BIZCOMMUNITY

Redressing inequality in SA through skills development and entrepreneurship

By Ryan Ravens

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Inequality emerged as a major theme at the 47th World Economic Forum in Davos, and remains a pressing concern globally and in South Africa. Research shows that eight individuals own as much as 50% of the global population, and closer to home, three individuals' net wealth is equivalent to the poorest 50% of South Africans.

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Approximately 20% of South African households (16,2m people) survive on less than R350 per person monthly. Such inequality is simply not sustainable. Given our current trajectory, inequality is likely to worsen rather than improve. The problem statement is clear, the solutions less so.

The inequality debate is quite polarising between pro-growth and redistributionist camps and the danger with the inequality data is that political leaders could use it to fuel an anti-business rhetoric. Inclusive private sector growth is really our only hope to address the undeniable inequality in SA as government and civil society are simply not able or willing to do so on their own.

Attempts by government to create jobs has resulted in an over-burdened public sector administration that is too large given the size of our economy, resulting in escalating government debt and the danger of our sovereign rating being downgraded as government struggles to fund the behemoth its workforce has become.

The apartheid legacy

Within the South African context, there can be no denying that the apartheid legacy continues to linger. We may have removed its legitimacy, but we haven't begun to redress the structural inequality it created. Under the regime, black South Africans were systematically prohibited from owning productive assets such as land and commercial enterprises.

When the system was abolished, South Africa's markets opened to the world but the only people who could participate and enjoy this upsurge in economic growth, were those who had already acquired productive assets.

This resulted in even greater inequality. As a nation, we have consistently looked toward the political realm to redress the inequality created by a political ideology. This has not worked, despite South Africa being one of the most taxed countries globally.

The redistributionist view

The redistributionist narrative currently favoured by populist politicians would have us believe that certain corporates and individuals owe society something because of their historical success. This completely ignores the global context and the fact that investment will flow to where it can be assured of the highest returns and lowest risk.

Greater tax burdens levied on successful corporates and the wealthy are only effective when government can be trusted to use those taxes for social upliftment. With our current political leadership, that trust is at an all-time low and the rate of investment in the country reflects that lack of confidence.

Concurrently, trust in business continues to fall as statistics such as those presented at Davos demonstrate an ever-widening chasm between the uber-wealthy and desperately poor, pressuring government officials to set policies that undermine competitiveness and constrain economic growth.

Shared value

So, what is the solution, and is there a middle ground between the redistributionist egalitarians and pro-growth capitalist mindset? The concept of shared value, from strategy guru Michael Porter and his colleagues at Harvard, perhaps holds the key for SA. The idea behind creating shared value is that the long-term success of a company and the health of the communities around it are mutually dependent. Within the local context, this is commonly referred to as inclusive growth – a concept we've afforded enormous lip service, but struggled to implement effectively.

The role of government, business and civil society

A significant factor in our collective failure to drive inclusive growth has been a blurring of the roles between government, business, and civil society.

Government cannot and should not be solely responsible for job creation as this is really the role of the private sector. Large scale creation of new job opportunities within the public sector can only be justified if it is supported by an equivalent increase in tax revenues, but that is only possible if the private sector has experienced sufficient growth to generate those additional taxes. The common refrain from corporate leaders is that government needs to create an environment that is conducive to business activity and stimulates further investment.

This is entirely valid; however, we also need to place some responsibility on corporates to in-turn start acting to redress inequality by doing what they can (independent of government) to create jobs, transfer skills and stimulate entrepreneurship in areas where it is most needed.

The role of civil society is to hold both business and government accountable, whilst emphasising the specific needs of disadvantaged communities and mechanisms to meet those needs.

Stimulating entrepreneurship

A viable, and desperately needed, solution to SA's economic woes and unemployment crisis is greater entrepreneurial activity. We need to start creating an environment where emerging enterprises are able to participate in greater market opportunities, whilst benefiting from access to finance and technical skills.

Government has an important role to support this through revised legislation that allows for tax breaks, incentives, and reduced administrative burdens whilst the corporate sector has an even greater role to play with respect to opening supply chain opportunities, transferring skills, and developing new models to provide finance in a manner that ensures big business absorbs greater risk.

ABOUT RYAN RAVENS

Ryan Ravens has extensive experience in leadership positions in the public and private sectors having joined Accelerate Cape Town from his role as CEO of consulting company, TetraFlex. Prior to that he was the group executive: strategic partnerships at Blue IQ Investment Holdings. He was also the lead project manager for FIFA for the 2010 World Cup.

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