[Employee Benefits and social protections in Africa](#)

Post-COVID Challenges for Employers

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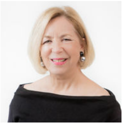
Authors and contributers



Anne Cabot-Alletzhauser

Do Employee Benefits Play a Meaningful Role in Africa’s Need to Attract Talent – Post-COVID?

Even before COVID-19, pension funds held greater attraction for Sub-Saharan African countries than they probably did for SSA employees. One clear issue had to do with these states having access to funding mechanisms for long term growth. Most pension funds in SSA, with the exception of South Africa, are regulated to maintain weighty exposures to government funding instruments and domestic infrastructure or impact projects. While this provides a vital resource for those economies, it is significantly less attractive to holders of those assets, the members themselves. Between the two pillars of outright corruption, on the one side, and administrative inefficiency and incompetence on the other, few economies, bar Rwanda and potentially Ghana have been able to provide attractive, inflation- or currency-adjusted returns through the deployment of long-term employee savings.

More importantly, pre-COVID, even the World Bank had started to concede that, in developing economies, there were other priorities beyond long term savings that posed a more pressing need: day-to-day survival and what more that required than just an income.

Could employee benefits provide a key attraction for talent in post-COVID Africa?: Decidedly yes, particularly when the employer in question was a multinational. But the attraction would be less about the provision of a pension fund and more about what that employer could do to address more holistic and immediate needs of the employee.

Perhaps the one aspect of African employment reality that pension funds and employee benefits need to address before they become a meaningful part of employer attraction of talent is migration.

Migration and remittances not only play a far greater role in the economic reality of most African nations but, unless we find a better way of addressing it and accommodating for it in our post-pandemic policy responses, we will miss perhaps one of the most important pivot points for Africa’s future.

Migration is meaningful on three levels in Africa:

African employers need to be responsive to three different aspects of migration in Africa:

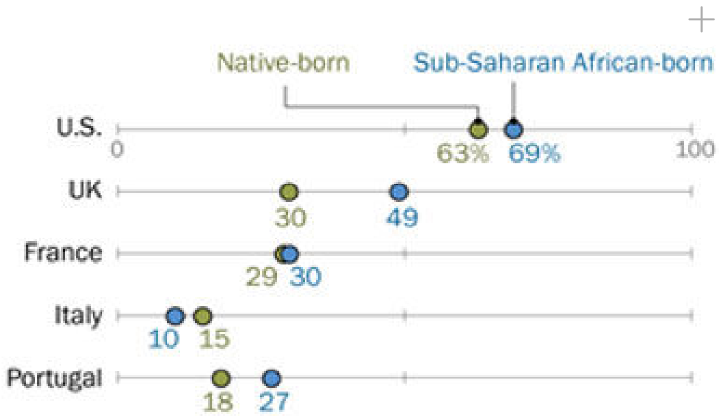
- Migration of young adults looking for education and employment opportunities overseas – and succeeding in ways that many of other migrant populations have failed to demonstrate.
- Migration within Africa itself
- Migration from rural to urban areas within each African nation.

Each of these different dynamics of movement have broad implications for creating optimal employment benefits that can genuinely attract the kind of skilled talent desperately needed, in spite of SSA maintaining the highest unemployment rates globally.

Let’s take each in turn and, by understanding the role that they play, consider the implications for better employee benefit structures.

Who is it that corporates should be trying to attract in their search for talent?

One of the more intriguing and persistent discussions to emerge during these recent webinars hosted by the likes of Harvard Business School, the African Union and representatives from the Corporate Council on Africa was the impact that the co-mingled consequences of the pandemic and the Black Lives Matters crises in the has been having on Africa’s diaspora – specifically those Africans that emigrated to the US seeking better academic and occupational opportunities. The successes of this population have gone relatively unnoticed – but they are significant nonetheless as studies by the Pew Research Center attest.



As the study concluded "Rather than draining the continent of skills, migration shows those at home the benefits of an education, encouraging more people to go to school. About 400,000 Africans study at universities abroad, making up about a tenth of all foreign students worldwide (about the same number as China sent to study abroad in 2005 and about half as many as India does today).

More importantly, because these youth have had the opportunity to function in societies that are more productive, less corrupt, and more democratic, this appears to catalyse similar behaviours with families back home.

And now it appears as though a large proportion of this Diaspora are rethinking the opportunities they once saw as limitless in countries like the US. Career trajectories in the US are becoming decidedly less certain – at a time where there appears to be a far greater demand for their skills and their entrepreneurial ambitions back on home ground. In spite of high levels of unemployment in SSA, there is still a massive shortage of skills – particularly when those skills can be reintegrated without lengthy visa applications or massive cultural shocks. As a March 26th special report in *The Economist* pointed out "Migration is Helping Africa in Many Ways". It is not just politics that is being transformed but also business.

As the research suggests, getting the Diaspora – or at least a proportion of it to come home provides Africa with a double bonus. But this isn't the first time such a promise has been suggested. Nearly 30 years ago in the early 1990's there was an equally enticing belief that this time, the Young African Lions would return to the pride, holding their newly minted MBA's aloft for all to see. It was a promise that would never be fulfilled.

But this time, the stakes are very different. It's an opportunity that gets even more impetus from the fact that there are few impediments to such a transition – except one: What would entice this elite back?

Attracting the African Diaspora back home

1 **What is top on the list?**

Once global mobility begins to return to a post-pandemic world these young, talented cohorts are likely to be the ones that can be mobilized the most rapidly. With the right placement, visa issues should be minimal – people are merely returning home – but potentially there would be new families in tow.

The attraction would probably not be the promise of a better income and certainly not an assurance of a pension fund – are at least one that is domiciled in the country they are returning to. Rather, the attraction will be the opportunity to give back – something many of these individuals are finding increasingly difficult to do in countries such as the US.

But the pandemic has also laid bare the value of real employee benefits. In countries like the US, health benefits have quickly surpassed pension funds as the non-negotiable benefit for attracting top talent. For attracting US-trained talent back to Africa, health benefits would be even more critical. In this case we are not simply talking about providing access or funding assistance to medical aid schemes. Here we are talking about direct access to top medical care, the best available on the continent. This is something that multinationals are, without a doubt, in a far better position to provide – better than any local public or private employer. And the need would not be just for the employee – but would need to expand to the full extended family that that employee would bring back with them. Already there are a raft of emerging healthcare service providers who can provide employers with operations across Africa with these capabilities, complete with helicopter services to prime healthcare facilities and aftercare facilities.

As business sets about to gradually re-open everywhere, the sheer mechanics of opening under conditions where the development of a vaccine may well still be a long way off has meant that most companies are already having to build up mini-primary, on-site, health care capabilities. Here is our foot through the door to introduce other much-needed opportunities to expand these requirements. If there is one area where Africa horribly lags the rest of the world it is in the resourcing of immediately available and accessible healthcare. We are not suggesting here that multinational employers enter into the healthcare business themselves – but if we are talking about becoming an employer of choice, partnering with international franchise players in the healthcare industry to provide on-site primary healthcare services for employees, their families and their communities, in return for the space to provide these services, must be seen as a win/win/win for employers, their families and local governments. The key here will be access to: both to global resources and to local needs.

2 **In the same vein**

Just as healthcare has no emerged as the top employee benefit consideration for attracting global talent to work in, what might be considered, more challenging work environments, so too would be issues relating to a family's ability to develop their own internal human capital requirements. These requirements take place on two levels:

1. The ability of the individual and their family to access on-going skills development and international quality of education.

Clearly technological advances has made this one of the easier requests to accommodate. But attention should be given to the time and connectivity issues that would need to be addressed to accommodate this.

2. Less obvious – but still hugely important to young professional families is access to quality early childhood development capabilities for their young children. What we won't see with this generation of parents is a preparedness to shift educational responsibility to either distant relatives, semi-boarding schools or local government schools. What we know from UN-backed initiatives in Early Childcare Development across the continent is that employers who can provide early childcare facilities, again, on-site and again, through an internationally accredited and monitored franchise model, and again, at a very low cost to workers, can address any number of issues relating to attracting and retaining talent:

- ECD has been shown to be one of the most powerful accelerants of success for children in their later schooling
- More importantly, work-site facilities mean that:
    - More women can be freed up to join the workplace for the duration of their careers in both work and parenting.
    - Mothers can be assured that their children are kept safe, provided with a healthy diet and are assured of a hygenic and educational play area.
- Children become acclimatised at an early age to working together with disparate social groups.

3 **Work flexibility in terms of where and when**

Increasingly we will see these top talent families wanting to straddle a number of different geographical environments with their families – and increasingly this will be made easier by the fact that the pandemic has taught us a myriad ways that allow us to do our jobs with reasonable effectiveness from any spot on on the globe. This means that HR policies will need to evolve to accommodate that flexibility.

4 **And now comes the money…..**

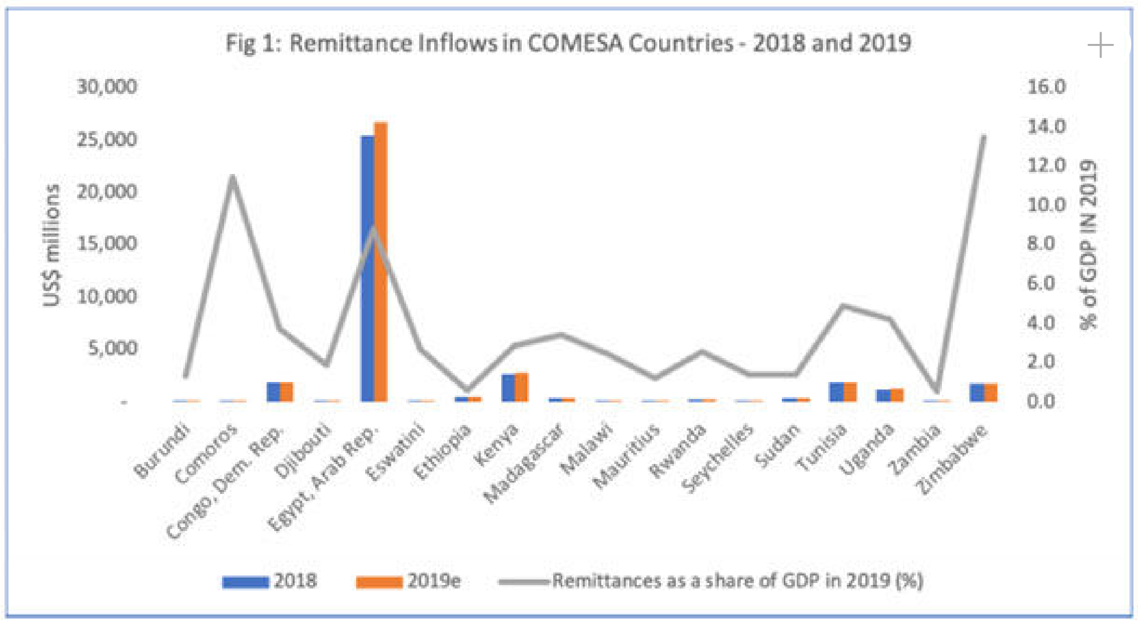
As geographical boundaries become increasingly blurred between where and when to work, so too will they become blurred between where to earn and save and what to earn and save. This means that one of the most powerful "employee benefits" that an employer can provide these young, slightly nomadic, global champions will be a financial planning capability that can span multiple continents and can accommodate an extraordinary breadth of needs – all massively complicated by both tax and currency considerations, Whether the country being resided in has a comprehensive social security safety net already in place or not, (should private sector funding mechanisms fail), will be an important consideration requiring the kind of guidance that only a multinational corporation with access to funding and tax specialists can aggregate across a continent.

Portability and ease to money transfer will be key to success. In this case, we need to completely reconceptualise the concept of a "pension fund". Where multinationals can come to the party is in proposing and negotiating concepts for cross-border pension funds, savings vehicles and low-cost money transfers within the context of the emerging African Free Trade Agreement debates.

At this point though, we have only addressed a fraction of Africa's migration issues – and only for the select few at the top. The next part of this discussion addresses the issue of whether these concepts can be applied in the context of other migration issues that are to core the economic reality of African labour.

Africa's second migration wave

More than half of African migrants stay on the continent, but through their remittances, they can make a substantial contribution to their home country's GDP. to 20% of its GDP.



Data source: https//www.worldbank.org/en/topic/migrationremittancesdiasporaissures/brief/migration- remittances-data

Countries that send migrants elsewhere in Africa also see many benefits through trade and investment. And, surprisingly, in spite of the fact that xenophobia of other African immigrant was particularly rife in countries like South Africa, pre-pandemic, a study by the OECD found that because foreigners working in South Africa brought skills that were missing from the labour market, they did not take jobs from locals. Instead they helped boost employment and wages of South African-born workers, bumping up income per person by as much as 5%.

In short, it is critical to understand the contributions that these remittances make to keeping funds flowing in Sub-Saharan Africa. For example, Michael Sudarkasa in an article for *AfricanPortal* points out that in 2019 remittances contributed approximately $49 billion to SSA, which was nearly equal to official development assistance of $52 billion and in fact more than the $46 billion in investments made in 2018 by foreign development investors.

The travesty of the current COVID-19 crisis is that with borders closed, trade halted and with many businesses in a death spiral, the contributions that these remittances have historically made will be seriously compromised. Early indications are that they could reduce to less than half of their pre-COVID impact.

The bitter irony of course is that, as remittances cease, collective family finances will be seriously compromised – pushing communities even closer to all-out xenophobia and hyper-nationalism.

Intra-country migration and its impact.

The last aspect of migration that *the Economist* points to is the rural – urban dynamic that involves the shifting of people from the countryside to cities. As they point out "Africa's population is still largely rural, with just 41% living in cities. But this is changing fast. The number of people living in African cities is growing by 3.6% a year, compared with 2.4% in China and India. This rapid growth, a result of both a still-high birth rate and migration, means that Africa's cities have to accommodate about 20m extra people each year." In our earlier editions of our Benefits Barometer Africa, we have put a spotlight on this form of migration by presenting graphs that highlighted the point as African urban areas may well have to absorb as many as 20 million people each year, ten of the largest cities in Africa are on track to become the largest cities in the world – and no thanks to effective urban planning, which is practically non-existent.

That said, remittances from the urban to rural areas still play a critical role in funding education, healthcare, consumption and homecare for those unable to care for themselves across Africa. It's a deeply engrained flow of funds and as such needs to considered as integral to the whole employee benefit consideration.

In an article for the May 17th Daily Maverick, Leslie Bank, a research director in the Inclusive Economic Development Unit at the Human Sciences Research Council, South Africa, made a telling point.

"*The insertion of COVID-19 into the national population is like putting dye in water. The disease, like dye, will move freely across the surface as flows in the pool determine the spread, leaving clear and detectable patterns. In this time of coronavirus, lockdown was meant to keep all the colours in place by stopping flows within and between cities, neighbourhoods and regions…*

The spread of COVID-19 thus tells a great deal about the hidden human economy of South Africa and the persistence of circular migration in the country. The evidence of the dye in the water suggests that, while the lives and livelihoods of the rich are territorially enclosed in middle-class suburbs, those of the poor are inherently unstable, mobile and trans-local.

In this regard, the past failure of the state to recognise and accommodate trans-locality in its planning and policy frameworks has come home to roost…..

So why do planners and politicians not see the importance of the obvious, visible connections between urban and rural areas? The broad answer is that their models do not pay sufficient attention to the function of the human economy in South Africa."

The Impact of COVID-19 on these migration dynamics

Let's just pause here and consider the impact of COVID-19 on the fundamental role that migration flow of funds plays on the continent.

Africa currently hosts 24.2 million refugees. In fact, Africa hosts four of the six largest refugee camps in the world (Uganda, Kenya, Tanzania and Ethiopia). South Africa alone has 4.2 million migrants. The point is, before COVID-19, Sub-Saharan Africa was already ignoring the ever-growing body of literature that was addressing the need for policies, specifically health policies, that were immigration-aware and mobility-focused. The impact of COVID-19 has now made this absence of focus even more problematic. More concerning is that addressing xenophobic fears took precedence over solving what was essentially a basic human rights issue.

For example, a Migration and Coronavirus in Southern Africa Coordination Group (MiCoSA) noted that South Africa had spent more than R37million on building a 40 km fence at the Breitbridge border with Zimbabwe that ultimately proved to be almost totally ineffective. In contrast, they have spent almost nothing on providing non-citizens with assistance during the lockdown.

In their words: *Africa has not been spared from the economic and political consequences of the COVID-19 pandemic. Acting as a catalyst for decreased job opportunities at home and increased foreign-born unemployment rates in host economies, COVID-19 will most likely affect the overall economic conditions of migrants and reinforce the root causes of irregular mobility. On the political side, narratives that feed the fear of 'outsiders' can be easy to disseminate in times of crisis when the economy slows and inward-looking social and economic policies appear to be the safest. Escaping the blind alley will require coordinated policy approaches. First, immediate protection for migrants and asylum seekers at the closed borders of countries should be provided. Then long-term policies to tackle the social and economic vulnerabilities in these countries should be developed.*

Where does this leave us then?

For obvious reasons, governments have not been able to effectively capitalise on the aspects of African migration realities that underpin core elements of almost all African countries. But multinationals can go much further than they have to date in providing the first semblance of a bridge. That bridge could easily arise out of a far more meaningful assessment of what employee benefits could potentially mean for companies doing business on the African continent.

We believe that the proposals we set out for multinationals to attract the African Diaspora talent actually have huge relevance across the full spectrum of employees. Migration of workforce permeates across the board whether it be international, continental, regional or rural to urban. As such, our employee benefit solutions have a long way to accommodating those demands. T

This is no longer about multinationals doing the bare minimum of what would be required in the various different national jurisdictions where they operate. Nor is about making sure that they have comparable employee benefits in every area where they operate in Africa. Rather, comparability must be carefully balanced against relevance in each country where they have a presence. It's a function of knowing what is currently available in terms of safety nets, social protections, access to education and skills development and access to healthcare in each country. Multinational companies can still within a framework that ensures that the effective total cost of labour is still appropriate from one country on the continent to the next – but the structure of the trade-offs with those financial constraints need to be determined at the local level.

Where multinationals can play a role of clear differentiation is in bringing the kind of resourcing that Africa demands to develop its true human capital development potential at a greater level of efficiency, scale and cost-effectiveness than current post-COVID-19 local governments can.

We will delve into how to achieve that in our next newsletter.

COVID-19 | EMPLOYEE BENEFITS | MIGRATION | PENSION FUNDS | HEALTHCARE | WORK FLEXIBILITY | INCOME