

Entrepreneurship the key to solving SA's unemployment crisis

According to Kobus Engelbrecht, spokesperson for the 2017 Entrepreneur of the Year competition sponsored by Sanlam and BUSINESS/PARTNERS, while the unemployment rate for the fourth quarter of 2016 decreased from 27.1% (Q3 2016) to 26.5%, urgent action and support structures are still required in order for local entrepreneurs to do what they do best – create jobs.



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Engelbrecht says that one of the surest ways to further bolster employment figures in South Africa is to place more emphasis on the promotion and development of entrepreneurship.

Engelbrecht points to the latest Global Entrepreneurship Monitor 2016-2017 which states that small and medium enterprises (SMEs) in South Africa contribute 36% to GDP. “However, we could improve this figure if we make business conditions more conducive to growth.” Engelbrecht references the 2017 *World Bank’s Ease of Doing Business* report ranked South Africa 74 out of 190 economies - down from 72 in 2016.

Enabling environment

If SMEs are to increase their contribution to the local economy, and in turn, the number of jobs they create, we need to ensure that we have an enabling environment and entrepreneurial ecosystem that allows entrepreneurs to thrive, says Engelbrecht. “The number of people a small business can employ is ultimately determined by many factors including the sector it is in, its turnover and length of time it has been in operation. The more stable the business, the more staff it can employ fulltime.

“South Africa’s established business ownership rate – the percentage of owners/managers of businesses that have been in operation for more than 42 months – is ranked 61/65 in the GEM 2016, while its Total Early-Stage Entrepreneurial Activity (TEA) – businesses that have been in operation for less than 42 months – is ranked at 52/65. This highlights how more emphasis should be put on ensuring that entrepreneurs – in all business cycles – have the necessary support to grow their business from a start-up to an established, thriving enterprise.”

More needs to be done

The South African Institute of Chartered Accountants (SAICA) *SME Report 2016* reported that of the SMME respondents with a turnover between R100k and R5m per annum, 47% employ between two and five people, 33% employ between six and 49 people, and only 4% employ over 50 people. The balance of 16%, don't employ any people, except for the business owner. "More needs to be done to bolster these employment figures."

Engelbrecht adds that it was encouraging that the recent State of the Nation Address listed the development of SMMEs as a key focus area in the government's Nine-Point Plan. "With more focus being placed on the development of opportunities for entrepreneurs, it will enable government to work towards the National Development Plan's target of ensuring that 90% of new jobs will be generated by SMMEs by 2030," says Engelbrecht.

"South Africa is home to many motivated and aspiring entrepreneurs, with 72.6% of the adult population believing that entrepreneurship is a good career choice*. Through platforms such as the Entrepreneur of the Year competition, we have seen the impact made by previous finalists, creating jobs and uplifting their respective communities. The challenge now is to provide the necessary programmes and support needed to upskill and develop future entrepreneurs," concludes Engelbrecht.

**GEM 2015/16 data*

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