

Innovative franchising can tackle rising unemployment

The Statistics SA Quarterly Labour Force Survey shows that unemployment is [rising to a 14-year high](#), with 27.1% of the population without a job. The Franchise Association of South Africa (FASA) believes the franchise sector can play a key role in creating the necessary jobs to grow the economy through innovative venture creations.



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Currently the sector contributes 11.6% to the country's GDP and employs over 400,000 people through its 757 franchise systems and their 35 111 franchise outlets.

With the gap between the unemployment rate envisaged by the National Development Plan (NDP) and the current rate widening and with government's goal of 5 million jobs by 2020 fading fast, the only solution for real economic growth to happen is if 90% of South Africa's jobs come from small business.

Allowing entrepreneurship to flourish

Tony Da Fonseca, FASA's chairman for 2017/2018, says, "Solutions to the employment challenge need to be tackled as a matter of urgency. We, as the franchise community, have the business format expertise to assist in the establishment of new franchises in a variety of sectors not yet franchised – be it in agriculture, manufacturing or even in government's social services. However, we need to mobilise business and industry leaders, government and civil society to play a part in freeing up economic regulations and find creative solutions to allow entrepreneurship to flourish."

It has been repeatedly proven that small and medium enterprises (SMEs) are the backbone of every economy around the world. Vera Valasis, executive director of FASA, who represents South Africa at the World Franchise Council, adds, "Small businesses are creating two-thirds of the jobs in developed countries and a large percentage of those small businesses are through the franchising business format. There is no reason why South Africa cannot drive the same growth through franchising that countries such as Brazil, China and India have shown."

New ways to empower business

Many of FASA's members are already exploring new ways to empower small businesses and entrepreneurs in bridging inequality, creating prosperity and employment.

According to Anita Du Toit, director at Franchising Plus, franchise consultants that have pioneered the piloting of social franchise projects, there should be more programmes with a focus on skills development and that certain skills could be turned into sustainable micro franchises, thereby helping these franchisees to earn a living and removing them from the job seeking market.

“We have always said that painters, tilers and such trades could be franchised under the umbrella of a big retailer or paint manufacturer. This would solve the problem of consumer perceptions of the credibility of independent contractors while also ensuring a central referral system, ongoing training and support and helping such tradesmen to earn a good living as a small business operator. The focus should move from job creation to the creation of sustainable small businesses. Franchising offers a mechanism to enable this.”

Replicating success

Kobus Oosthuizen, former chairman of FASA and MD of SA Franchise Warehouse has worked closely with government on several initiatives to stimulate entrepreneurship, skills transfer and job creation. In 2014, an initiative from the Jobs Fund, and in conjunction with Business Partners, resulted in just under R100 million advanced and more than 600 jobs to be created by the end of 2017. The second round of an emerging franchisor initiative spearheaded by the Department of Small Business Development's Micro Franchisor Development Project will see 12 such businesses replicated.

Oosthuizen points out, “There is no doubt that these projects will go a long way to enhancing the reputation of franchising as an enterprise development mechanism, whilst playing a valuable role in reviving township economies, creating new businesses, passing on important skills and more importantly, creating much-needed jobs.”

Da Fonseca believes that the franchise sector is perfectly poised to take the lead in transforming the business landscape and making an even bigger contribution to entrepreneurship, skills transfer and job creation.

“As a group of progressive franchise entrepreneurs, historically and against the odds of sanctions, we created a franchise sector that today boasts over 90% home-grown concepts. Sustainable economic transformation can become a reality only if the public and the private sector come together to optimise limited resources and utilise available opportunities to best effect,” concludes Da Fonseca.