

Job creation is a team effort

 By Richard Mukheibir

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The franchise sector continues to grow healthily, according to the [survey results](#) recently released by the Franchise Association of South Africa (Fasa). That sounds as if we should be in a good position to answer the president's call to create jobs - but, as the saying goes, the truth is rarely simple.



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The sector's estimated turnover was R721 billion in 2017, growing its healthy contribution to GDP from 13.3% in 2016 to 15.7% in 2017. International investors have clearly been impressed by the SA franchise sector's track record and are confident about its prospects. The number of international franchise brands in SA more than doubled from 12% in 2016 to 27% in 2017.

We saw employment rise in the franchise sector last year by 7.6% as 26,254 jobs were created in contrast to shrinking employment in other parts of the formal sector and in agriculture. At Cash Converters, for instance, we also responded to the Youth Employment Service, launched in June this year, by creating and training a roving stock-take team of first-time employees.

We would love to say we are expecting more of the same results this year – but that would disregard the economic and legislative environment where we try to make this happen. We congratulate multinational corporates such as Coca-Cola and SA Breweries who have committed to greater job creation and support among emerging farmers and local suppliers. In some senses, this is what the franchise industry does and wants to continue doing.

Call for brave small business people

Of the 369,573 people employed in SA's franchise sector last year, according to Fasa, only 25,586 – or 6.9% – are employed by the franchisors to manage and operate their brands. The bulk of those employed in the sector – 343,987 people, or 93.1% – are employed by the individual franchisees.

In other words, they are employed by small business people balancing the risk of their own capital investment in uncertain economic times against the benefits of operating within the support structure of a franchise brand. We need more of these bold souls to take on the challenge of becoming franchisees if we are going to be able to continue expanding the sector and creating new jobs.

But the economic picture in South Africa is still complex and difficult to read and we are seeing that having an impact on franchisee start-ups. On the one hand, we have had a good operational year with trading up by double figures across the Cash Converters group. On the other hand, we have had a slow year when it comes to franchisees opening new stores.



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Economic uncertainty stifles job creation

Everything from fuel and food prices to the exchange rate is shrouded in an atmosphere of doubt and uncertainty. Would-be entrepreneurs have lost confidence. They are sitting tight in a safe position, not wanting to risk their capital at the moment by starting up a new venture or growing their established business further.

But job creation can be sustained only on the back of a growing economy. Instead, the doubt and uncertainty is being felt at many different levels across the financial ecosphere. Banks are communicating their own uncertainty at the future by slashing the risk they will take on SA's business sector.

At Cash Converters, three out of four of our would-be franchisees normally succeed in securing the finance they need to get their new store off the ground, start employing staff and contributing to our country's economy. This year, though, the situation has been reversed. Only one out of four would-be franchisees have seen their finance approved and been able to set up and start trading.

All the rest – who were prepared to step out of their comfort zone, to cope with rental escalations, to tackle the ever-mushrooming pile of official regulations that encircle business ventures and to take risks in a difficult economy – have been left by the wayside. And so have the people they might have employed and their families.

Each of our start-up stores employs an average of 12 people, usually expanding to about 20 over the first year or two as it begins to break even. But in too many cases, those jobs are not being created. As a result, for every would-be store that is not opened, up to 120 people are not being fed.

As we all reflect on this [Jobs Summit](#), I invite SA business and our financial partners to consider how we can bridge this gap effectively and create the jobs that are waiting in the pipeline.

ABOUT RICHARD MUKHEIBIR

Richard Mukheibir is MD at Cash Converters. Mukheibir co-founded Cash Converters and personally opened its initial pilot store at Parow in the Cape.

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