

INSIGHTS – EMPLOYEE BENEFITS



The valuable talent retention tool

The Gulf region's transient and fiercely competitive job market makes both identifying and retaining skilled employees quite a challenge, particularly in industries that face a shortage of qualified professionals. **Mr Duncan Crerar** of **Nexus Group** says employee benefits can act as a valuable retention tool.



One of the biggest recruitment challenges organisations face in the Gulf region is not only finding the right candidates, but retaining them as well. According to the 2016 Hays & GCC Salary Employment Report, 35% of the more than 2,400 surveyed employees in the Gulf were planning to change jobs in the next six months, with salary being the top reason cited for the switch.

The region's transient and fiercely competitive job market makes both identifying and keeping skilled employees quite a challenge, particularly in industries that face a shortage of qualified professionals.

This is where employee benefits can act as a valuable retention tool. From the employees' perspective, if they are well taken care of in terms of important life necessities – be it comprehensive health insurance for self or dependents, education funding for children, generous allowances for

Highlights

- 35% of the 2,400 employees surveyed in the Gulf were planning to change jobs in six months;
- Many private sector employers are yet to fully understand the real value of employee benefits;
- Premium rates for health insurance in Dubai have been increasing by an annual average of 15%.

home and travel, or a robust pension plan – they are more likely to think twice before leaving their jobs. Although salary may be the prime reason for working professionals to consider while changing jobs, it becomes less significant if major personal expenses are covered in the form of benefits.

From an employer’s perspective, every dollar spent on employee benefits offers a valuable return on investment – the commitment of skilled employees who are critical to the success of any business. A sophisticated employee benefits programme is a far more effective incentive tool than higher pay to attract and retain talent.

Good EB programme more effective in retaining talent

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Many private sector employers in the region have yet to fully understand the real value offered by employee benefits. Much of this can be attributed to the Gulf’s developing business landscape, which is largely composed of SMEs which are squarely focused on growth. What they do not realise is that retaining talent plays an essential part in that growth.

The UAE is a prime example of this. Expatriates are increasingly looking to build a life in the booming Gulf nation. Many are choosing to stay for the long term, raise families, and even invest in properties. It is thus critical that they have an opportunity to financially plan for the long term, and this is where regulators are stepping in to help create a supportive framework for investors.

Mandatory health insurance

One of the most significant regulatory reforms in employee benefits is mandatory health insurance requiring all employers in Dubai to provide medical cover to their employees. Compulsory medical insurance was rolled out by the Dubai Health Authority (DHA) in

phases, starting in 2014, and has taken the number of covered individuals in the emirate from 1.5 million to more than 4 million.

Similarly, other Gulf markets such as Abu Dhabi in the UAE and Saudi Arabia have rolled out mandatory health insurance in the past.

Qatar, Bahrain and Oman are also in various stages of planning or implementing such legislations.

Health premiums up 15%

Dubai-based employers have been scrambling to meet the deadlines and requirements stipulated by the DHA. Most employers gave high priority for providing medical coverage to their employees, giving less preference to pension plans, gratuity funding and life/disability insurance.

Unlike other benefits, which are relatively stable in terms of cost, premium rates for health insurance have been increasing by an annual average of 15%, effectively making it the second largest employee-related expense after the payroll.

As such, businesses are looking for a solution apart from an outright downgrade to their benefits, which is never an ideal option especially when their employees are used to having a certain level of coverage.

There is also the question of covering employee dependents – spouses, children or relatives. Although not mandated by law, it is considered best practice, and employees generally expect that their health insurance policies would cover their immediate families too.

Scope for abuse

By including dependents as part of the company’s group insurance plan, premiums will be minimised, coverage values maximised, and it is left to the employer to decide whether the employees or the company will bear the additional cost.

This means an entire family can have consistent coverage and enjoy access to the same quality of network and healthcare providers at a discounted group rate.

The flip side is employers run the risk of driving up the premiums in future, should employee dependents heavily utilise the benefits.


Ways to mitigate abuse

Businesses worried about employees abusing or overusing the policy can implement various methods to prevent misuse. One effective method is co-pay, meaning that patients themselves bear a part of the consultation and/or treatment cost every time they make a doctor visit.

Another option is “gatekeeping”, where patients are required to see a general practitioner, family doctor, or perhaps engage with an online consultation before they go directly to a specialist or a hospital. This is standard practice in mature markets, where an enforced primary healthcare system helps reduce costs associated with unrestricted access to specialist care. It also protects patients from being over-serviced in terms of prescriptions, laboratory tests and multiple opinions. Employers can tailor their policies so that members have access to the best healthcare providers, but the GP would always be the first point of contact.

Employee benefits integral to macro planning

Regulators play an important role in ensuring that employees have access to basic privileges, be it health insurance or gratuity payments. Employee benefits must be part of an open market so that they retain their competitive leverage.

Organisations should look at the baseline standard, and then decide how they want to position themselves. Employers must understand that it is a reciprocal and long relationship. 

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