

THE MANAGEMENT OF JOB CREATION IN SOUTH AFRICA

Anis Mahomed Karodia

Professor, Faculty Member and Senior Researcher, Regent Business School, Durban, South Africa

ABSTRACT

This paper argues briefly that government must meet its job creation promises. In spite of all the talk, South Africa remains one of the most difficult countries in the world to start and sustain a business. At the same time, the paper places on the agenda that the government does not have the monopoly on job creation. Against this background the paper looks at both options. It is acknowledged that the issues raised are important but most complex to articulate on a substantive scale. It is hoped that this paper will stimulate some reasoned debate by others.

Key Words: Government, Monopoly, Job Creation, Business, Banks, Patronage

INTRODUCTION

The government of South Africa must stop doling out grants. This policy creates a dependency syndrome in spite of the reality that it increases the safety net because of the government's inability to create employment and job opportunities in a sustainable manner. Grants will not solve the problem of bringing about peace and stability in the country. This policy assists the ruling party to consolidate its power at the polls. It is simple logic that a taxpayer base of less than 5 million in a population nearing 60 million. This tax base of 5 million people cannot sustain supporting more than 16 million grant recipients and, a number that is constantly and consistently increasing. When this policy was introduced by the apartheid regime, many objected vehemently, as it seemed at that time another ploy to reinforce apartheid. Under the given circumstances and the state of development and politics in the country, it would be wise as a principle to create jobs and that to meaningful jobs to restore the dignity of the people of South Africa, who were marginalized by apartheid and continue to be marginalized by the democratic government, post 1994. Les Crusoe (2014: 25) indicates that "subsidies were given to the factories, which varied according to the area and the number of people employed. He further adds that "Although the gross turnover still went through the companies' offices in the urban areas, the wages paid to the workers were obviously spent locally, and this would thus generate extra infrastructure thereby attracting other shops and businesses, which in turn would employ more people. The subsidies were for a defined period only, and were designed to cover 'start – up-costs and the establishment of logistical routes."

Workers have to be trained from the very beginning or from scratch and there are large costs involved, which will require direct government subsidies through sustained intervention strategies which will require control. To counter the idea that new companies coming into the area could

save on these training costs by ‘stealing’ trained people by offering a slightly higher wage, most areas must set up a manufacturer’s association where agreed wage levels are agreed to and set for various jobs. Although these would be usually lower than the levels in urban areas, most factories will have long queues of work seekers standing at their doors hoping to get a job, which will prove that the levels set are attractive, and there will be very little dissatisfaction on the part of labour unions. It is also presumed that, if there are sufficient people for an area to be determined as a growth point, they must be provided with accommodation and services to some extent, in order to survive. The corporates and businesses together with government have to work in a compact to provide these services. It is the responsibility of government to begin a dialogue in this regard. As the infrastructure develops, it would be relatively simple to expand the services, in small areas at a time, instead of having to do so in large sections... Crusoe (2014) points out that “at one stage, during the period of the homelands in Babelegi, close to Hammanskraal (North West Province), had over 70 factories employing over 14 000 people. There were 8 factories in Seshego employing over 4000.”

The democratic government of South Africa in their wisdom decided to stop the system, with the result that there are now only two small operations in Babelegi and none in Seshego, and the same applies in most of the other areas. Instead of work being taken to the people, work seekers are forced to come to the urban areas. This fuels crime, violence, increase of squatter camps, pressure upon hospitals, clinics, schools, in fact upon housing also, universities and other social rights in terms of the constitution. This exacerbates the development momentum as all of this impact negatively on appropriated government budgets and local and provincial governments within cities cannot cope with these increased demands. All of this has led to demonstrations and strikes. This is exemplified by the fact that the people of South Africa live in atrocious conditions within squatter camps and informal settlements, without employment are forced to migrate into the cities because of government ineptitude and a government that does not have a feasible plan to implement in respect of job creation. Money cannot be spent on the unsustainable grant system and must be replaced by a method and model for job creation.

JOB CREATION PROMISES BY GOVERNMENT

The African National Congress (ANC) in its recent manifesto promises to create 6 million jobs, over the next five years. This commitment was made by the ANC government in 2009 that, it would create 5 million jobs. “The president of the country bleats about opening the job market for new entrants, and especially the youth, the ANC’s continued dominance over the democratic landscape of the country is resilient on the support and patronage of a plethora of too powerful unions that have the opposite agenda” (Ressel, 2014: 18). There is a widening gulf between rhetoric and reality when it comes to the issue and topic of sustainable job creation. The root of the nation’s frustration according to Ressel (2014) “lies in the fact that the solution is really not so complicated, especially if the country commits to working together setting aside parochial interests, if new jobs are to be created. This can be achieved by growing the economy by investing sincerely in small and medium enterprises (SME’s).” This is not something new or that only clever economists know because, it has been proven for decades across the world in respect of the health of a country, as far as economic growth and job creation is concerned, is directly proportionate to the health of the small business sector. There is no depth in political rhetoric and this gulf is widening in terms of reality and the dangerous and perplexing situation in terms of job creation that the country is facing, at the hands of a government that has no

answers and, is completely out of tune with its people. Ressel (2014) further argues that “policymakers are killing the golden goose that lays the golden egg, not just by taxing SME”s to death, but also by allowing a climate that makes accessing capital for business growth challenging, risky and unbelievably expensive. This makes wage negotiations all the more difficult and heightens industrial action. It also allows for a bureaucratic nightmare of legislation and red tape. The sector therefore is increasingly tied into knots.

Accessing finance for growth is a challenge faced by SME’s, especially those that do not fall in the category of the shrinking definition of a historically disadvantaged individual. The banks in the country rip citizens’ off because they all care about two things only, minimizing risk and maximizing profit. Ressel (2014) points out that “South African entrepreneurs operate in a world that they rely on themselves because there are no organized incubator and accelerator groups willing to help, by risking capital. Thus small companies cannot take risks or chances and therefore grow at a slower rate than others. The world of risk capital is absent. Venture capitalists only lend if profits are to be made and they call for tangible assets that can be used as collateral.” He further adds that, “in spite of all the talk to the contrary, South Africa remains one of the most difficult countries in the world to start and sustain a business.” Regulatory frameworks, slow communication, high banking costs are out of proportion with the rest of Africa, and the population is taxed at every turn, business support is sketchy and far too wrapped up in black economic empowerment (BEE and employers are seen as the enemy of the poor, saddled by hostile labour union movements who cry foul about workers being exploited. What then are some solutions to Job creation in South Africa? :

- They must start with the government and the South African Revenue Service because if they do not intervene, something will give.
- A true enabling requirement for small business growth because SME’s according to the Finscope survey accounted for about 90 percent of new job creation over the past five years.
- Proper tax breaks for small businesses, perhaps on a sliding scale that sees diminishing benefits as the business matures.
- The employer must be seen as the solution and not the problem when it comes to labour issues.
- An enabling environment that supports small and emerging businesses in a colour blind fashion, for creating healthy jobs.

Ressel (2014) points out that “the recent Global Entrepreneurship Monitor (GEM) report was a scathing indictment to South Africa’s failure as a nation to engender an entrepreneurial culture, 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.” It must be recognized that the government cannot be held solely responsible and accountable for this state of affairs, education, especially at the tertiary level is not linked closely enough with what the business sector needs, the banks continue to pillage and plunder, costs like insurance and communications are out of kilter with other developing countries and distances are great from most major markets. South Africa is unable to compete on a local and global scale. The economy must flourish and all South Africans want to see the creation of Jobs, but change is required at the upper levels of policy and decision – making, if the situation has to improve. The championing of small business, the gap between

rhetoric and reality needs to be closed and this must be done rapidly, otherwise as a nation, we will sit with 6 million more empty promises once again.

It must be appreciated that there is no stand alone solution to the unemployment crisis in South Africa. There is no magic solution. Although government in the main can be blamed, one has to also lay the blame at corporate South Africa and business in general with regards this vexing issue. It is also their responsibility to create jobs and not only the government. The state does not have the monopoly on creating jobs. The National Development Plan (NDP) envisages a significant expansion of public works programmes as one among various interventions to address unemployment, but also poverty and inequality. Jeremy Cronin (2014) Deputy Minister of Public Works states that programmes are not the total or even major solution to unemployment. Perhaps their primary objectives lies in other developmental objectives, broadening the social security net, enabling sustainable livelihoods, providing services to and by the marginalized, breaking down the top / down delivery mode and fostering community cohesion with a sense of public ownership of local assets through shared productive activities in their neighbourhoods.

CONCLUSION

The issues raised in this paper are complex and vexing but are important issues that require serious attention by the state and the private sector. Job creation is necessary and urgent in South Africa, in order to avoid civil unrest, poverty and inequality and, to restore the dignity of the citizens of the country. It is every South African's responsibility to do so and to assist in this direction. We should not assume it is necessarily a favour to funnel the poor and the dispossessed, nakedly, without a back stop, into precarious, profit – maximizing labour markets in the midst of a persisting global economic crisis. The long and short of this emotional, vexing and important issue is the all embracing fact and reality that government does not have the monopoly in respect to job creation, the private sector, together with all South Africans must share equal responsibility, in this regard.

BIBLIOGRAPHY

- Cronin, J. (2014). Government does not have monopoly on job creation. Sunday Times. January, 26. Page 20.
- Ressel, A. (2014). Government must meet its job creation promises. Opinion and Analysis. Business Report. January, 30. Page 18.
- Crusoe, L. (2014). Job creation is more important than grants. The Star. January, 29. Page 25.