

## **Our Current Concepts of Retirement and Employee Benefits are Under Fire.**

**The 2017 edition of *Benefits Barometer* highlights the issues and poses the answers**

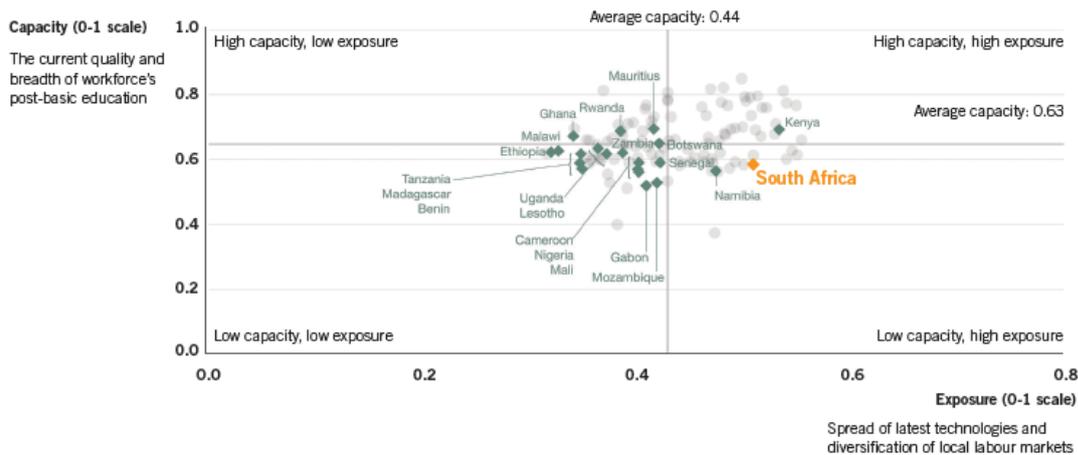
This year marks the fifth edition of Alexander Forbes' thought leadership publication, *Benefits Barometer*. Each year we seem to travel that little bit further away from our starting topic – pension funds. But because of the unique challenges that South Africa faces, the journey is a necessary one. Today we stand at a sort of crossroads. Pension reform has hit a wall of resistance. Unions and workers raise valid issues around whether it's feasible to mandate such issues as preservation or annuitisation if we haven't created an effective social security net for individuals. But it's more than that. How do we expect to facilitate asset ownership and social mobility for several generations of South Africans who have been denied such access if savings can only be really applied to retirement, income protection and medical aid?

In last year's *Benefits Barometer* we raised the fairly provocative question of whether compulsory savings might be more palatable to employees if they could apply it not just to retirement savings, but to achieving such critical building blocks for social mobility as housing and education, or such family stabilisers as an emergency savings fund. We went into great detail about the Singapore model as an example of a state-sponsored savings fund whose design was specifically targeted at ensuring that employees were able to both meet their basic living needs and develop financial capability skills.

This year, *Benefits Barometer 2017* raised a new challenge that should give us even further pause for thought about the future of pension funds, or, more specifically, employee benefits.

Whether we like it or not, the South African workplace will be directly (and indirectly) influenced by the disruptions that are occurring as a result of the Fourth Industrial Revolution. This is the next phase of technological development that is currently introducing such challenges as automation and robotics, artificial intelligence, machine learning and the type of biotechnological advances that will be increasing the longevity of our work lives. As the graph below from the World Economic Forum highlights, South Africa is in a particularly unenviable position when compared to other African nations. Because we are a relatively evolved economy, we are likely to have one of the highest exposure to these global technological trends. But because of our second-to-last position on the continent in terms the quality of our education and the level of our unemployment, South Africa is poorly positioned to meet these global challenges. The World Economic Forum has estimated, for example, that as many as 77% of our current jobs stand to be impacted by these changes. A critical question will be, how ready will our workplaces be for such destabilising influences?

Figure 7: Africa's capacity to adapt and exposure to the future of jobs



It's not just the issue of job skills required for this future world of work that will be problematic. Concepts such as the rise of the gig economy (where employees elect to hold multiple jobs or jump from one job to the next), the emergence of the sharing/collaborative economy (where the whole value chain of production is likely to be disrupted) and the emerging reality that workers are still highly productive long after they have reached their mandated retirement dates, all point to a world where "retirement benefits" and "employer/employee relations" will need to be completely reconceptualised.

This is the detailed discussion that *Benefits Barometer* takes the reader through. At first consideration, this discussion might seem better suited to C-Suite executives, or to HR departments. But in truth, the real *agents of change* are likely to be trustees of pension funds or management committee members. They will be the receiving end of employee disengagement with their employee benefits or their pension funds. As the ambit of responsibility for trustees increasingly extends to meeting the needs of members, it will become increasingly apparent that employers can do so much more for employees than what is currently on offer in the form of retirement savings, risk coverage and medical benefits. Indeed, a more carefully conceptualised employee benefit programme can make a significant impact on helping employees achieve real financial security and viability – something that should be of particular interest to employers.

And therein is the message: Exactly why do we have "employee benefits"? Is it really for the benefit of employees (who tend to consider retirement savings, risk benefits, and medical aid schemes as grudge purchases) or perhaps it's more for the benefit of policymakers, who see these benefits as proving the key to keeping employees from becoming a ward of the state?

We believe that in this dramatically changing world of work, there is so much more that can be done under the ambit of "employee benefits" that actually speaks to what matters most to both employees and employers. What's needed is a framework that addresses the issues of effective financial decision-making not just in retirement, but throughout an individual's lifetime financial journey. Help members solve for the travails of that journey, and this in turn helps sort out the issues around retirement, income protection and health.

To facilitate this change in the structure of employee benefits, *Benefits Barometer 2017* sets out the basic building blocks that trustees or management committee members could begin engaging with:

1. The first is for trustees and employers to start employing HR data more effectively. What more can we learn about the needs of employees and the challenges they would like to see addressed?
2. The second building block is derived from this data analysis: How could the employer structure a customisable employee benefits platform that creates no additional cost to the employer, but more clearly targets what matters most to the member? Shouldn't a customisable benefits platform help members with such issues as:
  - a. Access to low cost savings vehicles to solve for both short term problems (emergency savings, school funding, vehicle financing) and longer term acquisition targets: housing, post-retirement frail care health needs.
  - b. An advice framework around housing: rent/build or buy
  - c. Financial well-being and coaching programme to target debt and aspirational needs
  - d. Health and Wellness benefits with on-site programmes
  - e. Second life benefits that help individuals re-skill themselves or launch their second or third careers.
  - f. Education programmes – both from a funding perspective and from an on-site early childhood development perspective.
  - g. Cost effective Family and personal protections
  - h. And finally HR policies to address such issues as multi-month compassionate care leave, bereavement leave, parenting leave, and flexible work schedules.
3. The third building block is a financial coaching programme (after all – employees will need help in determining which of these benefit options will give their families the greatest bang for buck).
4. The final building block is a completely new skills development platform that completely changes the way members can learn, not just about their benefits, or financial well-being, or their specific job, - but the implications here is to help them significantly evolve their personal skill set, to ensure that their own human capital development is on a continuous upward trajectory.

Taken altogether, we emphatically feel that this array of building blocks will ready the South African world of work for the challenges of the Fourth Industrial Revolution in ways that the current model of employee benefits could never possibly achieve. It's in our hands, now, to consider how we could use this rapidly changing world to rebalance opportunities and outcomes across our diverse population.

To find out more about what Benefits Barometer 2017 is saying please check out the full content of the book on <https://www.alexanderforbes.co.za/research/benefits-barometer>