

Finding inclusive business solutions to the jobs crisis.

Unemployment is the central challenge facing governments around the world. In this country the scale of the problem is daunting. The official unemployment rate rose to 25.5% in the third quarter of this year from 24.9% in the second. If people who have given up hope and stopped looking for work are included, the figure is 36.3%. Close on half of those under 24 are unemployed.

The problem for governments is that they are responsible for a substantial proportion of jobs in most economies and in times of economic downturn government employment relief programmes are particularly important but not sufficient. Enterprises that risk their resources in pursuit of a reward do that. Governments face the challenge of creating the conditions to encourage the investment that will result in increased employment. But as can be seen around the world, when confidence goes, it is hard to restore, even with massive stimulation.

The immediate prospects are not encouraging. A growth rate of about 3% means that employment is unlikely to grow and the unemployment rate may well increase. In the long term the task must be to build a more competitive nation for which improving the quality of human resources will be the key. In the short term we are bound to maintain a substantial welfare net and hopefully avoid further industrial conflict that encourages replacing people with machines.

It was into this challenging context that the Jobs Fund was launched as South Africa searches for creative responses to joblessness. It was established as a "challenge fund". It is designed to challenge businesses, unions and civil society organisations as well as government departments to commit their ideas and resources to innovative job creation programmes.

It was hoped that in the context of low economic growth, limited skills and high unemployment, jobs could be created by:

- **stimulating enterprises** to develop new products, new markets and new processes that draw people into work;
- **Supporting the development of infrastructure** that facilitates enterprise growth.
- **Strengthening institutions** that support market and enterprise development. This might include speeding approvals, reducing red tape and strengthening organisations that provide finance and offer business development services; and
- **Enabling work seekers to find jobs** by enhancing their skills and lowering the risks of employment for employers by providing work ready candidates and easing them into work through internships and similar mechanisms.

The Fund was launched in June 2011. To date contracts have been concluded that target the employment of 65 121 people by 2015. If an attrition rate of 20% is assumed then the Fund is close on one third of the way to achieving its target of 150 000 new jobs.

But that is a modest target in the face of 4.7m people unemployed according to the official definition of unemployment. Of course the Fund is but one of many initiatives. It cannot address long term structural issues neither does it try to duplicate relief programmes like the public works programme. It tries to find innovative models for enterprise development, infrastructure provision and the

support of work seekers which expand employment in the short term but more importantly have the potential to be replicated in the future.

The challenge fund mechanism is particularly designed to stimulate market based responses and to encourage the private sector to think about ways in which products and services can be produced that will draw people, especially young and low skilled people, into employment. It aims to tap into the ideas, energy and resources of the private sector to increase the scale, impact and sustainability of what is done.

Private investments in markets that serve the poor and draw low skilled people into employment are constrained by the uncertainty, risk and high costs. The Jobs Fund aims to provide the resources to overcome those barriers. As the name suggests, these funds 'challenge' the private sector to commit their own resources to investments in new markets, products and business models in exchange for matched funding and shared risk-taking in a manner that combines profitability with demonstrable social impact – principally in the form of enhanced job creation.

Today the Jobs Fund is opening its third call for proposals with a sharpened focus on enterprise and infrastructure development. It is particularly targeting private sector champions in ICT, retail and distribution, financial services, tourism and business process services. The aim is to help tackle constraints and opportunities in existing supply chains and business models which involve new opportunities for suppliers and small enterprises and create new jobs.

The Fund is looking to support ideas which are directly linked to the core business of the applicant, but which may be associated with additional cost, uncertainty and risk – and therefore may not be undertaken without some form of outside support. The focus on the core business, distinguishes this from social responsibility projects. The models proposed must necessarily be sustained by sound business logic and mutually beneficial commercial incentives. Business relationships which are born out of these conditions are sustainable precisely because they are profitable for all parties to maintain and grow them. What is profitable is sustainable.

To date the Fund has seen some interesting ideas. These include ideas for

- *diversifying company supply chains* to include small and emerging businesses;
- *new approaches to work readiness training* that address companies' skill shortages at the same time as providing quality training and real work experience for first-time job-seekers;
- *partnership and franchise-based local distribution arrangements* involving small and micro businesses. These enable large companies to access consumers in areas which lie beyond the 'last mile' of formal distribution channels; and
- programmes for emerging agricultural producers that link them to global supply chains.

The whole purpose of the Fund though, is to trigger ideas that fund administrators typically do not think of. South Africa's Jobs Fund is larger than any similar fund developed to date. It is the most substantial move by government in recent years to draw the private sector into meeting the jobs challenge, not by new codes or regulations but by offering to put public money into private initiatives that meet the funds objectives. This is a break from the view that profit orientated, private companies, have little to offer in meeting national needs. While the government aims to draw private resources and ideas into meeting the jobs challenge, this also provides an opportunity

for the private sector to get government backing for their ideas. If well managed this relationship has the potential to make a real contribution, not only through the jobs created and the new ideas tested but by giving those who would otherwise be unemployed a shared stake in our common future.

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