

Supporting small entrepreneurs to lift employment

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SINCE the global economic crisis, SA awaits Statistics SA's quarterly employment and labour statistics with bated breath. The first-quarter labour force survey data reflect a strong decline in employment, with the unemployment rate creeping to more than 25%. This means that more than a million people were without work.

What solutions do we have for the jobless? Politicians have suggested that entrepreneurs and small businesses have an important role to play in creating jobs.

In light of this, it was with some excitement that the Manufacturing Technology Demonstration Centre was launched in Soshanguve, north of Pretoria, last week.

The centre is the brainchild of the Seda Technology Programme, the City of Tshwane and the Tshwane University of Technology.

The centre assists those with clever business ideas, but with limited business knowledge.

Launched by Trade and Industry Minister [Rob Davies](#), the centre hopes to facilitate the success of new businesses, as many fledgling pursuits fail when talent and will are not matched with economic knowledge.

The products manufactured by Soshanguve entrepreneurs include steel and wire products, tissue paper consumables, plastic products and packaging for consumables.

"It is crucial to support sustainable small businesses, as these become beneficially integrated into mainstream value chains," says Mr Davies.

He says this will "grow the number of decent jobs".

Why the strong interest in the manufacturing sector to provide much-needed employment? The Department of Trade and Industry laments that growth in recent years has arisen from the



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service sector, driven by “unsustainable” private-sector credit extension.

Mr Davies says the production sectors of the economy underpin higher jobs growth, with manufacturing the chief driver of that.

His support of the Manufacturing Technology Demonstration Centre is aligned with the second industrial policy action plan, with a key objective being to promote a more labour-absorbing industrialisation path.

“This supplier-development intervention has the potential to hand over millions of rands to small enterprises that are excluded from participating in the mainstream economy,” Mr Davies says. “In essence, there are many reasons for the relatively low profitability of the manufacturing sector in SA, and therefore every measure that seeks to address or remove the barriers to increased efficiency and activity in the manufacturing sector needs to be welcomed.”

However, an issue that remains unresolved is the creation of markets for these entrepreneurial individuals and small enterprises.

Sudesh Pillay, a member of the Tshwane municipality’s mayoral committee, said at the launch: “The challenges for small and medium enterprises is that they don’t have markets. We want to create markets for them.

“We’ve taken a decision that all our corporate gifts we will procure locally. In terms of our budgets, money has been set aside to support procurement activities through (small businesses).”

[Nedbank](#) economist Nicky Weimar believes, however, that the manufacturing sector will not create the jobs growth Mr Davies expects.

“The goal is to be competitive and this means a strong component of capital-intensive production,” Ms Weimar says.

Obviously there is a need for industry to absorb the labour reserve, but Weimar says the world is becoming increasingly technology-based, aligned with global streamlining, which is not good news for SA’s excess unskilled labour.

Tony Twine, chief economist at Econometrix, says the prospect of the manufacturing sector creating substantial employment in current and future market conditions is slim. “Workers need to upskill in the manufacturing sector so that they can operate in capital-intensive environments. But this is a long-term solution.”

While this is more sustainable in the long run, it does not offer immediate solutions. Unfortunately, this requires education and skills development.

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