

# Back to the drawing board on unemployment eradication

 By Leigh Andrews

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Amien Ahmed, director of public affairs at Kantar Public South Africa, is so focused on social, political and government research that he hasn't read a novel in five years (though he recommends *Peak: Secrets from the New Science of Expertise* by Anders Ericsson, the researcher who unveiled the concept of '10,000 hours' or putting in the time to perfect a skill, as made popular in Malcolm Gladwell's *Outliers*). Here, Ahmed shares some of the top issues relating to this month's countrywide focus on entrepreneurship based on the recently completed Finscope study and unravels a few misconceptions for those who see entrepreneurship as a silver bullet for the country's high unemployment levels...

The [latest unemployment stats](#), released by StatsSA last week, show the figure is now at its highest since 2003. Many punt entrepreneurship as the answer to this crisis, but Ahmed says you simply can't speak about entrepreneurship without also speaking about access to credit and how to manage finances and a business, as well as getting young people into the workplace where they can develop skills through 'learning by doing'. In addition, entrepreneurial support must first be rendered to who are already in business. Here's why:

We speak today about millennials and their mindset, with a thesis that they want quick success and lots of money, coupled with low levels of commitment or loyalty. Ahmed says this is partly related to the fact that we're moving away from the current notion of full-time employment, it's all about 'WIIFM' or what's in it for me, work-life balance away from the office and also a prevailing sense of entitlement.

## Managing that millennial money mind-set



Amien Ahmed

So if you're in business, dealing with millennials, you have to consider how their way of being is likely to impact your company. They often fall into the '98 percent/2 percent trap', where you've done 98% of the work but it's that shoddy 2% - where you left work early the day before a big presentation and didn't update important info - that you get judged on. Ahmed calls this a stereotype that doesn't necessarily hold true to all under a certain age, but it does seem to be the prevailing 'millennial mindset'.

Today, we live on apps, and the state of social science in the 21st century is undeniably linked to technology. The idea of holding an arts degree without the required technological skill or basic office knowhow to put the theory into practice is now outdated. Ahmed says tertiary institutions will have to rethink what they teach, as we need a connection between social sciences and technology. The bigger challenge

then isn't necessarily about understanding social science in terms of general business but rather about how best to bridge the gap between social science and technology so that young people have a better opportunity to work long-term.

Speaking of the reason most of us work, at a more basic level than feeling fulfilled for making a contribution to society - to earn money for now and for the long-term, Amien says there's no denying South Africans simply don't have a savings ethos, which impacts people at an older age where they don't have money for retirement - we need to start young, but most leave it too late, if they start saving at all. Building on this, he discussed the Finscope SA 2016 study, which falls under the Finmark Trust and United Nations' Capital Development Fund partnership's 'Making Access Possible' programme, and how it relates to entrepreneurship. Key among these is that 40% of the youngest set of respondents - those in the 18- to 29-year-old bracket - expect the SA government to provide for them. He raises two points on the topic: The first is the dependency factor - where the youth have a dependency mindset, expecting others to provide for them, the other, in the context of #feesmustfall, is about understanding that access to funds for education has more of a developmental agenda.

That's one of the key features of the middle economy, where there's a huge battle between savings and credit and strong lines of indebtedness. This is why the [UCT Unilever Aspirations report](#) raised the issue of access to credit and not being able to 'move SA' without it. Ahmed says credit and loans are a double-edged sword as they can either spiral you further into debt or be the basis to create employment and wealth, so you cannot have economic development without risk.

Honing in on the younger respondent set – the millennials – the survey asked for their age by education, age by employment status and age by views on who should be looking after them. Sketching the first two problems, Ahmed said South Africa has a large population of young people in that age group, with very low levels of education – 90% of respondents having Matric or lower levels of education – and high levels of unemployment, as another problem.

## **It's all about the money...**

Moving on to the hot topic of unemployment then, a staggering 35% of the younger set are unemployed. It's a group with low levels of literacy, numeracy and understanding of how money works. That's the huge challenge we're dealing with: Entrepreneurship is promoted as the answer to unemployment, but how can it be when the people we expect to become entrepreneurs simply don't have the skills to do so?

Taking the argument further, Ahmed says with entrepreneurship you must have access to credit. You can access it, but what do you end up paying for it? Will you be able to make the payments, do you also have the required transport and industry knowledge to do the basics of setting up a business? There are funds available – R1.5bn – but that doesn't come with the ability to manage money. The *Mail & Guardian* highlights the work of SETAs and the [Small Enterprise Finance Agency](#) (SEFA), but startups tend to have a 70% failure rate in terms of paying back loans, so if you already have a business and need to take out a loan, your application is more likely to be successful. With a startup that's completely from scratch, it's more likely that you'll fail to repay your loan, so you're high risk.

Take the sum of all of that and the barriers to entry start to seem like insurmountable hurdles at this stage, especially to someone looking to launch a startup. The literature shows the youth need access to credit, knowledge of how finances work, admin and managerial support, knowledge of how to turn their idea into a business and mentoring. Even in deciding to start your own business, you need to know the gaps in the market and what would be a good option. That then speaks to the whole issue of mentoring and putting the basics in place.

Entrepreneurship isn't the easy flag or silver bullet. Then there's the informal trade sector, which has become a firmly enmeshed support network or community. When desperation sets in, that's what you operate in. The end goal of a stokvel isn't for developmental goal savings, but simply to get by day-to-day. Ahmed says it's a great principle, but is the loan being taken to buy property, build a house, or finance your education? That would be good credit for developmental goals. But those living in desperate poverty are taking out loans to buy basic food, as opposed to the higher income category (R30k+) borrowing to better their lives. It's about your mind-set as well as the circumstances you find yourself in. Ahmed says you almost have to fit entrepreneurship into that – what are people taking out loans for, are they even thinking of getting out of unemployment?

## **Young people need financial education and to get 'doing'**

The real solution that'll alleviate unemployment levels all tie back to education. The basic education provided at school is neither doing an adequate job nor reaching those who need it. First is to look at a school level, as even the private schools don't teach adequate financial management. Ahmed says we have to get people to understand how the economy works with a standard programme that runs across all high schools – not necessarily from the department of education. It could be designed by an NGO as a standard programme explaining how a bank account works, as well as the concepts of interest, loans and debt.



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Second then is the need to provide a supportive infrastructure to those existing businesses in the informal sector that aren't registered so are seen as high risk by creditors, and potential entrepreneurs without a bank account or proper addresses to be FICA'd – without which you can't get a loan. SA is quite sophisticated in this regard as info can be triangulated between SARS and various institutions, so there's sufficient infrastructural data to hold someone accountable to find them and ensure they won't disappear into the sunset. There's sufficient data in the system to give people provisional FICA status. Ahmed says to remove the obvious excuses to accessing money and that we need models to support these initiatives.

We need to formalise this 'missing middle' economy that effectively runs *spazas*, puts food on the table and children through school, and give it greater support in identifying pockets of already existing businesses.

Ahmed is also a strong believer in learning by doing, so while better basic education is definitely an aspect of it, so is the need to get young people employed, because part of the problem is the current state of idle youth not doing anything, which snowballs into a larger societal problem. That's why Ahmed says the debate of living wage and paying people a stipend is problematic if you don't factor in that you have to get young people working to get South Africa working.

## **Mentorship, support and a new-biz moratorium**

At one level it's a good thing as it actually gets people into the workplace and earning – “even if it is peanuts, that's better than sitting at home with nothing to do,” he says. There's a dual benefit as you develop a skill and understand the nature of work, while also understanding the relationship between work and getting a salary – and if you're not happy with your salary there's a propulsion to do something about it. So we have to come up with more opportunities to get people into employment, even if it's on a stipend or low-level salary.

The other critical factor is the need for a support mechanism. SA is seen as a very difficult country in which to register a business, compared to Rwanda for example, where you can have your business registered speedily, without bureaucratic obstacles. Here you need to dot every 'i' to cut through the red tape of SARS compliance, labour legislation, workmen's compensation and the like. This can be overwhelming and off-putting, which is why Ahmed proposes a two-year moratorium on compliance.

Get people to start up a business, give them the support they need but don't be too onerous on all the legislative stuff. Let them find their feet – sure, they're not paying SARS but they weren't doing so before when they were sitting at home, either. It's about creating an environment where it's OK for your business to fail without the pressure of payback.

Ahmed adds African Bank is working out a model in this light, for low-income earners that provides access to credit that's

carefully vetted to identify the people and small businesses that have a better chance of success.

## Everybody needs to get ready for the changing world of work

In terms of decreasing unemployment in particular, access to credit is key, as is education and opportunity. It's really tough for entrepreneurs as well as freelancers, as it's that much harder to get credit, because you don't have a registered business. Studies also prove that most people with life insurance, medical cover and a provident fund or retirement fund are more likely to be in full-time employment, working for a company. In contrast, people working full-time for themselves show a decline in having savings and risk protection products.

If we think about where the world is going, full-time employment working for a set employer is on the way out, with remote work and tech-based work is coming in. This is a financial issue that impacts the nature of work, in turn accidentally creating an entrepreneurial environment. Are we prepared for it? Ahmed says disruption is everywhere, not just with Uber but also the likes of [Mama Money](#).

"Soon, the nature of changing work will force us to understand how to work for ourselves. It's moving the focus beyond entrepreneurship to working from home, remotely, for yourself. Circumstances are dictating, and the corollary argument is this new challenge," says Ahmed.

Are you ready?

Click through to the [Finmark Finscope website](#) for more.

## ABOUT LEIGH ANDREWS

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