

Personal Finance 11/8/2018

AF BENEFITS BAROMETER

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The financial services industry, private-sector employers and the government need to work together to help South Africa attain a state of well-being.

This is the theme of the Alexander Forbes Benefits Barometer 2018, which was released last week.

The Benefits Barometer, which is in its 6th year, has traditionally been concerned with employee benefits – benefits that most employers provide for their staff above remuneration, such as a pension fund, group risk cover and medical scheme cover. But this year's publication goes well beyond that. It provides a practical vision of a way forward for South Africa – to close the inequality gap, get the economy working again, and reach a state of well-being.

Anne Cabot-Alletzhauser, who heads the Alexander Forbes Research Institute and is responsible for the Benefits Barometer, says her staff grappled with what constitutes financial well-being and how could it be better secured for South Africans. She says a paper, *Social stratification, life chances and vulnerability to poverty in South Africa*, by Simone Schotte, Rocco Zizzamia and Murray Leibbrandt of the University of Cape Town, caught their attention.

The paper acknowledges a link between the middle class and financial stability: "Being middle-class entails being free from poverty, which means being able to afford the basic things in life – not only today, but also tomorrow. It is actually this very confidence that many people will name first when being asked what makes them identify as middle class. It is about the freedom they have to decide what to spend their money on, and the stability needed to engage in mid- and long-term planning. It is also about the opportunities they are given to move ahead in life ... and about the financial cushion that allows them to take risks and to cope with adverse shocks."

The crux of the problem, the authors of the paper say, is that for the average South African this type of financial stability is still highly fluid.

Cabot-Alletzhauser says: "Evidence from psychological and health literature has shown that ... it is not only current income or consumption that matter for actual welfare, 'but also the risks a household faces, as well as its (in)ability to prevent, mitigate and cope with these'." The Benefits Barometer, which constitutes a weighty 460 pages, and involves a number of contributors, covers barriers to well-being, a multi-stakeholder approach to overcoming those barriers, well-being in the workplace, and the role of the financial services industry.

Well-being

Exploring this concept in the Benefits Barometer, Ayabonga Cawe, the managing director of Xesibe Holdings, argues that to measure a country's development you need to look beyond the traditional quantitative measures beloved by economists, such as GDP.

He quotes Helliwell, Huang, Wang and Shiplett in the *World Happiness Report 2018*: “If we understand well-being to narrowly involve expanding the production of goods and services and their consumption, we have a different set of priorities and trade-offs from those that derive from a definition of well-being as expanding the freedom people have to make life choices relevant to them.”

Well-being, Cawe argues, is about having freedom of choice, but it’s also “about the well-being of the planet and the importance of accounting for the negative externalities of production and the impact they have on our finite resources”.

There is a means to measure the social aspect of this broader definition of development. The Social Progress Index, Cawe says, “is an aggregate index of basic human needs (nutrition, water and sanitation, safety and shelter), foundations of well-being (access to information and communication technology, basic knowledge, health and wellness, and environmental quality) and opportunity (personal rights, freedom of choice, inclusion and access to advanced education)”.

Barriers to well-being

Cawe says many barriers to well-being and social mobility have their genesis in our country’s polarised and segregated past. Factors such as unequal skills, unequal distribution across territories, and labour mobility interact with “global dynamics” such as low commodity prices, decentralised global value chains and the disruptive influence of technology. “The result is a growing reliance on low-wage employment and social welfare, and ... choices increasingly conditioned by [having an unpredictable income], social exclusion and limited access to the labour market.”

An important feature of the South African economy, says Cawe, “is the concentration of income in the hands of a few, and the implications this has had on barriers to entry in key markets ... as well as the development of small business.”

Multi-stakeholder collaboration

The Benefits Barometer identifies several areas in which the private sector and the government can collaborate in improving the lives of South Africans and providing employment opportunities:

- Development in under-developed areas through targeted investment. Professors Marianne Mathee and Waldo Krugell of North-West University propose the development of “secondary cities, which could become investment drawcards and development hubs”.
- Small-business development. Amanda Khoza, group empowerment executive at Alexander Forbes, says it’s unlikely that the government will meet its National Development Plan goal of 11 million jobs coming from the SMME sector by 2030. Solutions may include distinguishing between different types of small business: some are merely looking to be sustainable, she says, while others need support through the dip of a J-curve before achieving success. SMMEs require access to funding, but also to skills and to markets, she says.
- Long-term care – the ageing problem (see sidebar).
- Impact investing. Cabot-Alletzhauer and Mark Lindheim, chief investment officer at Alexander Forbes, say that the asset management industry is “singularly focused on a shallow pool of listed stocks. The alternative lies in a new generation of asset managers driven by investment in businesses with ... the potential to provide a significantly greater multiplier effect for society.”

Well-being in the workplace

Cabot-Alletzhauer says: “At some level, employers have come to accept that it is in their interest to promote physical, financial and emotional well-being among their employees. The logic is fairly straightforward: keep employees functional and engaged, and this should reduce the kind of payroll wastage caused by employee absenteeism, presenteeism, stress and disengagement.”

The Benefits Barometer identifies the following areas of focus, among others:

- Financial well-being. Shelley van der Westhuizen, head of corporate financial well-being and engagement at Alexander Forbes, says the traditional emphasis by employers and financial services providers on a long-term financial goal such as retirement is unrealistic in the South African context – employees’ short-term needs must also be considered (see graphic). Employees also need access to financial advice at key points in their lives.
- Mental health in the workplace. Depression and stress, often caused by financial problems, have a major impact on productivity.
- Cultural diversity and gender equality.
- Skills development and education through programmes that encourage lifelong learning.

Financial services

Actuary Rob Rusconi of Tres Consulting argues that most financial services companies are failing to contribute meaningfully to South Africa’s well-being (see “Financial sector should be doing more for society”, at www.persfin.co.za, published in Personal Finance, August 4). He says financial product providers can enhance social mobility and individual well-being by providing appropriate products that meet people’s needs and provide value for money. Savings, which enables, and insurance, which protects, should be the areas of focus. Greater emphasis on financial literacy and education is imperative.