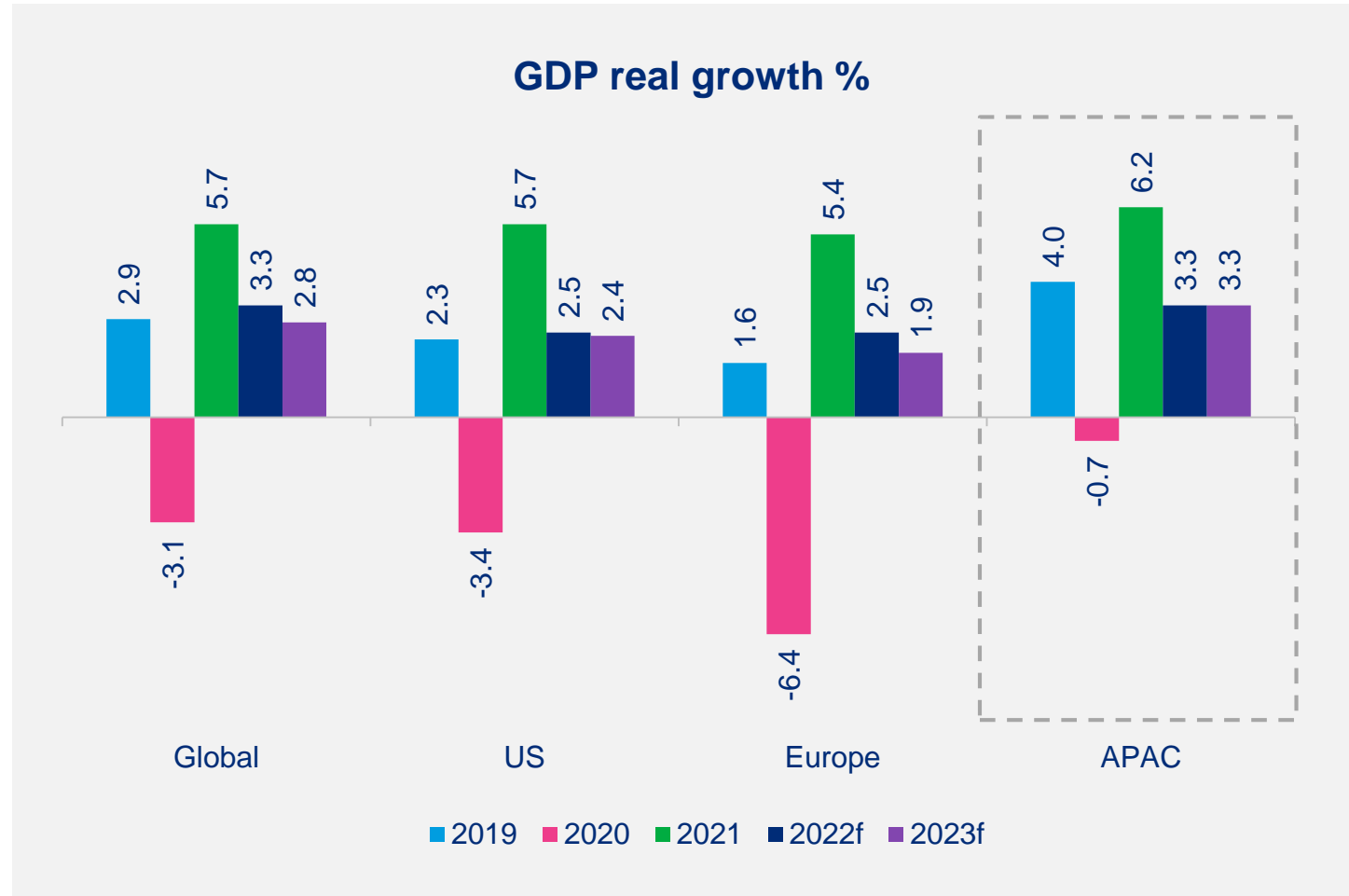
- Recording and presentation will be shared post-webinar by 1st August.
- Got questions? Please type your questions in the Q&A box. We will try to answer your questions during this webinar, if not, after the webinar.

Economic outlook & employment landscape



Global economic growth is projected to slow down

War sets back the global recovery



After posting a strong recovery in 2021, the Asia-Pacific region is set for more modest economic expansion in 2022

Persisting coronavirus pandemic, supply chain disruptions, inflation and the Ukraine crisis continue to bring unpredictability and ensuring business resilience remains a top priority for companies

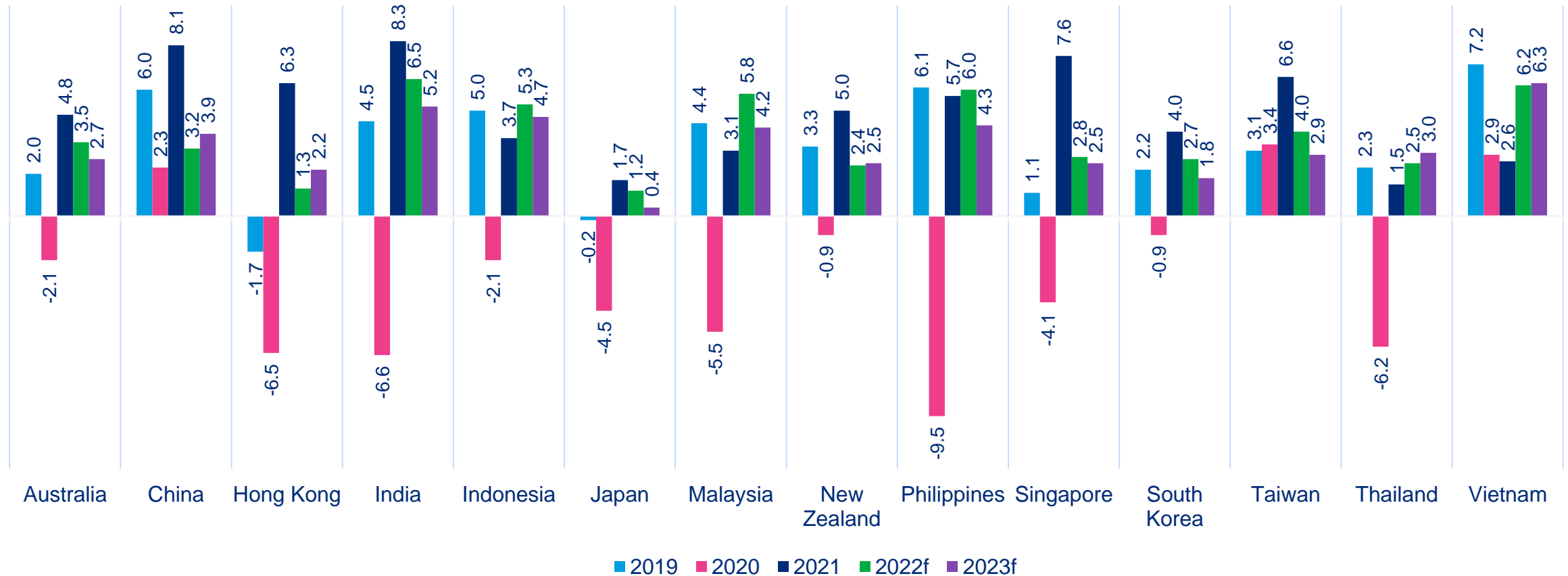


According to a recent Mercer survey, **3 in 4** organizations globally consider the risk of recession as a moderate to high concern

Divergent economic outlook across markets in Asia-Pacific

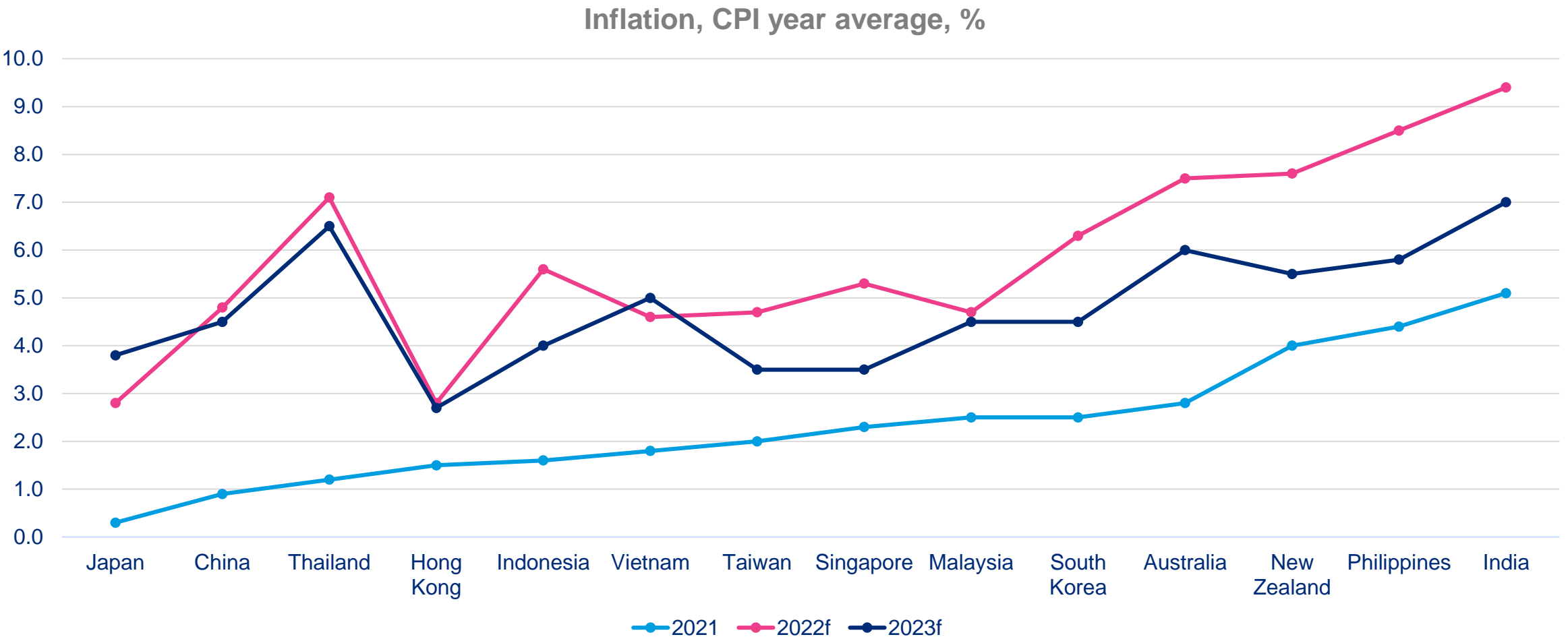
Headwinds from the Ukraine crisis, a resurgent pandemic, and tightening global financial conditions

GDP real growth %



Inflation rate is forecast to rise across markets in 2022

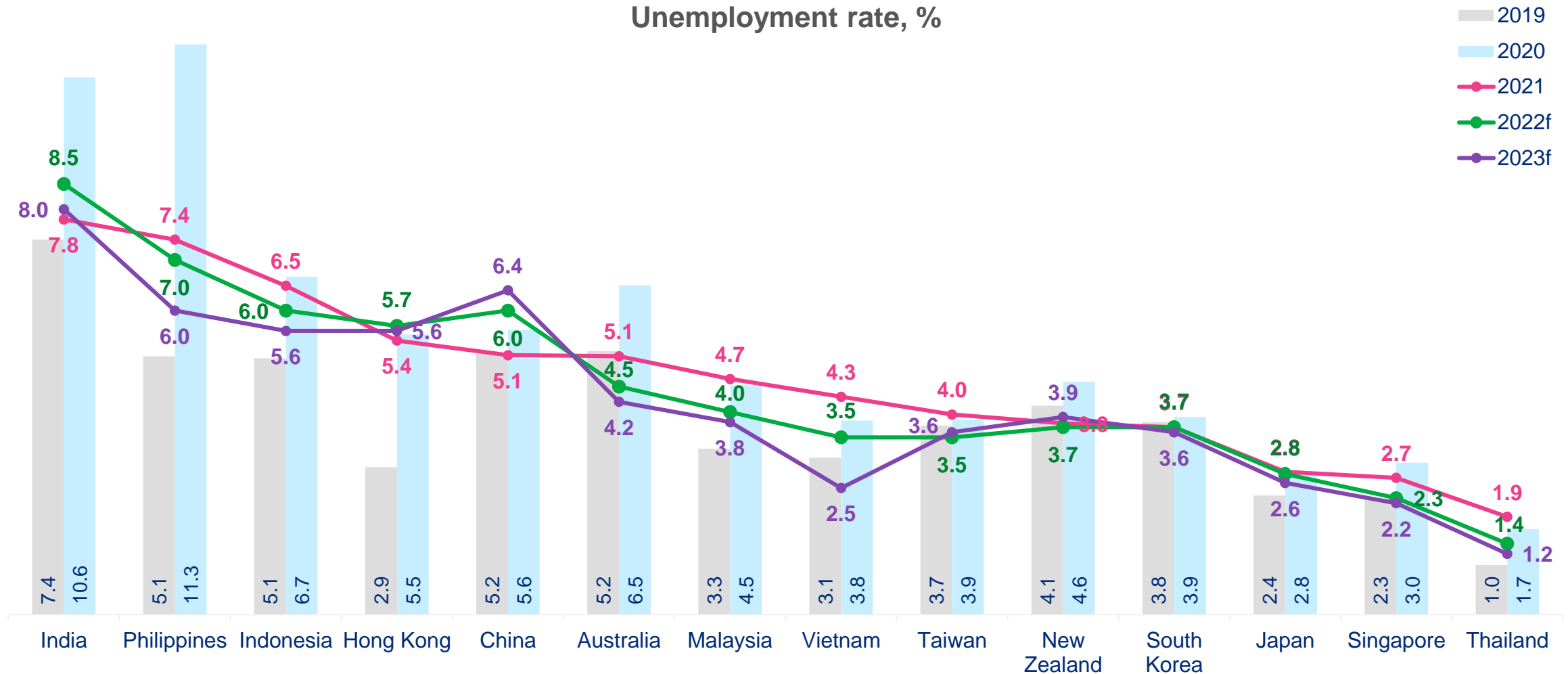
Slowing growth and rising inflation raise stagflation risk



Unemployment rate is trending down to pre-pandemic levels

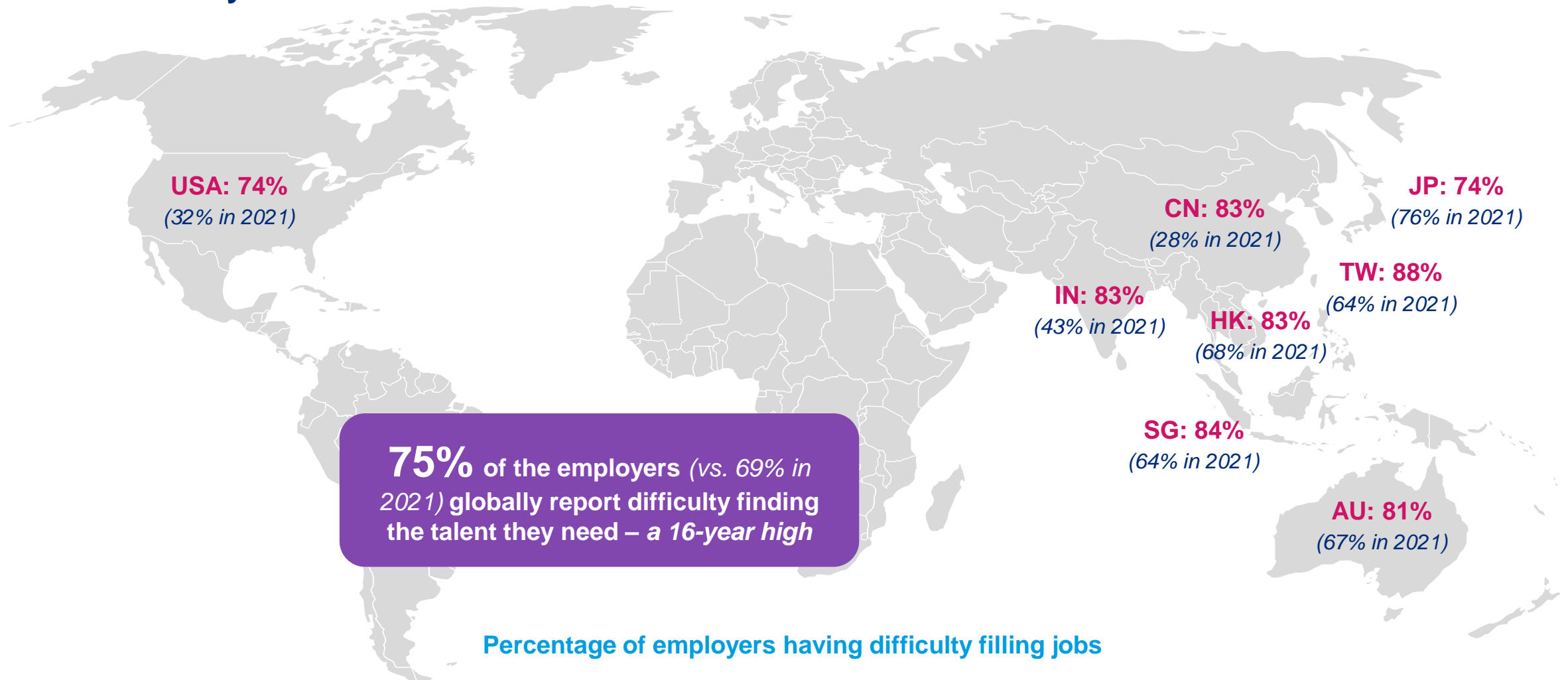
The uneven recovery is widening the gaps between more and less developed markets

Unemployment rate, %



Global talent shortages reach a new high

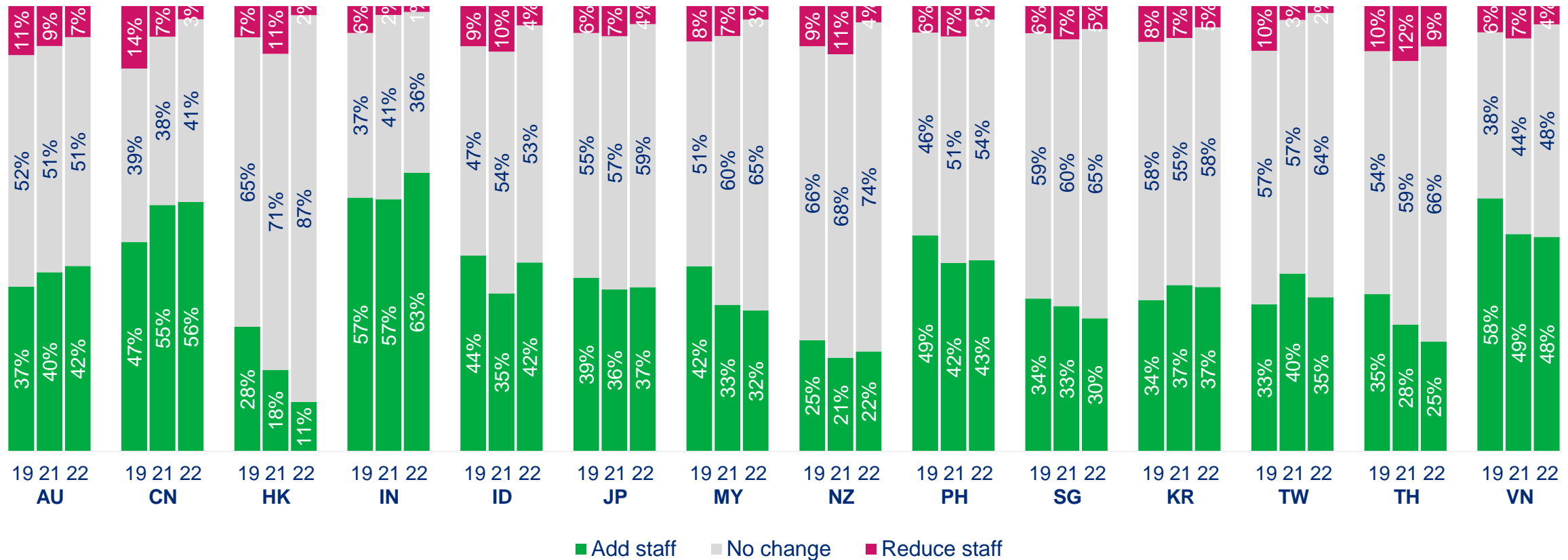
As labor markets strive to rebound from the impacts of the pandemic, a talent shortage of historical scale has catalyzed



Hiring intentions

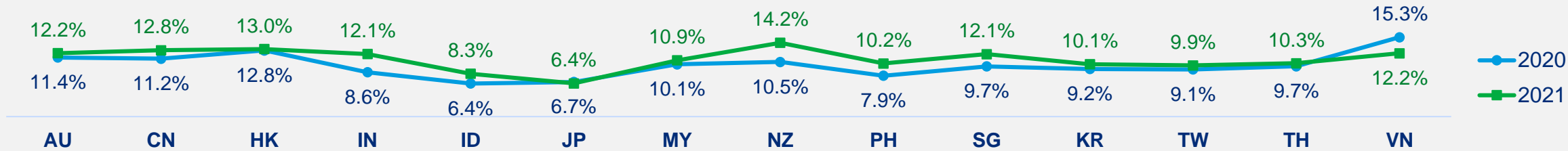
Companies hiring more in 2022 compared to last year, with some markets exceeding the pre-pandemic levels

Hiring intentions for 2019, 2021 and 2022

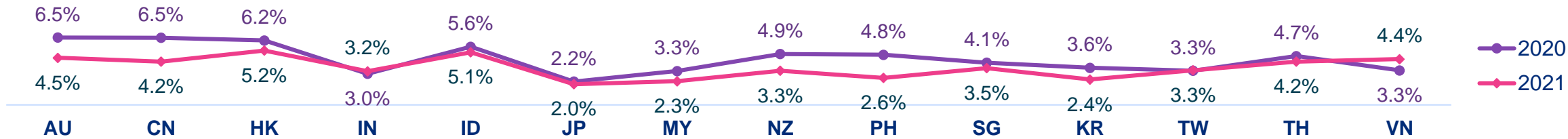


Voluntary attrition rates are mostly on a rise while involuntary attrition rates are trending down

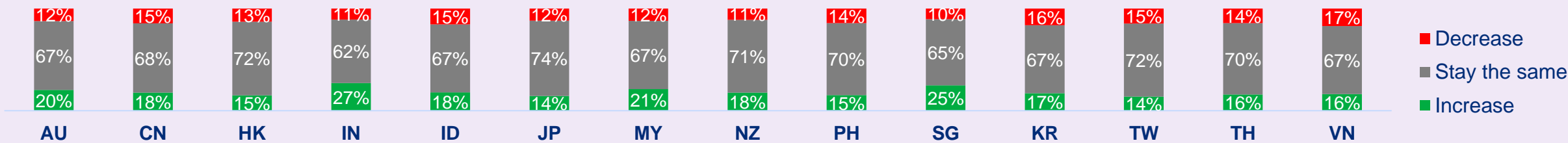
Voluntary turnover for 2020 and 2021



Involuntary turnover for 2020 and 2021



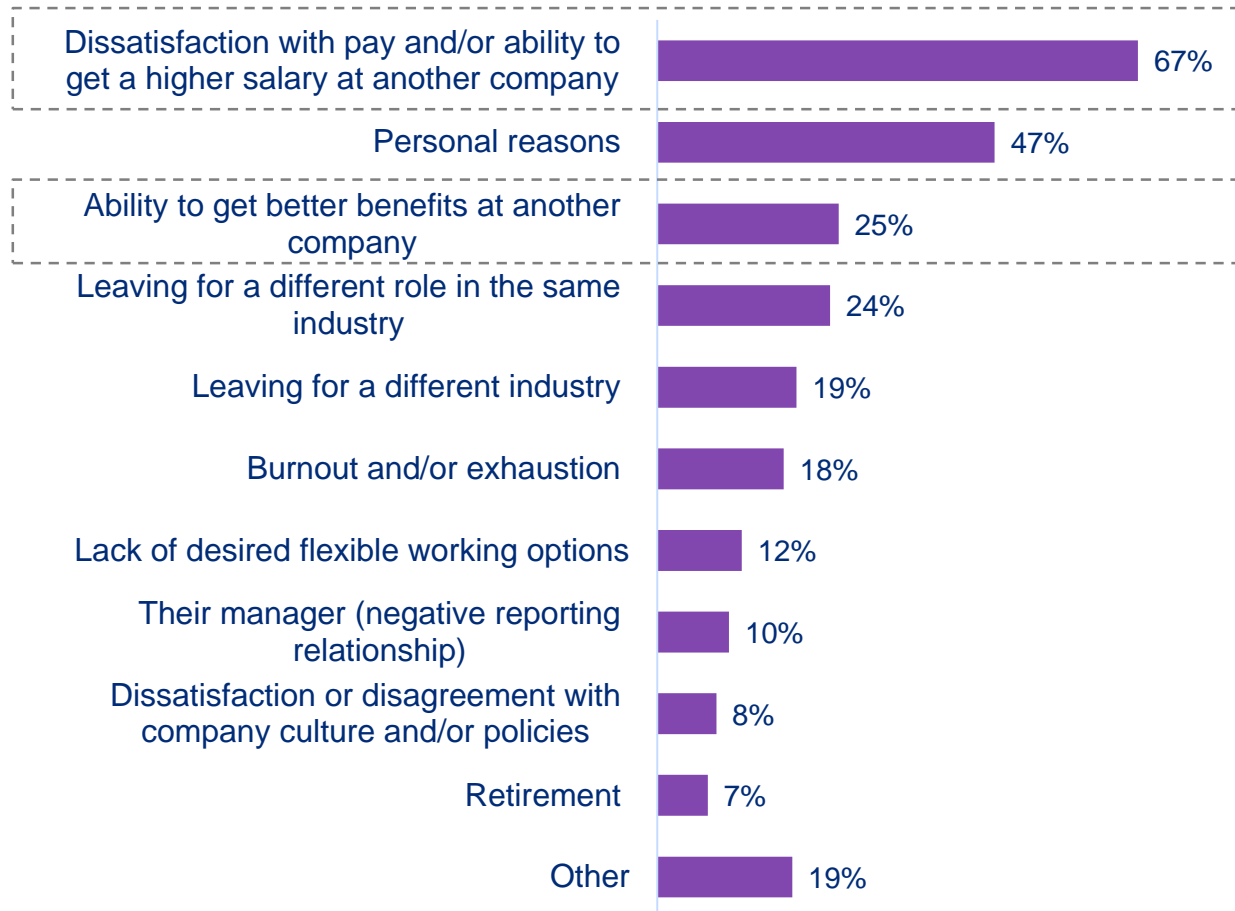
Expected change in turnover rate for 2022



The great resignation still continues

7 in 10 companies in Asia Pacific consider labor shortage as moderate to significant issue

Top drivers of voluntary attrition / turnover in APAC



Job families with maximum companies experiencing higher than typical turnover

		Global	APAC
	Sales, marketing & product management	25%	44%
	Engineering & science	29%	32%
	IT, telecom & internet	34%	27%
	Supply chain	15%	19%
	Production & skilled trades	20%	17%
	Finance	18%	17%

Talent and workforce insights

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Flexible working

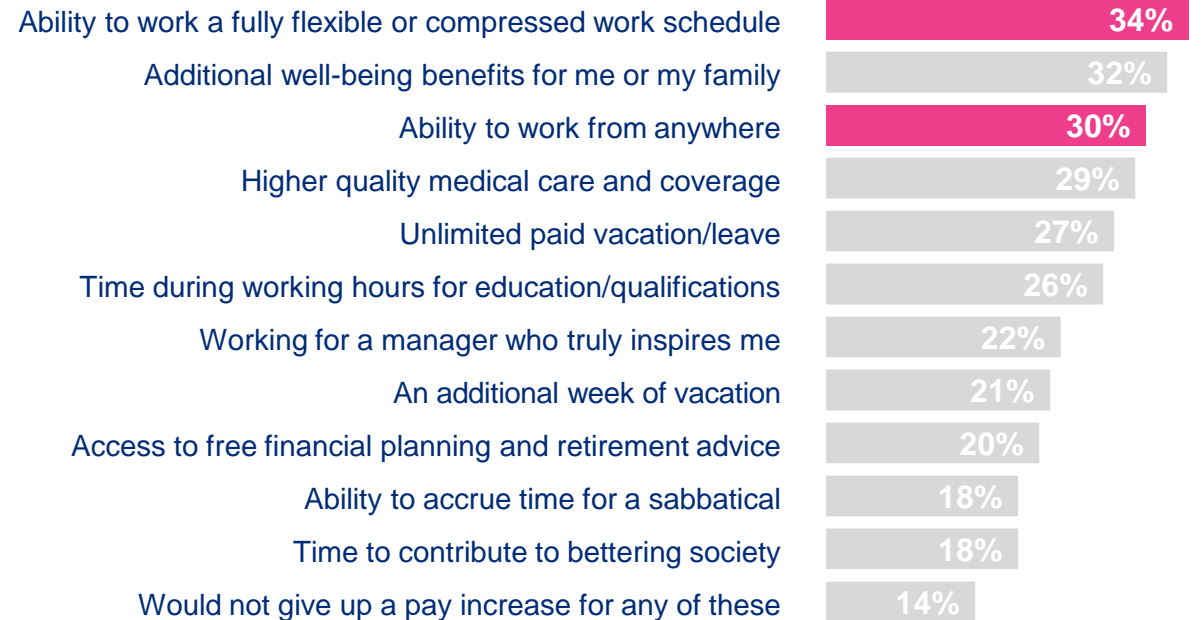
Time spent working from home has reshaped what employees want from office in post-pandemic world

What makes employees stay globally?

● 2022 (during pandemic) ◆ 2020 (pre-pandemic)



What would employees globally forgo a pay raise for this year?



Employees would forgo a pay increase for flexibility

Returning to the workplace

It's important to balance the diverse needs of the stakeholders

In 2020,
an emergency pandemic
sent workers home

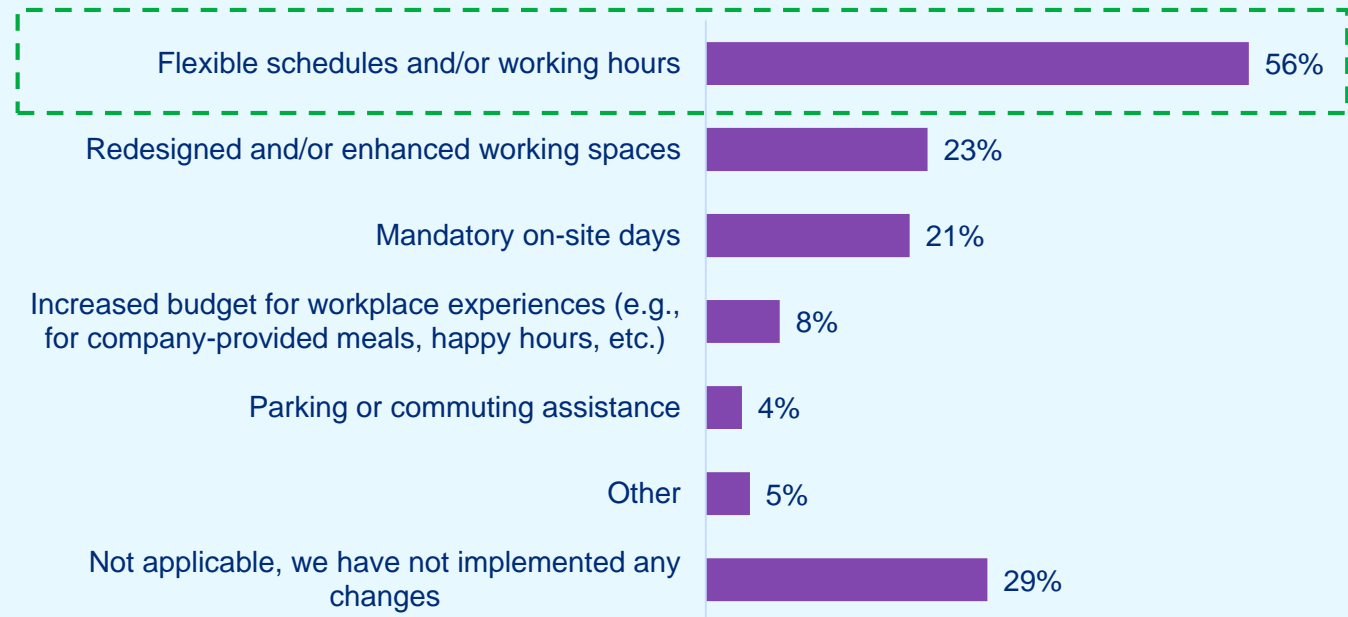
And now in 2022,
it's clear that many
employees prefer it



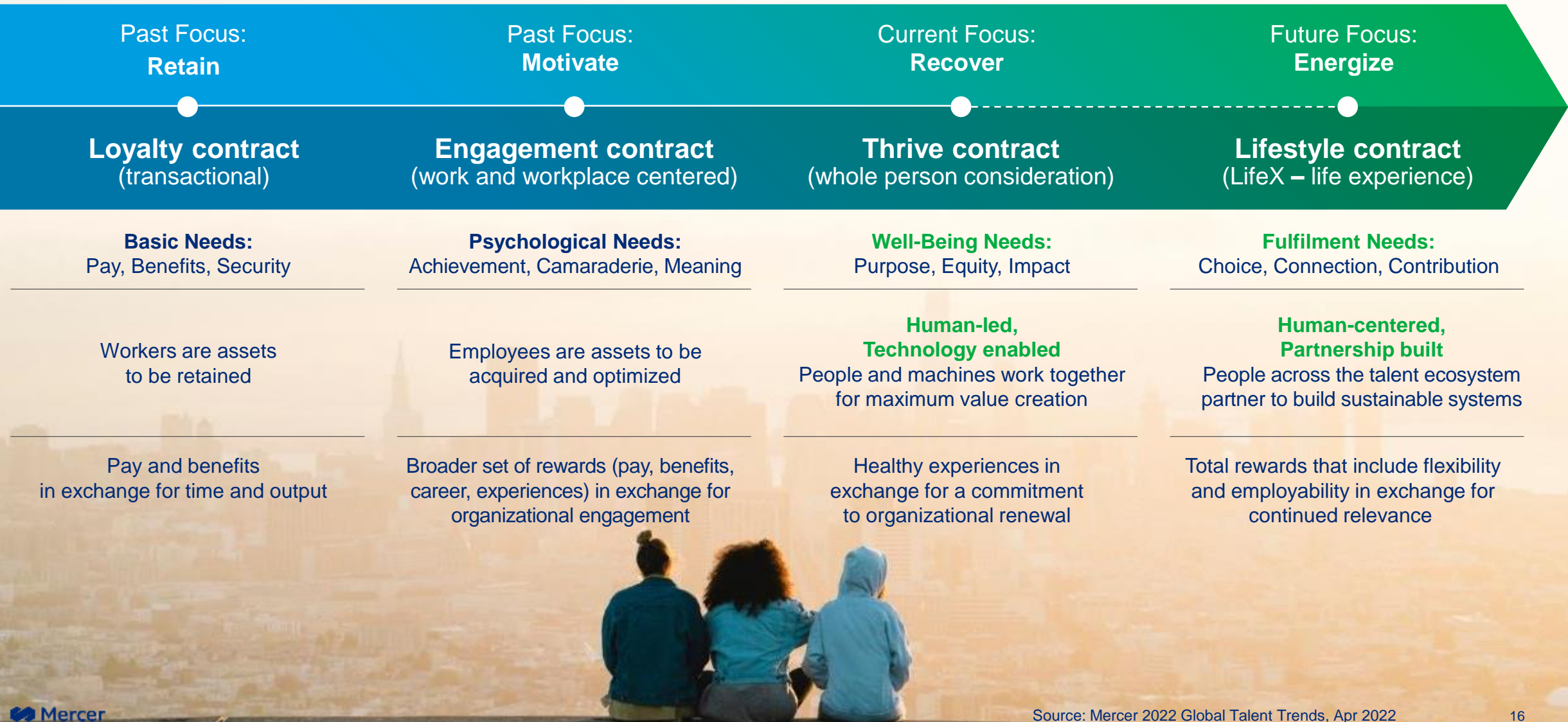
85%

employers in APAC say that they will require all or most employees to be **back at worksites** (spending at least some time working on-site) by end of 2022

Actions companies globally have implemented to encourage employees to return to the workplace



Employees are rethinking their priorities and more often expect flexible options to fit around their life

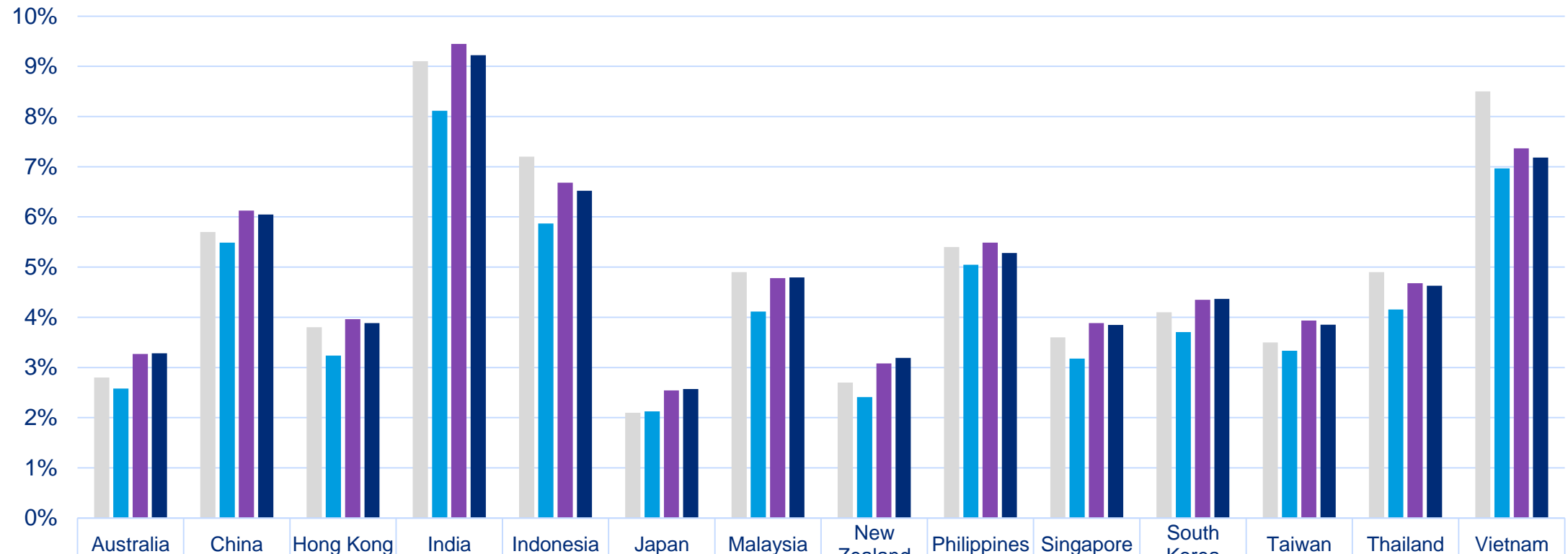


Compensation trends

3

2023 merit salary increase – All industry




















Salary increase percentages for 2022 are higher than prior year across all markets in the region, and even above pre-pandemic levels in many markets



	Australia	China	Hong Kong	India	Indonesia	Japan	Malaysia	New Zealand	Philippines	Singapore	South Korea	Taiwan	Thailand	Vietnam
2019	2.8%	5.7%	3.8%	9.1%	7.2%	2.1%	4.9%	2.7%	5.4%	3.6%	4.1%	3.5%	4.9%	8.5%
2021	2.6%	5.5%	3.2%	8.1%	5.9%	2.1%	4.1%	2.4%	5.0%	3.2%	3.7%	3.3%	4.2%	7.0%
2022 Actual/Budgeted	3.3%	6.1%	4.0%	9.4%	6.7%	2.5%	4.8%	3.1%	5.5%	3.9%	4.3%	3.9%	4.7%	7.4%
2023 Forecast	3.3%	6.0% ▼	3.9% ▼	9.2% ▼	6.5% ▼	2.6%	4.8%	3.2%	5.3% ▼	3.8% ▼	4.4%	3.9%	4.6% ▼	7.2% ▼

2023 merit salary increase

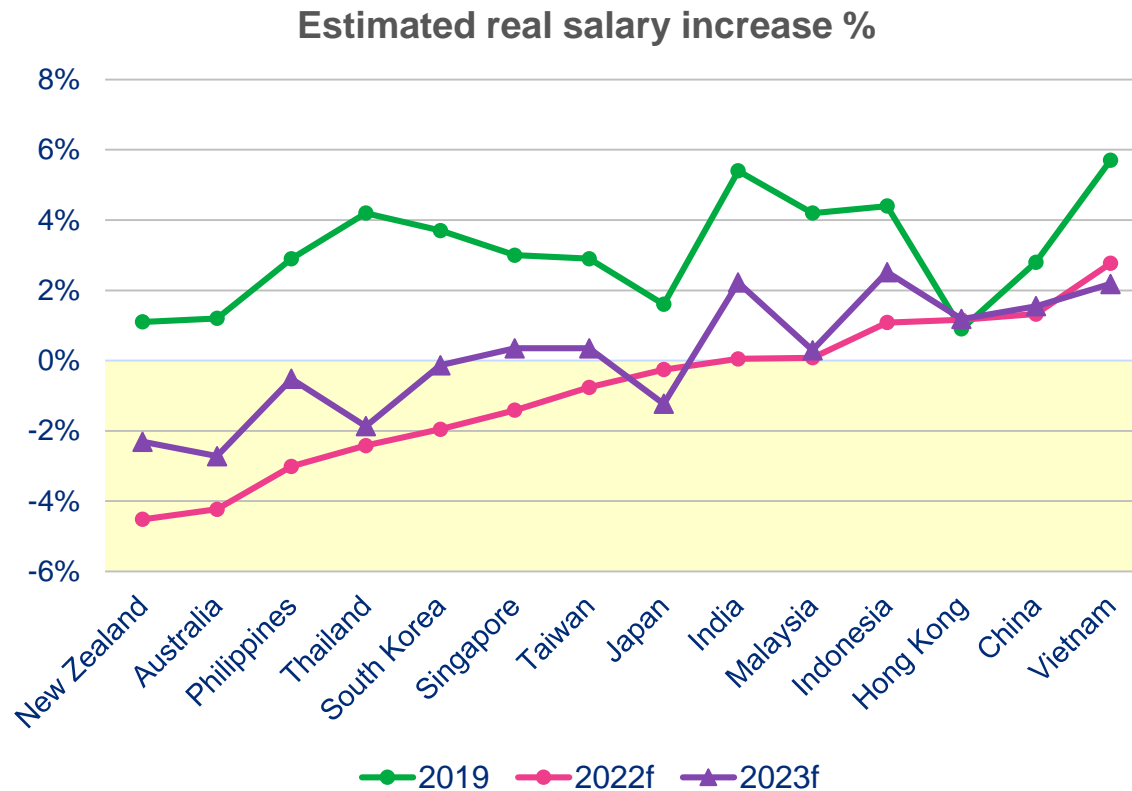
Industry comparison

2022 (2023 Forecast) MARKET	 All Industry	 Chemical	 Consumer Goods	 Life Sciences	 High Tech
 AU	3.3% (3.3%)	2.8% (3.1% ▲)	3.2% (3.1% ▼)	3.0% (3.3% ▲)	3.8% (3.5% ▼)
 CN	6.1% (6.0% ▼)	5.8% (5.9% ▲)	5.8% (5.4% ▼)	6.6% (6.4% ▼)	6.6% (6.7% ▲)
 HK	4.0% (3.9% ▼)	3.6% (3.6%)	4.0% (3.8% ▼)	4.0% (3.9% ▼)	4.2% (4.3% ▲)
 IN	9.4% (9.2% ▼)	8.9% (8.6% ▼)	8.5% (8.1% ▼)	8.9% (9.2% ▲)	10.4% (10.0% ▼)
 ID	6.7% (6.5% ▼)	6.5% (7.1% ▲)	7.0% (6.2% ▼)	6.4% (6.6% ▲)	7.3% (7.0% ▼)
 JP	2.5% (2.6% ▲)	2.1% (2.1%)	2.4% (2.2% ▼)	2.3% (2.3%)	3.2% (3.2%)
 MY	4.8% (4.8%)	4.6% (4.6%)	4.7% (4.7%)	4.6% (4.7% ▲)	5.0% (5.1% ▲)
 NZ	3.1% (3.2% ▲)	3.0% (3.2% ▲)	3.0% (3.0%)	2.8% (3.2% ▲)	3.3% (3.4% ▲)
 PH	5.5% (5.3% ▼)	5.4% (5.3% ▼)	5.4% (5.4%)	5.3% (5.3%)	5.9% (5.6% ▼)
 SG	3.9% (3.8% ▼)	3.5% (3.5%)	3.7% (3.6% ▼)	3.8% (3.8%)	4.2% (4.1% ▼)
 KR	4.3% (4.4% ▲)	4.2% (4.0% ▼)	4.1% (3.9% ▼)	4.5% (4.7% ▲)	4.5% (4.4% ▼)
 TW	3.9% (3.9%)	3.7% (3.7%)	4.0% (3.7% ▼)	4.0% (3.8% ▼)	4.3% (4.6% ▲)
 TH	4.7% (4.6% ▼)	4.7% (4.6% ▼)	4.4% (4.4%)	4.8% (4.9% ▲)	4.9% (4.9%)
 VN	7.4% (7.2% ▼)	7.2% (7.2%)	7.2% (6.9% ▼)	7.6% (7.7% ▲)	8.1% (8.0% ▼)

Does rising inflation impact compensation strategies?



As inflation is rising in Asia-Pacific, the **real salary increase** is forecasted to be negative for many markets in 2022



Note: The real salary increase shown is based on average merit increase excluding zeroes and full year inflation forecast

Related global headlines

Microsoft Doubles Salary Budget to Retain Staff as Cost of Living Rises

BNN Bloomberg, May 2022

Rolls-Royce CEO responds to record inflation by giving 14,000 workers a bonus and pay raise: 'We are living through exceptional times'

Fortune, Jun 2022

Japan's top companies raise wages as inflation hits workers

Financial Times, Mar 2022

Workers demand higher wage to reflect inflation, posing more burden on Korea Inc.

Pulse News, Jun 2022

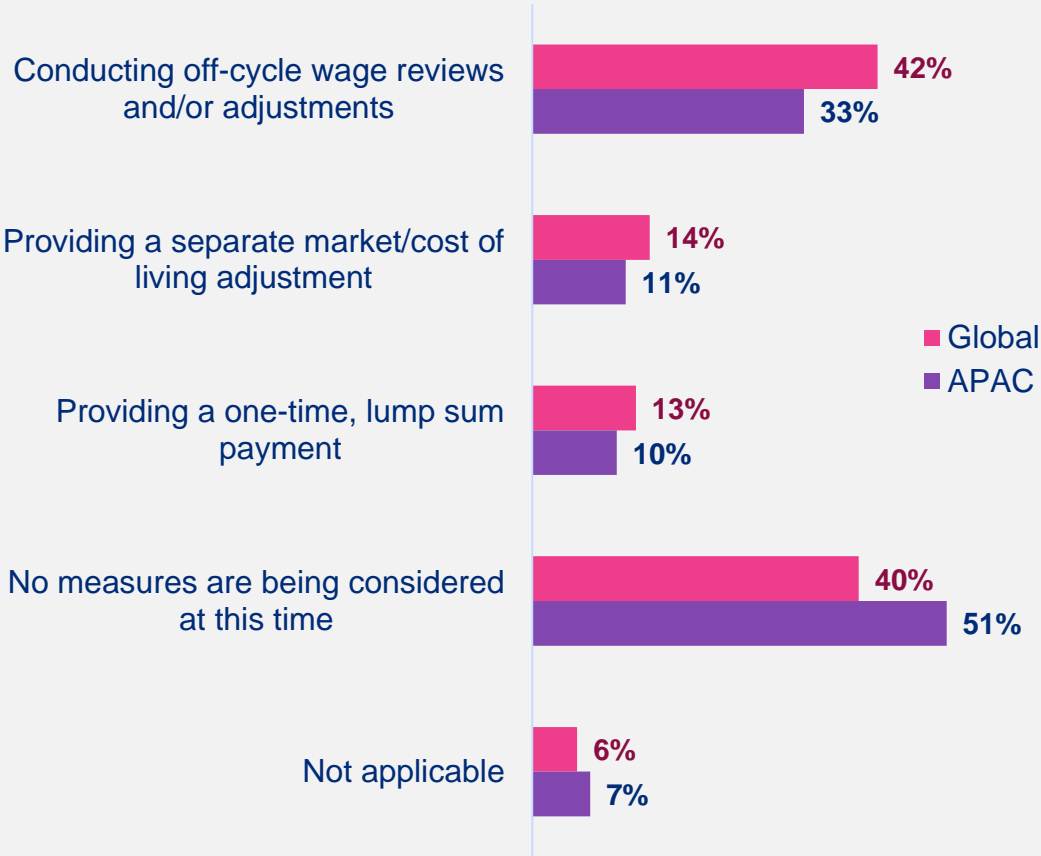
Thousands of PwC staff to get inflation-matching pay rise

The Telegraph, Jun 2022

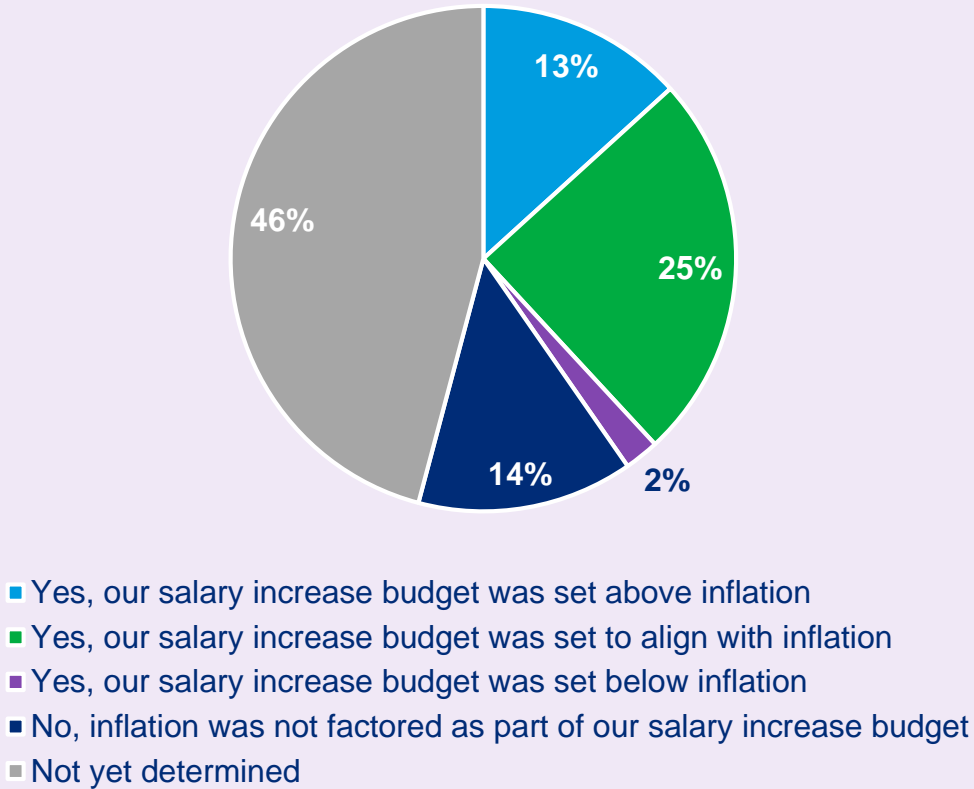
How are companies in APAC responding to rising inflation?

Half of the organizations in Asia-Pacific are adopting a wait-and-watch approach

Measures companies have taken, or planning to take in 2022 to offset market inflation



Have companies in APAC factored inflation / cost-of-living in their 2023 salary increase budgets?



Examples of some measures observed in the region

Compensation

- Review of salary structure and restructuring pay-bands
- Higher salary budget
- Making salary adjustments
- Retention bonus and/or signing bonus
- Provide stock options or other stock based compensation
- Bringing tax friendly elements into salary structure
- Providing top talents and niche skills with STI and skills premium

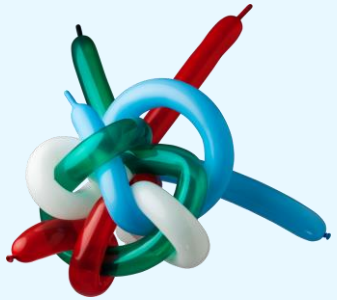


Benefits

- Review of flexible benefits to extend more coverage
- Extra benefits like corporate grabs or actual reimbursements on gasoline to employees
- Revised car mileage claim amount in view of the fuel hikes

Factors to consider while responding to inflation

Considerations



- ❖ Cost of labour vs. cost of living
- ❖ Salary increases are sticky and **cannot be rolled back** when inflation decreases
- ❖ Risk of a **wage-price spiral**

What we've heard from market



Focus of salary increase is driven by cost of labor rather than cost of living

It is the **'talent war'** and not inflation that is primarily stimulating the companies to take action on employee compensation

What can employers do?



1

Focus your compensation efforts on the supply and demand for talent

2

Give special consideration to your workforce most impacted by inflation

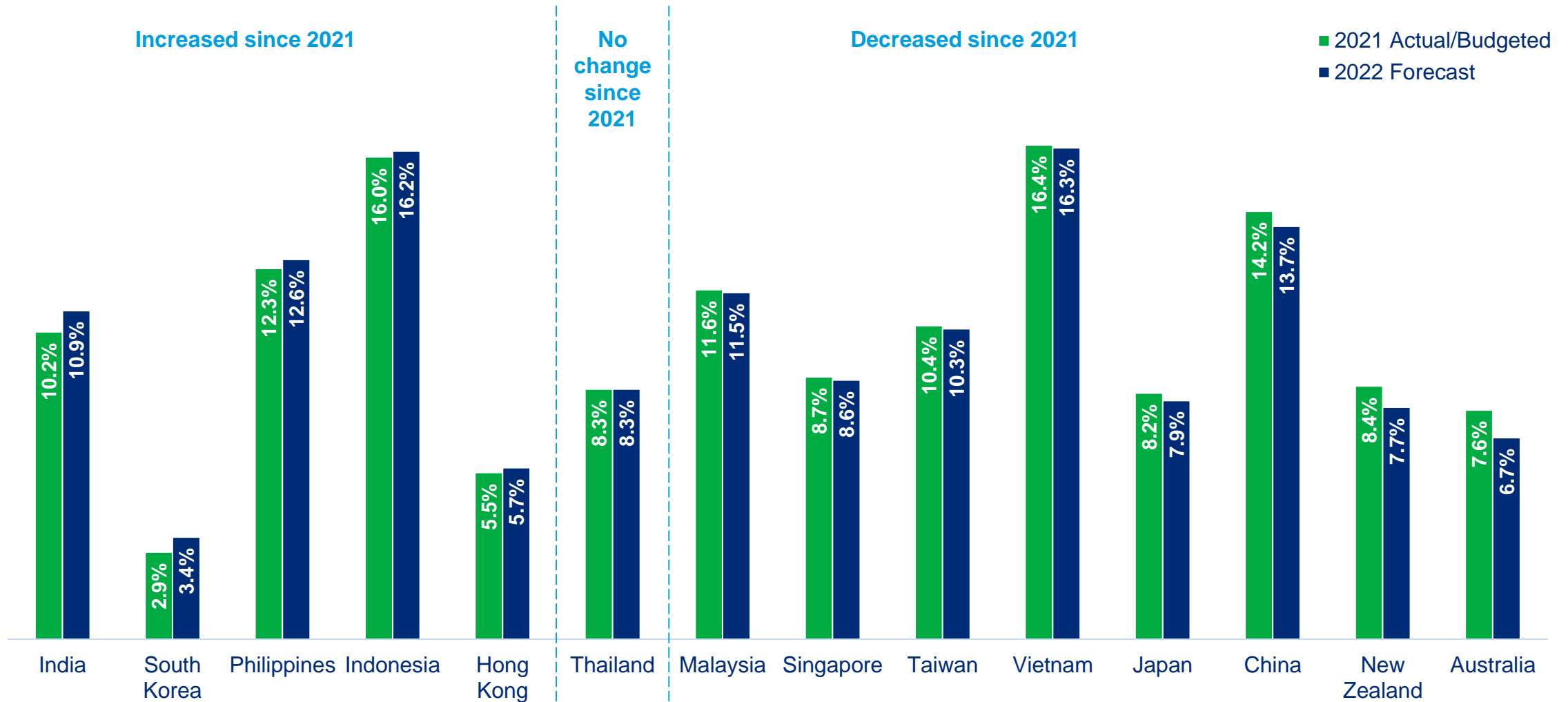
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Increase transparency to reassure workers their pay is competitive

4

Consider the broader employee experience – you can't win the war for talent on compensation alone

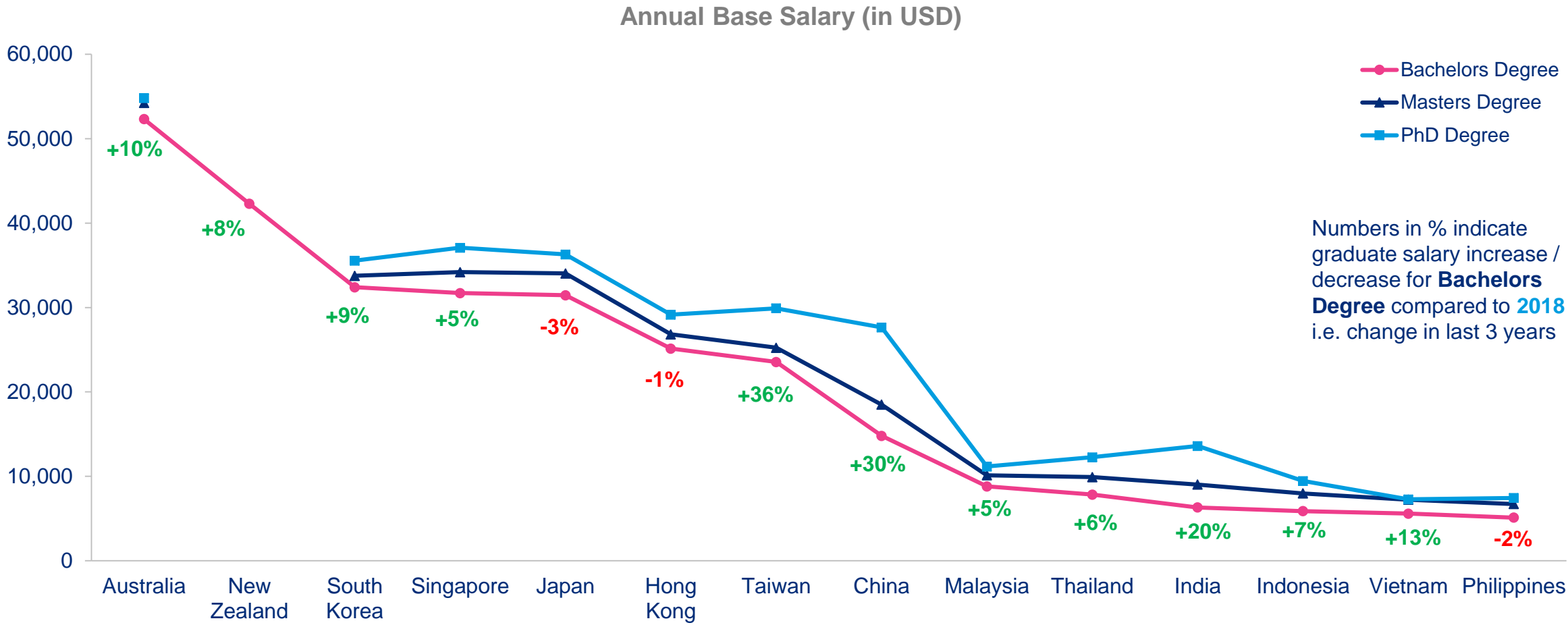
Promotional salary increase



Note: The promotional salary increase numbers shown are average percentage of base salary; **the percentages are for promotions only and do not include merit increase**

Fresh graduate salaries

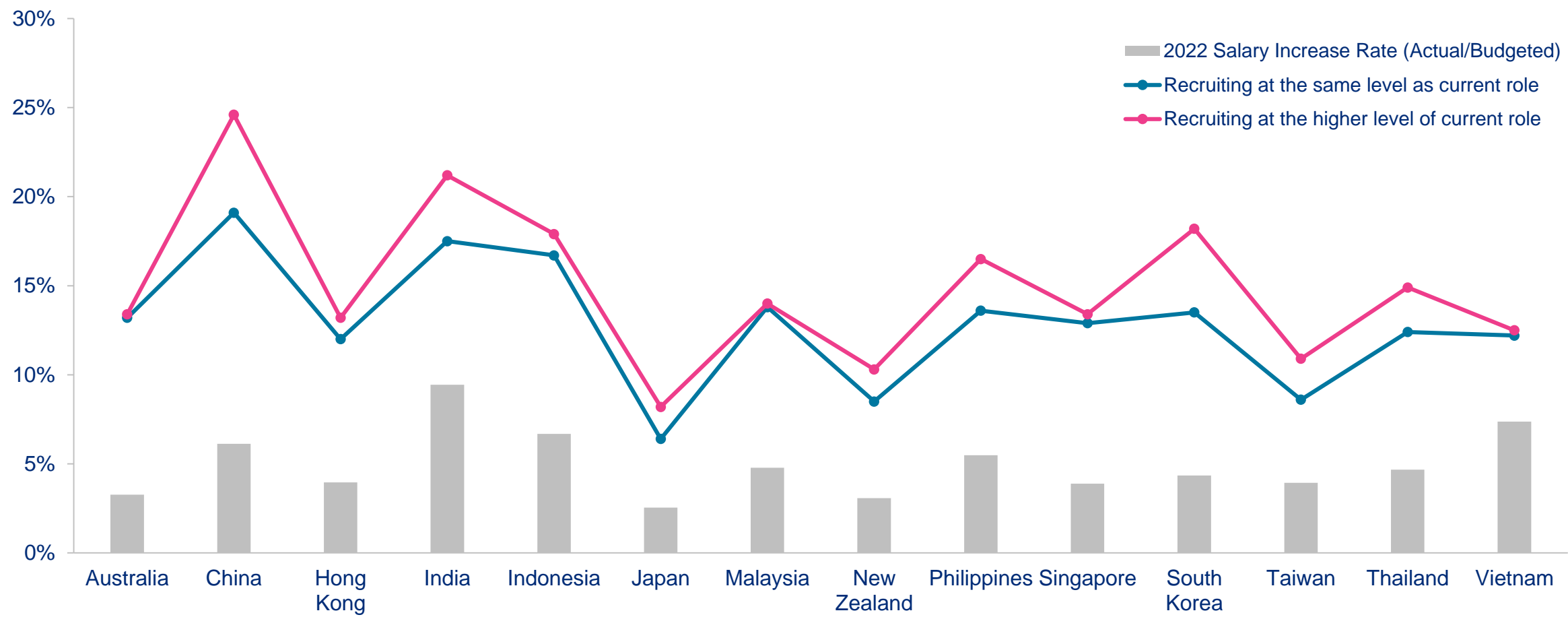
Bachelors, masters and PhD degree



Outside talent demands a premium

It is a talent-demand economy

Percent Increment given to Outside Talent



Note: Overall average values used for increment to outside talent

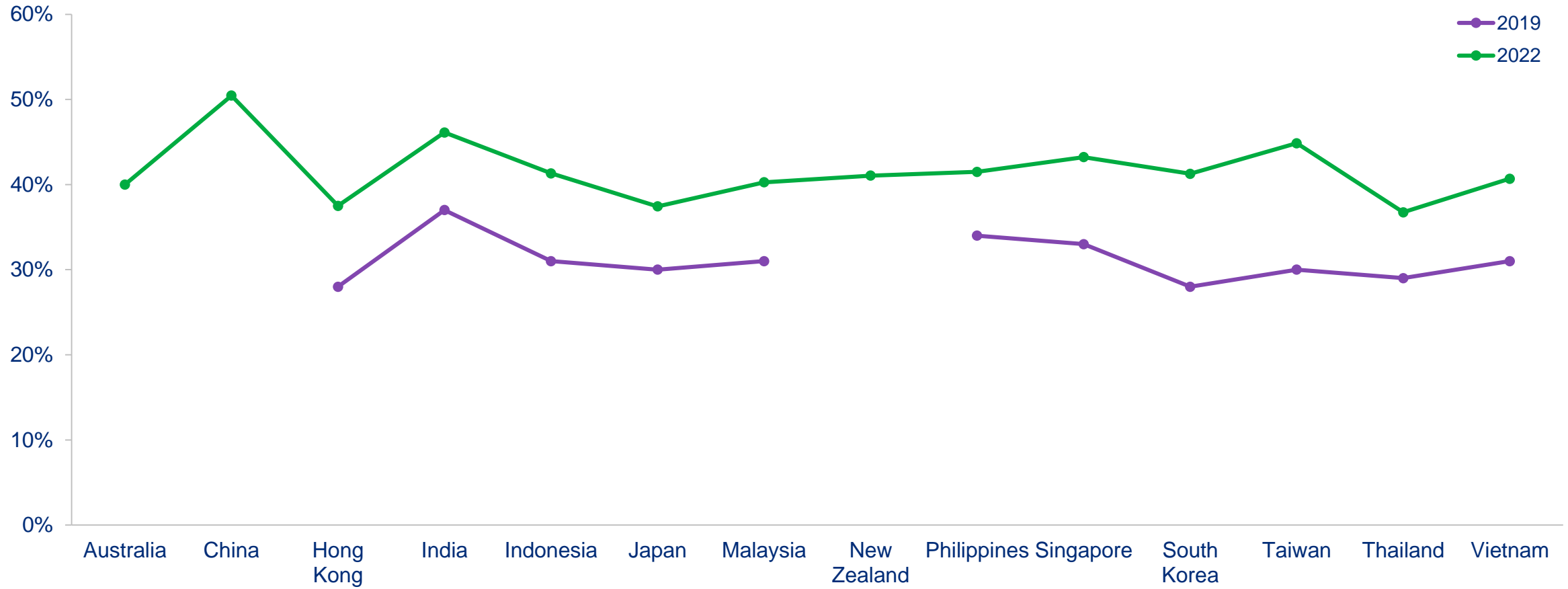
Source: Mercer 2022 APAC Pulse survey,
Mercer 2022 E2 SMS survey – Jun 2022

Retention bonus scheme

It's not only about finding the right talent, it's also about keeping the talent you have



% of Companies providing a Retention Bonus Scheme

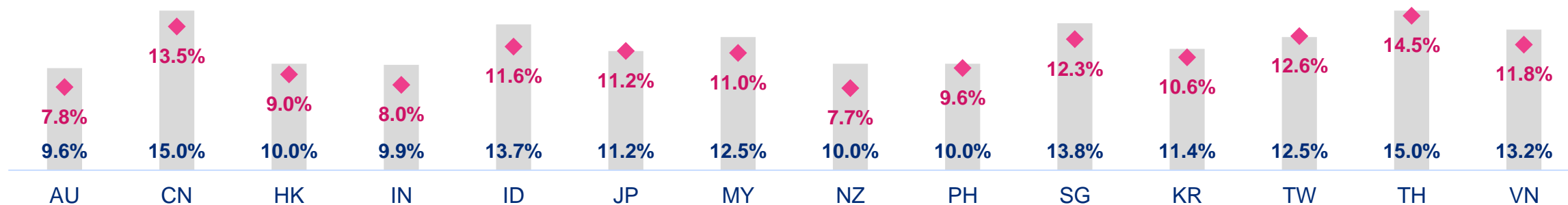


Short-term incentives

In most cases, actual variable bonus was lower than target

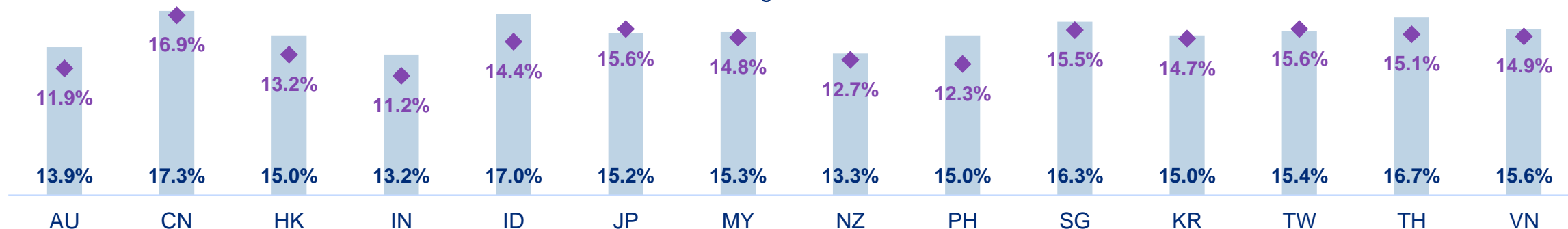
Professional - Experienced

■ Target ◆ Actual



Management - Manager

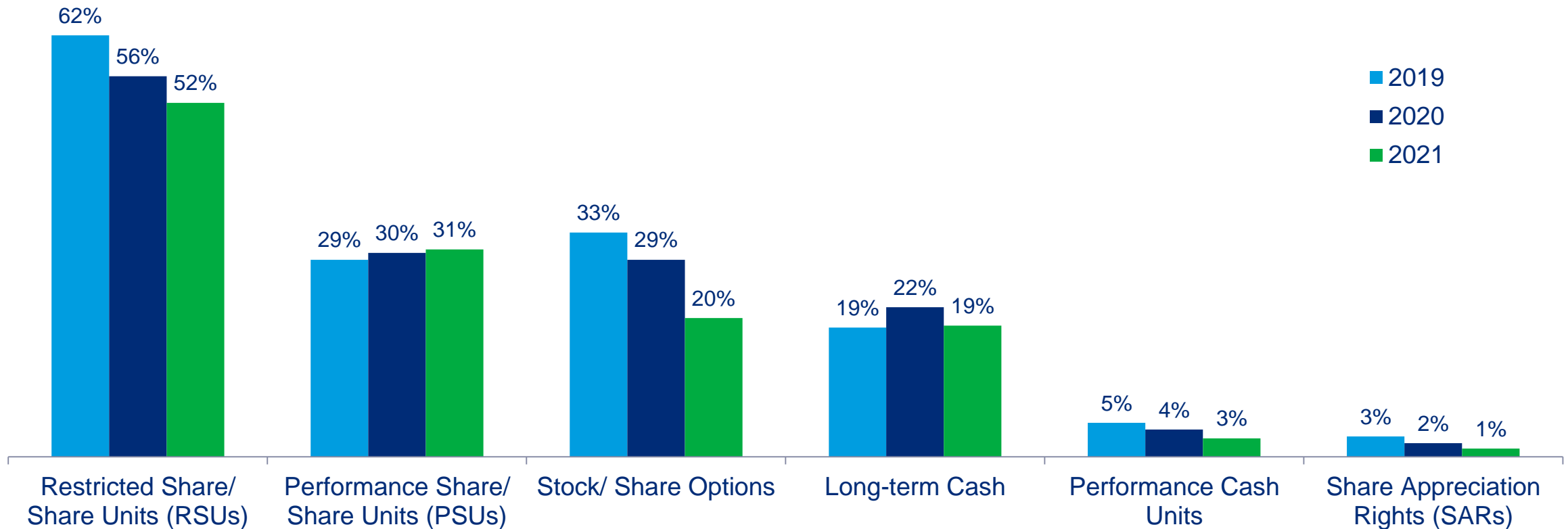
■ Target ◆ Actual



Long-term incentives

Restricted Share/Share Units (RSUs) are still the most popular but the prevalence is declining, while the prevalence for Performance Share/Share Units (PSUs) has been slightly increasing

LTI Plans Prevalence in APAC 2019 - 2021



Pandemic lessons are shaping the modernization of benefits

Organizations must make sure their benefit packages are relevant and respond to workforce and business needs

Health and well-being strategies to show employers truly care:



Provide varied
and valued
benefits



Support
moments that
matter



Invest
in mental
health



Enable
digital access to
healthcare



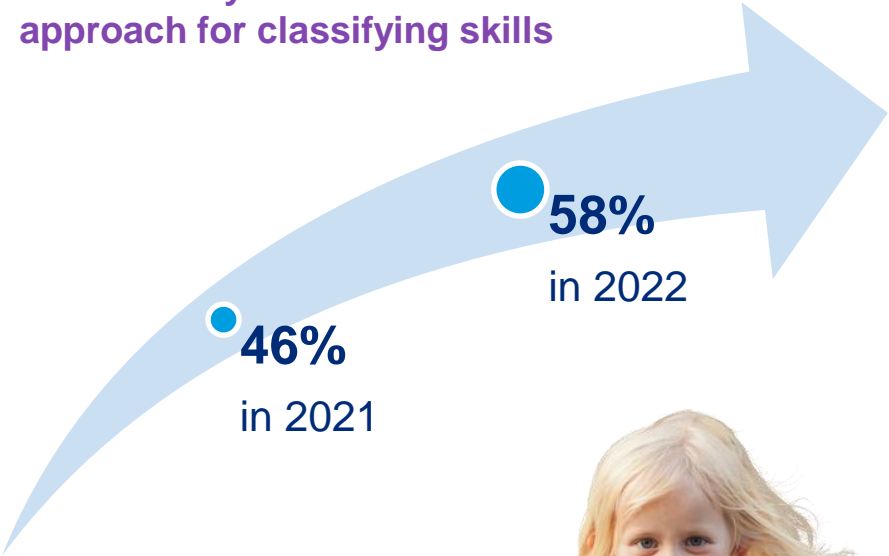
Deliver
benefits
equitably

Practices around future of compensation

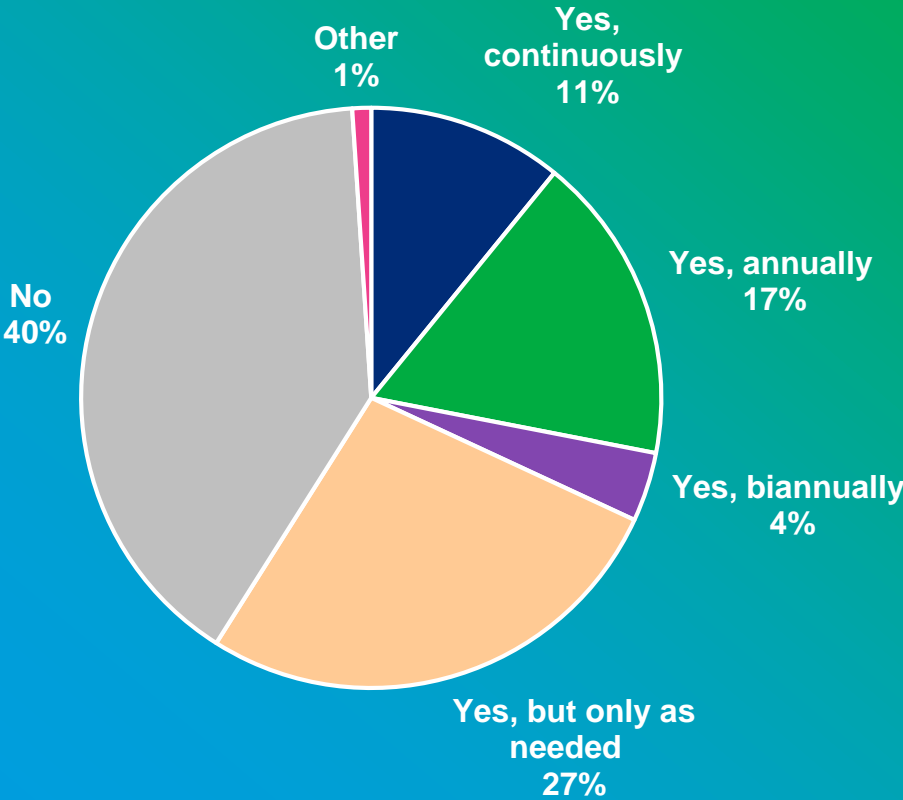


The shift to skills-based approaches is being accelerated

Increasing number of companies in APAC already have some sort of approach for classifying skills

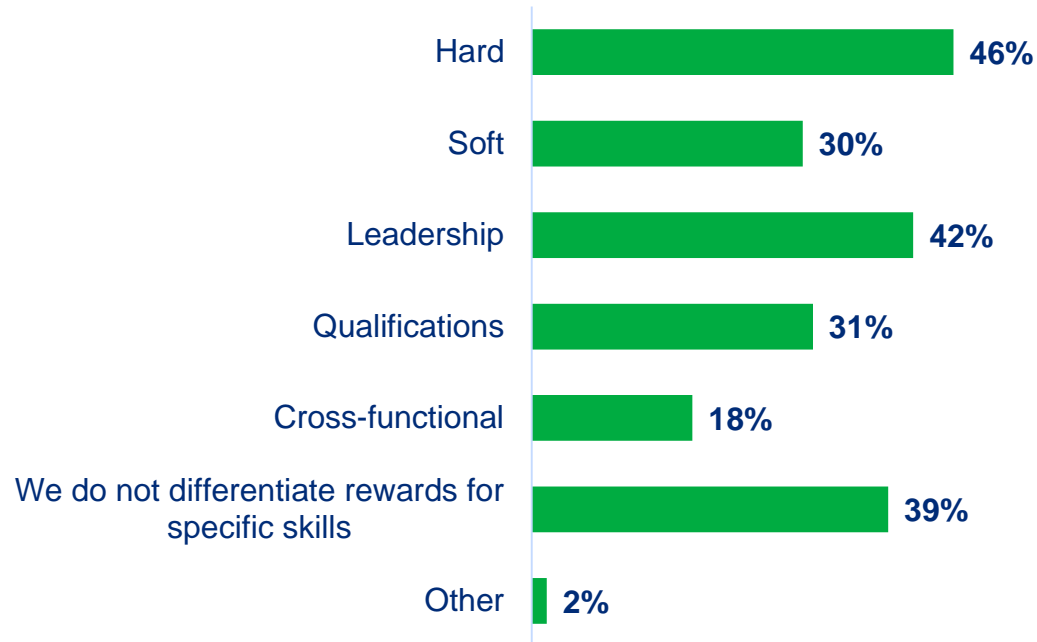


Do companies in APAC assess people against the relevant skill expectation?

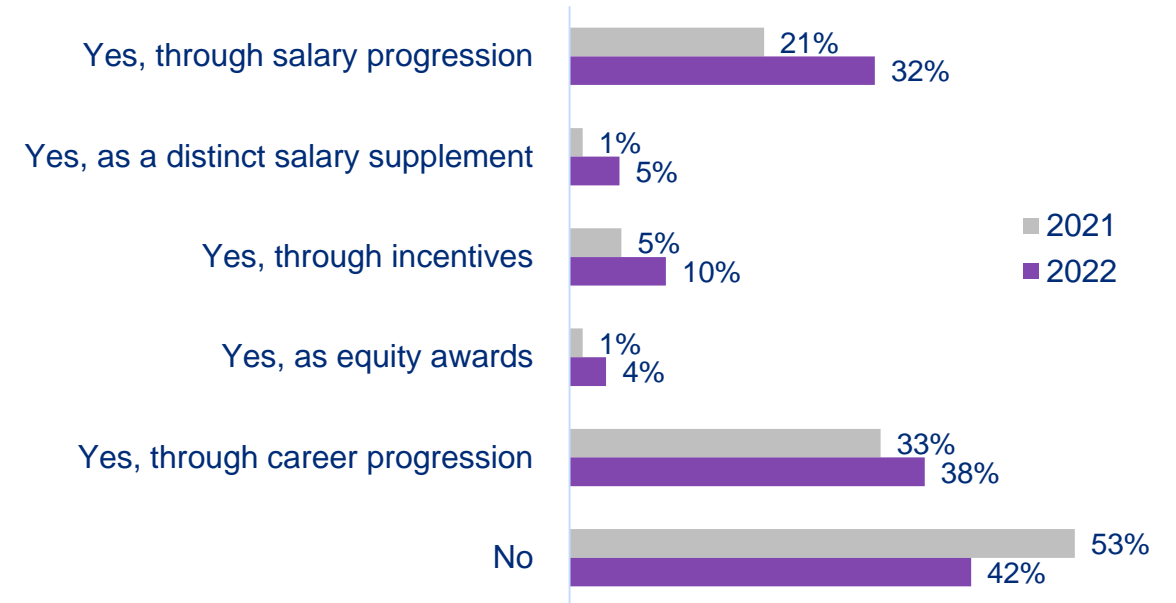


More companies in Asia-Pacific are now rewarding skills but many are still not evaluating the market formally

Skills for which companies in APAC differentiate rewards



Do companies in APAC link rewards to the development of skills?



Most organizations recognize that using skills-based approaches to rewards would afford them better attraction and retention of employees, but only **9%** of companies in APAC **formally monitor market demand or availability of skills** (63% say that they “informally” monitor)

Rethink Total Rewards strategies

5

Rethink Total Rewards strategies

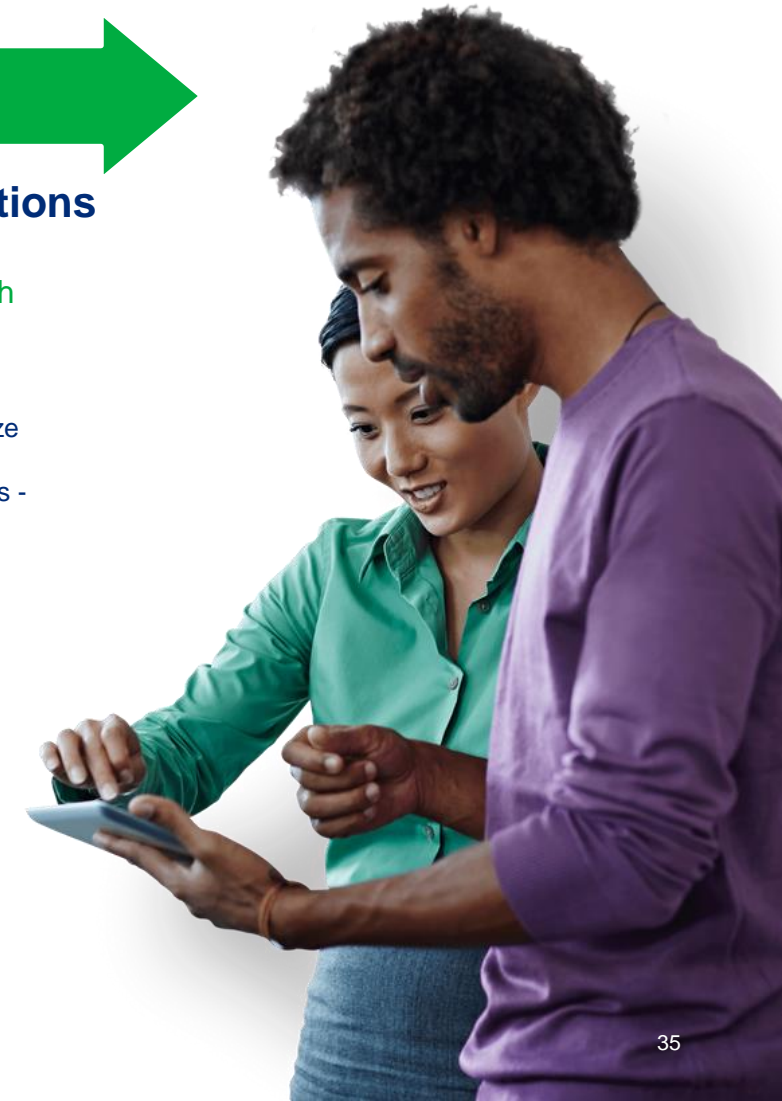
In a hot labor market, employees expect more from Total Rewards; we will need to balance short-term enhancements with longer-term transformations



Approach the labor market challenge *as a marathon – not a sprint.*

In the **near-term**, this starts with **addressing the supply of talent** – how to create a better value proposition to attract new workers and retain existing ones.

A **reset in the value proposition and effective work design** can help you get more from the talent you have, plus bring new perspectives into your workplace.



Q&A



Puneet Swani, Senior Partner

Career Business Leader
AMEA & Pacific, Mercer

E: puneet.swani@mercer.com



Kulapalee Tobing, Partner

Regional Industry and Solutions Leader
Asia Pacific, Mercer

E: kulapalee.tobing@mercer.com

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Chat



Raise Hand



Q&A

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