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CBE Focus

Ramaphosa needs a 10-year small business plan

Ebrahim-Khalil Hassen

President Cyril Ramaphosa shared the success stories of Mr Thando Makhubu and Mr Lindokuhle Msomi during the 2022 State of the Nation. Mr Thando Makhubu opened an ice-cream store and employs four people in Soweto and Lindokuhle Msomi started a fast food stall at the KwaMashu hostel.

The entrepreneurs both saved the amounts from the monthly Social Relief of Distress Grant (SRD) to setup a business. These success stories raise important questions for business in South Africa. The President raised more initiatives for small business around grants, funding small business and regulatory burden. Each initiative presented is important, but does that mean South Africa has a programme to support small business. I argue that we are far from such a programme.

Grants and Small Business

The stories of business success using grants show that small cash injections could be leveraged into starting viable businesses. Of course, not all recipients of grants will setup a business. Some may support their children to complete schooling or to buy food. Some may even squander the money.

Studies have however shown that the grants during COVID have significantly reduced poverty and inequality. As a supporter of a Universal Basic Income Grant (UBIG) these results do not surprise me. What does surprise me is that those arguing against a UBIG have never really considered this evidence.

Within organised business the criticism of a UBIG has been around affordability. There is an important debate to be had on how a UBIG should be financed. Will a UBIG reduce spending in other areas? Can we afford a recurring cost of a UBIG funded through the budget?

These are important questions that require careful and innovative solutions. In this context, the President arguing for a "social compact" provides an interesting window into policies that would yield better economic outcomes.

Funding small business

The examples of successful entrepreneurs highlighted by the President opens debate on ways to fund micro businesses. The grant was never intended to support small businesses and the entrepreneurs being valorised are exceptional. But it does raise an important question – can small amounts of grant funding provide a route for establishing businesses?

The evidence is mixed. Nobel prize winning economist Abhijeet Banerjee and Esther Duflo provide a series of case studies showing that businesses run by the poor remain small due to the costs associated with expanding a business and that parents running these businesses are planning for a formal job for their children. In South Africa, Kate Philip – who now works in the Presidency – shows that markets in poor areas are "thin".

The markets are thin due to lack of customers in poor areas but also because South Africa economy is characterised by few firms dominating many of the sectors in the economy.

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Yusuf Moosajee
CBE Executive Director

In December 2021 the Congress of Business and Economics (CBE) held its annual internal planning workshop, attended by its Board, Standing and Advisory Council members. The workshop reflected on the past activities and designed a way forward.

In an ever changing political and economic landscape the CBE was cognisant that its programmes and activities is reflective of this landscape. The first quarter of this year will start seeing the roll out of desks as part of relevance and/or member value proposition, these desks will be headed by subject matter experts.

The various desks are;

- Business Empowerment
- Labour
- Research/Policy
- Legal/Advocacy
- Youth
- Safety and Security

The roll out will be in a phased in process. The new CBE website is currently under construction. We encourage Business and Professionals to become members of the CBE. Contact the CBE office for questions, clarification etc.



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The Black Business Council in responding to the State of the Nation argued for " blended finance" for small businesses. Blended finance would combine grants and loans, and through that make it easier for micro businesses without capital to get going.

To make such a system work an easier system for accessing small amount of grant funds would be needed. Most importantly, as South Africa we would need to learn to tolerate a high level of failure as the ownership base is widened.

In fact, our experience with the loan guarantee scheme announced in response to the pandemic shows us that loans are difficult and administratively cumbersome. The President indicated that the details of a new support mechanism will be announced later. It is likely that such a system would include a grant component.

Masterplans and Regulatory Reforms

While all this is going on, the President signalled out the sugar industry. The implementation of the Sugar Industry Master Plan had increased local sourcing and employed 80 000 workers.

The plan is interesting as it links small players with large companies in the agriculture value chain. It raises a broader and unanswered question – can experiences such as in the sugar industry be replicated and proliferated? What progress if any on the Master Plans?

The President was not yet done. He brought the issue of the "regulatory burden" into the Presidency. It is a response to the ineffectiveness of the Department of Small Business and the Department of Trade and Industry have failed to provide direction and action in this area.

The Presidency clearly views this as a major obstacle and for this reason it is elevated into the Presidency. I would argue that other issues such as the reviewing tax incentives for venture capitalists or bedding down important agreements that arise from the Jobs Summit would have a bigger impact on small business.

Strategy

President Ramaphosa speech this year delivered from Cape Town city hall thus tells a story of a Presidency that has many initiatives aimed at supporting small business. The question that emerges is whether there is coherence and consistency in the initiatives.

It is in this context that a review of policy aimed at small business must be undertaken quickly. A key outcome of a review process would be to sequence reforms and look at initiatives that have impact.

The review would focus on the evidence at hand and inform policy so that reforms would benefit small business over big established players. This is a crucial step as government seeks a new social compact.

The entrepreneurs valorised by President Ramaphosa show that for some even a small injection of capital can yield to profitable businesses.

Building a society where many businesses are successful is an end few would argue against. President Ramaphosa would do well to place effort on a ten-year programme of reform rather than many initiatives announced annually.

Such an economic transformation programme could be the hallmark of his second term. Organised business would do well to speak more often and credibly for entrepreneurs like Thando Makhubu and Lindokuhle Msomi.

Ebrahim-Khalil Hassen is an independent public policy analyst and part of the CBE's Research and Policy specialised desk

Minister Thulas Nxesi announces 2022 National Minimum Wage increases

Employment and Labour Minister, TW Nxesi, announces that the National Minimum Wage (NMW) for each ordinary hour worked has been increased from R21,69 to R23.19 for the year 2022 with effect from 01 March 2022.

This announcement is in terms of Section 6 (5) of the NMW Act, No 9 of 2018, to amend the NMW contained in Schedule 1 and Schedule 2 of the National Minimum Act, published under Government Notice No. 44136.

As in previous years, the adjustment provides exceptions for several worker groups, including:

- Farmworkers are entitled to a minimum wage of **R23.19 per hour;**
- Domestic workers are entitled to a minimum wage of **R23.19 per hour;**
- Workers employed on an expanded public works programme are entitled to a minimum wage of **R12.75 per hour.**
- Workers who have concluded learnership agreements contemplated in section 17 of the Skills Development Act, 1998 (Act No 97 of 1998), are entitled to allowances contained in schedule 2.

No unilateral changes

It is illegal and unfair labour practice for an employer to unilaterally change working hours or other employment conditions in order to implement the NMW.

The NMW is the amount payable for ordinary hours of work and excludes payment of allowances (such as transportation, tools, food, or lodging), payments in kind (board or lodging), tips, bonuses, and gifts.

The Act of 2018 requires the NMW Commission to review the rates on an annual basis and make recommendations to the Minister on any changes to the national minimum wage, while also taking into account alternative viewpoints, including those of the general public.

SONA 2022 Comments

Cas Coovadia - CEO BUSA - a member of the CBE Advisory Council

"BUSA welcomes the emphasis President Ramaphosa placed on the role of the private sector in growing the economy and creating jobs. He also emphasised that government must create the environment for investment and reduce red tape to enable the private sector to start and grow businesses. We welcome this.

We also welcome the President's decision that social partners engage to develop a social compact in 100 days. However, we have a different view about this process and a social compact. We suggested to the President, at a meeting with him on 28th January 2022, that business and government work bilaterally in the next 100 days to agree on 5 critical issues, develop workplans for implementation on these, start implementation jointly and report to him in 100 days.

We believe government must take decisions on the economic direction and structural reforms and then pull together a social compact to enable all social partners to collaborate to implement. We thus call upon the President to lead government in taking the hard decisions, after consulting with social partners, and not to use a social compact as an excuse not to take the hard decisions.

We remain committed to work with government to address capacity constraints and enable an capable state, but believe stronger bilateral engagement between government and business is critical!"

Dr Ismail Vadi a member of the CBE Advisory Council

President Cyril Ramaphosa's State of the Nation Address is pro-business and aimed at reviving an ailing economy. It signposted government's overall approach to state capture, corruption and the reports of the Zondo Commission. It called for better performance by the public service.

Surprisingly, it said little about crime and the ineffectiveness of the police services in protecting communities. One would have expected the President to take a tougher approach against Ministers whose performance leave much to be desired or who brazenly challenge his policies.

What is urgently needed now is not merely a good framework for economic recovery but a clear and forceful implementation of government's policies and programmes.

It requires a firmer hand of leadership and more decisive action starting with the President himself. There is no long haul in today's politics - either we get on with the job or we lose the initiative.

Fuad Cassim is an Economist and a member of the CBE Advisory Council

This years SONA comes at a critical juncture in our history. It lays out a number of possibilities, it nevertheless is strong on intent and weak on outcome. What South Africa needs is a turn around from its declining path. In this context, the SONA fails to come to grips with this reality. The SONA reinforces the trust deficit prevalent for well over a decade in South Africa.

CBE Tribute to activist Lloyd Theunissen

Lloyd was a long standing member of the Congress of Business and Economics. A period that spanned over thirty years. Three decades of fond memories. We debated issues on the state of our Nation. Issues around creating a better environment for business to prosper. We interacted with Ministers, business delegations, foreign dignitaries.

Lloyd always had a composed calm demeanour. We also had many light moments and we remember the many humorous stories that Lloyd recounted on his life's journey.

From his days of installing TV arials, we laughed as he recounted in one instance he got paid with eggs, and how he had to stand with his open bakkie selling eggs. His penchant for seeing lighter moments in every situation was a fabulous character trait.

His love for music and movie's is also well noted. In the age of social media, Lloyd was quick to not just comment on the music tastes of us, his colleagues, but also regularly shared his own eclectic love for diverse artists.

Lloyd lived a full life. We will miss you our comrade. God Bless Hamba Kahle. May your soul rest in peace. From all your friends at the Congress of Business and Economics.

- Lloyd tried to attend every CBE function. These are the pictures of the last CBE Annual Dinner he attended. In the first picture he shares a joke with Minister Naledi Pandor (L) and Yusuf Moosajee. In the picture below, Lloyd welcomes guests to the dinner. We will also remember him for his signature caps.

Article by Yusuf Moosajee





From the CBE Archives — 2019 Annual Awards

We continue to reflect on the founding of the CBE and its work which led to the branding of the CBE as a progressive movement.

Feb 2015	CBE hosted a workshop on 'The Business of Family Business' facilitated by Mirza Yawar Baig at the Wanderers Stadium.
April 2015	CBE hosted the High Commissioner for India, Ruchi Ghanashyam on 'SA & India - Growing Partners in Trade' at the Wanderers Stadium.
May 2015 **May 2015**	• CBE hosted an annual 'Economist's Review' with Chief Economist of Standard Bank Goolam Ballim. Subsequent events included economist Fuad Cassim. • CBE initiated a very popular annual 'Women's Month High Tea' event to celebrate the enormous role that women play in our society.
June 2015	CBE hosted Andrew Barsa, creator of the mind-set programme 'The Inner Millionaire' at the Al Ghazali Centre, Pretoria
Sept 2015	CBE hosted a dinner for Captains of Industry. The keynote Speaker was former finance Minister Trevor Manuel, with Chairman of Liberty Jacko Maree as an additional speaker.
May 2016	CBE hosted Professor Nick Benedell, Founder of Gibs on 'SA: Where are we now and where to from here at the Palm Continental Hotel.
Mar 2020	Ahmed Seedat from Vector Consulting hosted a seminar in conjunction with the CBE on 'The Dynamics of Family Business'.
Aug 2018	CBE held its 5th Annual Women's Month High Tea at the Crystal Room at Killarney Country Club on 25th August. The keynote speaker was Nerisha Singh – Forensic Specialist. Vraja Kishori - CEO of Kaizen Learning and Stacey Fru – 11 year old author—also addressed guests.
April 2020	CBE hosted a seminar, the topic being Disaster relief for Business during this lockdown period. Melissa Duffy from KPMG and Prof Mahamed Raja an independent labour law consultant and the head of the CBE labour desk were the two presenters.
July 2020	CBE conducted a very successful webinar hosted by the CBE. The guest speaker was business growth expert Pavlo Phitidis.



Awardees participating in panel discussion. L-R Max du Preez, Ferial Haffejee, Albie Sachs, Prof Ben Turok (late) and Shan Balton who moderated proceedings



L-R: Fakir Hassen, Anis Loonat, Yusuf Moosajee, Jay Pema, Mary Turok and Prof Ben Turok (late)



Keynote Speaker Judge Mohammed Navsa (2nd left) flanked by Rashid Chopdat, Dr Essop Jassat and Hassen Mohamed



Guests and VIPs networking outside the Dining Hall at Palm Continental before evening programme commenced.

Are family businesses coherent in the new normal?

Historically, family businesses have been insular in thinking and practice in that they run a "closed shop operation"- meaning that the family model will determine the direction the business will follow.

All organisational practices, administration and business strategy is confined to hand-downs over generations, with the patriarchal head conducting business like a master chess player. All family members serve as chess pieces confined to specific parameters in their movement, roles, functions, and decision making.

As family business is constrained to linear management, all the thinking about business growth, people management, marketing, and the look and feel of business premises are perpetuated in a monotonous cyclical manner. To compound this, family members are limited to bouncing their business development plans against other family members.

The ideas are limited to within the confines of the family. The family business becomes stifled by an organisationally incestuous relationship. The business fails to cross-pollinate ideas in business strategy with outside and "foreign" business drivers. Trending strategies are viewed as contaminating the historically "tried and tested" modus operandi.

Antiquated Ideas

What tends to happen is that similar and antiquated ideas are produced and reproduced in the business. The culture of the business remains static and oblivious to the dynamic business culture espoused by competitors in the economic landscape.

A biological feature of inbreeding is that it can have catastrophic results with resultant genetic maladies. The family business will, over some time, experience maladies such as



organisational in-fighting and differences of opinion on operations, succession challenges and management of the business.

An attempt to embrace organisational traits from outside the gene-pool is viewed with suspicion and to an extent looked upon in disdain. Whilst there may be apparent family synergy at surface level, deep-seated contempt starts to fan the flame of enmity and acrimony amongst family members with regards to "business politics".

Disgruntled corridor chatter amongst like-minded family members starts to emerge, disturbing the structural balance of the business. "Business politics" and "family politics" become synonymous and can puncture family unity and the very ethos on which the business was founded.

Ironically, family members present a façade of family unity, but the opposite holds. The business owner and employee-subordinate relationship become strained and employees use this for their benefit.

By operating in a fixed, like-minded, and inbred thinking capsule without allowing for acculturation and assimilation with current business practices, family businesses can become sterile.

Ahmed Seedat is a CBE Board member, author and international consultant specializing in family business turnarounds and organizational restructuring.

Contact Ahmed Seedat to conduct your Family Business Coherence Test pro bono. *His famous books include Profits Progeny Politics on the challenges and how to overcome challenges in Family-Owned Businesses (2017) and his recent follow-up edition called, The Dynamics of Succession in Family-Owned Businesses (2019).*

Business Jokes

- One of my friends got fired after his boss asked him to put a picture on the first slide of a company presentation that would make people laugh. He had used a picture of his current pay slip.
- An economist friend describes himself as 'a walking economy' because his hairline is in recession, his stomach is always showing inflation, and both these issues push him into a deep depression'.
- Another friend does not understand why they chased him out of an interview for a job that required someone with responsibility. He told the interviewers he was well qualified because his previous manager told him that whenever something went wrong in the office, he was responsible for it.
- I once knew a CEO of a major company who was highly skilled in turning a one-page speech into a five-page summary.
- The best way to make a small fortune in the stock market is by the initial investment of a large fortune.
- Before the banks stopped cheques, a miserly boss called all his employees to a meeting to show them each a cheque for R2,000 in their names. 'You all worked really hard this year. If you work the same next year, I'll sign them," he said.
- The employee told his boss that he would have to give a raise as three other companies were chasing after him. When the boss asked if he could know who these companies were, the employee said: "City Power, Joburg Water and Telkom Mobile for the arrears."

CBE Contact Details

+2783 786 1960 | +2711 837 5728

yusuf@cbeonline.co.za

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