



The HR
Observer

Cautiously Optimistic

Compensation & Benefits Trends Report 2021

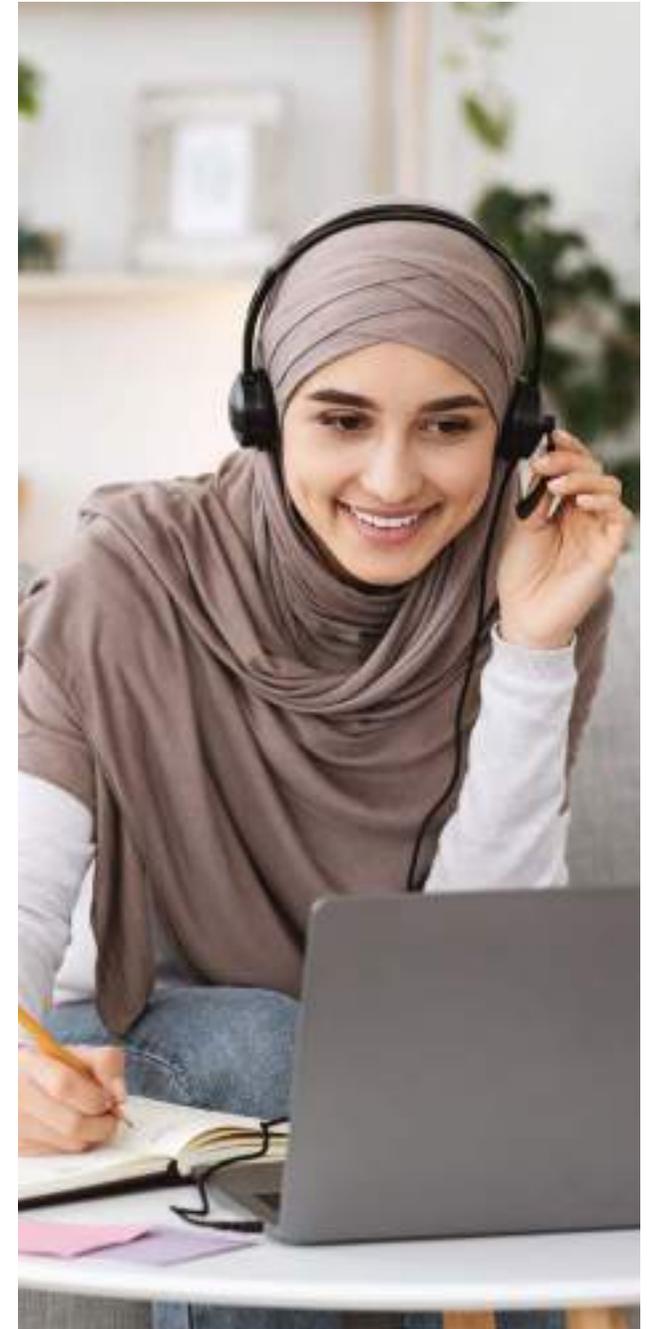
Introduction

The last Compensation and Benefits survey took place at the start of March 2020, when the full scale of the COVID-19 pandemic was still unfolding – and understandably, uncertainty around the pandemic dominated the results. This year, our survey respondents and their organisations have been living with the virus for a full year and are approaching a better understanding of what the “new normal” may look like.

In terms of compensation and benefits, caution is the watchword: salary increases are lower or non-existent, and bonuses are rarer. Interestingly, while one might assume the pandemic would increase concerns around economic uncertainty, only **34% of our respondents identified fluctuating economic conditions as their main challenge in managing remuneration over the next three years** – down from more than **45% of respondents in 2019**. Instead, respondents showed a greater focus on **motivation, engagement, and flexible rewards** than in the past.

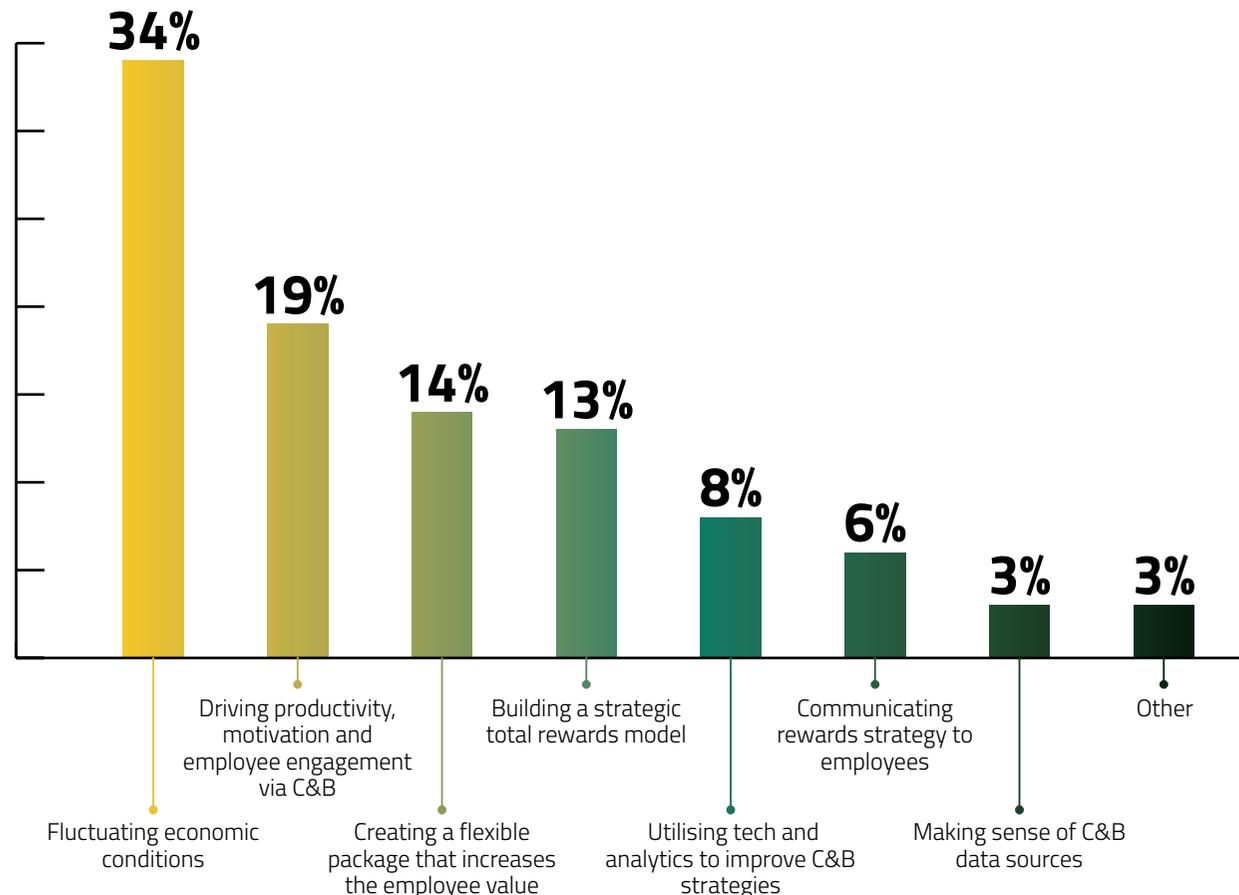
“The pandemic is literally one of the best things to happen to the HR world because it revolutionised the **way we do business**. Our whole lives have evolved yet we still used to work with the nine to five, Henry Ford Industrial Revolution way of doing things and then suddenly, **when the pandemic happened**, we were all forced to change that,”

Sara Boueri, Human Resources Director at Ras Al Khaimah Tourism Development Authority (RAKTDA), quoted in Arabian Business.



Total rewards

Looking ahead, what do you foresee as being the main challenge in managing total rewards in your industry in the next 3 years?



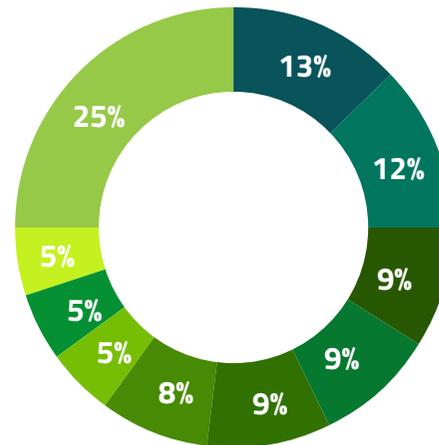
While **the dramatic nature of the pandemic** has had a significant impact, many regional organisations seem to have come out of it tested and resilient – and perhaps with a **new appreciation for exploring new ideas and new ways of working.**

Methodology

The Compensation and Benefits Survey recorded responses from 370 HR professionals from across the GCC via LinkedIn, between 17 March - 8 April 2021. Respondents came from a broad range of industries.



Which industry sector does your organisation belong to?



- Business Services/Consulting
- Construction/Real Estate
- Education/Training
- Healthcare
- Manufacturing/Industrial
- Retail/Hospitality
- Government/Public Sector
- Oil & Gas/Energy
- Banking/Financial Institutions
- Other

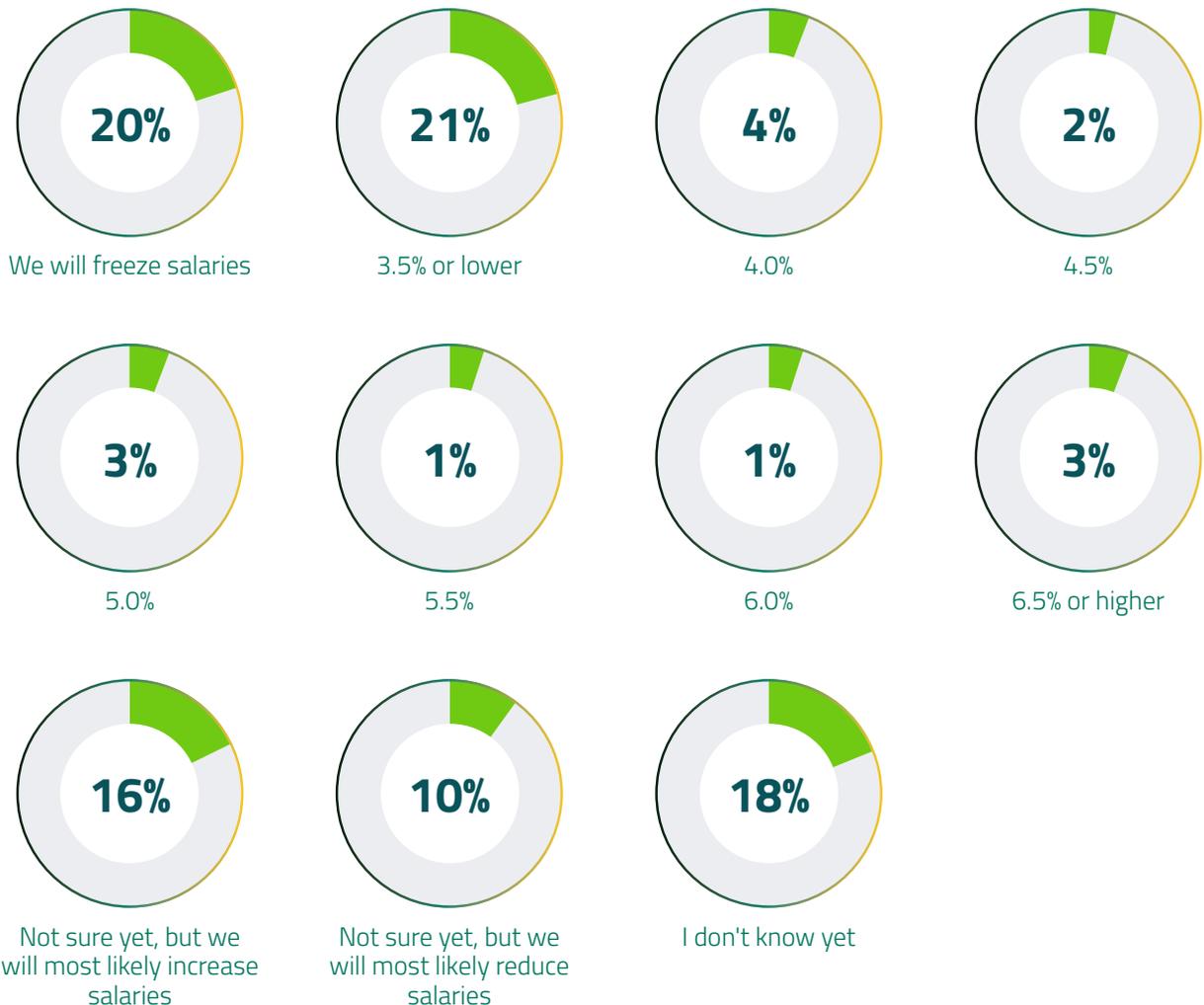
The survey's questions were designed both to **provide an updated picture** of trends explored in previous editions, **as well as to explore the new situation** all organisations now find themselves in, particularly around the nature of work.

The impact of COVID-19

The most obvious impact of the pandemic has been in drastically reduced salary increases, or even salary cuts, according to our respondents. In the last pre-pandemic survey – which itself saw caution when it came to salaries – **24.5%** of respondents reported salary increases of **3.5% or less** for their organisations, with **13.8%** reporting increases of **5% or more**.

This year, **19.5%** of respondents said their organisations would freeze salaries, **10.1%** said they would probably reduce salaries, and **21.4%** reported increases of **3.5% or less**. Only **7.8%** reported increases of **5% or more**. And when reporting their organisations' actual salary increases for 2020, almost half of respondents reported an increase of **3.5% or less**, the lowest category in the survey.

What will be your company-wide total annual pay review increase in 2021?





"We believe hybrid working models will continue in the long term as more and more organisations incorporate remote working options as part of their standard working patterns. Of the **69% of employers who now offer hybrid working models**, none specified that they would remove this option and instead they are looking to realise the benefits it can provide, the only exception to this being service-related roles and industries where office working is essential to business;"

Chris Greaves, Managing Director of the Gulf Region for Hays, quoted in The National.

More than two-thirds of respondents said the trends in compensation and benefits they are seeing this year are similar to 2020. This, along with the significant fall in concerns about economic uncertainty, perhaps suggests organisations have found a certain amount of stability after the chaos of the early part of the pandemic.

The efforts and willingness of regional governments to support enterprises has no doubt also had

an impact – and may have helped organisations feel more secure in general. But by the time these survey responses were recorded, many regional enterprises had returned to a mode of working closer to normality than the initial stages of the pandemic, so the direct impact of government interventions may be lower now than in 2020.

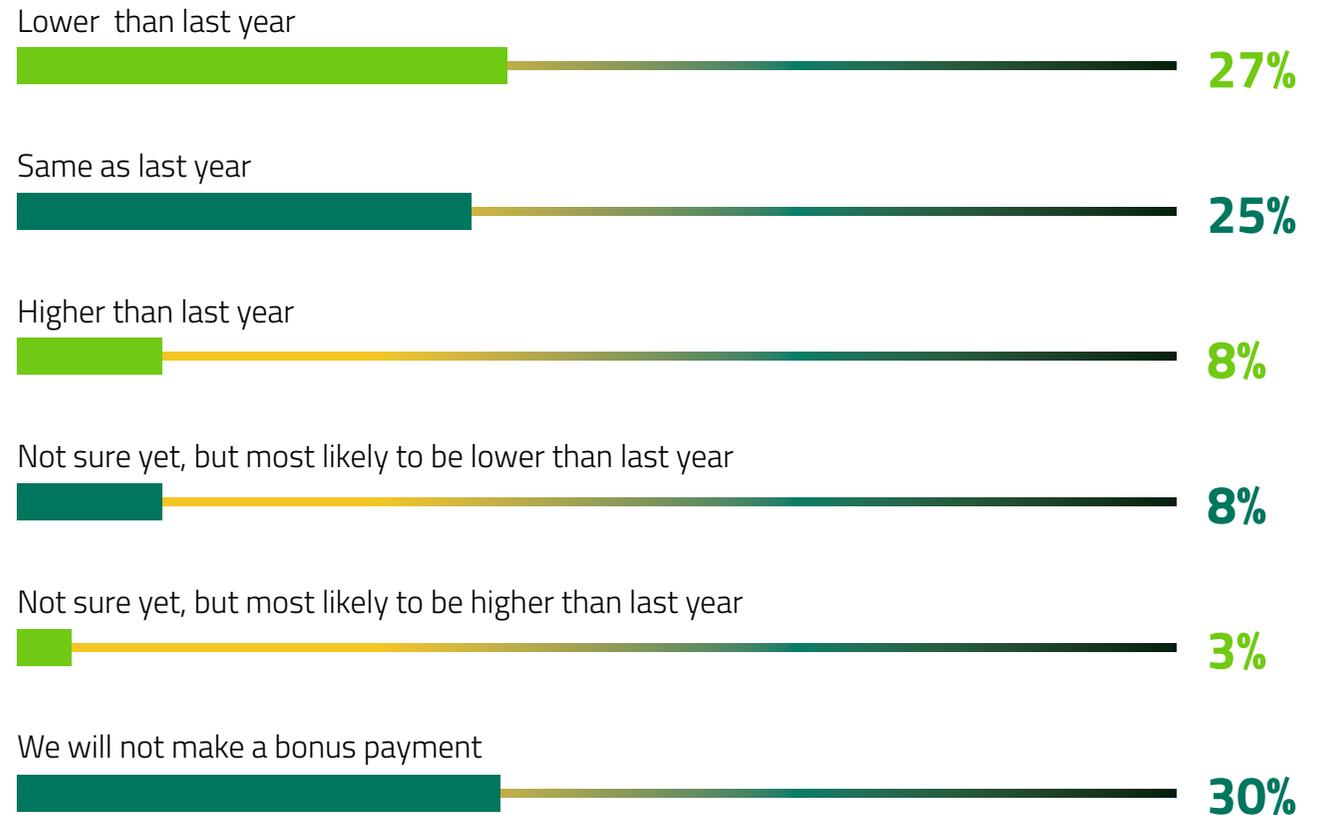
One clear change is organisations' willingness to embrace remote working, with **60% of respondents reporting that flexible working is standard in their organisations**. However, it is clear that this is not being equally applied to all staff, with **47.8%** saying less than **20% of employees are entitled to flexible working**, and only **22.4%** saying more than **60% of staff could work flexibly**. But a significant number of organisations are taking flexible work seriously, with **42% of respondents saying it will continue** after the pandemic – and **only 25% ruling it out**.

Bonuses and Attrition

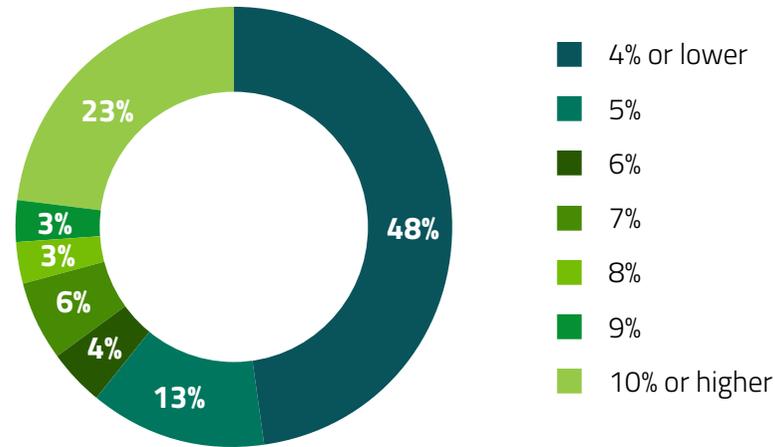
Unsurprisingly, employee bonuses took a hit in 2020, with **30%** of respondents saying their organisations would pay no bonuses, and **27.2%** saying bonuses would be lower than last year – compared to **24.7%** and **17.2%** respectively in 2019. Just under a quarter said bonuses would be the same as last year, and **8.2%** said they would be higher.



What happened to bonus payments for 2020 (including those potentially paid in 2021) in your company?



What is your current employee resignation/voluntary attrition rate?



Attrition rates are lower than in 2019, again perhaps unsurprisingly, given the uncertain jobs market not just in the region, but around the world. While **24.7% of respondents** said they were seeing a voluntary attrition rate above **10% (compared to 23.2% in 2019)**, **48.1% reported attrition rates under 4%**, a **significant shift from the 38% in 2019**.

How long this trend of lower attrition rates lasts remains to be seen: as the regional and global economy opens up even further, there is the possibility of greater churn as workers make planned changes which they were forced to postpone because of the pandemic.

“Workers have been stretched to the limit during the pandemic, often putting in longer hours, taking on additional responsibilities, acquiring new skills and using recent months to reassess their career priorities. **Professionals are much savvier about the market value of their skills and current salary trends than before.** Employers should research compensation trends regularly, be prepared to move quickly and negotiate effectively in order to retain key employees or hire promising talent.”

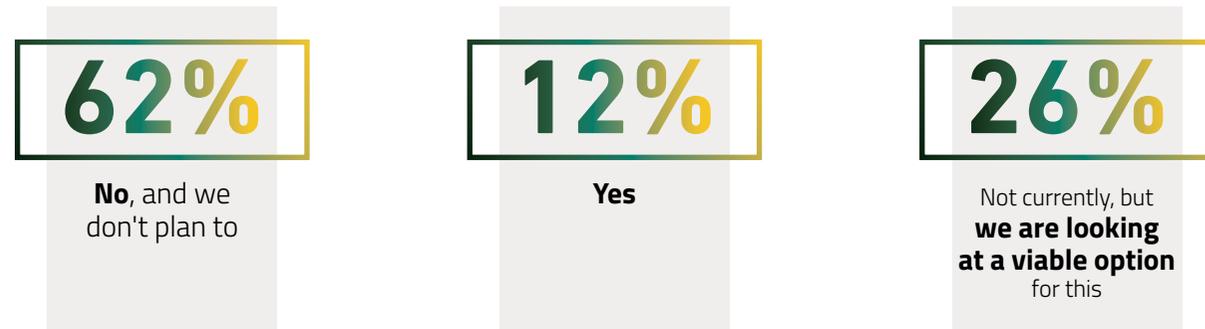
Gareth El Mettouri, Associate Director, Robert Half Middle East, quoted in Arabian Business.

Growing interest in pensions

This year's survey has shown a significant shift in attitudes to private pensions – although organisations which are offering a scheme for employees remain very much in the minority. But just under **12%** of respondents said their organisation offers a private pension scheme, up almost **50%** from **8%** in 2019 – while **26%** said they were looking for viable pension scheme options, up from **10.5%**.

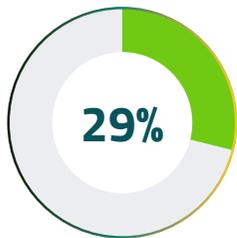
It should also be noted that when asked what form their pension schemes took, **many respondents indicated they were following government requirements for End of Service Benefits**, rather than a separate private scheme.

Do you offer a private pension scheme for your employees?

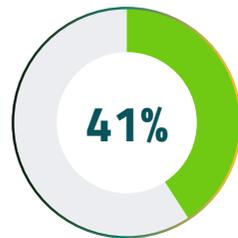


Pay vs benefits

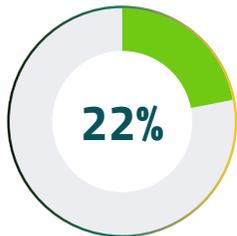
Have you considered making changes to the way you compensate your employees?



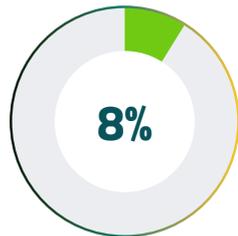
Yes, we have already made changes



Yes, we are looking into making changes



No, we haven't considered it yet / It's not on our agenda

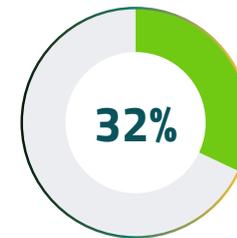


We will not be making any changes

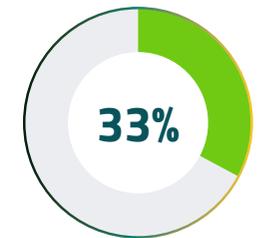
Potential reasons for this shift are many and varied, from employees not feeling the benefit of benefits during the pandemic, to skilled workers becoming more aware of their value to employers. But what this year's survey does show is organisations making or planning to make changes to their compensation packages and allowances.

As with previous surveys, a solid majority – **63%** – of respondents said employees value basic pay more than benefits, comparable to previous years. But in a slight shift from 2019, only **45%** said employees value benefits more than they did in the past (down from 53% in 2019), compared to **39%** who said their perception hasn't changed (up from 31% in 2019).

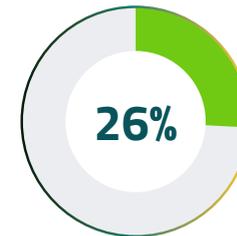
Have you considered evaluating and adjusting your allowances?



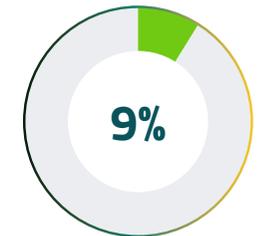
Yes, we have already evaluated and adjusted our different allowances



Yes, we are looking into evaluating and adjusting our different allowances



No, we haven't considered it yet / It's not on our agenda



We will not be evaluating and adjusting our different allowances

One potential change which is distinctly less favourably regarded than others is the adoption of flexible or "cafeteria-style" benefits – where employees can customise their benefits packages to some extent. Fifty-four percent of respondents say their organisations are not considering this, while just 16% said their organisations had adopted flexible benefits, with 29.5% evaluating the idea.

More balanced employment costs

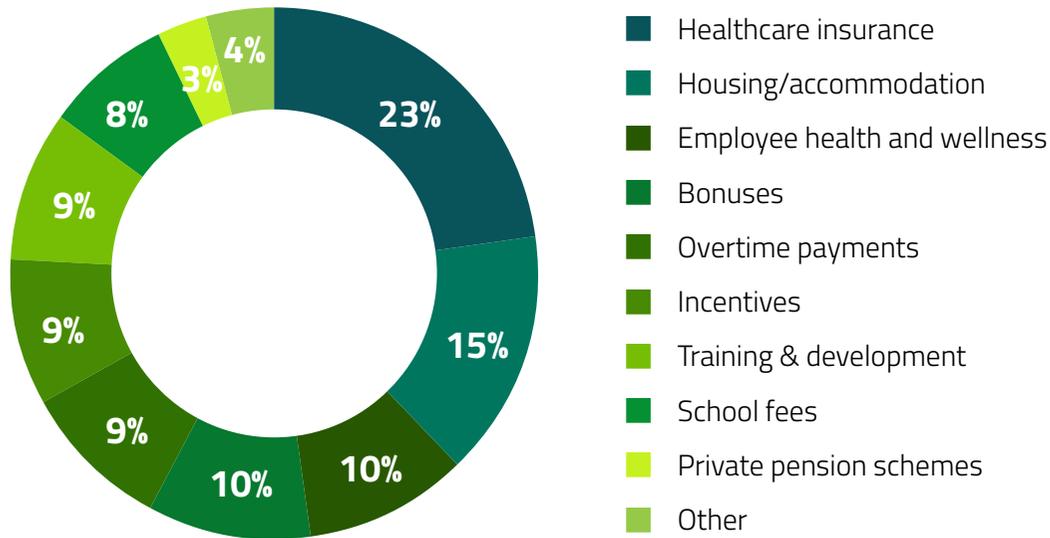
Health insurance has been at the top of the list for rising employment costs for some time, and this year was no exception. But the **57.3%** of respondents identifying it as a top-three rising cost actually represents a fall in health insurance's share, down from **64% in 2019** and **68.6% in 2018**.

After these two significant cost bases, our respondents were much more evenly split on the rest, with six different elements all **identified between 21% and 25% of respondents**. Given the departure of significant numbers of expatriate workers from GCC states in 2020 – S&P Global estimates **the population of the six GCC countries fell around 4% in 2020** – and the subsequent fall in accommodation prices, it is not unexpected to see this shift, which may last several years.

However, it remains to be seen whether a broader range of rising costs carries its own challenges for organisations. And given the ongoing concerns around COVID-19, **it seems unlikely that health insurance costs will fall in the short to medium term.**



What are the top areas in your total reward spend that are becoming more costly?



A survey by health insurance firm Aetna of workers and organisations in the UAE, published in January 2021, found **63% of companies are considering the provision of counselling to employees**, and more than three-quarters are either already providing or considering gym memberships and nutrition advice. Aetna's survey also suggests employees are pushing for better wellness benefits, with **76% asking for more comprehensive healthcare coverage** following the pandemic.

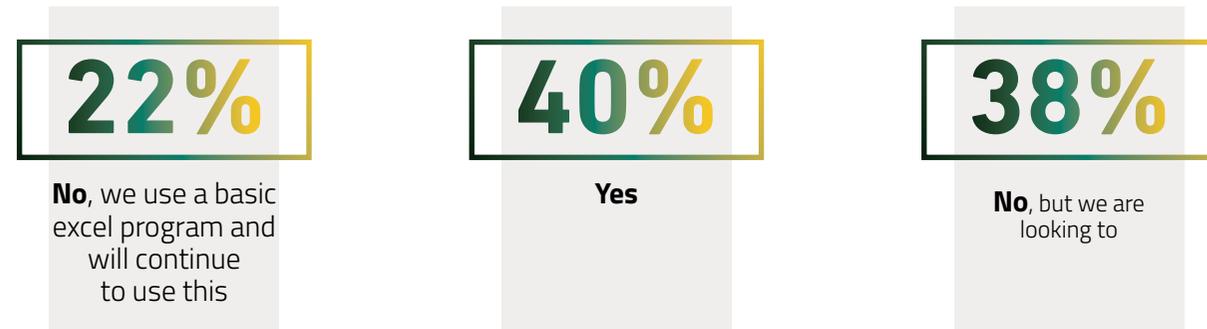
One interesting point is the growth in respondents identifying employee health and wellness as a growing cost centre. While some of this is likely to be costs associated with pandemic response measures, it may also indicate an increasing focus on employee wellness, **beyond providing health insurance.**

The end of Excel?

This year's survey shows a clear shift away from the **use of Excel for C&B data capture and analysis** – or at least, an increasing desire to move away from Excel. Just **22.2%** of respondents say their organisations are sticking with Excel, **down from 31.9% in 2019**, while **37.8%** say they are **planning to move to a dedicated software system**.

Our **non-Excel-using** respondents reported deployment of a wide range of systems, with **Oracle, SAP, Microsoft** and **Salesforce** among the most frequently cited. But the **general move away from Excel** is an encouraging sign that regional organisations are becoming more serious in reshaping their approach to C&B – and while we're never likely to see a **complete removal of Microsoft's ubiquitous spreadsheet program**, the shift away from it is undeniable.

Have you invested in technology for data capture and analysis?



The changing nature of work

Before COVID-19, the main centres of uncertainty were the short-term impact of recently-implemented VAT regimes in GCC countries, and the longer-term changes being driven by artificial intelligence and automation.

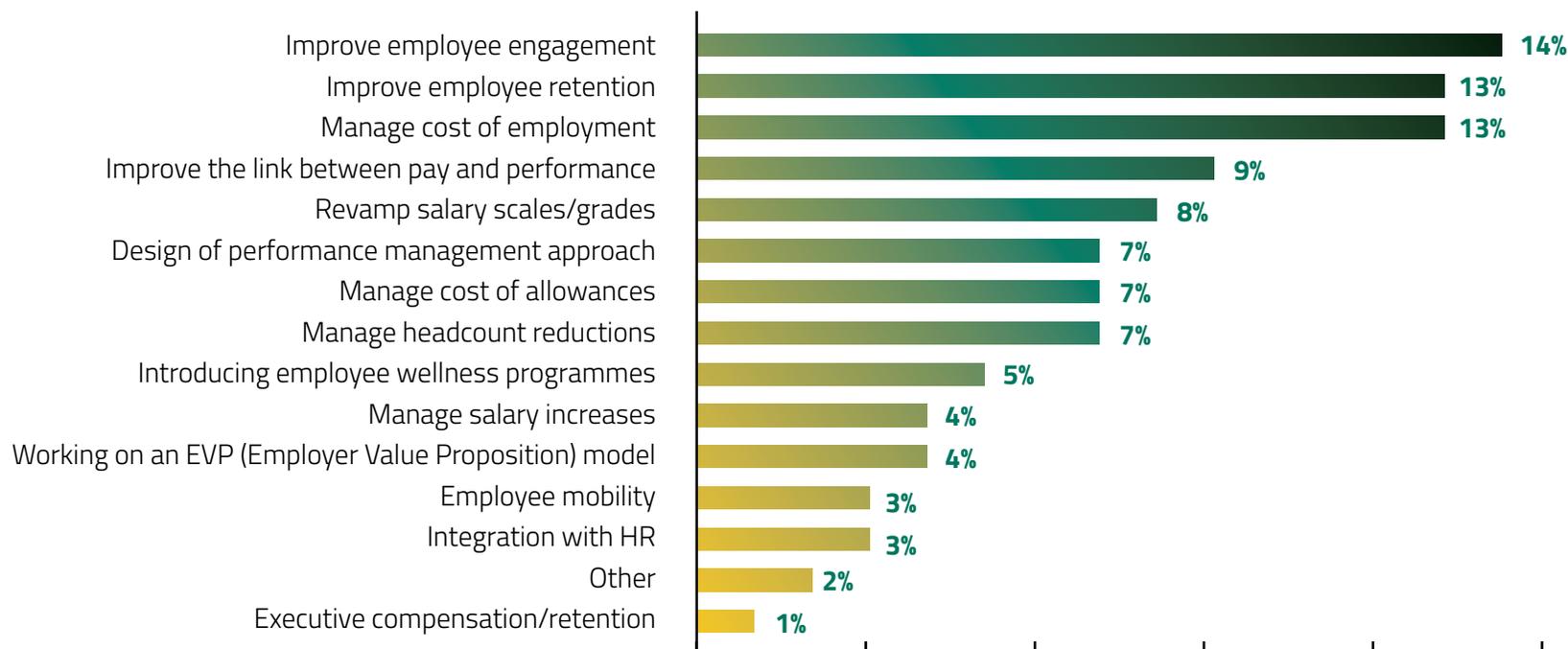
While the adjustments required in response to the pandemic have made the impact of VAT comparatively insignificant, at least for now, the wider issues have not gone away. Indeed, the enforced use of remote or flexible working for many organisations has given them an opportunity to evaluate often radically different ways of working from those they have been familiar with.

For now, the risks and opportunities of these shifts remain in the future – the most immediate impact of the pandemic on compensation and benefits strategy is, as with other areas, a rebalancing. Whereas 2019's survey saw **45.4% of respondents identify improving employee engagement as a top-three priority**, and **43.8% chose improving employee retention**, the 2021 survey has seen these shift to **38.9% and 34.6% respectively**.

While the order of priorities is broadly the same as in 2019, our respondents have given a wider range of responses, suggesting that other areas requiring attention have perhaps come to light – unsurprising after a stress-test such as a global pandemic.

Whereas 2019's survey saw **45.4% of respondents identify improving employee engagement as a top-three priority**, and **43.8% chose improving employee retention**, the 2021 survey has seen these shift to **38.9% and 34.6% respectively**.

What are the top areas of focus for your compensation and benefits strategy for 2021?



A striking and potentially encouraging aspect of the “new normal” working environment is that there is no one single issue which dominates these responses. This strongly suggests that while organisations have found themselves under pressure, they have been able to cope – and can hopefully use the unasked-for opportunities of COVID-19 to reshape their workplaces and remuneration strategies to better fit the realities of the 2020s.

Conclusion

The final question in this year's survey was an open-ended one: **"I would be in compensation and benefits heaven, if I could..."** Among the more specific responses, a clear trend emerged around a desire for better systems, better data, and more granularity:

"Have dynamic market data integrated with employee/position-specific data with analytics."

"Tailor the C&B needs to each employee **without much fuss and with little investment.**"

"Have an HR [department] which understands the value of **clean and up to date data.**"

The 2021 C&B survey reveals a striking picture: regional organisations which have been through one of the most testing times in modern history, and which have come out the other side with a new set of priorities. Given the dramatic levels

of economic uncertainty in the world today, the falling level of concern at economic fluctuations from our respondents compared to previous years is significant.

Instead, we can see a desire to look inwards to tackle issues within organisations, embrace new technology and new ways of working, and overhauling how employees are rewarded.

But C&B does not exist in a vacuum. **Another response to the final survey question reads:**

HR can only perform as part of an organisation as a whole, and while it is encouraging to see growth and change in organisations' approach to compensation and benefits, this response is a salient reminder that change needs to happen throughout an organisation – particularly within its leadership. Part of this change rests with the ability of HR leaders to communicate the challenges they are facing effectively – and we hope this survey can play some part in that.

"Get every senior leader to trust market data, and for them to understand **pay isn't the only reason people leave jobs.**"

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The HR Observer

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The blog features articles, insights, and analyses from HR experts in the Middle East with topics ranging from leadership development to compensation and benefits.

It is the first blog of its kind to launch in the Middle East.

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