

HONG KONG EMPLOYEE BENEFITS RESEARCH HIGHLIGHTS

In early 2007, Synovate and TNS were commissioned to conduct research amongst advisers, employers and employees in Hong Kong on behalf of empower. The research was aimed at finding out what employers and their employees thought about their current employee benefits and to gauge the likely impact of adopting flexible benefits.

Both qualitative and quantitative methods were used with employers and employees from different industries. One to one meetings were held with advisers and HR managers, six focus groups were held with employers (500+ employees) and an online survey was conducted with 265 employees from similar companies (middle-management and below).

Macroeconomic factors and structural changes are likely to continue upward pressure on salaries in the future

- As most companies see higher pay as being key to attracting top talent in all industries (according to The Hudson Report), this inflationary pressure shows no signs of receding.
- Competition for talent is more acute in Hong Kong, with increasing demand for finance and logistics professionals resulting from liberalisation and rapid industrial growth of the China market.

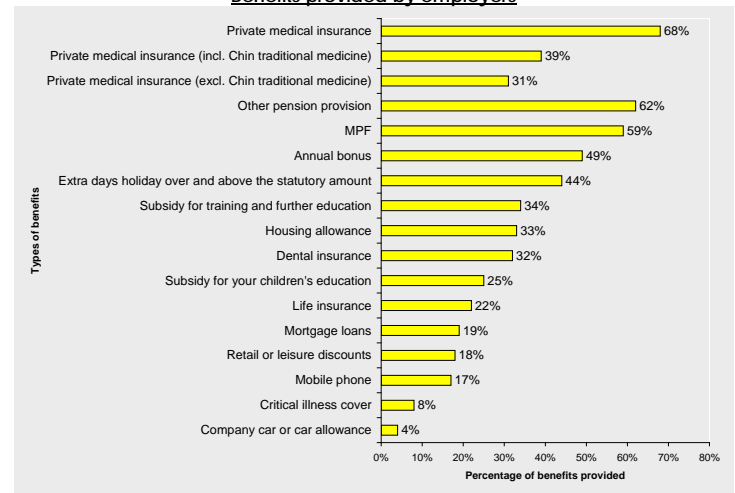
Increasing diversity in the workplace means it is becoming more difficult to make benefits appeal to all employees

- Mature staff (45+) prefer better pensions and subsidy for children's education.
- Younger staff (below 45) prefer extra holidays and gadgets such as mobile phones.
- Higher income groups (HK\$25K+) prefer housing assistance.
- 77% of employees expressed interest in purchasing retirement solutions, reinforcing that wealth is a priority.

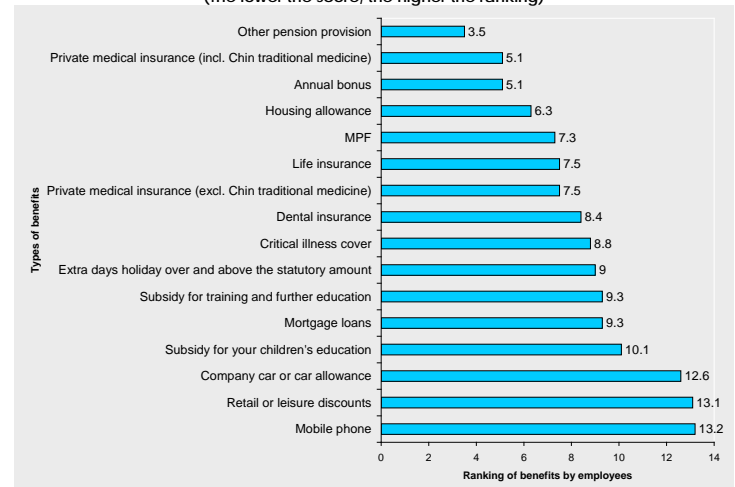
There is a gap between the benefits offered and those most valued by employees

- Pension ranks as the most valued benefits by employees of all ages and grade but is only reported to be offered by 62% of employers.
- Whilst critical illness cover and dental insurance fall into the top ten most valued benefits by employees, they are only offered by 32% and 8% of employers respectively.
- Housing allowance ranks the fourth most valued benefits for matured (45+) and senior staff but is only offered by 33% of employers.

Benefits provided by employers



Value of benefits to employees
(The lower the score, the higher the ranking)



Market views on existing employee benefits

The employers' perspective:

- The view that "Cash is King" and that employees will easily switch jobs drives employers to focus on higher salaries instead of benefits at the recruitment stage.
- There is a lack of service providers offering employee benefits solutions that offer a real alternative to traditional schemes.
- Tailor-made benefits make more sense for a diverse workforce to meet their individual needs.

The employees' perspective:

- Most employees are not fully aware of all the benefits provided to them and have even less understanding of the true value of these.
- Benefits are generally poorly communicated. Most employees rely on their colleagues if they need information.

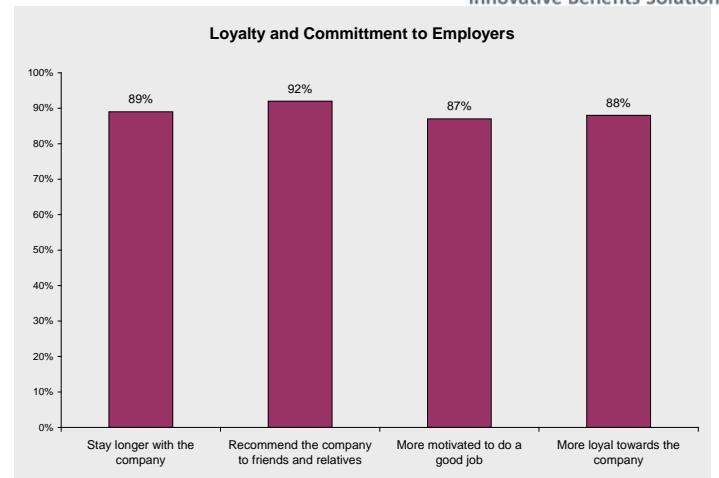
Almost all employers covered by the survey offered a traditional package to their employees, for example group life and medical coverage. Employees were asked how they would react to having a more flexible benefits scheme (FLEX) and responded that **choice, cost advantage and convenience** would be very attractive elements to them, dispelling the myth that "cash is king".

What does choice mean to employees?

- 98% say they would use those choices.
- 50% would prefer to build their own bespoke benefits package and 32% would use a set-menu.
- 71% are likely to top-up benefits with their own money.
- 77% are willing to invest in additional offers.
- Senior/more mature staff are more likely to spend on additional or voluntary benefit offerings.
- 77% said they would value financial information and guidance being provided by their employer.

The Impact of FLEX

- Between 87% and 92% of employees said they would be more loyal, more likely to stay with their company, recommend it as a good place to work and be more motivated to do a good job.



- They also said that being given choice would create a "feel good factor" and would show that their employer cares for and respects them.
- The addition of Total Reward Statements (TRS) with FLEX can enhance the understanding and appreciation of the benefits offered.

If you read nothing else, read this.....

- Competition for talent is driving up salaries and staff turnover.
- Traditional benefits packages are increasingly unlikely to meet the needs of a diverse workforce.
- Benefits are highly valued by employees; cash is not always king!
- Employees have a very positive reaction to choice, cost advantage and convenience when available through their benefits scheme.
- FLEX can create greater employee engagement and therefore perceived value and understanding of the benefits package.
- FLEX can help increase employees' commitment to their job and loyalty to their company.
- Employees who have access to FLEX are likely to feel more valued and looked after by their employer.
- Communication is crucial for employees to fully understand and appreciate FLEX.
- "One-size-fits-all" approach may not work in today's organizational environment.