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# Foreword

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“Societies would be better served by a policy focus on factors that have been shown to be critical to life satisfaction: relationships, community, security, and physical and mental health.” – Gus O’Donnell



This was the conclusion of former UK cabinet secretary Lord O’Donnell after releasing an exhaustive piece of research on *Wellbeing and Policy* from the Legatum Institute in March 2014. His observation applies equally to other spheres of life. The work that we do as a financial services industry and the role we play in employee benefits are cases in point.

We have to ask ourselves the question: if the financial services industry were designed from scratch to meet what people need for their life satisfaction, what would it look like? Similarly, what would happen if we designed employee benefits this way?

Last year we invited you to join us at the table to shift our approach to employee

benefits design from a fragmented to an interconnected one. All of this was based on the key objective of helping individuals to manage their physical, mental and financial health.

We remain committed to this objective and believe that all stakeholders still have a critical role to play in achieving this. But often the link between individual well-being and what each stakeholder values is fuzzy. Why does getting it right for the individual matter?

Since releasing *Benefits Barometer 2013*, we’ve realised from our interactions with various stakeholders that it’s easy to lose our focus on the bigger picture. It’s easy to slip into the details and focus on fixing this cog or that widget, rather than getting the whole engine to serve a higher purpose.

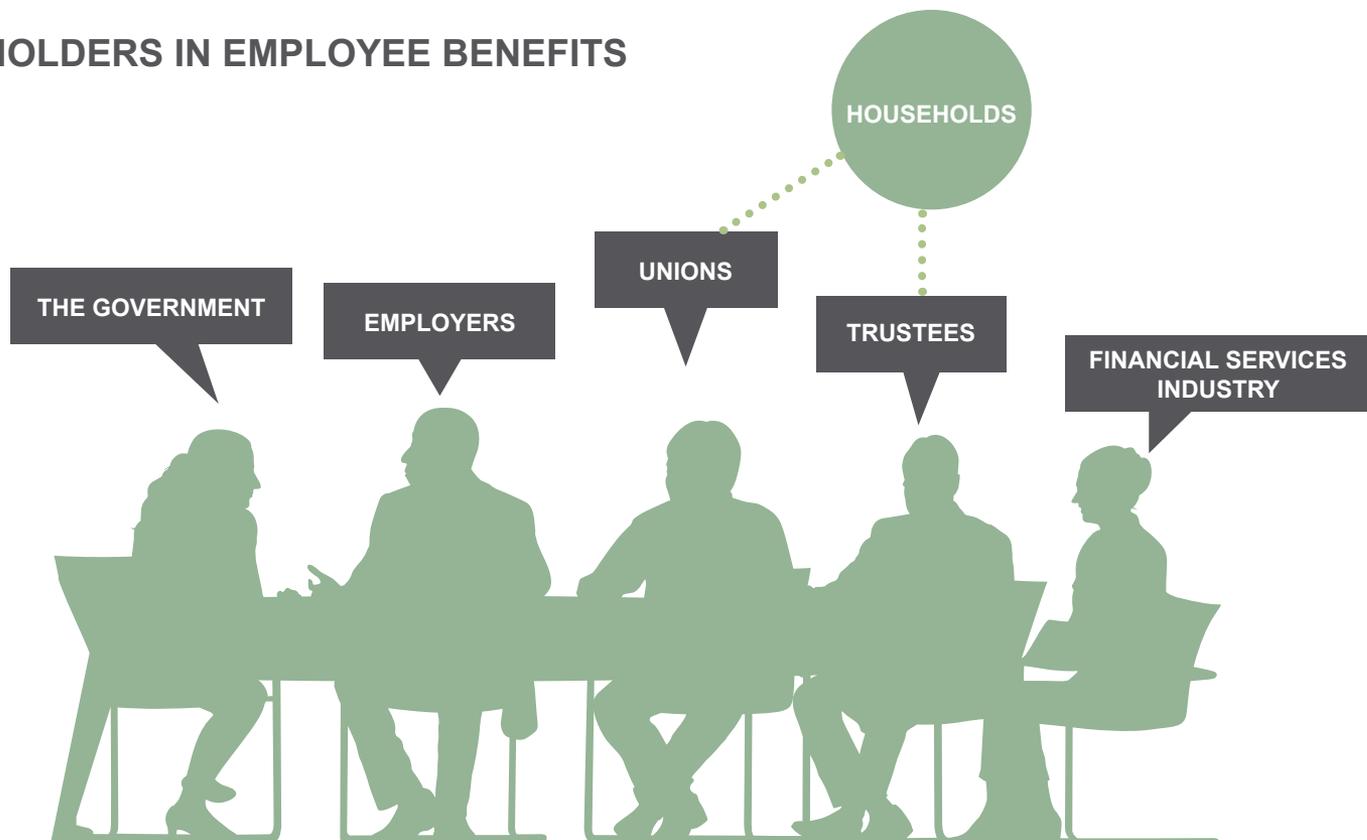
*Bringing all the stakeholders to the table means that each needs to appreciate the significance of getting employee benefits right, the role they can play and the benefits for each of them.*

To paint the bigger picture we have discussed how:

- Employee benefits fit into social protection, and how getting employee benefits right contributes to South Africa's future.
- Communities and families play a significant role in social protection for households, and how a deeper understanding of how households use these mechanisms can enhance private provision.
- The roles and responsibilities in private provision of social protection, primarily employee benefits, have shifted and the implication for employers, households and the financial services industry.

Having understood the bigger picture into which employee benefits fit, we return to a more focused discussion of stakeholders specific to employee benefits. Bringing all the stakeholders to the table means that each needs to appreciate the significance of getting employee benefits right, the role they can play and the benefits for each of them. While we have touched on this in the preceding chapters, this chapter pins it down before diving into the detail of how we can start improving employee benefits.

## STAKEHOLDERS IN EMPLOYEE BENEFITS



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And when we do look at the big picture, it's often to pat ourselves on the back. After all, in 2013 the World Economic Forum ranked the South African financial system as the third most developed in the world. That's pretty impressive.

But as Lord O'Donnell's report showed, it matters what you measure. If improving lives is what we're after, then we might not have so much reason for celebration.

Take, for instance, the fact that according to the United Nations Development Programme's latest Human Development Report, South Africa ranks 121<sup>st</sup> out of 186 countries on the basis of its score on the human development index. This is 42 spots lower than if we rank the same 186 countries on the basis of income. This shows how wide the chasm between human development and income can really be.

To address the concerns raised by *Benefits Barometer 2013* about why this really matters, in *Benefits Barometer 2014* we zoom out to look at two important aspects of the bigger picture. First, how do employee benefits fit into the bigger picture of the South African system of social protection? Second, how do they fit into the bigger picture of an individual South African life?

In **Part 1: The bigger picture**, we will paint the bigger picture for South Africa as a whole. Painting this picture requires wrestling with some key questions:

- Where do employee benefits fit into the broader South African economy?
- How does South African culture affect how we spend, save and insure?

- How has the role of stakeholders changed over time in relation to retirement funding?
- What is the role of each stakeholder and what benefits accrue to them if we get the system to work for individuals?

Answering these questions is not easy, but in wrestling with them we realise how significant our work in employee benefits actually is.

Having understood the bigger picture for South Africa, we turn to the bigger picture for individuals in **Part 2: The way forward**. Here we put forward some suggestions for potential solutions, but as we step back in among the cogs and widgets, we ask that you remember the bigger picture.

*Benefits Barometer 2013* sought to understand why South African employee benefits were not fulfilling their potential and discovered that the core reason was the fragmentation between stakeholders. *Benefits Barometer 2014* seeks practical ways to address the fragmentation in employee benefits in pursuit of individual financial health. While these are just a first foray into solving these issues, we believe that it is important to start testing the boundaries and challenging conventions. We invite you to take this journey with us – do you think these solutions will work? Do they go too far, or not far enough?

Improving outcomes for individuals requires improvements within the employee benefits framework and beyond. What this means is that we have to acknowledge that simply preparing an individual for retirement is

not enough. We need to engage with their entire journey and help them to achieve financial health both today and in the future. We propose a number of solutions across the chain of employee benefits design and implementation. Critically, we need to constantly weigh up the roles of design and human behaviour, as getting either of these wrong can completely upset the process. We can't ignore either of them.

So, in **Part 2: The way forward**, we lay out our solutions according to a three-step process: design, implementation and monitoring. Each of these processes is critical and each is iterative. What we present here is not the end of this exploration, but the beginning.

We hope that our suggestions start a chain reaction. Question them, analyse them, use them. But most importantly, measure them. A key insight from our work for *Benefits Barometer 2014* is the critical nature of that final step – we have to monitor what we do; we have to measure our success.

As we seek to work together to find solutions for employee benefits, we seek to improve the lives of individuals, expanding their access to things which will increase their life satisfaction. We need to improve our results in each part of the puzzle, but we also need to remember that getting each piece right matters only to the extent that it contributes to the bigger picture.

Last year we invited you to the table. This year we invite you to tuck into a platter of suggestions. Tell us what you think: good, bad, needs more salt?