

When we talk about the South African economy, we are talking about small and medium enterprises. These firms make up 98.5% of our formal businesses. And yet our government continues to legislate (and regulate) for big businesses with vast compliance departments and the propensity to pay SMEs so late that they become a corporate line of credit. NEDLAC, where much of South Africa's policy is hammered out, has only Big Seats at the table for Big Business, Big Government and Big Labour.

If we want economic growth and job creation, we need to legislate and regulate with small businesses in mind. We've said it before: We need to Think Small First.

When we talk about employment, large firms and government provide over 56% of South Africa's jobs, the reverse of most countries' statistics, in which 60-70% of jobs are created by SMEs. And yet the NDP suggests that 90% of new jobs will come from South Africa's SMEs. How? Only lip-service is paid to an 'enabling environment' for them to start, run and grow, creating jobs for millions of unemployed people.

To make good policy, we need to know what we're trying to fix. South Africa still lacks a complete baseline study of SMEs in the country. We don't know, for instance, the sectors of the economy in which SMEs operate (where do they succeed? How can we support them? In which industries do they struggle, and why?) and their geographical spread (why do they succeed or fail in certain towns or regions and not others?). We don't know the value and contribution that SMEs add to economic factors like GDP; or the age, race, and gender of SME owners and employees, their turnover and the varying constraints to growth they face. We don't know what we don't know.

Worse, we don't even know what we think we know; SBI believes it is impossible to forge coherent policy and delivery successful interventions without facts. This is best illustrated by the range of 'guesstimates' which various players in South Africa have been using to make policy decisions and driving private sector initiatives. Take a look at the absurdly divergent 'common understanding' about the number of small businesses South Africa has:

- 670,000 formal SMEs - TIPS (2017)
- 809,000 formal SMEs - World Bank (Genesis) (2019)
- 2 million SMMEs - NT (2018):
- 2.2 million SMMEs, 1.65m in formal sector - DTI (2008)
- 2,4 - 6 million SMMEs - NCR (2011)
- 2.9 - 3.4 formal and informal SMEs - FinFind (2018)
- 6 million SMMEs - Finscope (2010/14)

Last year, research house SBP – with the support of National Treasury and SARS – uncovered the real numbers behind the SMEs that are formal and employ people. Only 267 959. That's right. Yes, there are freelancers and self-employed people out there technically categorised as SMEs, but they are not creating the jobs we so desperately need.

So when we talk about policy, we need to look at these real numbers. Government and big business remain dedicated to helping start-ups and incubators, for example. These are terrific initiatives, particularly for the 'survivalist' segment of our economy, but 'micro businesses', according to SBP, employ only 5% of people with jobs. Existing small and medium-sized businesses together, on the other hand, are responsible for employing 22%, or 3 177 840 people. These are businesses employing between 11-50 and 51-200 people, respectively. Imagine if we focused our attention on finding out what they need to add 50% to their workforce, or 1 588 920 new jobs to the economy.

That's more than three times the 412 000 jobs President Ramaphosa says the Investment Conference pledges of billions of rand will create.

It's not just money that they need. There's plenty of that floating around: R15.5 billion is available in public sector support for SMEs, according to the previous minister of the Department of Small Business Development; SAVCA, representing private equity and venture capital, has R165 billion in assets under management (presumably this includes the CEO Initiative's SA SME Fund, which has so far created more jobs for fund managers than unemployed South Africans); and the financial sector charter *alone* requires companies to spend some R120 billion on enterprise development and other initiatives affecting their supply chains.

They do need functioning municipalities. But SMEs are again absent from government policy designed to strengthen municipalities, like CoGTA's back-to-basics plan. Business Chambers are obvious partners in their quest for local economic growth and development, but don't get a mention.

They need less red tape. One of our members, who employs 50 people, wrote us to say that because of all the additional compliance he would be required to suffer he has decided never to hire the 51st person.

They need to be paid quickly for services rendered and goods provided so they don't join the rising numbers of liquidations Stats SA has reported over the past two quarters.

The president has asserted that, "the growth of our economy will be sustained by small businesses, as in the case of many countries." Let's talk about making that happen. Let's get the facts – spend some of that money floating around on the next phase of SBP's baseline study. Let's initiate regulatory impact assessments and a red tape challenge to ease the compliance burden. Let's pay our bills on time and shift a little of our attention to the businesses with some traction already employing 22% of our workforce. Let's make it our collective New Year's resolution.