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**TOWERS PERRIN STUDY FINDS
CAREER DEVELOPMENT OPPORTUNITIES, LEADERSHIP, AND WORK /
LIFE BALANCE ARE KEY TO ATTRACT, RETAIN AND ENGAGE HONG
KONG WORKFORCE**

**World's Largest Workforce Polling Study Says Hong Kong Employees Seek
Innovation and Management Skills**

Data also Shows Engagement Drives Financial Performance

HONG KONG, November 27, 2007 – Employees in Hong Kong see excellent career development opportunities, quality leadership, and appropriate work/life balance as the key elements in choosing an employer, staying with the company and making discretionary effort to improve the individual's performance, according to a new survey of nearly 90,000 workers in 18 countries, including 1,000 employees in Hong Kong.

However, employees in Hong Kong do not believe their organizations or their senior management are doing enough to help them become fully engaged and contribute to their company's success. There is a significant disconnect between what senior leaders SAY and what they are perceived as DOING by employees. Only around one-quarter of employees polled feel "senior management is sincerely interested in employee well-being".

The 2007 Towers Perrin Global Workforce Study found that Hong Kong employees are among those suffering from a gap between the discretionary effort employees actually want to invest, and how effectively their organizations are tapping into and channeling

their commitment and energy. Employee engagement — the measure of people's willingness and ability to give discretionary effort at work — includes rational, emotional, and motivational categories.

The study also found that companies with the highest levels of employee engagement achieve better financial results and are more successful in retaining their most valued employees than companies with lower levels of engagement.

“What career opportunities can my organization offer me?”

According to the study, “Excellent career advancement opportunities” is the top driver of attraction and the second driver of employee engagement. It is also the number one driver of employee engagement in China. However, only 26% of Hong Kong employees actually believe their employers are providing such opportunities. “Understand potential career track within the organization” is the third most important retention driver in Hong Kong, demonstrating employees' strong desire to understand where their potential career path within the company may lead. They also rank "learning and development opportunities" in the top three most important drivers for attraction, consistent with employees' stated desire to advance their careers.

At present only 5% of the employees surveyed in Hong Kong are fully engaged in their work – meaning they are willing to go the extra mile to help their company succeed. 59% are partly to fully disengaged, meaning they invest as little energy as possible in their job, and they are probably actively looking for another job.

In comparison, 16% of employees in mainland China are fully engaged, and 33% are partly or completely disengaged.

The gap – dubbed the “engagement gap” by Towers Perrin – is leading to a high level of mobility and a low level of efficiency among many companies. 73% of employees in Hong Kong are either actively looking for another job, would consider another offer or have already made plans to leave current job.

Employees seek quality, innovative leadership

Leadership emerges globally as a key factor in employee engagement. In fact, eight of the top ten drivers for employee engagement in both Hong Kong and China revolve around organization and leadership, such as "An organization encourages innovative thinking" - the top engagement driver in Hong Kong and the second most important in China, but one which only 37% of Hong Kong employees believe is true of their organizations – and "Senior management communicates openly and honestly". Only 26% of employees in Hong Kong agree that "My organization develops good leaders at all levels."

"Hong Kong's role as a global business center is changing in response to the growing economy of China. Leaders in Hong Kong need to strive for innovation in order to maintain their organizations' competitiveness. Employees want to know where their companies are going, and where their careers are going," said Mr. Michael Chan, Senior Consultant, Towers Perrin.

Overall, positive scores for leadership behavior in Hong Kong are well below 50%. 36% of employees in Hong Kong surveyed agree that "Senior management tries to be visible and accessible", and that they "act in a way that is consistent with the organization's values". 32% feel "Senior management supports new ideas," and only 27% agree that "Senior management are sincerely interested in employee well-being". Just 6% agree that "Senior management treats us as if we're the most important part of the organization."

Work environment plays a key role in employee engagement

In Hong Kong, "Organization supports work/life balance" ranks in the top five drivers of employee engagement, but only 31% feel that they were achieving that balance. "Vacation / paid time off" is the second most important factor attracting employees, while "Competitive base pay" ranks fourth.

"Competitive pay and benefits can get talent in the door. However, when employers demonstrate a sincerely caring attitude toward employees, commitment to providing them with sufficient learning and career development opportunities, and a good work environment to support their work and personal life, they have found the key to retaining

high-potential employees. These key elements also drive employees to make significant contributions to the organization,” Mr. Chan commented. “The study results are telling us that leaders and managers in Hong Kong need to improve their management skills to better engage their people through communication, visibility and innovation,” Mr. Chan added.

Managers also get less-than-stellar marks for inspiration, motivation, coaching and performance review. For instance, only 30% agree their managers “Understands what motivate me”, and 34% agree that their managers “Manage performance reviews fairly and effectively”.

Higher employee engagement translates into better financial performance

The most striking data about the linkage between employee engagement and financial performance originates from a study of 40 global companies. It involved a regression analysis of company financial results against engagement data. The analysis found that firms with the highest percentage of engaged employees collectively increased operating income 19% and earnings per share by 28% year-on-year. The companies with the lowest percentage of engaged employees actually showed a year-on-year decline, of 33% in operating income and 11% in earnings per share.

In a related study over a three-year period, the firms with the highest levels of employee engagement achieved a 3.7% increase in operating margins, while those with the lowest levels of engagement suffered a drop of 2%.

Substantial differences exist between engaged and disengaged employees. The study found that 71% of fully engaged employees in Hong Kong believe they can and do contribute to the quality of their company’s products and services; 81% believe they can impact customer satisfaction and 57% believe they can impact the profitability of their organization. Only about 30%, 34% and 15% respectively, of the fully disengaged share these views.

“Simply put, employee engagement has a significant impact on companies’ bottom line across measures such as customer satisfaction, revenue growth, cost containment, profitability and innovation. The Towers Perrin Global Workforce Study establishes a definitive link between levels of engagement and financial performance, for the first time, begins to quantify that link. It demonstrates that, at a time when companies are seeking after any viable source of competitive advantage, the workforce itself represents the largest reservoir of untapped potential,” commented Mr. Chan. “Companies need to understand their employees as well as they understand their customers. Employees are as diverse and varied a group as are customers, and while most companies do extensive research to identify what drives buying behavior among customers, few use the same energy or tools to understand what influences their employee segments and what it takes to get employees to invest their time and energy in their work.” , Mr. Chan continued.

Employee engagement also has a direct impact on employee retention. For example, 52% of the fully engaged employees in Hong Kong have no plans to leave their company, compared with only 12% of the fully disengaged.

“What is encouraging is that companies can positively influence engagement. What is challenging, however, is that it will take a considerable shift in leaders’ and managers’ approach to employees. They need to demonstrate empathy with employees and build a culture where employees feel valued and have a chance to develop their knowledge, skills and innovation,” Mr. Chan concluded.

While leaders may have mastered the operational basics of their role, they need to do more to connect with, inspire and obtain the best performance from the workforce. All of these factors are critical for growth. The analysis of employees’ views showed how companies can more fully engage their workforce. Senior leaders should process three qualities:

1. *Demonstrate clear inspiration, vision and commitment, be more visible and accessible, and communicate with employees in a more open, transparent manner;*
2. *Maintain high company ethics and values to create an emotional bond with employees;*

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- 3. Give a clearer picture of how the company provides a return on employees' devotion and engagement.*

About Towers Perrin Global Workforce Study

Towers Perrin's Global Workforce Study — the most comprehensive of its kind to date, involving 88,600 workers in 18 countries, including more than 1,000 responses from Hong Kong and 5,000 from China — provides a rich vein of data and insight to draw on in shaping an engaging employees' work experience and investing in programs that will make a material difference to a company's strategic and financial results.

Additional detail about the Towers Perrin Global Workforce Study is available at

www.towersperrin.com/gws

About Towers Perrin HR Services

Towers Perrin is a global professional services firm that helps organizations improve their performance through effective people, risk and financial management. Through its HR Services business, Towers Perrin provides global human resource consulting that helps organizations effectively manage their investment in people. Areas of focus include employee benefits, compensation, communication, change management, employee research and the delivery of HR services. The firm's other businesses are Reinsurance, which provides reinsurance intermediary services, and Tillinghast, which provides management and actuarial consulting to the financial services industry.

Together these businesses have offices and business partner locations in the United States, Canada, Europe, Asia, Latin America, South Africa, Australia and New Zealand.

More information about Towers Perrin is available at www.towersperrin.com/hrservices.