

Using Employee Benefits to Stay Competitive in China and India

It appears a talent war is here to stay among employers in Asia. Employers that stay ahead of the trends and make best use of new insights will be better equipped to attract talent, increase loyalty and boost productivity. MetLife research shows there is a huge opportunity in China and India for employers that adopt practices such as offering total rewards packages that include a well-rounded employment deal that factors in flexible working conditions, wellness and career advancement opportunities. This article reviews these research findings and argues that taking the right steps to innovate on employee benefit programs will not only help companies stand apart from the competition but also help foster an engaged and committed workforce.

by **Bharat Kannan** | *MetLife*

Asia has made remarkable economic progress in becoming an attractive destination for multinationals over the last decade. China and India's economies have been growing faster than economies in other parts of the world, making them "a powerhouse of middle-class consumerism"¹ and helping to drive growth.

For example, by 2030, it is estimated that around one billion people in China—as much as 70% of its projected population—could be middle class.² While India's middle class is much smaller, it still includes about 50 million people, or 5% of the population.³ India's middle class also is projected to grow steadily over the next decade, potentially reaching 200 million by 2020.⁴ As the middle class grows, so does its

desire to be more financially secure and healthier, opening up opportunities for businesses in sectors including financial services and health.

The growth in China and India also brings challenges for employers as the expansion of multinational companies into these countries affects their talent pool. Not surprisingly, the war for talent in both countries is considerably more intense than in other markets, and maintaining highly productive workers is becoming more difficult—a fact confirmed by the *MetLife Employee Benefit Trends Studies*. As the economic growth starts to slow in these markets and businesses mature, employers are faced with the challenge of how to retain and maintain a highly productive workforce. Sal-

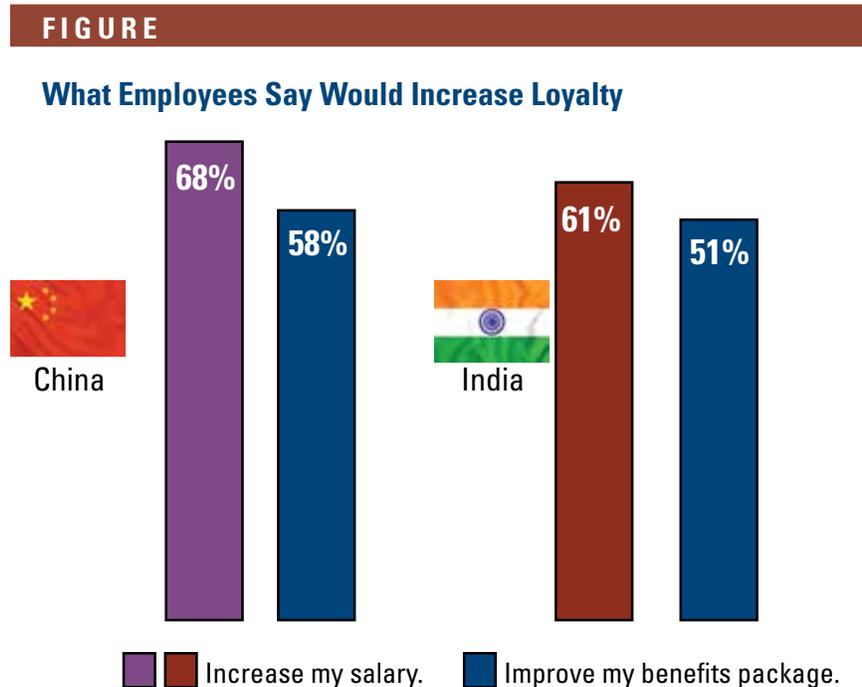
ary inflation is further exacerbated by the tendency for employers in both of these markets to rely more heavily on financial compensation as the driver of recruitment and retention, even more so when compared with other markets such as the United States.

Workers have been conditioned to respond to this approach and have been easily swayed to switch jobs for small pay increases or career advancement. MetLife's 2015 *Employee Benefit Trends Studies* for India and China confirmed that while salaries and promotions are still important, employees are looking for more and are highly motivated by a total rewards package. Multinationals in these markets can increase their attractiveness to employees through differentiated benefits and wellness programs and compete more effectively for talent both at home and globally.

Retaining Top Talent in Asia Is a Challenge for Employers

The challenge of retaining employees is impacting profitability, and the challenge doesn't appear to be letting up. According to an Economist Corporate Network report, companies operating in China, India and Southeast Asia have dealt with double-digit staff turnover rates—increasing each year from 2012-2014. Of all the countries in Asia, Japan had the lowest turnover rate, which could be a result of its rigid hiring and firing system.⁵

In most of the markets MetLife studied, 40% of employers or more believed their organizations were going to be affected by a labor short-



Source: MetLife *Employee Benefits Trends Studies*.

age in the next 12 months. This may not come as a surprise to many, since employers across the globe are in the midst of a war for talent. However, the study showed the highest levels of concern in India and China. According to the research, 70% of employers in India and 71% of employers in China feel highly challenged to retain employees—the highest among all markets surveyed, which include the United States, Poland, Russia and the United Arab Emirates. Employers in India and China are right to feel challenged. Only 51% of employees in India are satisfied with their current job, and the number is even lower in China, where just 41% of employees say they are satisfied.

The Need to Increase Employee Loyalty

Similar to other markets, employees in China and India feel less devoted to their companies than their employers think. In fact, employee loyalty and retention may be an even bigger issue in these markets, as there is a large discrepancy between how employees and employers perceive the strength of their relationships. One can only speculate why, but it's possible that the difference stems from the fact that employees may be wary about sharing negative feedback with their managers. Or it's possible that companies are not doing enough to focus on employee talent development, such as offering on-the-job training.

Employees in India (54%) and China (46%) admitted to spending more time thinking about personal financial issues at work than they should, impacting productivity and engagement in the workplace. It's no surprise then that, on average, more than half of the employees surveyed in China and India expressed a strong interest in protection products that provide financial security for their families.

The perception gap is significant in China. While 68% of employers think their employees are “loyal”—that is, they consider themselves emotionally bound to the organization—only 39% of employees agree. In India, 71% of employers think their employees are loyal to them, but only 53% of employees say they feel loyal toward their employer. Any company struggling to attract and retain employees in these two competitive markets should be concerned about the gap between employee and employer perceptions of loyalty.

There is an upside, however. When MetLife asked employees in China and India at risk of leaving their employer what would make them stay, “raising my salary” topped their list. However, “improving my benefits package” was almost always ranked second and ranked higher among employees in China and India than among those in other survey markets outside of Asia. For example, in India, more than half (51%) of employees said improving their benefits package would be a reason to stay and, in China, 58% of employees felt the same (see the figure).

The responses demonstrate that benefits matter.

The trend extends across markets. A standard employee benefits package is not sufficient in a competitive market, especially in countries like China and India where the growing middle class is seeking a better lifestyle and expecting more from an employer. For example, the MetLife study found a strong correlation between employees whose employers provide benefits and those employees who feel “a strong sense of commitment to their employer.”

MetLife asked employees if they value benefits, wellness programs and supportive managers. In most markets—and more so in China—the more employees value benefits, wellness programs and supportive managers, the more committed they are to their employer.

Employees in these markets are looking for an environment that goes beyond monetary benefits and considers their lifestyle needs and financial concerns. This is encouraging because depending on salaries alone to compete for talent is too costly and impacts the

overall cost of benefits for companies operating in these markets.

Addressing Employees' Financial Concerns

In every market MetLife studied, including China and India, analysis showed that the more employees felt in control of their finances and retirement, the more engaged they were in the workplace. So what is on the minds of employees in these markets? The biggest financial concern of employees in India and China is the financial security of their family in case of premature death, followed by having enough money to cover health care costs and their children's education.

Retirement is also on the minds of employees, with many concerned they will not have enough money to live comfortably in retirement. “Caring for parents” also stands out. That concern is especially prevalent in China where the one-child policy means that one person must bear the full responsibility of caring for elderly parents rather than sharing it with siblings. It can be difficult to plan for retirement when employees are

faced with the immediate need and unforeseen costs of caring for a parent. It will be interesting to see the long-term effects of China's change in policy allowing couples to have two children.

Employees in India (54%) and China (46%) admitted to spending more time thinking about personal financial issues at work than they should, impacting productivity and engagement in the workplace. It's no surprise then that, on average, more than half of the employees surveyed in China and India expressed a strong interest in protection products that provide financial security for their families. They were willing to pay for some, if not all, of the costs for this security. For example, in India, compared with other markets MetLife has surveyed, demand for these products did not diminish greatly even when employees were asked if they would be happy to bear 100% of the benefits cost.

Because of this willingness, offering employees a choice to customize their personal benefits through a flexible or voluntary benefits program is a feasible solution. The study showed employees are willing to take up additional coverage on health, medical-related benefits, life and a retirement/savings plan, either jointly paid by employers and employees or paid from employees' own wallets. It's no surprise that the top-rated voluntary benefits employees single out are those that will provide them with a sense of financial security.

Wellness Programs Can Help Employers Compete in This Region

Health and wellness also can play a key role in differentiating a company's employee benefit programs in China and India. A growing middle class with rising lifestyle expectations is increasingly interested in wellness. Not surprisingly, MetLife research shows a strong appetite for workplace wellness programs in both China and India. And wellness can have a payoff for employers.

Research showed that 79% of employees in China and 81% in India said they would like their employer to offer health/wellness programs. As these countries become more industrialized, health issues like stress, heart disease and work-life balance are top concerns for employees. Also interesting to note is that wellness matters far more in India than any other country MetLife has surveyed. This could be because India has few government wellness initiatives com-

pared with other countries that have made it a focus, such as the United Kingdom.

The growing interest in a healthier lifestyle creates a big opportunity for employers to start considering the implementation of wellness awareness programs. Because Asia is one of the fastest growing regions in technology, employers in China and India could find success in creating technology-driven wellness initiatives, such as web portals and online programs that can be accessed using a mobile device.

Offering wellness programs may improve employees' perception of their employer. For example, MetLife research shows that employees are more likely to be committed and engaged with their employer if they perceive their boss to be supportive and if the company offers wellness programs. Furthermore, the study revealed that healthier employees display higher levels of engagement at work.

So whether it's a stress-management program, flexible working conditions or a comprehensive wellness program that ranges from education, prevention and screening to behavioral change, investing in wellness is certain to differentiate an employer from the competition.

Transforming Employee Benefits to Attract and Retain Top Talent

As mentioned, employees in China and India value more than just salary these days. And with the turnover rate being as high as it is, employers must be innovative to attract and

AUTHOR



Bharat Kannan is a senior vice president at MetLife and the company's chief distribution officer, leading all intermediated distribution channels in Asia. He also is responsible for agency, bancassurance, employee benefits and global relationship management channels across Asia. Kannan is a member of MetLife's Asia Leadership Group and is based in Tokyo, Japan. He previously served as director and chief strategy officer of Aon Japan Limited. Kannan holds a B.B.A. degree from Temple University and a master's degree from DePaul University.

retain employees. Here are four solutions employers in India and China may want to consider:

1. **Drive more value from employee benefits.** To be successful, multinationals must begin to rethink their benefit plans in order to attract and retain talent.
2. **Consider voluntary and flexible benefit offerings.** Employers concerned about rising labor costs and administrative fees can offer voluntary and flexible benefits not only to help meet the diverse needs of employees but also to share costs.
3. **Wellness programs can be a differentiator.** Whether it's a stress-management program or health checks, employees want more from their employers in regard to wellness programs, and MetLife's study shows that employers could reap the benefits by implementing these programs.
4. **Better benefit communications can help educate employees.** How employers communicate their benefits packages and offerings can help maximize the return on the investment. This is particularly important for employers that move toward a total rewards package. Having employees understand the investment a company is making on its talent is critical in helping change their perception and increase retention. One way to achieve this is by also understanding the type of communications vehicles that most resonate with employ-

ees. MetLife research has found that one market may prefer a handbook, while other markets prefer digital communications.

Employers that want to compete in the war for talent must stay ahead of trends and make the best use of new insights to attract talent, increase loyalty and boost productivity. Research on China and India reveals a large opportunity for employers to adopt strategies such as total rewards packages, which include a well-rounded employment deal that factors in flexible working conditions, wellness and career advancement opportunities. Creating innovative employee benefit programs will not only help companies stand apart from the competition but also help foster an engaged and committed workforce.

Author's note: Unless otherwise noted, the findings referenced in this article are from the *Employee Benefit Trends Studies* surveys carried out by MetLife in the following markets: China, India and United States (2015); Australia, Poland, Russia, United Arab Emirates and United Kingdom (2014); and Brazil, Chile and Mexico (2013). 

Endnotes

1. Ernst & Young, *Hitting the sweet spot: The growth of the middle class in emerging markets* (2013).
2. Ibid.
3. Ibid.
4. Ernst & Young, "Rapid-Growth Markets Forecast" (July 2014).
5. *Investing into Asia's Reform Landscape: Asia Business Outlook Survey 2015*, an Economist Corporate Network report.

International Society of Certified Employee Benefit Specialists

Reprinted from the Third Quarter 2016 issue of *BENEFITS QUARTERLY*, published by the International Society of Certified Employee Benefit Specialists. With the exception of official Society announcements, the opinions given in articles are those of the authors. The International Society of Certified Employee Benefit Specialists disclaims responsibility for views expressed and statements made in articles published. No further transmission or electronic distribution of this material is permitted without permission. Subscription information can be found at iscebs.org.

©2016 International Society of Certified Employee Benefit Specialists



pdf/716