Howden Employee Benefits
& Wellbeing

MEA Employee Benefits Design & Strategies

Research 2024

HOWDEN

How benefits are evolving to meet changing business needs

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I am delighted to present our latest survey report into the Employee Benefits design and strategies within the Middle East and Africa.

This report builds on the research we conducted in 2024 and reveals the priorities and Employee Benefits strategies of MEA firms for next 24–48 months.

This report seeks to identify helpful trends and insights and provide guidance to organizations as they strive to future-proof and keep their benefits offering fresh and competitive.

The benefits design landscape is changing at a rapid pace in the Middle East and adapting to the evolution of employees' expectations , local health insurance legislation and increased cost of living.

HR transformation, evolving EVPs and employees' changing expectations

Approximately 1/3 of respondents to our survey highlighted HR transformation as one of the biggest internal challenges organizations are facing.

Human capital strategies are focusing on transitioning from traditional jobs and jobs descriptions to skills-based organizations, adapting their EVPs to retain their talent.

As per PWC "Middle East Workforce Hopes and Fears Survey 2023"** 39% of respondents in Middle East expressed a higher likelihood of switching employers in 2023. Retaining talent, and particularly retaining Gen Z employees and millennials, is an area of focus for many organizations in the region.

Cost of living & inflation

As per PWC's Middle East Economy Watch (April 2024 issue)* rents have steadily risen in the region making them the major driver of inflation in the region. As of January 2024, rents have increased to 7.8% in the Kingdom of Saudi Arabia and 6.2% in Dubai.

Our research shows that the more than 1/3 of organizations participating in our survey expect the cost of living and wage inflation to have a high impact on their benefits design in 2024.

Employees' wellbeing & wellbeing technology

With medical inflation consistently outpacing general inflation and insurance premiums increases, employers are looking at better solutions to support their employees' wellbeing. Based on our research, 79% of respondents will focus on wellbeing technology and improving their wellbeing strategies in the next 12 months.

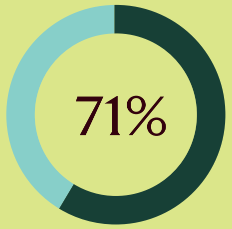
*Data and projections: April 2024 - PwC Middle East Economy Watch

**The Middle East Workforce Hopes and Fears survey 2023 (pwc.com)

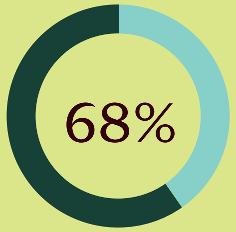
Key findings

Benefits are key to attraction and retention, but fail to support employee wellbeing and drive employee performance.

Benefits design strategy is 'somewhat effective' or 'somewhat ineffective' at:



Supporting Social and DEI goals

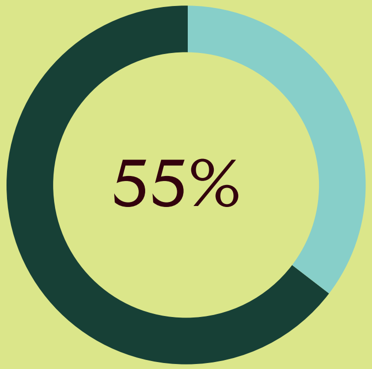


Support new ways of working

But 'mainly' or 'very ineffective' at:

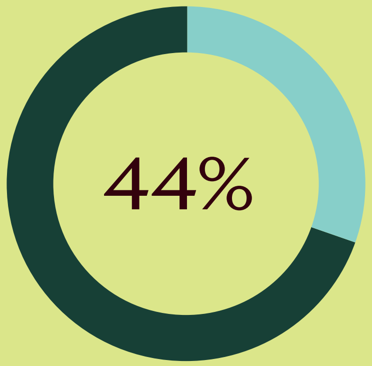
- Supporting employee wellbeing
- Driving employee performance

Employers in MEA are looking to have better defined benefits strategy



Do not have a define benefits strategy

Streamlining and harmonizing benefits is a priority for many employers



Expect to harmonize their benefits across MEA in the next 2 years

Greater investment in benefits technology is coming

Benefits technology

77%
will introduce new benefits technology in the next two years

20%
say it needs significant attention

Wellbeing technology

79%
will introduce new benefits technology in the next two years

40%
say it needs significant attention

Benefits are becoming fairer and more accessible

60%
will introduce/increase benefits choice/flex/personalisation

45%
will introduce or extend benefits to support diversity (gender health, neurodivergent employees, etc.)

61%
will fill benefits gaps for lower grades

Part 1: Factors driving benefits change

Employers' current approach to benefits design strategy is evolving rapidly in MEA. External and internal factors have had a major impact on what both employees and employers want and need from their benefits strategy.

External Factors

Our findings demonstrate that wage inflation, cost of living and talent shortages are the main external factors impacting Employee Benefits strategies in MEA with approximately one third of respondents stating that they expect these factors to have a high impact in 2024.

About one fifth of respondents stated that talent/labor shortages will have a high impact on their overall benefits strategy as well, throughout 2024.

Throughout 2023 the UAE has seen apartment rental costs reaching their highest level since 2017.

As per PWC Global consumer Insights Survey 2023* 79% of regional consumers are concerned about their financial situation, they are becoming more price sensitive and look for offers and bargains to maximize their buying power.

*Global Consumer Insights Survey 2023 – Pulse 5 Middle East findings - PwC Middle East

Financial wellbeing - Is it part of your wellbeing proposition?

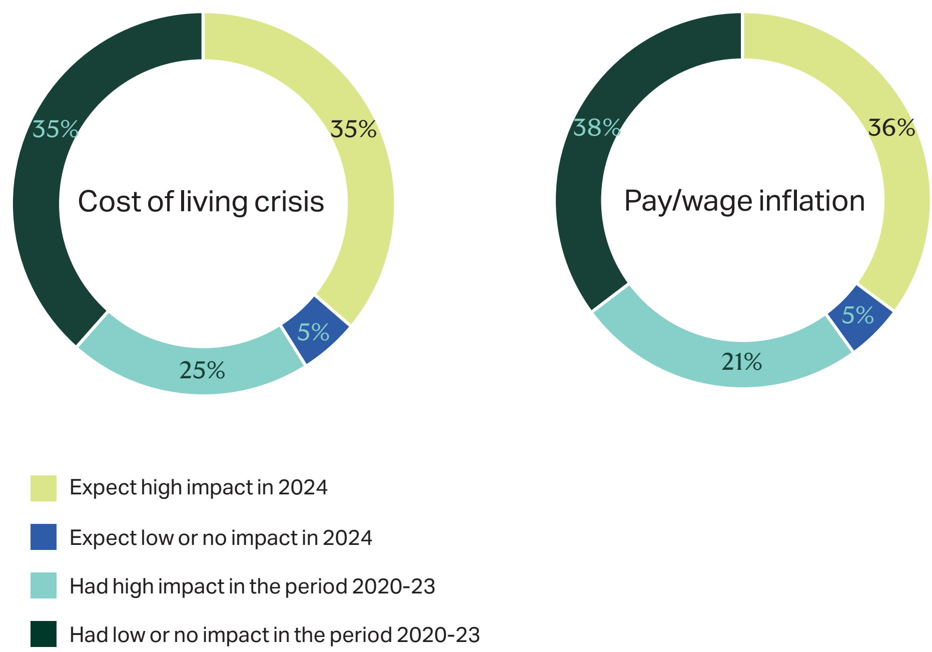
As per the most recent survey by YouGov, commissioned by Zurich International Life, only 22% of respondents stated they prioritize saving for retirement and the main priority for 37% of respondents is saving for children's education.

The survey also indicated that only 4% invest through a retirement savings plan and most respondents opt for gold or real estate investment (about 50%).

61% of respondents have not considered seeking financial advice, suggesting the need for better financial literacy programs and preparedness.

Employers are urged to look into their financial wellbeing programs and enhance them to support employees with financial literacy, tools to manage finances and plan for the future as well as practical techniques to build good financial habits.

Figure 1: What is the impact of the following external factors on your benefits strategy?



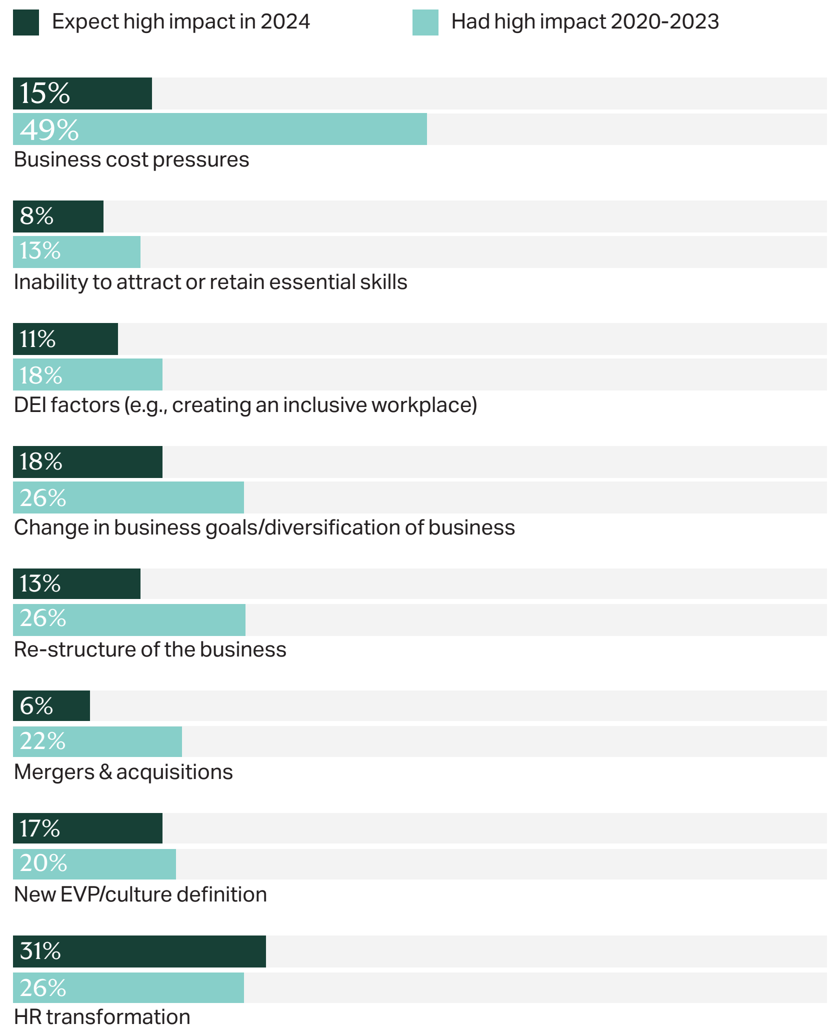
Internal Factors

HR transformation and the definition of new EVPs are considered the organizational factors that will impact benefits strategies the most in 2024.

HR in the Middle East is experiencing a dynamic transformation. Some key shifts include:

- Agile workforces: organizations are embracing agility, moving away from rigid structures and focusing on skills rather than fixed job roles. Upskilling and reskilling programs ensure employees stay relevant.
- Technology integration and data driven HR: From recruitment to performance management, automation and analytics are enhancing efficiency and decision making.

Figure 2: What was the impact of the following internal factors on your benefits strategy from 2020-23? And what impact do you anticipate in 2024?



- Remote work and flexibility have become the new norm, with organizations continuously enhancing their offering and working to continuously improve the workplace human experience to attract and retain the best talent.
- A growing emphasis on Diversity and Inclusion and sustainability.

Benefits strategies should be aligned with the overall HR transformation approach of the organization.

Part 2: The effectiveness of current benefits design approaches

More than half of respondents do not have a defined benefits strategy in place, however most of these organizations plan to introduce a strategy soon. The larger an organisation, the more likely it is to have a defined benefits strategy.

We asked, do you have a defined benefits strategy?

We do not have a defined strategy and no plans to implement one

We do not have a defined strategy but plan to introduce one

We last reviewed or changed our strategy more than 3 years ago (prior to 2020)

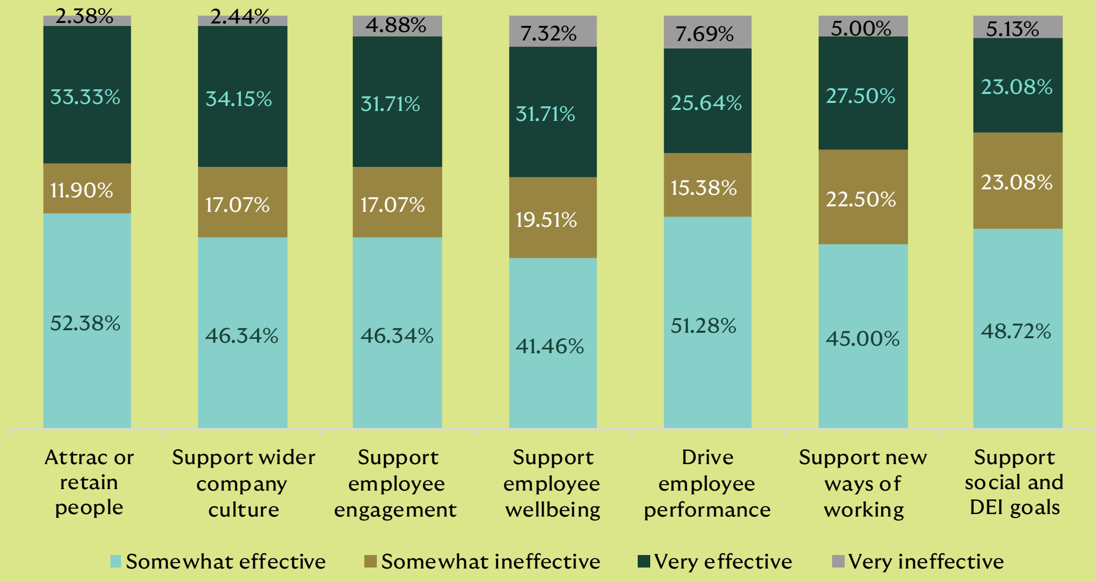
We last reviewed or changed our strategy within the past 3 years (2020 – 2023)

Most (76%) respondents cite that their benefits strategy is highly or somewhat effective at supporting talent goals. It was also evident that benefits strategies are also providing good support for wider company culture (80%) and employee engagement (78%).

However, more could be done to:

- Link DEI goals with benefits design. Nearly 30% of organisations said their benefits strategy was ineffective at supporting DEI goals.
- Link benefit strategy to employee wellbeing. Approximately 25% of respondents mentioned that their strategy is somewhat ineffective or highly ineffective at supporting employee wellbeing.

Figure 3: How effective is your benefits strategy in supporting your talent goals?



How to use benefits to drive employee performance and reskilling

Many employers are underutilising their benefits strategy when it comes to enhancing performance and skills. Here are our top tips to enhance your offering:

- **Connect your strategy:** The connection between employee wellbeing and having a diverse, inclusive and equitable culture have long been championed as ways to improve performance. Link your strategies to ensure these elements are included and, most importantly, measured to understand the impact of your initiatives.
- **Include reskilling in your EVP:** Ensure that employees understand your approach to reskilling and make it a part of your EVP. By doing this, employees can see opportunities for their development and career progression.

Harmonisation, duplication and legacy benefits

A large proportion of employers are looking to reorganise their benefits with 44% of them stating they will harmonize their benefits in MEA in the next 12/18 months. The main drivers for harmonization of benefits typically include simplification of policies administration (particularly for multinationals with their regional headquarters in the Middle East), need to comply with evolving local legislation on healthcare funding whilst also ensuring a seamless employee experience across the region, a need to optimize benefits offering and cost.

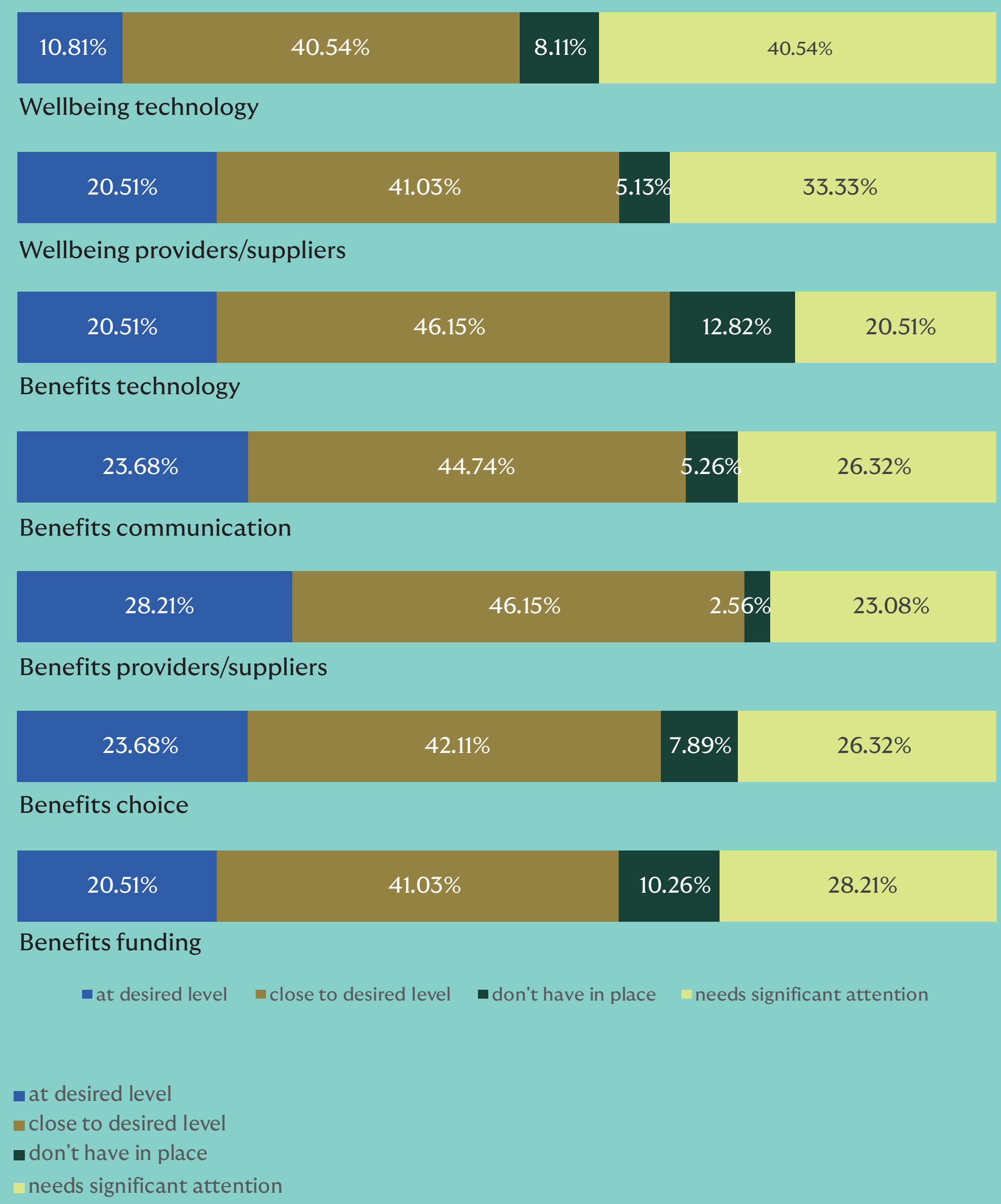
A fairer approach

There is also significant movement around introducing 'new or improved benefits funding for lower grades/ employee groups' – 63% either achieved this or plan to in 2023/24. A further 60% either have or plan to introduce or extend benefits to support diversity, such as gender health support and benefits for neurodivergent employees.

Personalization & choice

Most respondents are satisfied about the level of benefits choice they can offer to members. However, 26% of respondents mentioned that "Benefits choice" requires significant attention and 42% are planning to introduce more flexibility and choice in the next 2 years. With healthcare costs rising, employers in the Middle East will likely start looking at solutions to keep their cost stable whilst giving benefits choice to members and introducing individualization and personalization in their programs.

Figure 4: How would you currently rank each of the following building blocks of your benefits programme?



Benefits providers and suppliers

Employers are broadly satisfied with their benefits providers and suppliers, as well as the levels of benefits choice they are currently offering. However, there are concerns about the adequacy of wellbeing technology, with 40% of respondents suggesting that this area require significant attention. Wellbeing providers are also a clear problem area, with 33% of respondents stating that this area needs significant attention.

Getting benefits communications right

Benefits communications and benefits technology are closely linked – with many employers relying on their benefits technology to deliver accurate, timely and, ideally, relevant benefits messaging.

Without adequate communications and technology, employees could experience a significant impact on their ability to access the benefits that they need, when they need them. Research from the CIPD found that just 57% of employees said their employer communicates the benefits on offer to them and 41% said their benefits are easy to get hold of.

The building blocks of benefits design

Employers have achieved a lot with their benefits strategies over the past three years. More than one-quarter (32%) of respondents increased funding for health and protection benefits (including wellbeing), while approximately one in five (23%) introduced improved benefits funding for lower grades employees. About 30% of respondents conducted a review of their benefits to reduce duplication of benefits and harmonize their offering across MEA.

Looking ahead to 2024/25, benefits flexibility is poised to be the largest area for growth – well over half (60%) of respondents plan to add more choice or flexibility to their benefits packages during this time.

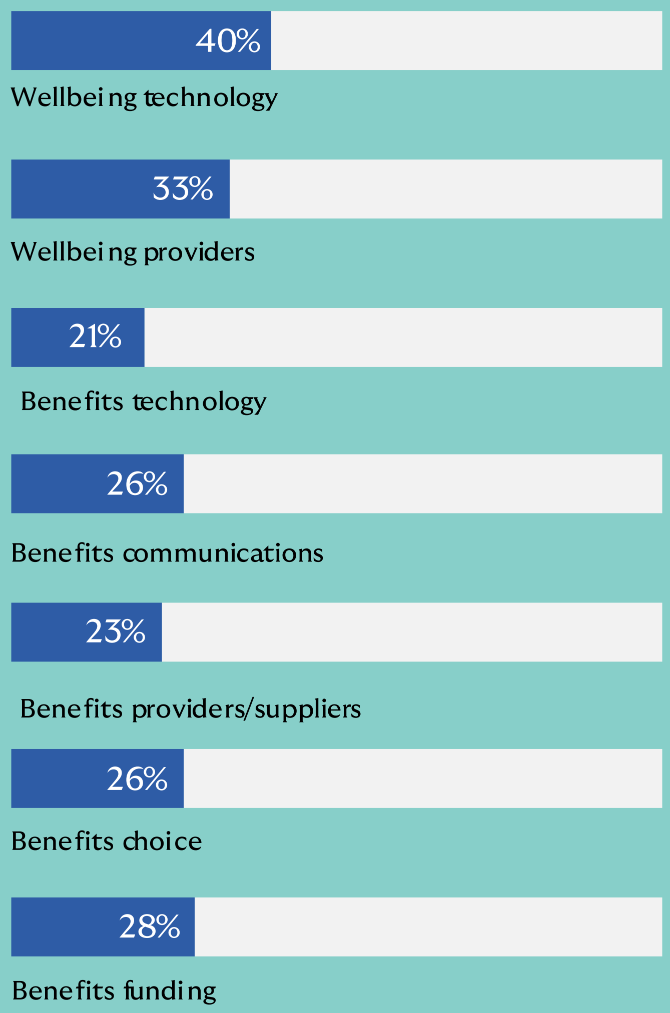
Filling benefits gaps between different grades is also a priority for most employers (61%) who will be focusing on improving benefits for lower grades in the next 2 years.

Benefits funding

Underpinning benefits design strategy and objectives is the technology, providers, communications and ultimately, funding. Our research revealed that, when it comes to benefits funding, 30% of organizations say this needs significant attention

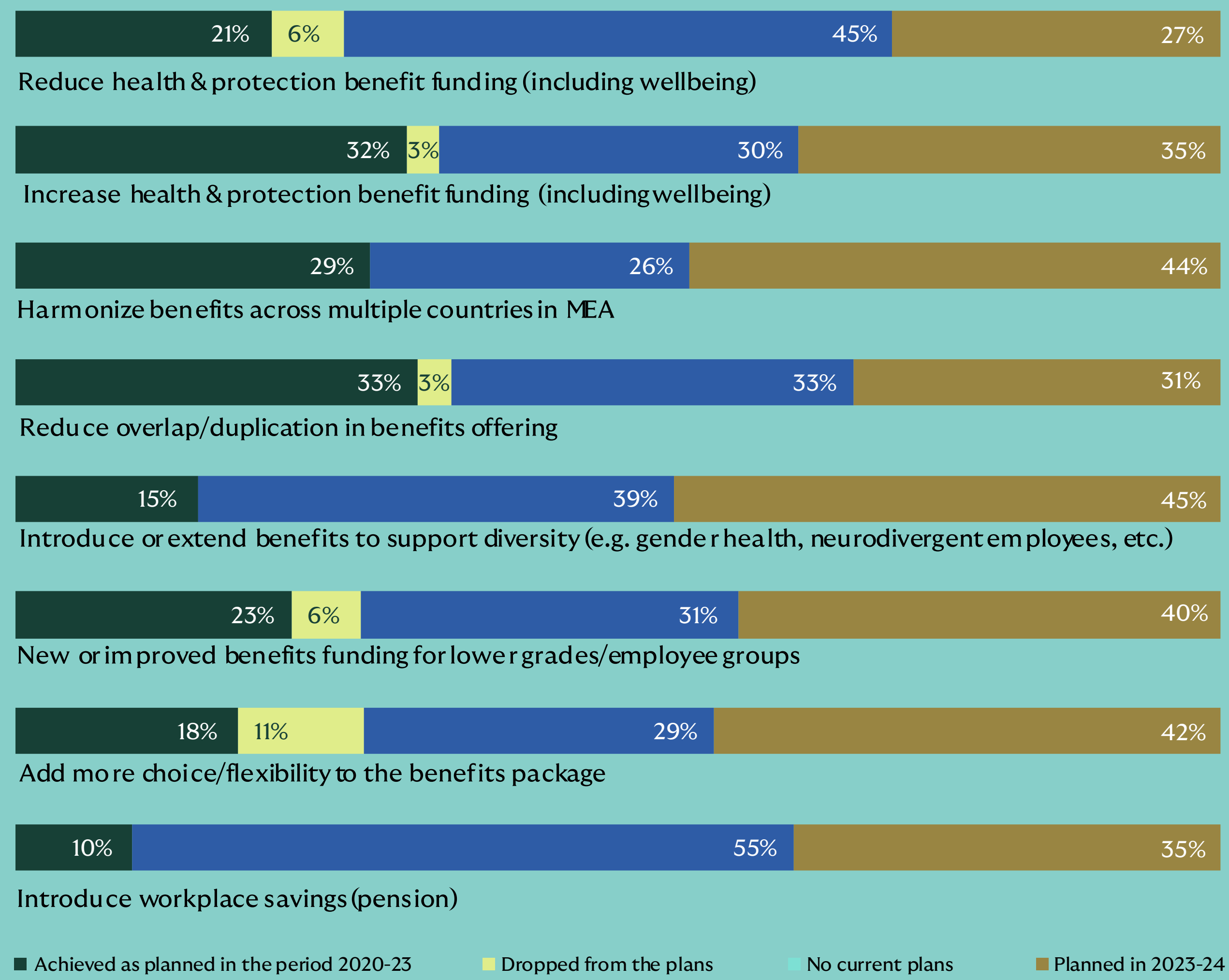
Percentage of respondents that say the following factors need significant attention in their strategy.

Figure 5: Factors for improvement



Which of the following have you achieved over the past three years, or plan to achieve in the next two years?

Figure 6



Part 3: Future benefit design priorities

When it comes to benefits design, the biggest areas for growth in the next two years are:

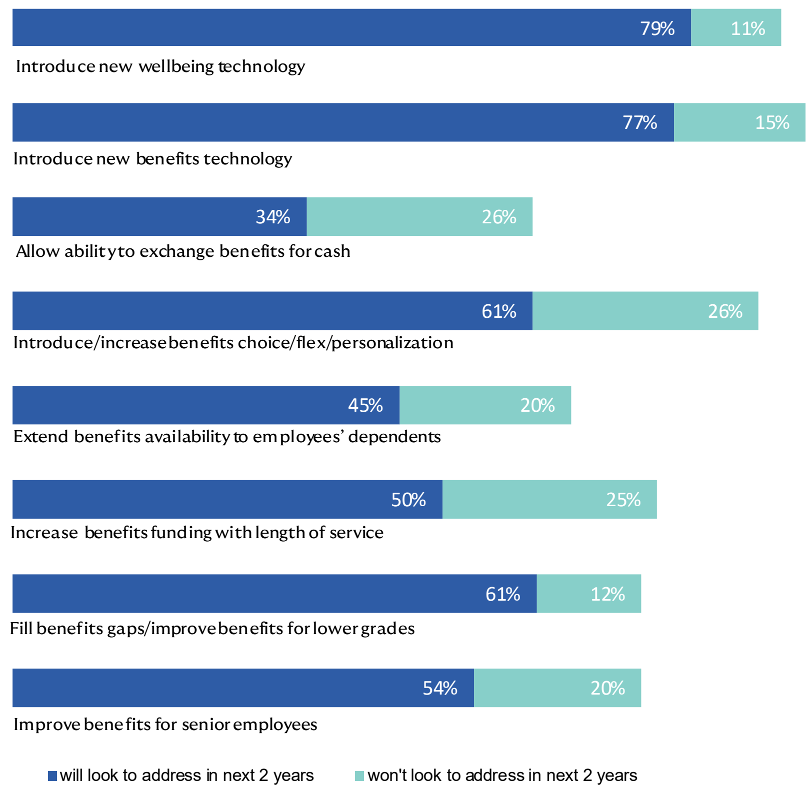
79%
Introduce new wellbeing technology

77%
Introduce new benefits technology

61%
Introduce benefits choice and personalization

61%
Improve benefits for lower grades

Figure 7: Which of the following design changes will you look to introduce over the next two years? (Excludes N/A or 'already in place' answers)



Investing for the future

Despite inflationary and business cost pressures, employers are continuing to recognise the importance and value of investing in the benefits package.

There is a strong emphasis on ensuring offerings are fair to all employees in the next two years, helping to support employers' wider DEI and ESG objectives.

Investing in tech

Our research shows that employers plan to invest in tech to implement improvements in the benefits package.

It is clear that many employers have insufficient or inappropriate technology to support their benefits strategy. As a result, they are focusing their efforts on introducing new technology which should also help them to address wider issues, such as adding more choice and flexibility, extending benefits packages to be more inclusive and improving benefits communications.

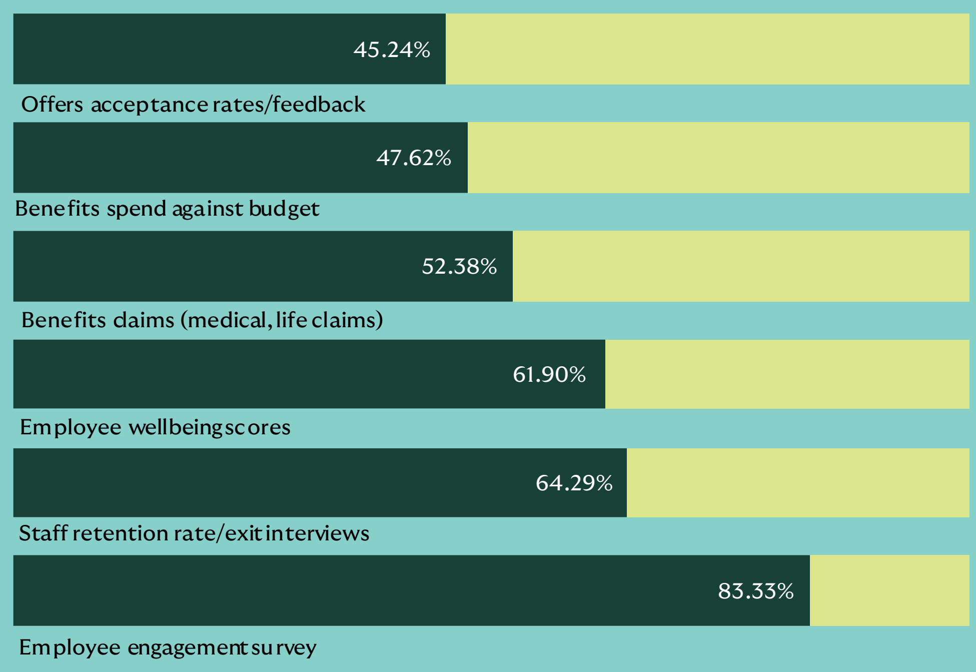
Measuring success has its limitations

To measure the success of benefits strategies over the next two years, our respondents will focus mainly on internal measures, benefits take-up rates and employee retention rates/feedback.

These figures are largely to be expected given our earlier findings that employers have challenges around their benefits technology and communications, which may also affect quality and availability of robust data. Employers are heavily reliant on employee engagement scores and surveys and take-up rates. In turn, this can make it difficult to link benefits objectives with benefits outcomes.

This data gap highlights the need for employers to invest in technology to improve their data analysis capabilities and to truly understand and measure the effectiveness of their benefits design strategy.

Figure 8: How employers will measure the success of their strategies over the next two years



Are employers missing a trick?

Benefits claims data came 6th out of 7 factors in terms of importance when measuring success. This is a missed opportunity for employers to understand how their benefits can be improved.

A high number of claims is not necessarily bad – it proves people are engaged and using the benefit and can point to areas that need more preventative support. Likewise, low claims could indicate that your workforce is well, or potentially that employees are unaware of the support available and so your investment is going unrecognised and undervalued.

Either way, assessing and measuring benefits claims should be a key part of understanding the effectives of the benefits design strategy.

Key insights and calls to action

1 Don't miss this cycle of strategic change

Why: HR and reward professionals are looking at the fundamental building blocks of their offers to secure the investment needed to align benefits to their culture and values and ultimately compete for talent.

Action: Don't get left behind as economic pressures lead to the tightening of the purse strings. Look at the building blocks of your offer for your different employee groups (grades) to ensure that your benefits design and funding are going to help you compete for talent in a sellers' market.

Prioritise according to the needs of your people – they will be your best source of intelligence as to whether you should close the pension, health or wellbeing gap first.

2 Once funding is sorted, get your tactics right

Why: Our findings suggest that the smaller tactical drivers for a great benefits programme will continue to get as much attention as strategic and funding decisions.

Action: Make personalisation and choice top of the list. One of the keys to success is to give people access to more solutions to their personal needs. For example, the cost-of-living crisis has driven financial wellbeing to the top of the agenda, meaning that employers must think beyond the traditional focus on pension funding if they are to meet employee expectations.

DEI is another strategic and tactical focus. At a day-to-day level, ensuring benefits address the needs of each demographic may only require better communication and utilisation of the resources already available from your partners and providers.

Sustainability and ESG can also be looked at tactically as most benefits can be optimised for ESG impact

3 Communicate, communicate, communicate

Why: About one in three respondents feel their benefits are highly effective in supporting recruitment, retention and engagement goals and one in four believes benefits communications require significant attention.

Action: The gap between benefits offerings and their effectiveness could be communications. Constantly communicate to employees about the value of your offering and how it supports their needs.

Even basic benefit programmes are likely to include a range of value-add benefits and resources that give employers good reasons to promote benefits every month at the very least.

Build a plan for communications, then stick to it.

4 Tech needs to change, but remains the answer

Why: With only 20% of respondents saying that their benefits technology is at the desired level, it's no surprise that respondents are looking to introduce new technology in the next two years. But what should that technology look like?

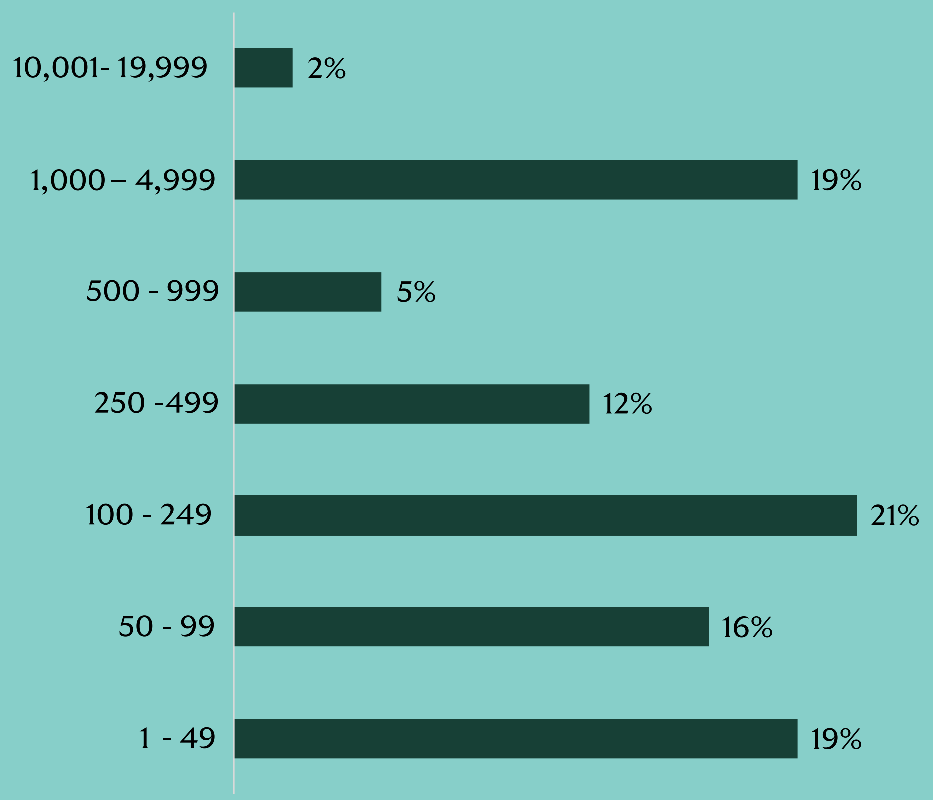
Action: The focus on personalisation and choice as a tactical goal for the next two years means that technology will have to support employees in understanding their needs and connecting them with the solutions.

Many benefits and service providers now offer direct-to-vendor solutions, removing the admin and payroll burden, without limiting choice. Ask hard questions about what is right for you and make sure you find a solution to connect your employees to your offer in a simple and convenient way.

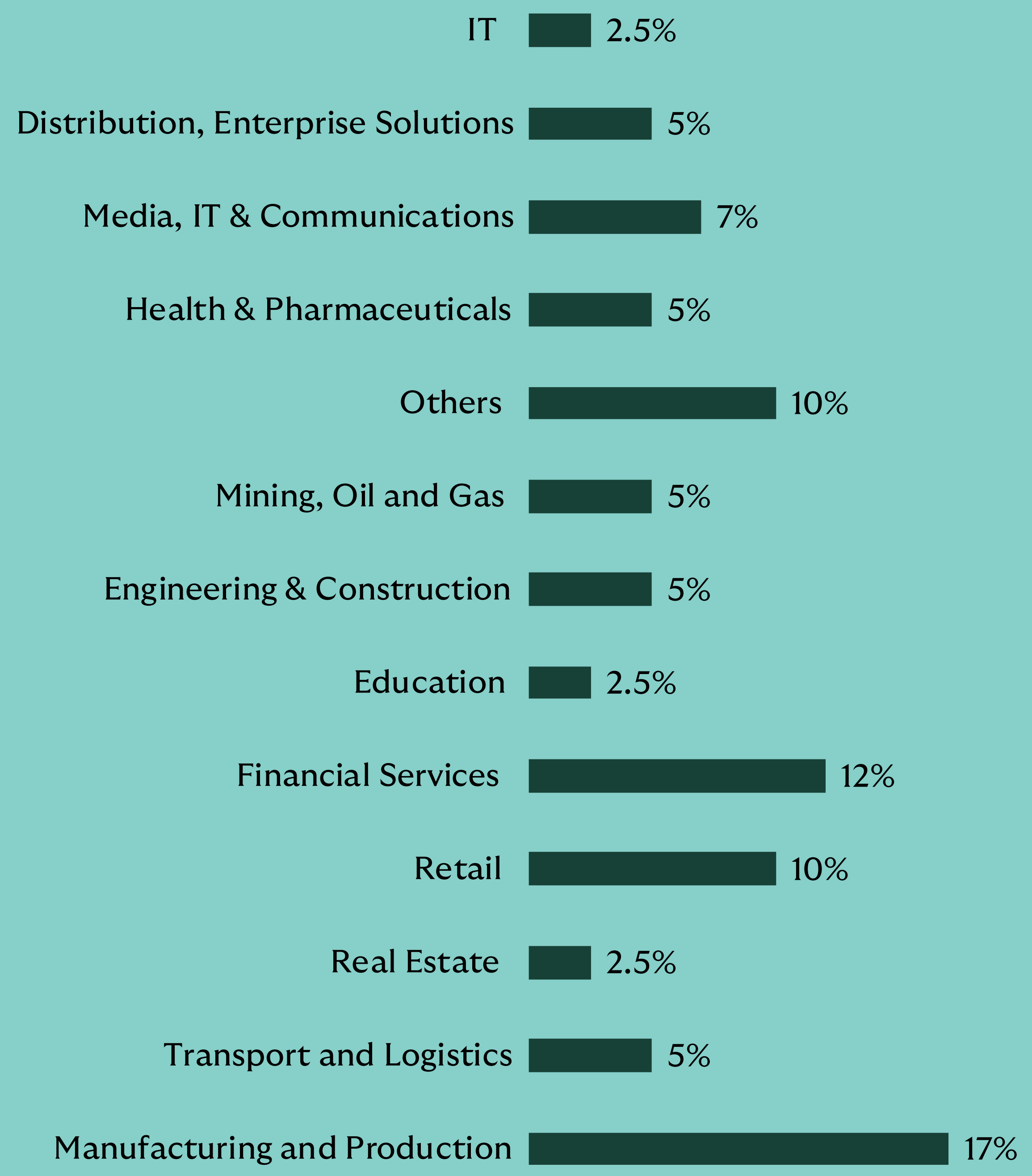
About the research

The survey took place online during January and February 2024 and was carried out by Howden Insurance Brokers LLC

How many MEA-based staff does your company have?



What is your organization industry sector?



Howden Employee Benefits & Wellbeing works with clients of all sizes – both in MEA and globally – to provide dedicated employee benefits and wellbeing consultancy. We've won many industry awards for our work and are widely recognised for our innovative and creative approach to benefit design.

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