

Employee benefits on the rise

Employee benefits are emerging as one of the most important factors in attracting and retaining talent in companies. **Ritwika Chaudhuri** investigates the latest trends in the GCC market.

The best employers are those that provide good benefits and make employees feel valued. In fact, these are two of the six key parameters in determining the best employers, according to a survey conducted by Hewitt Associate, a global provider of HR outsourcing and consulting services.

In times like these, when many companies are finding it difficult to pay salaries on time, it is probably best for employers to add benefits to the emolument packages of employees they value, rather than find other ways of retaining or rewarding them. Unfortunately, a large number of regional companies have yet to consider this option.

The upside is that many multinationals operating in the region do offer benefits to their employees. There is also a sizeable community of private and regional companies in the Middle East that offer benefits. Much needs to be done, however, as the region is evolving into a global market. Certain benefits are gradually being considered a “must-have”, rather than “nice to have”. These benefits will become absolutely necessary to retain talent in a few years, according to experts.



Robin Ali

“Employee benefit packages are all about the three R’s: recruitment, retention and risk,” says Robin Ali, head of sales and marketing for medical and financial services at Lifecare International. “A good package that includes medical insurance, life cover and maybe even a retirement savings scheme will assist employers in recruiting talented staff, as well as keeping them. Insuring contractual liabilities such as death benefits also covers the employer’s risk.”

According to international HR consultancy and insurance companies, the most common benefit given to employees in the GCC is medical insurance. Other benefits such as life endowment schemes are available in certain sectors of employment and depend on the number of employees in an organisation.

According to global consulting firm Watson Wyatt, 20 per cent of the multinational companies operating in the region offer savings plans similar to those prevalent in their countries of origin. Some offer tailor-made plans for their regional employees. Big local and regional private companies are also increasingly realising how important benefits are when it comes to attracting new talent and retaining existing employees.

Companies in certain sectors like pharmaceutical, oil and energy, finance and engineering are thought to be setting a trend in the region by offering pension schemes to their employees. Local airlines and telecom companies are also closely looking at such schemes, according to industry sources.

“Other benefits in emolument packages work as a communication tool between

“Employee benefit packages are all about the three R’s: recruitment, retention and risk.” Robin Ali

a company and its staff,” says Graham Morrall, regional head of distribution at Zurich International Life. “Of course, it all depends on the affordability and the objective of the company. First, it is very important for companies to understand what they want to achieve and then design these schemes to meet those objectives, rather than just purchase them off the shelf.”

Health insurance benefits

According to a Mercer study, 85 per cent of companies in the UAE provide health insurance. Of those companies, 95 per cent cover spouses and dependants.

The GCC countries are in different stages of development where healthcare and medical insurance provisions are concerned, according to players in the health insurance sector. In the UAE, Abu Dhabi has made it compulsory to have medical insurance for all expatriates and their dependents holding an Abu Dhabi employment visa. A law to this effect is also expected in Dubai soon, but how and when health will be covered in the emirate has not been clarified. The proposed scheme by the Dubai Health Authority is seen by the medical insurance industry as unworkable.

There is already a healthcare scheme in Saudi Arabia. In Kuwait, the healthcare mandate that was available for expatriates is supposed to be extended to nationals very soon. National health systems already exist in Oman and Bahrain, but they are undergoing changes to include expatriates, as well as regional coverage. In Qatar, a proposed health insurance scheme for expatriates is still under discussion. Employers are expected to be involved in mandatory health insurance being planned for expatriates in Qatar. But even to the local insurance industry, it is unclear when the scheme will take effect.

International law firm Clyde & Co

estimates that new compulsory health insurance schemes for expatriates and their dependants could conservatively cost employers up to AED4 billion across the UAE and over AED1.5 billion in Dubai alone, assuming a similar compulsory health insurance scheme to that in Abu Dhabi is introduced in the emirate.

Today, governments are facing pressure from the mounting costs of healthcare provided for expatriate workers in government hospitals. While the pressure on employers to fund some of these costs is only likely to increase, owners and management of companies are also realising that health is wealth. By providing health insurance, employers are able to buy the peace of mind of their employees and ensure their longer-term loyalty.

Companies are also realising that the practice of replacing sick workers (which is prevalent in many firms) is rather expensive. As such, they are increasingly helping sick employees recover quickly in order to have them back at work, thereby avoiding additional costs of recruiting replacements. Also, because the cost for group insurance is much lower than individual insurance (as insurance companies can spread their risk), an employer can buy medical insurance for employees at a lower price.

"Following the global trend, with medical premiums increasing by 10 to 15 per cent annually, companies are showing increasing interest in managing the rise in premium," notes Callum Burns-Green, principal at Mercer. "Hence they are



Graham Morrall

"Following the global trend, with medical premiums increasing by 10 to 15 per cent annually, companies are showing increasing interest in managing the rise in premium." Callum Burns-Green

enquiring about cost sharing with the employees or thinking about providing a wellness package so that medical coverage is less."

Life endowment benefits

A number of insurers in the region provide life coverage on a group basis. Both local and international insurers like Alico, Aviva, Zurich International Life, Oman Insurance and William Russell are active. Usually multinational companies, private and international banks, financial firms and oil and gas companies offer group insurance benefits to their white-collar employees. Large international insurance companies are now making attempts to promote these group life insurance schemes for employees in some of the hitherto untouched sectors. While there was previously a lack of interest from employers, a change in attitude has been noticeable as pressures build from mounting labour costs and attrition.

"Instead of struggling to increase salaries, one of the ways to attract talent is by offering insurance-based benefits, which have low outlay and can provide significant benefits without employers having to provide such benefits from their own resources," notes Ali.

Various companies have different approaches to benefits. Most multinationals operating in the region offer employees that have been transferred benefits similar to their home countries. However, they employ a different set of standards for employees recruited in the local market.

"It is very important for companies to understand what they want to achieve and then design these schemes to meet those objectives, rather than just purchase them off the shelf." Graham Morrall



Callum Burns-Green

The general practice in most cases is to offer a Middle Eastern emolument package to the local recruits, generally a few notches lower in terms of benefits.

"While some give more salary instead of policies, others offer these schemes as a motivator, and there are even those who would offer emoluments comparable to overseas packages," says Morrall.

Packages also vary among sectors. Private and international banks pay five times towards group life and disability benefits, while the standard is four times in the oil and gas sector. The minimum standard anywhere is two times the existing basic salary.

Packages also vary among junior, middle and senior management in cases where life endowment benefits are given across the board. Although life endowment generally covers death due to accident or diseases, insurance coverage due to disability is seen less in the region and needs to catch up with the western world, according to Burns-Green. Most companies in the GCC pay short-term disability insurance, but only 41 per cent pay for long-term disability, he says.

It is clear that despite significant improvements in employment benefits, the GCC still lags behind considerably. For some of the aspiring international markets in the region, more has to happen at the company level before these centres are able to attract and retain highly skilled and talented employees. It is expected that regional governments will increase their focus on some of these issues going forward.