

## New era for employee benefits

The roll-out of DEWS, a workplace savings scheme for expatriates in the DIFC, signifies the dawn of a new era for end-of-service gratuity in the UAE, says **Zurich Workplace Solutions** senior executive officer **Reena Vivek**.

By **Zuhara Yusoff**



Some 49% of expatriate employees in the GCC are unable to save more than 5% of their monthly income and only 16% see retirement planning as a key priority, according to research by Insight Discovery. For many expatriate employees in the region, the end-of-service gratuity is an important part of their total compensation package.

However, local companies are still lagging behind their global counterparts when it comes to workplace savings plans, with about 75% of companies not setting aside specific assets to cover end-of-service benefits (EoSB), according to the latest study by Zurich in the Middle East. A similar percentage pay such benefits out of their operating cashflow, putting undue pressure on their financials. Of the minority that are setting aside specific assets for EoSB payments, only 32% had assets that would cover at least three quarters of their liabilities.

“Typically, there is a lack of awareness of and priority given to EoSB-related issues especially among smaller organisations,” said Ms Vivek. “Companies are not required by law to accrue for the liability and are not aware of the risks that are associated with money not being ring-fenced for this specific purpose. There is a lack of understanding of how these funds need to be set aside, how the liabilities need to be managed, and how much money needs to be accrued.”

### A new dawn in employee benefits

The DIFC’s new workplace savings scheme – scheduled to go live on 1 February – aims to address these issues and bridge the savings gap in the market. With the new scheme, there will be greater disclosure about the size of EoSB liabilities and an increase in employee education about the benefits of workplace savings.

Zurich in the Middle East, through its newly set up subsidiary Zurich Workplace Solutions based in the DIFC, has been selected as the administrator of the scheme – known as DIFC Employee Workplace Savings (DEWS). It will provide support to some 1,300 employers and their 20,000 employees in the DIFC who are eligible for this plan.

The roll-out of the scheme represents a milestone for the UAE and the wider GCC region in overhauling the existing gratuity system for expatriate employees. The new scheme

is based on a funded and professionally managed, defined contribution model with a voluntary savings component. The plan is designed to align such benefits with global standards.

“The DIFC has looked at best practices globally and consequently created something that is fit for purpose for the local market,” said Ms Vivek, adding that there is no one-size-fits-all model.

“Each market has its own unique features. There are other regulations in terms of the movement of expatriates and how they work with employers that have influenced the set-up of the DEWS plan. Some of the models in the West are designed more as a pension solution, where the money would go to the employee when they reach a certain age. However, in the UAE, given the expatriate nature of the workforce, the DIFC has decided that it should be a savings solution, which means the employee is able to withdraw the money when they leave the employer.”

### Long-term view

The UAE government and regulatory authorities started pushing for reform of the gratuity scheme in 2016 as part of a broader package of reforms involving various initiatives to boost economic competitiveness across multiple sectors and make it easier to do business locally. The government recognises that EoSB is an important tool to attract and retain the right people and companies must properly integrate EoSB into the remuneration of their employees.

There will be potential offshoots of this scheme for the wider insurance market, said Ms Vivek. “As people develop the discipline around regular savings and savings in general, there is an opportunity for insurers to start focusing on protection needs, longer-term savings and other complex products which suit a higher profile of individuals. We will be building that general knowledge around savings and investment, which can then be leveraged to educate people about the importance of protection and planning for their financial future.”

She added, “For employers, they get to understand the importance of savings towards employee benefits. There is an opportunity for them to start looking at offering corporate risk solutions to employees and this is an opportunity for group risk providers.”