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台灣後疫情時代員工福利轉型：

彈性福利之實務應用分析及挑戰

Post-pandemic employee benefits transformation in Taiwan:
the practical application of flexible benefits and
accompanying challenges

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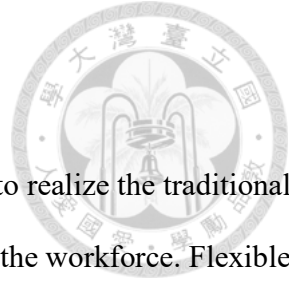
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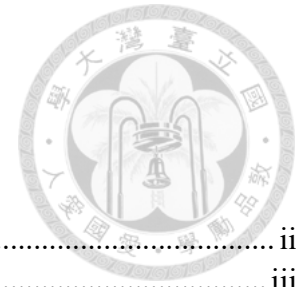


Abstract

With the outbreak of the pandemic in 2020, many companies have begun to realize the traditional one-size-fits-all benefits programs are unable to meet the diverse needs of the workforce. Flexible working arrangements such as working from home have intensified the need for companies to review their benefits programs and optimize the benefits costs. Flexible benefits, which has been popular among multinationals outside of Taiwan for years, is now the attention of many companies with forward thinking, which strive to attract and retain talented individuals amid the economic downturn. In this study, we will examine the flexible benefits plans of three companies from different industries in Taiwan to understand how they designed and implemented the programs and the challenges they encountered. Based on the study, Flexible Spending Account is a preferable flexible benefits scheme as it is relatively easy to design and implement compared to other types of flexible benefits schemes. Further, it is found that insured benefits are less commonly seen to be included in the flexible benefits due to the universal healthcare system in Taiwan. Instead, well-being related benefits are becoming the focus of benefits for many employers following the pandemic. In terms of the challenges, flexible benefits are rather customized to company specific needs and culture; hence, they are hard to replicate from another company. Another challenge is that additional administration work for HR is inevitable if flexible benefits are implemented.

Keywords: Flexible benefits, Employee engagement, Well-being

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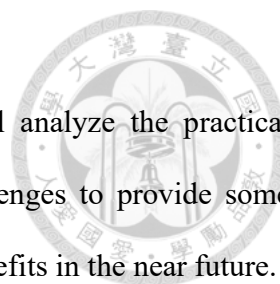


1. Introduction

1.1 Research Background

The global pandemic has taken a heavy toll on many businesses at home and abroad since it broke out in 2020. While struggling to sustain business, employers are faced with internal challenges such as decreased productivity and retention, increased absenteeism and declining engagement. Three years from the outbreak of the pandemic, Taiwanese companies have gone from managing through the crisis to restoring stability to operating post-crisis. They acknowledge the ongoing risk of another pandemic or global crisis, preparing themselves to be agile and flexible to pivot to multiple short-term scenarios while simultaneously thriving in the long term. With that, employers are shifting their attention to employee benefits, prioritizing the ones employees deem most essential, such as child and senior care benefits and well-being support.

The pandemic also manifests the various needs and wants of employees thanks to the flexible working arrangements, which are increasingly becoming acceptable by many companies over the past couple of years. For instance, working parents may need childcare support from their companies to be able to work from home during lockdowns. All the meetings having switched to online, an appropriate online conferencing tool and adequate training of using these tools effectively become of great importance to employees. Further, seeking support to maintain employee morale and manage teams virtually is another demand from managers. The traditional one-size-fits-all benefit programs are being questioned in the diverse workforce and rapidly changing environments. This has led some forward-looking companies in Taiwan to start considering the introduction of flexible benefits to address the various needs and wants of employees and the fierce competition for talent and employee retention. Thus, it becomes imperative for companies to know how to design a suitable flexible benefits program in practice



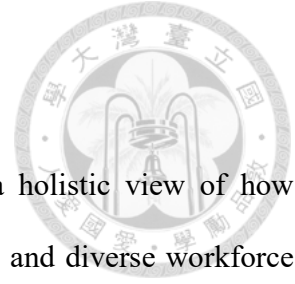
and understand the challenges that may ensue. In this study, we will analyze the practical application of flexible benefits in Taiwan and the accompanying challenges to provide some practical insights for companies which plan on implementing flexible benefits in the near future.

1.2 Research Problem

According to WTW's 2021 benefit trends survey, employees' needs and wants are becoming more and more diverse. In order to attract talent who may come from different industries, building flexibility and choice into benefits program is essential for the optimization of employee satisfaction. The pandemic situation also underscores the demand for flexible benefits from employees. Therefore, two primary research problems of this research are:

- How are flexible benefits practically applied by companies in Taiwan?
- What are the key challenges facing the employers introducing flexible benefits in Taiwan?

To address these problems, we will firstly provide an overview of current market trends on flexible benefits and introduce different types of flexible benefits. Next, we will analyze the actual flexible benefit programs adopted by the companies in Taiwan as a case study to understand how these flexible benefits were implemented and what challenges the companies encountered. Examples of how flexible benefits programs are administered in actual practice will be detailed in the case study to provide a practical insight. Lastly, we will identify key challenges that these companies came across in the process of designing and implementing the program, serving as valuable reference points for companies in Taiwan that are considering introducing flexible benefits in the near future. Due to the data privacy, the names of the companies in the case study will not be disclosed, yet the industry and employee population size of these companies will be specified.



1.3 Structure of the Thesis

This research is composed of five chapters aimed at providing a holistic view of how employee benefits are transformed in Taiwan to meet the ever-changing and diverse workforce with the introduction of flexible benefits in the post-pandemic era.

In Chapter One, we summarize the background of this research with regards to the global pandemic on employee benefits development and the market trends in Taiwan. We address the issues around the traditional one-size-fits-all benefits programs failing to meet the increasingly diverse employee needs and wants. This is making many employers start thinking of reviewing and revamping their benefits program as part of their effort to attract and retain talent.

In Chapter Two, analysis and critique of carefully selected literature connected to the background and significance of this research is conducted to understand the evolution of employee benefits and how flexible benefits played an increasing role in recent years. Market trends on employee benefits in Taiwan and across the Asia Pacific region are also shared to provide a deeper understanding of the rapidly changing benefits environment against the backdrop of the pandemic.

In Chapter Three, we describe the methodology of this study inclusive of the selection of case companies and the collection of the data and information to be used for our analysis.

In Chapter Four, we present the findings based on the analysis of each of the selected companies on flexible benefits from various perspective and discuss the key challenges facing these companies when introducing flexible benefits. Finally, we conclude the study in Chapter Five by summarizing and synthesizing our main findings to address the research problems while acknowledging the limitations of this study and identifying areas for further research.

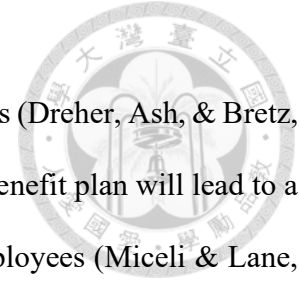


2. Literature Review

2.1 Flexible Benefits and Employee Satisfaction

The war for talent, increasing focus on diversity, equity and inclusion, and rising benefit costs are accelerating companies to review their benefit strategies and programs. Their goals are to differentiate themselves, personalize the employee experience and manage the costs of their benefit programs. Today, compensation packages have evolved to a total reward concept that includes benefits such as health care, risk benefits, well-being, retirement benefits, paid time-off, meal benefits, etc. With the world progressing and people's wants and needs shifting, in order to stay competitive to attract, retain and motivate talent, i.e., those who commit themselves to the success of an organization, a flexible reward system is necessitated. Over the last few years, flexible benefits have gradually appeared in response to this growing diversity across the globe. This phenomenon has become more explicit since the pandemic broke out in 2020. New working conditions require a flexibility of employee benefits in order to survive in the battle for new talent. A genuine employee experience is no longer a nice to have but a must have in today's workplace.

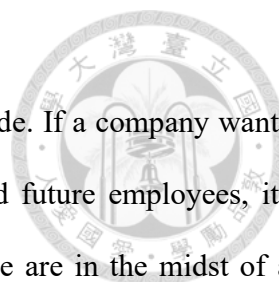
Flexible benefits have become a topic that far-sighted employers can no longer overlook. This topic has been given higher priority in the benefits strategy and in the design of benefits programs. Advocates of flexible benefits believe that flexibility and choice can increase employee satisfaction, produce higher levels of motivation and productivity and increase attraction and retention of employees (Beam & McFadden, 1988; Rosenbloom & Hallman, 1986). If flexible benefits produce a better linkage between the benefits individual employees want and the benefits they receive, higher satisfaction may result. Flexible benefits may also enhance benefit satisfaction by making employees more aware of the nature of value of their benefits (Beam and McFadden, 1988). Employees are often unfamiliar with the value of the benefits offered by their companies



either in dollar terms or relative to the benefits received by other employees (Dreher, Ash, & Bretz, 1988). Participating in the process of selecting benefits under a flexible benefit plan will lead to a better understanding and appreciation of benefit value on the side of employees (Miceli & Lane, 1991). If the information acquired leads employees to think positively of their benefits, benefit satisfaction should increase. Traditional benefits programs often lack diversity and flexibility, and thus seem to be not able to meet the diverse needs of the workforce. Flexible benefit plans, instead, have responded to this need.

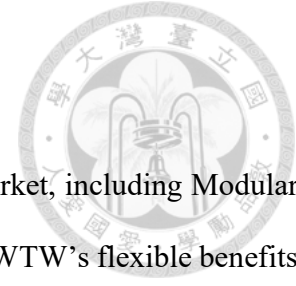
Studies show that the implementation of flexible benefits would be followed by increases in employee satisfaction with benefits (Barber, Dunham, & Formisano, 1922). A clear understanding of employee wishes and needs and the insights that employers derive from this are crucial for designing flexible benefits. For many companies, it is the highest priority to base the design of their benefits portfolio on the employee needs. The needs of the workforce are decisive for the transformation of the benefits offering, followed by benchmarking existing benefits against the market and competition and measuring the effectiveness of the benefits programs. However, communication is a vital and integral part of the implementation of flexible benefit plans as companies want to prevent misinformed choices made by employees. In addition, for employees to make decisions based on the information provided will make them more likely to attend to it than if it were presented with no action required. Communication and training are therefore believed to serve as an inherent part of the process by which flexible benefits increase satisfaction.

As such, employers are placing the highest priority on employee experience in the employee benefits transformation process especially in the post-pandemic era. Employee experience is critical and at the top of the agenda. Flexibility and choice in benefits are becoming the core topics in the area of employee experience, along with well-being, communication and the



associated understanding and appreciation of benefits on the employee side. If a company wants to maintain a good starting position in the competition for existing and future employees, its benefits programs have to be flexible. This is all the more true since we are in the midst of a transformation process due to the pandemic. The transformation of working environments requires agility in the minds of employees and adaptability. In view of the ongoing shortage of talent, offering benefits that meet employees' needs plays a critical role in attracting and retaining employees.

As part of the overall compensation package, employee benefits are a lever that can be highly customized. However, benefits only fulfill their purpose if they meet the needs of the employees. Increasingly heterogeneous workforces require tailored solutions. Research results suggest that employee motivation is enhanced if flexible benefits are in place and that these flexible benefit plans can help firms increase employee understanding of benefits. More frequently mentioned is the argument that these plans can help firms contain costs (Govindarajulu, 2004). In addition, flexible benefits are often seen to be introduced when two companies with distinct benefit programs are merged. The harmonization of benefit programs has always been a challenge for companies due to diverse corporate cultures and employee needs. Over the past few years, employee benefits have undergone changes due to the increasingly diverse needs and wants of employees. Companies are developing innovative ways to customize their benefit programs to the various needs of employees. According to Willis Towers Watson's 2021 Benefits Trends Survey, some of the top priorities for organizations' benefits portfolios include incorporating well-being into overall benefit strategy, enhancing flexible work policies, aligning benefit provisions with market norms and employee wants and needs and incorporating inclusion and diversity into benefit programs' design.

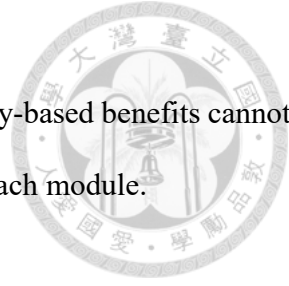


2.2 Types of Flexible Benefits

There are three major types of flexible benefits available in the market, including Modular Plan, Core Plus Plan and Flexible Spending Account (FSA) according to WTW's flexible benefits proposition. Each type of flexible benefits has its own advantages and disadvantages in terms of level of flexibility, cost control and administrative effort. Which type of flexible benefit plan a company should adopt all hinges on the company's needs and objectives to be achieved.

2.2.1 Modular Plan

Modular plans are the simplest kind of flexible benefits plan. In this type of plan, employees choose from a set of standard packages of benefits with different plan designs, which are predetermined by the company. Employees may select the plan that best fits their needs and wants upon joining the company. Enrollment typically occurs at the beginning of the year for the existing employees. It's a win-win situation for both the employer and employees in that the plan design is not complex and it allows for a certain level of flexibility and choice for employees to choose their preferred benefits plans. For example, younger employees may choose the plan with more entertainment related benefits while senior employees may select the plan with higher medical insurance coverage. This type of benefits is suitable for companies implementing flexible benefits for the first time and would like to test the waters to gauge the acceptance of employees. Another advantage of this type of flexible benefits is that it is easier for the company to manage costs as each module can be designed with the same amount of cost. No matter which module employees choose, the cost remains identical and under controlled. However, the flexibility and choice of Modular Plan is somewhat limited, so companies with more diverse workforce may find it not as appealing to employees. In addition, switching from one module to another may be subject to underwriting requirements if insurance is part of the benefits in the modules, meaning that once



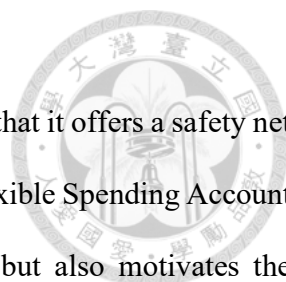
employees opt in with a module, it's unlikely for them to change plans. Pay-based benefits cannot be built into this type of flexible benefits as well due to the fixed cost of each module.

2.2.2 Flexible Spending Account (FSA)

FSA is another type of flexible benefits commonly adopted by companies. In addition to the defined core benefits that are predetermined by the employer, employees are assigned flexible credits allocated to an FSA, from which reimbursement may be made during the year for other benefits. This is the option with the greatest choice given to employees, but it also means an additional cost to the employer. Under this module, the employer gets to design what benefits should be included in the FSA, which may be aligned with the company's benefits overall strategies to address talent retention and attraction issues. For example, if the company wishes to promote well-being of employees to increase their productivity and engagement, reimbursable benefits can be restricted to only gym membership, mental well-being workshops, smoking cessation programs or other well-being related benefits. On the other hand, employees get to choose their own benefits based on their needs and the number of credits available. The unused credits are normally forfeited and cannot be carried over to the subsequent benefit policy year. This type of flexible benefits is also easy to administer and communicate to employees. One downside of this scheme though is the administrative work on claim adjudication. In particular, a system may be required to support the reimbursement process if the employee population is large.

2.2.3 Core Plus Plan

This scheme provides a compulsory level of coverage for key benefits, usually life, disability and catastrophic health coverage. Employees have the flexibility to upgrade or downgrade certain benefits within a framework of options, but subject to minimum core benefits. Any excess value at selection transfers to a Flexible Spending Account from which reimbursement may be made

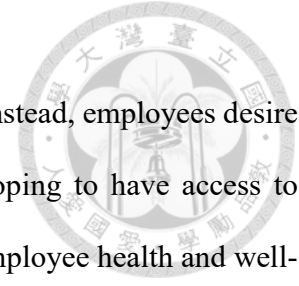


during the year for other benefits. One of the advantages of this scheme is that it offers a safety net to employees and at the same time it fulfills their personal needs via the Flexible Spending Account, which not only satisfies employees' expectations in terms of rewards but also motivates the employees to stay loyal to the organization. Although this type of flexible benefits is a little more complicated to design than Modular Plan, it gives employees more flexibility to tailor their own benefits. The downside of this scheme, however, is the difficulty to administer because a separate record must be maintained for each employee. In addition, employees must be informed about any changes, the coverage of the balance of their plans on an individual basis, hence complicating the administration.

2.3 Flexible Benefits in Taiwan

Over the past few years, many employers in Taiwan are faced with continuous challenges in attracting and retaining talent. The war for talent has become even more fierce following the global pandemic that broke out in 2020. The traditional one-size-fits-all benefit programs are no longer suitable for employees' increasing diverse needs. Taiwan is no exception. The concept of flexible benefits is not new to many Taiwanese companies, but the prevalence of flexible benefits is still low because of the complicated administrative work. According to Willis Towers Watson's Benefits Design Practice Survey in 2022, less than 20% of companies in the general industry implemented flexible benefits. However, if we look at the trend over the past years, the prevalence was increasing every year. This means that more and more companies began to understand the importance of flexibility and choice in benefits, which may directly or indirectly increase employees' perceived values of the benefits and their engagement with the company.

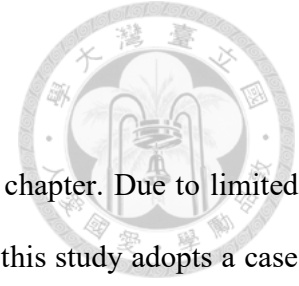
Due to the outbreak of the COVID-19 virus, many businesses have adopted flexible working arrangements, allowing employees to work remotely. The benefits originally provided in the office



such as free snacks and fruit may not be appreciated as much as before. Instead, employees desire more flexibility and choice in the benefits offered by the company, hoping to have access to benefits while working from home. In addition, the pandemic's toll on employee health and well-being — in particular, employee burnout, stress and mental health issues — is prompting employers to reshape their benefit strategy. Addressing this issue will require employers to improve employees' experience with benefits, i.e., how employees engage with their benefits as well as understand and use the full range of programs. Therefore, well-being has become an important focus of area while Taiwanese companies introduce flexible benefits.

Flexible benefits in Taiwan often refer to non-insured benefits such as company outing, festival cash, paid time off and medical check-ups thanks to the National Health Insurance system. Unlike other countries, group insurance is generally not valued much by employees in Taiwan, although it is a common supplementary benefit provided by companies. Nevertheless, the global pandemic has increased employers' focus on employees' health and well-being. Providing sufficient insurance coverage as a benefit may give employees a greater sense of security working in the company and in turn increase their engagement. More and more companies are looking to add flexibility and choice to their insurance plans not only to fulfill different needs of employees but also to increase employees' perceived value of the insured benefits.

That begin said, FSA is still the most common type of flexible benefits provided by companies in Taiwan. Employees are granted flexible credits each year and they can use the credits to purchase other benefits through reimbursement. Another reason is that Taiwan has stricter underwriting requirements for insurance than other countries, making it difficult for employees to switch plans as they desire. The variety of group insurance products is also very limited, which leaves little room for flexible insurance plan design.



3. Methodology

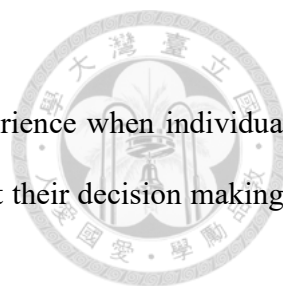
The research methodology in this study will be introduced in this chapter. Due to limited relevant literature and empirical research on flexible benefits in Taiwan, this study adopts a case study research method with primary data collected. The case study research method refers to a unique data collection method with the aim of acquiring comprehensive, systematic, and in-depth information from each case. With this approach, we can collect the authentic data in actual practice of companies, which provides meaningful value to this study.

As such, we will look into a select of case companies that have implemented flexible benefits in Taiwan to obtain the practical insights and the challenges they faced. The flexible benefit programs of the selected companies will be analyzed based on Willis Towers Watson's Benefits Navigator, which covers five perspectives: 1) portfolio, 2) financing, 3) employee experience, 4) administration and operations, and 5) analytics, insights, and reporting.

3.1. The Benefits Navigator

In order to navigate the often complex and interconnected decisions around employee benefits and to ensure that there's a consistent, evidence-driven way of arriving at solutions that future proof benefits, Willis Towers Watson suggest that companies look at their benefits within a framework with the following dimensions:

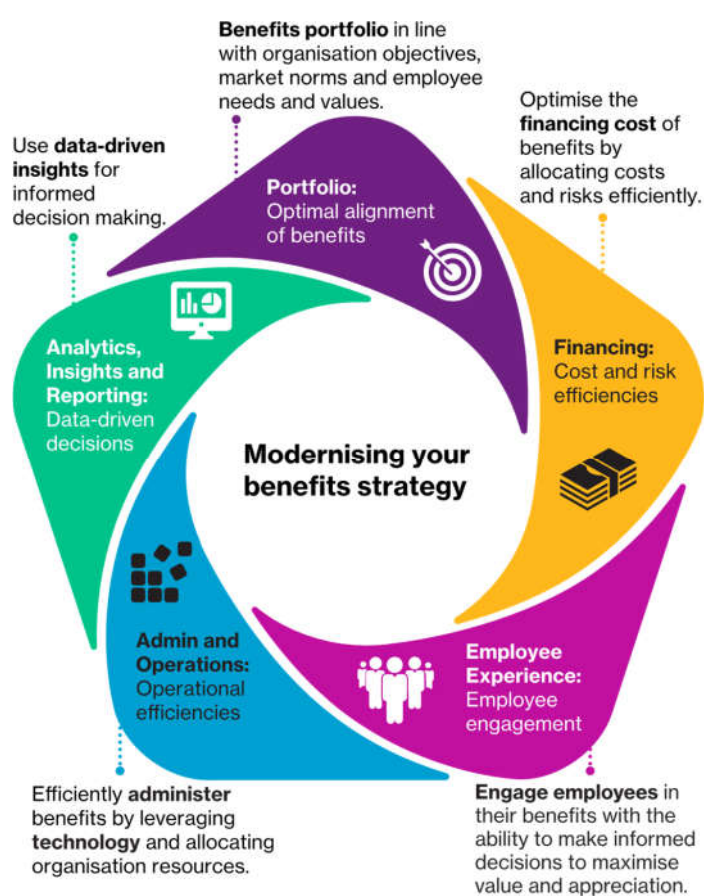
- “Portfolio: ensuring that the portfolio of benefits offered is in line with the organizational culture and objectives, and evolving values and preferences of employees.
- Financing: optimizing the financing of benefits through purchasing scale leverage to reduce costs; efficient risk management and transfer; and cost sharing.



- Employee experience: creating a personalized employee experience when individual select and use the benefits program, including how we support their decision making, deliver and administer the program.
- Administration and operations: deploying technology and resources effectively for the administration and operations of benefits program, including policies, procedures and regulatory and governance framework.
- Analytics, insights and reporting: using data driven analytics, insights and reporting to make informed decisions around managing utilization and cost of benefit programs.”

Figure 1

The Benefits Navigator



Source: <https://www.wtwco.com/en-HK/Insights/trending-topics/modernising-benefits>



The Benefits Navigator aims to help companies take an evolutionary approach through better understanding current challenges, and making data-driven, informed, employee-centric but efficient decisions in the right order of prioritization.

3.2. Data Collection Method

There are three types of interviews: structured, semi-structured and unstructured (Cavana et al., 2001). In a structured interview, the topic and order of the questions are pre-determined. All of the questions are related and geared toward a specific direction. In a semi-structured interview, some questions are pre-determined and questions are asked spontaneously based on necessity of the situation. In an unstructured interview, none of the questions are prepared ahead of time, which allow for a free-flowing conversation.

This research collects primary data through one-on-one semi-structured interviews with 3 benefits consultants at Willis Towers Watson in Taiwan, who assisted the aforementioned case companies in setting up flexible benefits programs. The data and information collected are all based on actual practices of companies, which can provide valuable and reliable information to the study. Each interview is conducted in person and lasts about 0.5 hour to 1 hour. The questions are prepared and designed based on Willis Towers Watson's Benefits Navigator. The interviewees are given opportunities to also discuss their observations and experiences relevant to the topic. Below is a summary of the questions asked during the interviews:

- Portfolio: Can you tell me about the design of the flexible benefits program implemented by this company? Is the flexible benefits program supportive of the Company's business strategy?



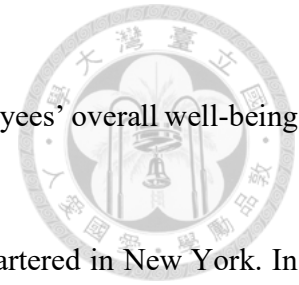
- **Financing:** What's the annual budget of the flexible benefits? Is the cost of this flexible benefits program fully optimized? How does the Company control the cost of the flexible benefits?
- **Employee experience:** Are employees' needs and preferences taken into consideration when the company designed the flexible benefits program? Are employees satisfied about the flexible benefits?
- **Administration and operations:** Can you describe the implementation process of the flexible benefits? How is the flexible benefits program administered?
- **Analytics, insights and reporting:** Was the flexible benefits program designed based on external market benchmarking data? Did the company conduct a benefits utilization analysis for the flexible benefits program?
- **Other:** What obstacles did you observe when the company implemented the flexible benefits program? Any suggestions?

3.3. Case Companies

In this study, we will select three multinational companies from different industries based in Taiwan that have implemented flexible benefits programs. Due to data privacy concerns, the names of the case companies will not be disclosed in the analysis. Instead, we will use Company A, Company B and Company C to refer to the three case companies.

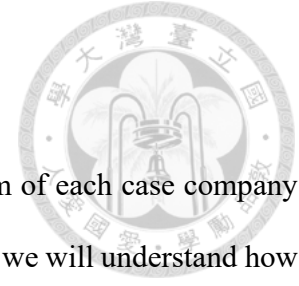
Company A is a leading active asset manager with over 700 investment professionals in 24 offices worldwide and managing billions of dollars in assets for individuals, families and institutions. In Taiwan, it has approximately 250 employees and implemented a Health Benefits Spending Account in 2021 aimed at optimizing their current medical checkup benefit budget, which was not fully utilized by employees due to the pandemic that broke out in 2020. The

company wished to increase the flexibility of the benefit to increase employees' overall well-being and satisfaction about benefits.



Company B is the largest tobacco company in the world, headquartered in New York. In Taiwan, the tobacco company has around 150 employees and rolled out a pure flexible spending account in 2020. The key reason why the company wished to introduce flexible benefits was to enhance employees' perceived values of benefits by increasing benefits choice based on employees' preference.

Company C is a research and development-driven global biopharmaceutical company that is committed to bringing better health to people across the world. In Taiwan, it has around 150 employees and implemented a Core Plus plan in 2020 as part of the benefits harmonization program against the backdrop of a mergers and acquisition event. The flexible benefits program was implemented to ensure that employees of the merged company are entitled to one harmonized and consistent benefits program that fits their diverse needs.



4. Findings

In this chapter, we will deep dive into the flexible benefits program of each case company from the five dimensions of the Benefits Navigator. Through the analysis, we will understand how each case company designed and implemented their flexible benefits programs. In addition, the challenges that each of the case companies encountered when rolling out the flexible benefits will be addressed so that it can serve as a valuable reference for other companies which wish to push forward a flexible benefits program in the near future.

4.1 Case Company A

Portfolio

The type of flexible benefits program adopted by Company A is a flexible spending account with a focus on health-related benefits, including health screening, gym membership, workout lessons, sports events and genetic testing. All permanent employees and contractors with more than one year of service are eligible for this flexible benefits program called the Health Spending Account. Dependents of employees are not entitled to the flexible benefits. The key motive for the company to push forward the flexible benefits is to enhance the well-being of employees and to promote a healthy lifestyle at the workplace. The company allows its employees to better utilize their current annual health screening budget on other health-related items. However, in Taiwan, there are statutory requirements for health screening, which are once every five years for employees aged 40 and below, once every three years for employees aged between 40 and 65 and once every year for employees aged 65 and above. If an employee meets the requirement, he or she will need to use their flexible benefit budget to complete the health screening that year. The design of the flexible benefits program is also consistent with the company's flexible benefits



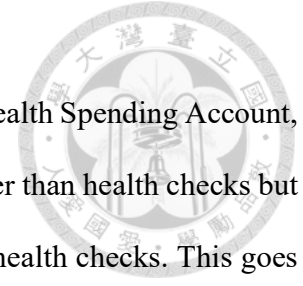
program in Hong Kong as they wish to achieve program consistency across the region. Any unused balance at the end of the year will be forfeited.

Financing

Employees are granted different amounts of flexible benefits credits based on their job level, ranging from TWD5,000 per year to TWD10,000 per year. The amounts are the same as their annual health check budget. In so doing, there's no additional cost for the company to implement flexible benefits. Further, the utilization rate of the benefit will increase. Especially during the pandemic, employees are more reluctant to visit hospitals just for a health check. Moreover, some employees do not want to do a medical examination every year. If the annual health check screening budget can be used elsewhere to meet employees' specific wants and needs, the perceived value of the benefit by employees will be enhanced. The flexible benefits are treated as taxable income for employees. Since every employee's cost is capped at their annual health check budget, it is easy for the company to manage the overall cost of the flexible benefits program. However, it is worthy to note that since this benefit will be better utilized compared to before when it could only be used for annual health checks, the overall cost is practically higher although it's still within the company's budget.

Employee experience

One of the key objectives of the Health Spending Account is to improve employee experience, especially in terms of talent attraction and retention. The traditional one-size-fits-all benefits program is no longer suitable for the increasingly diverse workforce nowadays, which may have varying needs and wants due to different life stages they are at. The benefit items in the Health Spending Account are designed in consideration of employees' feedback on the annual health check program. Some employees are concerned about the inflexibility of the program where



they couldn't go to their preferred hospital for health checks. Under the Health Spending Account, the company allows employees not only to use the budget on benefits other than health checks but also to go to a clinic or hospital of their choice to complete their annual health checks. This goes to show that the company values employees' feedback and put that into action. In addition, an employee briefing is conducted to make sure that employees understand why the flexible benefits program is introduced and what are the implications to them. With that, employees authentically feel the caring from the company and in turn their engagement and satisfaction about the benefit increase.

Administration and operations

Under the Health Spending Account, employees can apply for reimbursement with receipts for the benefits they used. In other words, employees will need to pay upfront first and then get reimbursed via payroll if the claim is approved. In order for employees to have a good experience with the reimbursement process, a simple application process is designed. Employees only need to fill out a claim form and submit it with relevant receipts via email. They will get reimbursed in the subsequent month. If employees have any questions about the flexible benefits credits, they can send their questions to the third party at the exclusive email address. To reduce HR's workload, the company outsourced this additional administrative work to its incumbent insurance broker so that HR can focus more on strategic planning. Every month, the insurance broker will produce a report for the company to process reimbursements in payroll. Moreover, an individual benefit statement will be sent to employees once every six months to indicate their Health Spending Account balances. The overall process is managed efficiently with the support of the third party. However, due to the employee population size and budget concerns, the company has not considered introducing a system to help support the administration process.



Analytics, insights and reporting

The flexible benefits program is introduced to align with market trends that more and more companies are increasing flexibility and choice in their benefits programs. Although the company did not conduct a benefit benchmarking study to assess its current benefit competitiveness in the market before they designed the flexible benefits program, the company did reference its Hong Kong office's flexible benefits program and leverage their implementation experience. In addition, the company reviews the flexible benefits program every year based on a utilization report of the Health Spending Account produced by the insurance broker. In so doing, the company understands which benefit is more commonly used by employees and which benefit is less used, which can serve as a reference for future benefits adjustments to ensure that the flexible benefits program addresses employees' changing needs.

4.2 Case Company B

Portfolio

Company B's flexible benefits program is a pure flexible spending account, where employees are entitled to five different benefit categories, including leisure, family support, health support, fitness & well-being, and learning & education. All permanent employees and full-time contractors are eligible for the program. The flexible benefits program is optional to employees and participation is at the sole discretion of the employee. The company may change and cease the program at any time without prior consent. Except for leisure and family support, all benefit categories are eligible only to employees. Under leisure and family support, only immediate family members are eligible, which includes parents, legally married spouse, and spouse's parents, and natural or legally adopted children. Employees can claim for reimbursement under any of these categories as long as it is within their entitled annual credits. Employees who join the company



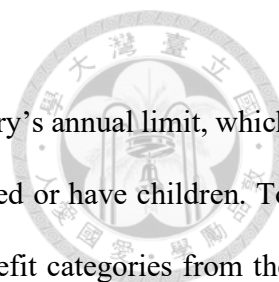
during the year will be granted an annual limit on a pro rata basis according to their hiring month in that calendar year. The rule is also applicable to resigned employees. Retroactive adjustments will be made via payroll if necessary.

Financing

The annual credit of the flexible spending account is TWD15,000 per employee. In the first year of implementation, each benefit category was capped at TWD5,000 per employee. The credits were not transferrable among these five benefit categories. Employees were encouraged to use these benefits equally and it was easy for the company to control the cost. However, in the second year into the implementation, the company combined all the credit limits of the five benefit categories into one lump sum amount in hopes to increase the flexibility of the program. The overall cost of the flexible benefits program remains unchanged. However, any unused credits will be forfeited at the end of the benefits year. Employees cannot carry over the remaining credits to the next year. The additional cost resulting from the flexible benefits program is fully sponsored by the company. All the benefits received from the flexible spending account are classified as taxable income and subject to personal income tax. The flexible benefits received by employees are not treated as pensionable salary for the purpose of severance pay of retirement benefit calculation.

Employee experience

Company B values very much on employee experience as it introduces the flexible benefits to employees. The purpose is to address the diverse needs of the employees and to respond to the employees' requests on more choice in benefit programs provided. In order to optimize the employee experience of the flexible benefits program, the company prepares clear guidelines and policy for the employees along with employee communication sessions. In addition, the company

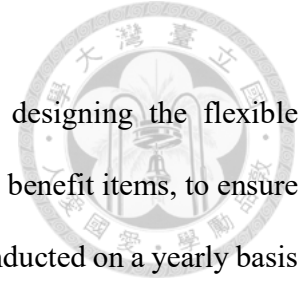


acts quickly to employees' feedback on the capping of each benefit category's annual limit, which restricts their flexibility to utilize benefits as not all employees are married or have children. To address that, the company combines the annual limits of all the five benefit categories from the second year. This demonstrates the company's commitment to optimizing employee experience by listening to the employees' voices. The comprehensive coverage of the flexible benefits program also shows that the company strives to provide as diverse options as possible to employees to drive their engagement with the company.

Administration and operations

All claims for flexible benefits made by employees are submitted using a customized reimbursement application form along with supporting documents such as receipts or invoices with the company's tax number. To prevent employees from using the same receipt or invoice to apply for reimbursements for multiple times, hardcopy receipts and invoices are required when submitting a claim. Reimbursements are made to employees through payroll on a bi-monthly basis. Upon reimbursement, it is deemed that employees declare that they abide by the flexible benefits program policy and other relevant principles and practices. A notification mail will be sent to the employee acknowledging the receipt of an application. If a reimbursement application is rejected, an explanation will be provided. The company outsources the whole administrative work to a professional third party to ensure the reimbursement process is handled efficiently. The company will receive a reimbursement report from the service provider every two months and a utilization report once every year. The company does not use a flexible benefits system to support the administration because of the budget concerns and the lengthy implementation timeline.

Analytics, insights and reporting



Company B referenced the benefits benchmarking data when designing the flexible benefits program, including the program type, annual credit amounts, and benefit items, to ensure the market competitiveness of the program. Utilization analysis is also conducted on a yearly basis by the company to better understand the employees' preferences for benefits under the flexible spending account. Data analysis plays an important role in the company's review of the flexible benefits program as it provides an objective insight to the company. The HR also collects feedback from employees on a regular basis to serve as valuable internal insights to ensure that employees' needs and wants are heard.

4.3 Case Company C

Portfolio

The flexible benefits program introduced by Company C is a Core Plus plan as part of the benefits harmonization initiative against the backdrop of a mergers and acquisition event. The program called Flexi Care is designed to address diversity, personalization and autonomy. Employees are allowed to choose from an array of benefits to fit their own needs, including family care, life care and health care. Family care covers voluntary insurance for parents and childcare subsidy, life care covers a top-up pension plan and educational training, and health care covers vaccination, health screening enhancement and sports subsidy. All permanent employees and contractors are entitled to the flexible benefits. Under the flexible benefits program, employees will first choose whether to enroll in the voluntary insurance plan for parents or the 3% top-up pension plan. The voluntary insurance enrollment will be subject to underwriting requirements set by the insurance company. The remaining credits will then roll into the employees' flexible spending account, where employees may apply for reimbursements with hardcopy receipts or



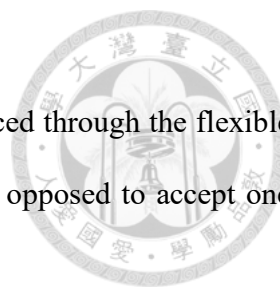
invoices. The design of this flexible benefits allows employees to upgrade their core benefits provided by the company before they spend their credit under the flexible spending account.

Financing

The annual flexible benefits credit amounts are differentiated by employee categories. Employees at the managerial level are entitled to a total of TWD35,000 per employee per year while non-managerial employees are entitled to TWD20,00 per employee per year. All the flexible benefits are considered taxable income, except for the pension benefits. Employees must complete their probation, which is three months for non-managerial employees and six months for managerial employees, before they can use their entitled credits. The annual credits are allocated to employees at the beginning of the fiscal year. If an employee joins the company during the year, his or her flexible benefit credit will be prorated based on the number of actual employment days in that year. No credits can be carried over to the next year except for those employees who are hired within three months of the end of a fiscal year. The overall cost of flexible benefits is easy to be managed as every employee's benefit budget is defined. All the benefits used under this program are treated as taxable income for employees.

Employee experience

Because of the merger of Company C and another company, benefits of the two companies must be harmonized for employees. The flexible benefits plan is designed as part of the harmonized benefits program to meet the diverse needs and wants of employees aimed at improving employee experience during the post-merger period. The extensive coverage of the flexible benefits ranges from parents insurance to retirement benefits to well-being to educational training to childcare – a perfect example of benefits program that addresses diversity and inclusion. It shows that the company cares for not only employees but also their family members, which is very important to



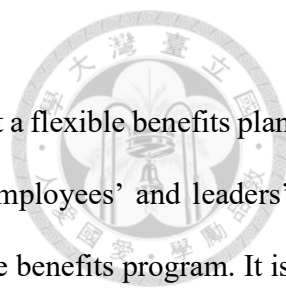
talent retention and attraction. The overall employee experience is enhanced through the flexible benefits program as employees get to “customize” their own benefits as opposed to accept one blanket benefit program provided by the company.

Administration and operations

From the administration and operations standpoint, Company C’s flexible benefits program is relatively complicated compared to a pure flexible spending account. Employees must enroll at the beginning of the benefits year so that the company can determine the remaining credits of each employee. The timeline is also impacted by the internal underwriting process of the insurance provider. To solve this problem, the company manually deducts the annual premium amount from those who have enrolled in the voluntary plan for parents in advance. If the enrollment is declined by the underwriter, the company will refund the credit to the employee. In addition, the top-up pension plan enrollment is linked with employees’ salaries, which means that the company will need to work with his payroll vendor to determine employees’ pension contributions after the enrollment. Once the contribution amounts are confirmed, the company then can confirm the remaining credit amounts for employees, based on which employees can apply for reimbursements with receipts or invoices later. The company requires employees to submit both softcopy and hardcopy of the receipts to prevent multiple applications with the same receipt. As this essentially increases the administration work for claim reviewers, the company is exploring a possibility of introducing a flexible benefits system in the near future.

Analytics, insights and reporting

A comprehensive benefit benchmarking study was conducted before the company designed the flexible benefits. The company engaged a professional consulting firm to undergo a market competitiveness analysis of its current benefits provisions. After understanding its market



positioning and the gaps against its peer group, the company hammered out a flexible benefits plan as part of the harmonized benefits program. The company also seeks employees' and leaders' inputs on their perspectives of current benefits when designing the flexible benefits program. It is such a success for the company to implement flexible benefits in Taiwan that the company is invited to share its success story with its regional management team. Moreover, the company conducts a benefits utilization analysis two years after the program is implemented to obtain a better understanding of how employees utilized their benefits. One of the key findings is that health screening is the most utilized benefit while vaccination is the least. It is also interesting to note that the total credits used for self-development sees an upward increment during the pandemic. The company uses the findings as a reference for future benefits adjustments.



5. Discussion

5.1 Implications

Since Covid-19 broke out, many businesses have been impacted by the economic slowdown followed by hiring freezes to reduce operational costs. However, talent retention and attraction have also become another issue for companies. The pandemic has raised people's well-being awareness. When looking for jobs, people care more about the well-being culture of companies and whether inclusion and diversity are being promoted at the workplace to reduce discrimination. Employees also value the flexibility and choice in the benefits provided to fit the diverse needs of the workforce. Based on the case study analysis in Chapter 4, we learn that the flexible spending account is a more common type of flexible benefits plan provided in Taiwan in that it is relatively easy to design and implement compared to flexible insurance plans, which are more common to see in other countries. Due to the pandemic, well-being has become one of the key components in the flexible benefits as companies hope to improve the overall health of employees while allowing for more flexibility in benefits programs.

From the cost perspective, while many companies may not have an additional budget to set up flexible benefits, we can see from the case study that companies can review their current benefit costs and utilization rates to determine which benefits are less utilized and which benefits are more utilized. Through the analysis, companies will have a clearer understanding of employees' preferences for benefits and thus prioritize their benefits strategies accordingly. For instance, if the health screening benefit is not appreciated by the younger generation as much as the elder generation, companies may consider allowing younger employees to use their health screening budget on other benefits that can improve their well-being. Not only will this flexibility not incur an additional budget, but more importantly it also better meets the employees' needs. Another

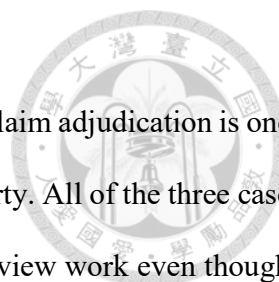


example is a travel subsidy. Due to the pandemic, many people cannot travel to other countries. If a company can turn its travel subsidy into a flexible benefit credit for employees to use, the perceived value of the benefit will be bound to increase.

As such, it is not a pipe dream for Taiwanese companies to implement flexible benefits. It does not need to be a full-fledged flexible benefits program. Adding some flexibility into the current benefit programs, such as group insurance or health screening plans, can be a good start. In so doing, employees will have a better understanding of the benefits provided by the company upon selection. Alternately, companies may roll out flexible benefits to a certain employee category as a pilot program to test the waters before it is introduced to all employees. This can help the companies solicit more employee feedback about flexible benefits.

5.2 Challenges

There are a number of common challenges facing these three case companies when they implemented flexible benefits programs. First, information regarding market practice on flexible benefits is scarce; hence, it is difficult for the companies to reference best practice in the market. Even if there's market information to benchmark, flexible benefits are very customized to the specific needs and culture of companies. It is not easy to replicate the flexible benefits from another company. For instance, Company A initially wanted to leverage its Hong Kong office's flexible benefits program, yet the benefit items that fit the needs of the Hong Kong employees do not necessarily suit the needs of their Taiwanese counterparts. In Taiwan, people enjoy jogging and cycling to improve their physical well-being, whereas it may be more popular for people to go to the gym in Hong Kong. As such, localization of benefits becomes important if the company wants to maximize the perceived value of the benefits.



Secondly, the additional administration work for HR is inevitable. Claim adjudication is one major task that HR must take on if the work is not outsourced to a third party. All of the three case companies engaged a professional service provider to assist with claim review work even though it is administered manually. If the employee population is substantial, it would be better to implement a system, which however requires a higher cost and is subject to review of data privacy and data processing. If the design of the flexible benefits is complicated, the administrative workflow must be set up carefully and properly in order to ensure program efficiency. For instance, Company C, which adopted a Core Plus plan, had to work with an insurance provider, a payroll vendor and a consulting firm to deliver the flexible benefits program. If the company did not outsource the administration work to external vendors, HR may not be able to handle the day-to-day operations alone. This is also one of the reasons why flexible benefits are not so prevalent in Taiwan yet.

Lastly, many employers still value cash more than benefits when it comes to talent attraction and retention. HRs often face resistance from management when proposing to improve employee benefits to increase their engagement with the company. Even though it is true in many cases, due to the recent pandemic that has slowed down the economic growth, a salary increase has become practically impossible for many companies. We see that flexible benefits can be an effective tool to optimize employee experience. After all, the leverage a dollar can create on benefits is much greater than that of a dollar increase in salary. For instance, Company C included the voluntary insurance plan for parents in its flexible benefits program, where the premium rate is much lower than that of individual insurance plans. More importantly, the benefit employees receive from the voluntary plan is far greater than the same amount of money increased in their own salary.



6. Conclusion

6.1 A summary of findings

Flexible benefits are indeed gaining more and more attention from companies in Taiwan, especially following the global pandemic. Employee benefits are being transformed to be more personalized and customized to employee needs. Based on the study, flexible spending account appears to be the easiest type of flexible benefits scheme to establish and the preferable framework. Due to strict underwriting requirements and lower perceived values of insurance, insured benefits are normally not included in flexible benefits. However, well-being is becoming an emerging focus for many companies when designing benefits strategies. The good well-being of employees leads to positive employee experience. All the three case companies in this study incorporated well-being into their flexible benefits programs.

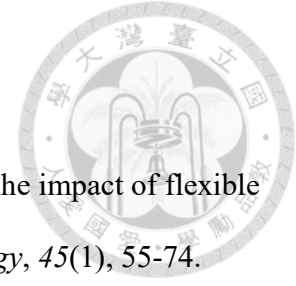
In addition, it is found that employees' feedback on benefits is often taken into consideration by companies when they design flexible benefits in order to meet the diverse needs of the workforce. More importantly, flexible benefits are proven to be an effective tool to optimize benefit programs as employees get to choose their own benefits and in turn their engagement with the company increases based on this study.

6.2 Limitations

In this study, the three actual case companies we analyze are multinational corporations. Local Taiwanese companies may face different challenges when implementing flexible benefits. Our analysis does not touch upon the employee welfare committee, which is required by law to be set up if a company has 50 or above employees and often plays an important role in managing employee benefits at local companies. However, the findings of this study serve as a practical

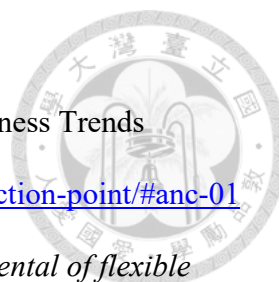
reference for companies which would like to understand how flexible benefits are implemented in the local context.





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