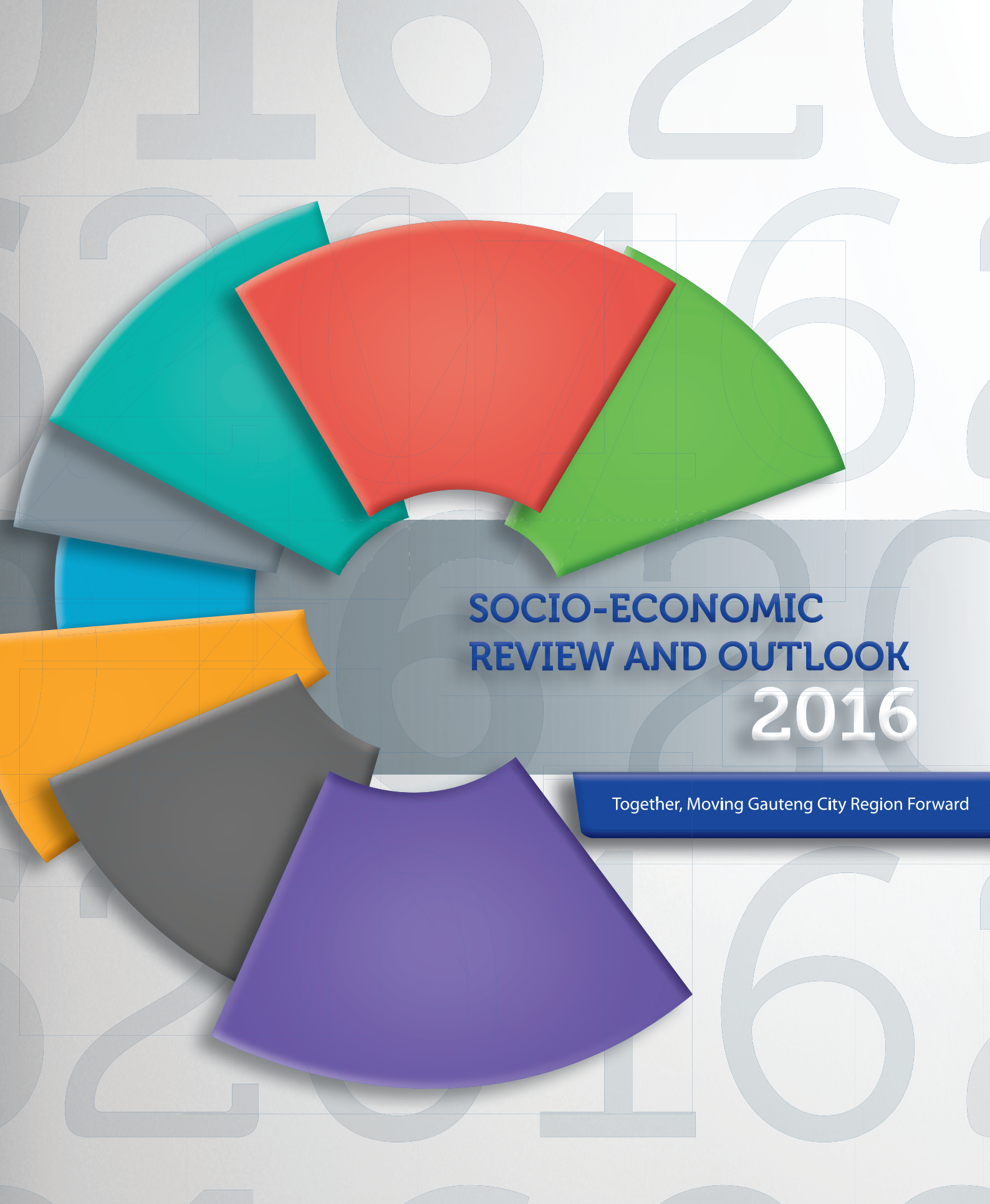




SOCIO-ECONOMIC REVIEW AND OUTLOOK 2016

Together, Moving Gauteng City Region Forward



GAUTENG PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA

SOCIO-ECONOMIC REVIEW AND OUTLOOK 2016

Gauteng Provincial Government



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Barbara Creecy
MEC: Finance

Foreword

The Socio-Economic Review and Outlook (SERO) is published annually and this is the ninth edition. The publication provides an in-depth analysis of socio-economic variables relating to South Africa, Gauteng and its municipalities.

The 2016 SERO is presented amid challenges facing the South African economy arising from global and domestic economic conditions. The National Treasury expects the economy to grow by less than 1 percent in 2016, with growth forecast to reach 2.4 percent by 2018. In his 2016 State of the Nation Address, the President recognised this and stated that the slow pace of growth impedes government's progress towards creating jobs and reducing inequality and poverty.

In response to the challenging economic environment, national government has put in place measures to increase growth. These include investing more in infrastructure, working to improve business confidence, mobilising resources from all social partners and accelerating the pace of transformation towards a more inclusive economy. Government is also prioritising measures to deal with the effects of drought and water shortages.

In tabling the 2016 national budget, Minister of Finance Pravin Gordhan made a commitment to speeding up the pace of fiscal consolidation, strengthening efforts to curb wasteful spending and reprioritising expenditure towards socio-economic interventions which have the greatest impact. He also referred to a joint action plan endorsed by the Finance MECs in all of the provinces to contain personnel expenditure, intensify other cost containment measures and improve revenue collection. In recognition of the fact that the poor bear the brunt of difficult economic conditions and amid expectations of a rising cost of living, an additional R36 billion has been allocated nationally to social assistance over the medium term.

By virtue of our significant contribution to the national economy, the province is also affected by the challenging economic environment, with the latest developments indicating that the province's economy will grow by just 1 percent in 2016. In his 2016 State of the Province Address, Honourable Premier David Makhura emphasised his commitment to drive the province's radical transformation, modernisation and re-industrialization agenda. Various interventions will be used to address rapid urbanisation, increase the number of job opportunities and reduce the high levels of poverty and inequality.

The Premier also announced a Provincial Economic Plan to position strategically Gauteng as an investment destination within SADC, the continent, BRICS and globally.

The Premier reiterated the importance of key sectors which have been identified to drive employment and economic growth in the province's five development corridors. He also reaffirmed that the province will continue to strengthen the ease of doing business to attract investment and create an investor-friendly environment, a key stimulant for accelerated economic growth.

This edition of the SERO consists of four chapters. These focus on demographics, economic performance, labour market trends and access to services and development indicators. The publication is intended to open up debate about policy-making and implementation, particularly in relation to initiatives that will improve the quality of life of Gauteng's citizens.

I conclude by thanking the Head of the Gauteng Provincial Treasury, Ms. Nomfundo Tshabalala, and her team for their work in developing the 2016 SERO.

Barbara Creecy

MEC for Finance

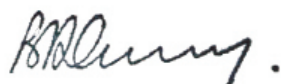
A handwritten signature in black ink, appearing to read 'B. Creecy', followed by a period.

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List of Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
AFDB	African Development Bank
ARV	Antiretroviral
ASEAN	Association of Southeast Asian Nations
B&C	Business and commerce
BRICS	Brazil, Russia, India, China and South Africa
BRT	Bus Rapid Transit
CDR	Crude death rate
CoE	City of Ekurhuleni
CoJ	City of Johannesburg
CoT	City of Tshwane
DMIC	Delhi-Mumbai Industrial Corridor
EC	Eastern Cape Province
ECD	Early Childhood Development
Edu	Educational Studies
EMF	Emfuleni Local Municipality
EPWP	Expanded Public Works Programme
ETDPSETA	Education, Training and Development Practices Sector Education and Training Authority
EU	European Union
FDI	Foreign Direct Investment
FET	Further Education and Training
FS	Free State Province
GCR	Gauteng City Region
GDE	Gauteng Department of Education
GDP	Gross Domestic Product
GDP-R	GDP by Region
GER	Gross Enrolment Ratio
GP	Gauteng Province
GPG	Gauteng Provincial Government
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
Hum	Humanities
ICT	Information and Communications Technology
ILO	International Labour Organisation
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
KZN	KwaZulu-Natal
LFPR	Labour Force Participation Rate
LP	Limpopo Province

LSD	Lesedi Local Municipality
MDG	Millenium Development Goal
MDV	Midvaal Local Municipality
MEC	Member of Executive Council
Metro	Metropolitan Municipality
MFC	Merafong City Local Municipality
MGC	Mogale City Local Municipality
MP	Mpumalanga Province
NC	Northern Cape Province
NDP	National Development Programme
NFSAS	National Student Financial Aid Scheme
NNSSF	National Norms and Standards for School Funding
NW	North West Province
PRB	Population Reference Bureau
PUI	Partnership for Urban Innovation
QLFS	Quarterly Labour Force Survey
QoL	Quality of Life
RDF	Randfontein Local Municipality
SA	South Africa
SADC	Southern African Development Community
SDB	Sedibeng District Municipality
SERO	Socio-Economic Review and Outlook
SET	Science, Engineering & Technology
SMMEs	Small Medium and Micro Enterprises
SONA	State of the Nation Address
SOPA	State of the Province Address
SSA	Sub-Saharan Africa
Stats SA	Statistics South Africa
TB	Tuberculosis
TMR	Transformation, Modernisation and Re-industrialisation
UN	United Nations
UNDP	United Nations Development Programme
US\$	United States dollar
WC	Western Cape Province
WEO	World Economic Outlook
WHO	World Health Organisation
WRD	West Rand District Municipality
WST	Westonaria Local Municipality

Executive Summary

This ninth edition of the Socio-Economic Review and Outlook (SERO) analyses Gauteng's socio-economic status in the global and national context. The global overview gives comparative information about Brazil, India and Nigeria which, like South Africa, are major emerging markets. Brazil and India are included because they are partners with South Africa in BRICS and Nigeria because it has the largest economy on the continent, although much less complex and diversified than that of South Africa. Information included about these countries refers to matters of interest to South Africa, and lessons learned there may serve as useful pointers for this country. For the same reason, information is given about a back-to-work training programme in Ireland which, although not to the same extent as this country, faces problems of unemployment and the lack of fit between available skills and the evolving job market.

The publication consists of four chapters. Chapter One discusses demographics. Chapter Two reviews economic issues globally, in South Africa and in Gauteng and its municipalities. Chapter Three looks at the labour market at national and provincial levels. Chapter Four gives information about access to services in, and development indicators relating to, the province.

The demographic information given in Chapter One refers to Sub-Saharan Africa, the SADC region and Brazil, Nigeria and India. By 2050, India is forecast to be the world's most populous country, with 1.7 billion people. Nigeria has the largest population in Africa, with 182 million people in 2015. By 2050, this number is expected to have more than doubled, to 397 million, surpassing that of Brazil where the population is forecast to grow from the present 205 million to 226 million.

In 2015, there were 55 million people living in South Africa. Gauteng is the most populous of the country's nine provinces, with 24 percent of the total. Between 2004 and 2014, the country's urbanisation rate increased from 59 to 64 percent. Most of Gauteng's population lives in the three metropolitan municipalities (metros). In 2015, the City of Johannesburg (CoJ) had the largest number of people, at 4.9 million. In the same year, there were 3.4 million people living in the City of Ekurhuleni (CoE) and 3.2 million in the City of Tshwane (CoT). Sedibeng and the West Rand district municipalities had 983,000 and 850,000 people respectively.

Of South Africa's nine provinces, Gauteng attracts the largest number of migrants, with an estimated net increase of 543,000 between 2011 and 2016. The Western Cape had the second highest net number of migrants, with 157,000 in this period. The provinces of Eastern Cape, Free State, KwaZulu-Natal, Northern Cape and Limpopo all experienced net population outflows.

Chapter Two provides an overview of global, national and provincial economic performance between 2010 and 2015. It focuses particularly on two sectors: manufacturing and agro-processing. These are identified in the province's Transformation, Modernisation and Re-industrialisation (TMR) programme as having the potential to enhance the provincial economy and create jobs.

A weak global recovery continues to suppress the outlook for economic growth. The International Monetary Fund (IMF) estimates that world output grew by 3.1 percent in 2015, slightly lower than the 3.4 percent recorded in 2014. It estimates South Africa's growth rate in the same year at 1.3 percent. The country's potential for economic growth continues to be affected by the situation in its major trading partners such as the Euro area and China, now South Africa's most important trading partner with annual trade flows of US\$28 billion.

South Africa's government debt as a percentage of gross domestic product (GDP) reached 46 percent in 2014 and is estimated to have been 48.4 percent in 2015. Credit rating agencies caution that this trend may be exacerbated by deteriorating economic growth prospects. In December 2015, ratings agency Moody's was the last to revise its outlook on South Africa's sovereign credit rating from stable to negative and maintained its rating at Baa2.

Gauteng's economic performance mirrors that of the country, with the province accounting for an estimated 35.1 percent of the national economy in 2015. IHS Global Insight estimates that the economies of both the country and the province grew by 1.2 percent in 2015. Economic activity in Gauteng was led by the CoJ, with its economy dominated by the finance & business services sector. In 2015, its gross domestic product by region (GDP-R) was estimated at R455 billion, followed by the CoT at R270 billion. The CoE had the smallest GDP-R of the metros, at R232.7 billion. At 32 percent of the total, manufacturing accounts for the largest share of the CoE's economy, and in 2015 accounted for an estimated 15.9 percent of the province's total gross value added (GVA). This was significantly down from 21 percent in 2005. The GDP-R of the Sedibeng and West Rand district municipalities were estimated at R61.5 billion and R47.9 billion respectively.

In his 2016 State of the Province Address (SoPA), Gauteng Premier Honourable David Makhura announced a new Provincial Economic Plan, to be launched in May 2016. This will take forward the vision of radically transforming, modernising and re-industrialising the province's economy, and identifies manufacturing and its agro-processing sub-sector as key to bringing about this transformation. Skills development, improved infrastructure and an investment environment that attracts foreign direct investment (FDI) are some of the factors that will be critical to the success of this initiative.

Chapter Three gives information about the labour market nationally and within Gauteng, highlighting patterns of unemployment among different age groups. Particularly among younger people, factors limiting the ability to find employment include inadequate educational attainment and a lack of saleable skills. In 2015, the age cohort 15-24 years had the highest rate of unemployment, at 50.1 percent nationally and 44.1 percent in the province. In Gauteng, 52.7 percent of the unemployed in this cohort had below-matric levels of education.

Between 2010 and 2015, South Africa's labour force grew by an average of 2.8 percent a year, and now accounts for approximately 55 percent of the working-age population. The increase in the number of employed people indicates that jobs are being created. However, unemployment rates of 24.5 percent nationally and 27.6 percent in Gauteng point to the fact that the economy is not creating enough jobs. Of about 1.3 million people unemployed in the province in 2015, 41.7 percent were new labour force entrants, 25.9 percent had lost their jobs, 6.1 percent had left their jobs, 6.6 percent were re-entering the labour market and 19.7 percent had not been employed in the previous five years. Those who had lost or left jobs, or who were

re-entering the labour market, were mainly semi- and low-skilled, indicating that lower skilled workers are particularly vulnerable to unemployment.

Building an appropriately skilled workforce is critical to the government's agenda of transforming and modernising the economy. About 51.8 percent of the province's manufacturing workforce in 2013 was made up of low- and semi-skilled workers. It is positive that the sector is able to absorb people from this skills range, as they make up the majority of the country's unemployed. However, the shortage of skilled labour has been identified as inhibiting growth in the sector.

Chapter Four provides a review of development indicators for the country and for Gauteng and its regions. Initiatives by the provincial government to give effect to the TMR form a basis on which the objectives of the National Development Plan (NDP) can be achieved. The NDP envisages that by 2030 all South Africans should have access to good quality education. Educational attainment levels in the country and the province have improved. Of learners who started grade 1 in Gauteng's public schools in 2004, over 75 percent reached matric in 2015. This was the highest throughput rate in the country. By 2014, the share of those with no formal education in the province had fallen to 2.7 percent, from 3.4 percent in 2010. The number of tertiary enrolments increased from 838,000 in 2009 to 984,000 in 2013, with about 28.8 percent taking courses in engineering, science & technology and 28.5 percent in business & commerce.

There has also been an improvement in the national health indicators such as life expectancy. This increased from 67.6 years in 2010 to 69 years in 2015. In Gauteng, it is estimated that by 2016 male life expectancy will have risen to 61.74 years and female to 64.3 years. The crude death rate for the country as a whole reached a high of 10.7 deaths per 1,000 people in 2011. By 2015, this had fallen to 9.6. By contrast, however, the province's crude death rate increased from 10.9 deaths per 1,000 people in 2010 to 11.4 deaths in 2015.

The country has made substantial strides towards reducing levels of poverty and inequality. These levels remain high, especially when measured in terms of those living below the upper poverty line of less than R577 per person per month. In 2014, about 45.3 percent of the country's population lived below this poverty line; the equivalent figure for Gauteng was approximately 34.4 percent. Income inequality in 2014 as measured by the Gini coefficient was 0.637 nationally and 0.65 for the province.

The proportion of households with access to basic services continues to increase. In 2014, just over 85 percent of South Africa's households had access to electricity and 78 percent were living in formal housing. In Gauteng, 90.4 percent of households had access to electricity, a slight decrease from 2010, and 78.8 percent were living in formal housing.

Chapter 1: Regional Demographic Profile

1.1. Background

Demographic information plays an essential role in assessing whether a region is reaching its social and economic goals, including the Millennium Development Goals (MDGs), and how it compares with other regions. The National Development Plan (NDP), which provides a long-term vision of what the country should aim to achieve by 2030, recognises that improved demographic patterns are key to an improved economy and society.¹ Over time, the age structure of South Africa's population has changed as the population transitions from high to lower fertility and mortality rates. Demographic changes that a society experiences may lead to a window of opportunity for higher economic growth, with a greater supply of labour and lower dependency ratios as the working age population rises in proportion to the number of young and elderly people. The NDP aims to maximise the benefits of this 'demographic dividend'². More rapid improvements in health and education, spatial transformation, skills development and greater employment opportunities are all needed for a region to take advantage of this demographic opportunity.

Geographically, much of South Africa's population growth is taking place in the urban areas, where over 60 percent of the country's people now live. However, although they provide economic opportunities, urban areas face huge developmental challenges. The NDP projects that, by 2030, 7.8 million more people will be living in cities than in 2012. This will create pressures on housing, services and infrastructure.

This chapter highlights the importance of addressing urbanisation as part of government's agenda for sustainable development, and recognises that urban areas must be sustainably and holistically managed.

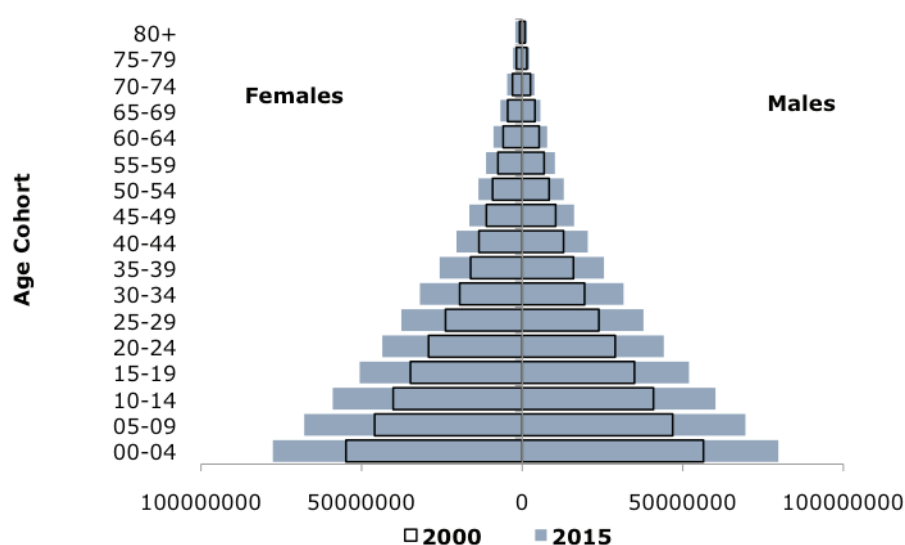
The first section of the chapter gives an overview of regional and national demographics, and includes a comparison with some of South Africa's peer counterparts. This section also highlights the risks associated with rapid urbanisation, using an example of the burden of urbanisation in Brazil. This is followed by an overview of the province's demographics. Recognising that valid information depends on the availability of accurate data, the section includes information about population numbers, growth rates, urbanisation and migration. Finally, conclusions are drawn from this information.

1.2. Regional Demographic Profile

In line with recent improvements in health care, education and governance throughout most of Sub-Saharan Africa (SSA), there is growing interest in the region's demographic opportunity associated with an increase in the proportion of the population that is of working age. Historically, high fertility rates have resulted in youthful populations across the region. SSA's population is currently estimated at 962 million compared with 641 million at the start of the millennium. Since 2000, some of the greatest growth has occurred between the ages 30-34 (63 percent increase) for females and 35-39 (60 percent increase) for males.

¹ National Planning Commission. (2012). *The National Development Plan 2030*.

² The demographic dividend results from a combination of the accelerated economic growth that can take place as a country's population age structure changes, and investments in health, education, economic policy and governance. Information accessed at <http://www.prb.org/Multimedia/Infographics/2014/infographic-demographic-dividend.aspx>

Figure 1.1: Population Distribution by Age and Gender, SSA, 2000 & 2015

Source: United Nations, 2015

Figure 1.1 shows the age and gender population pyramid of the SSA region in 2000 and 2015. The pyramid has a broad base, indicative of a youthful population. More than 60 percent of the region's population is below the age of 25; less than one percent are 80 years of age or older. Women currently make up 50 percent of the population.

1.2.1 Population Growth Trends: Global, SSA and South African

The Population Reference Bureau (PRB) estimates the world's population to have reached 7.3 billion in 2015, with 9.8 billion forecast by 2050. Much of this growth is occurring among the working age population and, geographically, in urban areas. However, high youth unemployment rates and urban poverty are associated with rapidly increasing youth populations and urbanisation.

Table 1.1: Demographic Profile, SA & Selected Countries, 2015

Region	Mid-2015 Population (millions)	2050 Estimate (millions)	Births per 1000	Deaths per 1000	Life Expectancy
SADC Region	63	77	23	10	61
South Africa	55	65	22	10	61
Nigeria	182	397	39	14	52
Brazil	205	226	15	6	75
India	1 314	1 660	21	7	68

Source: Population Reference Bureau, 2015.

Note: SADC=Southern African Development Community

Table 1.1 gives demographic information about South Africa, the SADC region and three other selected countries. South Africa is the fifth most populous country in Africa, with a population estimated at 55 million³ which is expected to grow to 65.2 million by 2050⁴. This implies a compound annual growth rate of 0.5 percent per year. South Africa is the most populous country in the SADC region, but has a lower population than Nigeria, Brazil and India, the selected countries shown in the table above. Of these, India has the largest

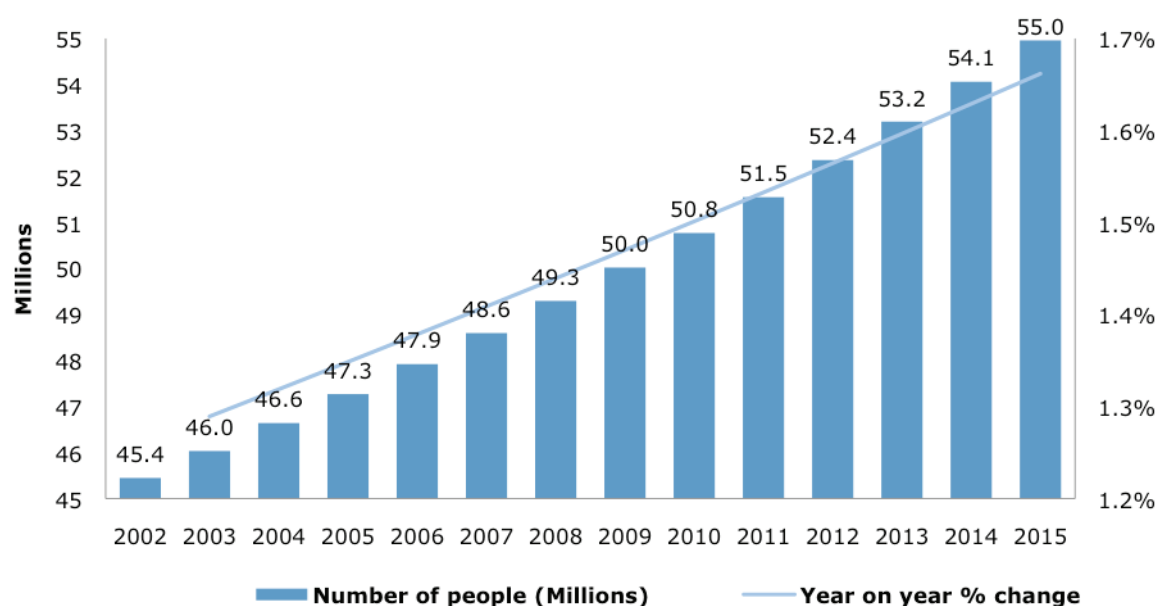
³ Stats SA. (2015). *Mid-Year Population Estimates*. Accessed at <http://www.statssa.gov.za/publications/P0302/P03022015.pdf>.

⁴ Population Reference Bureau. (2015). *World Population Data Sheet with a Special Focus on Women's Empowerment*. Accessed at http://www.prb.org/pdf15/2015-world-population-data-sheet_eng.pdf.

population, at an estimated 1,314 million in mid-2015. In the same year, Brazil's estimated population was 205 million. Nigeria's, at 182 million, the largest in Africa.

Although it had the largest population of the selected countries, after Brazil India had the lowest birth rate per 1,000. This relatively low rate was driven by the implementation of policies aimed at reducing the population (see Box 1.1). Of the selected countries, Brazil had the highest life expectancy rate and the lowest death rate.

Figure 1.2: SA Population, 2002-2015



Source: Statistics South Africa Mid-year population estimates 2015

Figure 1.2 shows the increase in South Africa's population between 2002 and 2015. It also shows that the rate at which it has grown has increased, from 1.3 percent in 2003 to 1.7 percent in 2015.

Children and youth⁵ make up 67 percent of the country's population. However, it is difficult to capitalise on this potential demographic advantage, with high unemployment preventing a large proportion of the working-age population from contributing productively to the economy. Proposals in the NDP to ensure that by 2030 the country can benefit from the economic potential of its population include sound education and skills training.⁶

⁵ As defined by the African Youth Charter, youth or young people refer to people between the ages of 15 and 35 years.

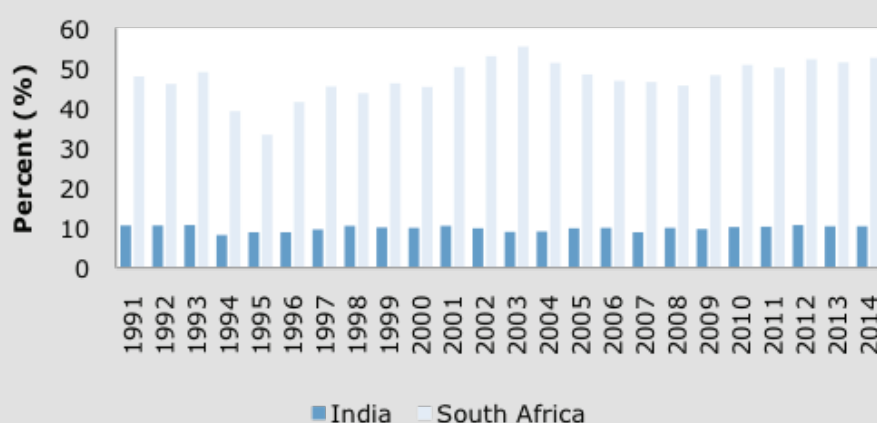
⁶ National Planning Commission. (2012). *The National Development Plan 2030*. Accessed at <http://www.thepresidency.gov.za>.

Box 1.1: How India plans to make use of its demographic opportunity

With high fertility rates, India saw its population increasing from 238 million people at the start of the twentieth century to 1.3 billion in 2015. The annual population growth rate peaked at 2.2 percent between 1971 and 1981. To address this, India became the first country to adopt an official policy to slow population growth. The first Five Year Plan began in 1952.^a The policy emphasised family planning programmes, with some offering incentives such as cash to women who agreed to sterilisation.^b Since the 1970s, India's birth rate has declined from around 40 births per 1,000 to 21 per 1,000.^b

Despite this, before 2025 India is projected to overtake China as the world's most populous country. As is the case with South Africa, India's population is mostly young, with 47 percent below the age of 25 years, 15 percent younger than 15 and only 6 percent aged 65 and older.^a This youthful population presents India with a demographic opportunity. However, inadequate skills development and employment opportunities lead to high levels of youth unemployment. To ensure that the youth become better equipped to be absorbed into the labour market, the country has adopted a new approach to training which is more sector-based, with a network of sector skills councils. In partnership with the private sector, the aim is to create 500 million skilled individuals by 2022.^c

Graph 1: Unemployment among the youth (ages 15-24), India & South Africa, 1991-2014



Source: World Bank, World Development Indicators, 2015

During his address at the ASEAN business and Investment Summit in Kuala Lumpur, Malaysia, in November 2015, President Modi stated that the Indian government planned to create more than a billion youth employment opportunities. This would be achieved through the implementation of various policies and reforms directed at growing the country's highly labour intensive manufacturing sector to account for 25 percent of GDP, through the "Make in India" campaign and a re-energised agricultural sector. Such policies, aimed at diversifying India's ICT and service sector-concentrated economy, would ensure a more sustainable growth trajectory for India's economy and youth employment.^d

^a Information accessed at http://www.prb.org/pdf15/2015-world-population-data-sheet_eng.pdf

^b Population Reference Bureau (2015). *India Approaches Replacement Fertility*. Accessed at <http://www.PR.B.org>

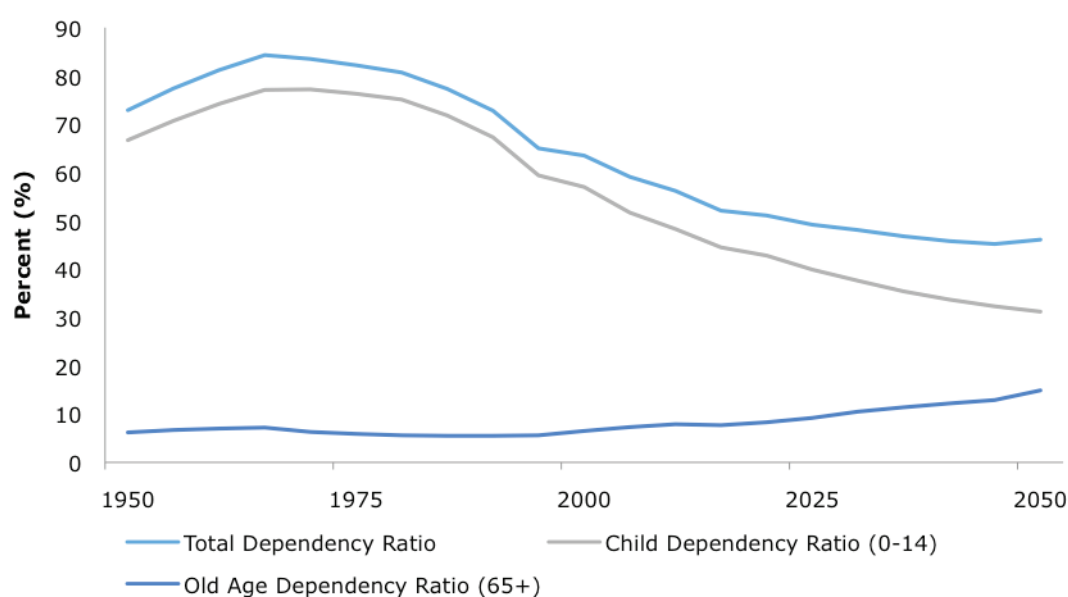
^c This new skills development approach is still at an early stage. Therefore no conclusions can be drawn about the impact of a sector-based approach on the employability of learners. ILO (2014) *Strategies for sectoral training and employability in India*.

^d Information accessed at [4](http://pmindia.gov.in/en/news_updates>Youth unemployment refers to the share of the labour force aged 15-24 without work but available for and seeking employment.</p>
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1.2.2 Population Dependency

Population dependency refers to the percentage of a population that depends on others for their well-being and survival. It is expressed by means of a dependency ratio. In the case of the dependency ratios of children or of older people, these ratios are calculated based on the number of children (0-14 years old) and older persons (65 years or over) who depend on the working-age population (15-64 years old).⁷ Dependency ratios provide insights into the burden borne by those of working age who support children and the elderly. They also indicate the implications for social and economic development of changes in a population's age structure, and point to broad trends in social support needs.⁸

Figure 1.3: Dependency Ratios, SA, 1950-2050*



Source: United Nations, *World Urbanization Prospects: the 2014 Revision*

Note: * indicates forecast

Figure 1.3 shows the dependency ratios of children (0-14 years) and those 65 and older for South Africa for the period 1950 to 2050. The total dependency ratio is also given. Over this period, total and child dependency is seen to decrease, with child dependency expected to continue to decline to 2050. The proportion of those aged 65 and above relative to those of working age remains relatively stable, but by 2050 is expected to have risen to 14.9 percent from 10 percent in 2015. The child dependency ratio remains higher than that for old age dependency, reflecting South Africa's relatively young population.

⁷ Population Reference Bureau. (2016). *Glossary of Demographic Terms*. Accessed at <http://www.prb.org/Publications/Lesson-Plans/Glossary.aspx>

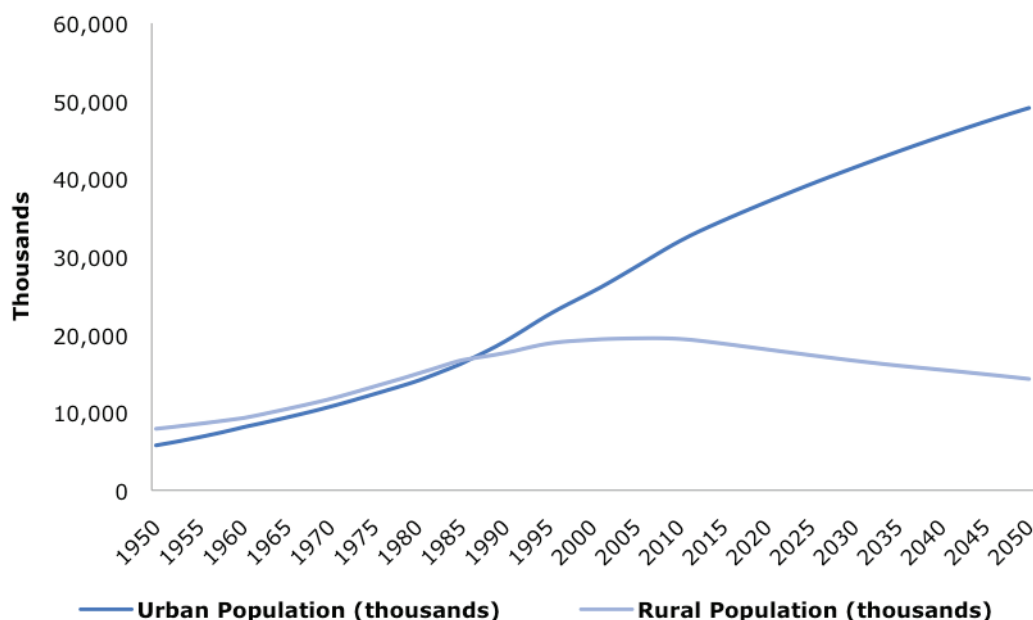
⁸ United Nations. (2005). *Dependency Ratios*. Accessed at http://www.un.org/esa/sustdev/natlinfo/indicators/methodology_sheets/demographics/dependency_ratio.pdf

1.2.3. Trends in South African Urbanisation

As Figure 1.4 shows, the majority of South Africa's people already live in urban areas and this percentage is continuing to grow. It is particularly among the younger sectors of the population that migration to the country's urban areas and inner cities takes place, as it is in these areas that jobs and economic opportunities are to be found.⁹ It is estimated that about 64 percent of South African youth live in urban areas, with older members of the population tending to migrate to secondary cities¹⁰.

The roots of South Africa's urbanisation, in the 19th century, lie largely in the mining boom which attracted migrant labour to mining centres such as Johannesburg. The racially discriminatory government policies that increasingly accompanied this migration restricted people's ability to settle where they wanted.

Figure 1.4: Urban and Rural Population, 1950-2050*



Source: United Nations, *World Urbanization Prospects: the 2014 Revision*

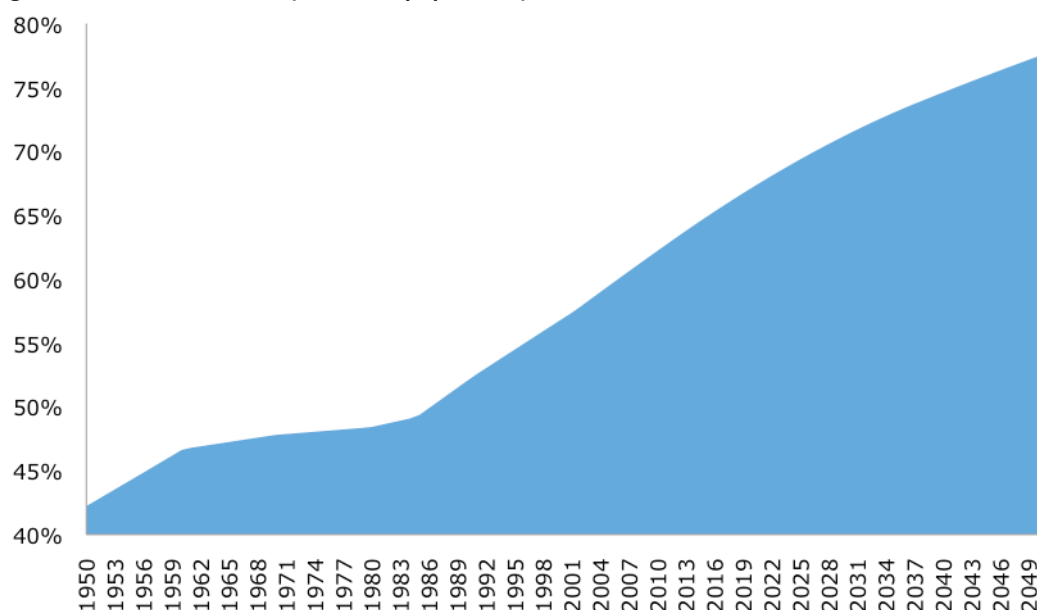
Note: * indicates forecast

Figure 1.4 shows that the growth rate of South Africa's urban population before the mid-1980s was relatively low. The period 1986 to 1991 saw the annual growth rate of the urban population rise to equal to or greater than one percent. This was followed by a period during which the annual rate of growth slowed to between 0.8 and 0.9 percent. In the early 90s, policies restricting where people could live were withdrawn, resulting in increased urbanisation which has continued into the present century¹¹. The urbanisation growth rate is expected to fall as the urban population grows and is forecast to reach 0.4 percent by 2050. However, the difference in the sizes of the urban and rural populations is expected to increase, with over 40 million people in urban areas by 2050 compared with just over 14 million in rural areas.

⁹ South African Government. (2015). *Media Statement: Draft Integrated Urban Development Framework*. Accessed at <http://www.gov.za/speeches/deputy-minister-andries-nel-portfolio-committee-co-operative-governance-and-traditional>

¹⁰ Secondary cities are not as large as metropolitan areas but also differ distinctly from small towns and rural areas.

¹¹ International Institute for Environment and Development United Nations' Population Fund. (2012). *Urbanization and Emerging Population Issues Working Paper 8*.

Figure 1.5: Urban Residents (% of total population), 1950-2050

Source: World Bank, World Development Indicators 2015

Note: Data points beyond 2015 are forecasts. * indicates forecast.

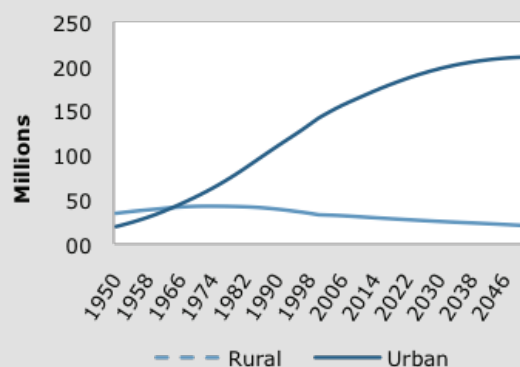
Figure 1.5, based on data from the World Bank, shows that currently about 65 percent of the South African population lives in urban areas and 35 percent in rural areas.¹² The percentage of urban residents is higher than that of many other African countries, which remain largely rural. By 2050, it is expected that 80 percent of South Africa's population will live in urban areas, with the average for the continent estimated at 56 percent.

¹² Information accessed from World Bank, World Development Indicators: 2015

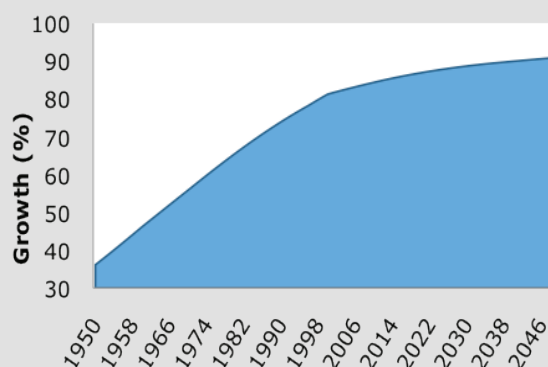
Box 1.2: The Effects of Rapid Urbanisation in Brazil

During the twentieth century, Brazil experienced rapid urbanisation and over 80 percent of the country's people now live in urban areas. According to United Nations data, by 1950 Brazil had reached an urbanisation rate of 36 percent compared with 17 and 15 percent in Asia and Africa respectively. This urban transition coincided with periods of robust economic growth which spurred the move to the cities, with the dominance of coffee in the country's economy underlying the influx of people into the cities in search of work. Between 1940 and 1970, the population of the country's major cities grew at an annual rate of 4.5 percent, with this rapid urban growth accounting for 34 percent of Brazil's national population growth.^a

Graph 1: Rural vs Urban Population



Graph 2: Urban Residence, % of total population



Source: United Nations' Database, 2015

This rapid and unplanned urban transition left many of Brazil's poorest behind, with severe consequences for the provision of basic services such as housing and sanitation. Brazilian governments were initially resistant to the demographic shift taking place within the population. What followed was a period of uneven patterns of urban migration which led in turn to urban poverty, inequality and environmental decay.

Government policy now recognises the reality of urbanisation, and new and more inclusive legislation has been implemented in the country's cities. These policy initiatives include, for example, sustainable urban planning in Curitiba City, focusing on job creation, improving access to public transport and waste management, and promoting housing development. These innovations have created 200,000 direct and indirect jobs, reduced transportation time and improved waste and sanitation management. However, the effects of past policies persist and proactive responses to urbanisation continue to be needed.

^a The Borgen Project. (2015). *Crossing Streets: Social Divides & Urbanisation in Brazil*. Accessed at <http://www.borgenproject.org>

^b Information accessed at <http://www.uncsd2012.org/index.php?page=view&type=99&nr=57&menu=20>

1.2.4. Cities' Potential Economic Contribution

Globally, urban areas' economic contribution is significantly out of proportion to their percentage of the population. Only 600 urban centres, with a fifth of the world's population, generate 60 percent of global GDP.¹³ South Africa's urban areas produce over 80 percent of the country's Gross Value Added (GVA).¹⁴ In 2015, Gauteng's metropolitan municipalities (metros) alone are estimated to have accounted for over 30 percent of national GVA (for more information, see Chapter 2). Furthermore, the residents of these metros have much higher average incomes than in the rest of the country.

Rapid urban growth generates risks which can undermine efforts to create viable urban areas with maximum economic opportunities. However, well-managed urbanisation can be of great economic and social benefit to a region. It is therefore essential that governments plan adequately for urbanisation in order to avoid systemic problems such as those experienced in Brazil (Box 1.2). As in that country, South Africa's urban areas show an increasing trend towards the urbanisation of poverty, with informal settlements characterised by extremes of unemployment and poverty. Chapter Four provides more detail about the extent to which Gauteng's cities are the centres not only of great economic activity but also of poverty and inequality.

The Brazilian experience highlights the need for urgent, proactive responses to and management of the urbanisation process. The conversion of high rates of inward migration into an increased supply of skilled labour can create opportunities for growth in the economies of recipient regions. This can be of benefit to the dominant sectors of a region's economy and can also provide a labour force for projects, such as South Africa's Expanded Public Works (EPW) programme, which address the need for infrastructure and other basic services which may in turn increase employment and alleviate poverty. Policies currently being implemented include the integrated public transport systems being rolled out nationally. In Gauteng, these take the form of the Bus Rapid Transit (BRT) system and the Gautrain and its bus link network. To address the problems related to informal settlements, GPG's Department of Human Settlements is implementing an Urban Renewal Programme to revitalise urban localities by refurbishing their infrastructure¹⁵.

¹³ South African Government. (2015). *Deputy Minister Andries Nel on draft Integrated Urban Development Framework*. Accessed at <http://www.gov.za/speeches>.

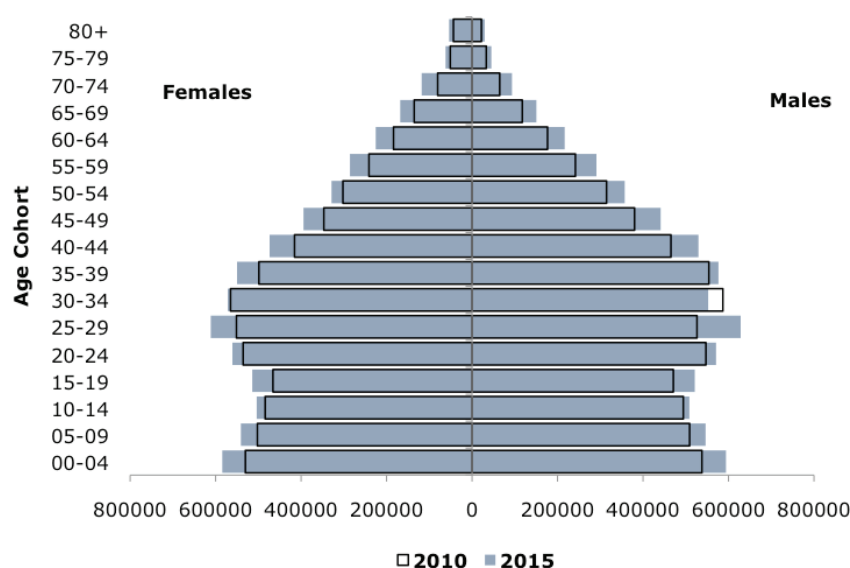
¹⁴ McKinsey & Company. (2011). *Urban World: Mapping the Economic Power of Cities*. Accessed at http://www.mckinsey.com/insights/urbanization/urban_world.

¹⁵ Information accessed from the Gauteng Department of Human Settlements.

1.3. Provincial Demographic Profile

According to the latest Stats SA population estimates, Gauteng is home to 13.2 million people.¹⁶ Its population has increased by 1.2 million since 2010, the largest population increase in any of the country's provinces over this period. This high rate of population growth can be attributed to improved life expectancy¹⁷ and to high levels of inward migration. This is a consequence of the province being the largest contributor to national GDP. It therefore needs skills and labour. However, as in all cases of urbanisation, high population growth creates challenges for the provision of services and equitable socio-economic development.

Figure 1.6: Population Distribution by Age & Gender, 2010-2015



Source: Statistics South Africa Mid-year Population Estimates 2015

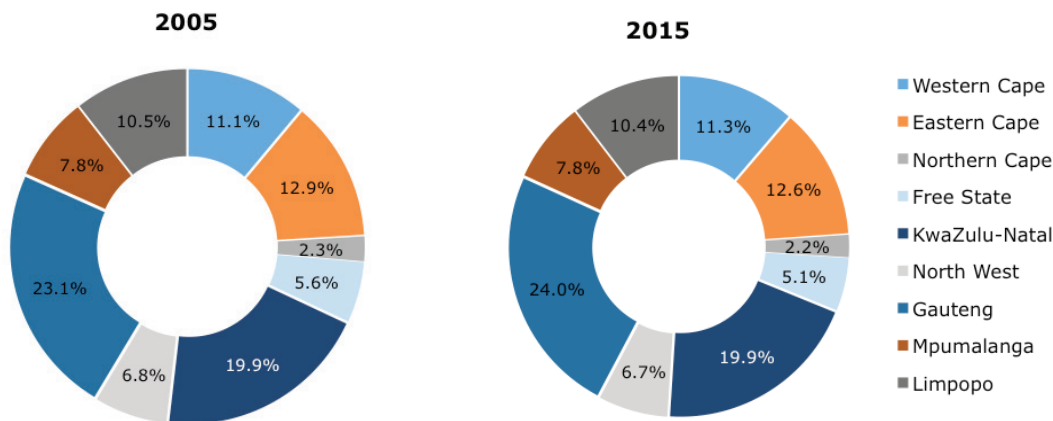
Figure 1.6 shows Gauteng's population structure, by age and gender, for 2010 and 2015. Over this time, the province's population increased in all age and gender cohorts except for men aged between 30 and 34 years of age. The increases are predominantly among the working age group. People in this age group are generally able to increase their incomes if supported by access to education, health care and employment opportunities. This in turn may lead to economic growth and to lower dependency ratios.

1.3.1. Population Growth Trends

At 2 percent, the province has the highest annual population growth rate in the country. This rate has increased from 1.8 percent in 2005. It is also higher than the national average, and has increased by 10 basis points every five years in the last decade.

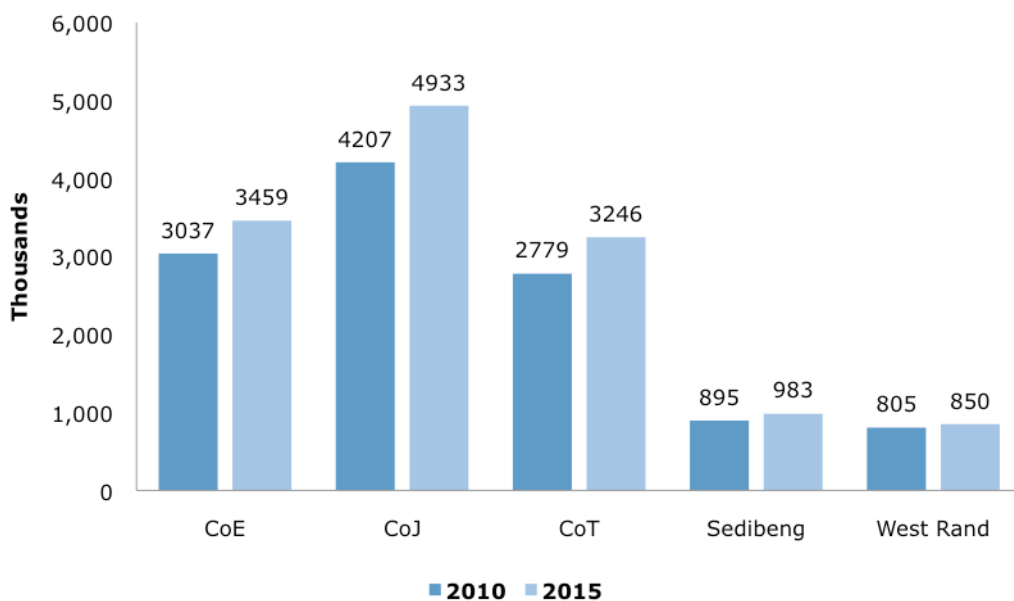
¹⁶ Statistics South Africa. (2015). *Mid-Year Population Estimates 2015*. Accessed at <http://www.statssa.gov.za>.

¹⁷ Life expectancy in Gauteng has risen to 62.5 from 60 in 2010.

Figure 1.7: Provinces' Shares of National Population, 2005 & 2015

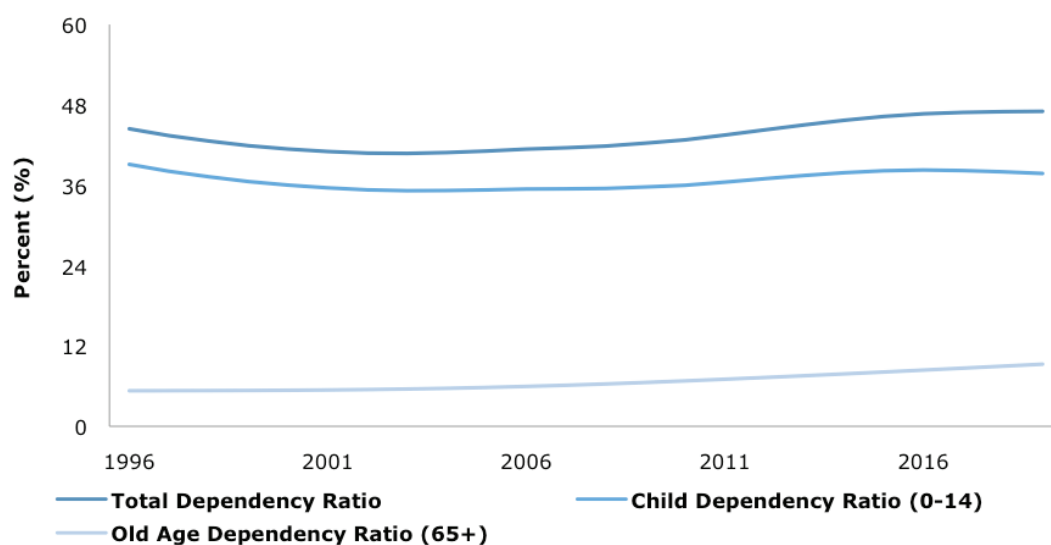
Source: Statistics South Africa Mid-year Population Estimates 2015

Figure 1.7 shows that Gauteng had the largest share of the national population in 2015, followed by KwaZulu-Natal; at 19.9 percent of the total, that province's share of the national population was the same in 2015 as in 2005. In 2015, the Eastern Cape had the third largest population; at 12.6 percent, this was down from 12.9 percent in 2005. The Northern Cape has the smallest population, at 2.2 percent of the total, with its share marginally declining from 2.3 percent in 2005. In 2015, the Free State had 5.1 percent of the total, down from 5.6 percent in 2005. Due to the social and economic prospects that it offers, of all nine provinces Gauteng had the largest increase in its share of the national population over the decade to 2015.

Figure 1.8: Population Distribution, 2010 & 2015

Source: Statistics South Africa Mid-year Population Estimates 2015

Figure 1.8 shows Gauteng's population distribution for 2010 and 2015. Much of it was in the metros and in particular the City of Johannesburg (CoJ). Stats SA's 2015 Mid-Year Population Estimates showed 37 percent (4.9 million) of Gauteng's population living in the CoJ, 25 percent (3.5 million) in the City of Ekurhuleni (CoE), 24 percent (3.3 million) in the City of Tshwane (CoT), 7 percent (983,000) in Sedibeng and 6 percent in the West Rand (850,000).

Figure 1.9: Dependency Ratios, 1996-2016*

Source: IHS Global Insight, 2015.

Note: * indicates forecast

Figure 1.9 shows Gauteng's dependency ratios from 1996 to 2016. The total dependency ratio increased marginally from 44 percent in 1996 to an estimated 46 percent in 2015 and is projected to reach 47 percent in 2016. Unsurprisingly, the child dependency ratio is higher than the old age ratio, reflecting the province's young population.

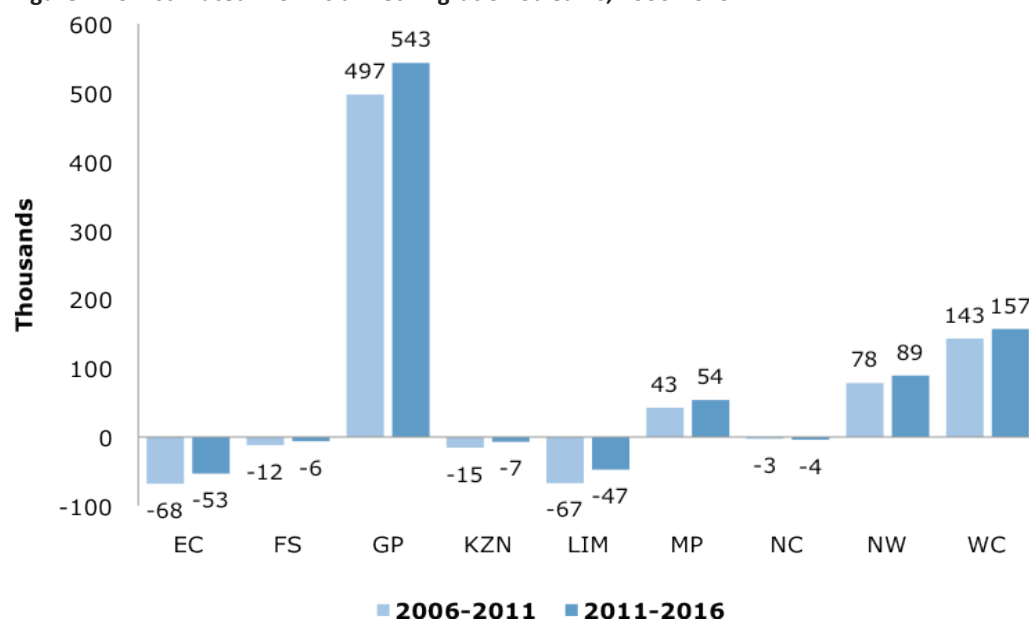
1.3.2. Migration & Urbanisation Trends

The Gauteng City Region¹⁸ is the hub of the South African economy, accounting for 35 percent of national GDP. Gauteng is also one of the largest urban areas in Africa¹⁹. As noted earlier in this chapter, throughout the world cities are key players in driving economic growth and regional development. Research such as that by the Population Reference Bureau²⁰ shows that demographic and economic inequalities between regions are major causes of regional migration. Greater access to employment opportunities, and second round effects stemming from remittances by family members who have migrated to those remaining in the rural areas, contribute to overall poverty reduction. However, urbanisation can also lead to urban poverty and there are concerns about the implications of urbanisation for poorer provinces.

¹⁸ The Gauteng City Region does not have an official border or dedicated administrative structures.

¹⁹ Gauteng Provincial Government. (2012). *New Spatial Paradigm for the GCR - Spatial Restructuring & Transformation*.

²⁰ Information accessed from http://www.prb.org/pdf15/2015-world-population-data-sheet_eng.pdf

Figure 1.10: Estimated Provincial Net Migration Streams, 2006-2016

Source: Statistics South Africa Mid-year Population Estimates 2015, with estimates for 2016 migrations.

Note: WC=Western Cape, EC=Eastern Cape, NC=Northern Cape, FS= Free State, KZN=KwaZulu-Natal, NW=North West, GP=Gauteng, MP=Mpumalanga & LP=Limpopo

Figure 1.10 indicates that it is estimated that, between 2011 and 2016, Gauteng will have received a higher number of migrants (543,000) than any other province, followed by the Western Cape (157,000), North West (89,000) and Mpumalanga (54,000). The Eastern Cape, Free State and Limpopo are experiencing net population outflows.

Table 1.2: Migration into Gauteng Metros by Age Group, 2013

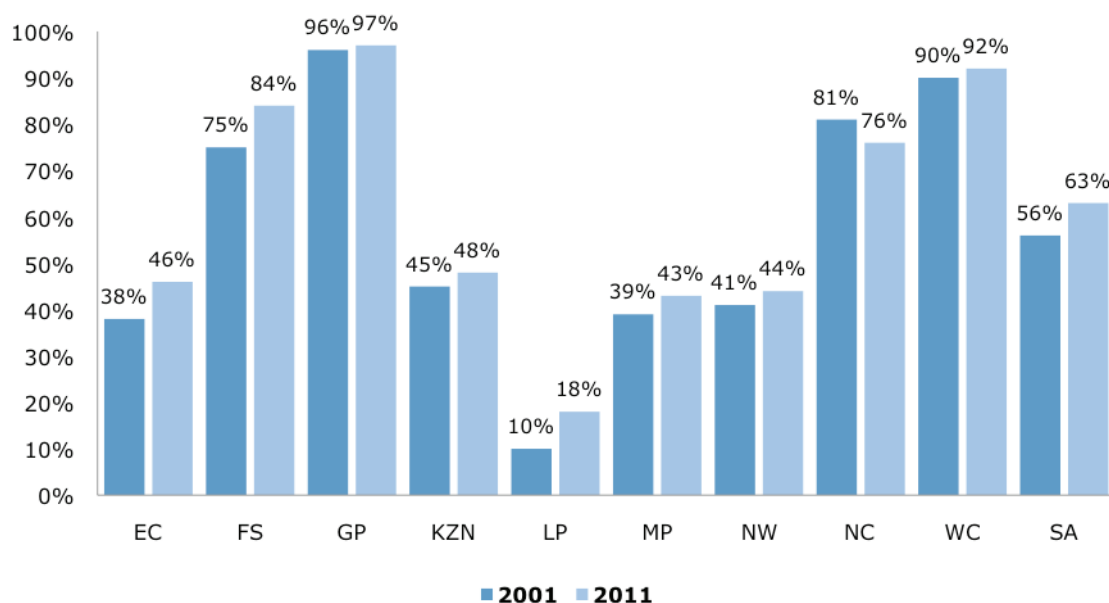
Metros/Age Group	18-19	20-24	25-29	30-34	35-39	40-44	45+
CoJ	2.5%	11.5%	16.7%	16.8%	13.7%	11.3%	27.5%
CoT	2.9%	14.2%	16.4%	13.5%	10.6%	9.8%	32.4%
CoE	2.2%	11.2%	15.8%	15.8%	12.7%	11.1%	31.2%

Source: Gauteng City Region Observatory (QoL Survey), 2016

Note: The 2013 QoL Survey is based on a sample of over 27,000 respondents. Information on districts was only available at local municipality level.

The figures for the 45+ age group are a combination of all individuals aged 45 years and above.

The age profile of migrants to Gauteng shows that the majority of them are of working-age, between 20-34 years of age. This is in line with the general pattern of people in this age group migrating in search of economic opportunities and perceived better living standards. In 2013, the CoJ had the highest proportion of migrants in the 20-24 to 30-34 age cohorts, at a total of 45 percent. The CoT and CoE had totals of 44.1 percent and 42.8 percent in the same category respectively.

Figure 1.11: Provincial Urbanization Ratios, 2001 & 2011

Source: Statistics South Africa Mid-year Population Estimates 2015. 2011 is the latest year for which data is available.

WC=Western Cape, EC=Eastern Cape, NC=Northern Cape, FS= Free State, KZN=KwaZulu-Natal, NW=North West, GP=Gauteng, MP=Mpumalanga & LP=Limpopo

Figure 1.11 shows the percentage urbanisation ratios²¹ for each province in 2001 and 2011, and compares urbanisation trends across provinces. It shows that, despite the rapid urbanisation that has occurred, there are striking differences in urbanisation levels between provinces. Large inward migration and sophisticated and advanced infrastructure have seen Gauteng's urbanisation rate exceed that of the other provinces. However, notwithstanding its significant economic contribution to the country, Gauteng has social challenges that are exacerbated by rapid in-migration and urbanisation (see Chapter 4 for further discussion of socio-economic development). High rates of urbanisation coincide with high levels of urban poverty. There are over 1.2 million households and 4.4 million people living in informal settlements in Gauteng and the province is estimated to have the country's largest number of people living in informal settlements.²²

1.4. Implications of Demographic Shifts and Urbanisation for Government Initiatives

South Africa continues to suffer the effects of policies intended to separate residential areas according to race, ethnicity and class. Since the dawn of democracy, the national government has recognised the opportunities and the challenges associated with rapid urbanisation, and that high levels of urban poverty are among the greatest challenges. Since 1994, the share of South Africans living in rural areas has fallen by roughly 10 percentage points and the number of those in urban areas has increased proportionally.²³ It is projected that the CoJ could become South Africa's first megacity within 30 years.²⁴

Government recognises the critical role that cities can play in eliminating poverty and reducing inequality

²¹ Urban population as a percentage of total population.

²² Information from <http://www.urbanstudies.co.za/wp-content/uploads/2014/08/2662-SAC-Urbanisation-Report-Sept-2014-T3-2.pdf>

²³ National Planning Commission. (2012). *The National Development Plan 2030*.

²⁴ Information accessed from <http://www.moneyweb.co.za/archive/joburg-could-be-a-megacity-in-twenty-years/>. An urban area becomes a megacity if it has a population of 10 million people or more.

and the challenges that rapid urbanisation creates in terms of planning, delivery of basic services and overall socio-economic development. Key to sustainable urbanisation and successful development are rural and urban integration, the creation of cities which provide economic opportunities and managing the effects on socio-economic development.

Rural and Urban Integration

Although they dominate, urban areas are linked to rural areas through the flow of people and economic resources. Integrated transport and migration systems are therefore important to ensure mobility between the areas.

Creating Cities which provide Economic Opportunities

The phenomenon of urbanisation has led to the necessity for a more sustainable approach to developing cities. GPG has in place a range of plans to transform and modernise the province's economy through revitalising township economies and industries such as manufacturing, as well as the creation of new cities. To ensure the success of these plans, government needs to look holistically at the many factors relating to this process. It needs to deal with the potential skills mismatch that arises from the creation of new industries. This is especially important as the province is likely to attract skills suitable for its dominant sectors such as the services sector. The density of the urban population is another challenge that government needs to manage carefully to avoid increasing pressure on services and infrastructure.

Impact on Socio-Economic Development

Rapid urbanisation can cause social problems. Cities around the world are not only centres of economic opportunity but also concentrations of poverty, unemployment and inequality, and South Africa is no exception to this. Exacerbating the situation are the increasing housing backlogs, leading to the creation of informal settlements.

By implementing policies such as the national Urban Development Framework, national and provincial governments are accelerating their work on spatial transformation, modernisation of human settlements, improved social conditions and job creation.²⁵ GPG has approved the province's Spatial Development Framework. This is intended to manage long-term changes in the use of space and identify pressures and opportunities.²⁶ In collaboration with the national Department of Planning Monitoring and Evaluation, GPG has also established the Partnership for Urban Innovation (PUI). Its aim is to promote awareness and knowledge of urban innovations and to support international exchanges and collaboration that share information on innovation. It also provides support and incentives to municipalities, communities and other role players in innovative urban practice.²⁷

²⁵ Department of Housing. (1997). *Urban Development Framework*. Accessed at http://www.gov.za/sites/www.gov.za/files/sa_urb.pdf

²⁶ The Spatial Planning and Land Use Management Act of 2013 makes it mandatory for all three spheres of government to have Spatial Planning Development frameworks.

²⁷ National Department of Planning, Monitoring and Evaluation.

1.5. Conclusion

This chapter has reviewed the demographics of SSA, South Africa and peer countries, and of Gauteng and its municipalities. Relative to their western counterparts, African countries including South Africa are in earlier phases of their demographic transitions and their populations are relatively young. Gauteng is the most densely populated and urbanised province in South Africa, and inward migrants are largely people in the 20-24, 25-29 and 35-39 year age cohorts. The CoJ receives the largest number of migrants, with 37 percent of the province's population living in the metro.

The process of urbanisation that is rapidly unfolding presents opportunities and challenges. International experience, such as that of Brazil, shows that this requires proactive management. Failure to match the rate of urbanisation with the provision of basic services and economic opportunities leads to problems including the development of informal settlements, unemployment and poverty. The NDP recognises cities' critical role in eliminating poverty and reducing inequality. Government's plans such as the PUI, under the auspices of the NDP, aim to ensure that urban areas play this role successfully.

Chapter 2: Economic Performance

2.1. Introduction

The NDP envisages a South African economy that is inclusive, dynamic and characterised by diverse ownership of the means of production.²⁸ The Industrial Policy Action Plan (IPAP) is one of the key pillars of economic transformation and aims to drive growth in the productive sectors of the economy.

Currently, South Africa, like other emerging economies, is experiencing low growth. The International Monetary Fund (IMF) has revised down the 2016 global economic growth outlook by 0.2 percentage points to 3.4 percent, citing the knock-on effects of negative trends in major emerging economies such as South Africa, China, Brazil and India.²⁹ The IMF expects South Africa's economic growth to reach 0.7 percent in 2016, lower than the previous forecast of 1.3 percent, issued in October 2015. Given the large number of work seekers who cannot enter the job market and who have poor skills profiles, to achieve the vision of the NDP it is essential that the South African economy is transformed and expanded.

Aligned with the NDP, GPG has adopted the Ten Pillar Programme of Transformation, Modernisation and Re-industrialisation (TMR). This is the province's policy framework for transforming and modernising its economy. The TMR identifies various sectors that have the potential to create decent employment and bring about greater economic inclusion. These sectors include manufacturing, pharmaceuticals, Information & Communication Technology (ICT), agro-processing and the automotive industry. This chapter focuses particularly on the manufacturing and agro-processing sectors, highlighting their current state and how promoting them can assist with achieving GPG's economic goals. The chapter also gives information about how India is revitalising its manufacturing sector and climb further up the ranks of global manufacturing countries. This information is included to provide examples of good practice from which South Africa and the province may be able to learn.

Section 2.2 focuses on the national economic performance and developments, comparing them with those of Nigeria, India and Brazil, some of South Africa's country peers. Section 2.3 analyses the province's economic performance. Section 2.4 examines manufacturing and agro-processing, the sectors that have been earmarked for growth enhancement. The final section deals with implications for the province, and by extension for the country, of growth in the earmarked sectors.

2.2. Some Comparisons between the Economic Performance of Selected Emerging Economies

The economic performance of many emerging economies such as South Africa, India, Brazil and Nigeria slowed in 2015. The South African economy is estimated to have grown by 1.3 percent in that year, compared with 1.5 in 2014, Nigeria's economy by 3.3 percent (6.3 percent in 2014), and Brazil's by -3.7 percent (0.1 percent in 2014). India's economy grew at 7.3 percent in both years. This largely disappointing growth was

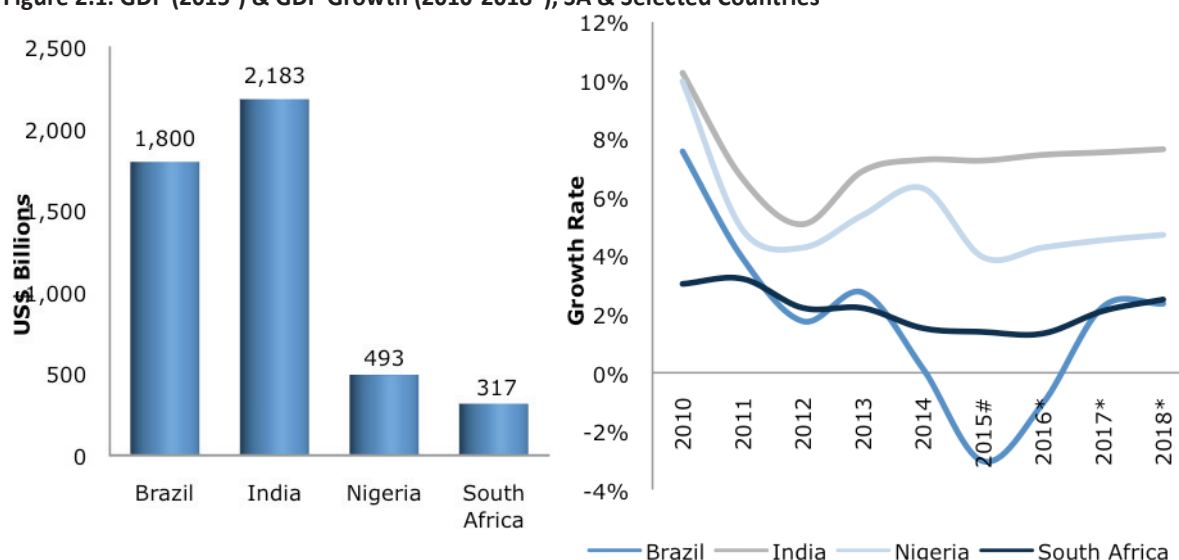
²⁸ National Planning Commission. (2012). *The National Development Plan: Vision for 2030*. Accessed at <http://www.thepresidency.gov.za>

²⁹ Information accessed from <http://www.theglobeandmail.com/report-on-business/international-business/world-bank-downgrades-growth-forecast-as-emerging-markets-struggle/article28100772/>

mainly due to low commodity prices, weak capital flows and slow global trade.³⁰ For South Africa, the impact of drought and the subdued global economic activity have further led to a revised growth forecast of 0.9 percent in 2016 by the National Treasury.³¹

2.2.1. Economic Performance

Figure 2.1: GDP (2015[#]) & GDP Growth (2010-2018*), SA & Selected Countries



Source: IMF WEO Database, 2016

Notes: # indicates estimates; * indicates forecasts

Figure 2.1 shows the estimated 2015 Gross Domestic Product (GDP) for South Africa, Brazil, India and Nigeria; their GDP growth rates from 2010 to 2014; and forecasts to 2018. Brazil's 2015 GDP was estimated at 1,799.6 billion United States dollars (US\$). This is despite a decline in GDP growth rate to an estimated -3 percent in that year from 7.6 percent in 2010. Brazil's economic growth has been negatively affected by declining commodity prices, drought and fiscal austerity.³² It is forecast to return to positive growth of 2.3 percent in 2017 and 2018.

India's 2015 GDP is estimated to have been US\$ 2,182.6 billion. Its growth rate has in recent years been consistently high, with even its low point in 2012 at a comparatively healthy 5.1 percent. From 2013 onwards, growth has been steady at approximately 7.5 percent and is forecast to remain so.

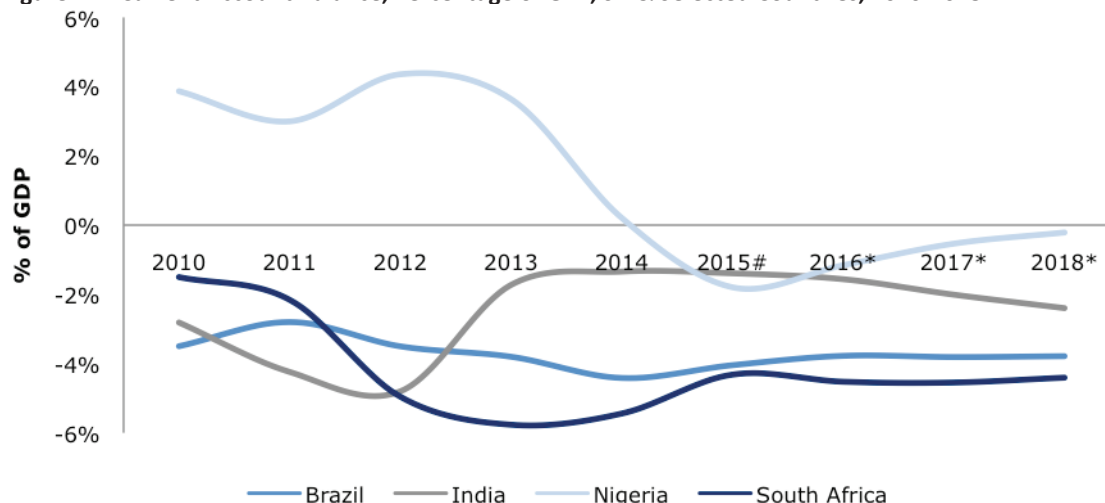
Since 2014, when Nigeria changed the base year of its GDP calculations to 2010, it has been the largest economy in Africa with its 2015 GDP estimated at US\$ 493 billion. Due to the lower price of oil, its economic growth rate fell to 4.3 percent in 2012 before recovering to 6.3 percent in 2014. However, it fell again in 2015 to an estimated 4 percent, as oil prices dropped in the first half of the year.

South Africa's GDP is estimated to have been US\$ 317.2 billion in 2015, with its growth rate less volatile than the other reviewed countries. Nevertheless, it has been on a declining trend. The growth rate of 3.2 percent in 2011 fell to an estimated 1.4 percent in 2015. It is, however, predicted to recover to 2.5 percent by 2018.

³⁰ World Bank.(2016). *Global Economic Prospects*. Accessed at <http://www.worldbank.org>

³¹ National Treasury. (2016). *The Budget Speech*. Accessed at <http://www.treasury.gov.za>

³² International Monetary Fund .(2015). *World Economic Outlook: Uneven Global Recovery, Complex Underlying Currents*.

Figure 2.2: Current Account Balance, Percentage of GDP, SA & Selected Countries, 2010-2018*

Source: IMF WEO Database, 2016

Notes: # indicates estimates; * indicates forecasts

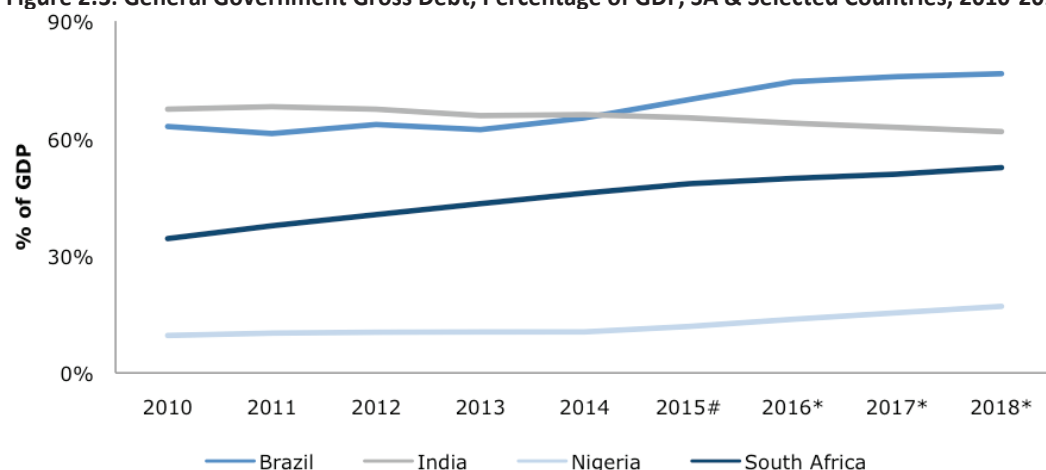
Figure 2.2 shows the current account balances of South Africa, Brazil, India and Nigeria from 2010 to 2014, with estimates for 2015 and forecasts to 2018. Brazil, India and South Africa all had negative current account balances to 2015, and this pattern is forecast to continue. This means that they are spending more on imports than they earn from exports.

Brazil began the period with a current account balance of -3.5 percent of GDP in 2010. This improved to -2.8 percent in 2011 but fell again as commodity prices dropped. The country's current account deficit was 4.4 percent in 2014, is estimated to have been 4 percent in 2015 and is forecast to be 3.8 percent in 2018.

India's current account deficit has been relatively volatile. It was at 2.8 percent of GDP in 2010, 4.8 percent in 2012 and 1.7 percent in 2013. This improvement was due to currency weakening caused in part by the current account deficit. It is estimated to have reached 1.4 percent in 2015 due to lower gold imports, on which higher tariffs were placed, and the continued weak currency. It is expected to slowly increase to 2.4 percent by 2018.

The Nigerian current account balance began the period in surplus, at positive 3.9 percent of GDP in 2010. It fluctuated around that level, with a value of 3.6 percent in 2013, but fell sharply to 0.2 percent in 2014. At an estimated -1.8 percent, it was in deficit in 2015 but is forecast to improve to -0.2 percent by 2018.

For the entire period under review, South Africa has had a current account deficit. This stood at 1.5 percent of GDP in 2010 and 2.2 percent in 2011. 2012 saw labour action in the mining industry, the country's major exporter, and a fall in commodity prices towards the end of the year. These factors resulted in a deficit of 5 percent for the year. With continued commodity price weakness, it stood at 5.8 percent in 2013. The end of protracted industrial action and a partial recovery in the commodities market led to a smaller deficit, estimated at 4.3 percent, in 2015 and this approximate level is forecast to be maintained through to 2018. An increase in the deficit could negatively affect economic growth, depending on the factors giving rise to that deficit. If it reflects an excess of imports over exports and particularly in consumable goods, this may indicate that internationally the products of South Africa's economy are not competing sufficiently. However, it could also indicate a growing economy for a country which is undertaking more investment opportunities.

Figure 2.3: General Government Gross Debt, Percentage of GDP, SA & Selected Countries, 2010-2018*

Source: IMF WEO Database, 2016

Notes: # indicates estimates, * indicates forecasts

Figure 2.3 shows the gross government debt of South Africa, Brazil, India and Nigeria as a percentage of their respective GDPs from 2010 to 2014, with estimates for 2015 and forecasts to 2018. To fund their efforts to combat recession, the governments of many countries have taken on large amounts of debt, with a number of advanced economies accumulating a level of debt larger than their GDP. None of the countries reviewed here has passed that threshold but three of the four have significant debt levels.

Brazil began the period under review with a government debt equal to 63 percent of its GDP. This remained relatively steady to 2013, before rising to 65.2 percent in 2014 and an estimated 69.9 percent in 2015. This is forecast to rise to 74.5 percent in 2016, with the annual rate of increase decreasing to 76.5 percent in 2018.

In 2010, India's government debt was equal to more than two-thirds of its GDP. It increased slightly in 2011 before trending downwards to reach at an estimated 65.3 percent in 2015. This slow decrease in India's debt as a percentage of GDP is expected to continue and is predicted to reach 61.7 percent in 2018.

At 9.6 percent of GDP in 2010 and 10.5 for 2014, Nigeria has the lowest debt ratio of the countries under review, with oil income able to fund expenditures with little need for debt. However, falling oil prices have reduced government income and led it to increase spending. This means taking on more debt if potentially recessionary measures, such as raising taxes, are to be avoided. Nigeria's government debt is estimated to have increased to 11.9 percent of GDP in 2015, with 17 percent forecast for 2018.

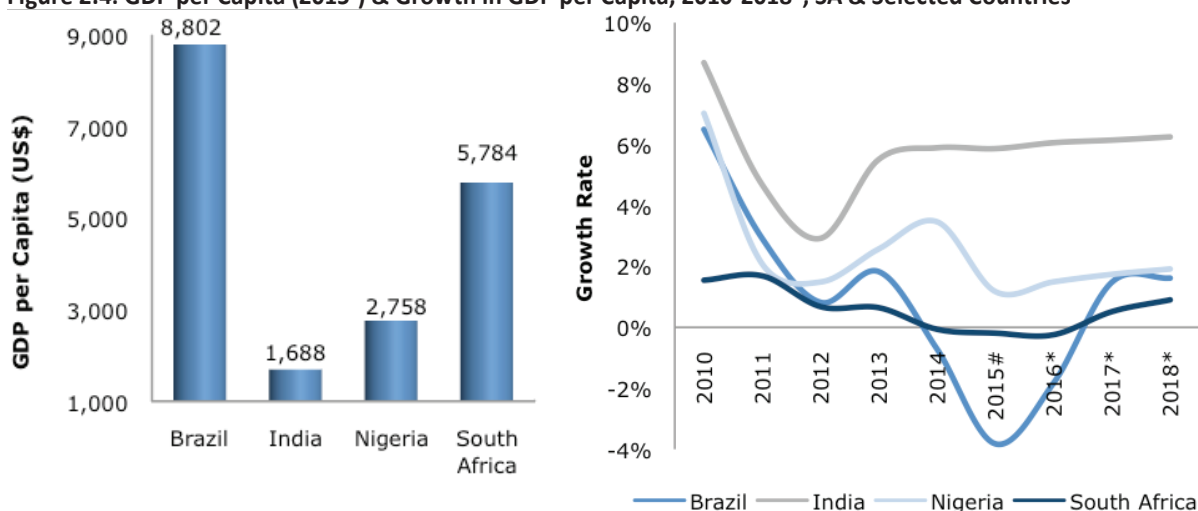
Due to increased spending as part of the country's counter-cyclical economic policy, in 2010 South African government debt was equal to 34.4 percent of GDP. Continued difficulties in bringing about economic growth have meant that the debt level has continued to rise, reaching 46 percent in 2014 and an estimated 48.4 percent in 2015 with the IMF predicting 52.5 percent in 2018. A deterioration in government debt matrices and economic growth outlook were among the major reasons informing sovereign credit ratings downgrades and revisions by Fitch, Moody's and Standard and Poor's. In December 2015, credit ratings agency, Moody's revised its outlook on South Africa's sovereign credit rating from stable to negative and maintained its rating. Government has committed to reducing its budget deficit to 2.4 percent of GDP by 2018/19, from a revised estimate of 3.9 percent in 2015/16, and to slowing the growth of the national debt.³³

³³ National Treasury. (2016). *The Budget Speech*. Accessed at <http://www.treasury.gov.za>

2.2.2. GDP per Capita and Related Statistics

GDP is a measure used to compare the relative size of economies. However, between two countries, the one with the larger GDP may have a larger population by an even greater degree and have to share that production between more people. GDP per capita accounts for this because it is calculated by dividing a country's GDP by its population. GDP per capita has its own limitations, however, as it is an average; it therefore illustrates some aspects of the overall prosperity of a country while obscuring others. It does not provide information about how the GDP of the country is shared between its people; it must therefore be analysed with the aid of other indicators. The Human Development Index (HDI), examined in this section, is a measure of the quality of life in a country while Gini coefficients and poverty rates show how evenly income is distributed and what percentage of people live in extreme poverty.

Figure 2.4: GDP per Capita (2015[#]) & Growth in GDP per Capita, 2010-2018*, SA & Selected Countries



Source: IMF WEO Database, 2016

Notes: # indicates estimates; * indicates forecasts

Figure 2.4 shows the estimated GDP per capita for South Africa, Brazil, India and Nigeria for 2015, growth rates from 2010 to 2014, estimates for 2015 and forecasts to 2018. Of the countries reviewed, Brazil has the largest GDP per capita, with an estimated US\$8,802.2 per person in 2015. Falling commodity prices saw growth in GDP per capita fall from 6.5 percent in 2010 to 0.8 percent in 2012. After a brief recovery to 1.8 percent in 2013, growth turned negative in 2014 and fell further to -3.8 percent in 2015. It is forecast to rise to 1.6 percent by 2018.

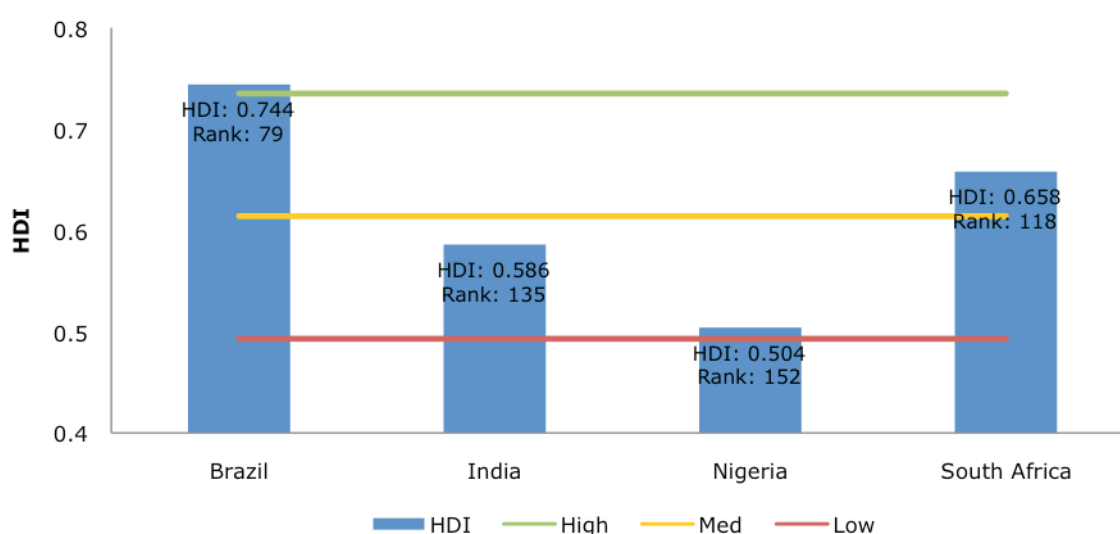
At an estimated US\$1,688.4 in 2015, India has the lowest GDP per capita of the countries under review. It has a large GDP but, after China, has the second largest population in the world. The country's production must therefore be shared amongst a large number of people. However, it has a relatively high rate of increase of GDP per capita and, if it continues to grow faster than the other countries under review, may in time overtake them. In 2010, its GDP per capita grew by 8.7 percent, fell to 2.9 percent in 2012 and grew again to 5.5 percent in 2013. It is estimated to have been 5.9 percent in 2015 and is expected to rise to 6.2 percent by 2018.

Nigeria's GDP per capita was estimated at US\$2,758.4 in 2015, the second lowest of the countries under review. With the exception of 2011, it has had the second highest annual growth rate, suggesting that it also may improve its standing in the future. GDP per capita was 7 percent in 2010, 1.5 percent in 2012, 2.6 in 2013, 3.5 in 2014 and 1.2 percent in 2015. It is forecast to increase to reach 1.9 percent by 2018.

South Africa has a smaller GDP than India or Nigeria, but its smaller population means that its production is shared amongst fewer people, resulting in a higher GDP per capita. This was estimated at US\$5,783.5 in 2015. The growth rate of South Africa's GDP per capita has been less volatile than those of the other countries reviewed. It declined from 1.5 percent in 2010 to -0.2 percent in 2015 but is forecast to return to positive growth at 0.5 percent in 2017 and 0.9 percent by 2018.

The four countries under review compare with one another in relation to HDI in a similar manner to the way they compare in GDP per capita. This suggests that there is a correlation between GDP per capita and human development. However, Nigeria's lower life expectancy and education levels outweigh its higher income per person and leave it with a lower HDI than India.

Figure 2.5: HDI & Rank, SA & Selected Countries, 2013



Source: United Nations Development Programme Database, 2016

Note: 2013 was the latest year that data was available.

Figure 2.5 shows the HDI levels³⁴ of South Africa, Brazil, India and Nigeria for 2013, and their rankings amongst the 187 countries included in the index. Brazil had an HDI of 0.74 in that year, ranking it 79th and making it the only one of the countries under review in this chapter to be categorised as having a high level of human development. It performed better than the other reviewed countries in all three of the categories used to determine HDI. At 73.9 years, it had the longest life expectancy; at 15.2 years, it had the highest expected years of schooling, and it had the highest income per capita at US\$5,800 in 2014.

India had an HDI of 0.59 and Nigeria 0.5, ranking them 135th and 152nd respectively. India had a medium level of development while that of Nigeria was considered as low. South Africa's HDI of 0.658 ranked 118th, implied that it had a medium level of human development. Of the four countries, South Africa had the third highest life expectancy, at 56.9 years, the second highest expected years of schooling at 13.1 years, and the second highest income per capita.

³⁴ The HDI has three levels of classification. Low human development is classified as an HDI of less than 0.550, medium human development as between 0.550-0.699, high human development as 0.700-0.799 and very high human development as 0.800 or greater.

2.3. Provincial Economic Performance

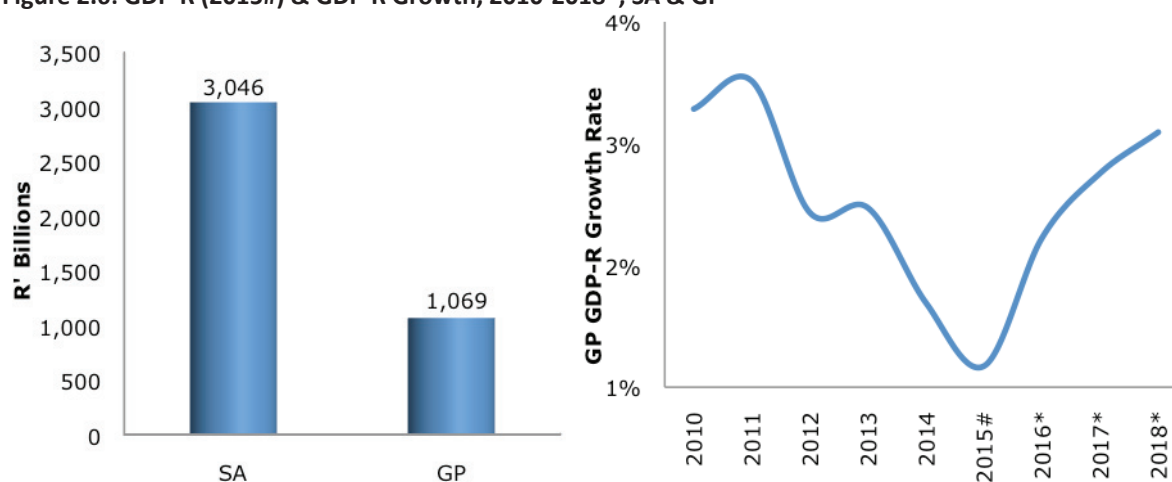
With more than 80 percent of the country's Gross Value Added (GVA) produced in these areas, South Africa's cities and towns are very important to the country's economy. Gauteng metros alone are estimated to have accounted for over 30 percent of national GVA in 2013, with the Western Cape metros contributing 11 percent and those of KwaZulu-Natal 9 percent.³⁵ The fact that Gauteng has more metros than the Western Cape and KwaZulu-Natal plays a role in its large contribution to the national GVA.

During the 2016 SoPA, the Premier of Gauteng, the Honourable David Makhura, announced a new Provincial Economic Plan³⁶, which gives effect to the Nine Point Plan as recently pronounced by the President during his 2016 State of the Nation Address (SoNA). The Plan aims to strategically position Gauteng in relation to major economies in the world, the SADC region, African continent and BRICS countries.³⁷ Various sectors and sub-sectors have been identified as key drivers of employment, and to also drive the radical transformation, modernisation and re-industrialisation agenda for the province. Some of these sectors are discussed in Section 2.4.

2.3.1. Economic Performance

In terms of their contribution to the province's economic performance, Gauteng's municipalities have various competitive advantages. The CoJ, also referred to as the Central Corridor, is the hub of financial and ICT industries and has a strong retail and services sector. The CoE, at the heart of the Eastern Corridor, is the manufacturing, logistics and transport hub of the province. The CoT, the anchor of the Northern Corridor, is set to become the hub of the automotive sector and of research & development. With the decline of mining in the Western Corridor area and of the steel industry in the Southern Corridor, the municipalities of Sedibeng (in the Southern Corridor) and West Rand (in the Western Corridor) have experienced significant deindustrialisation. This has had major negative effects on the region's economy.

Figure 2.6: GDP-R (2015#) & GDP-R Growth, 2010-2018*, SA & GP



Source: Stats SA and IHS Global Insight, 2016

Notes: # indicates estimates; * indicates forecasts

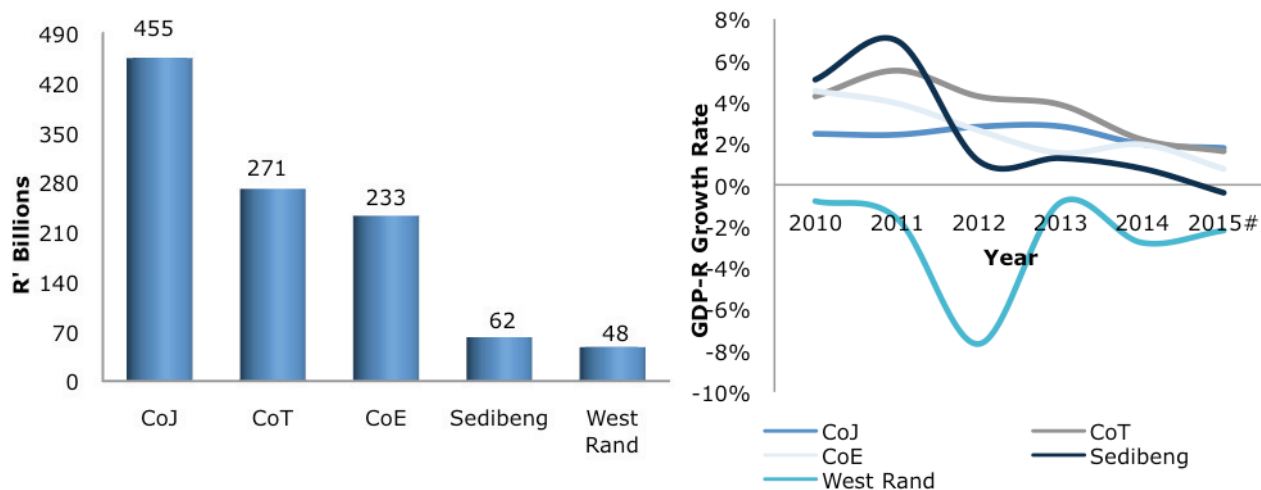
³⁵ Information accessed from Quantec data base.

³⁶ The SoPA stated that the Gauteng province will convene an Economic Indaba in April 2016 with business and other stakeholders in order to finalise public consultations before the Plan is launched in May.

³⁷ Gauteng Provincial Government. (2016). *The Gauteng State of the Province Address*. Accessed at <http://www.gautengonline.gov.za>

The left panel of Figure 2.6 shows South Africa's GDP and Gauteng's GDP by Region (GDP-R) as estimated for 2015. The right panel shows the growth rate of Gauteng's GDP-R from 2010 to 2014, with an estimate for 2015 and forecast to 2018. The province had an estimated GDP-R of R1.1 trillion in 2015, or 35.1 percent of the country's R3 trillion GDP in that year. The province's GDP-R growth rate has been on a downward trend since the post-recession economic recovery peaked in 2011 at 3.5 percent. The 2015 rate is estimated to have been 1.2 percent, and the forecast for 2018 is 3.1.

Figure 2.7: GDP-R (2015#) & GDP-R Growth, Gauteng Metros & Districts, 2010-2015#



Source: Stats SA and IHS Global Insight, 2016

Notes: # indicates estimates.

Figure 2.7 shows the GDP-R of Gauteng's municipalities as estimated for 2015. The second image shows the growth rates of their GDP-R from 2010 to 2014, with an estimate for 2015. The metros are economic hubs for the province and this reflects in their higher GDP-R estimates for 2015. The GDP-R of the CoJ, the centre for financial & business services, was estimated at R455 billion in 2015, the highest of the municipalities; its rate of growth was around 1.8 percent. The GDP-R of the CoT in 2015 was estimated at R270.7 billion, the second largest of the municipalities'. Finance & business services account for a large portion of the CoT economy, but the largest share is that of the government, social & personal services sub-sector. The CoE had the smallest GDP-R of the metros, but at R232.7 billion was nevertheless far larger than either of the district municipalities'. Manufacturing accounts for the single largest share of the CoE's GDP-R. In line with the national trend, the rate of economic growth in the CoT and the CoE has been declining.

Despite being significantly smaller, at an estimated R61.5 billion in 2015, the economy of Sedibeng has in common with CoE a strong manufacturing presence, with a share of 32 percent. Sedibeng's growth rate has slowed since its high of 7 percent in 2011 and it is expected to have recorded -0.4 percent in 2015. With its focus on manufacturing, the district is vulnerable to issues common to the country as a whole, such as electricity supply constraints and labour action. The 2015 GDP-R of the West Rand was estimated at R47.9 billion. Its economy is dominated by mining & quarrying and the difficulties facing this industry are reflected in the negative growth rate of the district throughout the period under review.

2.3.2. Annual Average Percentage Change in Value Added by Industries

Gauteng was once the industrial centre of South Africa mainly characterised by mining and manufacturing. However, it has now evolved into the financial hub of the country with the contribution of mining and manufacturing declining. Causes of this decline include low external demand, poor labour relations and high input costs. The contribution of manufacturing and mining to the province's GVA thus continues to decline.

Table 2.1: GVA by Sub-Sector, Growth Rates, 2010-2015#

	2010	2011	2012	2013	2014	2015#
Primary Sector						
Agriculture, Forestry & Fishing	-0.60%	2.50%	-1.70%	0.20%	4.20%	-4.60%
Mining & Quarrying	2.40%	-5.50%	-11.50%	3.20%	-3.90%	-1.60%
Secondary Sector						
Manufacturing	6.00%	3.60%	2.40%	0.90%	0.20%	-0.30%
Electricity, Gas & Water	3.90%	1.00%	-0.40%	-0.50%	-0.00%	-1.20%
Construction	1.90%	0.20%	1.80%	2.60%	2.10%	1.20%
Tertiary Sector						
Wholesale & Retail Trade	5.80%	4.30%	3.50%	2.40%	1.10%	0.50%
Transport & Communication	1.90%	3.40%	2.80%	2.70%	2.40%	1.10%
Finance & Business Services	1.70%	4.40%	3.20%	3.50%	2.40%	2.90%
Government, Social & Personal Services	2.30%	4.20%	3.40%	3.30%	3.00%	1.50%

Source: Stats SA, 2016

Notes: # indicates estimates.

Table 2.1 shows the growth rate of GVA by sub-sectors of the Gauteng economy from 2010 to 2014, with estimates for 2015. Agriculture, forestry & fishing is subject to variance in the weather as well as to market forces such as the cost of inputs and the price obtained for outputs. The contribution of agriculture, forestry & fishing has been on a slight downward trend, with the years in which it has recorded negative growth marginally outweighing the years in which there has been positive growth. In particular, there was a significant decline in 2015 as a result of drought.

The GVA of the mining & quarrying sub-sector decreased in four of the six years under review. Commodity prices have been declining in recent years and many mines are reaching maturity, with useable ore running out or only remains at depths that are hazardous and expensive to mine and refine.³⁸

Manufacturing has been somewhat more resilient than mining, growing each year between 2010 and 2014. This was, however, at a declining rate and the sector contracted slightly in 2015, with a growth rate estimated at -0.3 percent. Its contribution to the province's GVA in that year was estimated at 15.9 percent of the total.³⁹

The wholesale & retail trade is a significant contributor to Gauteng's economy and in 2010 recorded relatively strong growth of 5.8 percent. This rate has, however, declined each year since then although it has remained positive, if marginally so, at an estimated 0.5 percent in 2015.

The finance & business services sector is the largest sub-sector of Gauteng's economy. It has not only grown throughout the period under review but its growth rate has not shown the decline of a number of other sub-sectors. Its growth rate peaked at 4.4 percent in 2011 but the 2015 estimate of 2.9 percent is higher than the 2.4 percent recorded for 2014.

³⁸ Department of Mineral Resources (2013). *South Africa's Mineral Industry (SAMI) 2011/12*

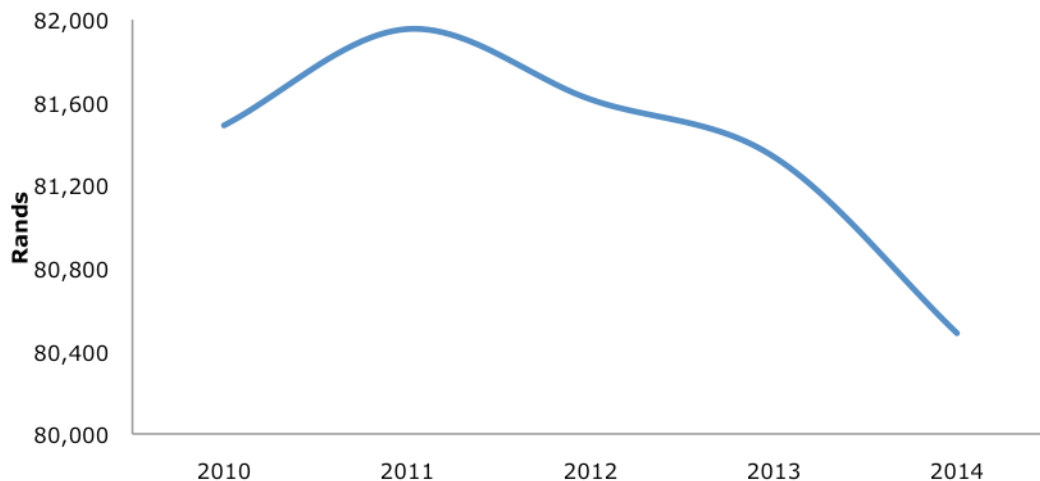
³⁹ Additional information from IHS Global Insight.

Government, social & personal services is the second largest contributor to Gauteng's economy. This is unsurprising as the province contains the country's administrative capital. At 4.2 percent, the sub-sector's growth rate peaked in 2011, reflecting government efforts to support the recovery of the economy. Its rate of growth has declined since then, with government exercising fiscal prudence to avoid accumulating unmanageable debt.

2.3.3. GDP per Capita and Related Statistics

According to the 2014 Global Metro Monitor report published by the Brookings Institution⁴⁰, the CoE was the top performing metro in South Africa in terms of GDP per capita. The report analyses 2013-2014 data on the performance of the world's 300 largest metro areas based on their annualised growth rates of GDP per capita and employment. The CoE was the only metro in South Africa to show GDP per capita growth (0.1 percent) between 2013 and 2014, ahead of the CoT (-0.9 percent) and CoJ (-1.3 percent). This statistic is important because it is a proxy for the average standard of living in an area.

Figure 2.8: GDP per Capita, 2010-2014

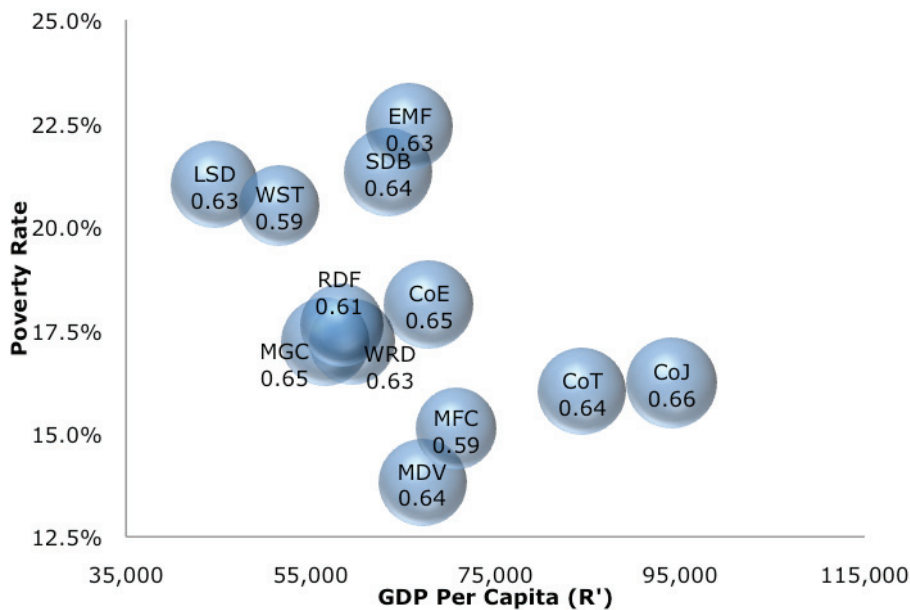


Source: Stats SA, 2016

Figure 2.8 gives Gauteng's GDP per capita from 2010 to 2014, showing it rising from R81,489 in 2010 to R81,955 in 2011. Since then, it has decreased every year as economic growth has slowed while, as shown in Chapter One, in-migration and population growth have increased. The province's GDP per capita fell to R80,486 in 2014 but was still considerably higher than the national average of R55,931.⁴¹

⁴⁰ The Brookings Institution (2015). *Global Metro Monitor: An Uncertain Recovery*. Accessed from www.brookings.edu

⁴¹ Additional information accessed from IHS Global Insight's Regional eXplorer.

Figure 2.9: GDP per Capita, Poverty Rate & Gini Coefficient, Gauteng's Municipalities, 2014

Sources: Stats SA and IHS Global Insight, 2016

Note: SDB = Sedibeng ; EMF = Emfuleni ; MDV = Midvaal ; LSD = Lesedi ; WRD = West Rand ; MGC = Mogale City ; RDF = Randfontein ; WST = Westonaria ; MFC = Merafong City. The size of the bubble represents the Gini coefficient.

Figure 2.9 shows GDP per capita on the x-axis and the poverty rate on the y-axis, and represents the Gini coefficient through the size of the bubbles. The correlation coefficient between GDP per capita and the poverty rate is slightly smaller than -0.5, meaning that there is a weak relationship between GDP per capita and the poverty rate. The negative relationship between these indicators is also visible to the eye on the figure. The Gini coefficient should account for deviations from the relationship between GDP per capita and poverty rate because the Gini measures income inequality. However, this is not the case here. It may be that the differences in the Gini coefficients in this data are too small for this to take effect, or it may be due to the fact that the Gini coefficient does not measure poverty as it is a measure of income inequality.

The regions with the lowest poverty rates were the CoJ at 16.2 percent, the CoT at 16.0 percent, Merafong City at 15.1 percent and Midvaal at 13.8 percent. The CoE had a relatively high poverty rate, at 18.1 percent. The CoJ and CoT had the highest GDP per capita, at R84,463 and R94,123 respectively, whilst that of the CoE was the lowest amongst the metros at R67,849. Merafong City had the third highest GDP per capita, at R70,771, while Midvaal was fifth with R67,208. The district municipalities with the highest poverty rates were Emfuleni at 22.4 percent, Lesedi at 21 percent and Westonaria at 20.5 percent. Lesedi and Westonaria also had the lowest GDP per capita, at R44,625 and R51,627 respectively. Emfuleni, however, did not conform to the general relationship between GDP per capita and poverty, with a mid-range GDP per capita of R65,755.

2.4. Industries Earmarked for Growth Enhancement in Gauteng

Manufacturing is one of the strategic sectors that the GPG has identified as having the potential to create 'decent' employment and a more inclusive economy. This focus on the manufacturing sector is aligned with the key objectives of the NDP and the IPAP, which are to build an inclusive economy and to promote labour-absorbing industrialisation.

Manufacturing in South Africa has strong linkages with the rest of the economy, with the linkages between the mining and manufacturing sectors particularly important from an employment perspective through the multiplier effect.⁴² According to the Department of Trade and Industry, R1 unit of investment spent on the manufacturing sector generates 1.13 units of additional output in the total economy, compared with 0.81 in construction, 0.49 in finance and 0.60 in mining.⁴³

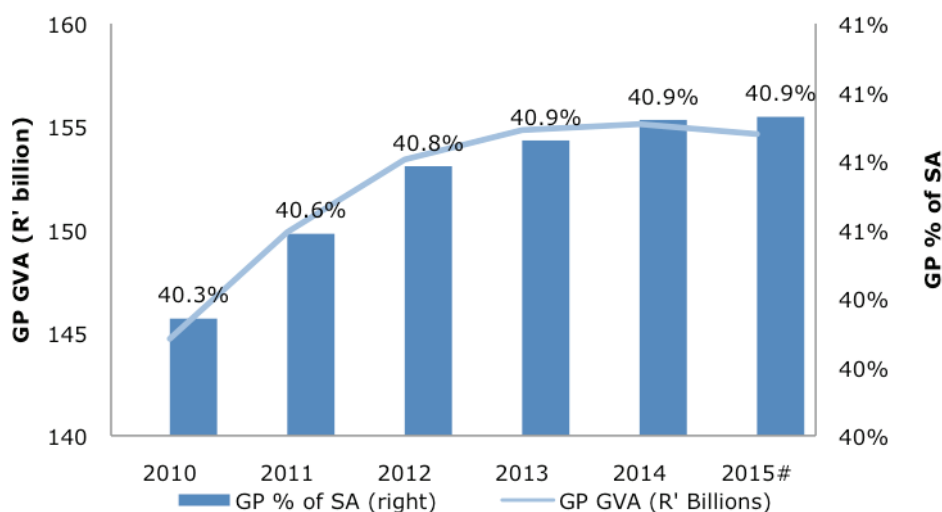
Agro-processing, ICT and the pharmaceutical, mining, creative & cultural industries and automotive industries are some of the other sectors and sub-sectors earmarked for government support over the next few years. The plan is to revitalise the manufacturing sector to reverse the effects of deindustrialisation, following the decline of mining and manufacturing.⁴⁴

This section looks at two sectors earmarked for growth by the provincial government: manufacturing and agro-processing.⁴⁵ Although agro-processing is a sub-sector of manufacturing, it is discussed separately.

2.4.1. Manufacturing

Amid the challenges facing the metals, rubber and chemicals industry in the CoE and the steel industry in Sedibeng, the contribution of the manufacturing sector to the province's economy declined from 21 percent in 2005 to an estimated 14.7 percent in 2015. Decreased mining activity in the West Rand has also contributed to the weakening of the manufacturing sector in the province. This is reflected in the reduction of manufacturing's share of investment, as measured by gross fixed capital formation, from approximately 35 percent in 1996 to about 27 percent in 2013.

Figure 2.10: Manufacturing, GVA, Total & % of SA, 2010-2015#



Source: Stats SA and IHS Global Insight, 2016

Notes: # indicates estimates

Figure 2.10 shows the GVA of the manufacturing industry in Gauteng on the left axis and the value of the sector, as a percentage of the South African total, on the right axis. Manufacturing GVA increased from R144.7 billion in 2010 to R155.1 billion in 2014, but is estimated to have fallen slightly to R154.6 billion in 2015. The

⁴² Industrial Development Corporation (2013). *Interface Between Mining and Manufacturing Sector in SA*. Accessed from <http://www.idc.co.za>

⁴³ Department of Trade and Industry (2015). *IPAP User Guide*. Accessed from www.thedti.gov.za

⁴⁴ Information accessed from <http://www.gov.za/gauteng-looks-reviving-manufacturing-drive-its-industrialization-agenda>

⁴⁵ The Standard Industrial Classification defined agro-processing as consisting of the manufacture of food, beverages & tobacco products, textile, clothing & leather goods, and wood & wood products.

percentage of South African manufacturing GVA accounted for by Gauteng increased marginally from 40.3 percent in 2010 to an estimated 40.9 percent in 2015. This indicates the important role played by Gauteng in the national manufacturing sector.

Table 2.2: Manufacturing GVA, Growth Rates, Gauteng Metros & Districts, 2010-2015#

Regions	2010	2011	2012	2013	2014	2015#	% of GP 2015
CoJ	5.20%	1.30%	2.60%	1.10%	0.70%	-0.50%	34.40%
CoT	6.80%	5.10%	3.60%	2.10%	0.60%	1.00%	15.70%
CoE	5.70%	3.60%	2.40%	0.40%	0.50%	-0.40%	33.60%
Sedibeng	8.40%	8.80%	0.70%	1.90%	-1.10%	-1.40%	11.80%
West Rand	5.80%	2.80%	0.10%	-2.20%	-3.50%	-1.20%	4.30%

Source: Stats SA and IHS Global Insight, 2016

Notes: # indicates estimates.

Table 2.2 shows the growth rate of GVA by manufacturing in Gauteng's municipalities from 2010 to 2014, with estimates for 2015. The CoJ has the largest economy of the province's municipalities and, at 34.4 percent, accounts for the largest share of the provincial manufacturing sector. This is higher than the share of the province's economy contributed by the sector. Within the CoJ, the sector recorded positive growth in five of the six years shown in the table. Growth is however expected to have been -0.5 percent in 2015.

As is the case with the CoJ, manufacturing accounts for a large portion of the CoE's economy and, at 33.6 percent, it makes the second largest contribution to Gauteng's manufacturing output. Similarly to the CoJ, growth was positive between 2010 and 2014 but is expected to have declined by 0.4 percent in 2015, in which year Sedibeng contributed an estimated 11.8 percent of the value of Gauteng's manufacturing sector. This occurred despite the relatively small size of the district's economy and thus, indicates that Sedibeng has a comparative advantage in manufacturing, and that it could be positive to invest further in manufacturing in this district.

Table 2.3: Skills Breakdown, Manufacturing, Q3 2015

	Skilled	Semi-Skilled	Low-Skilled	Total Manufacturing
Manufacturing's % of total GP workers	10.4%	17.5%	9.0%	13.5%
% of GP manufacturing	23.4%	61.5%	15.2%	100%

Source: Stats SA, 2016

Note: Skilled workers: managers, professionals, and technicians. Semi-skilled workers: sales and services, skilled agriculture, crafts and related trades, plant and machine operators. Low-skilled workers: elementary and domestic workers.

Table 2.3 indicates that manufacturing workers accounted for 13.5 percent of Gauteng's labour force in the third quarter of 2015. Due to the high percentage of semi-skilled workers in the sector, 17.5 percent of the province's semi-skilled workers were in manufacturing. At 23.4 and 15.2 percent respectively, the sector uses more skilled workers than low-skilled ones. This suggests that manufacturing is a sector that can potentially provide employment that fits the criteria of decent work, but that the work force requires training to be able to fill the positions that may arise from its expansion.

Taken as a whole, the manufacturing sector requires a wide range of skills from factory workers who may learn most of their required skills on the job, to managers who, particularly at higher levels, often have commercial degrees to engineers and researchers who must be qualified in the sciences.⁴⁶ Ensuring that these skills are in place means providing good-quality basic education and improving access to higher education, particularly in the sciences, and to vocational training.

⁴⁶ The Manufacturing Institute (2015). *The Skills Gap In U.S. Manufacturing 2015 And Beyond*.

Box 2.1: India set itself the target of increasing its manufacturing output

Since the 2000s, the economy of India has capitalised on its large population of engineers and factory workers. It began focusing on foreign direct investment (FDI) in manufacturing in order to increase its export volumes, as well as providing services such as call centres. Manufacturing's share of the country's GDP increased from 26 percent in early 2000s to 30.1 percent in 2014. GDP growth rate also grew significantly; in 2014 it was 7.3 percent compared to 3.8 percent in 2000. Steps taken to attract FDI included implementing an online business registration system and systematising the factory inspection process so that inspectors only visit once every five years, and not disrupt the production process. Foreign companies do not have to build their own manufacturing facilities, as these are already provided in industrial development zones, making it easier for them to focus on productivity.

The Indian government aims to position the country as the manufacturing destination of the world by 2030 and is promoting manufacturing through the "Make in India" programme. This takes a holistic approach to supporting the manufacturing sector and focuses on factors such as infrastructure, skills development and the ease of doing business.

Infrastructure

Every state in the country has developed industrial parks where manufacturing units are set up, with high-quality infrastructural facilities and other benefits including tax concessions. The government is also developing the Delhi-Mumbai Industrial Corridor (DMIC) as a global manufacturing and investment destination. The aim is to create smart sustainable cities where manufacturing will be the key economic driver. There are also Special Economic Zones and National Investment and Manufacturing Zones.

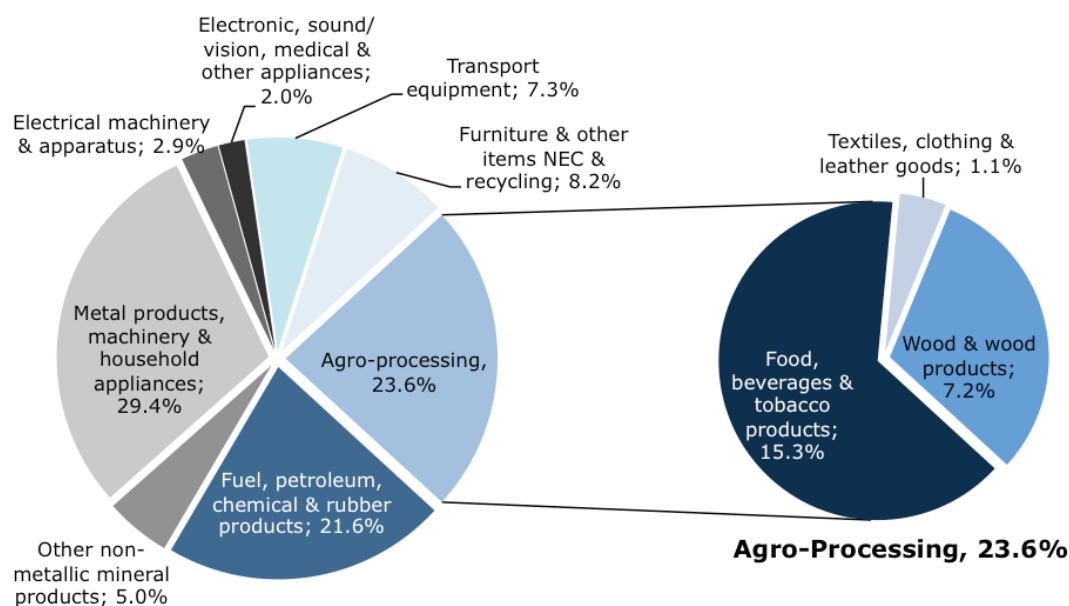
Skills Development

The government has created a multi-skill development programme named "Skill India" aimed at creating jobs, promoting entrepreneurship and enhancing youth employability. It has also pledged to invest in the country's engineering sector, taking steps to improve the quality of technical education by allocating over US\$78 million to set up five Indian Institutes of Technologies in various states.

Ease of Doing Business

Among the steps that the government has taken to promote manufacturing is to lower corporate tax for companies registered in India from 30 percent to 25 percent of net profits from the 2016/17 financial year. Labour reforms and initiatives to cut down red tape are also underway.

Information for this box is accessed from <http://www.makeinindia.com/article/-/v/direct-foreign-investment-towards-india-s-growth>

Figure 2.11: Manufacturing Sub-Industries, Share of GVA, 2015#

Source: Stats SA and IHS Global Insight, 2016

Notes: # indicates estimates.

Figure 2.11 shows the percentage share of Gauteng's manufacturing accounted for by each of its sub-industries, with the three that fall under the agro-processing classification shown separately on the right. At 29.4 percent, the sub-industry accounting for the largest share of Gauteng's manufacturing value added in 2015 was metal products, machinery & household appliances. The next largest sub-industry was fuel, petroleum, chemical & rubber products, at 21.6 percent. Taken together, the agro-processing industries are larger than the latter sub-industry, accounting for a collective 23.6 percent.

Individually, in 2015 the largest agro-processing sector was food, beverages & tobacco products at 15.3 percent, followed by wood & wood products at 7.2 percent and textiles, clothing & leather goods at 1.1 percent. This relatively large agro-processing sector exists despite the province's comparatively small agriculture, forestry & fishing output. This illustrates that agricultural products are brought into Gauteng from other provinces and processed here, suggesting a comparative advantage for Gauteng in this sector.

2.4.2. Agro-Processing

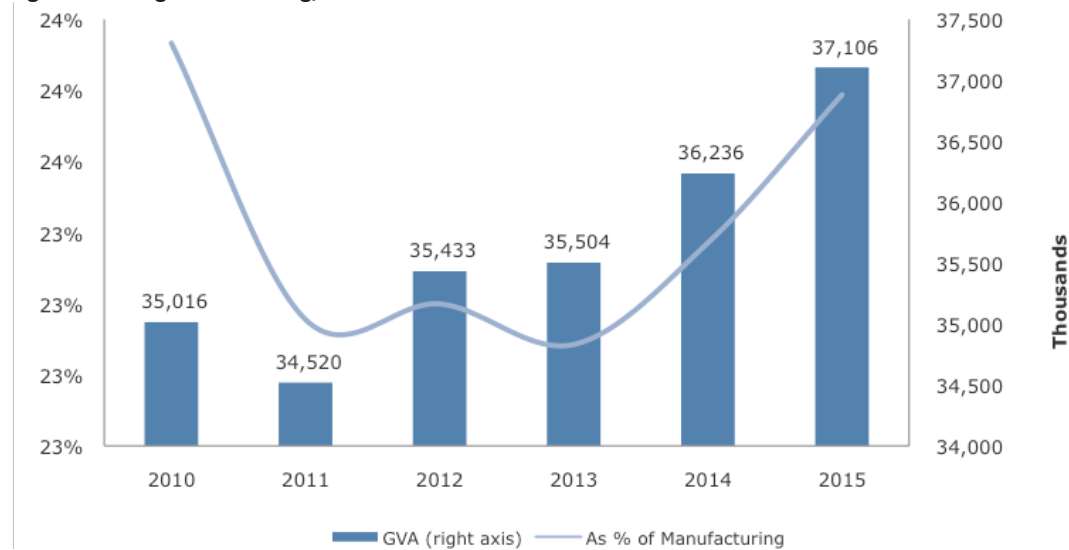
Agro-processing is the processing by manufacturing of the outputs of the agriculture, forestry & fishing sub-sector.⁴⁷ It is the sub-set of manufacturing that uses agricultural products as inputs, and includes the manufacture of food products (including preserving perishable foodstuffs) and goods such as paper and natural or blended textiles. Agro-processing occurs not only in the formal sector of the economy but also includes traditional methods of preparing agricultural products, such as hand weaving and small-scale jam-making.

Many agro-processing operations produce goods used as inputs in further manufacturing. Textiles made by an agro-processor may be used by another manufacturer to make clothing, while flour may be sold to a bakery. In addition to its importance for food security, this makes agro-processing an important part of the value chain as it contributes a significant component of total manufacturing value added. The GPG aims

⁴⁷ Food and Agriculture Organisation of the United Nations. (1997). *The State of Food and Agriculture*.

to promote small scale farming and urban food production in Corridors where there is potential, including Sedibeng and the West Rand.⁴⁸

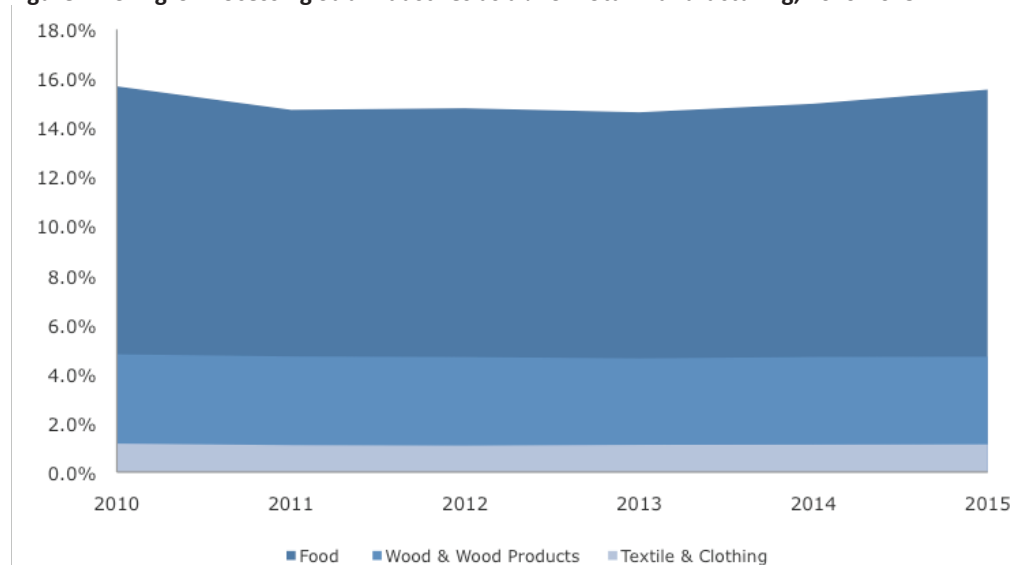
Figure 2.12: Agro-Processing, 2010-2015



Source: IHS Global Insight, 2016

Figure 2.13 shows that the contribution by Gauteng's agro-processing sector to GVA has remained relatively stable since 2010. Between that year and 2015, the size of the sector increased from approximately R35 million to just over R37 million. As a percentage of the value of the manufacturing sector, it remained between approximately 23 percent and 24 percent during that time.

Figure 2.13: Agro-Processing Sub-Industries as a % of Total Manufacturing, 2010-2015



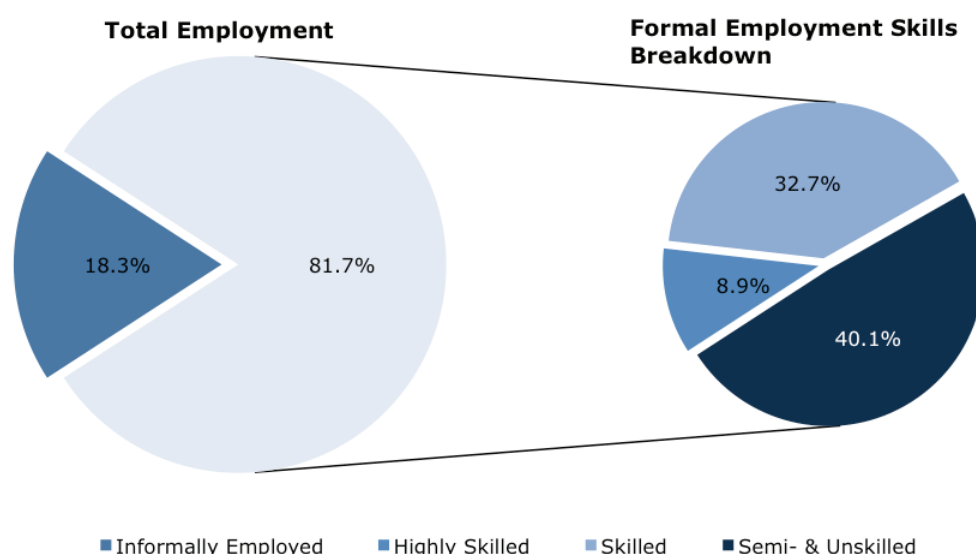
Source: IHS Global Insight, 2016

Note: Food includes beverages and tobacco products.

As Figure 2.14 shows, between 2010 and 2015 food was the largest sub-sector of agro-processing, followed by wood & wood products, and textile & clothing sub-industries. In 2015, output from the food sub-sector accounted for 15.6 percent of manufacturing GVA, whilst the share of wood & wood products was 4.7 percent, with textiles & clothing at just over 1 percent.

⁴⁸ Gauteng Provincial Government. (2016). *The Gauteng State of the Province Address*. Accessed at <http://www.gautengonline.gov.za>

Figure 2.14: Agro-processing Skills Composition, 2013



Source: Quantec, 2016

Note: 2013 is the latest year that data is available.

Figure 2.15 shows that the labour force in the agro-processing sector is largely semi-skilled and unskilled, with these two categories accounting for 40.1 percent of total formal employment in the sector in 2013. Highly skilled labour accounted for only 8.9 percent of total formal employment in the industry, with informal employment in the sector accounting for approximately 18 percent of total agro-processing employment.

2.5. Implications of the Manufacturing and Agro-processing Industries for Growth

Revitalising the province's economy is at the top of the GPG's agenda. This agenda is aligned with national government policy which stresses the need for a new economic growth trajectory based on industrial development, with a special emphasis on higher value-added manufacturing. Objectives include supporting the development of township enterprises and SMMEs producing goods and services that meet the needs of township residents.⁴⁹ The GPG also aims to at least spend about 30 percent of the government procurement budget on township enterprises by 2019.⁵⁰

Despite the difficulties that it currently faces, the manufacturing sector is important to the Gauteng economy. The interlinkages within and beyond the sector make it critical for job creation, especially for the low- and semi-skilled workforce; and the province's manufacturing sector produces more than 50 percent of the country's manufactured exports.⁵¹

Agro-processing is a relatively new industry in the province. The NDP and the IPAP identify the sector as having high growth potential, particularly in the export of horticultural and aquaculture products. Successful agro-processing has the potential to increase demand for agricultural products and thus to enable the expansion of the agricultural sector. This could assist with achieving government's aim of reducing inequality by creating opportunities for emerging Black farmers. For this, they will need assistance and access to finance

⁴⁹ GDED. (2015). *DED Insight: Budget Vote 2014/15*. Accessed at <http://www.ecodev.gpg.gov.za>

⁵⁰ Gauteng Provincial Government. (2016). *The Gauteng State of the Province Address*. Accessed at <http://www.gautengonline.gov.za>

⁵¹ Information accessed at <http://www.engineeringnews.co.za/article/gauteng-to-remain-dominant-sa-economy-until-2017-2014-05-14>

and the GPG has already pledged support to approximately 30 Black farmers who will supply malt to the Heineken brewery in Sedibeng.⁵² To ensure that such initiatives contribute to the province's competitiveness and economic strength, appropriate skills development is needed.

Skills Composition

A survey by the Manufacturing Circle⁵³ showed that the majority of manufacturing firms surveyed were concerned about the lack of engineering and artisanal technical skills. As Table 2.3 shows, the sector's workforce is mainly semi- and low-skilled. A diverse and appropriately-qualified skills base is important for a tradable sector like manufacturing to remain competitive. Conversely, a lack of skills, and other challenges, makes it difficult for the sector to compete globally. The government has indicated the need to collaborate with the private sector to overcome such constraints.

Given that many of the unemployed are comparatively low-skilled, it may be advisable to focus some new agro-processing on low capital traditional processing methods, as these typically require few technical skills. They may also be capital-light, making it easier to start these businesses; and they may also be labour-intensive, increasing the potential for employment.

Interface between Manufacturing and other Sectors

The mining sector plays an important role as a downstream industry, providing inputs into manufacturing⁵⁴. The sector has been on a downward spiral, amid falling commodity prices and weak foreign demand. This may have implications for growth of the manufacturing sector. An increased supply of mining sector products for further processing by expanding the manufacturing base, could contribute positively towards expanding the province's industrial base.

2.6. Conclusion

The economic performance of South Africa and other emerging economies such as India, China and Nigeria has fallen short of expectations. This has been caused by various factors including low commodity prices, subdued trade resulting from low global demand and weak capital inflows. Amongst the countries referred to in this chapter, Brazil's growth has been the lowest, declining by 3.7 percent in 2015. These countries are relatively urbanised, with governments aiming to take advantage of such demographic changes to support economic development through encouraging sectors with the ability to grow. Data from developing countries typically shows a positive correlation between urbanisation, economic growth and the reduction of poverty.⁵⁵

Guided by the NDP, GPG is taking steps to transform and modernise the province's economy and to harness its potential. The manufacturing sector and some of its sub-sectors including agro-processing have been identified as key to transforming the province's economy. The choice of these sectors is guided by the aim of the NDP and the IPAP to build an inclusive economy and promote labour-absorbing industrialisation.

Direct and indirect linkages between manufacturing and other sectors such as mining can have valuable multiplier effects, and a number of manufacturing sub-sectors rely heavily on the mining sector as a key source of demand for their products and services. Examples include the transport & storage, rubber products

⁵² Gauteng Provincial Government. (2015). *Gauteng State of the Province Address 2015*. Accessed at <http://www.gautengonline.gov.za>

⁵³ The Manufacturing Circle was formed in 2008 and is made up of representatives of local manufacturing companies. Its aim is to provide a platform which will enhance South Africa's manufacturing base through interactions with government and other stakeholders

⁵⁴ A number of manufacturing sub-sectors rely on mining as key source of demand for their products, e.g. machinery & equipment, transport equipment, chemical & petroleum products.

⁵⁵ Department of Cooperative Governance and Traditional Affairs. (2013). *Towards an Integrated Urban Development Framework*.

and machinery & equipment sub-sectors. The proportion of GVA-R contributed by the manufacturing sector has been falling; the aim is to revitalise it and in so doing increase its potential to create jobs.

GPG is working to support the development of agro-processing, a relatively new sector in the province. It is a sector that absorbs semi-and low-skilled labour; the majority of the province's unemployed people have skills of this level. It is imperative that these interventions by GPG succeed, and this requires a holistic approach to supporting the manufacturing sector and its earmarked sub-sectors. Skills development, better infrastructure and an improved investment environment that will attract FDI are some of the factors that will be critical to the success of these initiatives.

Chapter 3: Labour Market Dynamics

3.1. Background

South Africa has a working-age population of 36.1 million, or 67 percent of the estimated total population of 54 million. Chapter One gave an overview of South Africa's relatively young population and pointed to the advantages that this demographic fact may have for the country's economy. However, a number of important inputs are needed in order to realise this potential demographic benefit. Particularly critical are education and skills development to enable a productive workforce which in turn could enhance economic growth, one of government's main priorities.

It is well known that South Africa's unemployment rate remains high. In the third quarter of 2015⁵⁶, it stood at approximately 25.5 percent or around 5.4 million people. It particularly affects young people. In 2015, the unemployment rate among people aged 15-24 years was 50.1 percent nationally and 44.1 percent in Gauteng.

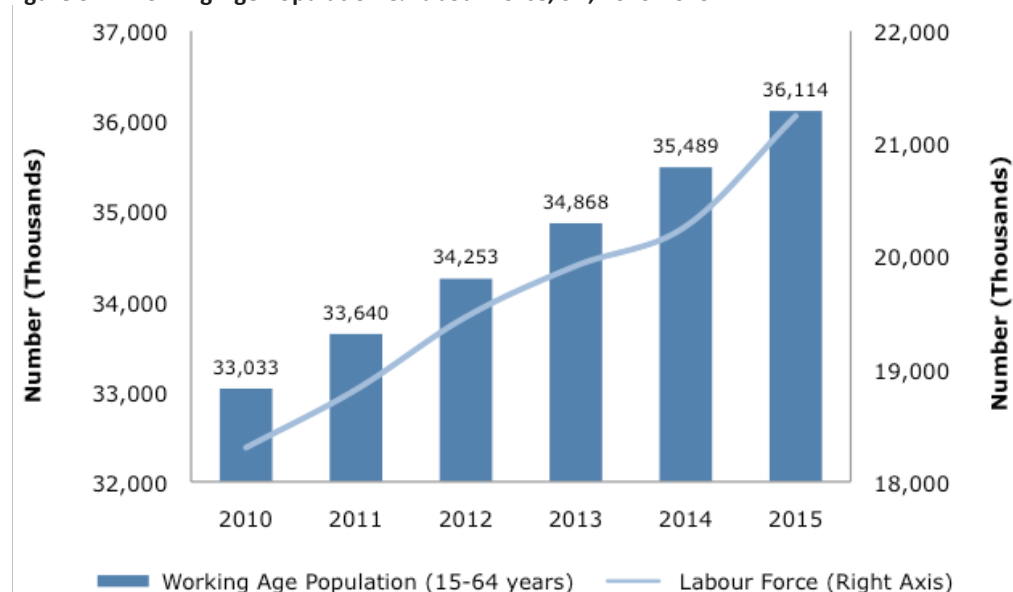
This chapter provides information about the causes of unemployment among the different age groups. It highlights the lack of suitable education, skills and experience especially among the younger generation who are critical to the future of the country as they will replace the present work force. The chapter also looks at the problems facing the labour market nationally and in Gauteng, and particularly at those that are impeding the province's efforts to modernise and transform the economy.

Section 3.2 examines the composition of the country's labour market, and gives information about factors such as age, level of education and skills. Section 3.3 focuses on the same factors at the level of the province. Section 3.4 highlights the implications of the current labour market for government initiatives.

3.2. The Composition of the National Labour Market

Modernising and transforming the economy, as envisaged in government policies such as the NDP and IPAP, requires policy makers to understand the composition of the labour market. Skills development, in particular, is key to unlocking employment potential. As an economy moves to a more advanced stage of development, its labour market must be able to respond to new economic opportunities and be made up of suitably qualified workers.

⁵⁶ Statistics South Africa. (2015). *Quarterly Labour Force Survey Quarter 3*. Accessed at <http://www.statssa.gov.za>

Figure 3.1: Working Age Population & Labour Force, SA, 2010-2015

Source: Stats SA, 2015

Note: 2015 data covers the period to quarter three

Figure 3.1 shows that South Africa's labour force⁵⁷ grew by an average of 2.8 percent per annum between 2010 and 2015 and that it makes up 59 percent of the country's working-age population. While the labour force provides the supply of labour for an economy, it is critical that the people who make it up are adequately skilled for employment.

3.2.1. Labour Market Outcomes by Age Group

As shown in Chapter One, with declining fertility and mortality rates, South Africa's demographic pattern is changing. This results in an increasingly youthful working-age population and fewer dependents. To realise the potential benefits of this, policy makers have to find ways of improving employment prospects.

Table 3.1: Labour Force by Age Group, SA, 2010 & 2015

Age Group	Labour Force ('000)				Rates (%)				Employed as % of total SA employment	
	Employed		Unemployed		LFPR		Unemployment		2010	2015
	2010	2015	2010	2015	2010	2015	2010	2015		
15-24	1,267	1,384	1,330	1,387	26.1%	27%	51%	50%	9%	9%
25-34	4,472	4,909	1,850	2,159	72.3%	75%	29%	31%	32%	31%
35-44	4,144	4,838	891	1,186	75.8%	79%	18%	20%	30%	31%
45-54	2,783	3,133	401	527	68.2%	71%	13%	14%	20%	20%
55-64	1,122	1,385	92	136	41.1%	44%	8%	9%	8%	9%

Source: Stats SA, 2016

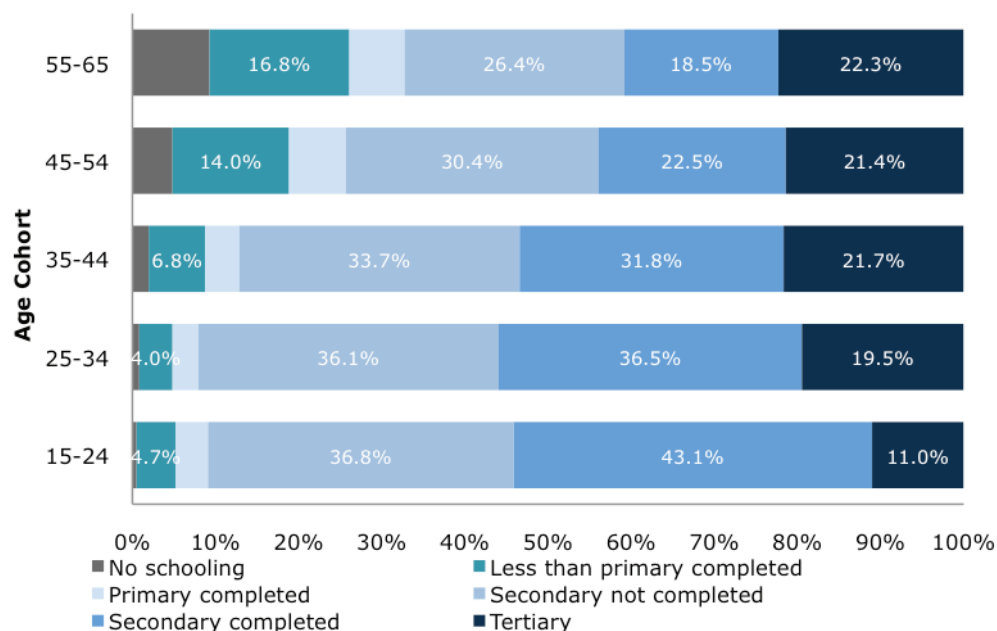
Notes: 2015 data covers the period to quarter three. LFPR= Labour Force Participation Rate.

Table 3.1 gives details of the national labour force by age group. Between 2010 and 2015, the number of employed young people (aged 15 to 34 years) increased by over 550,000, whilst the unemployed in this age cohort increased by approximately 365,000. In 2015, at 50.1 percent for people aged 15-24 years and 30.5 percent for those aged 25-34 years, this age cohort had the highest rate of unemployment. At 26.9 percent of the total in this age range, those aged 15-24 also had the lowest participation rate in the labour market.

⁵⁷ The labour force consists of people aged between 15 and 64 years who meet the Stats SA definition of members of the economically active population.

These figures relate to people in this age range who have formally entered the job market, and do not include those still at school or studying. Among the other age cohorts, between 2010 and 2015 the largest number of added jobs was in the 35-44 age group, at approximately 690,000 people. At 30.9 percent in 2015, this group also accounted for the highest share of employment and had a participation rate of 79.3 percent.

Figure 3.2: Level of Education of the Employed by Age Group, SA, 2015



Source: Stats SA, 2016

Note: 2015 data covers the period to quarter three.

Figure 3.2 shows the level of education of those employed, by age group, for 2015. Among those aged 15-24 years, 36.8 percent had less than matric qualification and 43.1 had a matric qualification. This pattern was similar among those aged 25-34 years. Among the older age groups, the percentage of people with tertiary education was slightly higher, at 22.3 percent in the 55-65 age group. However, this group also had the highest percentage of people whose educational qualifications do not go above primary level.

3.2.2. Labour Market Outcomes by Level of Education

Education is a highly important factor influencing employment opportunities and level of earnings. Acquiring matric and tertiary education qualifications increases an individual's earning potential and likelihood of finding employment.⁵⁸ Education also plays a critical role in addressing the skills shortage.⁵⁹

⁵⁸ N Branson & M Leibbrandt. (2013). Education Quality and Labour Market Outcomes in South Africa, OECD Economics Department Working Papers No. 1021. Economics Department. Organisation for Economic Co-operation and Development.

⁵⁹ Education, Training and Development Practices Sector Education and Training Authority. (2015). *Scarce and Critical Skills Guide 2015*. ETDPSA. Johannesburg, South Africa

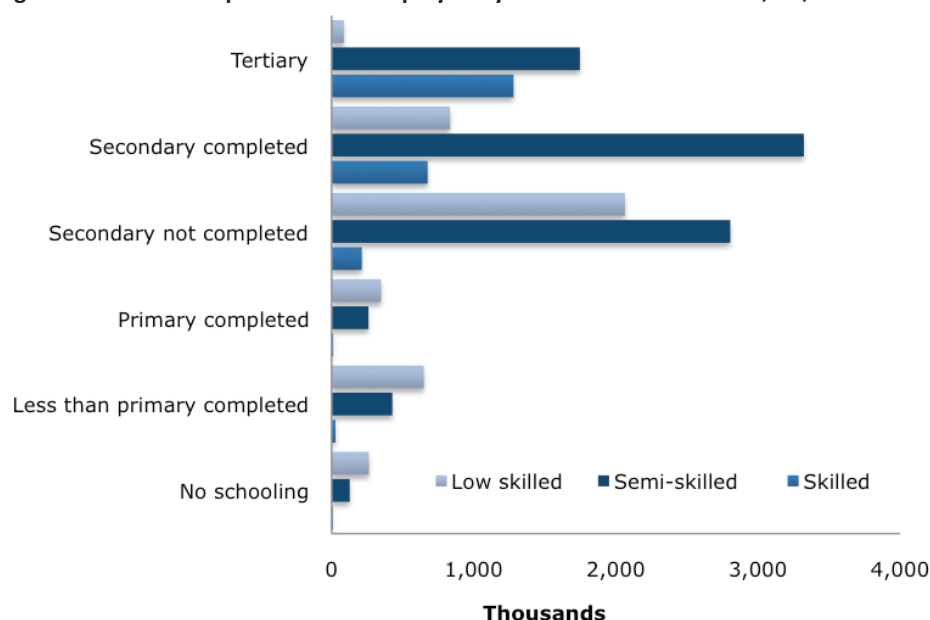
Table 3. 2: Labour Force by Educational Attainment, SA, 2010 & 2015

Level of Education	Labour Force ('000)				Rates (%)					
	Employment		Unemployment		LFPR		Unemployment		Employed as % of total SA employment	
	2010	2015	2010	2015	2010	2015	2010	2015	2010	2015
No schooling	418	389	83	85	37.4%	40.2%	16.6%	17.9%	3.0%	2.5%
Less than primary completed	1,164	1,193	374	351	43.4%	48.0%	24.3%	22.7%	8.4%	7.6%
Primary completed	674	671	214	240	43.8%	49.3%	24.1%	26.4%	4.9%	4.3%
Secondary not completed	4,556	5,199	2,077	2,508	46.7%	49.2%	31.3%	32.5%	33.0%	33.2%
Secondary completed	4,163	4,866	1,513	1,762	69.3%	69.2%	26.7%	26.6%	30.2%	31.1%
Tertiary	2,617	3,141	264	423	87.5%	86.5%	9.1%	11.9%	19.0%	20.1%
Other	196	190	39	25	64.7%	61.8%	16.8%	11.8%	1.4%	1.2%

Source: Stats SA, 2016

Note: 2015 data covers the period to quarter three.

Table 3.2 shows that the majority of South Africa's labour force do not have qualifications above matric level, with about 17 percent holding tertiary level qualifications. In 2015, out of a labour force of 21 million people, 7.7 million (36.6 percent) had qualifications below matric level and 6.6 million (31.5 percent) had only a matric level qualification. Of the employed, 33.2 percent had not completed matric. Those with tertiary qualifications made up 20.1 percent of the employed total and had the highest participation rate. Between the two years, the unemployment rate for people with tertiary qualifications increased by 2.8 percentage points. Educational attainment seems to have a measurable impact on employability and may reduce the risk of joblessness. In 2015, 11.9 percent of people with tertiary qualifications were unemployed, whilst over 30 percent of those with below matric level of qualification were.

Figure 3.3: Skills Occupation of the Employed by Educational Attainment, SA, 2014

Source: Stats SA, 2016

Note: 2015 data is for the period to quarter three.

Figure 3.3 gives information about educational attainment levels among the employed at various skill levels. It shows that only few people who leave formal education below matric level find themselves in the skilled labour force. Participation rates in the skilled labour force are higher among those with matric level education and particularly among those with tertiary level qualifications. The majority of the labour force is made up of semi- and low-skilled people (for definitions of these categories, see Table 2.3, Chapter Two).

3.2.3. Labour Market Outcomes by Selected Industry and Skills

The information above shows that the national labour force is characterised by low levels of education and a lack of skilled people. There are in particular large numbers of young people with low educational achievements and low skills levels. This section looks at the sectors in which South Africa's semi- and low skilled labour force is mainly employed.

Table 3. 3: Aggregated Sectoral Employment & Skills Composition, SA, 2010 & 2015

Sector	Employment ('000)		Employed as % of total	
	2010	2015	2010	2015
Primary Sector	1,006	1,346	7.2%	8.5%
Highly skilled	76	81	7.5%	6.0%
Skilled	368	470	36.6%	34.9%
Semi & low skilled	562	795	55.9%	59.1%
Secondary Sector	3,072	3,341	22.0%	21.1%
Highly skilled	566	506	18.4%	15.2%
Skilled	1,951	2,110	63.5%	63.2%
Semi & low skilled	554	724	18.0%	21.7%
Tertiary Sector	9,858	11,151	70.7%	70.4%
Highly skilled	2,818	2,981	29%	27%
Skilled	4,185	4,938	42%	44%
Semi & low skilled	2,855	3,232	29%	29%

Source: Quantec, 2016

Note: 2015 data is given for the period to quarter three.

Table 3.3 shows aggregated sectoral employment and skills composition for 2010 and 2015. In 2015, at just over 70 percent, the tertiary sector accounted for the highest share of employment in the country. It employed approximately 11 million people, followed by the secondary sector (3.3 million) and the primary sector (1.3 million). The skills composition varied considerably between sectors. Skilled labour predominated in the secondary and tertiary sectors, which respectively accounted for 63.2 and 44 percent of total employment in 2015. In the same year, almost 60 percent of those employed in the primary sector were semi- or low-skilled.

Table 3. 4: Selected Industry Employment & Skills Composition, SA, 2010 & 2013

Skills & Selected Sectors	Employment ('000)		Employed as % of total	
	2010	2013	2010	2013
Manufacturing				
<i>Formal Employment</i>	<i>1,170</i>	<i>1,146</i>	<i>84.0%</i>	<i>83.8%</i>
Highly skilled	144	150	12.3%	13.1%
Skilled	391	389	33.4%	33.9%
Semi & low skilled	635	607	54.3%	53.0%
<i>Informal Employment</i>	<i>223</i>	<i>221</i>	<i>16.0%</i>	<i>16.2%</i>
Agro-Processing				
<i>Formal Employment</i>	<i>442</i>	<i>420</i>	<i>78.6%</i>	<i>78.1%</i>
Highly skilled	39	40	8.9%	9.4%
Skilled	160	157	36.1%	37.3%
Semi & low skilled	243	224	55.0%	53.2%
<i>Informal Employment</i>	<i>121</i>	<i>118</i>	<i>21.4%</i>	<i>21.9%</i>

Source: Quantec, 2016

Note: Total employment is disaggregated by formal and informal employment. Formal employment is further disaggregated by skills composition. 2013 is the latest year for which data was available for disaggregated sub-sectors.

Table 3.4 shows the composition of employed people in the manufacturing and agro-processing sectors by their skill levels. Formal sector employment in these two sectors accounted for the highest share of total

employment. However, between 2010 and 2013 these sectors' share of formal employment marginally declined while that of informal employment increased (and with it an increased number of people who do not receive basic benefits such as pension or medical aid contributions from the employer and do not have formal employment contracts). In both years, the majority of employed labour in both sectors was semi- or low-skilled. The lack of skilled labour for the manufacturing sector remains a challenge; in its 2016 *South Africa Economic Update*, the World Bank cited the lack of skilled labour as one of the key reasons why capacity was underutilised in the sector.⁶⁰

Box 3.1: Addressing Labour Market Challenges: Lessons from Ireland

Policies to encourage active labour markets have attracted increasing attention in the European Union (EU). As is the case in South Africa, some parts of the region are struggling to overcome high levels of unemployment. Ireland is one example. The country's economy is relatively small and its unemployment rate considerably lower (8.6 percent in January 2016) than that of South Africa. However, the policy instruments used to combat unemployment and to address skills mismatches may offer lessons to this country.

Springboard Programme

This initiative provides fee-free post-school-level courses to people who are unemployed and receiving social welfare.^a Most of the courses are part-time and last for a year or less. They are provided by a range of educational institutions including universities and Institutes of Technology. The focus is on qualifications in areas where skills shortages have been identified by a body known as the Expert Group on Future Skills Needs, set up to advise the government and on which employers are represented. Scarce-skills areas include ICT, trade & finance, high-level manufacturing, entrepreneurship and business start-ups.^b Evaluations have shown that over 40 percent of beneficiaries of the programme find employment within six months of graduation, with progression to employment increasing over time. The quality of employment for these participants also increases; about 85 percent of beneficiaries who are employed are in full-time jobs. The programme is fully funded by the Irish Department of Education and Skills.

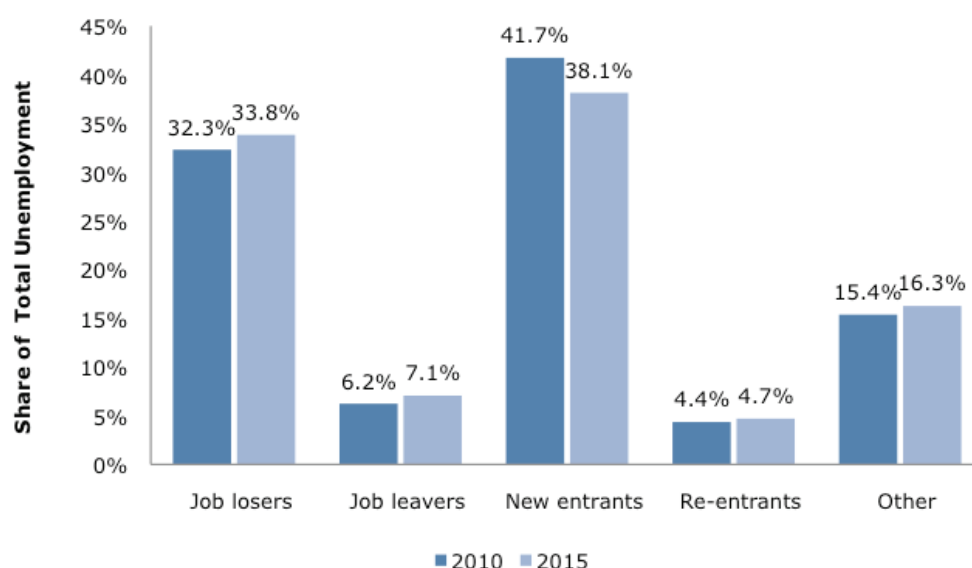
Key Lessons:

- The programme targets people who are unemployed and who might not be able to re-skill themselves due to lack of funding.
- It aims to develop the skills of the unemployed and improve their chances of getting back to work.
- Employers are involved in identifying skills needs. The purpose of this involvement is to reduce the skills mismatch in the labour market.

^a International Labour Organisation. (2015). *Tackling Unemployment while Addressing Skills Mismatch*.

^b SpringBoard. (2015). *Where is Springboard Taking Jobseekers: Employment Outcomes 2011-2015*.

⁶⁰ World Bank. (2016). *South Africa Economic Update: Promoting Faster Growth and Poverty Alleviation through Competition*. Accessed at <http://www.worldbank.org>

Figure 3.4: Characteristics of the Unemployed, SA, 2010 & 2015

Source: Quantec EasyData, 2016

Note: Data for 2015 is for the period to quarter three.

Figure 3.4 shows that in 2015 approximately 38 percent of the country's unemployed were new entrants to the job market. This compares with 41.7 percent in 2010. About 33.8 percent of the unemployed in 2015 were people who had lost their jobs, compared with 32.3 percent in 2010. In both years, the largest group consisted of new entrants to the labour market. Lack of work experience places these new entrants at the risk of long-term unemployment as the probability of finding a job decreases with the length of time a person spends without work. In 2015, there were about 3.4 million long-term unemployed people in South Africa, accounting for 64.6 percent of the total unemployed.⁶¹

3.3. The Composition of Gauteng's Labour Market

In terms of its contribution to national GDP, Gauteng has long been the main driver of the South African economy. In 2014, the province's economy grew by 1.7 percent; the national economy grew by 1.3 percent. However, high unemployment remains a challenge for the province. Table 3.5 below provides detail about this.

Table 3. 5: Gauteng Labour Force Profile, 2010 & 2015

Labour Force Profile ('000)	2010	2015	Change
Working-Age Population(15-64 years)	8,509	9,525	1,016
Labour Force	6,004	6,889	885
Employed	4,377	4,964	587
Unemployed	1,627	1,925	298
Not Economically Active	2,504	2,636	131
Discouraged Work Seekers	320	295	-25
Other	2,184	2,340	156
Unemployment Rate (%)	27	28	1

Source: Stats SA, 2016

Note: 2015 data covers the period to quarter three.

Between 2010 and 2015, Gauteng's working-age population increased by over one million people. The labour force also increased from 6 million to 6.9 million people in 2015. Much of the increase in the labour force was

⁶¹ Stats SA. (2015). *Quarterly Labour Force Survey Trends, 2008-2015*. Accessed at <http://www.statssa.gov.za>

due to an increase in the number of employed people, which grew by 587,000 between 2010 and 2015. The number of unemployed people also rose, by 298,000. This increase was less than the increase in the number of employed people so the unemployment rate remained relatively unchanged. Furthermore, although jobs were created between the two years, the pace was not fast enough to absorb all who were looking for work and the unemployment rate therefore remained relatively unchanged.

Table 3. 6: Labour Force Profile, Gauteng Metros & Districts, 2015

Labour Profile ('000)	Metros			Districts	
	CoT	CoJ	CoE	Sedibeng	West Rand
Labour Force	1,432	2,529	1,596	406	395
Employed	1,124	2,000	1,147	237	257
Unemployed	308	529	449	169	138
Unemployment rate (%)	21.1	22.0	28.2	39.3	34.4

Source: IHS Global Insight, 2016

Table 3.6 shows the labour profile of Gauteng's metros and districts. In 2015, the CoJ had the largest labour force, with approximately 2.5 million people. Of these, two million were employed and 529,000 unemployed. At 1.6 million, the CoE had the second largest labour force amongst the metros, followed by the CoT at 1.4 million. Amongst the districts, Sedibeng had the largest labour force. Despite their comparatively small labour forces, the two districts had the highest unemployment rates of Gauteng's municipalities. This is a reflection of declining activity in manufacturing and mining, the leading sectors in these two areas.

3.3.1. Labour Market Trends by Age Group

As mentioned in Chapter One, the population of Gauteng is approximately 12.6 million people. Young people in the age group 15-34 years make up 39 percent of this total. Of all of the provinces, it has one of the highest rates of youth unemployment. This stood at 39.8 percent in the first quarter of 2015 and is driven particularly by young people's perceptions of the province's economic and work opportunities.⁶²

Table 3. 7: Provincial Labour Force by Age Group, 2010 & 2015

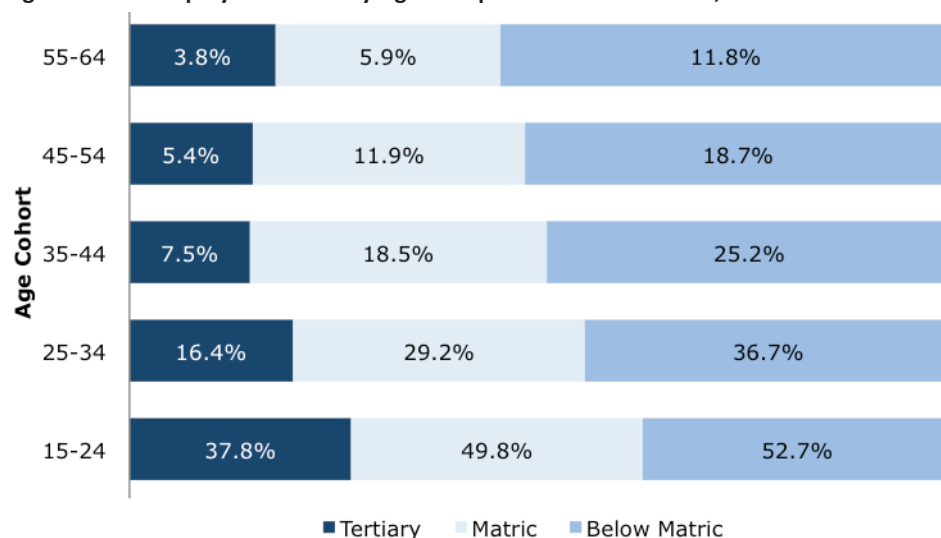
Age Group	Labour Force ('000)				Rates (%)					
	Employed		Unemployed		LFPR		Unemployment		Employed as % of total GP employment	
	2010	2015	2010	2015	2010	2015	2010	2015	2010	2015
15-24	318	380	424	300	36.6%	31.6%	57.2%	44.1%	7.3%	7.7%
25-34	1,329	1,428	647	506	84.7%	77.4%	32.7%	26.1%	30.4%	28.8%
35-44	1,462	1,667	355	309	86.4%	82.1%	19.5%	15.6%	33.4%	33.6%
45-54	894	1,014	169	160	81.0%	78.0%	15.9%	13.6%	20.4%	20.4%
55-64	374	474	33	47	55.7%	53.9%	8.1%	9.1%	8.5%	9.5%

Source: Quantec, 2015

Note: 2015 data is given for the period to quarter three.

Table 3.7 shows that unemployment rates were highest in the age groups 15-24 and 25-34 years, at 44.1 percent and 26.1 percent respectively in 2015. A large percentage of Gauteng's labour force is in these age groups; in 2015, the number of employed people in these age cohorts was 1.4 million and 1.7 million respectively. Among all age groups except for people aged 55-64, the number of unemployed people fell between 2010 and 2015. This was accompanied by a drop in the unemployment rate in these age groups.

⁶² Gauteng Department of Economic Development. (2013). *Gauteng Youth Employment Strategy*. Accessed at <http://www.ecodev.gpg.gov.za>

Figure 3.5: Unemployment Rate by Age Group & Level of Education, 2015

Source: Quantec, 2016

Note: 2015 data is given for the period to quarter three.

Figure 3.5 shows unemployment rates by age group and by level of educational attainment in 2015. At 52.7 percent and 36.7 percent respectively, the highest unemployment rates for people aged 15-24 and 25-34 years were amongst those with lower than matric qualifications. Unemployment was also relatively high among those aged 15-24 years with tertiary education. This draws attention to the issue of graduate unemployment in the province, certainly for recent graduates, although their situation tends to improve over time. However, the figure shows that unemployment rates were highest among those with below-matric and matric-only qualifications and, with the exception of those aged 15-24 years, were relatively low for those with tertiary qualifications.

3.3.2. Labour Market Outcomes by Level of Education

Schooling and the educational level of the labour force are important to enhancing labour market outcomes. This section examines labour market outcomes by level of education in Gauteng between 2010 and 2015.

Table 3.8: Provincial Labour Force by Education Level, 2010 & 2015

Level of Education	Labour Force ('000)				Rates (%)					
	Employment		Unemployment		LFPR		Unemployment		Employed as % of total GP employment	
	2010	2015	2010	2015	2010	2015	2010	2015	2010	2015
No schooling	78	74	22	29	62.8%	63.5%	16.6%	17.9%	3.0%	2.5%
Less than primary completed	230	260	95	102	66.0%	68.5%	24.3%	22.7%	8.4%	7.6%
Primary completed	151	147	60	72	64.0%	66.2%	24.1%	26.4%	4.9%	4.3%
Secondary not completed	1,401	1,461	739	851	62.4%	64.3%	31.3%	32.5%	33.0%	33.2%
Secondary completed	1,461	1,679	594	680	75.3%	75.7%	26.7%	26.6%	30.2%	31.1%
Tertiary	1,045	1,323	100	182	91.2%	90.8%	9.1%	11.9%	19.0%	20.1%
Other	65	86	18	13	73.9%	75.3%	16.8%	11.8%	1.4%	1.2%

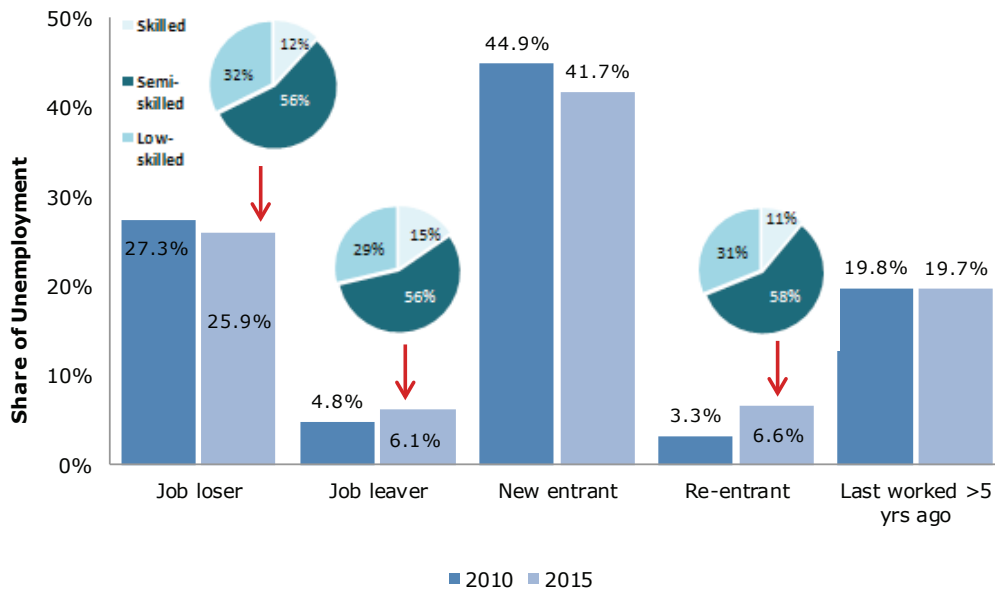
Source: Quantec, 2016

Note: 2015 data is given for the period to quarter three.

Table 3.8 shows Gauteng's labour force by educational level. Similarly to the national pattern, those with below-matric and matric-only education made up the largest share of employed people in the province, at 33.2 percent and 31.1 percent respectively in 2015. The share of employment for people with tertiary

qualifications increased to 20.1 percent in 2015 from 19 percent in 2010. At the same time, the unemployment rate for this educational category increased. With a high participation rate of 90.8 percent by those with tertiary qualifications, the data suggests that people in this educational category are actively looking for jobs but that there is not enough growth to absorb them.

Figure 3.6: Characteristics of the Unemployed & Skill Levels, 2010 & 2015



Source: Quantec EasyData, 2016

Note: 2015 data is given for the period to quarter three.

Figure 3.6 shows the characteristics of the unemployed in Gauteng, and their skill levels, for 2010 and 2015. The pie charts for 2015 show the skill levels of those who lost, left or re-entered the labour market in that year. Of roughly 1.3 million people unemployed in the province in 2015, 41.7 percent were new entrants unable to find work. About 25.9 percent were people who had lost their jobs and 19.7 percent had been out of work for more than five years. 6.1 percent had left their jobs voluntarily but not found work, and 6.6 percent were people attempting to re-enter the labour market but not finding jobs. Those who lost jobs and who left or were re-entering the labour market were mainly semi- and low-skilled, indicating that lower skilled workers are more vulnerable to unemployment.

3.3.3. Outcomes by Selected Industry and Skills

Gauteng is the financial hub of the country. Led by the finance & business services sector, the tertiary sector accounts for the largest share of the province's economic activity. However, this sector is knowledge intensive and requires highly skilled labour. It therefore has limited scope to absorb the less skilled.

Table 3. 9: Aggregated Sector Employment & Skills Composition, 2010 & 2015

Sector	Employment ('000)		Employed as % of total GP employment	
	2010	2015	2010	2015
Primary Sector	68	125	1.5%	2.5%
Highly skilled	12	23	17.4%	18.0%
Skilled	32	71	46.5%	56.8%
Semi & low skilled	25	31	36.1%	25.2%
Secondary Sector	1,078	1,070	24.3%	21.3%
Highly skilled	267	223	24.8%	20.8%
Skilled	666	670	61.8%	62.6%
Semi & low skilled	144	178	13.4%	16.6%
Tertiary Sector	3,283	3,831	74.1%	76.2%
Highly skilled	998	1,228	30%	32%
Skilled	1,446	1,673	44%	44%
Semi & low skilled	839	930	26%	24%

Source: Quantec, 2016

Note: 2015 data is for the period to quarter three.

Table 3.9 shows employment by sector and skills in Gauteng for 2010 and 2015. The tertiary sector had the largest number of employed people in both years. Of the 3.8 million people in the sector in 2015, 44 percent were skilled and 32 percent highly skilled. This reflects the nature of the predominating sub-sectors such as finance & business services and government, social & personal services. At just over one million, the secondary sector accounted for the second highest number of employed people in 2015. 62.6 percent of these were skilled and 20.8 percent highly skilled. The primary sector employed the lowest number of the three sectors in both 2010 and 2015. Of the 125,000 people employed in the sector in 2015, 56.8 percent were skilled and 25.2 percent semi- and low-skilled.

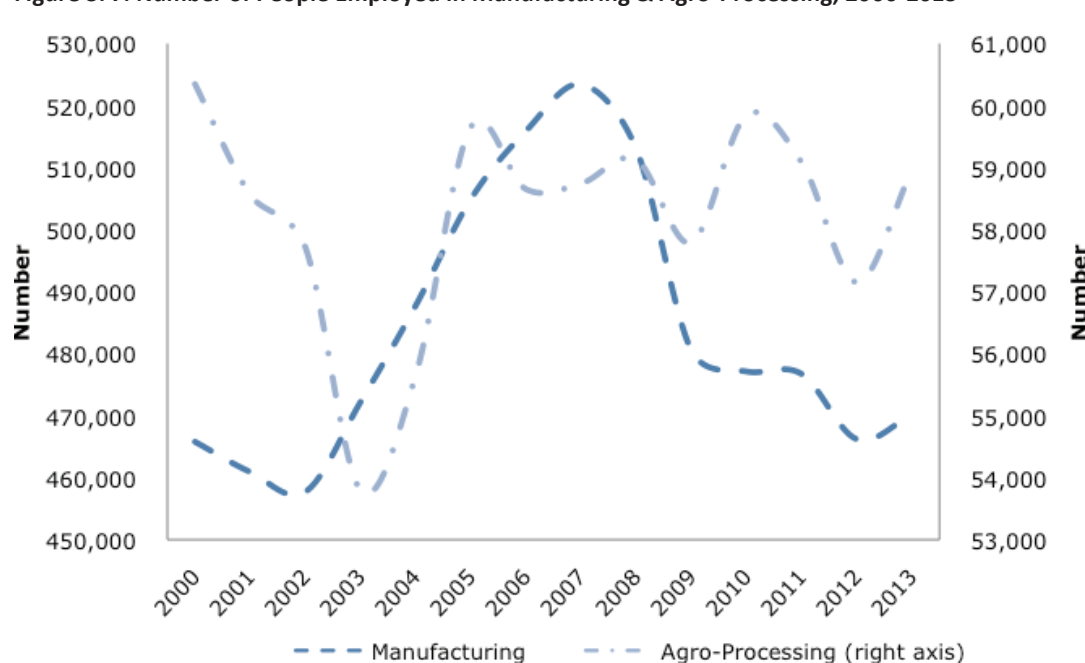
Table 3. 10: Manufacturing & Agro-Processing, Employment & Skills Composition, 2010 & 2013

Skills & Selected Sectors	Employment ('000)		Employed as % of total GP employment	
	2010	2013	2010	2013
Manufacturing				
<i>Formal Employment</i>	<i>417</i>	<i>409</i>	<i>87.5%</i>	<i>87.0%</i>
Highly skilled	56	58	13.3%	14.2%
Skilled	141	139	33.7%	34.0%
Semi & low skilled	221	212	53.0%	51.8%
<i>Informal Employment</i>	<i>60</i>	<i>61</i>	<i>12.5%</i>	<i>13.0%</i>
Agro-Processing				
<i>Formal Employment</i>	<i>109</i>	<i>101</i>	<i>82.8%</i>	<i>81.7%</i>
Highly skilled	11	11	10.3%	10.9%
Skilled	42	40	38.8%	40.0%
Semi & low skilled	55	49	50.9%	49.0%
<i>Informal Employment</i>	<i>23</i>	<i>23</i>	<i>17.2%</i>	<i>18.3%</i>

Source: Quantec, 2016

Note: Total employment is disaggregated by formal and informal employment. Formal employment is further disaggregated by skills composition. 2013 is the most recent year for which disaggregated sub-sector data is available.

Table 3.10 gives details of employment in the manufacturing and agro-processing sectors in Gauteng in 2010 and 2013. The number of people formally employed in manufacturing fell from 417,000 in 2010 to 408,000 in 2013. This reflects the decrease in the sector's contribution to the province's total output. Of those employed in the sector in 2013, over 51 per cent were semi- and low-skilled and 34 percent were skilled. The number of people employed in agro-processing also decreased between the two years. In 2013, about 49 percent of those formally employed in the sector were semi- and low-skilled and 40 percent skilled. Over 18.3 percent of those in agro-processing in that year were in informal employment.

Figure 3. 7: Number of People Employed in Manufacturing & Agro-Processing, 2000-2013

Source: IHS Global Insight, 2015

Figure 3.7 shows the number of people employed in the manufacturing and agro-processing sectors from 2000 to 2013. The decline in numbers in manufacturing, from 523,435 in 2007 to just over 470,000 in 2013, reflects the de-industrialisation that has been taking place in the province. Employment in agro-processing was relatively volatile throughout the period. It increased from 57,150 in 2012 to 58,955 in 2013 but over the 13-year period fell by almost 1,400.

3.4. Implications of the Current Labour Force for Government Initiatives

South Africa's labour force grew by an average of 2.8 percent a year between 2010 and 2015 and now accounts for over 55 percent of the working-age population. The increase in the number of employed people shows that jobs are being created. However, unemployment remains stubbornly high, evidence of the fact that the economy is not creating enough jobs. Furthermore, about 64 percent of those without jobs, or 3.4 million people, are long-term unemployed who have been looking for work for a year or longer. This highlights the structural weakness in the labour market, and the mismatch between skills and available jobs. New entrants looking for their first jobs accounted for the largest proportion of the unemployed. Lack of work experience places these new entrants at risk of long-term unemployment as the probability of finding a job declines with the length of time a person spends out of work.

Both the South African and Gauteng labour forces are characterised by large numbers of people aged between 15 and 34 years. In 2015, the unemployment rate for the age group 15-24 years was 50.1 percent nationally and 44.1 percent in Gauteng. The participation rate was also low among this age cohort, with only 26.9 percent actively engaged in the labour market. These facts highlight the challenges faced by young people, especially as about 50 percent of those actively looking for work have educational levels below matric and 48 percent have only a matric qualification. Even for those with jobs, their skill and educational levels often limit their ability to progress.⁶³

⁶³ Stats SA. (2015). *National and Provincial Labour Market*. Accessed at <http://www.statssa.gov.za>

Building education and skills is critical to the government's agenda of transforming and modernising the economy. It is for this reason that initiatives like Gauteng Tshepo 500 000 have been introduced. Launched in December 2014, Tshepo 500 000 is an employment creation and entrepreneurship development programme which, by the end of March 2019, aims to have trained, skilled and mentored 500,000 young people, women and people with disabilities through a range of programmes.⁶⁴ Since 2015, the programme has facilitated job placements of over 37,000 young people who were trained through skills development partnership.⁶⁵

Within manufacturing and agro-processing, sectors earmarked for growth in the province, low-skilled and semi-skilled workers make up the largest number of the employed labour force in manufacturing. This sector is therefore able to absorb low- and semi-skilled people who make up the majority of the unemployed, nationally and in the province; however, the shortage of skilled labour is a challenge for the sector. The majority of respondents in a survey by the Manufacturing Circle indicated that skills in manufacturing were either poor or inadequate. This inhibits the sector's performance.⁶⁶ Without such skills, it will be difficult to achieve the aim of the NDP, IPAP and the TMR agenda of sustainable growth through manufacturing. Addressing this is not made easier by weak external demand and the current low rate of growth in the domestic economy. Expanding manufacturing in South Africa requires technological innovation and new infrastructure which in turn increases the demand, and competition, for skilled people. Further Education and Training (FET) colleges are critical to closing the skills gap and to producing students with the scarce and high-level skills needed.

3.5 Conclusion

South Africa is struggling to overcome high levels of unemployment, with employment prospects falling in a context of subdued global and domestic economic growth. Long-term unemployment is rising, especially among young people and those with low educational qualifications and inadequate skills.

The youth makes up the bulk of both the national and Gauteng labour forces. The unemployment rate is high amongst this group, especially to those aged 15-24 years. New entrants to the job market make up the largest share of the total unemployment, indicative of the slow employment creation in the economy. People who lost their jobs also account for a substantial share of the total unemployment, also indicative of weaker economic growth.

Low educational attainment is also another characteristic of the labour force. The majority of both the South African and Gauteng's employed labour forces, is made up of people who have below matric qualification and those with just matric-level education. These groups also contribute a very small number towards skilled labour force, with the majority mainly being semi and low-skilled.

The poor skills base affects the sectors that the province has earmarked for growth, and is a challenge particularly for manufacturing. A well-skilled workforce is critical to achieving government's aim of strengthening this sector.

⁶⁴ Gauteng Department of Economic Development. (2014). *Gauteng Tshepo 500000*. Accessed at <http://www.tshepo500000.co.za/>

⁶⁵ Gauteng Provincial Government. (2016). *The State of the Province Address*. Accessed at <http://www.gautengonline.gov.za>

⁶⁶ Manufacturing Circle. (2015). *Manufacturing Bulletin*. Accessed at <http://www.manufacturingcircle.co.za>

Chapter 4: Socio-Economic Development

4.1. Background

In a changing global environment, development indicators provide tools with which countries and regions are able to measure their progress towards meeting their developmental goals and objectives. It is vital that policy makers recognise the linkages between various developmental indicators; for example, an intervention in education can also be a poverty eradication strategy. With the ever-growing global urbanised population, anti-poverty measures and provision of basic household infrastructure remain essential to development.

South Africa has relatively high poverty and inequality levels.⁶⁷ A major underlying cause is the low level of formal employment which prevents a large share of the population from participating in the formal economy. The NDP highlights the fact that income inequality in South Africa originates from the socio-economic distortions that characterised apartheid.⁶⁸ Poor education and skills-training restricts labour market participation for the majority of the population to low-skilled work or to unemployment. As a result, they remain trapped in poverty. With the ever-increasing population particularly in the country's urban areas, reversing these patterns remains a major task for policy makers.

This chapter first describes some of the development indicators used in South Africa, providing comparisons with trading partner countries, with other BRICS countries such as India and Brazil and with Africa's largest economy, Nigeria. The chapter then applies these indicators to Gauteng and its metropolitan and district municipalities. The chapter closes by looking at implications of the current socio-economic environment for policy initiatives.

4.2. Indicators of National Socio-Economic Development

The priority for government is to transform and modernise the country's economy, with successful education and health policies being critical to achieving this goal. Planning requires understanding the linkages between different developmental, demographic and economic indicators. This section explores the linkages between a number of such indicators and looks at their implications for the South African and Gauteng economies.

4.2.1. Education Outcomes

The NDP envisions that by 2030 all South Africans should have access to good quality education so that learning outcomes improve and the country is able to compete with others at a similar level of development.⁶⁹ The Minister of Finance, Honourable Pravin Gordan during his recent Budget tabling, ensured that the country continues to invest in higher education and has allocated an additional R16.3 billion over the next three years. Of this total, about R5.7 billion covers the short-fall for keeping fees unchanged from the 2015 academic year, R2.5 billion is allocated towards clearing outstanding debt for National Student Financial Aid Scheme (NFSAS) and about R8 billion ensures that current student on NFSAS complete their studies.⁷⁰

⁶⁷ The Helen Suzman Foundation. (2014). *Inequality in South Africa*. Accessed at <http://hsf.org.za/resource-centre/focus/state-and-nation>

⁶⁸ National Planning Commission. (2012). The National Development Plan: Vision 2030. Accessed at <http://www.thepresidency.gov.za>

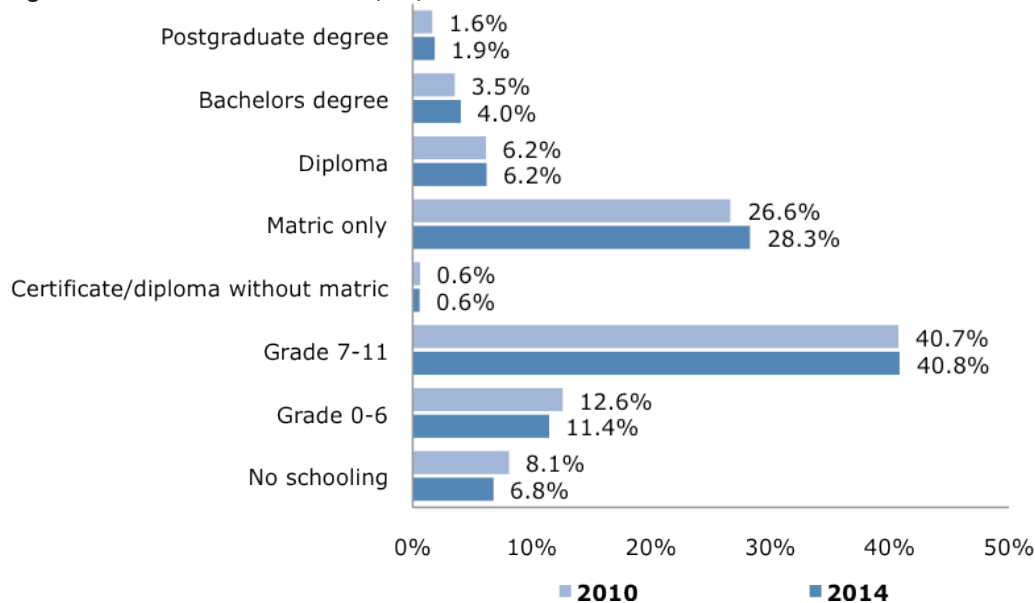
⁶⁹ National Planning Commission. (2012). The National Development Plan Vision 2030. Accessed at www.thepresidency.gov.za

⁷⁰ National Treasury. (2016). The National Budget Speech. Accessed at <http://www.treasury.gov.za>

Educational Attainment Levels

Figure 4.1 below shows educational attainment among people aged 20 years and above for the country as a whole in 2010 and 2014.

Figure 4.1: Educational Attainment, SA, 2010 & 2014



Source: IHS Global Insight, 2016

The figure shows an improvement in educational attainment between the two years. The share of the country's population aged 20 years and above with matric increased from 26.6 percent in 2010 to 28.3 percent in 2014 and the share with post-graduate qualifications from 1.6 percent to 1.9 percent. The aim must be to increase the percentage of the population whose highest educational qualification is above matric. Currently, the majority of the unemployed population have not reached matric level. Along with relevant experience, appropriate educational qualifications are critical to a person's ability to find a job.⁷¹

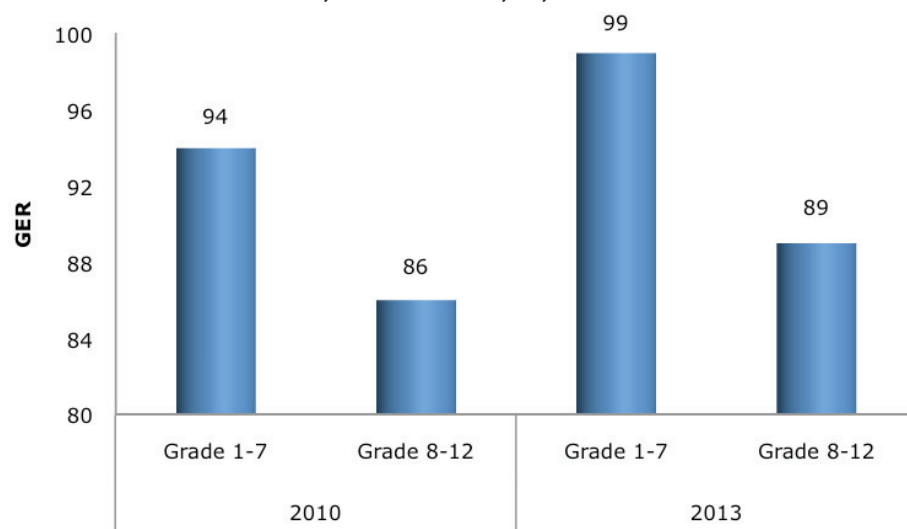
Basic Education

As the figure above shows, educational outcomes have been improving, with formal schooling available to all of the country's young people. These improvements have been assisted by government policies such as the National Norms and Standards for School Funding (NNSF). These have contributed to improvements in educational attainment by introducing no-fee schools, thus allowing children from poor families to access basic education.⁷² Despite increasing expenditure on basic education over the next three years, an additional amount of R813 million has been allocated to Early Childhood Development (ECD) centres. This is aimed at increasing the number of children participating in ECD in the country.⁷³

⁷¹ Statistics South Africa (2015). *Labour Market Dynamics in South Africa, 2014*. Accessed at <http://www.statssa.gov.za/publications/Report-02-11-02/Report-02-11-022014.pdf>

⁷² Gauteng Department of Education. (2014). *Twenty Years of Education Transformation in Gauteng 1994 to 2014*. Gauteng, Republic of South Africa.

⁷³ National Treasury. (2016). *The National Budget Speech*. Accessed at <http://www.treasury.gov.za>

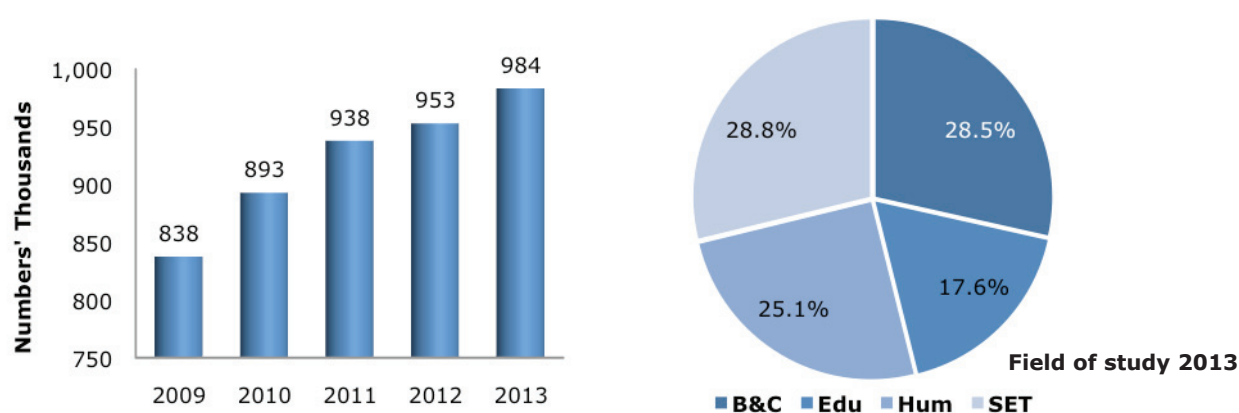
Figure 4.2: Gross Enrolment Ratio, Basic Education, SA, 2010 & 2013

Source: Education Statistics in South Africa, 2015

Table 4.2 shows the Gross Enrolment Ratio (GER)⁷⁴ for South Africa in 2010 and 2013 for grades 1-7 and grades 8-12. Between these years, the GER for grades 1-7 rose from 94 percent to 99 percent, and for grades 8-12 from 86 percent to 89 percent. This higher ratio indicates that the country is able to provide education for all of its school-age population.

Higher Education Institutions (including FETs)

South Africa's higher education sector includes Further Education and Training (FET) and technical colleges, universities of technology and comprehensive universities.⁷⁵ FET institutions provide post-secondary education and training with a particular focus on the skills needed in modernising and transforming the country's economy. The NDP emphasises the importance of FETs in promoting skills development for new sectors. The challenge is to encourage pupils to enrol in FETs and to train as technicians & artisans in order to acquire the skills in demand by industry and other sectors of the economy.

Figure 4.3: Tertiary Enrolment & Field of Study, 2009 to 2013

Source: VitalStats: Public Higher Education, 2015. South African Council on Higher Education

Note: B&C=Business and commerce, Edu=Educational Studies, Hum=Humanities and SET=Science, engineering & technology.

⁷⁴ Gross Enrolment Ratio refers to number of children enrolled in primary or secondary school in relation to the number of children in the relevant age group.

⁷⁵ Many universities of technology were previously technikons which subsequently merged with other institutions including universities. Comprehensive universities are standard universities.

Figure 4.3 shows tertiary enrolment in South Africa from 2009 to 2013. The pie chart shows the fields of study in which students were registered in 2013. Between the two years, the number of tertiary enrolments increased from 838,000 to 984,000. Of the total enrolment in 2013, 28.8 percent were in the field of science, engineering & technology; 28.5 in business & commerce; 25.1 percent in humanities and 17.6 percent in educational studies.

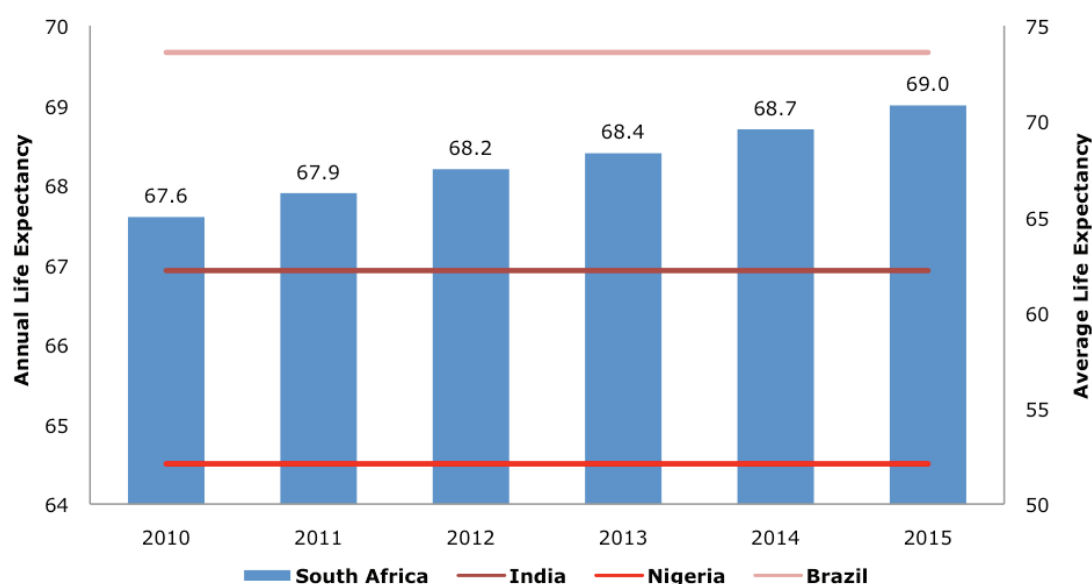
4.2.2. Health Outcomes

Ensuring that the population is healthy is important in an economy that is transforming and modernising. Poor health reduces the quality of life and may result in reduced life expectancy and high mortality rates⁷⁶.

Life Expectancy

The figure below shows life expectancy for South Africa and a number of other countries.

Figure 4.4: Life Expectancy, South Africa, India, Nigeria, Brazil, 2011-2015



Source: Mid-Year Population Estimates & World Bank Development Indicators, 2016

Between 2010 and 2015, life expectancy in South Africa increased from 67.6 years to 69 years. This suggests an improvement in living conditions and in access to health care and availability of medicines. In particular, antiretroviral (ARV) treatment has been made widely available to people with the Human Immunodeficiency Virus (HIV).⁷⁷ Of the other countries shown in the figure, at 73.6 years Brazil has the highest average life expectancy and Nigeria the lowest, at approximately 52 years.

Mortality Trends

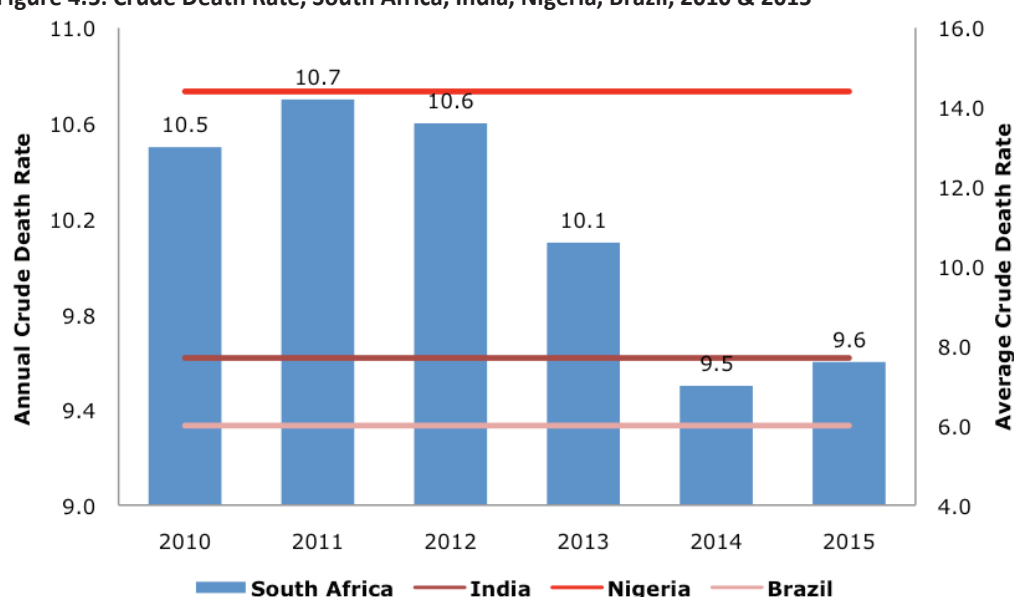
Since the introduction of ARV treatment in 2004, the national death rate has significantly declined. The leading natural cause of death in the country is tuberculosis (TB) followed by cerebrovascular diseases. Combined, these accounted for 13.5 percent of deaths in 2014.⁷⁸ Just under 5 percent of deaths in that year were due to HIV.

⁷⁶ The World Health Organisation (WHO) defines life expectancy as the number of years a person is expected to live, taking into consideration other factors such as injury and diseases. Mortality refers to the number of deaths per thousand persons in a population.

⁷⁷ International Aids Society. (2013). *Increases in life expectancy among treated HIV-positive individuals in the United States and Canada, 2000-2007*. Accessed at <http://pag.ias2013.org/Abstracts.aspx?AID=2451>

⁷⁸ Statistics South Africa. (2014). *Mortality and Causes of Death in South Africa, 2014: Findings from Death Notifications*. Accessed at <http://www.statssa.gov.za/publications/P03093/P030932014.pdf>

Figure 4.5: Crude Death Rate, South Africa, India, Nigeria, Brazil, 2010 & 2015



Source: Mid-Year Population Estimates and World Bank, 2016

Figure 4.5 shows, on its left axis, the Crude Death Rate (CDR)⁷⁹ as a measure of mortality in South Africa and a number of other countries from 2010 to 2015. The right axis gives the average CDRs for these countries over that period. South Africa's CDR declined in most of the years shown but rose in 2015. Amongst the selected countries, Nigeria had the highest CDR with an average of 14.4 deaths per 1,000 people.

4.2.3. Development Indicators

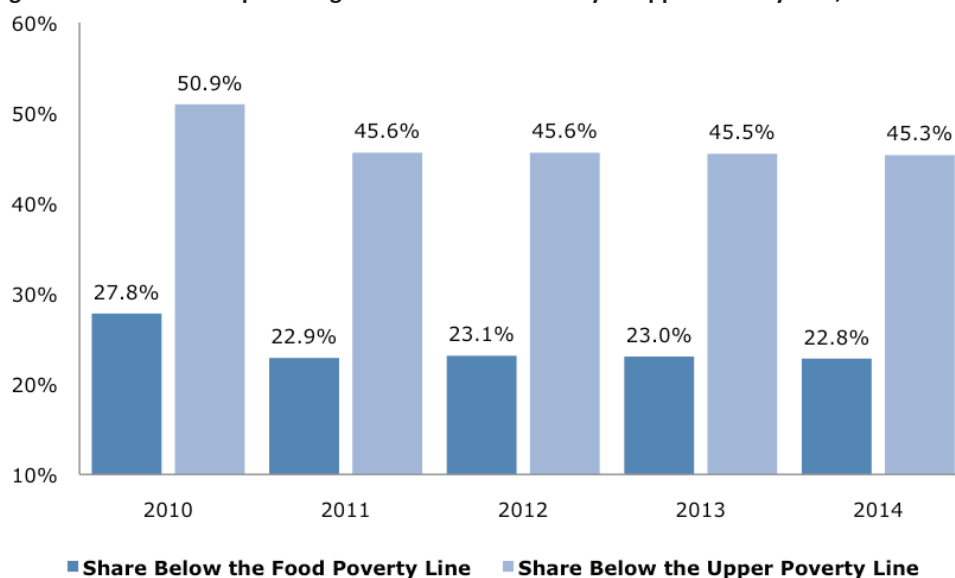
This section gives information about indicators of poverty, income inequality (as measured by the Gini coefficient) and human development, as measured by the Human Development Index (HDI). The United Nations 2014 Human Development Report shows global improvements in human development. This applies also to South Africa.⁸⁰

Poverty

This section gives information about poverty in South Africa, using some of Stats SA's 2014 measures: the share of people below the food poverty line (less than R350 per person per month) and those living below the upper poverty line (less than R577 per person per month).

⁷⁹ The CDR is the mortality rate from all causes of death for a population per year per thousand persons.

⁸⁰ United Nations Development Programme. (2014). *Human Development Report: Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience*. New York.

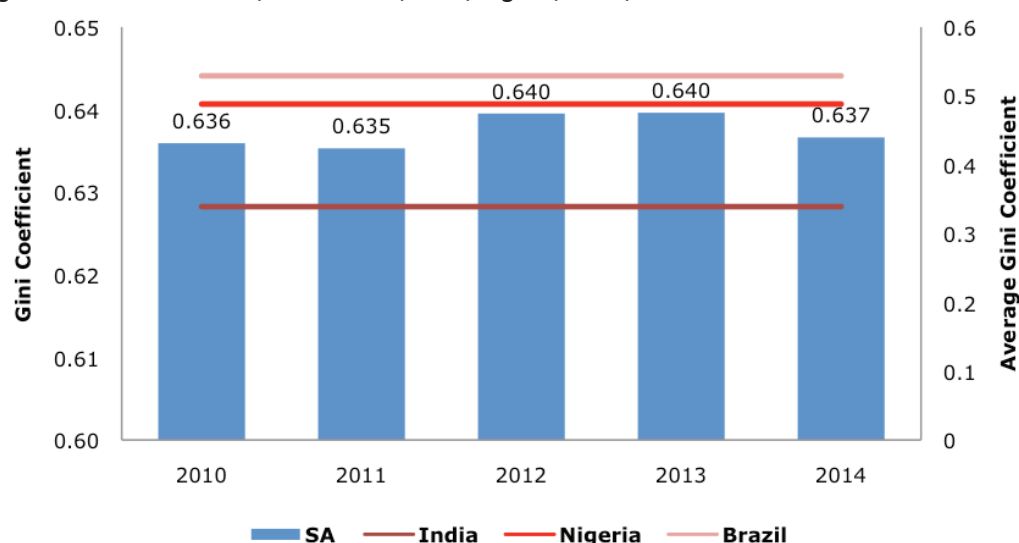
Figure 4.6: Share of People Living below the Food Poverty & Upper Poverty Line, 2010–2014

Source: IHS Global Insight, 2016

Figure 4.6 gives the share of South Africa's population living below the food poverty line, and below the upper poverty line, from 2010 to 2014. The share of people living below the food poverty line is smaller than that of the people living below the upper poverty line, which can be regarded as a better measure of poverty as it includes a larger population. Both measures showed a decline over the period. However, since 2011 the size of the annual decline has been small. This may be due to the relatively high number of people who are unemployed.

Income Inequality

The Gini coefficient⁸¹ measures income inequality. South Africa has particularly high levels of inequality. Addressing this and bringing about not only increased incomes but changes in their distribution, remains vital for overcoming poverty as small changes in income can have significant effects on reducing poverty levels.⁸²

Figure 4.7: Gini Coefficient, South Africa, India, Nigeria, Brazil, 2010-2014

Source: IHS Global Insight, Quantec Research & World Bank, 2016

⁸¹ A Gini coefficient of 0 means income is equally distributed and there is no variation amongst income earners, while a coefficient of 1 indicates that all the income is earned by one person in the economy.

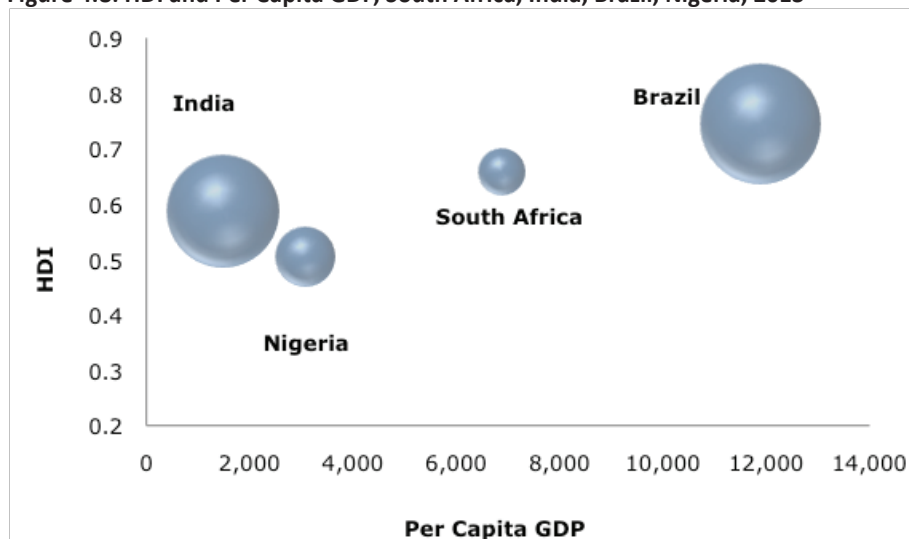
⁸² Overseas Development Institute. (2002). *Why Inequality Matters for Poverty*: Briefing Paper No 2 (2 of 3), London, UK.

Figure 4.7 shows income inequality as measured by the Gini coefficient for South Africa, India, Nigeria and Brazil from 2010 to 2014. Between 2010 and 2011, there was a slight improvement in South Africa's Gini coefficient. The number increased in 2012 and decreased again in 2014. Although the levels changed over this period, taken as a whole they show that income inequality remains high in the country. India's Gini coefficient indicates that it has a more equal distribution of income, with a Gini of 0.339. Brazil's is 0.529 and Nigeria's 0.488.

Human Development

The HDI is a measure of development that takes into account a population's life expectancy, education and standard of living. The 2014 UN Human Development Report ranks South Africa 116 out of 156 countries, an improvement from its previous position of 121 in 2013.⁸³

Figure 4.8: HDI and Per Capita GDP, South Africa, India, Brazil, Nigeria, 2013



Source: UN & IMF Database, 2016

Note: The bubble sizes indicate GDP at 2013 prices. Data for HDI for India, Brazil and Nigeria is available only up to 2013.

Figure 4.8 shows the relationship between HDI and per capita GDP for South Africa, Brazil, India and Nigeria for 2013. It shows that a higher HDI tends to be associated with high per capita GDP. However, the relationship between the two does not mean that one causes the other. Brazil has the highest per capita GDP and thus the highest HDI level. Although Nigeria has the largest economy in terms of the size, its HDI level was the lowest, at 0.50. South Africa's was 0.66. Box 4.1 below shows that, despite substantial economic growth in the past 10 years, Nigeria has not significantly improved in terms of socio-economic development. Social imbalances can have a negative impact on economic growth. In turn, low economic growth undermines the ability to find ways to reduce poverty, income inequality and mortality rates, and to improve life expectancy. Failure to correct social imbalances may undermine Nigeria's future growth. All developing countries, including South Africa, need to be aware of such risks.

⁸³ United Nation Development Report. (2015). *Human Development Report 2015: Work for Human Development*. New York, USA

Box 4.1: Nigeria has lagged behind in improving socio-economic development

With an estimated population of 182 million people, Nigeria is the most populous country in Africa and accounts for about 47 percent of West Africa's population.^a It also has the largest economy on the continent in terms of size (US\$574 billion compared with South Africa's US\$350 billion). Nigeria enjoyed sustained economic growth for the past 10 years, with real GDP increasing by around 7 percent annually. This growth was driven by the non-oil sector, with the services sector contributing 57 percent and manufacturing and agriculture 9 percent and 21 percent respectively.

Indicator	Nigeria	South Africa
Size of economy (US\$'bn, 2014)	574	350
GDP growth (2014)	6.3%	1.5%
Human Development:		
HDI Ranking (out of 187 countries, 2013)	152	118
Net primary enrolment rate (2013)	54%	98%
Life expectancy (2013)	52.5	68.4
Other development indicators:		
Infant mortality (deaths per 1,000 births, 2014)	58	34
Poverty rate (% of population, 2010)	45.5%	53.8%
Inequality (Gini coefficient, 2010)	0.49	0.64
Access to household infrastructure (2014):		
Water	57.7%	81.2%
Sanitation	33.7%	75.2%

Source: IMF, UNDP, ADB, Stats SA & World Bank, 2015

Available data shows that the benefits of Nigeria's economic growth have not been widely shared, and that citizens' standard of living and the country's overall socio-economic environment have not improved significantly. In terms of human development indicators, Nigeria is ranked amongst the lowest countries, at 152 out of 187. Life expectancy is 52.5 years, with only about 5.7 percent of the country's budget allocated to health. In 2013, net primary school enrolment rate stood at 54 percent. Other development indicators show that, of the country's estimated 182 million people, only 57.7 percent have access to piped water and 33.7 percent to sanitation. Addressing such socio-economic issues is key to achieving inclusive growth and sustainable development. The Nigerian government has proposed various interventions focusing on education, health and social safety nets.^b

^a AFDB, OECD & UNDP. (2015). *Overview of Nigeria 2015*. Accessed at <http://www.worldbank.org.za>

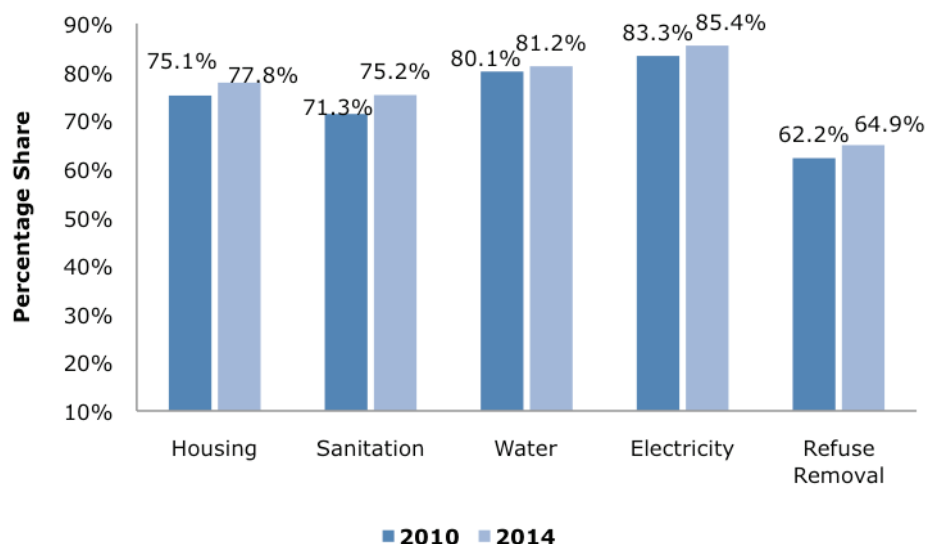
^b AFDB. (2015). *Economic Report on Nigeria*. Accessed at www.afdb.org

^c The Nigerian economy was rebased in 2013, updating the previous base year of 1990 which had become outdated due to changes in the structure of the economy. The data are based on the revised figures.

4.2.4. Household Infrastructure

As cities modernise and their populations increase, the demand for basic household services rises, putting service delivery under pressure. It is therefore important that planning caters for increases in demand for these services.

Figure 4.9: Access to Household Infrastructure, 2010 & 2014



Source: IHS Global Insight, 2016

Figure 4.9 shows the share of South Africa's households with access to various services in 2010 and 2014. It shows an increase in access to all services between the two years. Despite growing pressure on the national grid to supply electricity, a substantial majority of the country's population has access to this service. Those with access to water also increased between the two years. The NDP envisages that, by 2030, 90 percent of the country's households will have access to electricity and every household will have access to reliable, sufficient water and hygienic sanitation water.⁸⁴ If the pace of service provision continues at this rate, it seems probable that these targets will be met.

4.3. Provincial Socio-Economic Development

Gauteng's pillars of TMR are the province's guiding tools for achieving its socio-economic priorities. This section provides information about education, health and development indicators and about access to services in Gauteng and its municipalities.

4.3.1. Education Outcomes

Modernising the economy, which includes the education sector, is central to the vision of the province's government, and forms part of the five-year plan of the Gauteng Department of Education (GDE). Since 2014, the GDE piloted the concept of the 'paperless classroom' in a number of secondary schools in the province. This requires, and makes use of, access to computers and high-speed internet.⁸⁵ Since 2015, about 1,861 grade 12 classrooms and over 3,000 grade 11 classrooms have been connected to the e-learning system.⁸⁶

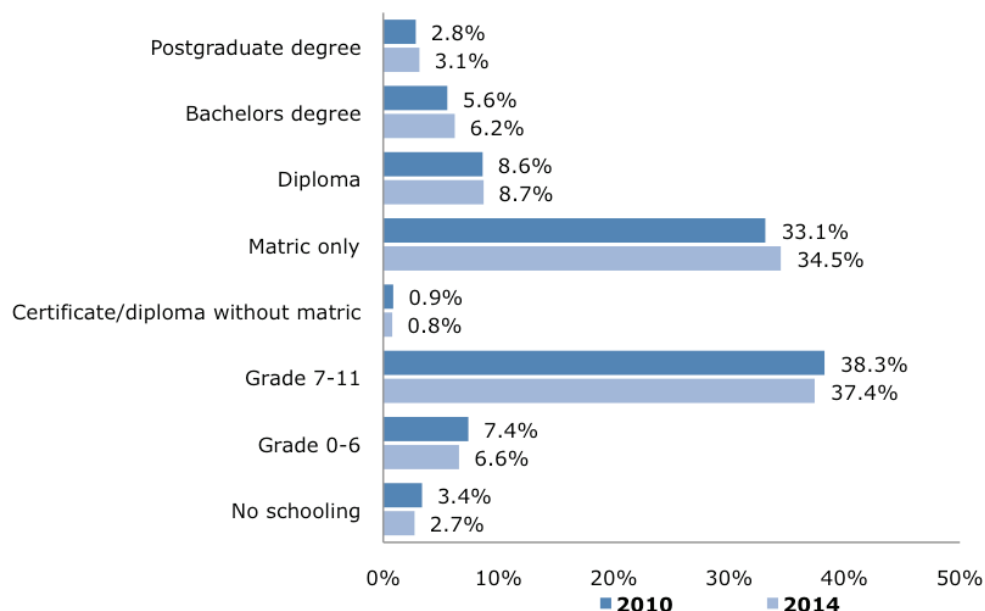
⁸⁴ National Planning Commission. (2012). *National Development Plan: Vision 2030*. Accessed at www.thepresidency.gov.za

⁸⁵ Gauteng Department of Education. (2015). MEC Lesufi: 5 Year Plan Presentation. Accessed at <http://www.education.gpg.gov.za/Documents/5%20year%20Plan%20Presentation%20Final.pptx>

⁸⁶ Gauteng Provincial Government. (2016). The Gauteng State of the Province Address. Accessed at <http://www.gautengonline.gov.za>

The GDE is also working to increase access to ECD centres, improve the quality of learning and teaching, eradicate infrastructural backlogs and increase accountability to communities to improve learning.⁸⁷ The 2016 SoPA highlighted that over 87,000 children in Gauteng have been reached through 1,330 funded ECD centres. Basic education outcomes have also improved; over 75 percent of learners that began grade 1 in 2004 in Gauteng public schools have reached matric in 2015.⁸⁸ These are in line with what is stated in the Social Transformation Pillar: that the province aims to improve the quality of education and build social cohesion.

Figure 4.10: Educational Attainment, 2010 & 2014



Source: IHS Global Insight, 2016

Figure 4.10 shows the levels of educational attainment among people aged 20 years and above in Gauteng between 2010 and 2014, and indicates some improvement. The share of those with no schooling decreased from 3.4 percent in 2010 to 2.7 percent in 2014; and 6.2 percent of those aged 20 years and older had bachelor degrees in 2014 compared with 5.6 percent in 2010. There were, however, not significant changes among those with diplomas and with certificates or diplomas without matric.

4.3.2. Health Outcomes

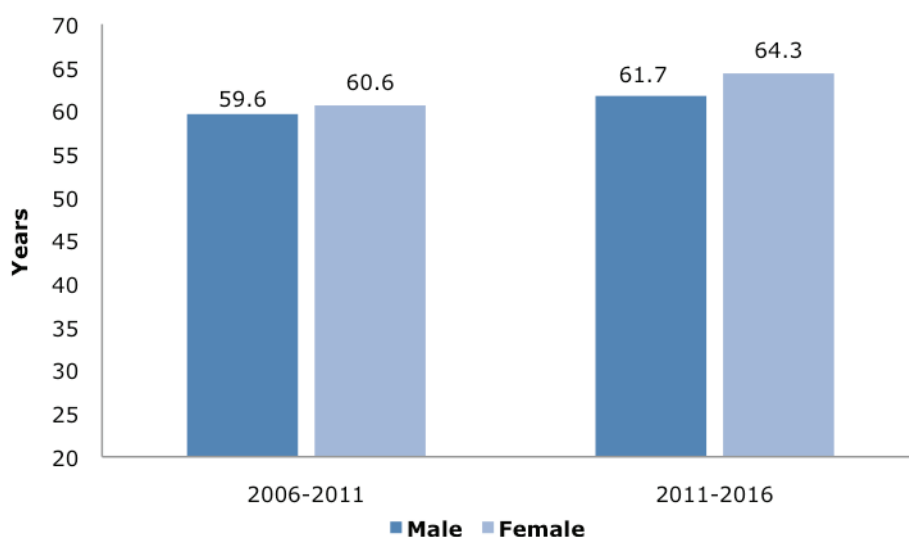
A healthy labour force can lead to increased productivity and contribute towards economic growth and thus to national output. The target of the fourth MDG was for life expectancy to reach 70 years by 2015. By the end of that year, the goal had been missed but by a small margin, with life expectancy standing at 69 years. Another target of the MDGs was to reduce mortality among under-5s to 20 deaths per 1,000 live births. South Africa did not meet this goal; in 2015, the figure was 41.⁸⁹ This section deals with life expectancy by gender, the crude death rate and child mortality by cause of death in the province.⁹⁰

⁸⁷ Gauteng Department of Education. (2015). *Strategic Plan 2015–2020*. Johannesburg, Republic of South Africa.

⁸⁸ Gauteng Provincial Government. (2016). The Gauteng State of the Province Address. Accessed at <http://www.gautengonline.gov.za>

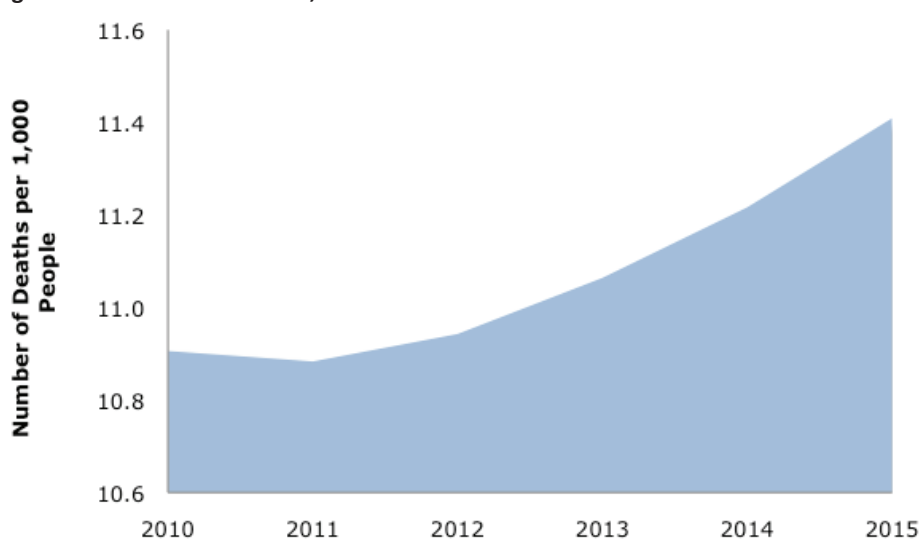
⁸⁹ Statistics South Africa. (2013). *Millennium Development Goals Country Report 2013*. Pretoria, Republic of South Africa. World Bank. (2015). *Mortality Rates, Under 5 (per 1000)*: Accessed at <http://data.worldbank.org/indicator/SH.DYN.MORT>

⁹⁰ MDG Goal Four did not have targets for child mortality by cause of death.

Figure 4.11: Life Expectancy by Gender, 2006-2011 & 2011-2016

Source: Stats SA, 2015

Figure 4.11 shows the life expectancy at birth in Gauteng in 2006-2011 and 2011-2016. As is almost universally the case, it indicates that females tend to live longer than males. In 2006-2011, female life expectancy at birth was 60.6 years while that of males was 59.6 years. For both genders, it had increased by 2011-2016. Among other reasons for this increase is the decline in deaths caused by Acquired Immune Deficiency Syndrome (AIDS)-related diseases and the increase in the number of people on ARV treatment.⁹¹

Figure 4.12: Crude Death Rate, 2010-2015

Source: Quantec Research, 2016

Figure 4.12 shows the crude death rate for Gauteng from 2010 to 2015. This rose from 10.9 deaths per 1,000 people in 2010 to 11.4 in 2015. A continuous increase in the crude death rate can lead to a decline in the level of a country's productivity as it may result in a decrease in its economically active population and labour force.

⁹¹ Statistics South Africa. (2015). *Mid-Year Population Estimates*. Pretoria, Republic of South Africa.

Table 4.1: Under-5 Child Deaths by Common Causes of Death, Gauteng Metros & Districts, 2010-2013

Pneumonia	2010	2011	2012	2013
CoE	6.0	5.6	2.7	2.7
CoJ	0.8	3.3	1.3	2.3
<i>Sedibeng</i>	15.7	7.9	7.3	5.1
CoT	1.3	2.8	1.7	0.9
West Rand	2.2	0.5	0.7	3.4
Acute malnutrition	2010	2011	2012	2013
CoE	15.4	16.6	11.2	10.9
CoJ	18.6	18.8	13.7	2.5
<i>Sedibeng</i>	26.8	16.4	19.2	8.1
CoT	5.3	10.9	18.8	3.1
West Rand	3.8	1.8	1.2	4.1

Source: District Health Barometer, 2014/15

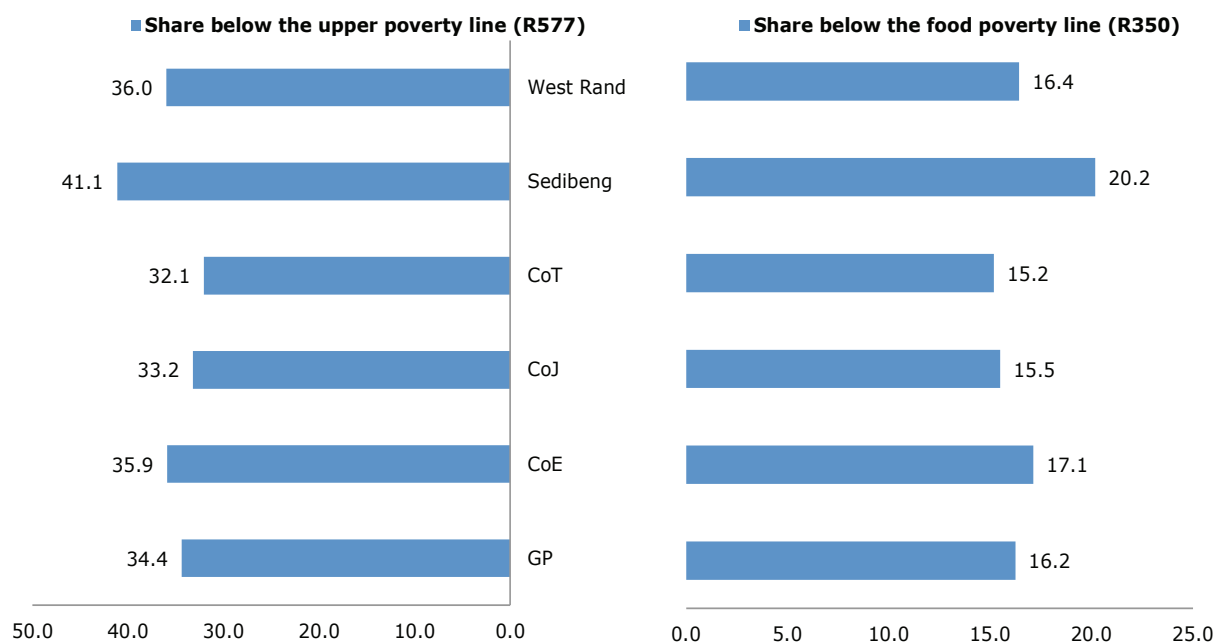
Note: The figures in the table are numbers of deaths per thousand live births.

Table 4.1 shows the two commonest causes of deaths among children under the age of five for Gauteng's regions from 2010 to 2013. In 2013, about 5.1 under five child deaths were due to pneumonia in the Sedibeng region. In the CoT, the equivalent figure was 0.9 deaths. About 10.9 under five child deaths were as result of malnutrition in CoE for 2013; in the CoJ the equivalent figure was 2.5 deaths.

4.3.3 Development Indicators

Poverty

The province's Accelerated Social Transformation pillar is linked to development-related goals and measures. The figure below draws on two measures of poverty used by Stats SA.⁹²

Figure 4.13: Share of People below the Food Poverty and the Upper Poverty Lines, Gauteng Metros & Districts, 2014

Source: IHS Global Insight, 2016

Figure 4.13 shows that the share of those living below the food poverty line is lower than of those below the upper poverty line. This is because there are more people who fall into the latter category. With 41 percent of its people falling below the upper poverty line and 20.2 percent below the food poverty line, Sedibeng had the highest share of people

⁹² Statistics South Africa. (2014). *Poverty Trends in South Africa. An Examination of Absolute Poverty Between 2006 and 2011*. Pretoria, Republic of South Africa.

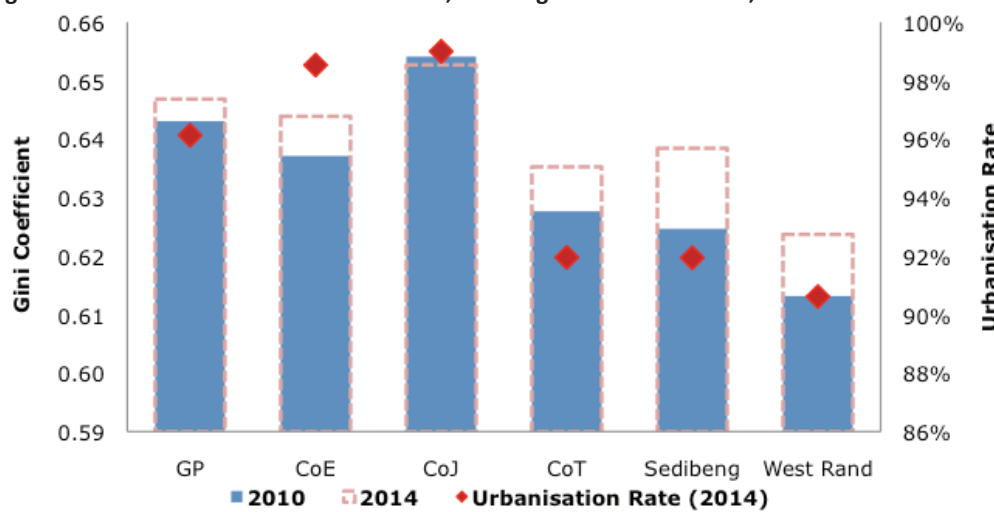
falling below both measures. At 40.7 percent, Sedibeng has the highest unemployment rate of the province's regions.⁹³ Thus the inability to earn or generate income must be one of the main factors underlying Sedibeng's poverty levels.

At 32.1 percent and 15.2 percent respectively, the CoT had the lowest share of people living below the upper poverty line and the food poverty line. Despite poverty levels remaining high, the provision of social assistance in the form of grants has had a substantial mitigating effect on poverty.⁹⁴ Since 2014, the number of people on social grants in Gauteng has increased by about 200,000.⁹⁵ The 2015 SoPA referred to urban agriculture and community and school food gardens as ways of ensuring that people produce their own food and thus address poverty in the province.⁹⁶

Income Inequality

Small changes in the income levels of a country and a region can have a significant effect on the level of poverty.⁹⁷

Figure 4.14: Gini Coefficient & Urbanisation, Gauteng Metros & Districts, 2010 & 2014



Source: IHS Global Insight, 2016

Figure 4.14 shows income inequality as measured by the Gini coefficient in Gauteng's regions for 2010 and 2014, and urbanisation rates for 2014. The three metros, which are the most urbanised centres in the province, have higher levels of inequality than the two districts. This is due to their relatively high populations, which compete for the metros' economic resources. The West Rand had the lowest levels of inequality although it showed a rising trend in the two reviewed years. The CoJ is 99 percent urbanised and in 2014 had the highest Gini coefficient, at 0.65. Township economic revitalisation and infrastructure investments are some of the steps being taken within the province to reduce inequality.⁹⁸

Human Development

The HDI, described in earlier sections of this chapter, is a relevant measure for provincial economies such as that of Gauteng as well as for the national economy.

⁹³ Additional information from IHS Global Insight Regional eXplorer.

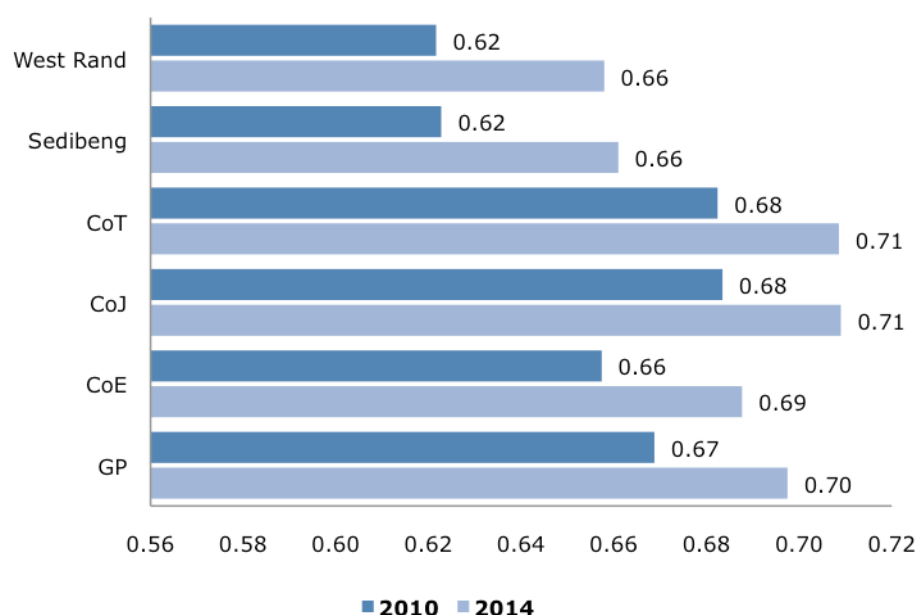
⁹⁴ The University of Stellenbosch. (2010). *Efficiency and Equity Effects of Social Grants in South Africa*, Stellenbosch Economic Working Papers: 15/10, Republic of South Africa.

⁹⁵ Gauteng Provincial Government. (2016). *The Gauteng State of the Province Address*. Accessed at <http://www.gautengonline.gov.za>

⁹⁶ Gauteng Online. (2015). *State of the Province Address*. Accessed at <http://www.gautengonline.gov.za>

⁹⁷ Overseas Development Institute. (2002). *Inequality Briefing: Why Inequality Matters for Poverty*, Briefing Paper No 2, London, United Kingdom.

⁹⁸ Gauteng Online. (2015). *State of the Province Address*: Accessed at <http://www.gautengonline.gov.za>

Figure 4.15: HDI, Gauteng Metros & Districts, 2010 & 2014

Source: IHS Global Insight, 2016

Figure 4.15 shows the HDI for Gauteng and its regions for 2010 and 2014, and indicates improvements between the two years. The greatest was in the three metros but there was also improvement in the districts. These positive changes can be attributed partly to better educational attainments and life expectancy among the province's population, as these are components of the overall measure of HDI.

4.3.4. Household Infrastructure

One of the greatest challenges facing growing cities and their population is access to and provision of basic services. Access to household infrastructure has improved in the province and in its municipalities. However, there are still regions with significant backlogs.

Table 4.2: Access to Household Infrastructure, Gauteng Metros & Districts, 2014

Regions	Housing	Sanitation	Water	Electricity	Refuse Removal
GP	78.8% ↑	89.3% ↑	94.1% ↑	84.3% ↓	90.4% ↑
CoE	77.2% ↑	89.5% ↑	93.9% ↑	78.4% ↓	89.7% ↑
CoJ	79.8% ↑	94.5% ↑	95.8% ↑	88.4% ↓	97.0% ↑
CoT	80.1% ↑	81.1% ↑	92.3% ↑	85.1% ↓	83.9% ↑
Sedibeng	81.5% ↓	90.3% ↑	96.5% ↑	87.1% ↓	89.2% ↑
West Rand	71.6% ↑	87.3% ↑	89.9% ↓	79.0% ↓	80.9% ↑

Source: IHS Global Insight, 2016

Note: The arrows compare the shares in relation to 2010 figures. A green arrow indicates an increase between the two years and a red arrow shows a decrease.

Table 4.2 shows the shares of households with access to basic infrastructure in Gauteng and its municipalities for 2014, and comparisons with the situation in 2010. It indicates that the share of households with access to electricity was lower in all regions in 2014 than in 2010. This may be due to the increase in the number of informal settlements. For the other household infrastructure items referred to in the table, there was an increase in access in all of the metros. However, in Sedibeng there was a decline in the percentage of households with access to formal housing; and in the West Rand, the percentage of those with access to water decreased. To address the need for household electricity, GPG aims to bring 1,200 megawatts through the Rooiwal, Pretoria West and Kelvin coal power stations and is closely working with

the CoT and CoJ to finalise the process of appointing private sector partners who will upgrade these power stations. To improve access to water and to ensure water security, a water and sanitation forum has been established to assist with the development of plans for the Gauteng City Region.⁹⁹

4.4. Implications of the Current Socio-Economic Environment for Policy Initiatives

The socio-economic environment of South Africa and of Gauteng has notably improved in recent years. As shown by measures of educational attainment and of basic education enrolment ratios, educational outcomes have improved. So also has life expectancy, and mortality rates have declined. To address continuing challenges of poverty and inequality, government has adopted a social protection system which includes income and non-income transfers. These also have led to socio-economic improvements.

Despite these successes, many people remain in poverty and income inequality remains high. Only 52 percent of the province's working-age population is employed, and there are inadequate linkages between the skills provided by learning institutions and those required by the economy. As Chapter Three shows, the majority of the people making up the labour force of the country and the province are low- and semi-skilled.

An educated and skilled labour force is essential to achieving the province's priorities of modernisation and economic transformation. As the NDP indicates, improving educational attainment levels and increasing access to further and higher education are important means of improving the skills base, enabling entry into the labour market and labour mobility, and achieving the country's developmental objectives and inclusive growth.

Current levels of poverty and unemployment undermine the ability to access adequate healthcare and educational services, resulting in further increases in inequality. This in turn affects the country's short- and long-term growth potential, and has negative implications for addressing social-economic challenges.

To address these challenges, the TMR, which gives effect to the NDP, takes a long-term approach to building an inclusive and equitable economy by increasing employment opportunities through, amongst other initiatives, enterprise support especially in the province's townships. Other strategies include expanding public employment programmes to reach approximately 2 million participants by 2020, and introducing incentives to increase youth employment in sectors able to absorb people with low skill levels.

4.5. Concluding Remarks

Using a range of development indicators, this chapter has provided information about South Africa, other countries such as Brazil, India and Nigeria, and Gauteng. It has highlighted linkages between various development indicators. There have been improvements in the country's and the province's levels of educational attainment. However, the majority of the labour force remains low- and semi-skilled. This is despite the increase in tertiary enrolments from 838,000 in 2009 to 989,000 in 2013. Of total tertiary enrolment in 2013, 28.8 percent were in science, engineering & technology and 28.5 in business & commerce, suggesting a substantial interest among students in technical and commercial fields. Basic education is vital to improving educational attainment as it is the foundation on which the higher education system is built. To improve basic education in the province, the GDE aims to reduce infrastructure backlogs and increase access to early childhood development centres.

⁹⁹ Gauteng Online. (2015). The Gauteng State of the Province Address. Accessed at <http://www.gautengonline.gov.za/Speeches/Documents/SOPA%202015%20speech%20by%20Premier%20David%20Makhura.pdf>

Especially as measured by the share of those living below the upper poverty line, it is clear that a large proportion of citizens still live in conditions of poverty. In 2014, 45.3 percent of people in South Africa and 34.4 percent in Gauteng were living below this poverty level. In comparison with many other countries, inequality in South Africa remains high.

Nationally and within the province, there has been an improvement in access to almost all elements of household infrastructure. In 2014, about 85 percent of households nationally had access to electricity. In Gauteng, despite a decline of 1.2 percentage points from 2010, the figure was 84.3 percent. The NDP's target of 90 percent of households with access to electricity by 2030 therefore seems likely to be met.

A developmental state that has in place effective plans for its growing urban population has access to considerable potential for economic growth and development. Attracting skilled people to the cities can lead to the higher productivity levels necessary for increased economic growth. Conversely, social imbalances and wide inequality gaps can undermine the positive effects of improved growth. The NDP emphasises the need to build a capable state that can support and sustain its own developmental objectives. This requires strong and effective synergies between all levels of government: national, provincial and local.

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