2016 BENEFITS UNDER THE LENS: IDENTIFYING THE MISSING LINK

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Liana Attard
Principal, Asia, Middle East and Africa Consulting Leader

Heena Sethi
Senior Associate, Asia Pacific, Regional Consulting
AGENDA

SURVEY OVERVIEW & KEY FINDINGS
Employers are looking for ways to differentiate themselves to gain a competitive advantage in the war for talent.

CURRENT PRACTICES
What methods are companies using to develop their benefits strategy?

MISSING LINKS
Why are employee benefits programs in Asia not producing results companies are looking for?

BRIDGING THE GAPS
Mercer Marsh Benefits recommendations for developing an effective strategy.
FOCUS AREAS

What evolving role does benefits play within the total rewards framework?

What are the “missing links”?

What does a best practice framework look like?

What can employers do to bridge the gaps to improve the value of their benefits?
SURVEY DEMOGRAPHICS

12 COUNTRIES

- China
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- Philippines
- Singapore
- South Korea
- Taiwan
- Thailand
- Vietnam

36 INDUSTRIES

PARTICIPANT PROFILES

- HRD, CEO, VP

654 PARTICIPANTS

100+ COMPANIES

1 to 25,000 EMPLOYEE HEADCOUNT
KEY FINDINGS

Disconnect in perception
65% of employers said benefits supported business goals, but only 12% said employees appreciate benefits

No data leveraging
96% of employers collect data, but only 45% are using these data

Lack of employee awareness
53% of employers communicate their benefits programs to employees only once a year

Lack of strategic road map
89% of HR departments plan their benefits programs without a defined strategy or road map

Benefits are important
61% of employers state benefits are very important and receive full management support as part of total rewards strategy, yet 70% have difficulty defining benefits strategy that resonates with employees

Aging workforce
37% of employers note their workforce is aging, yet communication of benefits is not tailored or targeted to changing workforce needs

Ineffective approach
85% of HR departments rely on market benchmarking data to design their benefits programs
KEY CHALLENGES

1. 18% annual cost increase for 5+ years

2. 37% engaged 65% felt company doesn’t care

3. 21% average turnover over 5 years
THE ROLE OF BENEFITS

WHAT IS THE ROLE OF BENEFITS IN YOUR ORGANIZATION?

1. Increases employee satisfaction/appreciation

2. Helps with talent attraction and retention

3. Creates value under a total rewards strategy

HOW IMPORTANT ARE BENEFITS TO YOUR ORGANIZATION?

61%
Evolving Total Rewards Strategy
The Increasing Importance of Benefits

Think holistically
- Reward elements are interdependent.

Draw on multiple perspectives
- Use facts and analytical tools to make better rewards decisions.

Consider outcomes before design
- Improve workforce performance using data and analytics to drive productivity, budget and profit.

DELIVER

Delivery
- Monitor business, HR outcomes, and service.

Financing
- Identify protocols for deployment of Total Rewards strategy; centralized and locally.

Communicate to increase reward value
- Craft a story with a compelling employee proposition.

DESIGN

- Draw on multiple perspectives
- Use facts and analytical tools to make better rewards decisions
- Improve workforce performance using data and analytics to drive productivity, budget and profit
The Benefits Under the Lens Survey takes a look inside the current benefit practices of companies across Asia and outlines the key to a best-practice employee benefits framework:

- Adaptability, sustainability & affordability
- Differentiation & innovation
- Data & analytics
- Branding & communications
PILLAR 1

Adaptability, sustainability and affordability

Meeting the changing needs of the workforce in Asia’s fast-paced economy and dynamic environment.
DESIGNING AND EVALUATING A BENEFITS PROGRAM

How do you identify and meet the changing needs of the workforce?

What data are you using to assist with developing, designing and refining benefits programs?

What data limitations are you facing in assisting with structuring benefits?

82% BENCHMARKING STUDY

86% EMPLOYEE BENCHMARKS

66% AVAILABILITY OF DATA
ARE YOUR BENEFITS WORKING FOR YOU?

CHALLENGES

81% Unable to identify return on investment

80% Financial and budget limitation

81% Have difficulty balancing costs and competitive benefits

70% Have no decision making authority

BENEFIT MANAGEMENT MEASURES ADOPTED BY EMPLOYERS

REACTIONARY

INSURER NEGOTIATION | DESIGN CUT | REMARKETING 48%*

PROACTIVITY

FULLY INTEGRATED TARGETED WELLNESS PROGRAM | VENDOR MANAGEMENT | CONSUMERISM 5%**

*2016 Benefits Trends in Asia Pacific Survey
**2013 Mercer Marsh Benefits Total Health & Choice Survey
<table>
<thead>
<tr>
<th>RANK/YEAR</th>
<th>Implementing Caps &amp; Limits On Benefits Spend</th>
<th>Reducing Premium Costs Through Pooling &amp; Group Schemes</th>
<th>Provision Of Healthy Lifestyle Benefits &amp; Wellness Programs</th>
<th>Implementing Co-payment &amp; Front End Deductibles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
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<tr>
<td>2015</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>4</td>
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</table>
PILLAR 1
Do your benefit programs meet the changing needs of your workforce?
PILLAR 2

Differentiation and Innovation

Using benefits to attract and retain talent.
77% of employers define differentiation as offering comprehensive benefits packages.

How do you differentiate benefits?

- Comprehensiveness of benefits package: 77%
- Unique benefits: 41%
- Culture: 32%
- Branding: 29%
- Others: 3%

Why does your organization think benefits differentiation is important?

- Talent attraction and retention: 80%
- Increase employee engagement: 70%
- Support total rewards strategy: 61%
- Promote employee value proposition: 58%
- Our organization doesn’t feel it is important: 4%
## How are you using benefits to attract & retain talent?

**Think Differentiation and Innovation is Important**

96%

**What are you currently doing to differentiate?**

**And in the future, which area do you intend to invest in?**

<table>
<thead>
<tr>
<th>RANK</th>
<th>CURRENT STATE</th>
<th>FUTURE STATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PERQUISITES</td>
<td>EMPLOYEE CHOICE</td>
</tr>
<tr>
<td>2</td>
<td>EMPLOYEE EXPERIENCE</td>
<td>INNOVATION</td>
</tr>
<tr>
<td>3</td>
<td>DELIVERY</td>
<td>DIVERSITY</td>
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PILLAR 2
How are you creating differentiation via benefits?
PILLAR 3

Analytics and Metrics

Using available data to design programs that are right for the organizations workforce.
Are you collecting and analysing the right data?

96% of employers collect data

But...

>50% have problems with availability, credibility and accessibility of data

Only 45% using data collected

86% rely on benchmarking to design benefits program
DATA MOST COMMONLY USED FOR HEALTH & WELLNESS STRATEGY

- Participation in health and wellness programs
  - Assist with developing a targeted health strategy: 20%
  - Monitor utilization of health and wellness programs: 27%
  - Understand employee health profile: 30%

- Employee assistance program (EAP)
  - Assist with developing a targeted health strategy: 11%
  - Monitor utilization of health and wellness programs: 14%
  - Understand employee health profile: 11%

- Medical plan claims history
  - Assist with developing a targeted health strategy: 32%
  - Monitor utilization of health and wellness programs: 31%
  - Understand employee health profile: 47%

- Employee physical check up reports
  - Assist with developing a targeted health strategy: 31%
  - Monitor utilization of health and wellness programs: 27%
  - Understand employee health profile: 46%

- Employee absence data
  - Assist with developing a targeted health strategy: 14%
  - Monitor utilization of health and wellness programs: 16%
  - Understand employee health profile: 22%
PILLAR 3
How are you measuring the success/ROI of your benefit programs?
PILLAR 4

Branding and Communication

Ensuring that employees appreciate the value of their benefits.
CURRENT PRACTICES

COMMUNICATION PRACTICES

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Twice a year</td>
<td>11%</td>
</tr>
<tr>
<td>Monthly</td>
<td>4%</td>
</tr>
<tr>
<td>Don't communicate at all</td>
<td>18%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>14%</td>
</tr>
<tr>
<td>Once a year</td>
<td>53%</td>
</tr>
</tbody>
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BRANDING PRACTICES

<table>
<thead>
<tr>
<th>Practice</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don't brand</td>
<td>29%</td>
</tr>
<tr>
<td>Consistently rolled out locally</td>
<td>27%</td>
</tr>
<tr>
<td>Global positioning applied regionally</td>
<td>16%</td>
</tr>
<tr>
<td>Designated name</td>
<td>13%</td>
</tr>
<tr>
<td>Recognized in the market</td>
<td>11%</td>
</tr>
</tbody>
</table>
HOW DO YOU ENSURE EMPLOYEES APPRECIATE THEIR BENEFITS?

93%
Think branding & communication is VERY IMPORTANT

53%
Communicate once a year

18%
Don’t communicate at all

12%
Employee Appreciation

Successful branding of the value proposition inspires a strong emotional connection between employees and their organization.

Communication is critical & closely linked to branding. Benefit programs will not deliver value if employees are uninformed – employees can’t appreciate something they unaware of.
PILLAR 4
What is your main form of communication to employees on benefit programs?
MISSING LINKS

Employee benefits programs in Asia have generally not produced results companies are looking for.
Employee benefits programs in Asia have generally not produced the results companies are looking for, with the main issue being how programs are executed.

**Having little to no awareness of benefits**
- Lack of appreciation
- Diminishing value of benefits

**Not leveraging the right data**
- Not using data to understand workforce needs
- Little visibility and management of cost and no tracking of ROI

**Navigating without a road map**
- No linking of benefits to business goals/objectives
- Lack of decision-making power
CONTRIBUTING FACTORS

Employers struggle to develop effective employee benefits programs because benefits are all too often managed tactically.

1. **Conduct Benchmarking**
2. **‘Collect’ What Others Are Doing**
3. **Negotiate/Remarket for Lowest Quotes**
4. **Stop**

- Leveraging appropriate data in a meaningful way to develop a roadmap may be a good starting point.
- HR owns all the missing links.
- Shift focus from the traditional and tactical means to a more goal-oriented approach.
BRIDGING THE GAPS

Benefits should be managed as a key component of an employer’s total rewards strategy.
DEVELOPING A BENEFITS STRATEGY ROADMAP

APPROACH

- STRATEGY
- DESIGN
- DELIVERY
- MEASUREMENT

BEST PRACTICE FRAMEWORK

- ANALYTICS & METRICS
- ADAPABILITY, SUSTAINABILITY & AFFORDABILITY
- BRANDING & COMMUNICATION
- DIFFERENTIATION & INNOVATION
The greater the emotional connection, the less dependence on contractual components, the greater benefit appreciation.
MAKE YOUR TOTAL REWARDS STRATEGY WORK FOR YOU

Think holistically

Reward elements are interdependent

Draw on multiple perspectives

Use facts and analytical tools to make better rewards decisions

Consider outcomes before design

Improve workforce performance using data and analytics to drive productivity, budget and profit

Delivery

Monitor business, HR outcomes, and service

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Identify protocols for deployment of Total Rewards strategy; centralized and locally

Communicate to increase reward value

Craft a story with a compelling employee proposition

MAKE YOUR TOTAL REWARDS STRATEGY WORK FOR YOU
ADDITIONAL INFORMATION ABOUT THE SURVEY

GET IN TOUCH WITH US

AUTHORS

LIANA ATTARD
PRINCIPAL, ASIA, MIDDLE EAST & AFRICA
CONSULTING LEADER
MERCER MARSH BENEFITS
T: +65 6398 2543
E: liana.attard@mercer.com

HEENA SETHI
SENIOR ASSOCIATE, ASIA PACIFIC REGIONAL
CONSULTING
MERCER MARSH BENEFITS
T: +852 3476 3936
E: heena.sethi@mercer.com

WEBSITE

WWW.BENEFITS-UNDER-THE-LENS.COM

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Click on the question mark in the drop-down menu to submit a question.

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