

# Six million empty promises



By [Anton Ressel](#)

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The government's recent election manifesto promise to create six million new jobs over the next five years should have all of us very excited. Why then, do I feel like punching someone in the face?



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Is it because we had exactly the same commitment from the ANC at their election manifesto of 2009 (although to be fair, it was only five million jobs that time)? Or maybe it is because while our president bleats about opening the job market for new entrants, and especially the youth, his party's continued dominance over our democratic landscape is hopelessly reliant on the support and patronage of a plethora of far-too-powerful unions, who have the exact opposite agenda. Then again, it may be because I am just sick of the widening gulf between rhetoric and reality when it comes to the topic of sustainable job creation.

## Not rocket science

The root of my frustration lies in the fact that the solution is really not so complicated, especially if we all genuinely commit to working together. While the Employment Tax Incentive (commonly known as the Youth Wage Subsidy Bill) is a massive step in the right direction, the reality is that if we want to create new jobs, the only way to do so is to grow the economy, and particularly to grow the SME sector. This is not rocket science. It is not something that only clever people like economists or analysts know. It has been proven for decades across the world - the health of a country as far as economic growth and job creation is concerned is directly proportionate to the health of that country's small business sector.

This is where I start to get really fed up, because while you can barely open a newspaper without reading some politician waxing on about the brave and respected small business owner and their importance to the economy, in truth the screws on that very same poor guy are wound so tight that he cannot breathe. The gulf between rhetoric and reality, in the flesh. Our policymakers are killing the goose that lays the golden egg, not just by taxing SMEs to death but also by allowing a climate that makes accessing capital for business growth challenging, risky and unbelievably expensive, supports a telecommunications monopoly, positions the employer squarely as the enemy in any wage negotiations or industrial action, and allows an unfettered bureaucratic nightmare of legislation and red tape to perpetuate in a sector that needs to be allowed to flourish and fly, not be tied up in knots.

## Minimising risk and maximising profit

Accessing finance for growth is one particular challenge faced by most SMEs, especially those who do not fall into the shrinking definition of a Previously Disadvantaged Individual. The banks in this country, frankly, rip us off and have done so for years. If you think politicians banging on about championing the SME cause annoy me, don't get me started on those endless adverts as to how this bank or that bank is the true friend of small business. Tell that to anyone who has tried to access a business loan without being expected to sign over their life as collateral. They all care about two things and two

things only - minimising risk and maximising profit. All the heartfelt advertising in the world does not change this fact.

In case you think I am being melodramatic, consider this observation on [www.ideate.co.za](http://www.ideate.co.za) from Jonathan Bixby, a successful Canadian entrepreneur, angel investor and IT start-up specialist following a recent trip to our sunny shores: "South African entrepreneurs operate in a world where the only people that they can rely on are themselves. Their families and friends aren't rich enough to offer significant financial help. There are no organised incubator and accelerator groups willing to give them a hand up the success mountain by risking capital with them.... Whereas we tend to operate quite boldly, these little companies are not able to take as many chances and consequently they are growing at a slower rate than their North American counterparts. The world of risk capital is stunningly absent. Venture capitalists in South Africa are more like the North American version of private equity: they lend when you are banging out a nice profit margin, or if you have tangible assets that can be used as collateral for their loans."

## **Taxed at every turn**

As an SME consultant who has been fortunate enough to travel and work extensively in several other countries over my career, including Norway, Namibia, Germany and Australia, I can honestly say that in spite of all the talk to the contrary, in spite of all the electioneering and manifestos we are subjected to all the time, SA remains one of the most difficult countries in the world to start and sustain a business. Our telecommunications are slow and expensive, regulatory and banking costs are out of proportion with the rest of Africa never mind the world, we are taxed at every turn, business support is sketchy and far too wrapped up in BEE to be the all-encompassing service our country needs, and employers are seen as the enemy of the poor, exploited workers and not the potential saviours of our economy that they actually are. To use a wonderful line from Jack Johnson's *Traffic in the Sky*, if you keep adding stones, soon the water will be lost in the well.

Now that I have had my rant, let me offer a few possible solutions. I said earlier that the solution to our job creation challenges are not rocket science, and I stand by that statement. They start with government (and especially SARS) recognising that you cannot keep whipping a racehorse and expect him to perform at his peak forever. Something has to give. A true enabling environment for small business growth (which I think everyone agrees is the very best way of creating new jobs - a recent Finscope survey estimates that SMEs accounted for around 90% of all new job creation in SA in the past five years) is one that offers proper tax breaks for small businesses, perhaps on a sliding scale that sees diminishing benefit as the business matures. A true enabling environment sees the employer as the solution and not the problem when it comes to labour issues - how many employers do you know who ever walked away from a CCMA hearing with any kind of recourse, even if the employee stole from them or cost them a lot of money through negligence? A true enabling environment supports small and emerging businesses in a colour-blind fashion, not because we do not recognise the skewed playing field that apartheid created, but because our country needs thousands of healthy small businesses creating thousands of jobs far more than it needs narrow-minded and factional thinking.

## **Zambia and Botswana are thumping us**

The recent Global Entrepreneurship Monitor (GEM) report was a scathing indictment of our collective failure as a nation to engender an entrepreneurial culture in SA, one that looks beyond tick boxes and supports and promotes entrepreneurial endeavours wherever they may be. Countries like Zambia and Botswana are thumping us in just about every measure of entrepreneurial activity. Government cannot be held solely accountable for this state of affairs - education (especially at tertiary level) is not linked closely enough with what the business sector needs, our banks continue to pillage and plunder, costs like insurance and telecommunications are completely out of kilter with other developing countries and we are far away from most major markets - is it any wonder that our economy is limping along at 2% growth and we simply cannot compete on a local, never mind a global scale?

Working every day with SMEs and entrepreneurs has given me hope, because the passion and commitment is so evident across all colours, classes and sectors. We all want to see our economy and our country flourish, and we all want to create the jobs needed for this to happen. However, we need a sea change at the very top levels of policy and decision-making if things are to improve.

Basically, when it comes to championing the cause of small business the gap between rhetoric and reality needs to close, and fast. Otherwise, we sit with six million more empty promises once again.

## ABOUT ANTON RESSEL

Anton Ressel is an experienced business development consultant, mentor and SME specialist. He is the Senior consultant at ED and CSI specialist agency Fetola ([www.fetola.co.za](http://www.fetola.co.za)), a winning mentor on the SAB Kickstart Entrepreneur Competition, and a published author across multiple publications. His passion is helping small businesses become big ones. Follow @antonres on Twitter.

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