AN EMINENT ‘VOLCANIC’ ERUPTION: YOUTH ENTREPRENEURSHIP

Mr. Sifiso D. Khumalo
Clinical Programme Manager-Infection Control (Bertha Gxowa Hospital)

Mr. Stebby Mutobola
Academic Lecturer of the Management College of Southern Africa (Mancosa)

Abstract

Entrepreneurship in general has attracted lots of attention both in literature and practice from the viewpoint of policy makers and the general public locally and internationally. On the contrary youth entrepreneurship has not received deserving attention. Young people are fast losing hope as they do not see the economic benefits of living in this so called smart thinking city; later on the rain ball nation: Ekurhuleni and South Africa respectively. A trend which if not rectified urgently, is a ‘volcano’ waiting to erupt regarding unemployment and a general better life for most South African families. In a survey we conducted in Ekurhuleni to a representative sample of 100 with a response rate of 84, interesting findings analysed quantitatively, were obtained. We report on the findings as follows: succinctly support structures are failing youth entrepreneurs. Financial support is inadequate. Legislation and policy act as barriers to starting a business in Ekurhuleni. Taxes levied on youth businesses are quite high. The majority of the youth surveyed have matric; they lack tertiary qualifications. At present marketing support for youth entrepreneurs is clearly insufficient from a general perspective, purged at 40%, it is not enough. There is more participation in economic activity by male youth than their female counterparts. However, the difference is not major. Whereas access to small networking facilities, infrastructure such as water, electricity and road network, training and education are available, this is not taking place at a desired scale. Of the training provided little is on management and communication skills. In particular, government is not playing a leading role in providing training and education. Last but not least, the youth have experience in running businesses.

Keywords: Entrepreneurship, youth entrepreneurship, adult entrepreneurship, support structures, global entrepreneurship monitor.

INTRODUCTION

Entrepreneurship plays a major and profound role in growing economies around the world. Youth entrepreneurship is at the heart of the entrepreneurial debate as the youth generally constitute a larger portion of many countries. In South Africa and at a global stage there are progressive attempts to understand support structures for entrepreneurship in general and youth entrepreneurship in particular. This area of research focuses on youth entrepreneurship’s support structures. This paper is positioned within a social and economic space.

Numerous studies have been conducted on youth entrepreneurship and support structures thereof. The central aim has been anchored in a desire to gain a greater and deeper understanding of the subject matter. This descriptive paper utilises collected data to answer key questions: (1) What are current support structures on
Youth entrepreneurship in Ekurhuleni Municipality in Gauteng province? (2) What are the strengths and weaknesses of support structures on youth entrepreneurship? (3) What recommendations can be offered to enhance existing support structures?

BACKGROUND TO THE PROBLEM

Access to finance by South African young entrepreneurs, especially those that were previously disadvantaged, is often mentioned as the key constraint to entrepreneurship development. Coaching is aimed at providing the necessary skills for youth entrepreneurs to address short term tactical issues whilst planning long term strategies for their businesses. Typical incubators may offer focused training or educational services such as short courses, seminars or workshops. Since capital is often a critical requirement at various stages of the business-development process, business incubators may also assist their clients to obtain relevant information about capital sources and how to get into contact with potential investors (Abduh et al, 2007: 78).

According to the GEM Executive Report for 2008, the GEM National Expert Survey, which was conducted to measure how conditions for entrepreneurship differ across the 43 participating countries of which South Africa was a participant, found that there was an overall decline in perceived business opportunities. The survey looked at issues such as national policies for entrepreneurship, entrepreneurial finance and the extent to which entrepreneurship is reflected in education and training. South Africa is classified as an efficiency-driven economy. This classification was done to measure the relationship between entrepreneurship and the various phases of economic development. The survey asked a representative sample of at least 2 000 individuals in each participating country about their attitudes to and their involvement in entrepreneurship.

PROBLEM STATEMENT

Youth entrepreneurship in South Africa and Gauteng is very low. South Africa is experiencing high level of youth unemployment, especially amongst the youth cohort of 18-24 years (Gauteng Youth Employment Strategy Document, 2009:9). This mismatch increases South Africa’s youth unemployment rate. Almost over 45 percent of the South African youth is unemployed; hence the recent call from the Congress of South African Trade Union to address this challenge. COSATU describes youth unemployment as a recipe for disaster and calls for urgent response (Gauteng Youth Employment Strategy Document, 2009:5).

This research explored the impact of the support structures of youth entrepreneurship development at Ekurhuleni Metropolitan Municipality in Gauteng Province. The inaccessibility of capital and an environment which is not friendly to young people wishing to start their own businesses, serves only to hinder youth entrepreneurship in Ekurhuleni. The high cost of doing business in Ekurhuleni mean that business owners are not able to offer the number of new jobs that government would like to see. Young people are fast losing hope as they do not see the economic benefits of living in this so called smart thinking city (Kempton Express Newspaper, 04 June 2012).
These weaknesses have negative effects on the development of youth entrepreneurship in the municipality. The purpose of this study, therefore, was an examination of the causes of these weaknesses and determination of how they could be resolved so as to strengthen youth entrepreneurship program in Ekurhuleni Metropolitan Municipality, Gauteng.

AIMS AND OBJECTIVES OF THE STUDY

The aim of this research was to investigate the roles and determination of support structures on youth entrepreneurship at Ekurhuleni Metropolitan Municipality, Gauteng.

LITERATURE REVIEW

A steadily increasing number of young people are taking up the challenge of starting their own business and much is being learned about how the odds for success can be improved through various types of assistance and through the creation of a supportive environment (Schoof, 2006:1). Youth entrepreneurship in South Africa is impeded by many causes, including high levels of bureaucracy limiting access to finance, a shortage of skills in the country and a general lack of innovation (Herrington 2009b:2).

Maas and Herrington (2008:4) however, conclude that the youth in South Africa are positive about entrepreneurship, and Mpafa (2008:11) indicates that the youth increasingly venture into business not out of necessity but because of perceived opportunities they want to pursue. These findings underpin the importance of education and that it is the cornerstone for bridging the gap between the positive views of the South African youth on entrepreneurship as a career choice as well as large-scale youth unemployment. The findings of Isaacs, Visser, Friedrich and Brijlal (2007:613) are clear on education as the key to the success of establishing a culture of entrepreneurship in South Africa.

Von Broembsen, Wood and Herrington (2005:112) point out that youth in South Africa are far less likely to start their own businesses compared to those from other countries. The low entrepreneurial activity among youth is one of the primary reasons for the low overall rate of entrepreneurial activity in South Africa. The youth in South Africa are defined by the following age range: (14-35) as mandated by the National Youth Commission Act of 1996 and the National Youth Policy of 2000 (Government Gazette, 2008:170). The weak participation of youth in the entrepreneurial process becomes very important in the light of the high rate of youth unemployment in South Africa. Statistics South Africa (2010) notes that South Africa is faced with a very high unemployment rate of
25.2%. Unemployment is highest among the youth especially those in the 15-34 age bracket. About thirty percent (30%) of all people in the 15-24 age groups are unemployed and in the 25-34 age groups, forty percent (40%) are unemployed. Therefore, seventy percent (70%) of the unemployed people are youths and of those, forty-seven percent (47%) are chronically out of work. This implies that youth unemployment rate is more than twice higher the national average.

**Youth Entrepreneurship**

Entrepreneurship has become a key focus of research over the past three decades. On the contrary research into youth and entrepreneurship has not received much attention. As demographic profiles vary, for many substantial increases of the population are being taken up by the youth. This phenomenon thus backs up arguments in favour of an increased need for concerted and sustained research efforts into youth entrepreneurship. Schoof (2006:9), almost 88 million young people worldwide are currently unemployed and refer to studies by the International Labour Office (ILO) that indicate that the youth are three and a half times more likely than adults to be unemployed. There is ample evidence suggesting that when jobs are scarce, young persons are generally more likely to be unemployed. There is a growing recognition among governments and international bilateral and multi-lateral organisations that as jobs become scarce, youth entrepreneurship becomes an important strategy for integrating youth into labour markets thereby addressing unemployment challenges (Schoof, 2006:126).

Recognition is made in literature that youth entrepreneurship has distinct policy implications when pitched against other kinds of entrepreneurship. Young people are more likely to have positive attitudes towards self-employment, the sad part is that they generally have limited resources, inadequate and in some instances lack of life and work experience. They therefore, are exposed to greater barriers than older age cohorts (Schoof; 2006:117). The enormity of the economic effects of entrepreneurship cannot be over emphasised: fuelling economic growth leading to increased incomes, enhanced living standards, expanded investment opportunities, broadened tax base especially through formulation, technological development, and the creation of job opportunities (Nieman & Nieuwenhuizen, 2009:11).
The South African Youth Entrepreneurship Context

While the GEM 2011 report has revealed a significant decline in entrepreneurial levels among South Africa's youth in particular for the age range of 18 to 34 by 16 percent between 2010 and 2011, young entrepreneurs in South Africa chose self-employment out of necessity rather than being motivated by attractive opportunities. This is very worrisome and accounts for an unhealthy entrepreneurial culture in South Africa. The manner in which a country supports and recognises its entrepreneurs determines the culture of entrepreneurship and ultimately, moulds the future of the economy. A positive entrepreneurial culture is not something that can be simply obtained. It originates at the very fabric of society and needs to be carefully crafted and nurtured over time.

In a report for 'doing business’ for 2012, ranking different countries on the following criteria: ease of doing business in each country as defined by its performance in ten aspects, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency, South Africa ranked 35th out of 183. This position is self-explanatory regarding extreme low levels of youth entrepreneurship. On the contrary however, a commendable position was achieved, 114 out of 183.

Literature provides evidence for a higher impact on the economy by opportunity rather than necessity driven entrepreneurship, Acs and Acs et al. (2006). Opportunity entrepreneurs opt to start a business instead of getting a job at a company. This finding is in agreement with Listerri et al. (2006:61). In contrast, necessity entrepreneurship is generally associated with poor communities and low levels of education.

Importance of mentoring

Non-financial support for instance, mentoring have a remarkable impact on youth entrepreneurship. Fifty five percent of young people indicate this finding.

Barriers to youth entrepreneurship

These include but are not limited to local perceptions that the youth should not run their own businesses, lack of information, knowledge, experience, appropriate premises, confidence and absence of support networks. Figure 2.1 above gives a clear visual picture of these obstacles.

Challenges to youth Entrepreneurship

Among others, the following challenges are encountered by youth entrepreneurs: knowledge sharing through networks, government support, finding champions to develop and manage appropriate programs and international support.
Youth entrepreneurship: an option to reduce unemployment

While entrepreneurship is not a perfect solution that can solve unemployment and all other social problems, a number of positive benefits resulting from entrepreneurial activity are advocated by Chigunta et al. (2005:120). The 2006 GEM report (Maas and Herrington, 2006:170) noted that South Africa’s performance has consistently been below the median for all countries and has not seen an improvement from 2001 to 2006. The 2004 GEM report had noted that South Africa was less entrepreneurial than other developing countries.

The 2006 GEM report indicated that the majority of South Africa’s entrepreneurs came from the 25-34 year old age group. The report further stated that given that South Africa has a young population, with 42.6% younger than 20 years of age and a further 18.83% between the ages of 20-29 year of age, the higher entrepreneurial activity in the 25-34 year old age group was a positive trend. According to Chigunta et al. (2005:130) one of the difficulties inherent in the debate regarding the youth and entrepreneurship is obtaining clarity with regards to what is meant by the term youth as well as the term entrepreneurship.

Okojie (2006:112), youth in Africa and South African particular have a negative attitude to self-employment, and would prefer formal employment. This is in agreement with Mott’s findings (2000) that young South Africans see self-employment simply as a “stop-gap” until they find formal employment. Motts noted that almost 90% of South African black youth fell into the category of job seekers an indicator in his view of a negative attitude towards self-employment as a valid choice.

According to Chiguta et al. (2005) the South African situation is inconsistent with other African countries. He also indicates that over half (56%) of the Zambian youth did not view self-employment as being poor, a perception which might also contribute to the interest expressed in starting a business in Chigunta’s survey. According to Chigunta (2005:62) a large latent demand for entrepreneurial behaviour or self-employment is amongst the youth in Africa. He is careful to differentiate between potential and ‘capable’ entrepreneurs, however, describing the majority of unemployed youth in these African countries as ‘potential entrepreneurs’.

RESEARCH METHODOLOGY

We obtained our data via a survey conducted in Ekurhuleni Municipality in Gauteng province. The responding sample to youth entrepreneurship constituted 100 participants categorised on the basis of age ranges as follows: 18-22, 23-28 and 29-35. The profiles were 56% male and 44% female.
The survey instrument utilised included a demographic analysis and a module on youth entrepreneurship which included closed ended questions developed from literature review. The module consisted of two sections: demographic and non-demographic information. Our choice of a survey approach was informed by suitability to gather this type of data. Questions were answered with a seven point-rating scale ranging from strongly disagree to strongly agree.

The data was analysed using excel spread sheets to describe variables and we used a quantitative approach to data analysis. The response rate was 84%. We went ahead and analysed the results.

**RESEARCH FINDINGS AND DISCUSSION**

The majority of youth entrepreneurs’ age surveyed range between 29 and 35, followed by 23 to 28 and then 18 to 22. Of course, there are more male than female youth entrepreneurs. An observation is made though that the distinction between male and youth entrepreneurs is not that big and thus inferences can be made of the efforts being made to bring more young women to business. Both figures 4.1 and 4.2 give you the statistics. Worth noting with serious interest is that the majority hold matric certificates. Refer to figure 4.3 for more details. This implies that firstly, the youth are not just sitting down waiting for formal jobs. They seem to have recognised a need for participation in the economy as a means to create employment for themselves and others. Secondly, the majority need more support in all business areas because they lack tertiary qualifications which offer such skills.

It is vivid support structures are failing youth entrepreneurs, refer to figure 4.6. With so many of them being turned out of the school system every year, this trend can be viewed as a volcano waiting to erupt regarding unemployment and a general better life for most South African
Figure 4.7, 4.13 and 4.28 reveal that financial support is inadequate. The situation becomes worse when legislation and policy also becomes a barrier as evidenced by figure 4.8 with above seventy of the respondents indicating that legislation is a barrier to start a business in South Africa.

One of the writers has experienced the ‘jaws’ of legislation regarding the establishment of a liquor business. When the lease for premises expires, one has to go through a lengthy process to apply for another liquor permit to be transferred into the name of the new premises. With less funds to maneuver business closure stares in the face of the entrepreneur.
Figure 4.10 confirms that taxes are high. The effect of higher taxes on business start-ups is that they eventually run dry the business’ cash flows. This culminates in business closure.

On the positive side these findings also attest to the fact that infrastructure (water, electricity and road network) do offer enormous opportunity to do business in Ekurhuleni which the youth should take advantage of.

Figure 4.11 supports this fact. In addition securing premises to do business in Ekurhuleni is easy. This is an important and encouraging situation since most young people do not own real property from which they can conduct business. Leasing premises therefore is a good option available to them. Refer to figure 4.12.
Access to marketing support is vital for business. The production of goods and services requires an already existing market or at least that opportunity exists for market expansion for the business to continue surviving. At present marketing support for youth entrepreneurs is clearly insufficient from a general perspective, purged at 40%, it is not enough.

There is access to networking facilities for small businesses but more needs to be done.

It is interesting to note that the majority of the sample respondents do possess business management skills. This is the direction to be further championed by policy makers to ensure increased and sustained participation of the youth in business creation as well as alleviation of extreme poverty levels that exists in certain quarters of the South African society. Make reference to figure 4.16 for this argument.
Currently training and education providers on youth entrepreneurship are making noticeable strides. We, however, are emphatic on the need for expanded and sustained training and educational programs. Here reference is made to figure 4.17. Figure 4.18 speaks to lack of access to non-financial support which impedes business success.

With slightly above fifty percent of respondents agreeing that excessive regulation of business exists, we categorically state that regulating authorities need to appreciate the role of small businesses in building sustainable economies. This excessive regulation has dire consequences for national economic performance. Most the economies that are doing very well at national level have very strong and vibrant small businesses, deliberately supported to enhance economic activity and create much needed jobs.
With reference to figure 4.20 inadequate access to government intervention into programs designed to boost youth entrepreneurship eats at the fibre of hope for the youth. Policy makers ought to carefully analyse this volcanic eruption in waiting and orchestrate a proper plan to deal with the situation at hand. Figure 4.21 provides evidence for the youth’s available experience to manage a business.

We note with great awe and alarm that a much larger portion of the youth engaged in entrepreneurial activity do not receive the training needed to take the economy of this country forward by a government agency. We often hear people say the youth are the future of tomorrow. What future can possibly be created for young people if there are insufficient programs to support their much needed participation in economic activity? For statistics purposes reference can be made to figure 4.22
Although it does not matter where the youth receive their training from it does matter and is of cardinal importance that they receive training. We also are of the view that government should take a leading role in this regard. The findings in figure 4.24 are a clear indication that some organisations are doing a great job compared to others on youth entrepreneurship training. For instance, Training by NYDA is far greater than that provided by Y-AGE. Make reference to figure 4.26.

Thirty eight percent of the youth who are actively engaging in entrepreneurial activity do not know where to obtain help from. This is unacceptably high and can only imply one thing; awareness programs are not doing enough to put word out there to the current and would be youth entrepreneur.

Sound management practices are in dire need when it comes to business performance and sustainability. However, current support in this regard is disappointingly low. Most youth do not have capital to fund their entrepreneurial ventures as pointed out earlier. As such it would be advantageous for them to get a loan from the bank and yet again support in this regard is almost non-existent due to lack of collateral.
According to figure 4.26 above 70% of the respondents stated that they have received training from NYDA and 30% from Y-AGE. Training by NYDA is far greater than that provided by Y-AGE.

There is a bigger need for training support as it enables networking; a crucial factor in entrepreneurial activity. Business education and training is of great importance as well and particularly it is noted that training provides access to financial assistance.

The findings in figure 4.28 place emphasis on support mechanisms of different types required to promote youth entrepreneurship with more support needs leaning.

**RECOMMENDATIONS**

It emerged and consistent with the research objectives, that there are shortcomings acting as barriers to the success of youth entrepreneurial start-ups and running ventures. There are a few encouragements which are clearly not enough.
• These institutions established by government could take a step in involving the youth by exposing them to their programs through awareness campaign, informing them of what is expected in order to secure their full assistance.

• The mentorship approach can be instituted by existing youth agencies to help them to get involved in robust entrepreneurship training at tertiary institutions.

• Excessive and over complex regulations should be loosened in the case of first time registration for business. This will encourage the youths to register for business. Policy makers must take treat this with the seriously it deserves to minimise the impact of an impending ‘volcanic eruption’.

• Entrepreneurship awareness day could be organised in provincial or district designated centres where individuals could be informed procedures and processes regarding
Governments should prioritise investment in youth entrepreneurship initiatives to tackle youth unemployment and as a means to reduce welfare costs. We are of the view that emphasis on welfare is both unsustainable in the long run and does not contribute to encouraging the entrepreneurial spirit.

Robust youth entrepreneurs' programmes and Youth Resource centres should be established. Aid should be one of the highest priorities in Ekurhuleni and the rest of the country in providing support to this sector.

Government should reduce the regulatory burden on small businesses and ensure youth exposure to capacity building programmes.

Local universities and high schools can also be used as sources of references to the Youth about entrepreneurial opportunities.

Figure 4.28: Indicate your specific needs that you require and that have not yet been satisfied.
CONCLUSION

Robust and enduring as well as engaging debate needs to be taking place regarding youth entrepreneurship at both local and global scale considering the importance of the topic. The conceptual framework for youth entrepreneurship exists. Alongside this framework, we need to commence serious research and advocate for sound policy framework pertaining to youth entrepreneurship if we are going to avert the ‘volcanic eruption’.

Our review of literature and our analysis of data generated by one of the writers draw attention to the generally poorly supported structures for youth participation in economic activity at the entrepreneurial level. The data we present in this paper and the analysis thereof should be regarded as foundational for more broader and elaborate research work required on youth entrepreneurship.

This research study provided crucial and necessary information regarding the evaluation of support structures on youth entrepreneurship in Ekurhuleni Metropolitan Municipality, Gauteng. Mentoring allows young entrepreneurs to benefit from the knowledge and experience of experienced business people whom they would not normally have access to. Mentors provide motivation; guidance and advice to young entrepreneurs in the management of their business. They also work alongside the young entrepreneur to ensure that the business has the best possible chance of sustaining and growing (NYDA, 2012:110). However, more assistance is urgently required.

We clearly indicate that support structures are failing youth entrepreneurs in South Africa. Financial support is inadequate. Legislation and policy act as barriers to starting a business in Ekurhuleni. Taxes levied on youth businesses are quite high. Majority of youth surveyed have matric; they lack tertiary qualifications. At present marketing support for youth entrepreneurs is clearly insufficient from a general perspective, purged at 40%, it is not enough. There is more participation in economic activity at an entrepreneurial level by male youth than their female counterparts. However, the difference is not major. Whereas access to small networking facilities, infrastructure such as water, electricity and road network, training and education are available, this is not taking place at a desired scale. For instance attention to management and communication skills is minimal. Of the training provided little is on management and communication skills. In particular, government is not playing a leading role in providing training and education.

Our initial findings reveal some directions for further research as follows:
• Some respondents highlighted their needs for help with entrepreneurial networking to establish and expand their operations. Research into the effects and the impact of entrepreneurial networking programmes on business growth could be conducted.

• Experience has been identified as critical to the success of an entrepreneurial business. Further research can be conducted into the entrepreneurship mentors’ experiences in the phases and activities that form part of the entrepreneurial process.

• Most young entrepreneurs don’t have any form of security e.g. bond, savings necessary to apply for credit, which makes the debt gearing to be very high. Government has various initiatives available; however, it is unknown how many young entrepreneurs are aware of these initiatives. Furthermore, who would qualify for these initiatives and how easy or difficult is it to access funding?

AUTHORS’ CONTRIBUTIONS

Sifiso D. Khumalo was involved in data collection, construction and analysis. Stebby mutobola was the author of the paper.

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