

## Topics

# Creating the well-being economy

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## Foreward by Group Chief Executive Andrew A. Darfoor

### An introduction to the 'golden threads' of narrative for Benefits Barometer 2018 : Creating the well-being economy

As I travel around our various markets and countries, I have had the opportunity to reflect on the most pressing issues facing the workforce of the future, and how employers and employees must adapt to rapid improvements in living standards, made possible by changes in social and technological innovations.

I also see an evolving picture of hopes and aspirations converging around expectations of a better future. And as people's aspirations rise, so do demands for well-being and social protection. Opportunities for social mobility, quality education, healthcare and housing are scripting a new narrative.

For many, these expectations are changing how people think about what is desirable and possible. Yet, as the complex interplay of stakeholders in this unique narrative – individuals and families, employers and labour, fiduciaries, policymakers and regulators, and financial services providers – endeavour to meet the financial, physical and emotional needs of people and households, the challenges are multiplying. This means we must constantly evolve and adapt our approach to financial services.

At Alexander Forbes, we have been fundamentally rethinking the relevance of our financial solutions to the country's evolving narrative. It is a great privilege and responsibility to manage the assets clients have entrusted to us, most of which are invested for long-term goals such as retirement.

For the past five years, *Benefits Barometer* and the Alexander Forbes Research Institute have carved a unique space in thought leadership within our organisation, South Africa and the financial services industry. Each year, we delve that much deeper into the question of how effective those solutions have been.

The good news is that our narrative to date appears to be striking a chord. Already there is a much deeper appreciation of the fact that if we want to stay relevant as financial services companies, we will need to focus on supporting a family's financial journey (irrespective of their income level) as much as we have on providing for their post-employment years.

*Note how I hesitate to use that word 'retirement'. Perhaps the time has come for us to retire the word 'retirement'. The term should be used to describe our need to replace our current ability to generate income with some self-funded future.*

It has now become the 'new normal' for industry players to talk in terms of holistic well-being solutions for their clients. Embracing well-being is not just good for ensuring continued stability and productivity for employees and their families; it also contributes to the employer's bottom line and to government's broader agenda of ensuring we have both social protection and a mechanism for wealth creation to create a more representative and stable middle class.

## We need to go further. Where next?

In spite of these promising changes, we still have some distance to travel to understand exactly what will have the greatest impact on the financial well-being and stability of our people, and on what basis we can create a sustainable business model to support this. The task before us is to find the answers.

In South Africa, President Ramaphosa's rallying cry of 'thuma mina' – 'send me' – invites us all to step up and become both part of the debate and part of the solution. This is clearly a critical inflection point. For far too long, South Africa has looked elsewhere for development answers and models. For far too long, we have accepted, with little questioning, the models of financial servicing, social insurance and security, and

investment and savings that have served the interests of very different developed-country economies and demographics. The fact that nearly 42% of South Africans have both informal financial solutions and conventional, formal solutions suggests that, as financial services providers, we haven't remotely started to address what our clients need most.

Now is the time for a constructive dialogue between the public and private sectors on how we might collectively start addressing the roots of South Africa's development challenges in a meaningful way.

The well-being of individuals and their families (both nuclear and extended) does not exist in a vacuum. It can only truly exist when all three social layers – the family, the workplace, the country's broader social and economic dynamic – are effectively aligned around well-being.

To create that alignment, we need to recast the narrative. We need to start with what is uniquely South African about our challenges in the global arena to come up with a homegrown set of solutions.

Beyond simply identifying what the barriers have been in the past, we need to start asking what the future could look like if we were to:

- > restate the way we measure economic success in terms that reinforce our need for inclusive, sustainable economic growth and directly address barriers to social mobility
- > reconceptualise the role of the workplace, the employer and the corporation so that these entities play a more effective role in linking the well-being of the individual to the well-being of the economy
- > think more creatively about the future of finance and how professionals in this field could better address ways that funding, wealth creation and social protection could have the greatest impact on the social mobility of South Africans and the inclusive growth of the economy
- > assess exactly which financial products will have the greatest impact in providing both social protection and social mobility for South African families.

We believe we can do better. We also recognise the urgency to do so.

## New dimensions to the conversation

In this edition of *Benefits Barometer* we've ventured to add some new dimensions to the conversation. We have suggested that we need to stimulate stakeholders to think more creatively to get better traction towards creating a well-being economy.

This is the time to return to multistakeholder collaborations, but we must keep our eye on which decisions are likely to give us the greatest multiplier impact in terms of job creation, skills development and keeping South Africa competitive. This means confronting the following interlocking issues:

- > If the problem is job creation, where could our savings be better deployed to achieve that end?
- > If it's a question of incentivising economic growth, which sectors and which areas of the country give us the best return for the broader well-being of South Africans?
- > If it's a question of how to get corporates, employers or even pension fund fiduciaries to see the economic value of sponsoring job creation, skills development and the development of small, medium and micro-sized enterprise (SMME) supply chains, how do we make that an easy process and an easy investment decision

We also need to help employers better understand the critical role they could play as catalysts for transformation, diversity, inclusion and the reduction of inequality in this country.

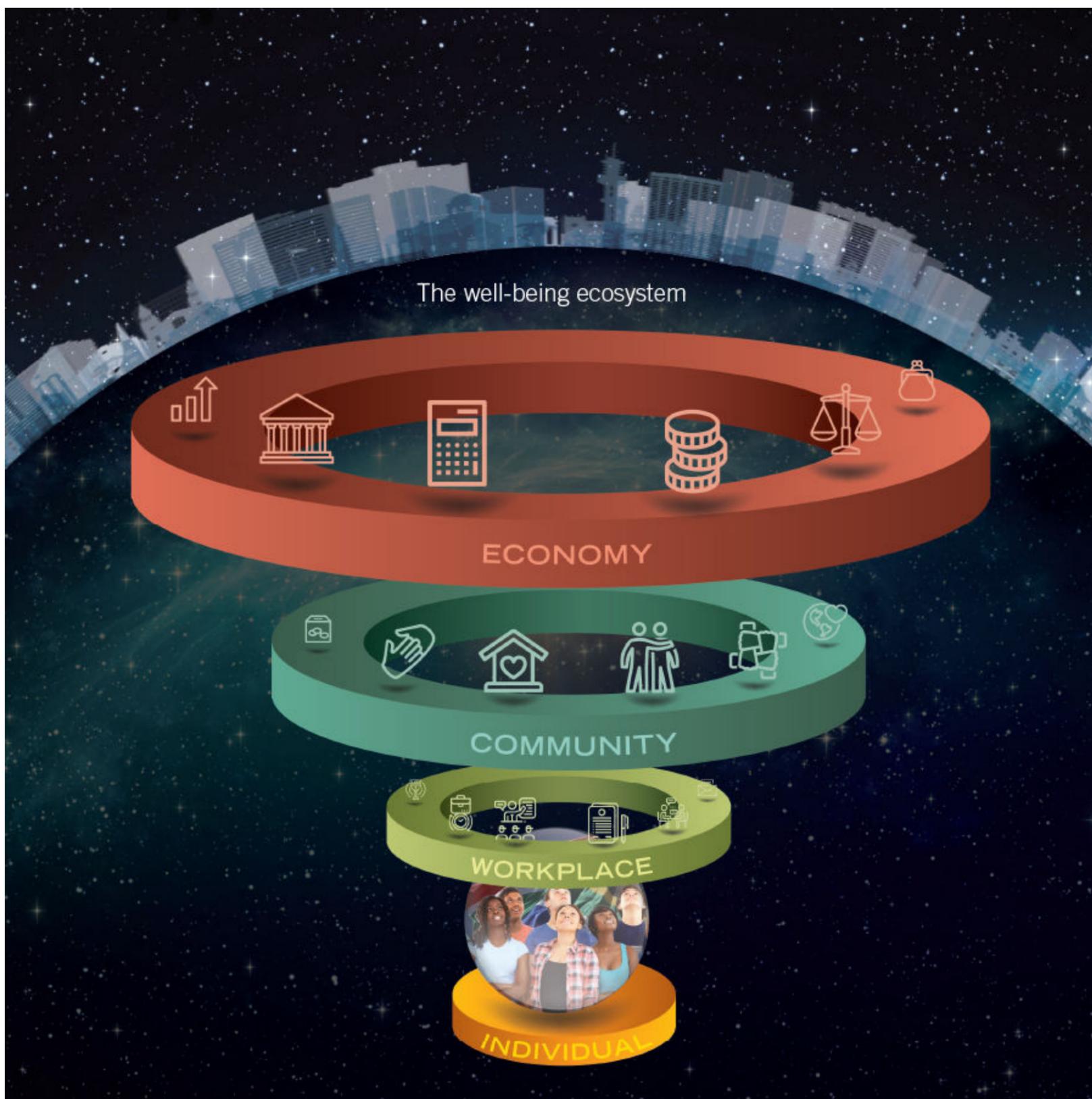
Companies must ask themselves: What roles do they play in the community? How are they managing their impact on the environment? How are they working to create a diverse workforce? Are they using behavioural science, artificial intelligence and other tools to prepare employees to help them manage their whole financial journey? How do they better create the kind of culture of continuous learning and innovation that South Africa's future will be dependent on. Even if the workplace is failing to create adequate employment opportunities, it is still our best chance of changing the narrative around skills development and education.

To succeed, I would argue that these initiatives need to be more than just tick-box exercises. We need to provide a framework for creating a workplace that provides as much for the emotional and social needs of employees as it does for their physical and financial well-being. Together, we can create a workplace where people can begin to thrive.

Creating real impact, though, demands a resource that connects the dots between all the interdependent initiatives that can influence South Africa's future. **Benefits Barometer** provides that platform.

This year we launch **BENEFITS<sup>ALL</sup> 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.

You have all just been invited to join us!



## Introduction and executive summary

Thuma mina: send me. We are being asked to make a contribution, to ‘lend a hand’, ‘put our shoulders to the wheel’ and make our voices heard. What could we do to ensure a higher quality of life for people in this country? We all should own this very right to participate, whether as a lone voice, as part of a community, or as part of a specific economic, political, corporate or industry interest group.

The question is: Where do we believe we can add the most value to the discussion? Over the past five years, Benefits Barometer has relentlessly questioned how effective the financial services sector has been in meeting both the social insurance and social mobility needs of individuals. To what extent have we participated in the creation and transformation of a broadly diversified middle class that can become an anchoring point for inclusion, equality and a better life for individuals? The harsh and frank answer is: not **enough**.

In truth, this is not just a problem for the financial services industry. We have said repeatedly that effective change can occur only through an aligned partnership with other stakeholders in the ecosystem that underpins the well-being of individuals. Those stakeholders play a vital role in taking us from a point of ideas to a point of action. The time for simply talking about ideas has ended. If we are going to start experiencing substantive change, then the time for action is now.

### Let’s start with a *South African* development model

What these five years of analysis have laid bare, though, is that until we start thinking about South Africa’s future well-being – for its people, its workplaces and its broader economy – we will have missed a critical opportunity to address the structural and socio-economic barriers that have made progress in this country so slow and problematic. We believe that the time is ripe, both politically and socially, for South Africa to craft its own model for success – one that addresses this country’s very unique historical and contemporary socio-economic challenges. Now is the time for courageous challenges to existing conventions.

We need a new lens through which to view, understand and engage with those challenges. It’s a lens that can best be described as a hybrid of two relatively new, yet different, aspects of development theory: the well-being economy perspective and the developmental anthropology perspective.

- > The well-being economy perspective

Kate Raworth, a University of Oxford economist, argues that ‘the great mistake of economics is thinking of the economy as separate from the society of which it is part and the environment in which it is embedded’. Challenging conventional assumptions that GDP growth leads to well-being, she and other economists, such as Lorenzo Fioramonti of the University of Pretoria, have proposed a rethinking of economic theory that places the well-being of a country’s citizens and its limited resources at the centre of the metric for success.

This raises serious questions as to whether GDP growth is the measure of a ‘successful’ society – a concept that has dominated most of South Africa’s own economic strategic planning to date. In particular, it questions the National Development Plan’s target of an annual growth rate of 5.4% from now until 2030, in order to create 11 million jobs.

It also means we need to consider two different dynamics for a new model for a well-being economy. The first is a more inclusive measure than GDP. The World Economic Forum provides a useful metric with its Social Progress Index. This is an aggregate index that captures:

- > basic human needs (nutrition, water and sanitation, safety and shelter)
- > foundations of well-being (access to information and communications technology, basic knowledge, health and wellness, and environmental quality)
- > opportunity (personal rights, freedom of choice, inclusion and access to advanced education)

The power of this index is that it can be used as a planning roadmap for both economies and businesses. But even this may not be a completely adequate metric.

If developing economies are trying to play catch-up with limited fiscal resources, we also need a framework that helps us understand whether our areas of prioritisation are giving us the greatest ‘bang for buck’. That means our second parameter needs to assess the multiplier effect of our different policy decisions. This involves finding measures that allow us to understand which social and economic investments will have the greatest potential for improving the quality of life and well-being of all people residing in South Africa. The focus simply cannot be on growth for growth’s sake.

- > The developmental anthropology perspective

Developmental anthropologists look at how change affects individuals. While change is acknowledged as an essential part of our constantly evolving history, the question developmental anthropologists grapple with is, ‘Whose cultural perspective or agenda would best serve the interests of the population in question?’

If the chosen model does not ignite support from the broader population, what are the potential impacts and how should they be redressed? The advantage of developmental anthropology is its focus on how all social dynamics integrate or come into play. These will either add up to create a toxic, dysfunctional environment, or work to alleviate the disruption and stress that rapid change might bring to individuals in that society.

More importantly, developmental anthropologists approach the problem of change from the bottom up. How can we use the way people interact with each other every day to reinforce, then quietly guide, the kind of social intercourse we need for society to function in the most inclusive and egalitarian way possible? To find catalysts for effective change, developmental anthropologists look to those areas where people’s lives intersect and demand interaction.

To formulate an effective as well as compelling way forward, we recognise that we will need to draw on both of these developmental perspectives.

This new lens also provides us with entry points that guide our response to the challenge, which requires all of us to ‘lend a hand’. It provides each of us in the well-being ecosystem with a way of defining how best we can actively participate, irrespective of our starting point or preferred platforms of engagement.

## How do we enter the discussions?

This 2018 edition of *Benefits Barometer* has been designed to give our readers appropriate material for these engagements. We have considered three distinctly different points of departure for readers to translate ideas into action plans.

The first targets the broader policy debates that are being held at existing multistakeholder institutions, such as the National Economic Development and Labour Council (NEDLAC), and within industry advocacy groups such as Business Unity South Africa (BUSA), the Black Management Forum (BMF), Business Leadership South Africa (BLSA) and the Association for Savings and Investments in South Africa (ASISA).

The second is from the perspective of the employer. As the racial and gender composition of the South African workplace transforms into a more representative one, the workplace is becoming a microcosm of broader South African society. What, then, could employers do in the workplace and within their own businesses to advance the well-being agenda for their employees, business partners, suppliers and the broader ecosystem? It is, in fact, within the workplace that the great diversity of South African society intersects. It is therefore an important building block of transformation, diversity, inclusion, social cohesion and general well-being for employees and their families.

The third explores whether service or benefits providers can collaboratively create products and services that best respond to end user and client needs. These would be products that meet the broader need for asset accumulation, social mobility and protection, and general well-being. At some level, this will demand a complete rethink of what we are currently using and a discussion of what would need to be reconfigured in relation to current service and product approaches.

Set against this background, the 2018 edition of *Benefits Barometer* is divided into five parts. Each part provides a very different entry point to the discussion and level of engagement.

# A multistakeholder approach to overcoming the barriers to a well-being economy

We then go on to highlight four broad South African challenges and present case studies that illustrate how a multistakeholder initiative could add value and provide a more compelling outcome:

- > **Driving inclusive growth through targeted investment:** considers the issue of uneven investment and spatial development, and proposes models for developing economic corridors or second-tier cities. We describe an effective methodology for determining which geographic areas would be best suited to a second-tier-city initiative.

In strengthening our case, we provide a 'postcard from Odisha' that describes why a similar exercise in India proved to be particularly fruitful. We also investigate an interesting case study in flx, an SMME initiative that can create a potential benefit for employees in reducing both the cost and time of work commuting while at the same time addressing urban congestion.

- > **Rethinking SMME development** proposes a rethink of corporatized SMME development strategies in order to make the support of business development a compelling value proposition to large corporations. We use a case study on the transformation of the auto industry supply chain to illustrate some of the potential challenges and blockages that confront SMMEs.

- > **Achieving a long-term care solutions in South Africa** introduces a discussion about the challenges of ageing in South Africa, specifically highlighting the extreme shortage of long-term care facilities that triggered the disastrous situation where 144 patients died after being moved from Life Esidimeni and other facilities to unsuitable NGOs. With better support and coordination from both the Department of Health and the Department of Social Development, could we not look at a solution that might help us simultaneously solve for youth unemployment and community-based long-term care, and potentially even transform the asset management industry?

This section also delves into the broader societal issues brought on by dementia (and potential solutions) as well as the challenges currently being faced in KwaZulu-Natal, where businesses and policymakers strove to find better solutions for addressing the shortage of both facilities and funding.

- > **Impact investing - an answer to South Africa's future** is a continuation of the previous case study. Here we consider how to best effect transformation in the South African asset management industry at a time when the industry needs investment solutions that better address the broader social needs of South Africans. We suggest that business success for emerging managers might lie in focusing on a differentiated business model and a differentiated investment strategy. Impact investing would be just such a differentiator and it has the potential to totally transform the ethos and business model to better address the funding needs of both individuals and the broader economy.

Each of these case studies provides a close-up look at the transformational potential of these multistakeholder collaborations. More importantly, they re-emphasise how much better our decisionmaking can become when we look at the multiplier impact of our decisions on the broader South African economy

## The workplace as a micro-environment for creating a well-being economy

The first section focuses on how we can create the well-being workplace. Building up to this well-being workplace demands that we pull back the multiple layers of social dynamics that exist within the workplace to test if all is well. Meeting the multiple challenges of transformation, diversity and inclusion, and social coherence poses tremendous complexity. Here, we identify what we believe the industry hasn't covered adequately in previous discussions or models of well-being (See *Benefits Barometers* 2013, 2014, 2015, 2016, 2017).

Workplace well-being is a concept that has begun to gain traction with both employers and financial services providers. The section on financial well-being suggests that, because of a range of potential design flaws, many of these programmes may not deliver the kind of outcomes individuals need. It's time we start doing a more thorough job of monitoring their impact.

Something that will make a critical difference here is enhancing the onboarding experience of a new employee so that well-being becomes an integral part of the agreement with employees, ensuring they can maintain ongoing productivity.

More importantly, if well-being programmes can move beyond simply solving for individual welfare and potentially build up to the well-being workplace, then we can create the direct linkages of the well-being economy with the workplace, community and then, finally, the individual that their families.

The third segment on creating a well-being workplace starts with a range of preventative interventions that allow employers to be more proactive when it comes to managing the everyday work and personal crises that can derail employee productivity. Because none of these 'small disturbances' really points to significant or systemic issues, we tend to underestimate the significant role they could play in creating a 'first line of defence' to emotional well-being.

The article on mental health in the workplace adds to the growing body of work on well-being in the workplace by tackling the thorny issue of mental health. Why is this such a 'no-go zone' for employers, and how we can go significantly beyond the current reliance on medical aid schemes, employee engagement programmes and disability insurance to deliver a viable support system? A 'postcard' from an employee reminds us of another sensitive 'no-go' area: grief in the workplace.

Diversity, gender equality and transformation are introduced by a 'postcard' from an employee which reminds us that if employers approach culture from an inauthentic or insincere place, employees will cynically see these efforts as little more than tick-box exercises. These three articles discuss issues that are fundamental to creating a well-being workplace that supports the broader societal imperatives for South Africa:

how employers can set the standard for diversity and inclusion, gender equality and transformation through a culture that is both relatable and effective. The narrative here is less about emphasising why these factors are important – they are fundamental to all South African companies – and more about why so little traction has been gained when these initiatives are addressed separately.

Engagement is another core area for a wazwell-being workplace: how the workplace becomes a continuous learning environment where skills development for the workplace of the future are a paramount focus.

Finally, in the last article, we use the challenge of skills development to illustrate how an integrated process can not only provide far greater efficiencies in terms of funding and administration, but also ensure that employers, employees and policymakers all get what they need out of such incentivised programmes. Structured optimally, these programmes can also significantly contribute to an employer’s enterprise development and procurement policy initiatives.

## The role of financial products in enhancing financial well-being

At a time when customer confidence in financial service products continues to wane, this section provides a rigorous assessment of the critical role these products can play in facilitating social protection and social mobility. In delineating exactly how financial products can achieve these important outcomes, we remain emphatic that this all depends on whether the product correctly meets specific needs, provides adequate value for money that clients can actually identify, and addresses the dual need for consumer education and behavioural change.

Employers can become a catalyst for employee wealth creation and financial stability. All this demands that we understand the key components of a successful product. This analysis provides an important checklist that helps product providers and employers to determine what best suits the varied needs of their clients and employees.

Part 4 addresses two other key discussions. First, we look at how employers can significantly improve their employees’ social protection and social mobility by introducing products and services that provide ‘just-in-time’ training to enhance financial capability, and auto-save and auto-enrol programmes to increase savings. Second, as a continuation of our opening discussion, we explore where disruption and fintech are likely to take financial innovation. Which innovations are likely to serve the interests of South Africans best? How has an area such as fintech fallen short in South Africa, and why? And what is likely to change those outcomes in the future?

## Where does this all take us? Grappling with the conflicts and contradictions that may lie ahead

In this last section, we address some of the hard decisions that may lie ahead. The financial services industry has to deal with the incredible complexity of the challenges and changing needs of individuals. The easy choice is to provide solutions that are increasingly individualised and targeted to very specific needs. By that logic, the financial services industry could well go the route of providing the type of portable, individualised ‘financial aid schemes’ that are currently on offer with medical aid schemes. But do we clearly understand what we would sacrifice in terms of creating a transformed and cohesive society if we do that? At the other end of the spectrum would be a focus on national solutions to societal problems. A national health scheme or more universal social security looms large in that narrative. And therein lies the challenge.

We need solutions and we need them fast. We need to achieve near miracles in relation to job creation, skills development, wealth creation and preservation, and social protection with a very limited wallet size. What better point in South Africa’s evolution to redefine the compact between government, business (or the employer) and South Africans themselves to achieve that end? To address many of these issues we will need to turn to all of you for answers. To that end we announce the launch of **BENEFITS<sup>ALL</sup> BAROMETER** as a crowdsourcing platform to allow all of us to participate in future debates to address that quest for solutions. As a teaser, we introduce seven ‘puzzlers’ – questions that we believe need our immediate attention if we are going take these conversations forward.

All of these factors are going to have to be understood if we are genuinely going to be able to shift our focus as an economy from pursuing growth at any cost to developing South Africa and its people to deal with the challenges of the future from a collective position of collaboration rather than one of contest and strife.

