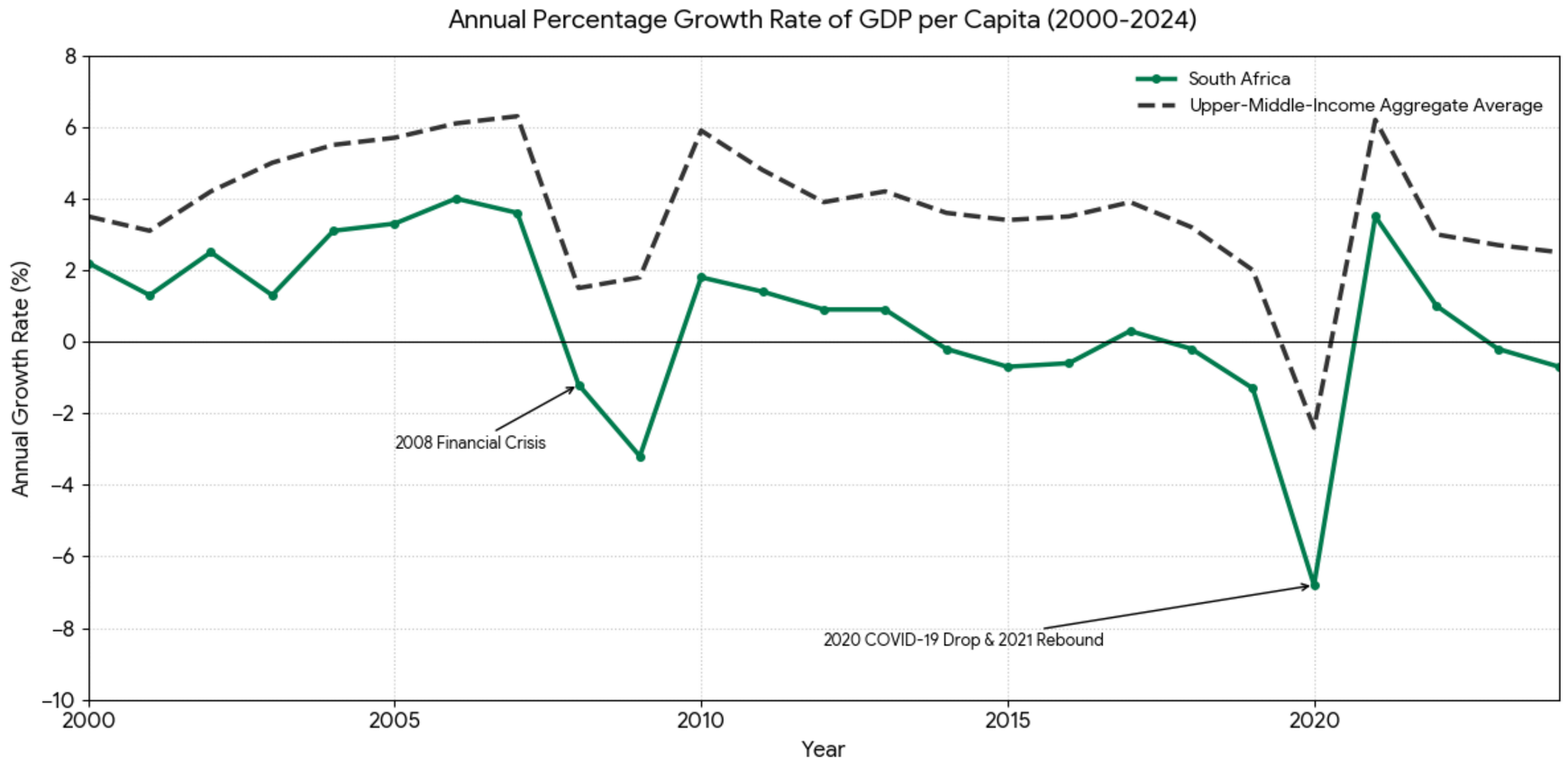
Starting the growth engine

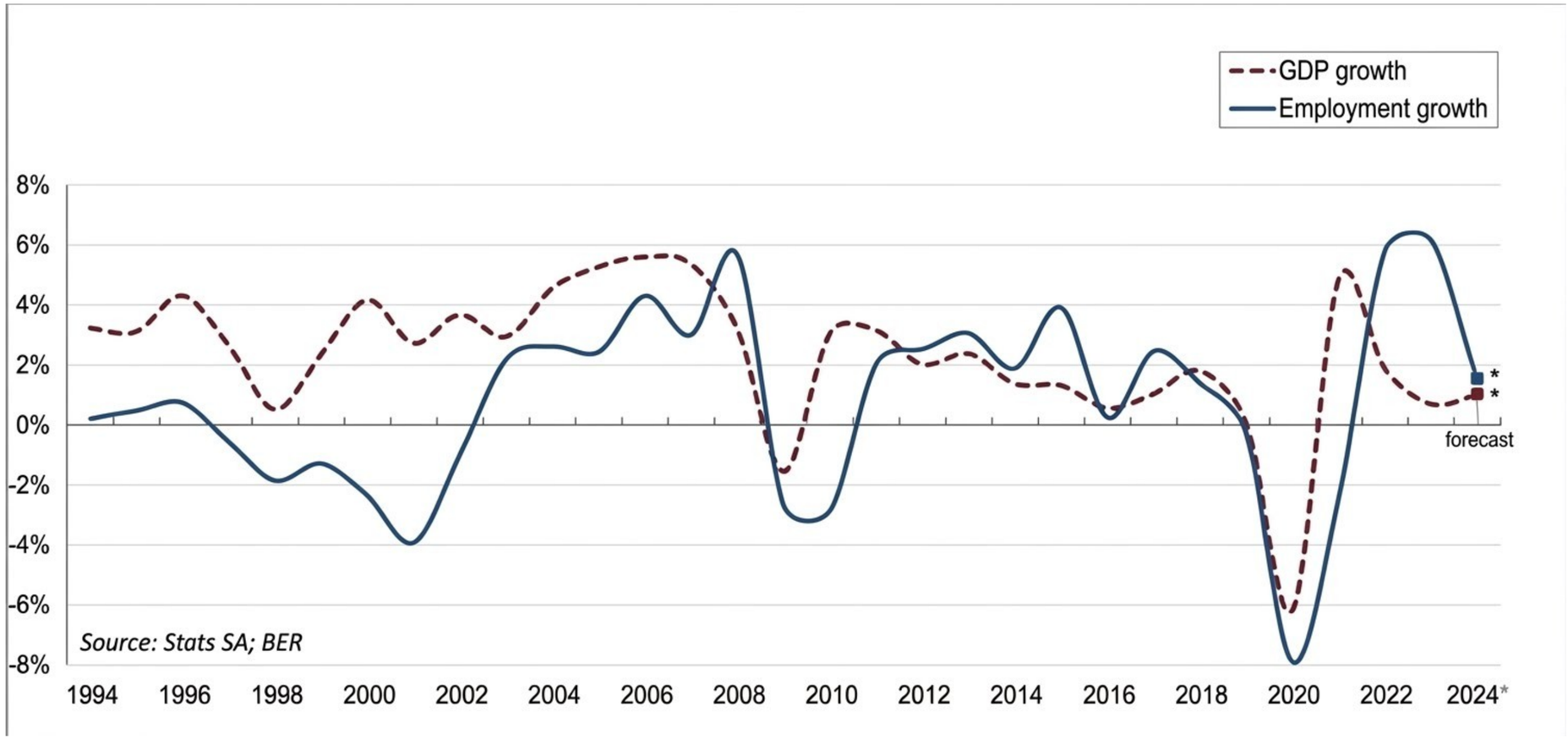
South Africans are really struggling

- 8.6 million people out of work, by the narrow definition
- With discouraged unemployed, well over 12 million
- Average incomes have been falling since 2014
- Nearly 40% of South Africans are very poor, nearly 20% are extremely poor and nearly 70% of the population is poor
- In South Africa poverty is mostly a result of unemployment, so
- The core developmental challenge is job creation
- The major reason for high unemployment and high poverty is very slow growth

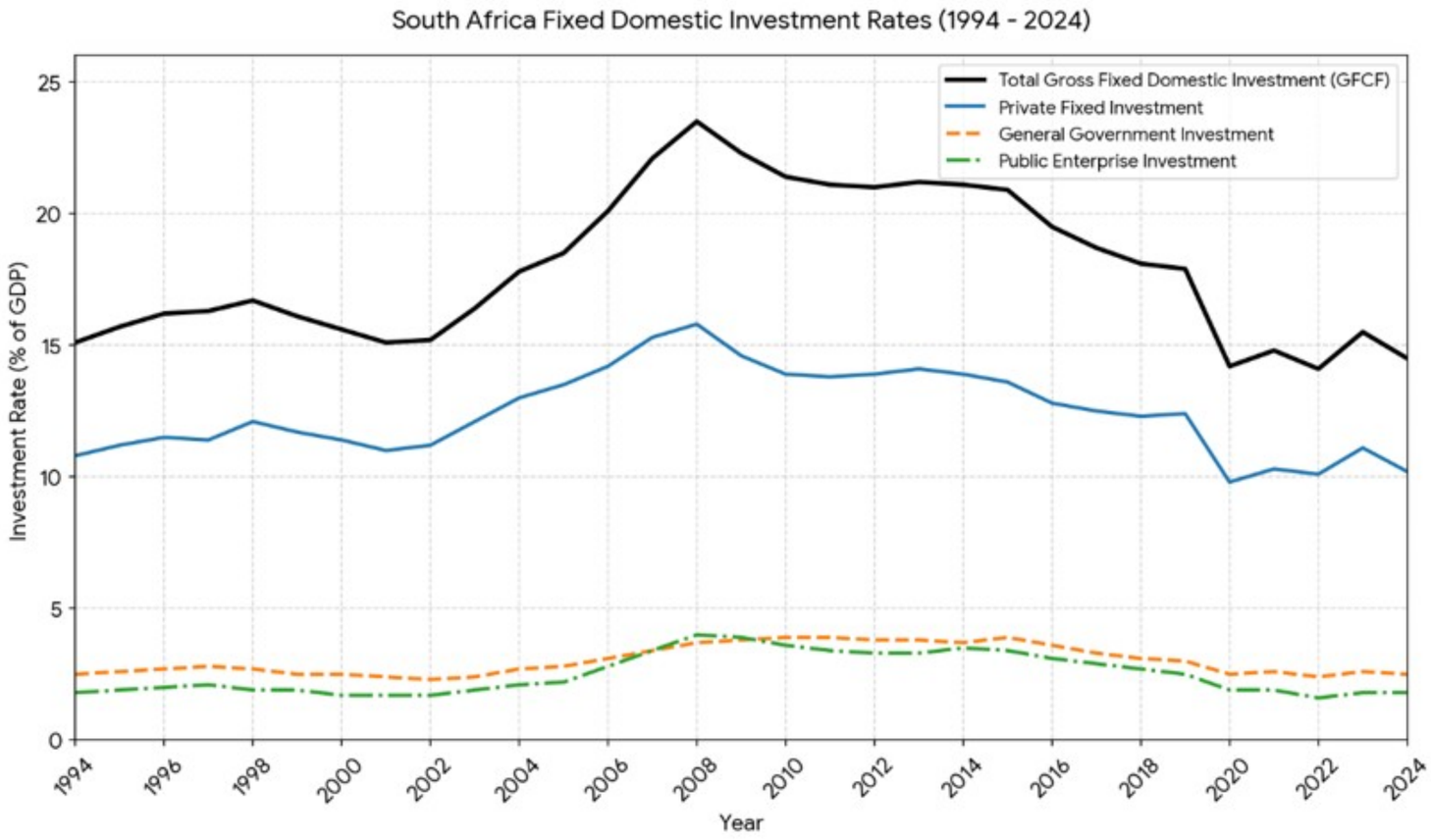
Annual percentage growth rate of GDP per capita (2000–2024)



Change in real GDP and total employment: Year on year percentage change



Fixed domestic investment rates (1994–2024)



The global environment for growth and employment creation has shifted—

Competition for manufacturing production is dominated by East Asia and is increasingly driven by automation, robotization and AI

Manufacturing production is moving closer to the largest global markets

Strategic concerns post-COVID and the recent oil shock has accelerated the shift to near-sourcing and onshoring

Added to this is trade protectionism initiated by the US

Climate change transitions are expensive for energy intensive manufacturing (through green industrialisation is an opportunity)

The age of the manufacturing as a labour absorbing rung on the development ladder is virtually over (especially for MICs)

‘Shared prosperity in a fractured world’

Manufacturing is no longer a step towards development and jobs

As Rodrik and others have argued, growth and jobs are increasingly likely to result from the development of the broad services sector

Rodrik uses the term ‘productivism’: ‘moving an economy’s resources – innovation, organisational capacity, entrepreneurship, capital and workers – to activities that are more productive and achieve social, environmental and developmental goals in the process’

Opportunities are more likely in services, agriculture, or mining than manufacturing

This requires active partnership between government, business and often labour and communities

Formal sector growth and Operation Vulindela

- The first job is to get the growth machine working, hence OV:
- Electricity, transport, water and sanitation
- Local government, spatial integration, digital public infrastructure
- Change is on its way, but slow—investment rate still extremely low
- The Government/Business Partnership that drives OV is now supporting sector development
- Three broad sectors are identified: the mining sector, agriculture and agro-processing and tourism
- They should also be thinking about broad services including traditional ‘non-tradable’ sectors

Is formal sector growth enough?

We have done informed estimates of job creation for three scenarios:

Over 10 years, conventional growth, even at the high rate of 4%, only produces only 4-5 million new jobs

If we had such growth, but we also drive an expansion of the informal sector, jobs created could rise to over 7 million jobs

If we had such growth but also drove a connective revolution, bringing ICT, ICT enabled services and AI tools to small formal and informal firms, productivity would rise and incomes would rise faster

Three complementary jobs drivers are needed:

Accelerate formal sector growth

Far-reaching reforms to improve the enabling environment for ‘survivalist’ micro and small firms

Harness the ICT connective revolution to raise productivity and living standards in the now precarious middle of the economy

I have talked about the main elements of formal sector growth—Brian Levy will pick up on the second and third elements of growth and job creation