

Theme 3 The evolution from paternalism to self-determination

Employers have generally appreciated that it is in their interests to ensure that employees stay productive. Paternalistic systems, where employers provided housing, access to healthcare and family support, have been fairly common in industries where employees were required to work in remote or underserved areas. Gradually though, employee self-determination has become a more compelling concern for both workers and their unions.

Paternalistic policies can often be seen as potentially undermining that process. In South Africa and Namibia, for example, this sensitivity emerged at about the same time that both unions and international agencies were championing a shift from defined benefit funds to defined contribution funds.

On the one hand, defined benefits models posed real financial risks to both governments and employers in encumbering them with future financial liabilities in a world replete with economic uncertainty. Similarly, unions lobbied hard for employees to be allowed to have full control of whatever savings they contributed to their retirement or income protection. (For more information, see *Benefits Barometer 2016: The context for shifting employee benefits in South Africa.*)

To bolster flagging state coffers, pension reform and tax revamps came more into focus. **The net effect has been to put solving for income protection through a private–public partnership on a potential collision course with the more immediate needs of employers for employee productivity and stability.**

Regulatory divides tended to exacerbate the problem. Boards of trustees are now mandated to oversee retirement savings and income protection systems – full stop. Human resources departments of employers oversee decisions about what elements need to be in place to encourage employees to maintain their productivity.

However, without commensurate tax breaks and with increasing financial constraints, spending on human capital development is often the first area of spending to be contained. The net effect has been that employers have moved away from explicit employee benefits that might now be deemed fringe benefits and have focused more on fulfilling their role in any multi-pillar strategies that might be in order in that country.

