



A generational divide in South Africa?

Birth cohort differences in consumer attitudes and behaviour

Over the last century, South Africa has experienced major changes to its economy and workforce. These changes have mostly been driven by new technology, including the telecommunication revolution. Just as significant were the profound political changes that occurred during this period. The question remains whether these societal changes have resulted in stark generational differences in financial behaviour and attitudes. These generational divisions have been under-researched and largely ignored. The Financial Sector Conduct Authority (FSCA) commissioned a series of financial literacy surveys at routine intervals between 2010 and 2020. This survey series presents a unique opportunity to answer questions about the ways in which the country's youth differ from older generations.

In analysing generational divisions among the South African population, it is advisable to make use of birth cohorts (based on birth years) rather than current age in years. Since we are examining patterns across multiple surveys conducted during the 2012 to 2020 period (2013, 2015, 2017 and 2020), the use of cohorts allows us to compare the financial attitudes and behaviour of the same groups of South Africans over time.

Five distinct birth cohorts are used for the analysis. The first (and oldest) cohort consists of adults born during the 1950s. During this decade, the apartheid state came into being, with the passing of far-reaching segregationist legislation. The second cohort consists of those born in the 1960s, a period characterised by growing political oppression and militarism. The third and fourth birth cohorts

correspond to those born in the 1970s and 1980s respectively. The final cohort includes individuals that were born during the 1990s. This period was marked by the release of Nelson Mandela, the first democratic elections and the formal end of apartheid. For this reason, this cohort is often referred to as the 'Born-Frees'.

■ OVERVIEW OF THE STUDY

To better comprehend and track consumers' financial capabilities and knowledge in South Africa, the FSCA commissioned the Human Sciences Research Council (HSRC) to undertake surveys to explore consumers' financial attitudes, behaviour and experiences. These surveys were fielded as part of the South African Social Attitudes Survey (SASAS) series. Data for this study was drawn from five of these surveys (2012, 2013, 2015, 2017 and 2020), allowing us to track changes over an eight-year period. SASAS uses nationally representative samples that are restricted to adults (aged 16 years and older) living in private residences.

■ TOUGH YEARS

One of the main features of the post-apartheid economy has been a persistent lack of labour market opportunities. This situation, however, worsened in the last decade. The Born-Free generation began to enter the labour market in sizeable numbers during this period with the bulk entering in the last five years. Many were unable to find employment and 47% of this cohort were looking for work in 2020. Compared to this cohort, those born in the 1960s, 1970s and 1980s were more likely to have work, with those born in the 1970s reporting the highest

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level of employment. Those born in the 1950s increasingly exited the workforce and entered retirement between 2012 and 2020. About half (52%) of this cohort was outside the labour market at the start of the period, and this can be compared to 88% at the end. In 2020, four-fifths (81%) of those born in the 1950s lived in households where pensions and grants were the main source of income.

A significant proportion of the Born-Free generation has experienced recent financial duress. About half (47%) of this cohort said that they had endured a situation when their income did not quite cover their living costs in the twelve months before the SASAS 2020 interview. This is fifteen percentage points higher than what was observed when the same question was asked during SASAS 2017. A comparable increase was not noted amongst the other birth cohorts during this period (Figure 1). However, the Born-Free generation was optimistic about the future. When interviewed as part of SASAS 2020, two-fifths (40%) thought that their household's financial situation will get better in the next two years. This was a higher level of optimism than was observed amongst other cohorts (especially those born in the 1950s).

The Born-Free generation does not like handling issues related to finances. When SASAS respondents were asked how often they enjoyed dealing with financial matters, a significant proportion of this cohort said that they were always (16%)

or usually (10%) fond of dealing with them. This proportion was far lower than what was observed amongst older cohorts (Figure 2). One of the reasons for this disparity could be differential levels of employment. The unemployed were far less likely to say that they always or usually enjoyed dealing with financial matters. But even when taking labour market status into account, the Born-Free generation was still inclined to disfavour this kind of activity.

MAKING DECISIONS

Decision-making at the household level is a significant source of financial experience because it is frequently associated with the handling of household bills. Data gathered over the 2013-2020 period indicates that the Born-Free generation is becoming more and more involved (either directly or indirectly) in the management of their household's finances (Figure 3). In 2020, more than half of this cohort made

Figure 1: Percentage who reported that they experienced a period when their income did not quite cover their living costs in the 12 months prior to the interview by birth cohort, 2013-2020

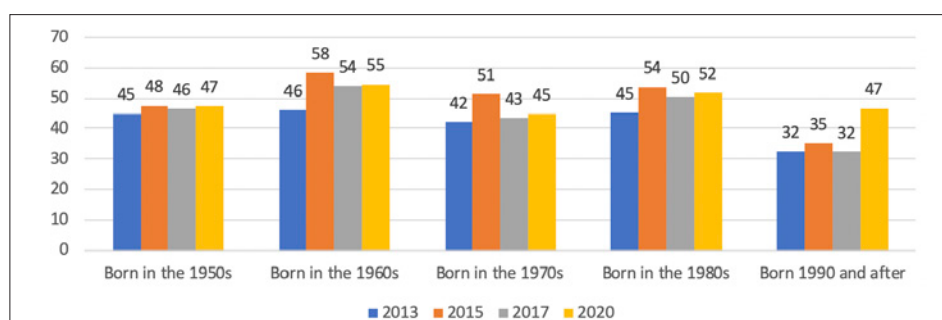
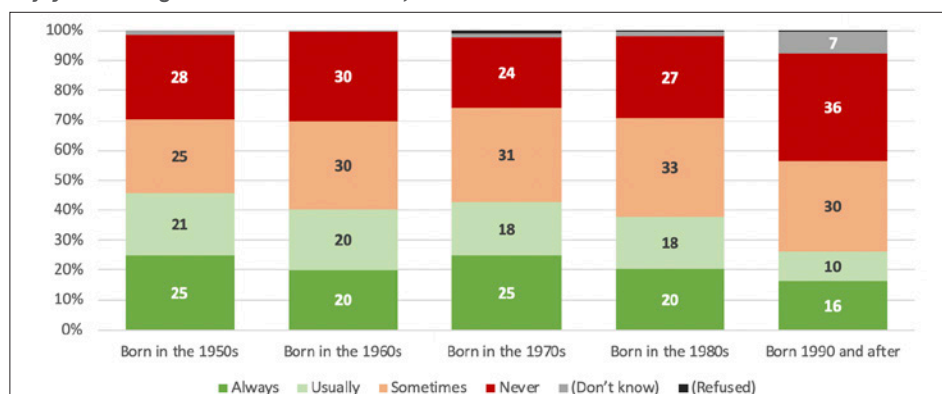


Figure 2: Self-reported frequency by which different generational cohorts said that they enjoyed dealing with financial matters, 2020



day-to-day household financial decisions themselves (25%) or collaborated with someone else (28%). Compared to what was observed in 2012, this represents a 32-percentage point increase in personal involvement in household finances for this generation. A similar (if somewhat less dramatic) change was also observed for those born in the 1980s.

Survey respondents were asked about whether they had made any recent financial decisions that they had regretted. Over the 2013-2020 period, the share who reported regretting a financial decision in the twelve months before the SASAS interview increased significantly. This trend is evident amongst all generational groups, with those born in the 1960s reporting the greatest growth in regret (Figure 4). Consumers were then asked what kinds of decision they were disappointed by. Savings or investment decisions were the type most often mentioned, and this kind of regret has doubled in the last seven years. Older generations also experienced a notable increase in feeling remorse over a credit and/or debt decision. Interestingly, those born in the 1980s experienced an upsurge in regret about decisions related to loans and insurance in the last few years.

Figure 3: Percentage who reporting personal involvement in household financial decision-making, by birth cohort, 2013-2020

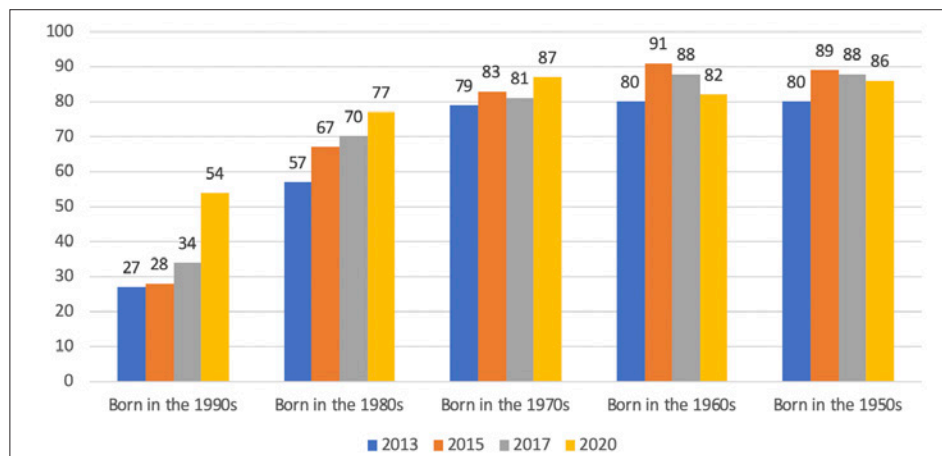


Figure 4: Percentage who reported that they had made a financial decision that they had regretted in the 12 months prior to the interview by birth cohort, 2013-2020

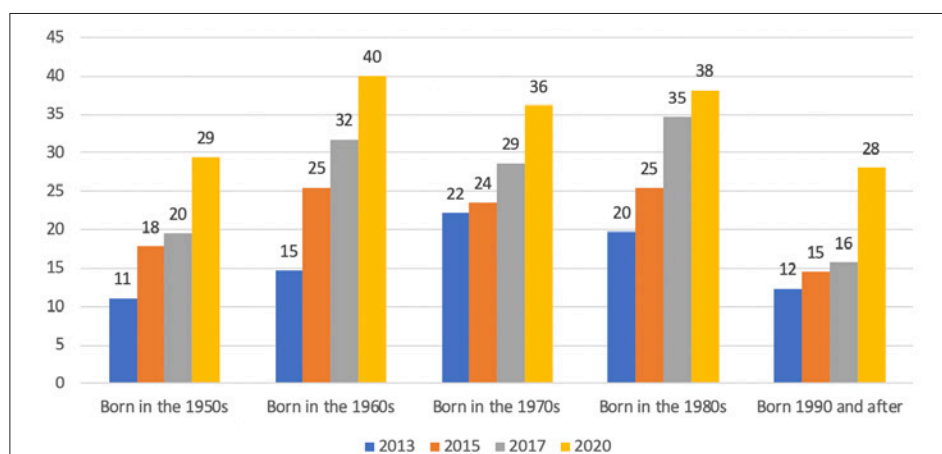




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“36% of the Born-Free generation (born 1990 and after) don't have a retirement plan”

SPENDING AND MATERIAL VALUES

The Born-Free generation was found to be less frugal about money than their older peers. When interviewed during SASAS 2012, a majority (54%) of the Born-Free generation agreed with the statement: “I find it more satisfying to spend money than to save it for the long term”. This was higher than what was observed for other birth cohorts. Public attitudes towards spending amongst this group remained largely unchanged during the 2012-2020 period. As they began to exit the labour market, those born in the 1950s started to lose their preference for saving money. Between 2012 and 2020, the proportion that agreed with the statement increased by twenty-six percentage points. A similar, if somewhat less dramatic, change was also observed amongst those born in the 1960s and 1970s.

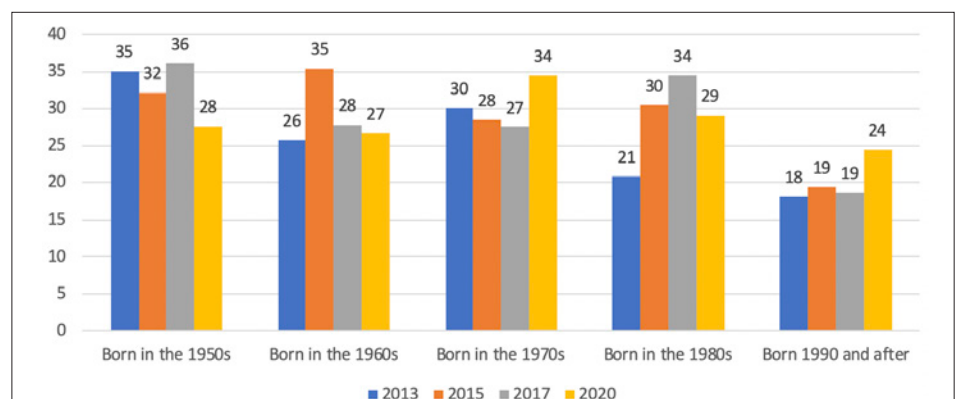
The Born-Free generation was discovered to be quite materialistic in their attitudes towards wealth. For example, around three-fifths (61%) of this cohort told fieldworkers that buying things gives them a lot of pleasure. More than half (56%) said that they liked a lot of luxu-

ry in their life. Approximately two-fifths (42%) claimed they liked to own things that impressed people. This was much lower than what was found for other generations. Those born in the 1950s were found to reject this kind of materialism. Black African youth were especially more likely to embrace materialist values than their minority counterparts. Consider, for example, that 68% of Black African Born-Free adults said that they admired people who own expensive homes, cars and clothes. Around two-fifths (41%) of coloured, Indian and white adults gave the same response.

SAVING FOR THE FUTURE

In the contemporary period, the Born-Free generation is saving more than before. The segment of this cohort who reported having a rainy-day fund (i.e., a fund that would cover personal expenses for at least three months) increased from 18% in 2017 to 24% in 2020. On the other hand, a significant decline in the proportion with such a fund was noted amongst those born in the 1950s and 1960s over the same period (**Figure 5**). There was

Figure 5: Percentage who reported that they had emergency or rainy-day funds that would cover your expenses for three months by birth cohort, 2013-2020



a general increase in saving amongst younger cohorts between 2017 and 2020. The share of the Born-Free generation that had managed to save money in the twelve months prior to the SASAS interview grew from 38% at the start of the period to 47% at the end. The figure in 2020 was, however, below what was observed for those born in the 1980s (56%), the 1970s (63%), as well as the 1960s (50%). During this recent period, we also observed a decline in savings behaviour amongst those born in the 1950s. The share of this cohort that had saved recently declined from 57% in 2017 to 45% in 2020.

A clear majority of the Born-Free generation thought that the earlier you start saving for retirement, the better. Nevertheless, a significant segment (36%) of this cohort told fieldworkers in SASAS 2020 that they had no retirement plan. This was far below what was noted for other cohorts, such as those born in the 1970s (26%) and 1980s (23%). This generational difference is related to differential levels of labour market participation,

unemployment was a robust predictor of having a retirement plan. However, we noted a change in retirement planning amongst the Born-Free generation between 2015 and 2020. The portion of this cohort who reported owning a formal retirement or funeral product grew from 18% in 2015 to 28% in 2020. We recorded a particularly distinctive level of growth in the proportion who claimed to have a retirement annuity or a provident fund.

During the SASAS 2020 survey, participants were asked if they were currently planning and saving for their future in any way. About half the Born-Free generation (47%) said that they were planning and saving up. When asked about what they were saving for, a wide variety of different answers were given by this birth cohort. When reviewing the answers, it was clear that due consideration was given for future family and business activities. Some of the most common answers included saving for marriage, retirement, children and starting a business. Older genera-

tions were less likely to plan for the future. Less than a third (31%) of those born in the 1950s said that they were saving up for their future. Most of this group who were saving indicated that they were putting money away to help younger family members.

■ GETTING ONLINE

The ratio of the population in South Africa using the internet has increased considerably over the last two decades. But a lot of this growth has been concentrated among younger generations. In our contemporary period, internet usage remains divided along generational lines (Figure 6). Consider that, for instance, around three-quarters of those born in the 1950s (71%) said that they were not

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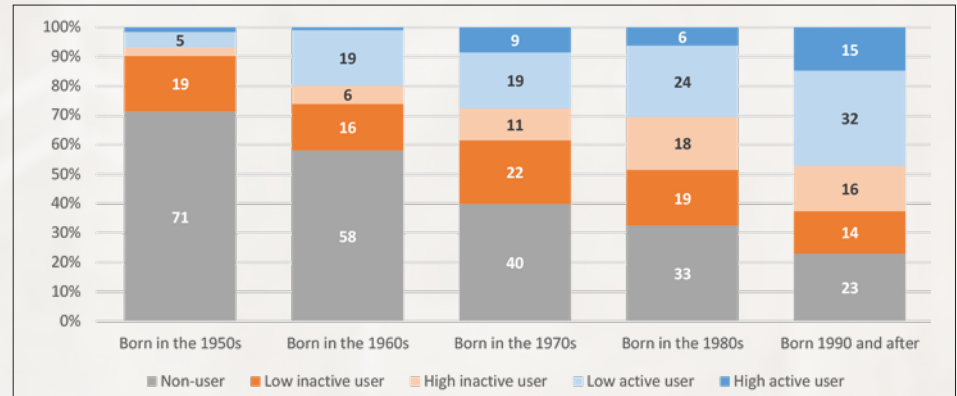




internet users. This can be compared to 23% of the Born-Free generation and 33% of those born in the 1980s. The level of internet usage is also remarkably divided by different generations. About half (47%) of the Born-Free generation can be described as active internet users (i.e., someone who used the internet

every day). This was seventeen percentage points above the average usage level of those born in the 1970s and 1980s. Indeed, about a seventh (15%) of the Born-Free generation stated that they used the internet for six or more hours on a typical day, more than double what was observed amongst other generations.

Figure 6: Access to the internet as well as level of internet usage by generational cohort, 2020



Note: High inactive users are online only a few times a week while low inactive users are online less than that. High active users utilise the internet for six or more hours on a typical day, while low active users spend less than six hours per day using the internet.

When survey participants were queried about the things that they mainly used the internet for, the most popular answer amongst the Born-Free generation was social media (e.g., Facebook or Twitter). Few said banking or other financial services. Indeed, despite being the nation's most active internet users, a majority of the Born-Free generation do not seem to favour online banking. When requested to indicate their preferred method for making banking transactions, most of this

birth cohort said the ATM or visiting the local branch. This birth cohort was also amongst the most likely to say that they never used the internet to do their banking or handle their financial accounts. When questioned about day-to-day purchases, 61% of the Born-Free generation stated that they prefer to pay cash. When asked why they answered this way, most referenced the costs of using digital banking and said that cash was safer.



■ CONCLUSION

The data presented in this brief has identified substantial generational differences in consumer attitudes and behaviour. The Born-Free generation was discovered to be quite different from their older counterparts. Although young South Africans of this generation struggle to gain position within the labour market, they are optimistic overall and are planning for their future. The Born-Free generation are the most active users of the internet but remain sceptical about online banking. Many young people are focused on acquiring wealth. The Born-Free generation emerges as the most materialistic of all the cohorts studied, and places a high value on the importance of wealth and status. The reader is encouraged to download the full FSCA report for more in-depth analysis, available at www.fsca.co.za and www.fscamymoney.co.za