



The Superannuation collates all the important news, analysis and trends related to the End of Service Benefits across GCC region.

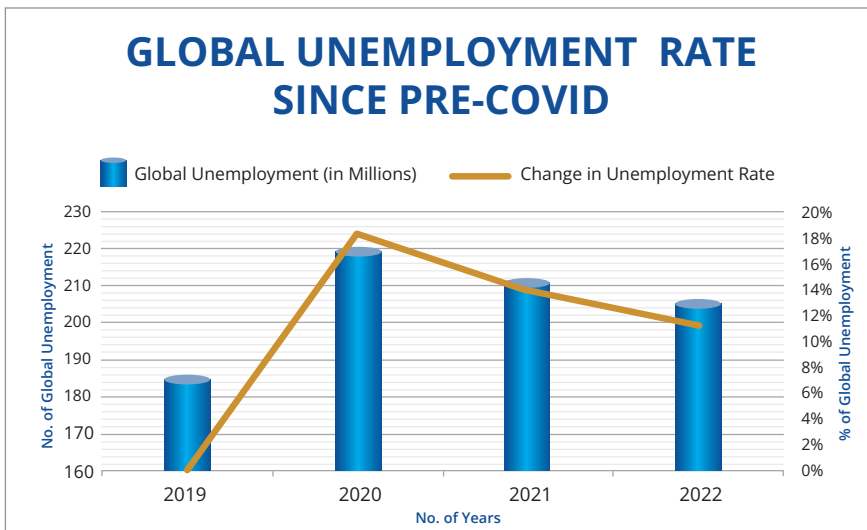
This newsletter covers an analysis, based salary increment to give an overview of liability if we alter salary increments. Also, it covers the latest news regarding employee benefits in GCC region.

Currently we are performing actuarial valuation for more than 150 companies in the GCC region and few companies in Pakistan.

GLOBAL UNEMPLOYMENT - PRE COVID LEVEL TILL 2022

As per the International Labor Organization, the Global unemployment is expected to be 207 million, almost 21 million more than 2019, the pre-covid period, as indicated in Fig 1.1. However, comparing to the global unemployment in 2021, which is 212 million, it has decrease by 5 million.

Fig 1.1



Special points of interest

- Salary Analysis
- News Regarding Employee Benefits
- FAQs

The change in the global unemployment do have an impact on the Present Value of Defined benefit Obligation.

As there would be lower number of employees working, the valuation performed will be based on those

employees working, thus resulting in a decrease in the closing liability calculated.

As the graph indicates steep unemployment level increase from the year 2019 to 2020 but then betterment in the economy

leads to a gradual decrease in the unemployment rate. Economic growth in the country leads to high working ratio in the economy leading to more obligation hold by the company.

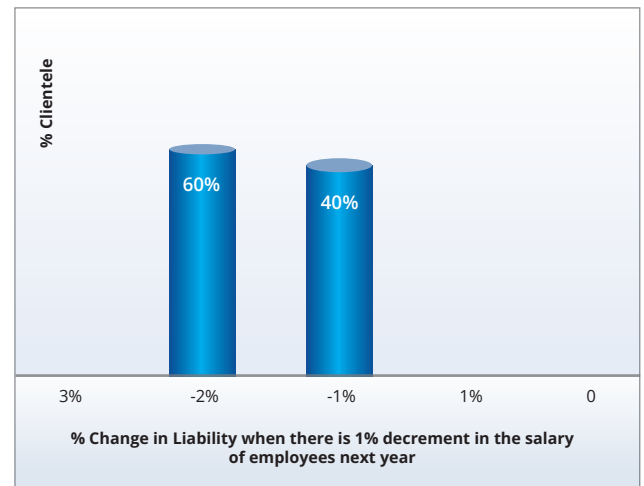
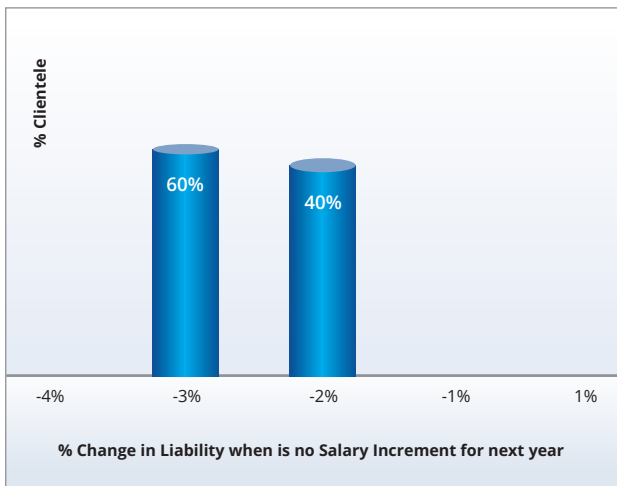
ANALYSIS ON SALARY INCREMENTS

As per Hays GCC Salary & Employment Report "Of those employers that took part in our survey, 73% anticipate salaries in their organization to increase in 2022, 26% expect salaries to remain the same as 2021 and 1% expect a decrease. From our own experiences, salaries certainly have increased year-on-year and are set to continue on this trajectory for 2022, with a proportionally higher number of salaries rises likely to take place this year than in the past 3 years. Again, the most common increase is likely to be an uplift of up to 5% "

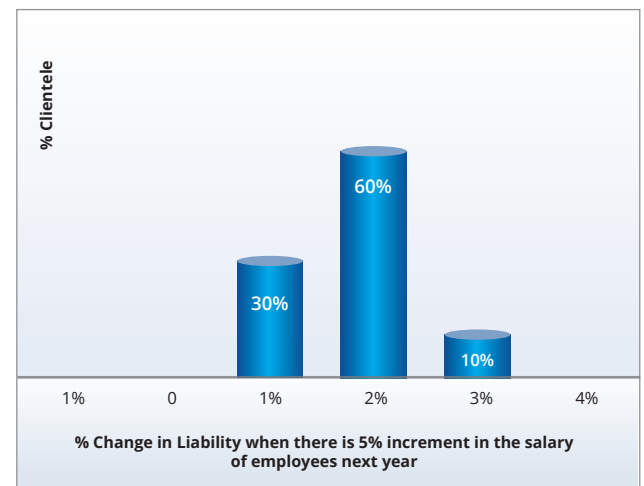
Badri have amended the salary increment on few company's data to see the impact on various businesses.

Some companies have survived the coronavirus and to be stable they kept low or no increments, some suffered badly and gave decrements of salary to employees to be stable in the pandemic. On contrary, some had no impact due to covid and had normal business routine.

The below table shows the movement of Liability when changing the salary increments.



As per our analysis, when there is an increment in salary by 5%, 60% of the randomly selected companies have a same trend of an increase in the liability by 2%. 30% of those companies have the trend of increase in liability by 1%. The remaining 10% of the companies have a trend of an increase in liability by 3%. When there is no increment in salary, 60% of those companies have a decrease in liability by 2% and 40% of the companies have a decrease in liability by 1%. With a salary decrement by 1%, 60% of the companies have a decrease in liability by 3% and the remaining 40% of the companies have a decrease in liability by 2%



NEWS REGARDING EMPLOYEE BENEFITS

Oman: Ministry of Labor amends end of service benefits for expats

The Omani Ministry of Labor has revised the terms for entitlement to end-of-service benefits for non-Omanis working for authority offices with permanent work contracts. It is applicable to the new employees who have not served 10 years of service. The end of service award is defined at the rate of one month's salary for each year of service, with an upper limit of maximum ten months for grades up to six and for grades above the ceiling is fixed at twelve months. The above is again subject to the amount not higher than OMR 12,000. Least service term for qualifying for this benefit has also been amended as five years. An exclusion to this rule is made for the employees who have terminated, or whose service has stopped due to death or due to any inability to work.

Expat employees are also not entitled to receive the end of service benefits if he is punished with dismissal or terminated from service, for a court ruling issued on crime involving breach of honor or trust.

New UAE labour law: How to calculate gratuity if you're leaving your job after Feb 2, 2022

Under the new law, contracts are to be renewed for a maximum of three years.

With the new labor law effective from February 2, 2022 the old gratuity calculation scheme shall apply to private sector employees under unlimited contracts until their contracts are renewed to limited within the coming year. Article 68 of the new labor law instructs that the law enforcement grants employers one year to change employment contracts from unlimited to limited. Until then, employees under unlimited contracts will have their end of service gratuity calculated per the scheme mentioned in the old Labor Law No. 8 of 1980. The provisions of the new labor law shall apply to their renewed limited contracts moving forward. Like the old law, Article 51 of the new labor law stipulates that an employee who has completed one year or more of continuous service is entitled to end of service gratuity of 21 calendar days' basic pay for each year of the first five years of service; and 30 calendar days' basic pay for each subsequent year of service, provided that the entire total remuneration does not exceed two years pay. The new labor law shall apply to all existing labor contracts entered under the existing law. Therefore, the employer can calculate the gratuity in accordance with the old law, and subsequently following the new provisions," said Tawfik.

The removal of unlimited contracts from the UAE's workplace is aimed at simplifying and unifying end of service benefits and other entitlements irrespective of the type of employment contract and whether employees left an employer upon resignation or termination. Under the new labor law, contracts are to be renewed for a maximum of three years.

UAE looks to attract expats with new labor laws

The significant changes include employees no longer having to exit the country upon losing their job, as well as more generous maternity leave. The New Labor Law, replaces the Old Labor Law, will impact roughly 1.5 million Pakistanis that work in the region and who send back millions of dollars in remittances back to their home country every month. The laws make allowances for "new types of work" including part-time, temporary, and flexible work. The new legislation also puts emphasis on equality and non-discrimination on grounds of race, color, sex, religion, nation origin, ethnic origin and disability. The New Labor Law will apply to all companies and employees in the private sector in the UAE, including its free zones, save for the Dubai International Financial Centre and the Abu Dhabi Global Market, which have their own employment laws.

Employees will now also get five days' leave in the event of the death of a spouse: and three days in the event of the death of their mother, father, and other close relatives. They will benefit from an approximate 35% to 40% increase in their end-of-service gratuity. There are many more amendments made in the labor law for the favor of employees.

'Will I receive end-of-service benefits if I quit my limited contract early?' (UAE)

When someone breaks the terms of a limited contract by resigning before it is completed, they are liable to pay a penalty to the employer.

A notice period is still part of the employment period and employees are expected to work during this time in accordance with the contract terms. There are situations in which an employer does not want an employee to work but that is a management decision, and they must still pay the worker's salary in full.

Only an employer can agree to a shorter notice period, while there is also no entitlement to take annual leave during this time. The final salary should include payment in lieu of any days of annual leave that have been accrued but not taken.

FREQUENTLY ASKED QUESTIONS!

What is Actuarial (Gains) & Losses

This item reflects the extent to which the movements of the liabilities over the accounting year have not been as assumed at the previous accounting date, and the effect on the liabilities of changes to the assumptions used to value them.

The components of the actuarial (gain)/loss on liabilities are:

- the effect of the change in assumptions used to value the liabilities compared to the previous year, plus
- an other experience item.

Actuarial gains & losses due to change in Assumptions

There is a requirement to split the change of assumptions into those of a financial nature (discount rate, assumed future inflation growth etc.) and those of a demographic nature (future mortality rates etc.).

Actuarial gains & losses due to Experience Adjustment

An experience item emerges as the difference between the actual experience of the members of the Fund, and the experience that had been assumed for them in the previous accounting reports.

Does IAS 19 propose to recognize all (gains) and losses immediately and put all changes through profit or loss?

All (gains) and losses are recognized immediately in other comprehensive income and therefore both the corridor method of recognizing actuarial gains and losses and the policy choice of recognizing them immediately in profit and loss is abolished.

What is Past Service Cost?

Past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan).

Why Past Service Cost arise? When & how to recognize it?

An entity shall recognize past service cost as an expense at the earlier of the following dates: (a) when the plan amendment or curtailment occurs; and (b) when the entity recognizes related restructuring costs (see IAS 37) or termination benefits

A plan amendment occurs when an entity introduces, or withdraws, a defined benefit plan or changes the benefits payable under an existing defined benefit plan.

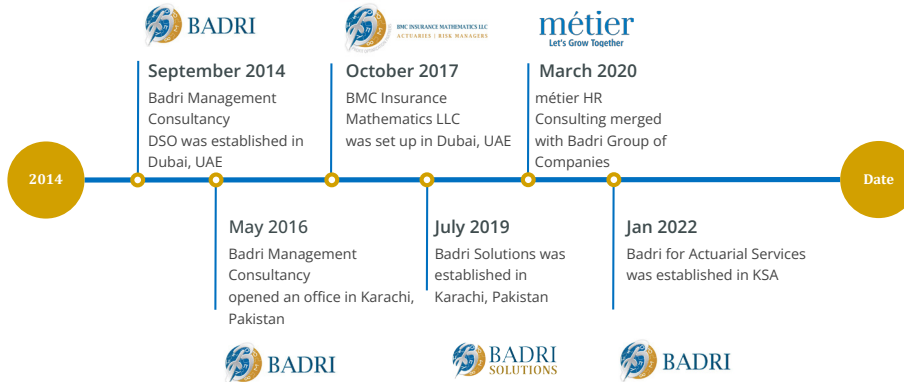
A curtailment occurs when an entity significantly reduces the number of employees covered by a plan.

A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases).

Where an entity reduces benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees, the entity treats the change as a single net change



BADRI GROUPOF COMPANIES - TIMELINE



ABOUT US!

BADRI has taken a predominant position and has grown to be one of the rapidly growing actuarial firms of the MENA region. This fast geographic and business market expansion could not have been possible without our distinct service solutions, our valued customers, and our dedicated employees.

BADRI has always fostered strategic alliances that could aid in raising the bar in the MENA insurance industry. Our diverse service segmentation includes General, Life & Health Insurance / Takaful where we are providing customized solutions by using the latest analytical tools. We also provide ERM, Capital Modelling, BIG DATA Analytics, Compliance & Audit and Financial Services to add significant value towards our clients' businesses.

REFERENCES

- <https://www.arabianbusiness.com/banking-finance/464981-new-giant-saudi-pension-fund-ready-to-rival-worlds-largest-investors>
- <https://www.dawn.com/news/1636990>
- <https://www.willistowerswatson.com/en-GB/Insights/2021/04/uae-amendments-to-the-difc-employee-workplace-savings-plan-in-dubai>
- <https://www.hays.ae/salary-and-employment-report>
- <https://www.thenationalnews.com/business/economy/2022/01/17/global-unemployment-expected-to-remain-above-pre-covid-levels-until-2023-ilo-says/>

SERVICES

End of Service Benefits



Calculation of Actuarial Liability



Presentation to company on their current end of service liability position and future projections



Disclosure as per IAS-19



Assistance in posting Accounting entries in EOS Benefits



Industry analysis of trend in EOS



Support in calculation of indemnity amounts for employee leaving service



Incentive Plan Design



Evaluation of EOS Package

MEET THE TEAM



Hatim Maskawala



Ali Bhuriwala



Faria Ayesha



Batool Tinwala



Waqas Owais



Hassan Salim

GET IN TOUCH WITH US!

Phone: +971-4-3207-250

Fax: +971-4-3207-260

Email: info@badriconsultancy.com

<https://www.linkedin.com/company/badri-management-consultancy/>

www.badriconsultancy.com

2107 SIT Towers, PO Box 341486, Dubai Silicon Oasis, Dubai, UAE