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COMMENTARY

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Private sector's R290bn kick-start spurs investment

NEWS THAT that the private sector has pledged to invest nearly R290 billion into the South African economy shows that the appetite to invest is slowly returning.

It also reinforces the findings of a recent study into the private sector's wider contribution to the domestic economy. The real challenge is how best we put these investments to work.

Historically, South Africa has a poor track record when it comes to converting investment into inclusive growth. Even during the "good" years when the economy was experiencing growth in excess of 5 percent, unemployment and inequality remained stubbornly high.

Despite relatively high levels of investment – and specifically investment into economic activities aimed at job creation – South Africa's unemployment rate remains unacceptably high. This has been exacerbated by a failing public education system that sees less than half of South Africans pass matric by the age of 21 and only 6 percent of young people get some form of tertiary qualification within six years of matriculating.

The resurgence in investment confidence shows that there is a willingness in the private sector to step up to create jobs and stimulate economic growth but we need a drastic change of approach. At the heart of this lies the ability to identify and leverage those sectors where the multiplier effect is greatest and that generates the most positive externalities.

At the moment, annual public expenditure on employment programmes such as the Expanded Public Works Programme and Community Work Programme, and post-school education and training facilities such as TVET colleges and sector education and training authorities (Setas), totals in excess of R105bn. On top of this, the private sector, through various BBBEE training and skills development programmes, spends an additional R100bn on job-creation initiatives.

If we are serious about maximising the impact of these investments we need to ensure that we optimise where and how we spend them. To do this we need to identify those sectors of the economy that give the most bang for investment buck. The recently released 2018 Business Contribution Index (BCI) does this by tracking the direct and indirect contribution made to the economy by various sectors.

The index found that the private sector is collectively the most important contributor to economic growth and prosperity in South Africa as well as being the biggest employer.

The index identified four categories of business that make the greatest contribution to growth and prosperity: finance, safety and security, employment and healthcare, and education.

The BCI also identified six categories of business where the contribution to the broader well-being of the economy is minimal or even negative. But it is in these categories where business has a negative or only weakly positive impact that there is the greatest potential for business to step up and drive growth from the inside.

In our business, we are showing our commitment to youth employment by increasing our intern intake to 80 interns by 2020 and will increase our support to key youth initiatives. We are also committed to improving diversity and transformation by more than doubling the number of women in our executive leadership programme from 20 to 50 in 2019 as well as offering free places to public sector education staff on our Agile training programmes.

On their own, these investments may seem relatively insignificant but it is as a collective that their true impact will be felt. We are committed to using business as a force for good and hope that others will examine their own contribution.

Adam Craker is chief executive of IQbusiness.