

## POLICY

# Government should focus on small businesses in fight against inequality

We need a coherent, long-term plan for business support, and export aid to match the ambitions of start-ups

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**E**lections might change a parliament, governing and opposition parties, but they don't dispose of issues. After the election and inauguration of the sixth administration, the biggest challenge is to develop better processes than adversarial parliamentary

politics, and generate consensus on major issues.

After debates on the electoral arithmetic and its potential implications are over, many important issues will be in the minds of businesses and the nation after the inauguration of the new president on May 25.

The new administration and parliament need to ensure their warm words are backed up by practical policies. The country needs an undivided, stable government focusing on stabilising the economy and building on the pillars of long-term growth – education and skills, health care, infrastructure and sound governance.

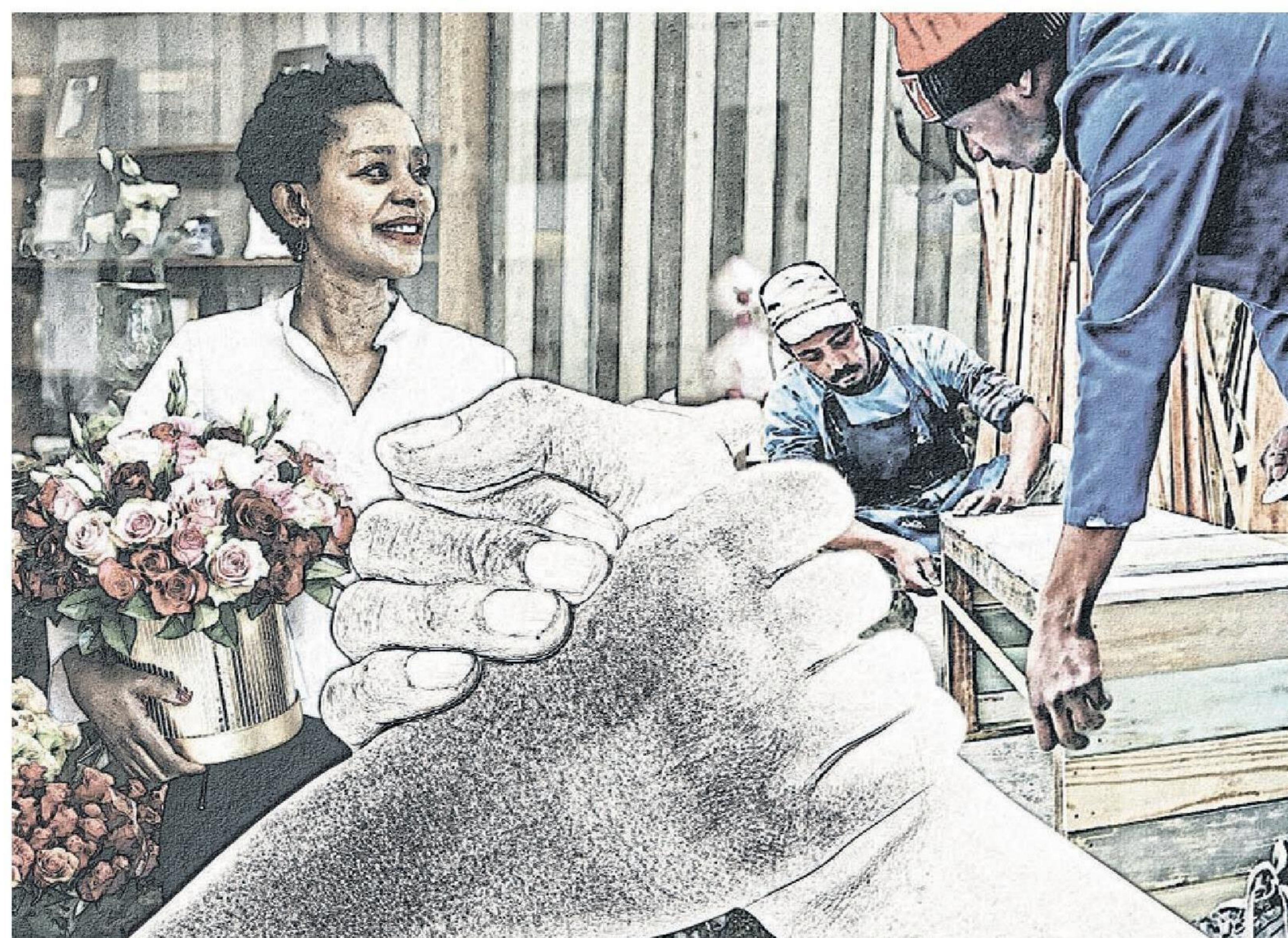
Twenty-five years since apartheid rule ended, SA's prospects are much improved. In our sector, black youth no longer face a narrow choice between mineworker and farm labourer. There is a new black middle class, beneficiaries of the government's black economic empowerment programmes for which we had fought so hard.

Alas, we are only too aware of the sprawling poverty outside. Many have accused the democratic government of redistributing wealth to rich owners of capital, reproducing inequality and neo-apartheid geographies.

Many poor people have yet to reap the benefits from the postapartheid society. Although the government has made investments in housing and other public works, the speed of transformation is sluggish. The poor are now held hostage to subtler processes of class exclusion. Opportunities exist mostly for the well-connected, and the interests of the new middle class are increasingly diverging from those of the rural and urban poor.

There is no shortage of data highlighting the fact that SA is still highly unequal. For example, according to the Commission for Employment Equity white males hold 73.1% of top management positions while representing 6.7% of the economically active population.

As spelled out at the state-capture and other commissions and inquiries, black professionals are gaining ground within state-owned



Graphic: DOROTHY KGOSI Pictures: SUNDAY TIMES/ALON SKUY, DAILY DISPATCH/STEPHANIE LLOYD and 123RF/XIMAGINATION

enterprises, but most of these are blighted by patronage politics. Public works are bogged down by dubious tendering processes, and "irregularities" are creeping into the provision of social services.

So what happens after the president has been sworn in on May 25? Future growth depends on a better-balanced economy, with workers getting a fairer share in their pay packets, corporations paying their fair share of taxes, and short-term shareholder interests kept in check.

A change of course is urgently needed, based on a sustainable recovery in which everyone has a fair share and there is a robust plan for investment to boost long-term growth. The government has a fundamental role to play to support a thriving small business sector – by putting small businesses at the heart of policymaking, providing better business support and encouraging a more entrepreneurial culture.

We want to see the next government putting small businesses at the heart of policymaking, and creating a coherent, long-term plan for business support, including support that matches the ambitions of start-ups and small companies that want to grow.

Business wants to see swift action on key economic priorities, including staying on top of public finances. We require skilled as well as educated people. We need affordable and reliable energy and we need connectivity to our markets and to each other by land, sea, air, and we need broadband.

The next government can re-emphasise the positive message to would-be investors and entrepreneurs, that SA backs entrepreneurship, jobs and wealth creation that are for the benefit of all. The goal should be to create an environment in which the country regularly encourages and supports start-ups to become world-class firms.

Politicians need to give as much attention to the delivery of policies as they do to the ideas themselves – business and the public will judge success on promises being kept. The sixth administration's challenge is to build on the successes of the first five administrations to reduce inequality further, create much-needed jobs and ensure stronger, sustainable and more inclusive growth for all.

Dealing with widespread poverty is the single most important policy challenge facing SA. Not only is poverty high when benchmarked against

other emerging economies, but the rate of poverty reduction has been slow. Inequality is increasing almost everywhere across SA.

The inequality that exists now derives less from the unequal availability of opportunity than from the unequal ability to exploit opportunity. This unequal ability stems from differences in the inherent human potential that individuals begin with and in the ways families and communities enable and encourage that human potential to flourish.

Rising inequality, meanwhile, has been compounded by rising insecurity and anxiety from people higher up on the economic ladder. The critical challenge is to spread the payback of economic growth among the people, especially the poorest of the poor.

The National Development Plan (NDP) espouses transformation as a means of dealing with a flagging economy and the perennial question of unemployment. However, while SA has embraced rhetoric extolling the benefits of transformation, entrenched political, economic and sociocultural interests limit these efforts.

For example, in the financial services sector the country has yet to create the economic ecosystem necessary for transformation to take place – that is, an integrated policy environment that encourages transformative ventures to take hold and succeed. Instead, many challenges continue to impede the transformation of the sector from reaching its full potential.

Transformation is more than just an economic term – it is a way of thinking. Creating jobs, empowering people and giving individuals access to better lives for themselves and their children certainly are development goals everyone should aspire to. In the new administration the challenges that hamper transformation – such as competition from larger firms, regulatory and sociocultural constraints and limited access to capital – have to be tackled expeditiously by the public and private sectors with the assistance of civil society.

The new administration must stick with what is working so that progress can be built on, and avoid adversarial politics, which throws obstacles in the path of development.

Where tough decisions are needed, parliamentarians and ministries should focus on tackling only the most important challenges and not overstretch themselves by being distracted by the small stuff.

● Mbatha is president of the Association of Black Securities and Investment Professionals.