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The logo for Mercer Signature Series, featuring the word 'MERCER' at the top, 'SIGNATURE' in large, bold, vertical letters in the middle, and 'SERIES' at the bottom.

September 2008

Emerging markets

Serving the diversity of employees across
the Asia region

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Globalization and its impact on emerging markets

Challenges that multinationals face in Asia...

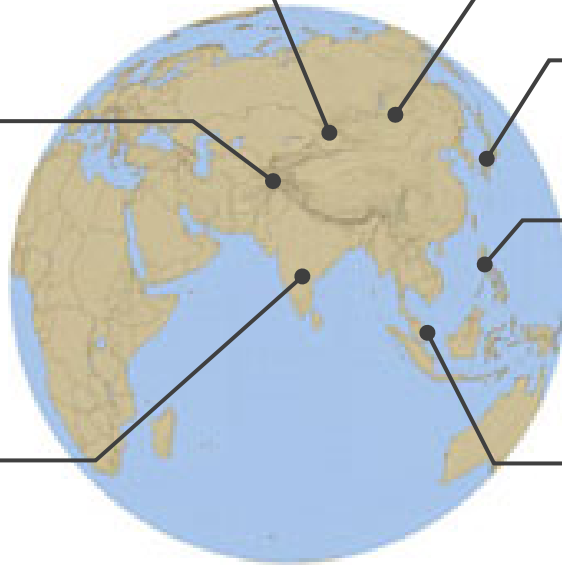
Diversity challenges...

Shortage of key talent and skills

Changing Workforce Demographics

Increasing employee engagement and retention

... in culture, language and socio economic development



Complexity challenges...

Cost control & risk management

Globalizing business models

Translating emerging market economic growth into top line business growth

Continuous investments on process improvements

... of different legislations, market size and sophistication, and varying states of economic development

Emerging market spotlight China



Population*: 1.33 billion (0.6% growth rate)

Workforce*: 803 million (60% of population)

GDP*: US\$3.2 trillion (2007 est)

GDP (real)*: 11.4% (2007 est)

Growth industries:

Technology & Consumer Products, Manufacturing

Other industries:

Pharmaceuticals, Financial Services

Major benefit trends amongst multinationals**

1. Leveraging benefits to achieve branding and talent attraction / retention
2. Harmonisation of benefits by multinationals to ensure equity and synergy during workforce mobility
3. Multinationals view employee health, well being and retirement planning as a priority to promote productivity and long term growth

•Source: CIA World Fact Book

** Source: Mercer

Emerging market spotlight

India



Population*: 1.14 billion (1.6% growth rate)

Workforce*: 516 million (45% of population)

GDP*: US\$1.1 trillion (2007 est)

GDP (real)*: 9.2% (2007 est)

Growth industries:

Information technology, Telecommunications, Insurance

Other industries:

Medical tourism, Retail services

Major Benefit Trends*

- Total rewards comprises of Compensation, Benefits, Career & Support Mechanisms
- Benefits serve as a key differentiator
- The scope of benefits is not limited to legal requirements or employee protection – it extends to covering career and support mechanisms
- On an average, in progressive companies in India, for every 1 million rupees of salary in cash, 1200 rupees is the additional benefit amount*

•Source: CIA World Fact Book

** Source: Mercer

A war on two fronts – Talent shortages

Attracting & retaining talent...

Relative importance of HR challenges in Asia Pacific



Source: Mercer 2006/07 Asia Pacific Total Rewards Survey Report

1: Skill shortage

Due to the double impact of rapidly developing markets and large-scale shifts in workforce demographics.

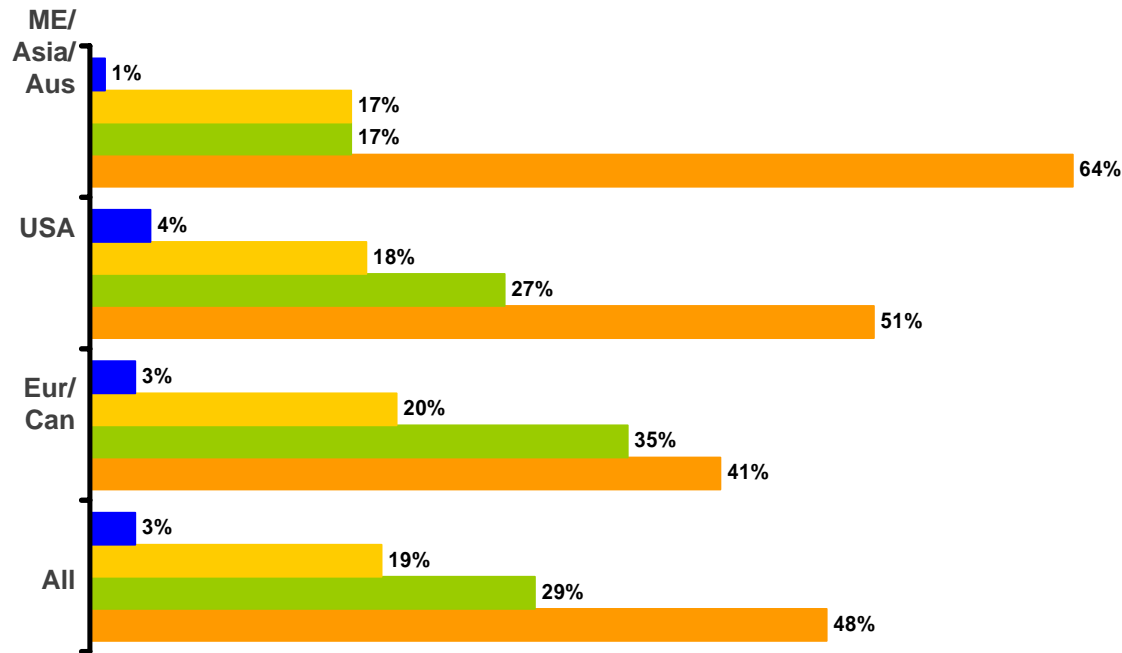
2: Diversity & Mobility

Employees do not value the same rewards elements or intrinsic work factors.

A war on two fronts – Cost containment

... while managing rising employment and benefit costs

How much do you expect health spending to increase in your country?



- Remain the same or be lower
- Increase but at a lower level than current growth
- Increase at current level of growth
- Increase at a much higher level of growth

Source: PricewaterhouseCoopers Health Research Institute
 Health Cast 2020: Creating a Sustainable Future (2005)

3: Increasing employment costs

Threatening the sustainability of traditional rewards programs.

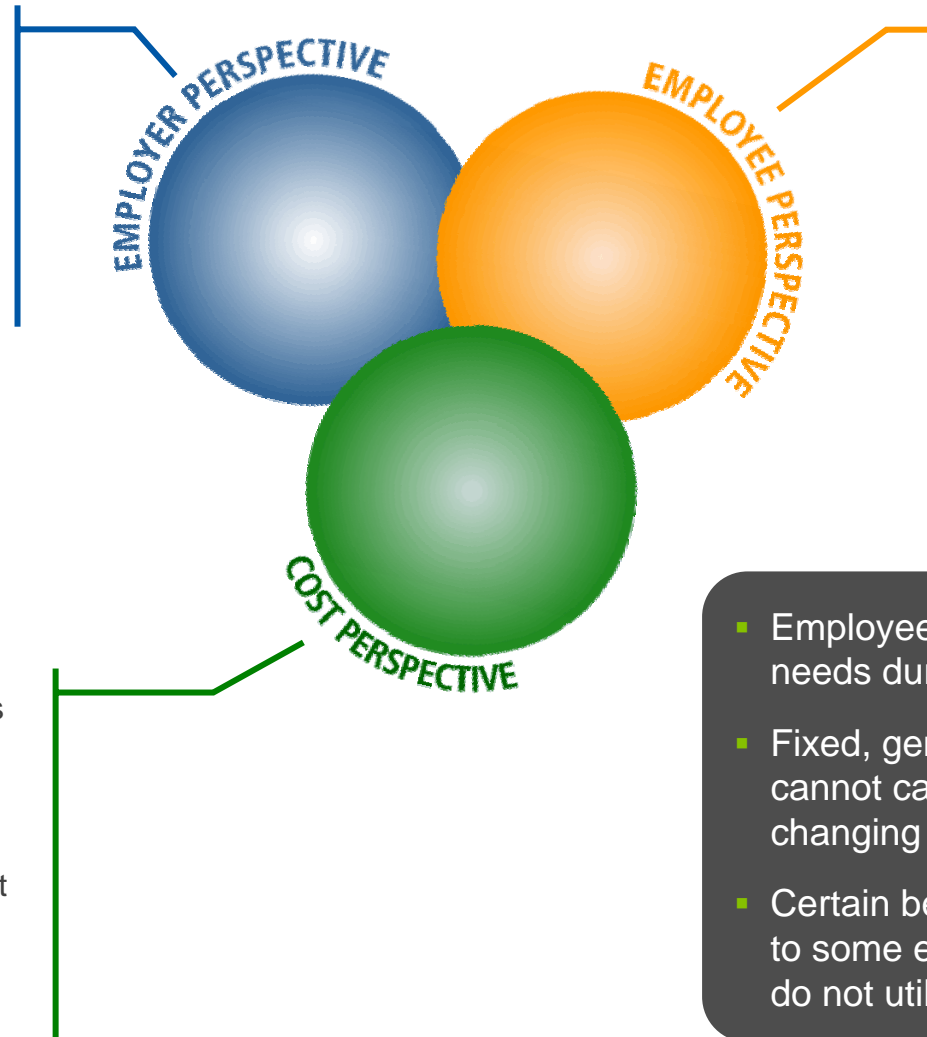
4: Escalating benefits costs

Increasing utilisation, better recognition of benefit value, benefit inflation

Winning the war on talent and cost

Knowing the battleground...

- How do we meet the needs of diverse workforce?
- How do we engage and create a compelling deal for our critical talent?
- How do we cope with emerging benefit trends?



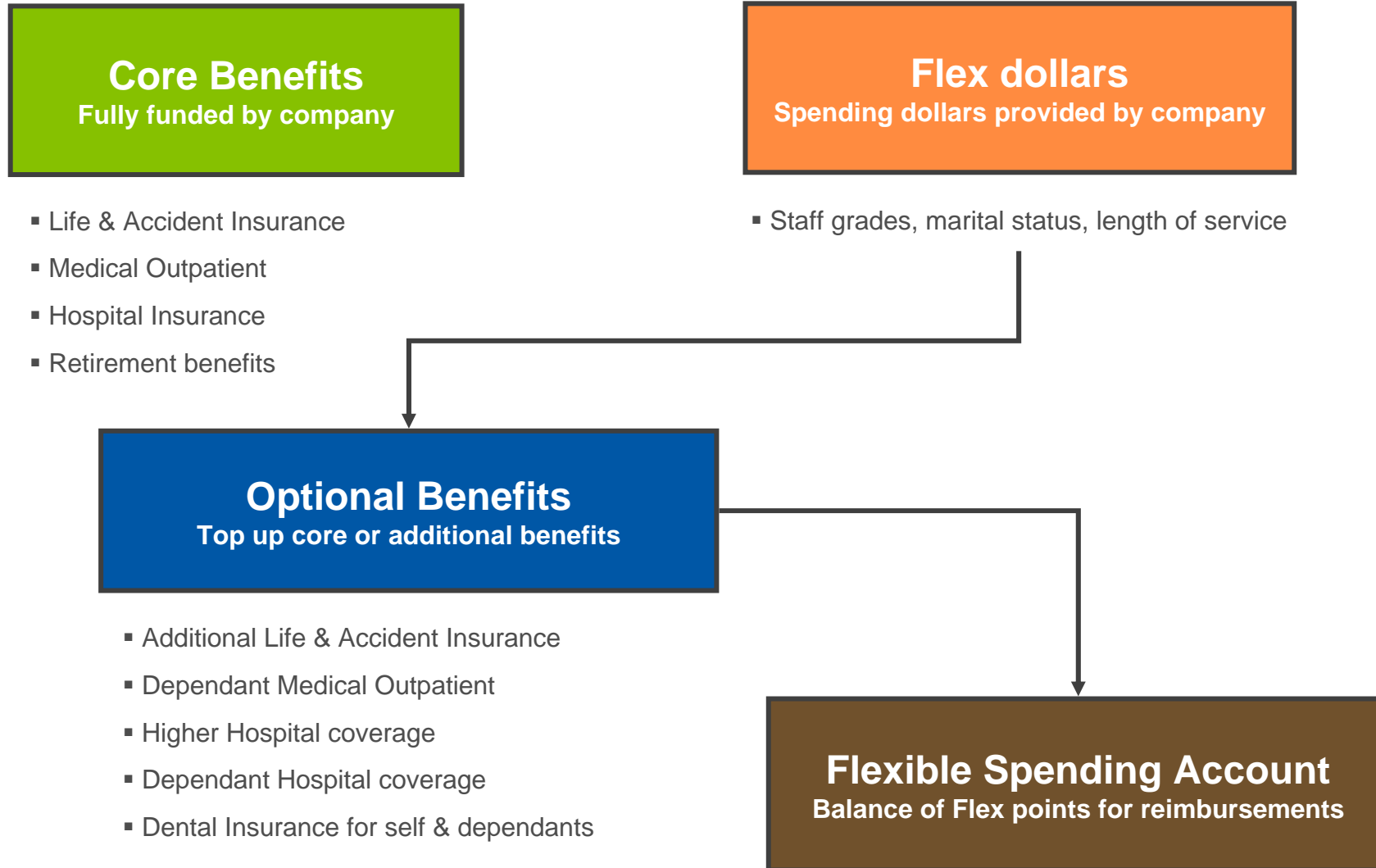
- Diverse employees value benefits differently
- Each employees' needs change as their career and life develops
- How can I deliver benefits at more affordable price?

- How can rising benefit costs be controlled?
- How do we maximize tax opportunities?
- How can we encourage cost sharing with employees?
- How can we merge benefits at lowest cost?

- Employees value different benefits needs during different life stages
- Fixed, generic benefits package cannot cater to their diverse & changing needs
- Certain benefits are less meaningful to some employees particularly if they do not utilize or need such benefits

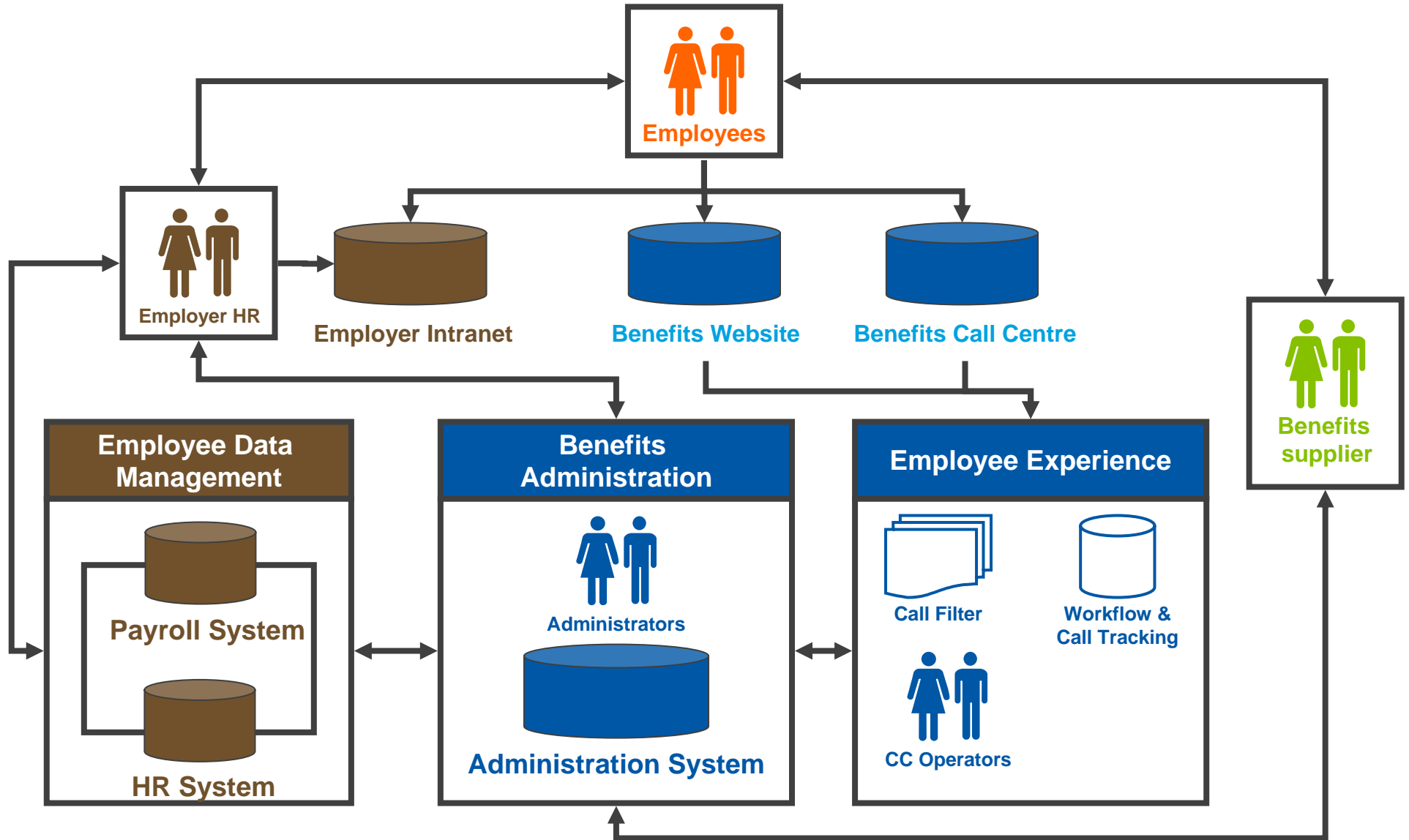
How the battle can be won

Emergence of flexible benefits in Asia



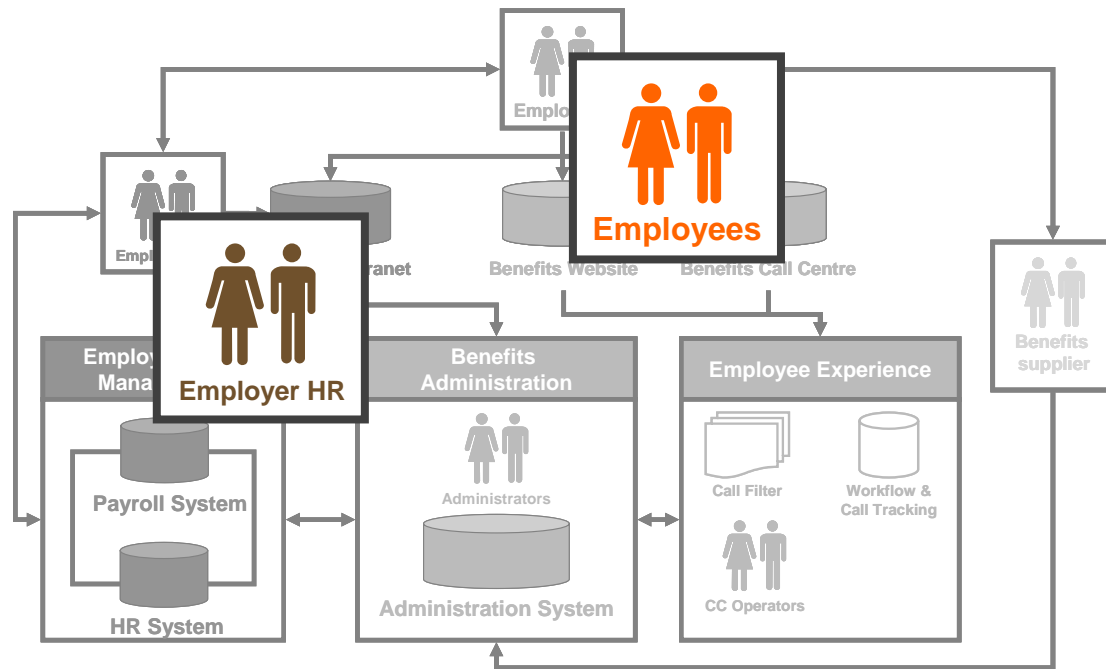
Deploying the employee self service delivery model for benefits

A familiar operating model...



Deploying the employee self service delivery model for benefits

... becomes complicated when emerging market challenges are overlaid

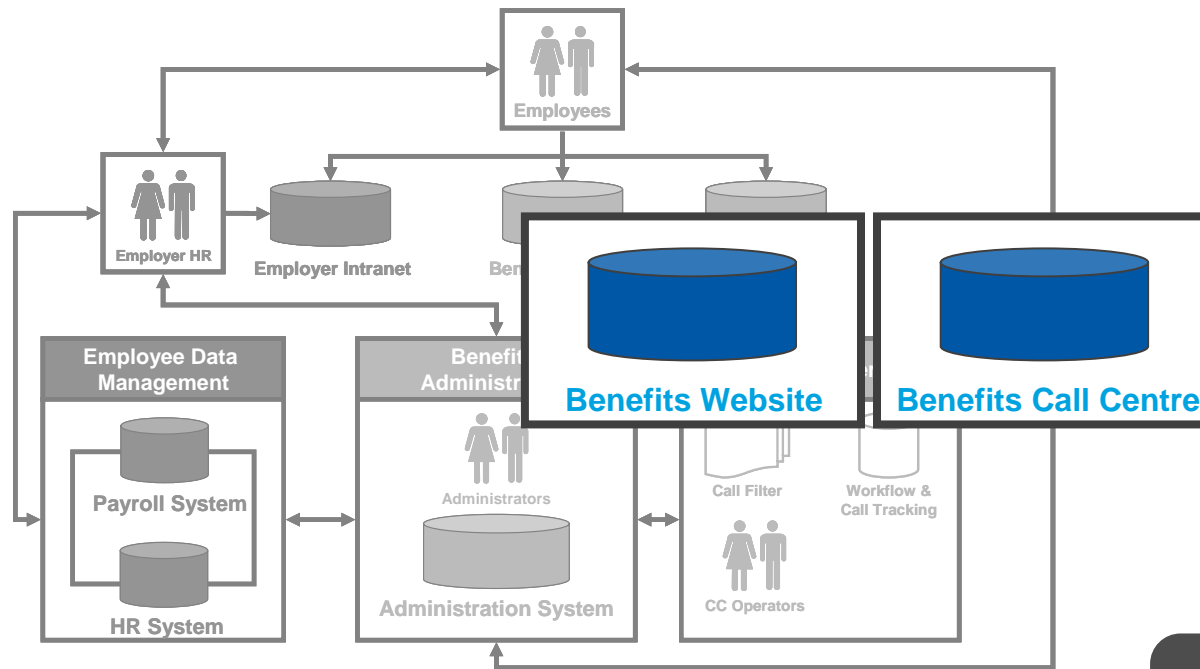


- Diversity of cultures, language, life-stages and needs of employees need to be taken into consideration when designing benefits
- Tiered approach of information is critical to facilitate self help through empowering employees which allows them to take control and make better decisions

- HR function in Asia continues to be stretched, particularly multinationals that centralizes resources
- Small satellites offices for multinationals in Asia with no local HR function
- A manual approach to serving employees continues to be prevalent

Employee self service delivery model

Balancing between high-tech and high-touch service models



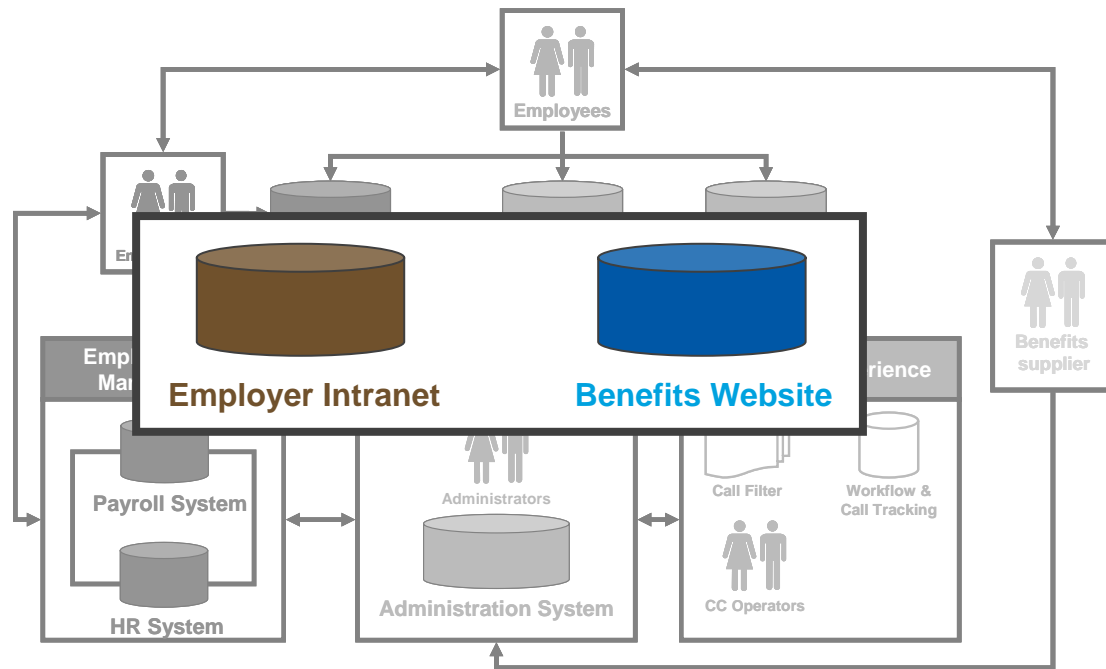
- Benefit call centre delivery model must accommodate diversity in culture, language and understand specific benefit designs
- Successful delivery models deploy onshore / in-country service models with centralized off shore administration hub

- Deployment of web based application to facilitate informational and transactional requirements
- Multi-lingual capability is very important

A general desire to move away from paper base manual HR and benefits related processes

Employee self service deliver model

Emerging demand for single stop online portal via Employer Intranet

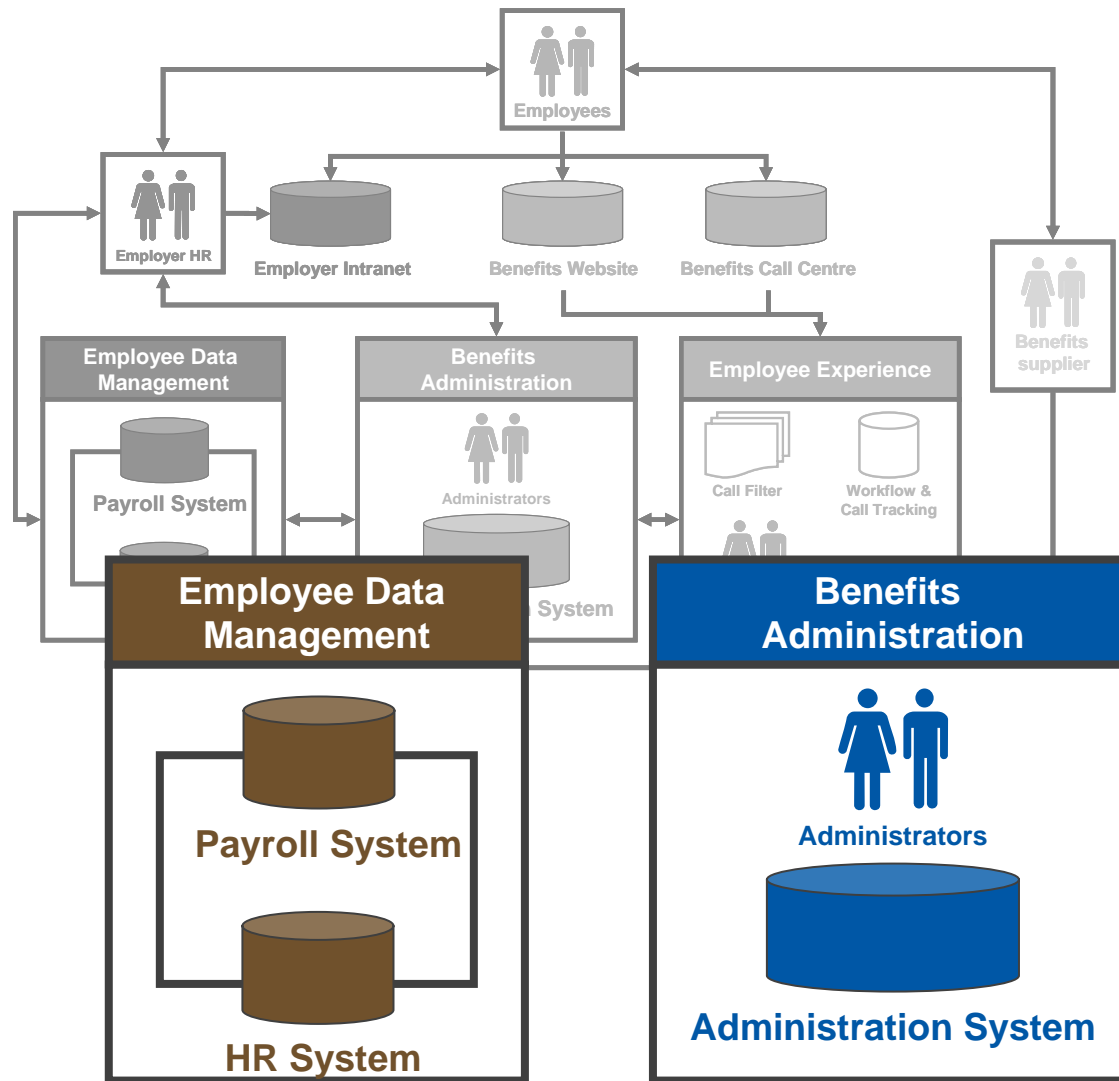


- Challenge to balance cost effective scalable benefits platform versus customized organisation platform
- Deployment of true self service models are plagued with significant issues
- Security of personal data become critical once transactions are introduced

- Single platform increases usability from a users perspective
- Seamless integration between general employer intranet with employer sponsored benefits

Employee self service delivery model

The role of your outsourcing partner is critical as ever



- The sophistication of outsourcing solutions in Asia is yet to catch up in first world markets but the gap is closing
- Diversity complicates the deployment of such solutions
- Lower labour cost base in Asia can be a hurdle to realising greater operational efficiencies

The future of serving employees in Asia

Greater focus on regional based outsourcing solutions with facilities that enhance employee self service

Emergence of Flexible benefits as part of a total rewards compensation strategy

Implementation of such solutions can be constrained by capability, cost and challenges of diversity but expect gap to close quickly

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