

Cross-Sector Thought Group

Facilitating Labour Absorption in SMMEs



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Background

SMMEs have a designated role as job creators in South Africa. With an unemployment rate hovering around 27%¹, SMEs have been identified by policy makers as a vehicle of job creation, particularly for marginalised communities such as women, youth, and low-income families. South Africa's National Development Plan envisions a 2030 where 90% of jobs are created by SMMEs.

Despite the importance accorded to SMEs as job creators, SMEs still struggle to grow their business, both in terms of annual turnover, as well as number of employees. From the perspective of an incubator, accelerator, or enterprise intermediary, there is a gap between the opportunities for job creation in the SME sector, and the current ability of SMEs to absorb labour and provide quality jobs. This prototype therefore looks at the framework conditions that support climate-smart enterprises to grow and create quality jobs in the green economy to contribute to SDG 8: Decent Work and Economic Growth.

Objectives

- **Facilitating a conducive and labour absorbing environment for SMMEs**
- **Tailoring SMME support programmes** and schemes to the needs of different sectors and sizes, especially in green sectors
- **Encouraging feedback loops** between enterprises, intermediaries and policy makers
- Ensuring that SMEs are provided with **support and incentives** to create quality jobs that address high unemployment in youth and marginalised communities

Focus:	Climate Change Mitigation and Adaptation
Ecosystem Impact:	Access to available skills and talent, Business Development Support
Lab Cycle:	Policy, South Africa 2019
Challenge Hosted by:	South African Renewable Energy Business Incubator (Sarebi)

Solution Overview

This prototype targets the strengthening of an enabling environment to promote SME growth and related labour absorption. This is to be achieved through increasing access to incentives for SMEs, as well as targeting size- and sector-based programmes to encourage growth. To ensure that efforts to encourage SME labour absorption are well targeted and coordinated, this prototype proposes the formation of a thought group to identify, review, and target structured interventions that will incentivise the growth of SMEs that are perceived to have potential for yielding high job creation opportunities. The thought group will act as an information platform for intermediaries and policy makers to unblock barriers facing SMEs when it comes to job creation, as well as to target programmes and investments based on sector. A focus on green jobs will help to define green sectors with high potential for job creation and encourage SME growth and job creation within these sectors.

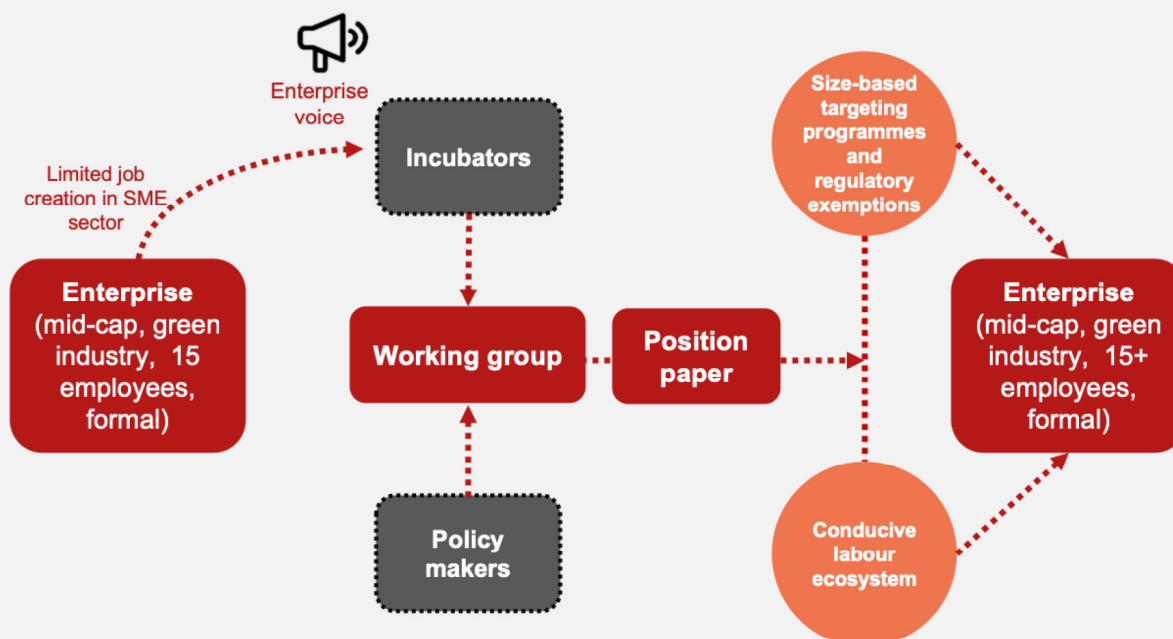
Policy relevance

Ensuring that policy efforts to support SMEs to create jobs are well targeted according to sector and need.

Incorporate a strong feedback loop with intermediaries that support enterprise growth.

Working towards SDG 8 targeting sustainable economic growth, employment and decent work for all.

[1] Business Tech 2019: South Africa's unemployment rate climbs to 27.6%. Retrieved 11.10.2019 from <https://businesstech.co.za/news/business/316782/south-africas-unemployment-rate-climbs-to-27-6/>



Key Features

- **Identification of new / additional incentives** that promote labour absorption in the SME sector and ensuring that intermediaries can connect enterprises to these incentives
- **Convening public and private stakeholders** to share information about labour absorption among green SMEs in regular meetings
- **Provision of feedback** from intermediaries to ensure targeted programmes and understanding of the potential and gap in SME job creation
- **Development of a position statement** and identification of a spokesperson to be used for advocacy purposes

Benefits to Eco-Inclusive Enterprises

The proposed prototype aims to strengthen the framework conditions for SMEs to create jobs. The de-risking mechanism will address current barriers to labour absorption, and enable SMMEs to grow their workforce more readily in green sectors. The mechanism will help enterprises to access well-targeted support, intermediaries to connect SMEs to relevant programmes, policy makers to achieve job creation, and for the public to access quality jobs.

Impact Potential

SMME growth and the creation of quality jobs in green sectors holds the potential to have a significant impact on the South African economy and the livelihood of its citizens.



Increased economic growth through SMMEs

Quality job creation and a reduction in unemployment



Growth in green sectors to support the transition to a green and inclusive economy



Improved quality of life through stable and well supported jobs with appropriate benefit schemes

Solution Developer



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SEED Practitioner Labs Policy Prototyping work with policymakers and intermediaries over a multi-step collaborative process to design policy instruments which increase access to and improve the quality of support mechanisms for socially inclusive and environmentally sustainable enterprises looking to scale their environmental, social and economic impacts.