

Action points: Social mobility for a well-being economy

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Programme of action

Priority intervention 1.

Identify where better clarity is needed to determine what triggers the movement of South Africans between different bands of income security.

The National Income Dynamics Study (NIDS) was created to provide an analytical framework for theories on social mobility in South Africa.

Action points

- > Given its importance to these discussions, both the public and private sector should consider ways to accelerate this work.
- > We need to keep monitoring which interventions appear to be most effective in stemming the downwards movement to lower bands of income security.

Priority intervention 2.

Determine what kinds of financial products form an appropriate base

Much of the messaging on the role financial products and services play in social mobility, wealth creation and social protection appears to have been lost. We need to get it back if we want to rebuild trust with consumers.

- > Go beyond just putting customers first. Start with a better understanding of where vulnerability to well-being is the greatest and ensure that there is clarity on:
 - > which basic financial products are most needed
 - > why they need to be included
 - > what they need to look like
- > Ensure these products are affordable and easily available to clients at every level.
- > Make the messaging meaningful by explaining the value each product or service contributes to social mobility, wealth creation or any other need prospective customers have.
- > Help people evaluate the trade-offs and prioritise their requirements.
- > Integrate the best aspects of informal and formal financial solutions. Technology offers enormous opportunities here.
- > Keep it all simple, transparent, easy to compare across products and easy to transact.

Priority intervention 3.

Rethinking insurance and social protection

Insurance versus saving: the first mitigates the impact of risk, the second provides the means to mitigate it through self-funding. How well have we done as an industry to help people understand the trade-offs implied by those two dynamics?

Action points

- > South African insurers need to understand better this range of shocks experienced by households by conducting research similar to the Heltberg et al. study².
- > Product providers need to create a decision-making roadmap that helps people know when a proactive and self-funding option is better than an explicit insurance purchase. They need to focus on the cost-benefit trade-offs of these decisions (See *Benefits Barometer 2015*, ['Navigating individual financial well-being'](#)).

- > As a country, we need a greater impetus to focus on short-term emergency savings, either through incentives, nudges or auto-plans. Too many South Africans are one small incident away from disaster.

Priority intervention 4.

Meeting consumer needs more effectively

Formal product providers need to better understand what drives their potential clients to informal markets. Lessons here frequently point to better transparency, simplicity, accessibility and trust. This all suggests creating better product information that closes the knowledge gap between product provider and consumer.

Action points

- > In countries like Singapore, India and the UK, consumer education is the reserve of the government or credible non-governmental organisations, not the private sector. We need to create a stronger government-led consumer education facility in South Africa, funded by the private sector. Currently, consumer education is still too much in the hands of product providers.
- > Financial well-being programmes could help, but need an effective governance framework that guarantees they are independent of product houses.

Priority intervention 5.

Rethinking the role of the employer in facilitating social mobility and social protection

Employers can go so much further in enhancing their employees' social mobility, financial wellbeing and social protection than their current offering of retirement savings, group risk and medical aid schemes allows.

Action points

The four best sources of value employers can add are:

- > economies of scale to keep costs low
- > ease of transaction and access
- > integration with holistic financial well-being programmes that provide lifetime financial planning across all socio-economic groups
- > employee benefits that focus on cost-savings, knowledge transfer, and access to targeted funding solutions

To facilitate this, the action points for employers would be to:

- > understand the link between financial products and social mobility or protection to create a comprehensive, baseline array of services
- > consider how to prioritise these offerings and the links between them (for example, offering emergency savings encourages people to keep their long-term savings strategies intact)
- > capitalise on integrating formal and informal solutions to securing financial well-being in the workplace through offerings such as workplace stokvels, Debtors Anonymous or financial planning clubs
- > use the decision-making framework provided here to determine whether the products and services on offer meet employee needs

Priority intervention 6.

Rethinking the role of technology

Technology can become an important enabler for distribution, behavioural modification and cost reduction. The industry should do more to embrace these opportunities, through partnerships or innovation hubs, rather than simply find better ways to protect existing turf.

Action points

Technology and innovation can also go a long way to helping us:

- > build customer communities
- > embed the learning experience into the product
- > show a contribution to social priorities
- > identify and document customer needs
- > help customers better model the trade-off decisions and cost comparisons
- > let people do what they have always done, just with a greater sense of control, convenience, reliability, security and privacy – in other words, formalise informal savings behaviour
- > reduce the inertia that prevents people from taking appropriate action

References

- 1 Schotte, S, Zizzamia, R & Leibbrandt, M. 2017. *Social stratification, life chances and vulnerability to poverty in South Africa*, Working Paper No. 208, South African Labour and Development Research Unit, University of Cape Town (online).
- 2 Heltberg, R, Oviedo, AM & Talukdar, F. 2013. *What are the Sources of Risk and How do People Cope?* Insights from Household Surveys in 16 Countries (background paper to the World Development Report 2014) (online).

