

Rewards trends in Asia Pacific

Rethinking total rewards during uncertain times

4 November 2020

welcome to brighter



Today's speakers



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Career Business Leader
International Region



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Regional Industries & Products Leader
Asia Pacific

Agenda

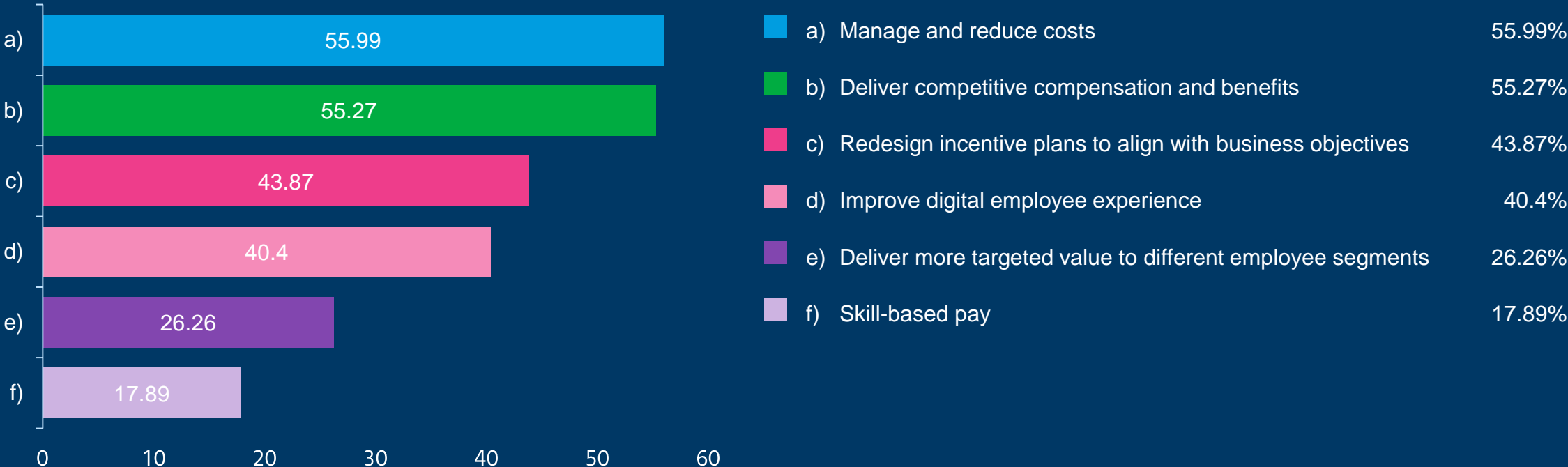
1. **Economic outlook:** *Economic impact of the pandemic*
2. **Talent and workforce insights:** *Impact of coronavirus on talent management practices*
3. **Compensation trends:** *Implications of COVID-19 crisis on employee compensation*
4. **Benefits trends:** *Implications of COVID-19 crisis on benefits programs*



Polling question #1 results

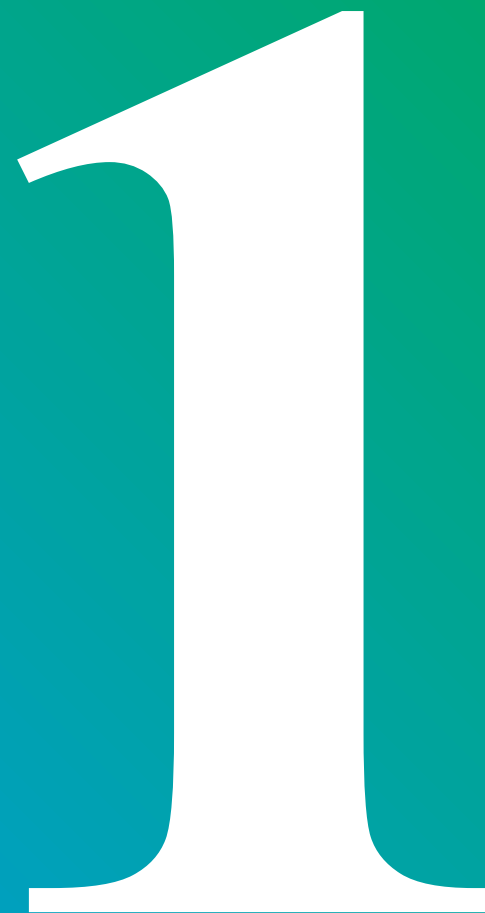
Q: What are your top priorities for 2021 Total Rewards?

You may select more than one option



Economic Outlook

The economic impact of the pandemic



COVID-19 outbreak is lasting longer than expected

Economic activity has contracted significantly on a global scale

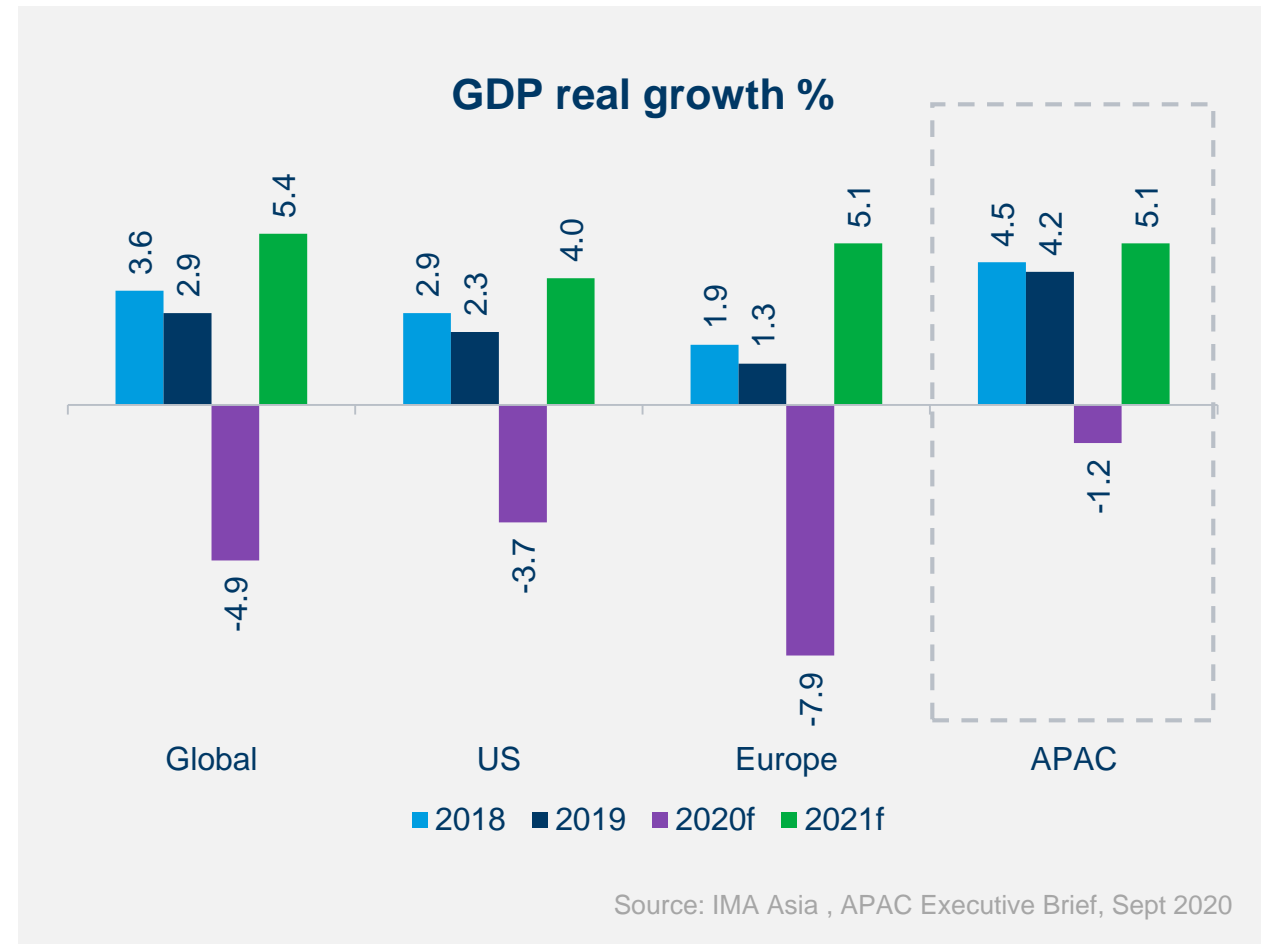


How long will the current coronavirus pandemic last?

No one knows exactly, it is very hard to predict. In Mercer's previous regional webinar held in April, approx. **50%** of the attendees expected the crisis to end by Q3 2020.

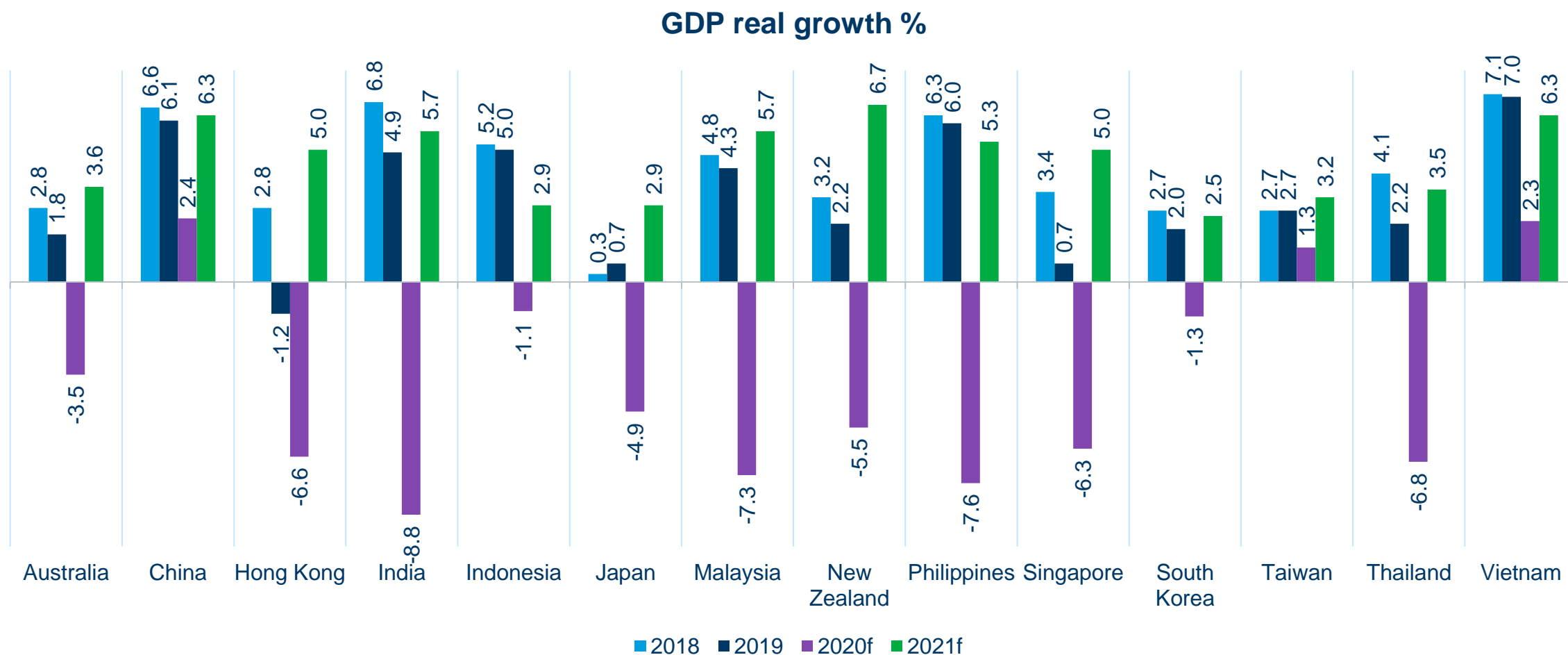


"Spread of infectious diseases" has rocketed up the rankings to become **one of the top concerns for businesses**, according to the World Economic Forum's 2020 Executive Opinion Survey.



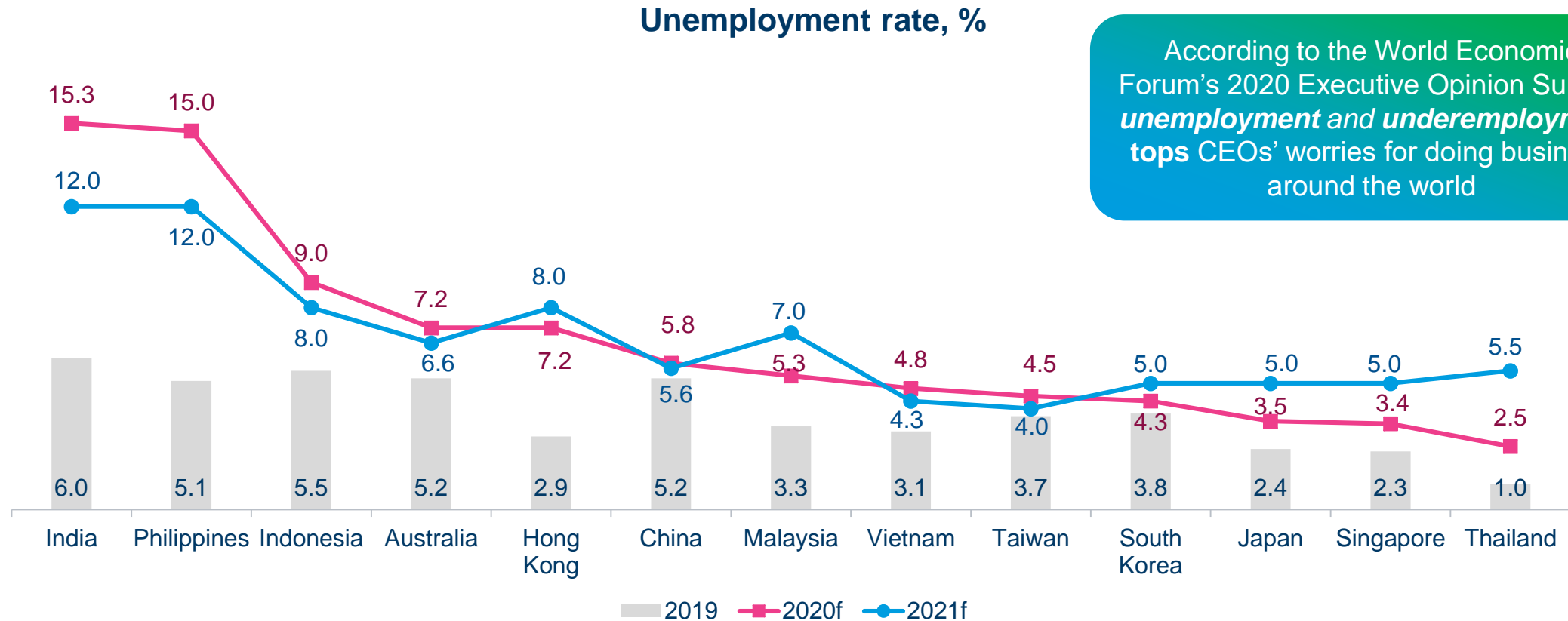
Big variations in growth for countries in Asia

Uncertainty remains but increasingly optimistic outlook for future



Coronavirus pandemic has created disruptions in the world of work

Unemployment rate across the region remains high



Adapting quickly is vital. Businesses will need to tread a delicate balance between economics and employee well-being.



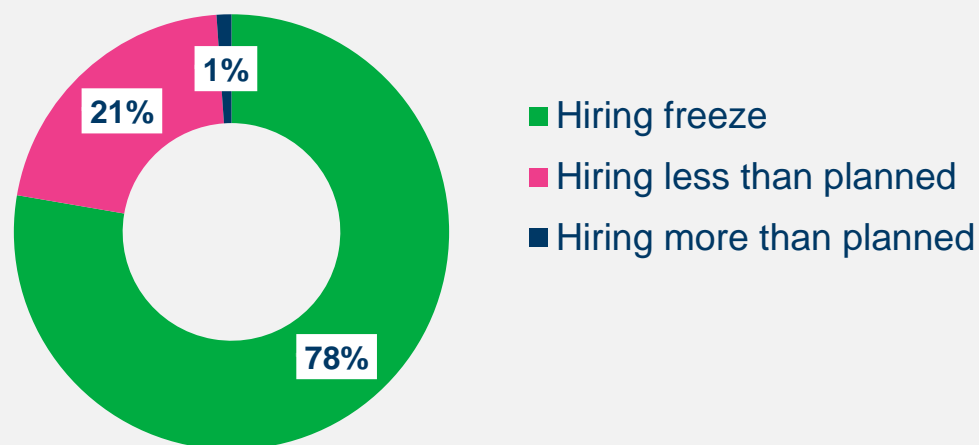
Talent and workforce insights

Impact of coronavirus on talent management practices

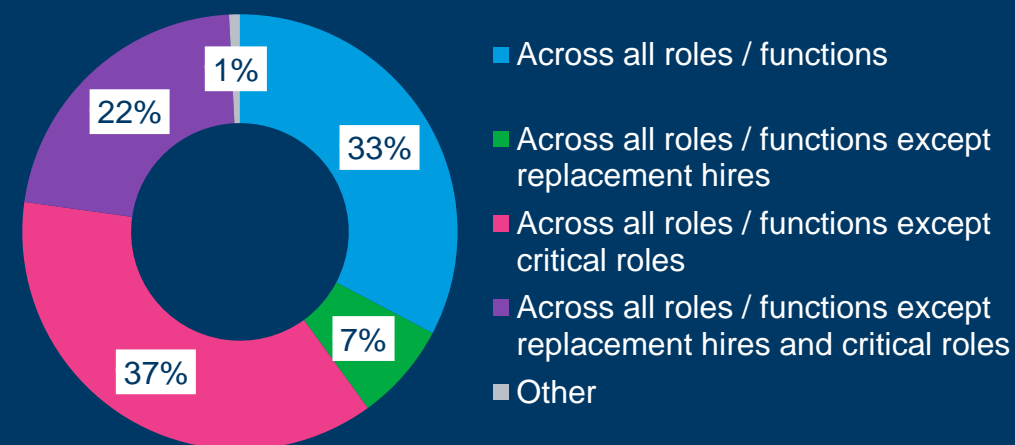


1 in 2 organizations in APAC have changed their hiring intentions for 2020 as a result of the COVID-19 outbreak

Hiring intention for 2020, if it has changed as a result of COVID-19 outbreak



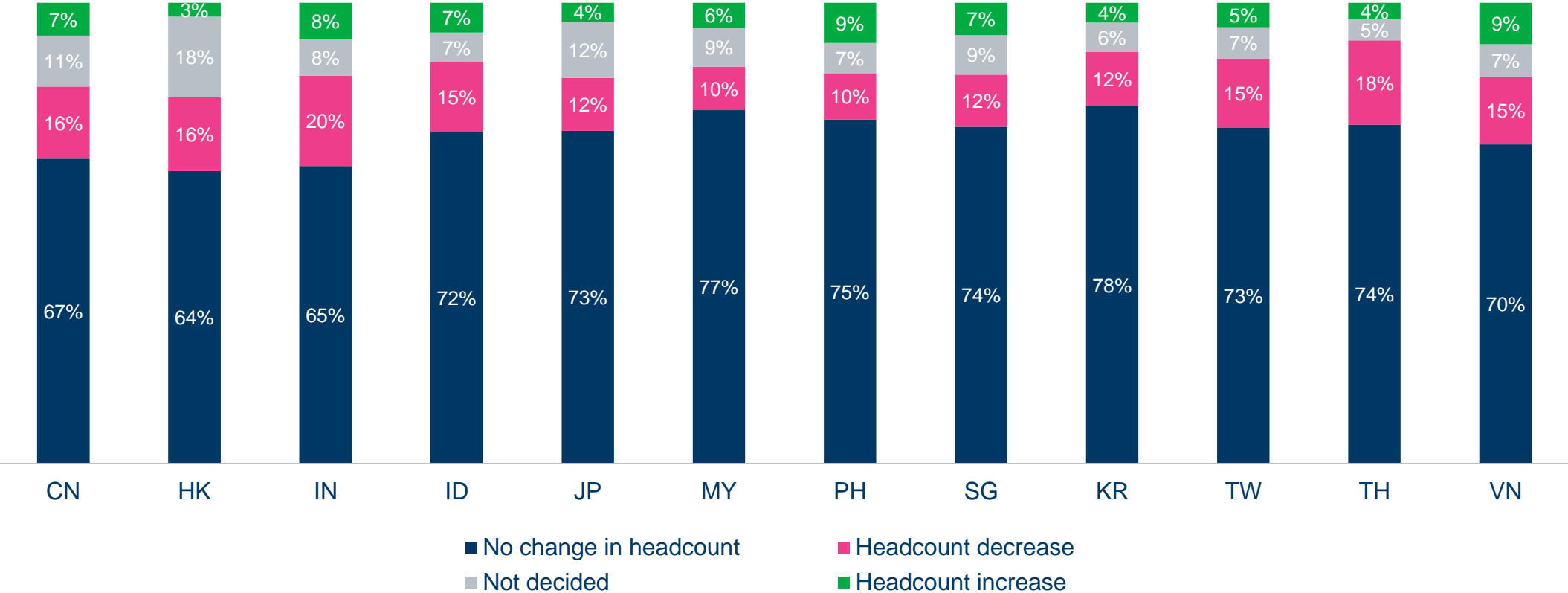
Scope of hiring freeze introduced as a result of the current situation



Headcount numbers are being managed cautiously

Majority of the companies are adopting a wait and watch approach

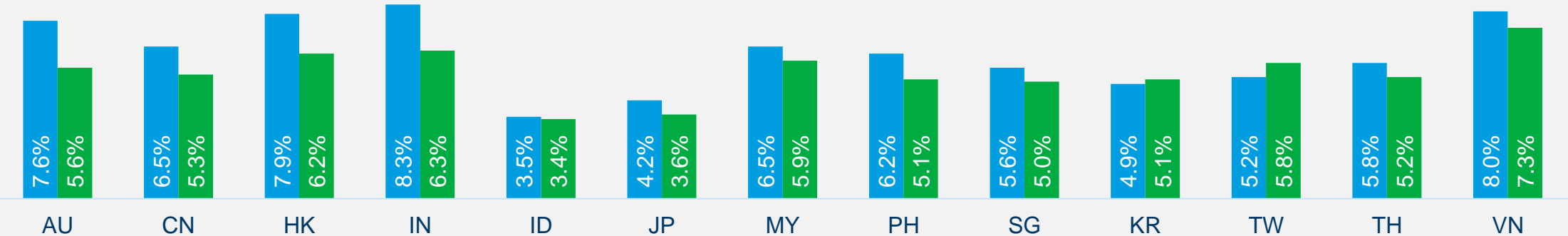
2020 actions/plans regarding headcount in response to COVID-19 outbreak



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

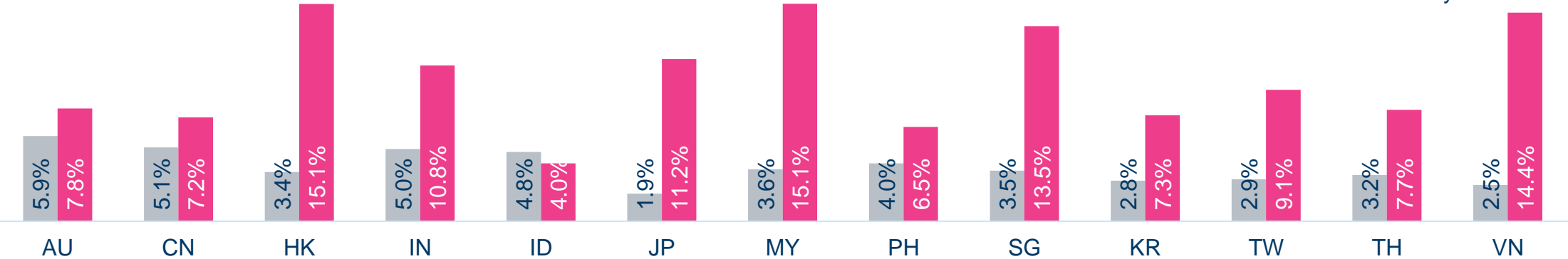
Voluntary turnover for H1 2019 and H1 2020

■ 2019 H1 Voluntary Turnover
■ 2020 H1 Voluntary Turnover



Involuntary turnover for 2019 and 2020

■ 2019 Involuntary Turnover
■ 2020f Involuntary Turnover

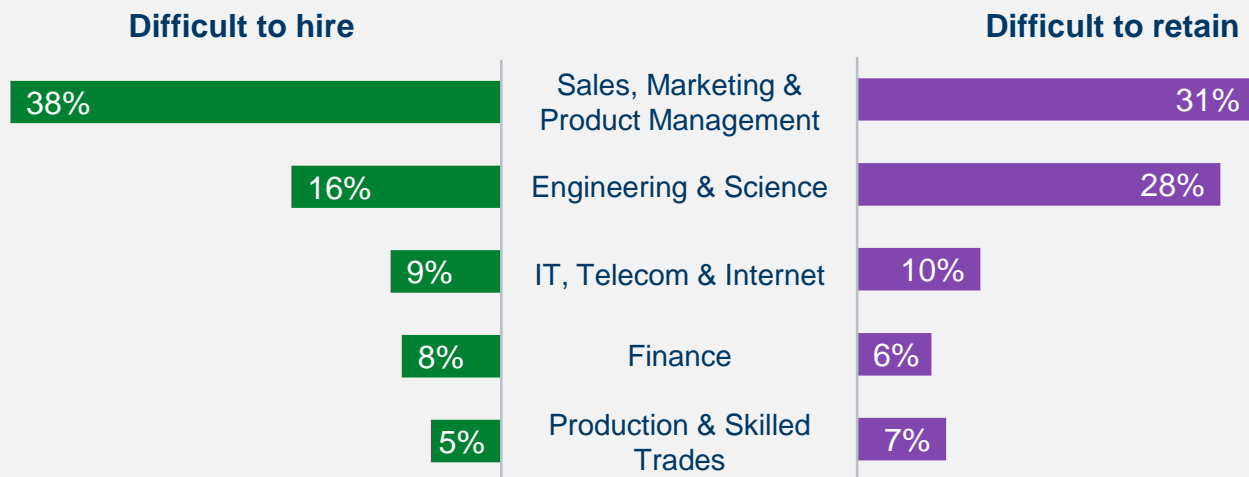


Yet some companies found it difficult to hire and retain critical talent

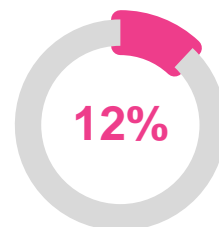
14% of the organizations in APAC had difficulties in **hiring** employees in a certain job family during the pandemic; while

10% of the organizations in APAC had difficulties in **retaining** employees in a certain job family during the pandemic

Job families most difficult to hire/retain in APAC during the pandemic



Some organizations are offering “premiums” of one form or another to attract critical talent



of the organizations in APAC granted or are considering granting **special COVID-19 related bonuses** for employees who are **critical** to meet or maintain the organization’s current business goals



For longer-term success, balance cost management with employee experience

As businesses grapple with the impacts of the COVID-19 pandemic, cost deferrals and reductions measures to ensure business continuity is an important concern and focus for employers

With considerable economic uncertainty ahead, the ***need for cost management is here for the long-term so focusing on employee experience along the way will be vital for recovery***



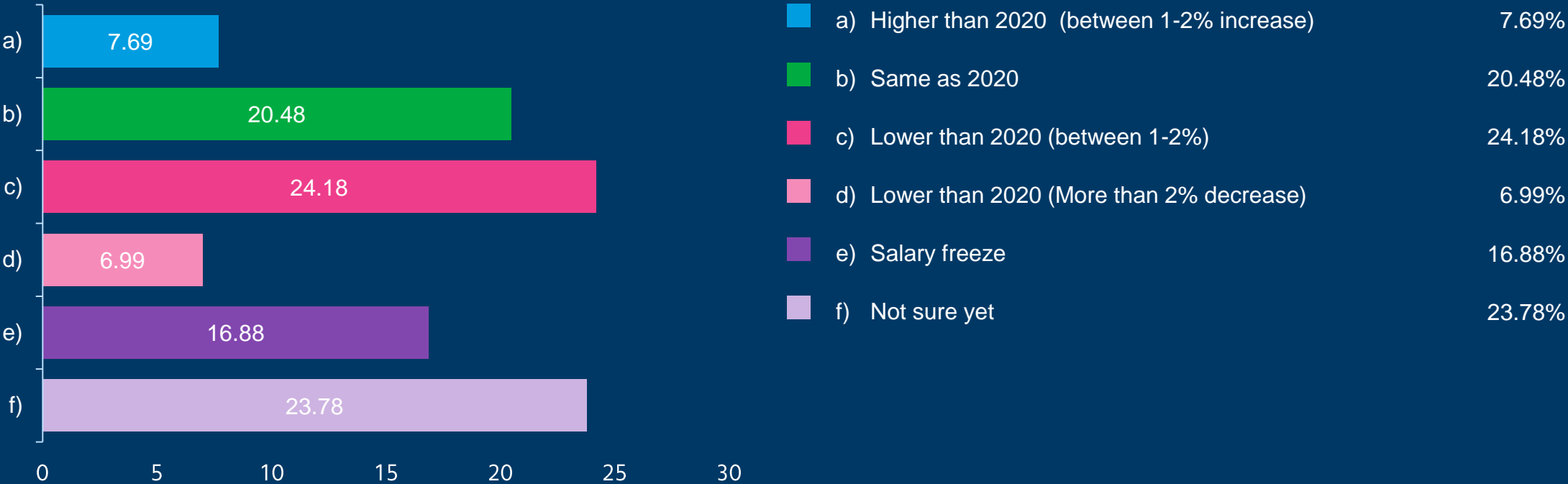
Compensation trends

Implications of COVID-19 crisis on employee compensation



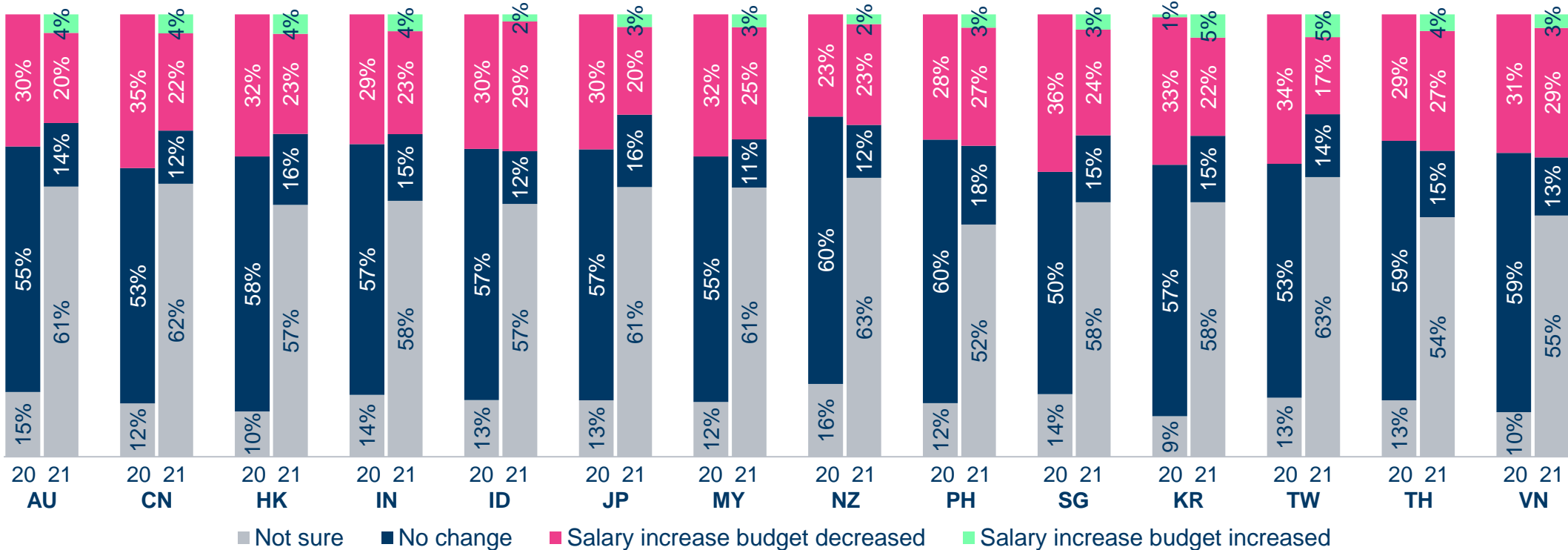
Polling question #2 results

Q: What is your salary increase forecast for 2021?



Implication of COVID-19 pandemic on salary increase budget

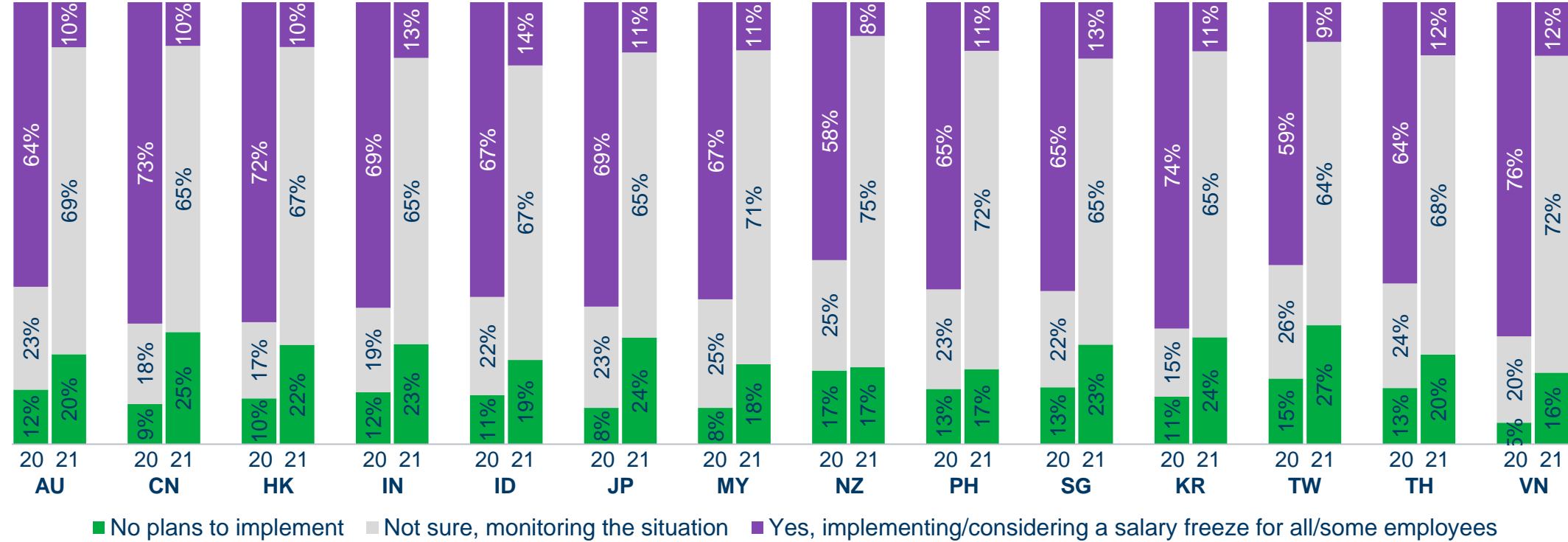
% organizations where salary increase budget was affected for 2020 and 2021



6 in 10 organizations in APAC are **uncertain** if COVID-19 pandemic will affect their 2021 salary increase budget

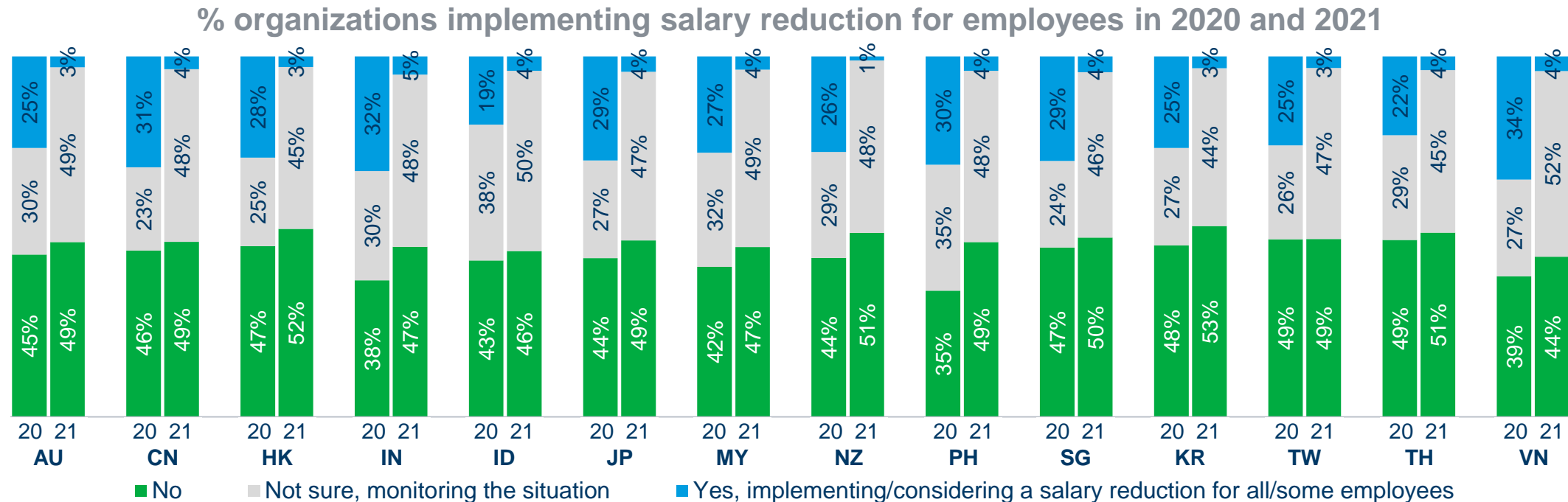
Implication of COVID-19 pandemic on salary freezes for employees

% organizations implementing salary freezes for employees in 2020 and 2021



7 in 10 organizations in APAC are **uncertain** if they will implement salary freezes for any employees in 2021

Implication of the pandemic on salary reduction for employees



85%

of the organizations say that the reductions implemented due to COVID-19 are **temporary** for all or most employees

22%

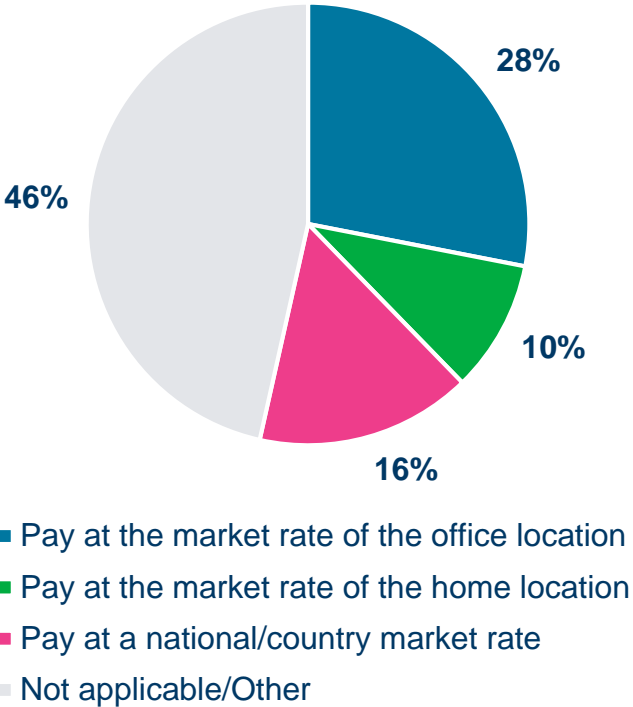
of the organizations adjusted the 2020 salary increases **after communication** to employees but before / after implementation



1 in 2 organizations in APAC are uncertain if they will implement salary reductions for any employees in 2021

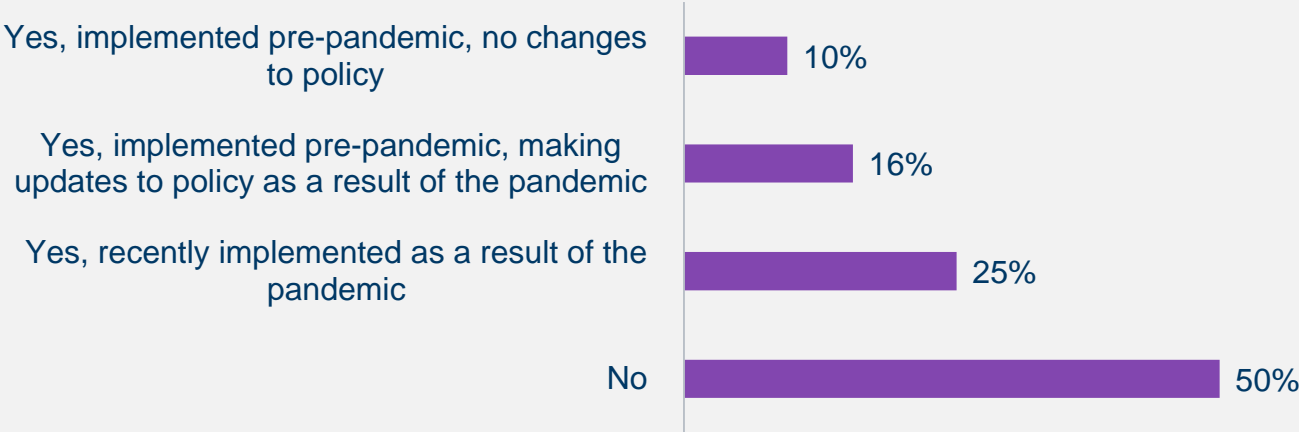
Companies are adjusting their pay policy in view of the increased remote working

Localization of pay for employees who work remotely



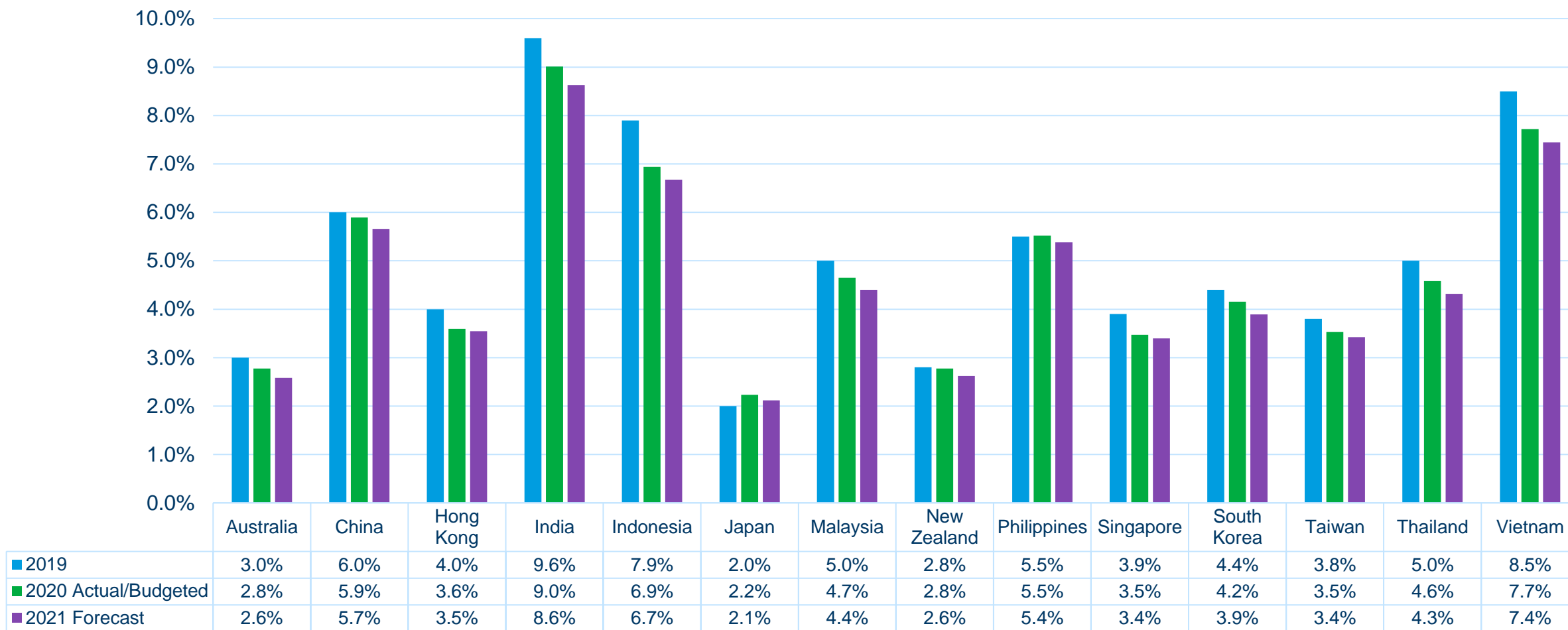
1 in 3 companies in APAC who offered significant subsidized onsite amenities or allowances of significant value *plan to re-balance the total rewards offering or shift to financial reimbursements or allowance* for employees working flexibly

% companies in APAC providing financial support to employees working remotely



Implications on employee compensation

2021 merit salary increase



Variable bonus

Most companies made no changes to payout being made this year

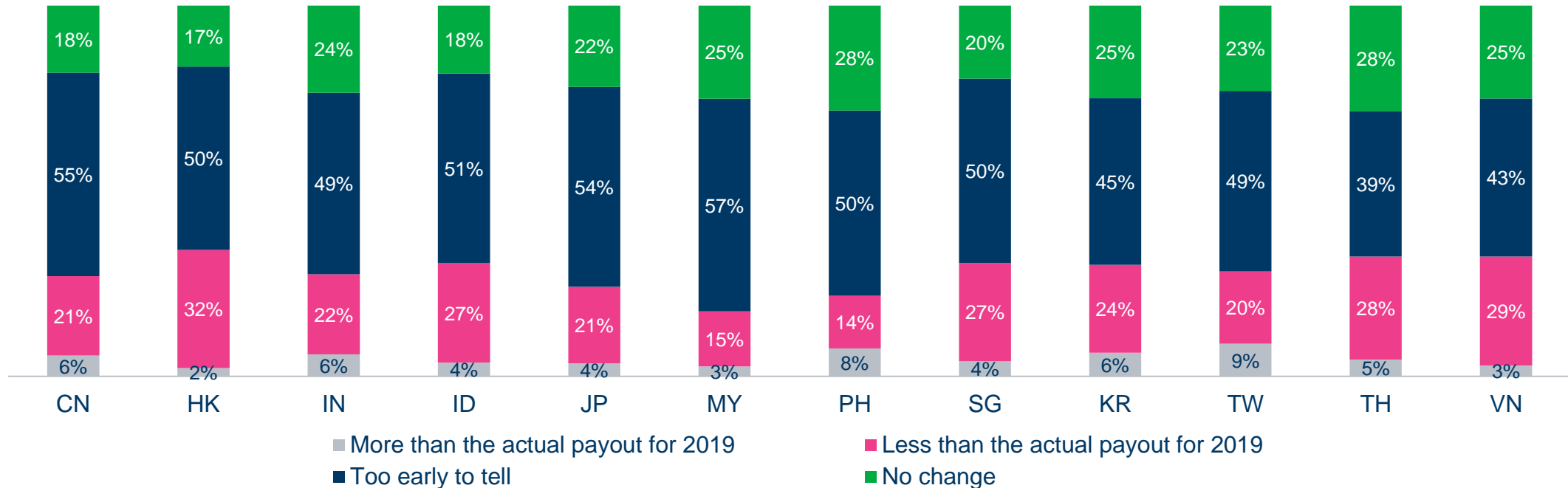


90% of the organizations **paid out variable bonus** to employees for the performance year 2019 **at planned time**

For those who did not, **71% cancelled** the bonus payout, **20% delayed** it and **9% spread** the payout over a period of time

Only **1 in 10** organizations **decreased** the variable bonus **target compared to the original value**

Forecasted variable bonus budget for 2020 performance year compared to 2019 actual payout

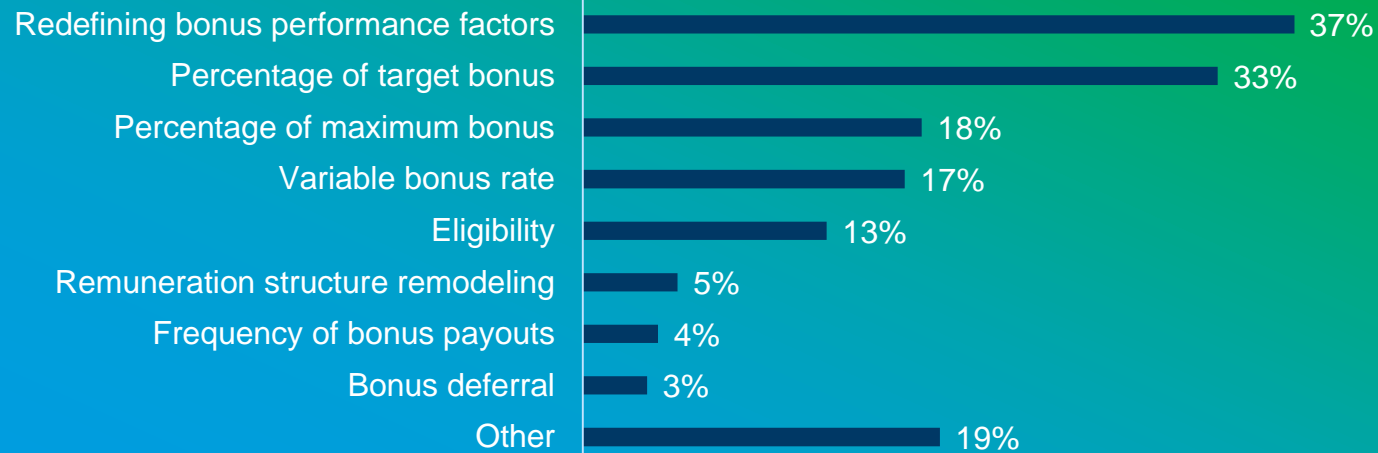


Variable bonus

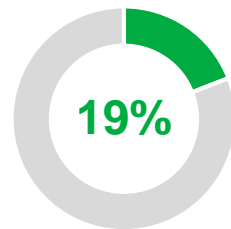
But companies are reviewing their variable bonus policy for future

23% of the organizations in APAC are considering ***adjusting variable bonus policy*** for the 2020 performance year

Elements that organizations are looking to adjust in the variable bonus policy for the 2020 performance year



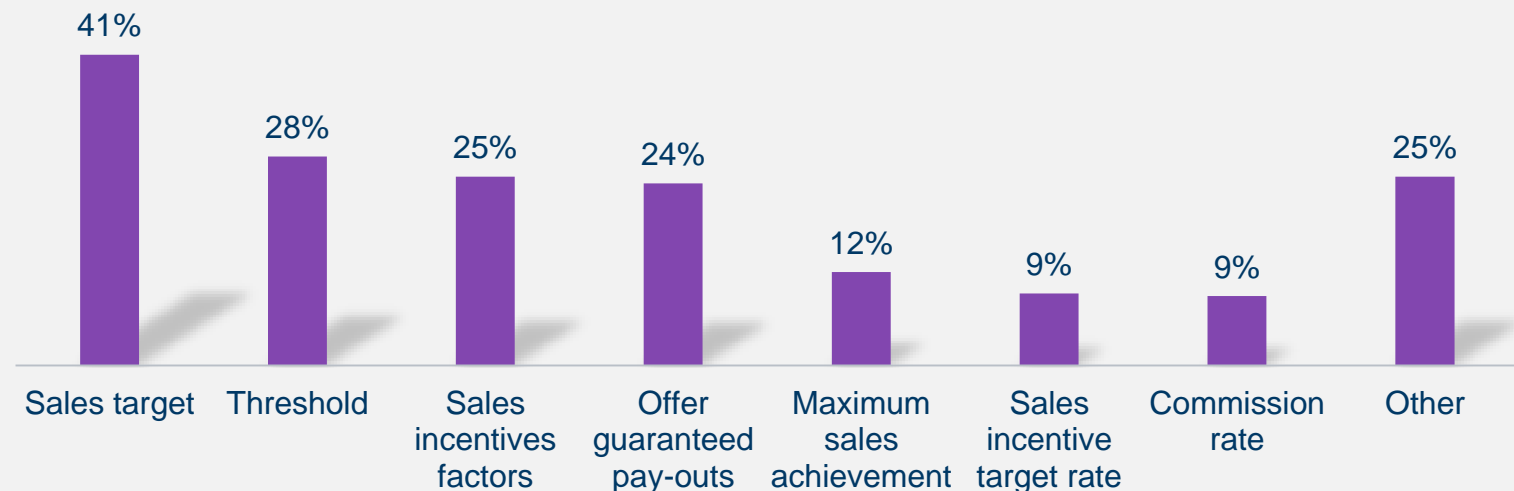
Sales incentives plans are also being revisited



of the organization ***adjusted or are considering adjusting their sales incentive policy*** because of the COVID-19 pandemic

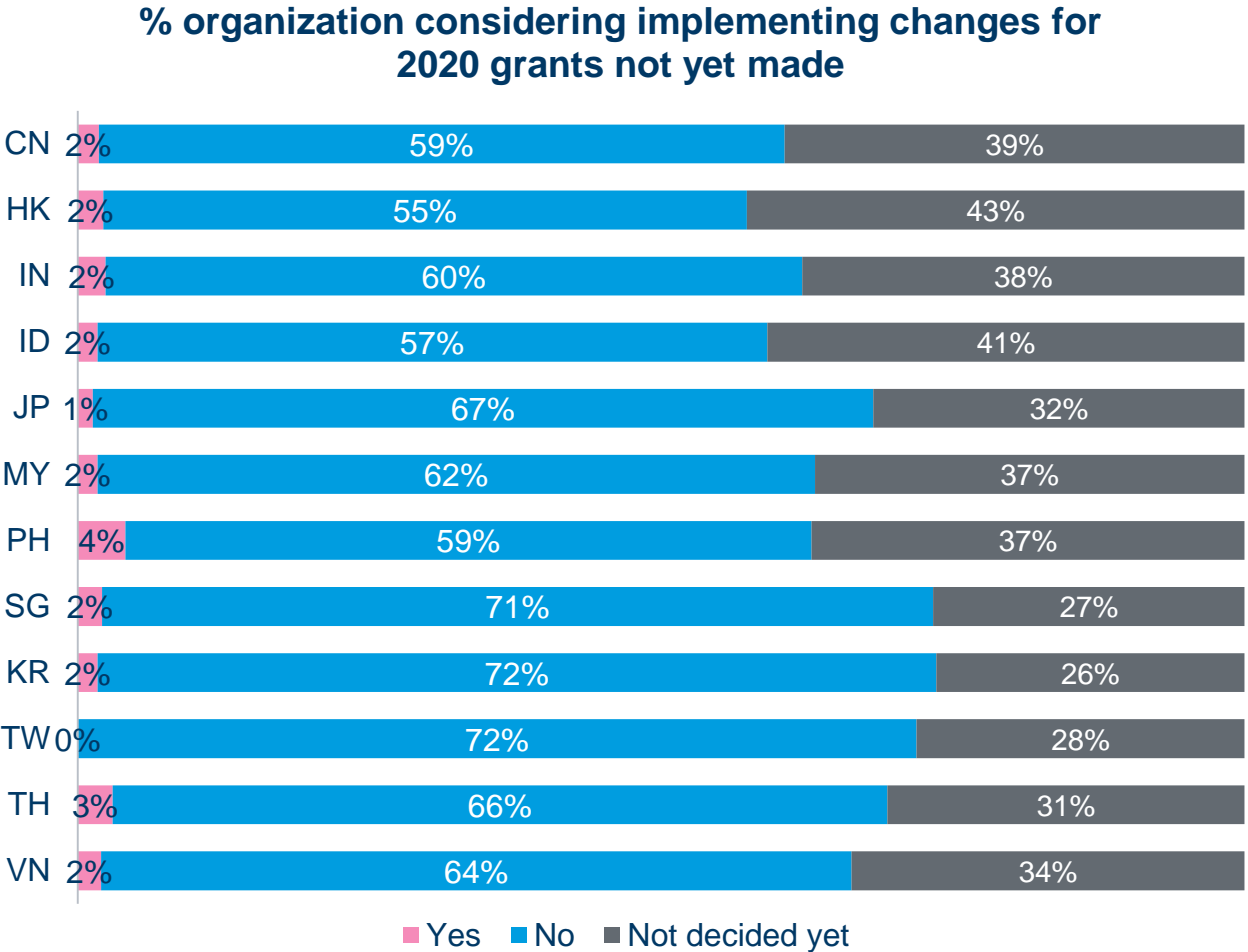
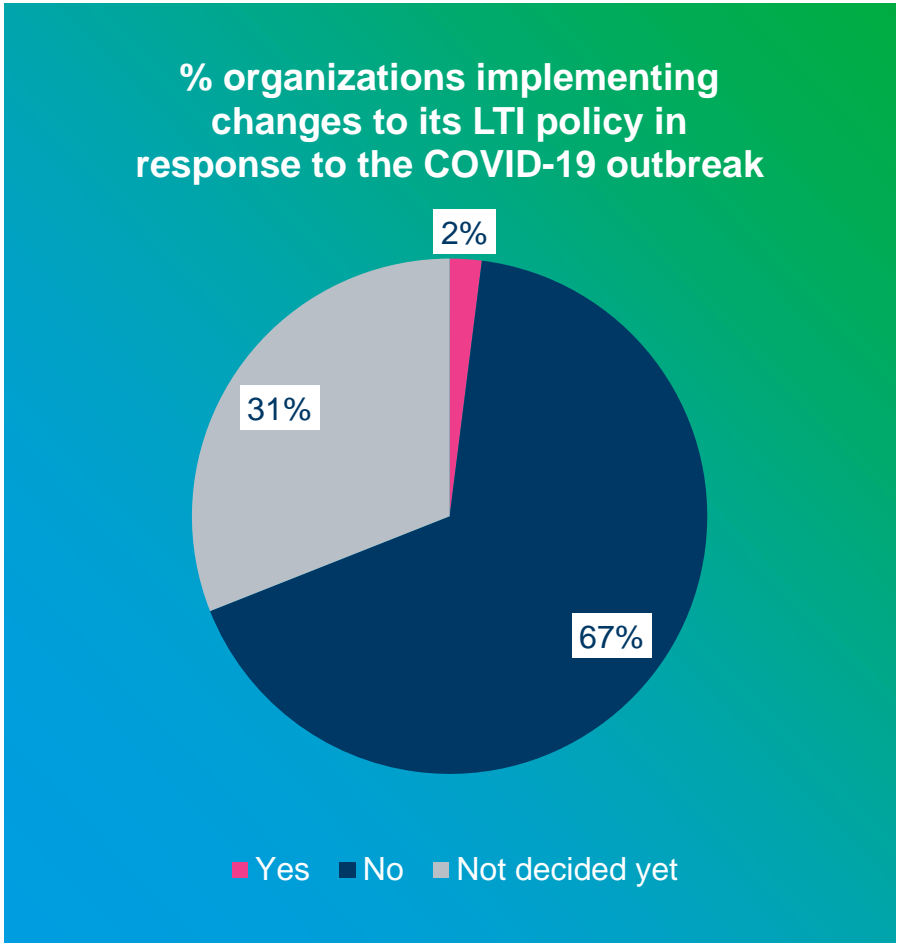
For **37%** of the organizations, ***all departments*** were affected by the sales policy adjustment

Elements that organizations are looking to adjust in their sales incentive policy because of the COVID-19 pandemic



Long term incentives

Most organizations are not making changes



There is still significant uncertainty for 2021

Though outlook is more positive now compared to earlier this year



Actions you can take:



Keep a pulse on the market to ensure competitiveness

The market is still moving, and disruption will drive new patterns as we move into 2021



Streamline merit planning and other compensation administration activities to stay agile

Decisions are likely to be delayed or change

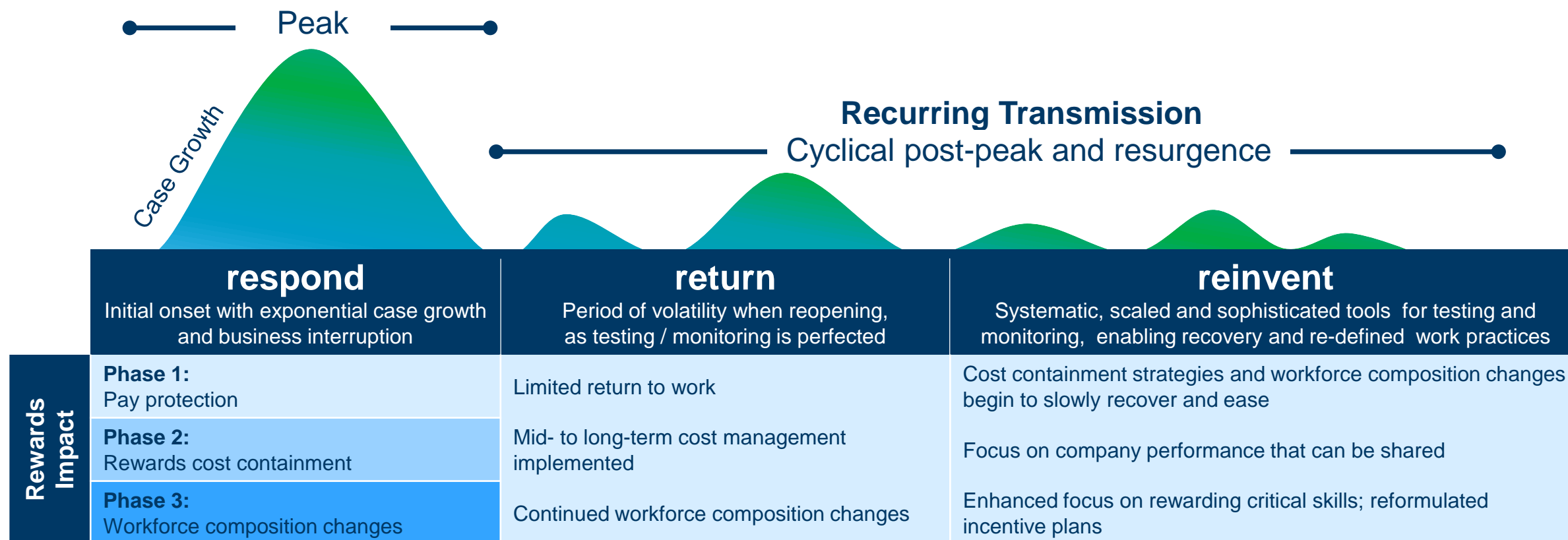


Make the most of your budget

Organizations with smaller budgets are increasing differentiation (performance, skills and competitiveness) and limiting eligible populations

Navigating the Pandemic response lifecycle

Implications on Total Rewards



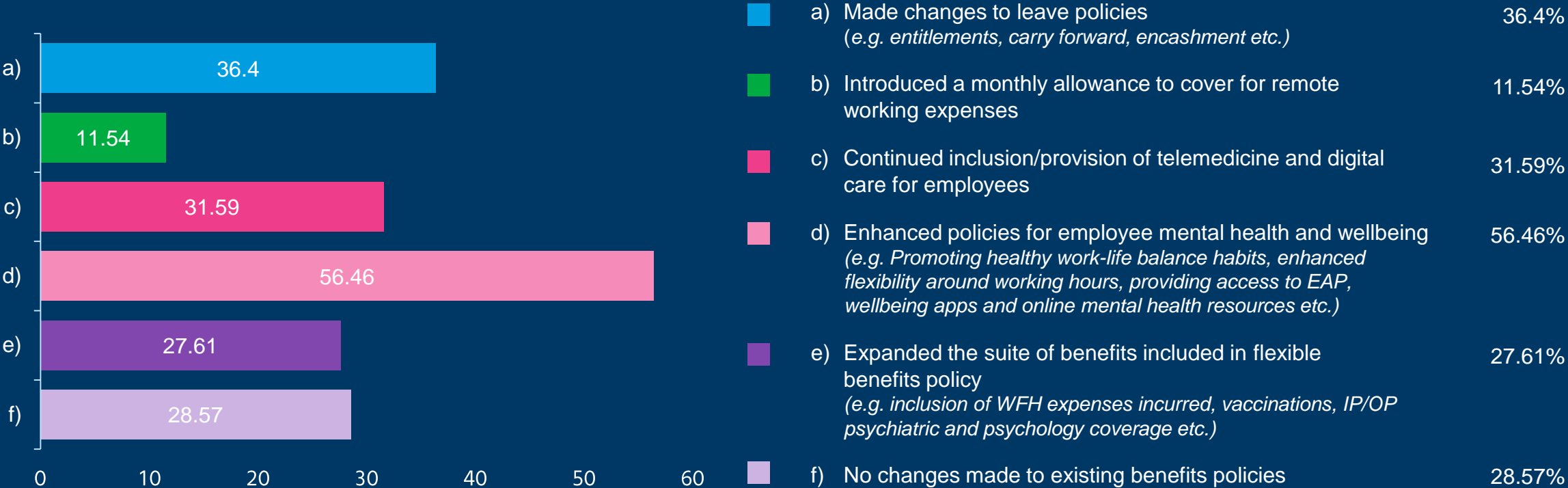
Benefits trends

Implications of COVID-19 crisis on benefits programs



Polling question #3 results

Q: What are some of the changes you have made to your benefits policies?
You may select more than one option.



COVID-19 has challenged employer norms around flexible work in numerous ways



Flexibility **FROM** WORK

Emergency leave, sick time, caregiving time, vacation time, parental leave, sabbaticals



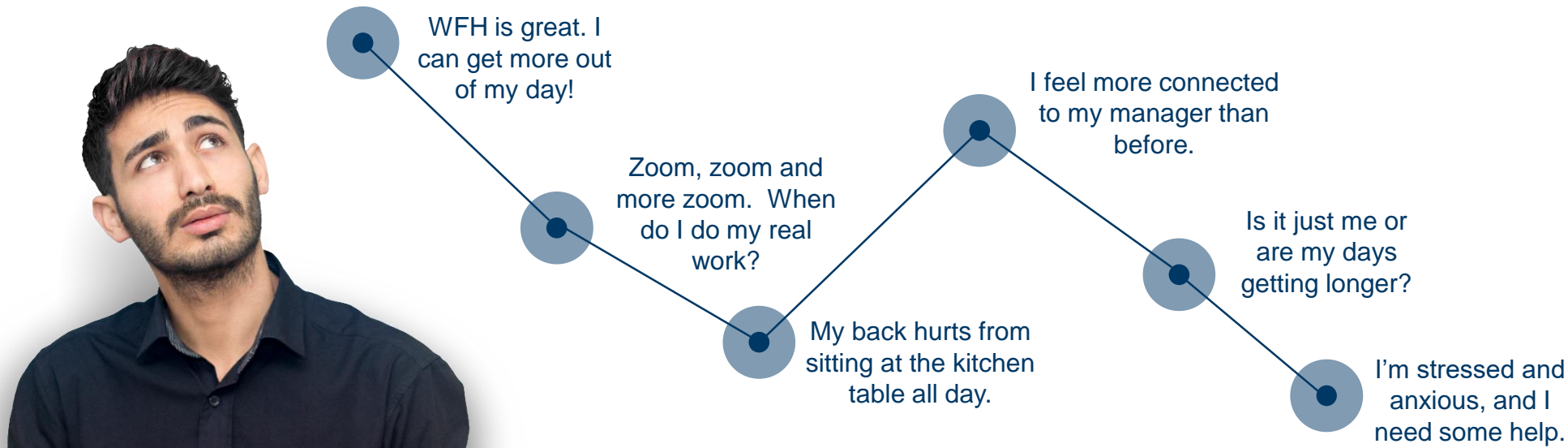
Flexibility **AT** WORK

When, where, what, how and by whom work gets done

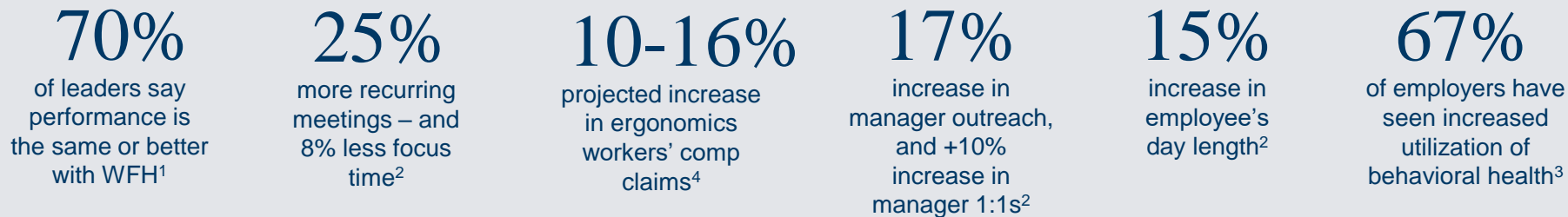


The flexible work experience so far

Nearly half of employers have more than 75% of their workforce remote during the pandemic.³
These employees have seen ups and downs...



...And likewise employers have seen mixed results

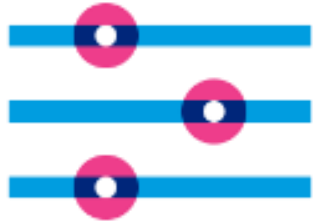


Some components impacting the current environment will not sustain post-pandemic



- Extreme social isolation will not be the norm
- There will be a return to social support systems (e.g., schools, eldercare)
- Employees will have the opportunity to flex between remote and in-person collaboration

Three critical questions to drive flexibility at scale



What flexibility is possible?

Assess jobs across the five dimensions of flexible work



What flexibility is desirable?

Understand leader and employee attitudes and preferences



What flexibility is sustainable?

Assess need for change to policies, programs and infrastructure

Benefits programs in focus

Time loss policies

My employees have a substantial amount of accrued but untaken annual leave. What can I do?



Encouraging your employees to **consume** their annual leave



Allowing your employees to **carry forward** their untaken annual leave



Letting your employees **encash** their unutilized annual leave



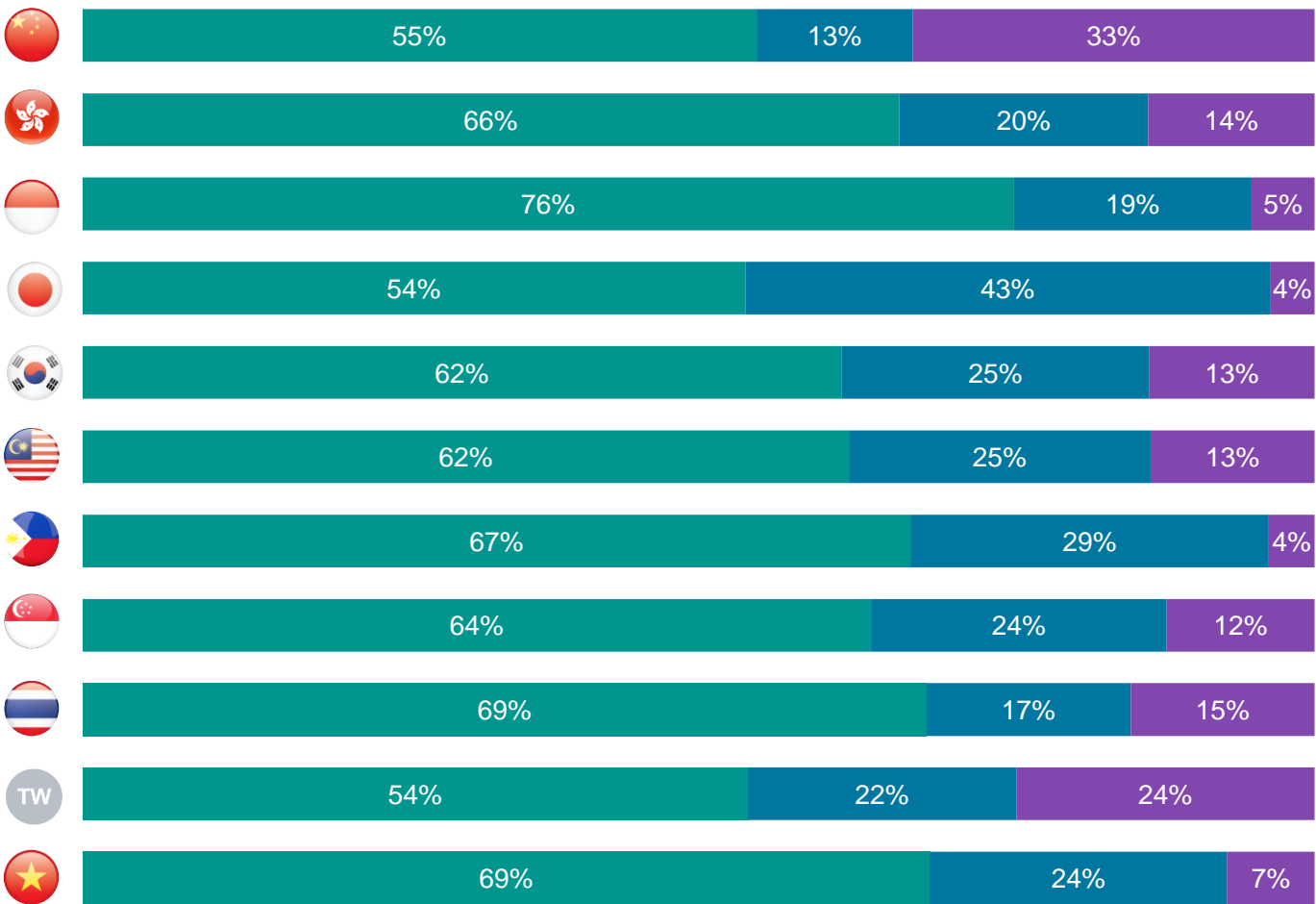
Forfeiting your employee's annual leave

Carry Forward Leave Policies in APAC

China		88%	5 days
Hong Kong		93%	5 days to be utilized by EOY
Indonesia		83%	6 days to be utilized by end of Q2
India		91%	18 days to be utilized by EOY
Korea		49%	5 days to be utilized by EOY
Malaysia		92%	7 days to be utilized by EOY
Philippines		70%	10 days
Singapore		93%	7 days to be utilized by EOY
Thailand		84%	5 days to be utilized by EOY
Taiwan		61%	9 days to be utilized by EOY
Vietnam		89%	5 days to be utilized by end of Q1





Benefits programs in focus

Flexible working arrangements



■ Organizations who have implemented or are considering to implement remote working arrangements
■ Organizations who already had a remote working arrangement in place ■ Organizations with no remote working arrangements

Considering all aspects of flexible working:

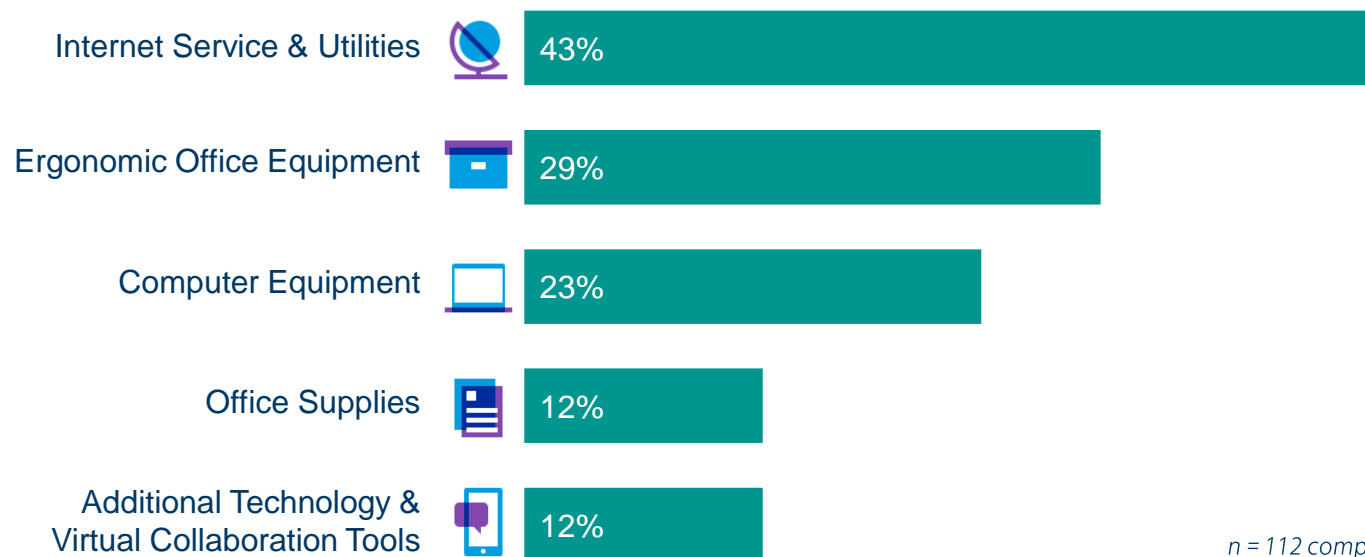
- 
Flexibility around *when* work is done
 (e.g. flexible scheduling and compressed weeks)
- 
Flexibility around *how* work is done
 (e.g. technology considerations)
- 
Flexibility around *what* work is done
 (e.g. project-based activities and automation)
- 
Flexibility around *who* does the work
 (e.g. contract and/or gig workers)

Benefits programs in focus

Expenses coverage for remote working expenses



50%¹ of employers in APAC **provide** their employees who are working remotely with financial support



Source: Mercer Global Survey, How are companies flexing for the future and returning to the workplace, Asia Pacific, data as of August, 2020

		One-time subsidy (in USD)	Monthly Bill Subsidy (in USD)
China		\$260	\$20
Hong Kong		\$258	-
Indonesia		\$272	\$14
Japan		\$247	-
Korea		\$176	\$60
Malaysia		\$333	\$17
Philippines		\$206	\$30
Singapore		\$250	\$63
Thailand		\$250	\$32
Taiwan		\$661	\$17

* Based on currency exchange rate as of Oct 28, 2020

** All amounts provided are median values

Benefits programs in focus

Health

Top 3 Concerns of both Employers and Employees:



Annual Physical Exams



Vaccinations



Health Screenings

EMPLOYEES



More than 50% feel that the coverage of employee health benefits is adequate, but there is potential to broaden the types of offerings



75% stated that COVID-19 has increased awareness of risk of infectious diseases



53% mentioned that they would use the COVID-19 vaccination as an opportunity to get other vaccinations

EMPLOYERS



Only 40% currently cover supplementary health benefits, such as health screenings and vaccines



However, 55% of employers are interested in expanding their program to include additional vaccinations



58% of employers have stated that they are looking to maintain their healthcare budget with an increased focus on cost management and have plans to leverage on technology

Benefits programs in focus

Mental wellness



Employee wellbeing and mental health is expected to be a key area of focus for 2021, given the wider recognition of mental health issues in society.



Increased uptake and focus on Employee Assistance Programs (EAP) across APAC, together with wellness sessions (physical, mental and financial), enhanced communications and increased social engagement by employers



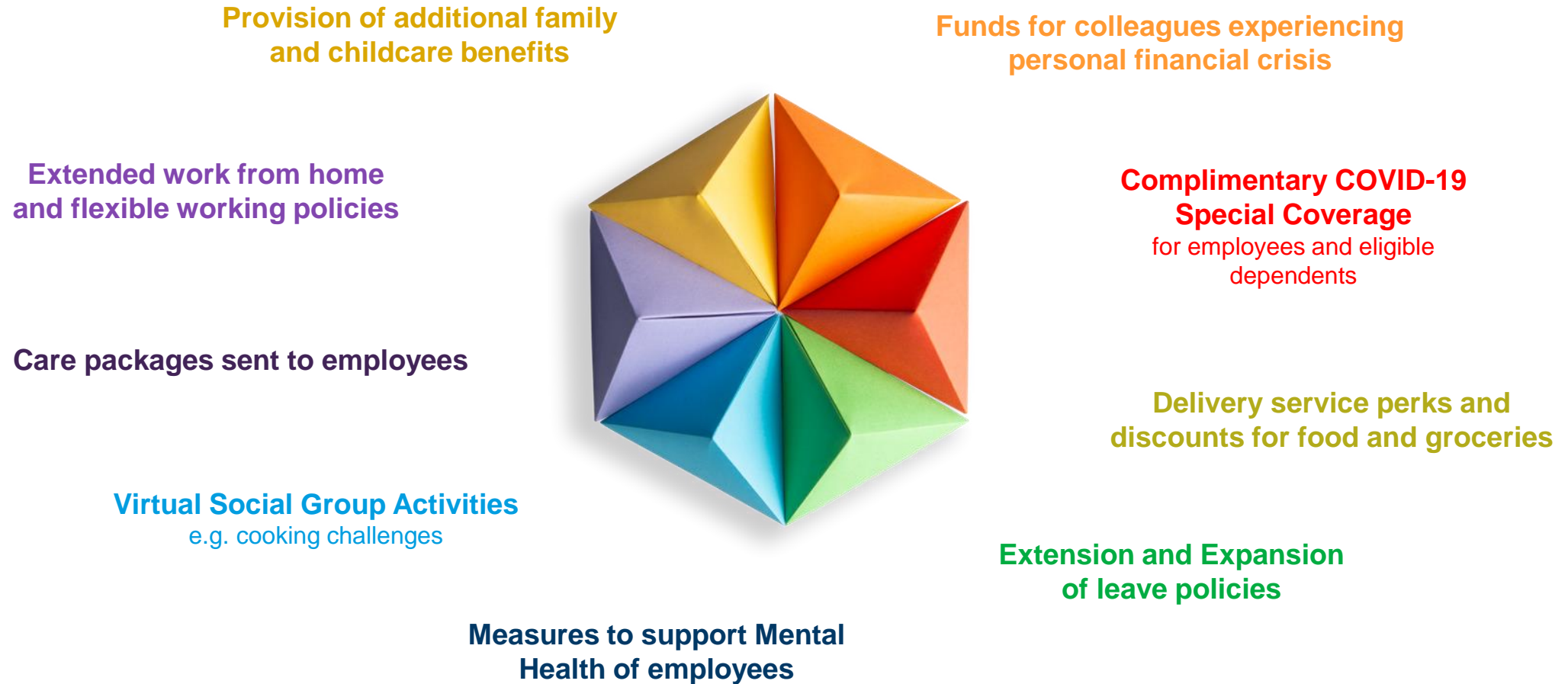
Wider access to mental health care remains low; employers are exploring options, which include telehealth as well as incorporating IP/OP psychiatric and psychology coverage into their insurance coverage.



Employers need education and awareness to provide solutions that can effectively address mental wellbeing issues faced by employees.



Examples of employer initiatives to manage through these unprecedented times



Employers need to prepare for success in an altered world

Now is the time to rethink and reevaluate

Enable *informed decisions about compensation and benefits* especially during today's uncertain times

Total rewards has always been a critical element of business planning

Knowing how your total rewards programs are positioned is essential to weathering the current difficult times and to be prepared to take advantage of the coming recovery



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Q & A



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