Crowdsourcing for South Africa's future

Parting shot - or, the beginning of Benefits Barometer All

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The paper had been released just the previous month. It starts by acknowledging a perceived linkage between being part of the middle class and having a degree of financial well-being:

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 which many people will name first when being asked what makes them self-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 midand long-term planning. It is also about the opportunities they are given to move ahead in life, which some people never get, and about the financial cushion that allows them to take risks and to cope with adverse shocks.[2]

But then they move quickly to the crux of the problem: the lived experience of the average South African is that this type of financial stability is still highly fluid. If anything, it is in constant flux, with people embarking on a road to financial well-being and social mobility, then finding the process derailed.

Evidence from psychological and health literature has shown that vulnerability to poverty can reduce the well-being of households, even if a deterioration in material well-being does not materialise.[3] 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'.[4]

In mapping how prevalent this movement is, the authors ask two important questions:

- What factors tend to undermine social mobility?
- Could financial services and products play an important role in both providing social protection and facilitating social mobility?

At first, we thought this would be a fairly straightforward exercise. As the authors themselves suggest, further research was needed. We thought the avenue for investigation was therefore relatively clear. But the more we thought about the problem, the more it evolved into a far more complex set of considerations.

To begin with, sustained financial well-being and stability for individuals and their families can be achieved only in an environment where both economic policymakers and employers believe that achieving well-being is desirable for all stakeholders. There needs to be a shared vision that this would add both economic and social value to all three layers of our society: the broader economy, the workplace, and individuals and their families.

Until this edition of *Benefits Barometer* we had been looking narrowly at issues of 'employee benefits'. We had argued that it was in the state's, employer's and employee's interests if 'employee benefits' could be deployed to address the physical, emotional and financial well-being of the employee and their family.

If we could solve for basic individual and family well-being first, this would underpin economic growth.

In many ways, this suggested that evolving benefits into highly individualised portable solutions might be the best possible answer to addressing the incredible variability in personal agendas that exist in South Africa. But, as we argued in the previous chapter, it became increasingly apparent that such a narrow focus ignored the far greater issues at the root of the country's economic growth conundrum.

As Francis Fukuyama points out in his powerful economic study, Trust: The Social Virtues and the Creation of Prosperity, where neoclassical economics got it wrong was by insisting people come together only to satisfy their selfish needs before retreating back to their 'real' social lives. As he argues, 'the economy constitutes one of the most fundamental and dynamic arenas of human sociability'.[5]

We needed to first get a better handle on those social dynamics.

Turning the problem on its head: the role of social capital and trust

We realised that a better approach was to turn the problem on its head. We needed to start at the top and argue that until we, as a country, could develop a stronger reserve of social capital and trust between all parties to our economic success, economic development and growth would not be forthcoming.

We needed to move beyond the myriad historical barriers – economic, social and political – that have kept us from taking our rightful place on the global economic stage. We needed to identify exactly how South Africa could start to build the trust required between **all** economic players before any individual, group, family, corporate, employer, labour or political interest would benefit.

As Fukuyama argues: ‘If the institutions of democracy and capitalism are to work properly, they must coexist with certain pre-modern cultural habits to ensure their proper functioning […] Law, contract and economic rationality must be leavened with reciprocity, moral obligation, duty toward community, and trust which are based in habit rather than rational calculation.’[6]

The problem for South Africa, which ranked 8th in the world in Fearon’s global comparison of ethnic and cultural diversity (The Netherlands, by comparison, ranks 151st)[7],is, how does one identify those defining cultural habits that represent our collective vision? The power of the multistakeholder collaboration exercise that we recommend so emphatically here is that it will play a critical role in allowing us to move more effectively to that unified voice.

In piecing together the storyboard for Benefits Barometer 2018: Creating the well-being economy, we realised that what we had in effect set out here was a framework for creating this measure of social capital and trust for all stakeholders in the South African economy. This meant our research could now evolve into: **BENEFITS^ALL BAROMETER**.

'A multistakeholder approach' provided several excellent examples of just how those high-multiplier multistakeholder collaborations could work:

- We showed how we could create a much richer discourse around second-tier city development by expanding the model to explore broader social dynamics .
- We showcased a solution where employers, employees, SMMEs and municipalities could collaborate to solve for that bane of all our workday worlds: transportation costs, congestion and reliability.
- We tackled the question of how to create much needed long-term-care solutions for elderly people by using investment savings targeted at retirement benefits.
- We highlighted how we could transform the world of asset management in terms of both the ends that it serves and how its business models could better align with the needs of South Africans.

Every aspect of *Benefits Barometer 2018:* Creating the well-being economy is peppered with additional examples of the multiplier effects that can be achieved through collaborative engagements.

All that said, though, we are left with the realisation that our work here is only just beginning. In effect, we had laid down some floorboards here and there, but there were any number of gaping holes that needed further consideration before the foundation would be properly set.

And this is what led us to the recognition that we needed to recast Benefits Barometer to be something far more dynamic than an annual publication.

What followed in the course of our work was a mushrooming of discussions and debates on the following questions:

Recasting the role of Benefits Barometer: crowdsourcing for South Africa's future

When I was at university, I had the honour of being one of Joseph Campbell's last students. Campbell was a pre-eminent professor in literature and comparative mythology, and his work stands out as a beacon for those who face seemingly insurmountable tasks of survival and building a better future for themselves.

For Campbell, when the future appears to be in a state of free fall, when things are simply changing so fast that uncertainty is all around, the secret is to reach out voluntarily to become part of the narrative. By owning the narrative, we turn an uncertain future into something we can navigate with far greater hope and clarity.

Campbell would heartily embrace this moment in South Africa's evolution. The concept of thuma mina – send me – would resonate.

What mattered even more to Campbell, though, was the understanding that the answers lay not with foreign sages, who might want us to follow a path that was not our own, or economic giants and political leaders, who might have their own agendas. He would argue that often the best answers came from the people themselves. Campbell was a man who understood crowdsourcing before it had even become a word. He understood that the key was to tap into the minds that have thought the most, cared the most and dared to dream the most, to come up with a vision that takes us into a whole new way of thinking about our future.

For South Africans, that means it's time we start listening to voices that are better in tune with the degree of innovation and expansive and inclusive thinking that will be required to set a more meaningful course.

Creating real impact demands a resource that connects the dots between all the interdependent initiatives that can influence South Africa's future. *Benefits Barometer* delivers that platform. *Benefits Barometer* provides the 'grist' for the necessary debates: What are the key questions? How can we learn more about the challenges? What do we already know about what is working and what isn't? By having access to these insights we can start the necessary dialogues. We can start building a clearer picture of which decisions could have the greatest multiplier or knock-on effect in the country, without fear of favour to any specific agenda.

This year we launch Benefits Barometer as a digital crowdsourcing vehicle to facilitate the conversations and multistakeholder collaborations that will be integral to South Africa's future.

The vision is to create a framework for those conversations, invite all who are interested to participate (and prod those we believe have important insights to contribute), and keep these conversations alive as we work through testing and implementing the outcomes.

The idea is to have as expansive a reach as possible, from everyday enthusiasts who want to lend their voice to innovation hubs and academic institutions, from the smallest start-up aspirant to the most powerful market leaders in the country, and those who carry responsibilities for labour, policy and investments.

Most of all, we want to hear from those who care about turning South Africa's current 'free fall' into a future of our own choosing. In Joseph Campbell's words, it's an opportunity to 'transform crisis into opportunity'.

Join us in having the challenging conversations that lie ahead

We began this edition by changing the conversations around what it means to be a well-being economy, why it is time that we reimagine how job creation, transformation, diversity and equality actually translate into better bottom lines for corporates, and, most importantly, how employers could be doing all of this in a far more efficient, cost-effective and impactful way. In each part we have raised action points we think could start the implementation process.

Still, there are questions that haven't been fully addressed. These demand our attention if we are going to engage more productively with what we have set out here. But we will need your help.

We have identified our top seven 'puzzlers' – questions that we need better answers to or insights about before we can finish building that foundation we need for getting to more fruitful answers. There are no doubt many more.

If you would like to be part of any ongoing discussions on how to address these questions and issues – or would simply like to add to this ever-expanding list – we would love to hear from you, whoever you are.

Our top seven puzzlers:

1. **How do we get to the metric policymakers can use to determine whether we are moving the dial on a well-being economy for South Africans?**
   In the first segment of this theme we introduced the idea that if we are going to get a better handle on whether we are creating a well-being economy, we need new metrics that go beyond GDP growth. We mentioned a few examples of such metrics that have been developed elsewhere.

   For South Africa, though, it's not just inequality that is a key measure. Rather, we need to look at variance in all our measures to understand the full depth of the problem this country faces. Single-number averages or medians simply do not capture the extent to which our so-called diversity results in very different levels of well-being in relation to the full range of parameters that are typically reflected in well-being metrics.

2. **How do we create a better framework for calculating a multiplier impact that considers both social and economic outcomes?**
   In the article: '**Impact investing – an answer to South Africa's future funding and transformation needs?**' we introduced an excellent example of how to calculate the multiplier effect of an investment strategy that integrates economic and social outcomes.

   The specific exercise looked at the multiplier effect of rechannelling funds to community-healthcare solutions. The net effect was that the multiplier could be as high as one-and-a-half times. The calculation exercise was described in meticulous detail in a paper funded by the South African Medical Research Council called Saving Lives, Saving Costs: Investment Case for Community Health Workers in South Africa.[8]

   However, if we are going to start giving serious consideration to redeploying investments towards projects that may have a greater multiplier effect than simply deploying savings into our listed capital-market instruments, we need to start getting a better handle on how to actually measure those trade-offs.

3. **Could we not create a more integrated framework or metric for assessing a wellbeing corporation?**
   We argued in the third segment that companies which use an integrated well-being framework will gain greater efficiencies in terms of how they deploy funds to support HR functions, employee well-being programmes and initiatives that are in the interests of broader South African social needs. What we really need here, though, is a metric that will allow us to assess whether such a strategy is actually improving the bottom line for employers.

4. **How can we develop better metrics for assessing the economic value-add of proactive measures for health, wealth, risk mitigation and emotional well-being compared with reactive insurance coverage?**
   In the third segment we also suggested that we are beginning to get a better understanding of how different well-being initiatives are helping to reduce some elements of the payroll wastage caused by absenteeism, presenteeism and stress.

   What's not so clear is whether there would be a significant difference in the outcomes if we focus more on pre-emptive measures for health, wealth maintenance (emergency savings), emotional well-being and risk mitigation than on reactive solutions (insurance, for example).

   We suspect the difference will be substantial. But it needs to be better quantified if we want to convince employers that there may be more effective ways for them to address their productivity issues.

5. **Do we need a more extensive discussion of incentives that balance the need to raise short-term funding with long-term multiplier interests?**
   In the first section we had a lengthy discussion of tax incentives and their role in promoting the investment and growth we all envisage.
   What we also need to revisit is whether this discussion needs to cover a different set of criteria, for example:
   - the type of savings we promote
   - how those savings can be deployed
   - the type of benefits employers can offer that won't be deemed fringe benefits
   - the right incentives for corporate assistance with education and skills development
   - the right incentives to promote enterprise and SMME development

6 **How can we, as a country, accelerate the integration of the impact investing model with a mainstream investment offering?**
At this point in time, impact investing is growing only incrementally, and as a separate asset class to be considered on the merits of being both a better diversifier and a better vehicle for social initiatives.

Continuing along this route will do nothing to bring about the radical change that is needed in the investment world. Creating that change will demand a focused, coordinated approach where the private and public sector work together to create a common framework that moves this model to be the 'new normal' for long-term investing.

7 **How could we collectively do a better job of recasting the deployment of compulsory savings to meet the more immediate needs of South Africans?**
In many ways, this question is related to initiatives 5 and 6, but we are looking to answer a slightly different question, so there may be different stakeholders involved.

Here, we are calling for a complete rethink around the Pensions Funds Act and we're asking a critical question: is this the right model for addressing the social mobility and social protection needs of South Africans? Should the focus be so emphatically on retirement?

We talked about this at length in *Benefits Barometer 2016:* **'Benefits models fit for South Africa'**. Specifically, this question brings us back to a point we raised at the beginning of this chapter: how could we use compulsory savings to create a guided financial planning framework for all South Africans, employed or otherwise, throughout their whole financial journey?

We believe it's time that more stakeholders get involved in this discussion.

No doubt, there are many more 'puzzlers' that could be added to this list. But the key issue here is that these aren't just for Alexander Forbes to solve – they are questions we all need to work on answering. And the more crowdsourcing of solutions we can potentially tap into, the more robust and better thought-out the solution is likely to be.

And finally …

Replicating what works, localising experiences and interventions – this is our opportunity for our own narrative. We begin with South Africa but we're part of a bigger story: Africa. In a dynamic new era marked by seismic changes in the economy, the private sector has a role to play in ushering in a new growth story. So does the public sector.

But perhaps the task for both will follow new contours, with a new generation of small businesses and innovators rising on the back of a new middle class, capable of driving the vision of an inclusive and sustainable growth.

This is an Africa of innovators, of boundary-less opportunity seekers, of larger and scalable markets, of gainfully employed people, of sustainable livelihoods. How it all links together will be the story of this journey.

You, too, have a part in that story.

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BENEFITS BAROMETER | MIDDLE CLASS | FINANCIAL WELL-BEING | SOCIAL CAPITAL | TRUST | BARRIERS TO WELL-BEING | SOCIAL CHANGE | CROWDSOURCING | COMPULSORY SAVINGS | MULTIPLIER IMPACT | IMPACT METRICS | SHORT-TERM FUNDING | LONG-TERM FUNDING | IMPACT INVESTING