PwC Legal Middle East

Employment Incentives Series: Part one - what and why?

In the race to recruit and retain talent, it is more apparent than ever before that employers need to be creative in how they incentivise employees. This is particularly relevant in highly competitive industries where firms offer ever-increasing salaries and employee benefits.

Employee incentive plans (EIPs), both long and short term, are a useful tool for employers to reward employees and help make them feel recognised in the workplace. In our first of four blog articles in this series, we will introduce the concept of EIPs and also explain the benefits they can bring to employers.

What are EIPs?

As set out, EIPs are a mechanism through which employees can receive ‘incentives’ in return for their continued employment and contribution to their employer. EIPs are generally split into two categories in respect of the type of incentives that can be granted to employees - shares or cash.

Share plans can be used to grant employees a number of shares in their employer’s company subject to meeting a predetermined set of criteria (typically, based on either tenure and/or performance metrics). ‘Long-term incentive plans’ are a particularly popular form of benefit - please note that we will be covering share plans in greater detail within part three of this series.

Alternatively, employers can decide to award cash bonuses to their employees instead of equity within their business. This can be a fixed amount decided by the employer in advance or, as with share plans, an amount based on employee tenure and/or performance. Watch out for our blog covering cash plans in greater detail in part four of this series.

Why use EIPs?

Most importantly, EIPs help reward employees beyond their monthly salary. Granting equity can be a powerful tool to help employees feel ‘part of the family’ and therefore be more invested in helping improve company performance. Whether shares or cash, EIPs ultimately help build employee loyalty towards their employer and increase overall job satisfaction. This is key to retaining staff and helping prevent resignations by individuals who feel undervalued and unrecognised. From a cash flow perspective, EIPs have an added benefit of imposing a minimal impact on the liquidity of the company as the actual grant of shares and/or cash occurs a number of years after the plan is implemented. This is a key advantage for startups, which may not have the same level of liquidity as more established businesses. So, is an EIP right for your organisation? If yes, we can explore your next steps in part two of the Employment Incentive Series.

PwC Legal is the first Big Four fully integrated law firm within the Middle East, bringing expertise from both our Corporate and Employment teams to help you design and implement the most suitable EIP for your employees. Please contact Darren Harris, PwC Legal Middle East Legal Leader (darren.harris@pwc.com) and/or Natalie Jones, Middle East Employment & Reward Leader (natalie.j.jones@pwc.com) to discuss how we can add further value to your employee reward proposition.

PwC Legal Middle East

Contact us for further information

Darren Harris

PwC Legal Middle East | Partner
Legal Leader | Head of Corporate
Mobile: +971 (0) 56 418 9768
Email: darren.harris@pwc.com

Natalie Jones

Director | Employment & Reward
PwC Legal Middle East
Mobile: +971 (0) 5
Email: natalie.jones@pwc.com

Paul Kirk

Senior Associate
PwC Legal Middle East
Mobile: +971 (0) 56 406 3410
Email: paul.k.kirk@pwc.com