4

Economic Development

Introduction

This chapter describes the economic policies designed and implemented in the post-apartheid South Africa. It also discusses the evolution of the country's economic policies as well as the country's economic performance since 1994. In the main, the chapter discusses the main aspects of economic development and economic transformation since 1994[86] and describes the various initiatives aimed at improving economic development and performance during this period.

The performance of South African economy has gone from being an underperforming economy, due in part to international boycotts and sanctions before the 1990s, to one that experienced a relatively good Gross Domestic Product (GDP) growth.[87] Macro-economic stability, accompanied by sound and transparent fiscal and monetary policies, has played a critical role in ensuring the impressive economic performance that South Africa has experienced since the mid-1990s.[88] However, although the growth of the South African economy has been impressive during the first twenty years of political independence, South Africa continues to face mass unemployment, high poverty and rising inequality.

Economic transformation refers to processes aimed at changing economic relations for the better so as to benefit more people. Economic development is understood as economic growth and benefits associated with social development. Social development is about improvements in the wellbeing of people. Economic performance is generally summarised by the rate of growth of GDP, which refers to the total sum of goods and services produced in a country.

Economic Transformation

Political oppression and the apartheid capitalist economic system negatively affected the South African society and economy – many Africans were oppressed and/or exploited. Because of the many centuries of economic exclusion and oppression, many Africans continue to bear the brunt of hardship disproportionately, compared to whites in South Africa.

Economic empowerment is aimed at redressing the economic exclusion that Africans have suffered. Economic transformation, on the other hand, is aimed at structural changes in the economy in order to achieve sustainable economic growth and improve the standards of living of the people. The structure of an economy needs to be changed in order to ensure effective social and economic inclusion. As discussed later, the structure of an economy entails: (a) the sectors and their contribution to economic growth, (b) respective capital and labour intensity of the sectors; and (c) the dominant sectors and their linkages. With regards to sectors and their contribution to economic growth, the discussion centres on the proportions of manufacturing sectors vis-à-vis mining and minerals versus services industries and what they entail. In relation to capital and labour intensity, the discussion involves the extent to which machinery is used more than labour in the various sectors or the proportion of one input relative to the other. The third issue pertains to the main sectors – like the mining and mineral sectors – and linkages to other big sectors – like the energy sector. The other fundamental issue is ownership because ownership determines the structure of an economy.

As indicated in Chapter 1, the National Democratic Revolution (NDR) is one of the perspectives that shape economic transformation in South Africa. The NDR envisages a national democratic society in the context of meeting the objectives of the Freedom Charter. The overall vision of the Freedom Charter is a society in which the people share in the country's wealth.[89] It has been argued that without a fundamental transformation of economic relations, the democracy of South Africa would be in trouble.[90] Since 1994, various initiatives have been pursued towards the economic transformation of the South African economy and society as hoped by the ANC's theory of the National Democratic Revolution.[91] According to Bodibe,[92] the following are the main aspects of the ANC's economic transformation programme:

- An industrial strategy: diversifying the industrial base by building capabilities to export value added manufactured products and modern services;
- De-racialising the economy: broadening capital ownership through affirmative action and broad-based black empowerment;
- Spatial development: changing apartheid geography and settlement patterns;
- Macro-economic policy: ensuring a stable macro-economic environment;
- A campaign to defeat unemployment and poverty: key pillars of the programme include youth community service programmes and apprenticeships, ramping up expanded public works, especially in the social sector; an integrated anti-poverty strategy and a raft of second economy interventions and skills development;

- A developmental state: building the strategic organisational and technical framework necessary to drive and lead development.

Economic Performance

When visiting a doctor, for example, certain diagnoses are performed to assess the wellbeing of an individual. In a similar way, certain checks can be performed on the economy (by analysing economic data) to determine whether the economy is performing optimally or not. These checks are in form of calculations and estimations which produce indicators that provide inference with regards to the performance of the economy. Economic indicators are statistics about an economic activity. They allow an individual to view economic performance at a certain period and then predict future performance of the economy.

Policy makers make use of economic indicators when monitoring or evaluating a policy to assess progress made or not made during the period a policy was implemented. An economic indicator is used not only to formulate economic policies but also to formulate other policies as well. An example of this would be the health policies; the formulation of health policies has to take into account the number of people who are unemployed which affects the tariffs decided on health insurance. As indicated earlier, GDP is the most widely used measure of economic performance.

Calculating GDP

GDP = CONSUMPTION + GOVERNMENT EXPENDITURES +INVESTMENT + EXPORTS – IMPORTS

GDP – Gross Domestic Product

Consumption – This includes items such as durable goods and non-durable goods (food and clothing) and services.

Government Expenditures – This includes spending by government on policy objectives such as defence/military, roads, health and schools.

Investment Spending – This includes spending on non-residential (spending on plants and equipment), residential (single-family and multi-family homes) and business inventories.

Net Export – This is the positive balance after exports have been added to GDP and imports have been deducted from the GDP.

An important aspect in measuring the performance of an economy is the particular periods in which the economy should be monitored or assessed, whether quarterly, monthly or yearly. Furthermore, average economic growth is calculated to assess the growth during a period of specified years.

Calculating Economic Growth Rate

$$\text{Economic Growth Rate} = \frac{GDP_2 - GDP_1}{GDP_1} \times 100$$

Example

Year 1 Revenue: 1000
Year 2 Revenue: 250

$$\text{Economic Growth Rate} = \frac{250 - 1000}{1000} \times 100$$

Economic Growth Rate = –0.75 x 100
Economic Growth Rate = –72 per cent

Note that a negative indicates loss

Example

Year 1 Revenue: 150
Year 2 Revenue: 500

$$\text{Economic Growth Rate} = \frac{500 - 150}{150} \times 100$$

Economic Growth Rate = 2333 x 100
Economic Growth Rate = 233 per cent

Note that the growth rate in this example is positive

Unemployment

A person is defined as unemployed if he/she desires employment but cannot find a job. The rate of unemployment is determined by expressing the number of those unemployed as a percentage of the total number of people willing and able to work (those called economically active people/population).

A discouraged job-seeker is a person who was not employed during the reference period, wanted to work and was available to work but did not take active steps to find a job within a period of four weeks, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work.

Persons in informal employment comprise all persons in the informal sector. The informal sector has the following two components:

1. Employees working in establishments that employ fewer than five employees, who do not deduct income tax from their salaries/wages; and
2. Employers, own-account workers and persons who are helping, unpaid, in their household business and who are not registered for either income tax or value-added tax.

The labour force comprises all persons who are employed plus all persons who are unemployed. Labour force participation rate is the proportion of the working-age population that is either employed or unemployed.

- Long-term unemployment: Persons in long-term unemployment are those individuals among the unemployed who were without work and had been trying to find a job or start a business for one year or more.
- Not economically active: Persons aged 15–64 years who are neither employed nor unemployed in the reference week. Underemployed persons (time-related) are employed persons who were willing and available to work additional hours, whose total number of hours actually worked during the reference period were below 35 hours per week.

Underutilised labour comprises three groups which are defined as follows: persons who are underemployed, persons who are unemployed, and persons who are discouraged.

Calculating Unemployment

$$\text{Unemployment} = \frac{\text{Number of persons unemployed in the age groupe } (15 - 64) \text{ years} \times 100}{\text{Total population in the age groupe } (15 - 64) \text{ years}}$$

$$\frac{\text{Number of persons unemployed in the age groupe } (15 - 64) \text{ years X } 100}{\text{Total population in the age groupe } (15 - 64) \text{ years}}$$

Economic Development Since 1994

Among the important documents that were meant to shape economic development in the politically independent South Africa is the 1992 *Ready to Govern (R2G)* discussion document. The R2G document framed post-apartheid economic policies around the need for a new path of economic growth and development aimed at building a strong, dynamic and balanced economy.[93] Another important discussion document, discussed in Chapter 1, is the *State, Property Relations and Social Transformation* discussion document published in 1998. This discussion document made an important attempt at clarifying the ANC's approach on the South African economy and society.

The following paragraph captures the essence of what was (to be) pursued in the post-apartheid South Africa:

> [South Africa] is pursuing the kind of state whose character is developmental. Development is about improving the quality of life; it is about equity and justice. As the RDP document asserts, development entails a growing economy in which redistribution is a critical element; it includes modernisation of the productive forces and a redefinition of production relations. It includes the preservation and development of human resources in the form of skills-training, job-creation and the provision of education, health services, infrastructure, adequate social security system, and so on. It is also about democracy and popular participation (*State, Property Relations and Social Transformation*, 1998).

The *State, Property Relations and Social Transformation* discussion document also explains in detail the type of developmental state that politically independent South Africa needed. The discussion document contends that the South African developmental state:[94]

- should use the resources that it commands to ensure redistribution of wealth in the interest of the poor and disadvantaged;
- should put in place regulatory and other mechanisms that not only seek to obviate market failure, but also afford the state the capacity to intervene in a proactive way to facilitate growth and redistribution;
- should also be able to strike the correct balance between state ownership of productive forces and private ownership, guided *inter alia* by the pre-rogatives of strategic interest, efficiency, technology-transfer, affordability of services and narrow cost-benefit considerations; and
- should define and regulate its interaction with private capital in such a way that mutual benefit can be derived. This includes an industrial policy that

helps to direct private capital into critical sectors; and a labour market policy that prevents super-exploitation and encourages skills development and workplace democracy. It includes offering aspirant black capitalists opportunities which in fact encourage the expansion of this class.

Economic Development Initiatives

As the 2014 World Bank Report on South Africa indicates, impressive economic growth since 1994 could not have been realised without the aid of appropriate government policies, strategies and programmes which were focused on economic growth, job creation and wealth distribution among South Africans citizens.[95] This section highlights some of the main economic development policies that have been implemented since the mid-1990s.

Reconstruction and Development Programme

The 1994 Reconstruction and Development Programme (RDP), conceived in the main by the Congress of South African Trade Unions (Cosatu), was essentially about meeting the basic needs of South Africans and building a united nation. In order to achieve this goal, the RDP envisioned removing racial biases from the economic and social structure of South Africa, so as to address poverty and socio-economic inequalities. It is for this reason that certain government structures, most notably the Presidency of the Republic of South Africa, explained that the RDP and its associated projects played an important role in laying the foundation for a framework that would ensure service delivery.[96] According to Hanival and Maia,[97] the RDP was a socio-economic programme as opposed to an integrated macro-economic policy framework. This implied that the implementation of its full vision depended on access to substantial resources, requiring complementary policy initiatives.

The 2011 Census indicated that there has been impressive progress in access to basic services. The Census results indicate that an overall of 91 per cent of households have access to tap water and 85 per cent of household have access to electricity. This is compared to 80 per cent household with access to water and 58 per cent household with access to electricity in 1996. Furthermore, access to a flush toilet increased from 83 per cent in 1996 to 91 per cent in 2011. There has also been steady progress in people's access to schooling, healthcare, electrification, roads, telecommunications and public transport, although much work still needs to be done in the reconstruction and transformation of the South African society.

In 1996, large and unplanned exchange rate depreciation threw macro-economic policy into spotlight.[98] An uncoordinated response caused further crisis, leading to a contraction of the economy and loss of jobs and possible threats to the government's programme of reconstruction and development. In response, government developed the Growth, Employment and Redistribution Strategy (GEAR). It should be mentioned that GEAR was not only responding to economic challenges emanating from the 1996 exchange rate depreciation; rather, it was broadly aimed at stabilising the South African economy, given that prior to 1994 the economy was having many major problems, and was effectively in a recession.

Growth, Employment and Redistribution (GEAR)

GEAR was justified on the grounds that the economy needed macro-economic stabilisation. Before political independence, the economy was in a bad shape, with double-digit inflation, very high interest rate, negative GDP growth rate and other problems such as a very high government debt. GEAR was essentially aimed at:

- Fast-tracking economic growth in order to generate formal employment for work-seekers;
- Redistributing income and generating opportunities for the poor;
- Creating a society in which sound health, education and other services are available to all; and
- Enabling an environment in which homes are secure and places of work are productive.

It has been argued that the objectives of GEAR were adversely impacted by external events associated with the East Asian crisis in 1998. The rand depreciated considerably (about 28 per cent in nominal terms against the US dollar from April to August 1998), prompting a monetary policy response that resulted in short-term rates soaring 700 basis points.[99] Another period of global instability set in early in the new millennium, with the rand depreciating by 21 per cent in nominal terms against the US dollar between September and December 2001. However, the monetary authorities' reaction was more measured, as short-term interest rates increased by 400 basis points while long-term bond yields rose slightly. Both of these external shocks to the South African economy amounted to temporary, albeit serious, set-backs to investment activity and overall growth.

There are other views regarding the performance of GEAR. The debate about GEAR also deals with ideological issues: many argue that GEAR was a neo-liberal economic policy which focused on free market philosophy. There are those who argue that GEAR actually performed well because it met some of its targets and it stabilised the South African economy.

Accelerated and Shared Growth Initiative (AsgiSA)

It is indicated that an analysis of the post-apartheid South African economy revealed that the pace of economic growth and structural change have not been sufficient enough to make a significant dent on unemployment and poverty levels, despite a sustained positive performance.[100] This implied that the objectives of RDP and GEAR were not fully achieved. In response, the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) was launched in 2005 with the aim of accelerating economic growth and ensuring that economic growth is shared widely. Such acceleration in growth was deemed necessary to halve the incidence of poverty and unemployment by 2014.[101] AsgiSA also included infrastructure development, the upgrading and building of the energy infrastructure, railways and ports, and the road network.

Hanival and Maia[102] however argue that although AsgiSA's objective for growth was necessary, there are binding constraints to economic growth that needed attention. These are (a) the volatility and level of the currency; (b) the cost, efficiency and capacity of the national logistics system; (c) shortages of suitably skilled labour, amplified by the impact of apartheid spatial patterns on the cost of labour; (d) barriers to entry, limits to competition and limited new investment opportunities; (e) the regulatory environment and the burden of small and medium businesses; and (f) deficiencies in state organisation, capacity and leadership.

National Development Plan (NDP)

The NDP can be viewed as a consensus-building mechanism towards some envisaged end in which poverty inequality and unemployment would be drastically reduced. The NDP offers a long-term perspective. It defines a desired destination and identifies the role different sectors of society need to play in reaching that goal.

The National Planning Commission indicates that:

> The NDP is a plan for the whole country.... Government will engage with all sectors to understand how they are contributing to implementation, and particularly to identify any obstacles to fulfilling their role effectively.[103]

In addition, the NDP states that South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

Perspective Box: National Development Plan

Arguments against the NDP	Arguments for the NDP
The NDP draws from some gover-nment policies and programmes and does not consider other policies and programmes. It is said to be a long- term plan, yet it tries to replace other key policies and strategies, such as NGP and Indus-trial Policy Action Plan. In other words, it does not significantly draw from past and existing policies in making its recom-mendations.	The NDP emphasises growth and prosperity as the best way to fight poverty and unemployment. It pro-motes participatory development. The plan necessitates the state to grant everyone an opportunity and an enabling envi-ronment to better themselves through increased access to education and other essential services.
The plan is not realistic in its ap-proach and understanding of the country's socio-economic chal-lenges. For one, it aims at reducing poverty, unemployment and inequalities that persist in society. It however takes a narrow under-standing of these challenges in society by using the narrow defi-nition of unemployment instead of the broader one. This will lead to socio-economic challenges if not well addressed. Furthermore, the kinds of jobs that the plan aims at creating are of low quality and unsustainable.	The plan aims at creating good conditions to attract investment and create jobs.

Source: Gumede (2015a: 238)

Medium-term Planning

The South African government has a five-year mini-plan for every political calendar – the political calendar refers to the five years between the general and the next election date. The mini-plans are called Medium Term Strategic Framework (MTSF). The MTSF focuses on the priorities of the government for the five years a particular political party leads government.

For instance, the 2009-2014 MTSF priorities were to:

- Halve poverty and unemployment by 2014;
- Ensure a more equitable distribution of the benefits of economic growth and reduce inequality;
- Improve the nation's health profile and skills base, and ensure universal access to basic services;
- Improve the safety of citizens by reducing incidents of crime and corruption;
- Build a nation free of all forms of racism, sexism, tribalism and xenophobia.

New Growth Path (NGP)

The NGP was introduced as a successor to AsgiSA. Its aim of the NGP is to increase economic growth to sustainable rates of between 6 and 7 per cent per year in order to create 5 million jobs by 2020, thereby reducing the unemployment rate to 15 per cent.[104] The NGP further acknowledges the need for government to create decent work, reduce inequality and defeat poverty. The NGP emphasises that this can only occur by restructuring the South African economy to improve its performance in terms of labour absorption as well as the composition of the economy and its rate of growth.[105] It draws from the Industrial Policy Action Plan and identifies various structural and social impediments to accelerated growth and made recommendations towards improving the macro-economic environment.[106]

Other Policies, Strategies and Initiatives

Expanded Public Works Programme (EPWP)

The Expanded Public Works Programme (EPWP) was launched in May 2004 with the purpose of providing an important avenue for labour absorption and income transfers to poor households in the short to medium term.[107] Furthermore, it is a deliberate attempt by the public sector to use the expenditure on goods and services to create work opportunities for the unemployed.[108] This is done through integrated and coordinated labour-intensive methods for public sector delivery of infrastructural projects and service provision.[109]

The programme is focused on the following sectors: infrastructure, non-state, environment and culture, and social. This is achieved through the following programmes:

- An increased labour intensity of government-funded infrastructural projects, under the Infrastructure sector;
- Creating work opportunities through the Non-Profit Organisation Programme (NPO) and Community Work Programme (CWP), under the Non-State sector;
- Creating work opportunities in public environment and culture programmes, under the Environment and Culture sector; and
- Creating work opportunities in public social programmes, under the Social sector.

Looking at the period April 2004–March 2009, EPWP programmes have been reported to produce the following:

- The infrastructure sector created more than 1 million jobs;

- The economic sector programmes created 20,514 work opportunities;
- The environment and culture sector was able to create more than 450,000 work opportunities;
- The Working for Coast programme was able to create more than 8,000 jobs;
- The Working for Water programme was able to create more than 180,000 work opportunities;
- The Land Care South Africa programme created more than 160,000 work opportunities;
- The Social Sector provided 1,840,965 training days and created 175,769 job opportunities.[110]

Joint initiative for priority skills acquisition (JIPSA)

The Joint Initiative for Priority Skills Acquisition (JIPSA) was launched in March 2006 as the skills empowerment arm of AsgiSA.[111] It was to address the shortage of skills across numerous professional categories as this was identified as a constraining factor to economic growth.[112]

The following areas were identified as the areas of focus for skills acquisition:

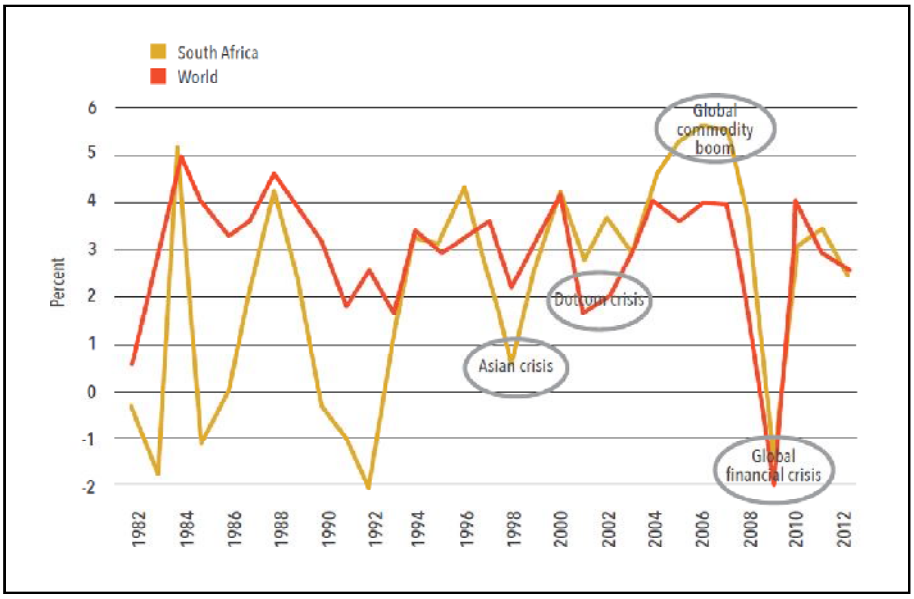
- City, urban and regional planning and engineering skills for the municipalities;
- High level engineering and planning skills for the transport and telecommunications network industries, as well as for energy sectors;
- Artisan and technical skills for infrastructural development;
- Management and planning skills in education, health and local government;
- Teacher training in mathematics, information and communications technology (ICT), science and language competency in public education;
- Skills needed by municipalities to execute local economic development, especially development economics.

Economic Performance in Post-apartheid South Africa

When comparing the South African economy to that of the entire world (see Figure 3), the economy performed reasonably well for most of the first twenty years of political independence. Apart from the Asian crisis, from 1994 to 2008, the GDP grew by an avarege of 3.6 per cent per year. Growth in sub-Saharan Africa in general has received strong positive support from the strong world demand for commodities fuelled by strong East Asian growth.[113] However, from

2009 the growth of the South African economy declined. Some studies suggest that the South African economy was negatively affected by the international financial crisis and the 2009 global economic recession.

Figure 4.1: South African GDP Compared to World GDP Growth, 1982–2012



Source: Industrial Development Corporation (2013)[114]

Fedderke suggests that there are three major factors which affect South Africa's economic growth drivers and constraints.[115] These include market distortions, inadequate human capital provision and political economy questions. Others have emphasised political economy constraints. Fedderke,[116] for instance, indicates that the public sector's performance is worsening and the level of perception with regards to corruption is higher in the public sector than in the private sector.

It is useful to discuss the economic performance of one country in relation to other comparable economies. Table 4.1 indicates that, when compared to other countries, South Africa has not performed well enough for the size and potential of its economy.

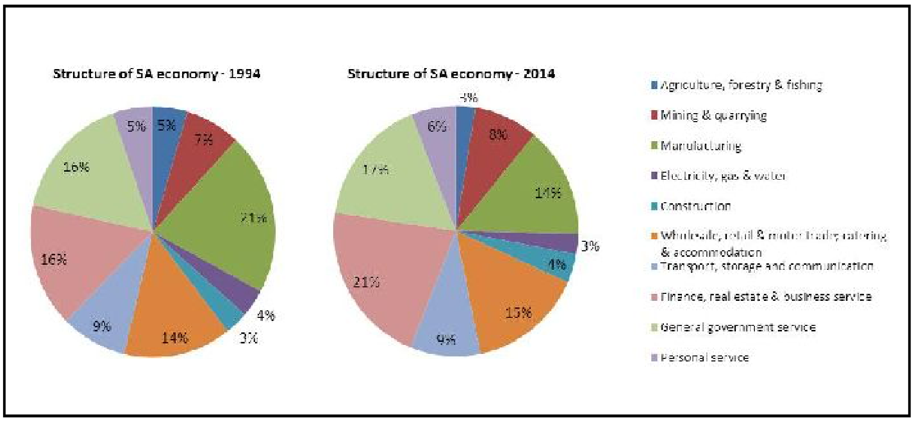
Table 4.1: Gross Domestic Product, SA and Other Countries (2000-2010)

Country	South Africa	Botswana	Brazil	India	Malaysia
2000	4.2	5.9	4.3	4.0	8.9
2001	2.7	3.5	1.3	5.2	0.5
2002	3.7	9.0	2.7	3.8	5.4
2003	2.9	6.3	1.1	8.4	5.8
2004	4.6	6.1	5.7	8.3	6.8
2005	5.3	1.6	3.2	9.3	5.3
2006	5.6	4.5	4.0	9.3	5.8
2007	5.5	4.8	6.1	9.8	6.5
2008	3.6	2.9	5.2	4.9	4.7
2009	-1.5	-4.9	-0.6	9.1	-1.7
2010	2.9	9.7	7.5	9.7	7.2

Source: Development Indicators (2011)

As indicated earlier, the structure of an economy entails (a) the different sectors and their contribution to economic growth; (b) the capital and labour intensity of the sectors; and (c) the dominant sectors and their linkages. The third issue about the structure of an economy is about the major sectors, like the mining and mineral sectors, and linkages to other big sectors, like the energy sector. As discussed in Chapter 1, the South African economy is characterised as Mineral-Energy Complex, and it is also largely capital intensive (meaning that the economy uses more machinery than labour). Next is a discussion of the structure of the South African economy from the perspective of the share, composition or contribution of the various sectors to it.

Figure 4.2: Sectorial Contribution to the South African Economy

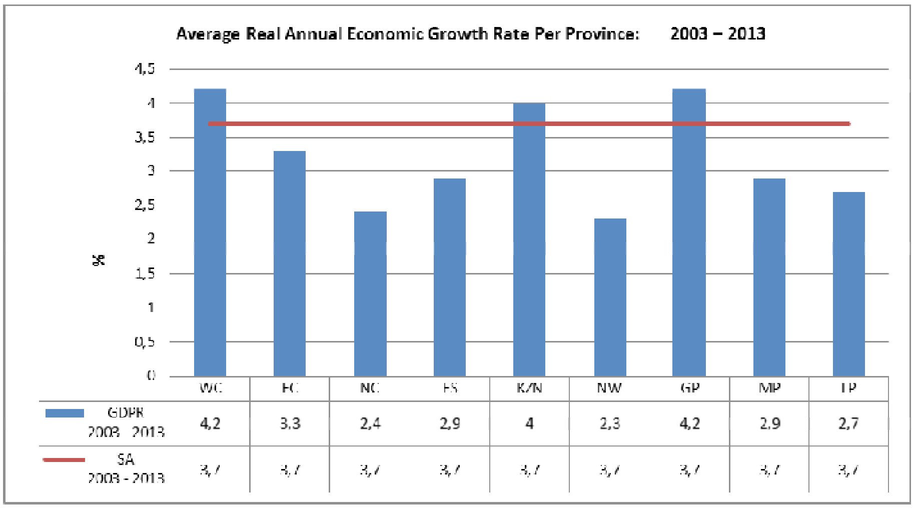


Source: Own Calculations Using Statistics South Africa Data

As indicated in Figure 4.1, the economic structure has not changed much. However, there are some industries whose contributions to the economic activity of South Africa have increased slightly. In particular, the sub-sectors in the services sector have increased their contribution to the economy. For instance, the contribution of the Finance, Real Estate and Business Services sector increased from 16 per cent in 1994 to 21 per cent in 2014.The contribution of the manufacturing sector however decreased from 21 per cent in 1994 to 14 per cent in 2014.

With regard to economic performance in terms of the nine provinces of South Africa, Figure 4.1 shows average real annual economic growth rates per province for the years 2003–2013. In the year 2013, the South African economy recorded an average growth rate of 3.7 per cent. Western Cape and Gauteng were above the national average, both with rates of 4.2 per cent. They were closely followed by KwaZulu Natal with a growth rate of about 4 per cent. All other provinces performed below the average growth rate.

Figure 4.3: Growth Rates by Province in South Africa



Source: Own Calculations Using Statistics South Africa Data

The relative ranking of the contribution of the nine provinces in the South African economy did not significantly change between 1995 and 2013, as shown in Figure 5. Gauteng remains the largest (33.8 per cent), followed by KwaZulu Natal (16 per cent) and Western Cape (13.7 per cent). These three dominant provinces (collectively contributing nearly two-thirds to the South African economy) have, however, shown a slight decline in their combined contribution over the period.

Employment

One of the most critical challenges facing the post-apartheid government and society broadly is employment creation. Unemployment or employment rates are calculated by looking at the labour market (where labour is demanded and supplied). Studies show that the employment performance of the economy has not adequately met the needs of the society. The number of jobs created has lagged behind in relation to the demand for jobs required. A number of newly created jobs have been precarious and of poor quality and many of those jobs have disappeared as a result of recession and poor economic management.

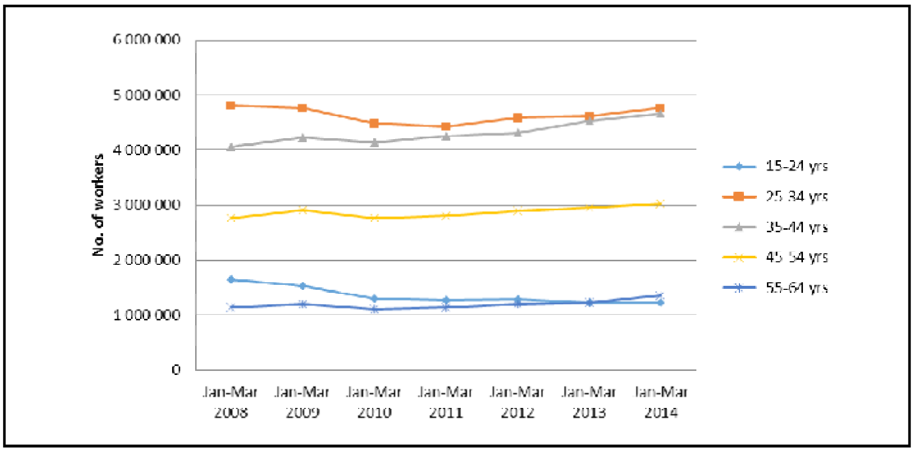
According to Table 4.2, the unemployment rate was recorded as 25.2 per cent during the first quarter of 2014 as compared to 23.2 in the first quarter of 2008, which indicates an increase in the number of people who are unemployed. As Mayer and Altman[117] have put it, employment response to a given quantum of growth has been bad and very uneven across sectors. This has led some analysts to characterise the nature of unemployment in South Africa as structural

Table 4.2: Labour Force

	Jan-Mar 2008	**Jan-Mar 2009**	**Jan-Mar 2010**	**Jan-Mar 2011**	**Jan-Mar 2012**	**Jan-Mar 2013**	**Jan-Mar 2014**
	'000	'000	'000	'000	'000	'000	'000
Total	**31 544**	**32 135**	**32 732**	**33 335**	**33 945**	**34 558**	**35 177**
Population 15-64 (years)	**18 808**	**18 982**	**18 410**	**18 501**	**19 053**	**19 420**	**20 122**
Labour Force	14 438	14 616	13 797	13 904	14 284	14 558	15 055
Employed	9 934	10 161	9 695	9 785	10 121	10 242	10 780
Formal sector (Non-agricultural)	2 433	2 284	2 148	2 277	2 212	2 334	2 336
Informal sector (Non-agricultural)	838	778	683	627	694	764	709
Agriculture	1 233	1 393	1 271	1 214	1 257	1 219	1 231
Private households	4 371	4 366	4 612	4 597	4 769	4 862	5 067
Unemployed	12 736	13 153	14 323	14 834	14 892	15 138	15 055
Not economically active	1 202	1 233	1 890	2 243	2 380	2 401	2 355
Discouraged work-seekers	11 534	11 921	12 432	12 591	12 512	12 737	12 700
Rates (per cent)	23.2	23.0	25.1	24.8	25.0	25.0	25.2
Unemployment rate	45.8	45.5	42.2	41.7	42.1	42.1	42.8
Employed / population ratio (Absorption)	59.6	59.1	56.2	55.5	56.1	56.2	57.2

Source: Based on Statistics South Africa Data for the most part, with a notable mismatch between skill endowments of the majority of the labour force and the nature of skills demanded by employers (see, for instance, Bhorat et al[118]).

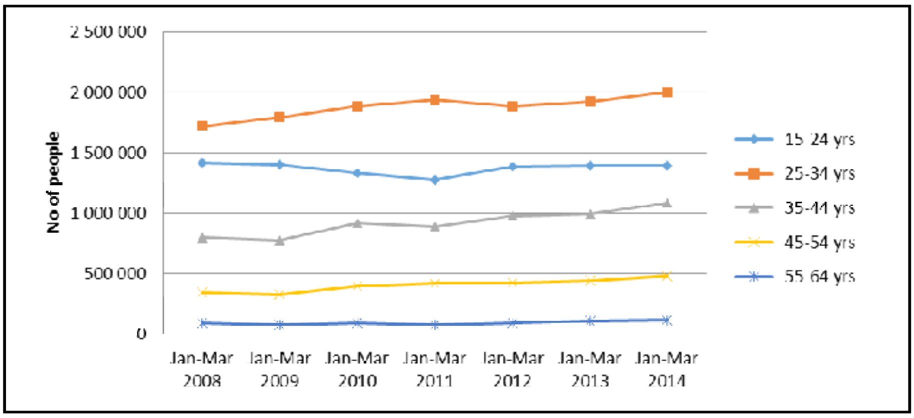
Figure 4.4: Age Groups of those employed by First Quarter of the Periods (2008-2014)



Source: Based on Statistics South Africa Data

Figure 4.2 shows that the large number of workers during 2008-2014 is in the age group 25-34 years of age. These are followed by those in the 35-44 years age group. Although the pattern across the age groups has also remained consistent throughout, there is a slight increase in employment observed of those in the 34-44 years age group.

Figure 4.5: Age Groups of those employed by First Quarter of the Periods (2008-2014)



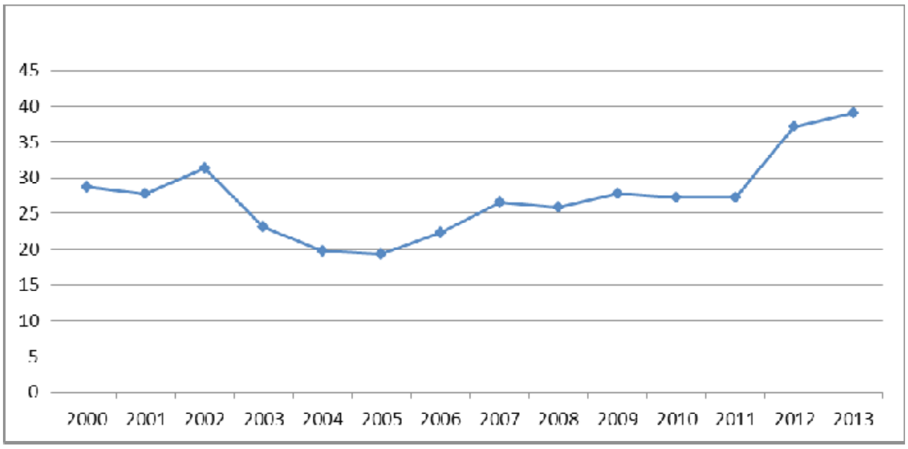
Source: Based on Statistics South Africa Data

Figure 4.5, on the other hand, shows those that are unemployed in the first quarters during 2008-2014. The pattern is slightly different from those that are employed. There is a significant number of people that were recorded as unemployed in the age group 25-34 years. In the year 2011, 42 per cent of those that were unemployed were in the 25–34 age group. Also the numbers of those unemployed in the older age group, that is 35-44 years and 45-54 years, have increased over time during 2008-2014.

Selected Economic Indicators

Figure 4.6 shows foreign debt as a percentage of GDP. A low debt-to-GDP ratio indicates an economy that produces and sells goods and services sufficiently to pay back debts without incurring further debt. However, the figure shows that, in South Africa, foreign debt has been increasing significantly from the year 2011.

Figure 4.6: Foreign Debt as a percentage of GDP



Source: Based on South African Reserve Bank Data

Table 4.3 shows selected economic indicators during the periods 1991 to 2013. In observing inflation from the year 1994, it reached 10.4 per cent in 2007. Household debt ratios are important indicators as they are used by policy makers, analysts, economic researchers and others to evaluate households' financial situation. They can also be used when forecasting consumption expenditure. Table 4.3 also shows that household savings decreased from 2.7 per cent in the year 1994 to zero in the year 2013. Table 4.3 shows that households' consumption expenditure has reached more than 60 per cent of South Africa's GDP.

Table 4.3: Selected Economic Indicators

Period	Gross saving-GDP	House-hold-saving/ Income	Share of GDP to emplo-yees	Con-sump-tion-GDP	GDP growth income	Unem-ploy-ment	infla-tion	Inte rest rate
1994	16.8	2.7	55.9	62.3	3.2	31.5	8.4	14
2001	15.3	0.4	52.2	63.1	2.7	31.7	5.73	10.5
2007	14.3	-1.2	50	62.7	5.5	33.2	10.04	11
2008	15.5	-1.2	49.5	61.7	3.6	27.4	7.29	13
2009	15.5	-0.7	50.3	60.7	-1.5	29.7	4.1	8
2010	17.1	-0.6	50.7	59.3	3.1	25.3	5.01	7
2011	16.8	-0.3	51.4	59.4	3.6	25.7	5.75	6.5
2012	14.2	0	52.2	60.8	2.5	24.9	5.8	5
2013	13.5	0	52.9	60.8	0.7	24.7	5.5	5.5

Source: Based on the South African Reserve Bank Data and Statistics South Africa Data

Overall, table 4.3 also supports the view that the South African economy recently has not been performing very well. Household savings have been zero since 2012, GDP growth has been declining (reaching 0.7 per cent in 2013) and the unemployment rate has remained very high.

Conclusion

This chapter has described the economic policies and programmes designed and implemented in the post-apartheid South Africa. It has also discussed economic performance as well the evolution of the economic policies in the country since 1994. Overall, the South African economy has performed relatively well since the mid-1990s, following the GEAR framework. In the main, although economic growth has performed relatively well, South Africa continues to face mass unemployment, high poverty and rising inequality. In the main, the structure of the South African economy has not changed since 1994.

Key Terms

Economic Development: Economic growth and improvement in wellbeing

Economic Growth: The increase in Gross Domestic Product, from one year to the other or from one quarter to the other

Economic Policy: Interventions or instruments for stabilising and growing an economy

Economic Structure: The composition of an economy by sectors and sub-sectors

Economic Transformation: Processes to change the structure and pattern of economic development

Gross Domestic Product: The total sum of goods and services produced in a particular country

Macro-economic Policy: Economic policy that focuses on the economy as a whole

Macro-economic Stabilisation: Interventions on the economy to ensure that economic indicators (i.e. GDP, Inflation, Interest Rates, etc) improve

Micro-economic Policy: Economic policy that focuses on specific sectors or areas of the economy

Policy: Strategic intent or a plan aimed at achieving a predetermined agenda or outcome