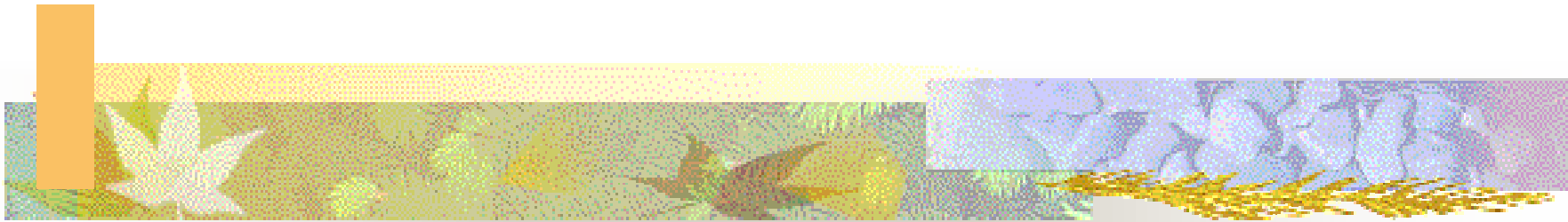


The transformation process in South Africa



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Overview

- The South African economy at a glance
- Unemployment and development as major policy and social issues
- Income distribution, development and black empowerment
- What should be the focus of policy?



1. The South African economy at glance

- Nominal GDP: R 1.2 trillion in 2003 (150 billion Euro at exchange rate of 1Euro = R8).
- Real economic growth sluggish from the late 1970 onwards.
 - Signs of improvement
- Population growth rate of 2.2% for 1996-2001 (population: 40 million)
- Real GDP per capita (1995 prices) for 2003: R 14 601 (or roughly Euro 1825).
- Real GDP (1995 prices) in 1971 was R 14 686 per capita.

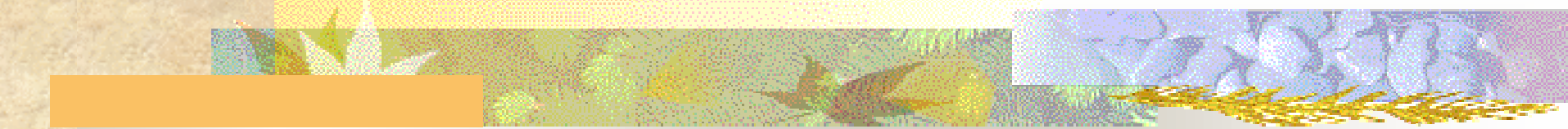


Table 1 – Growth in real GDP (five year averages)

1960-64	6.3%
1965-69	5.3%
1970-74	4.4%
1975-79	2.1%
1980-84	3.0%
1985-89	1.5%
1990-94	0.2%
1995-99	2.6%
2000-03	2.9%

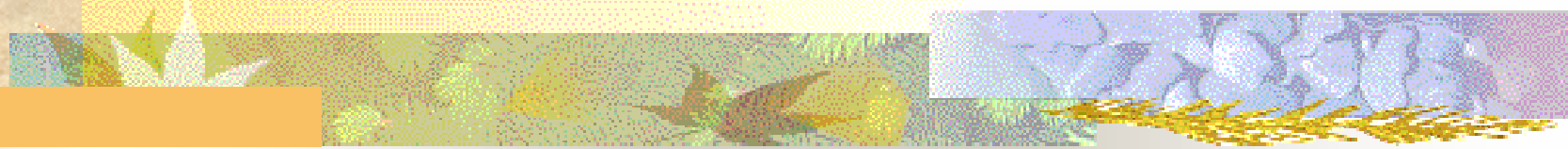


- Rand very volatile:

- Currency crisis of 2001 and 2002 From \$1 = R7.50 to \$1 = R13.80
- Recovered back to below \$1 = R7.00 in 2003 and 2004.
- Note that \$1 = R3.60 in 1995.

- South Africa an open economy.

- Exports for 2003: R 341 billion (28% of GDP)
- Imports were R 319 billion (27% of GDP)



- Exports of gold in terms of volume decreased significantly.
 - Net gold exports in 2003: R35.3 billion
 - Export of merchandise: R256 billion.
 - Service receipts: R49.5 billion.

- Imports
 - Merchandise: R263 billion
 - Payment for services: R56.6 billion.



- Largest trading partners (2002)

- Germany (15.55% of imports, 6.28% of exports),
- US (11.7% of imports, 8.12% of exports),
- UK (9.07% of imports, 8.4% of exports).
- Largest foreign trade with an African country is with Zimbabwe: 2.31% of exports and 0.77% of imports.



2. Unemployment and development as major policy and social issues

- National unemployment rose from below 10% in mid-1980s to over 30% currently (other sources put the rate at over 40%). It is still increasing.

Unemployment rate



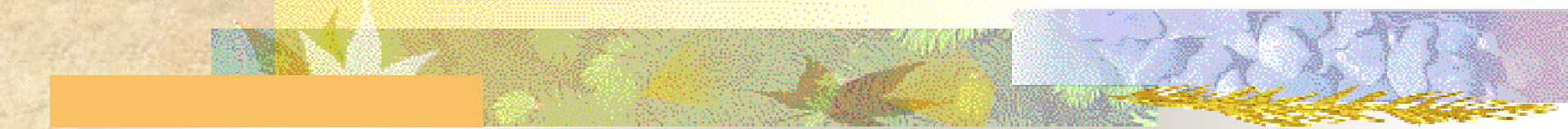
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- ***Spatial dimension:*** Some provinces suffer disproportionately from unemployment
 - Eastern Cape, Limpopo and Kwazulu-Natal respectively 54.6%, 48.8% and 48.7%
 - ***Gender dimension:*** Female population is worse hit than the male population
 - *57.8% of African females, while 43.3% of African males*
 - ***Racial dimension:***
 - *50.2% among Africans (compared to the total unemployment rate of 41.6%), while that of Coloureds, Indians and Whites respectively is 27%, 16.9% and 6.3%.*

Table 3 – Unemployment in South Africa by province, race and gender – 2001 census

	% of total	Empl. (% of working age pop)	Unempl. (% of working age pop)	Not econ. active (% of working age pop)	Unempl. rate
South Africa	100	33.7	24	42.3	41.6
Province					
Eastern Cape	14.4	20.4	24.6	55	54.6
Free State	6	33.7	25.5	40.8	43
Gauteng	19.7	45	25.8	29.2	36.4
KwaZulu-Natal	21.0	27.8	21.6	45.7	48.7
Limpopo	11.8	22.7	21.6	55.7	48.8
Mpumalanga	7	33	23	43.9	41.1
Northern Cape	1.8	39.4	19.7	40.9	33.4
North West	8.2	31.8	24.8	43.4	43.8
Western Cape	10.1	48.5	17.1	34.4	26.1

Legend

- Bophuthatswana
- Ciskei
- Gazankulu
- KaNgwane
- KwaNdebele
- Kwazulu
- Lebowa
- Qwaqwa
- Trankei
- Venda

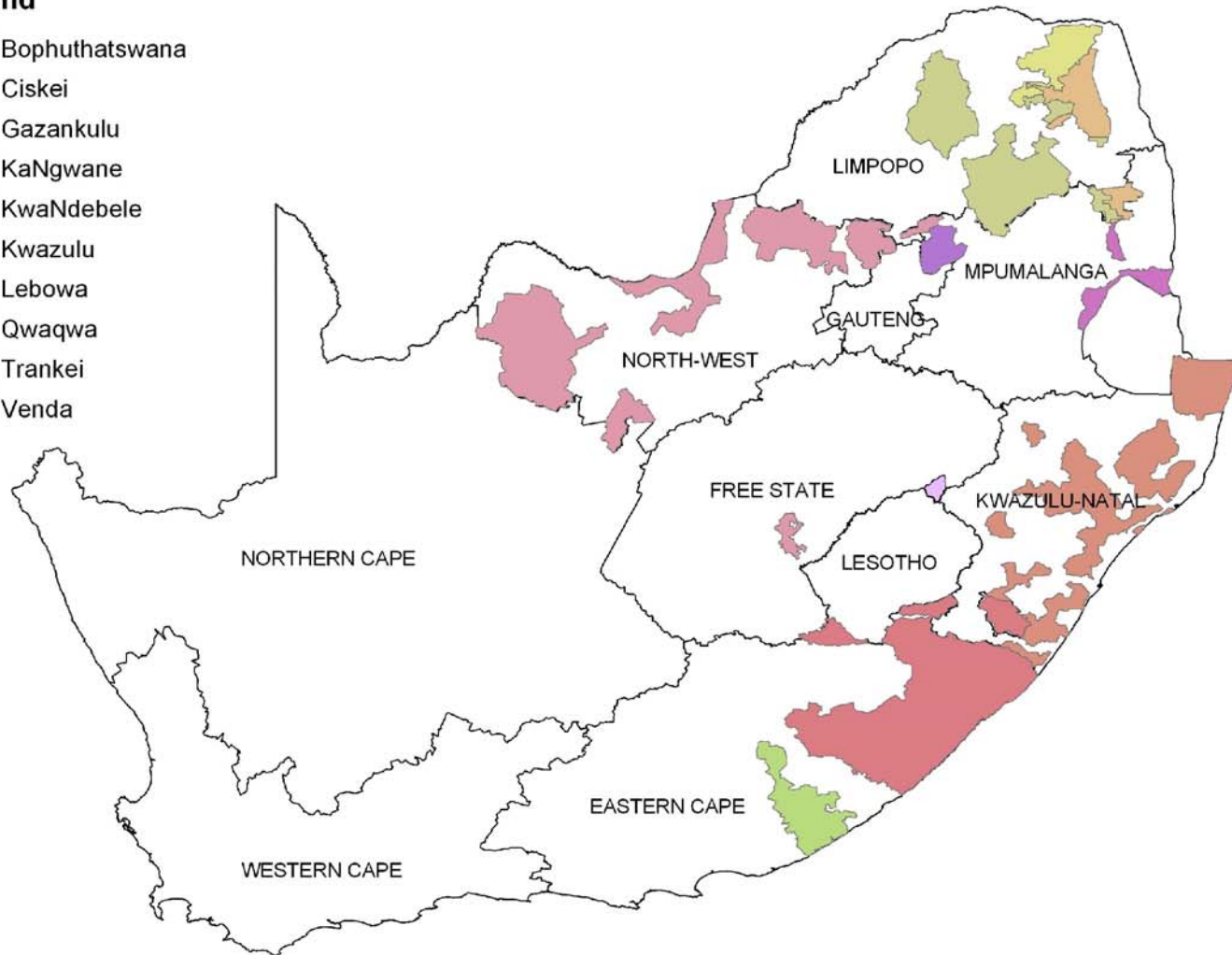
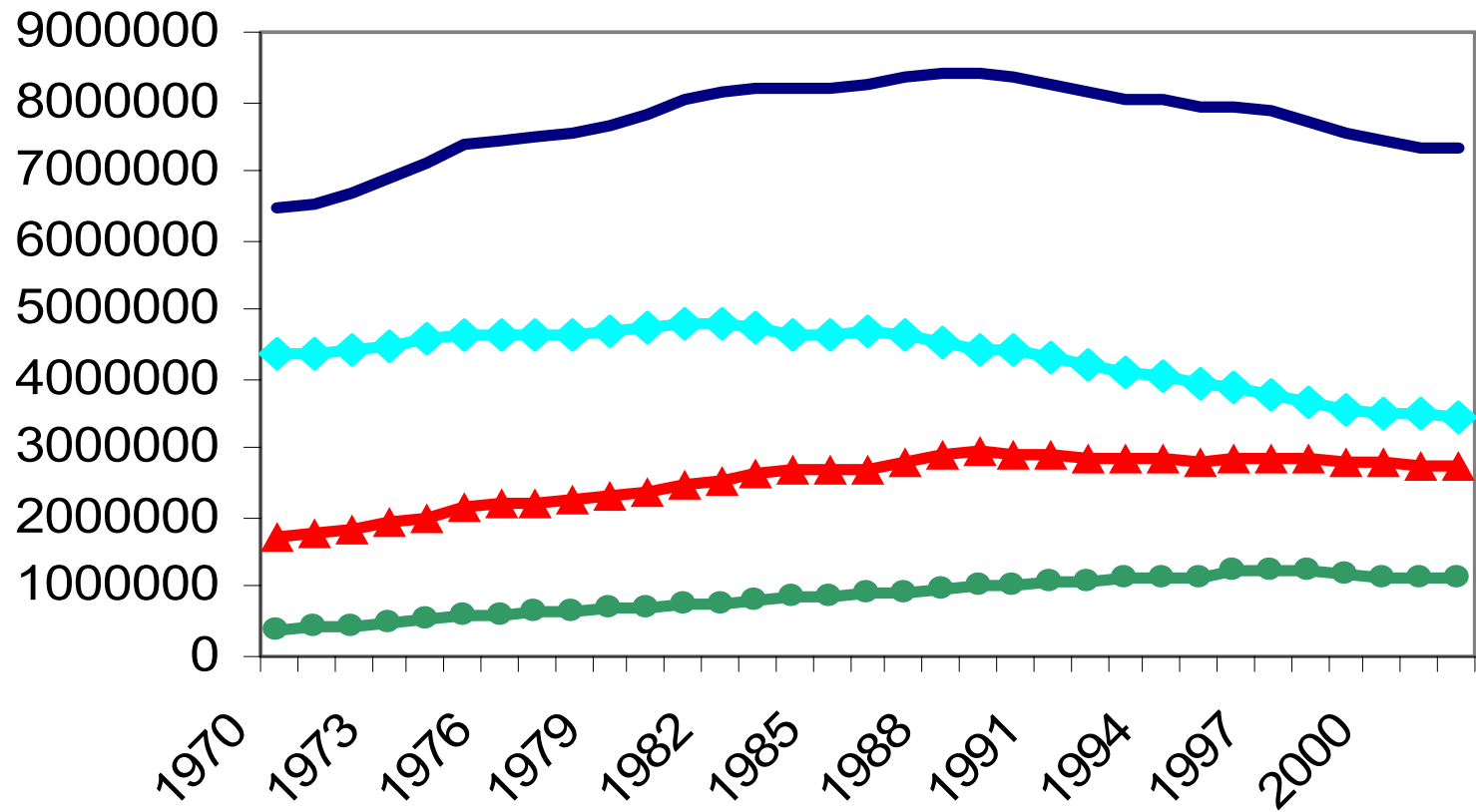


Table 3 – Unemployment in South Africa by province, race and gender – 2001 census

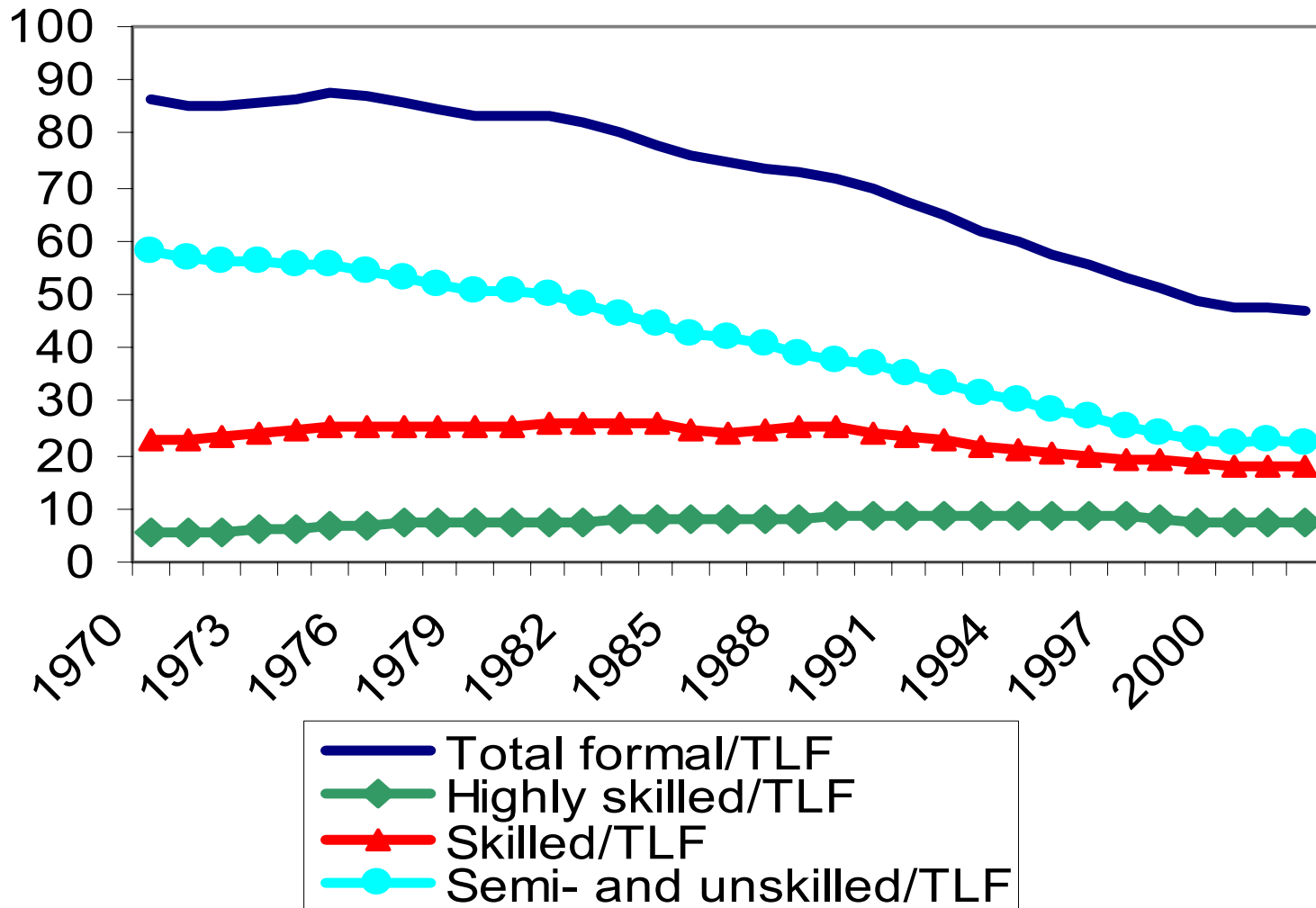
	% of total	of Empl. (% of working age pop)	Unempl. (% of working age pop)	Not econ. active (% of working age pop)	Unempl. rate
Race (Total)	100	33.7	24	42.3	41.6
African	79	27.8	28.1	44.1	50.2
Coloured	8.9	46.1	17.1	36.9	27
Indian	2.5	49.2	10	40.9	16.9
White	9.6	61.4	4.1	34.5	6.3
Race (Male)	47.8	41.3	23.1	35.7	35.8
African	79	35	26.7	38.3	43.3
Coloured	8.9	52.6	18.2	29.2	25.7
Indian	2.3	62.8	11.7	25.5	15.7
White	9.8	70.4	4.6	25	6.1
Race (Female)	52.2	26.8	24.9	48.3	48.1
African	79.1	21.4	29.3	49.2	57.8
Coloured	9	40.1	16.1	43.8	28.6
Indian	2.6	36.2	8.3	55.5	18.7
White	9.4	52.8	3.7	43.5	6.6

Total formal employment

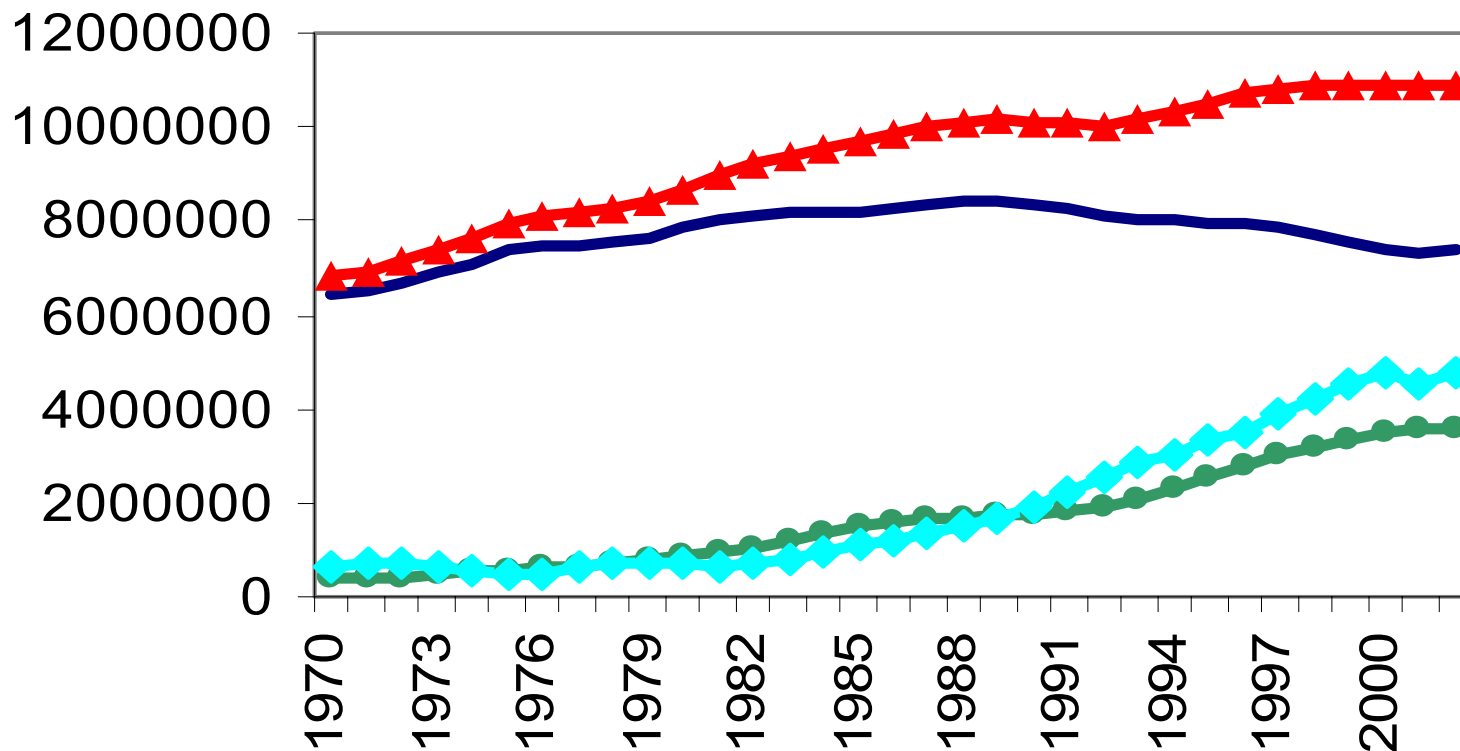


— Total formal employment —●— Highly skilled
—▲— Skilled —◆— Semi- and unskilled

Skill level/Total labour force ratios

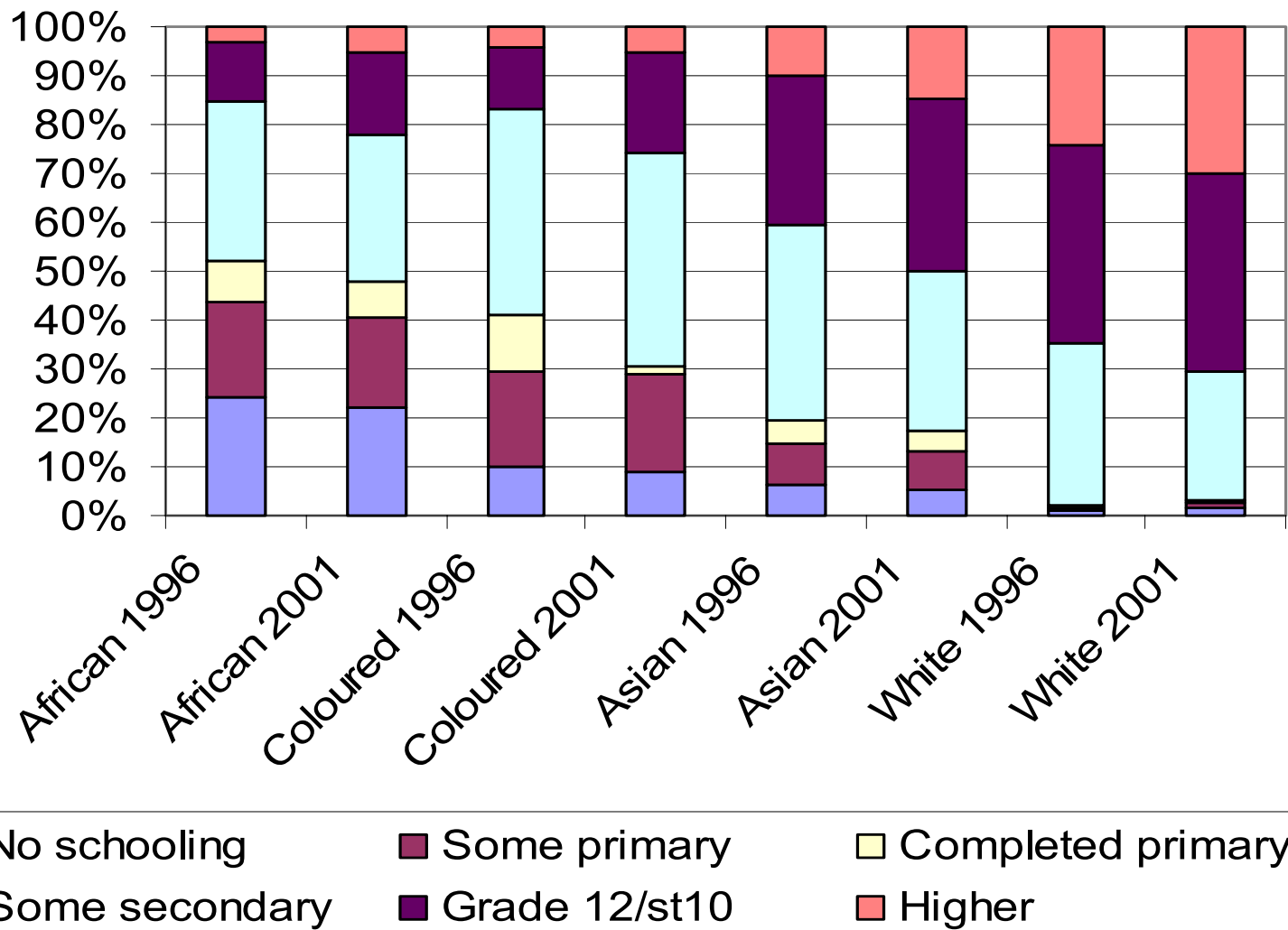


Employment and unemployment

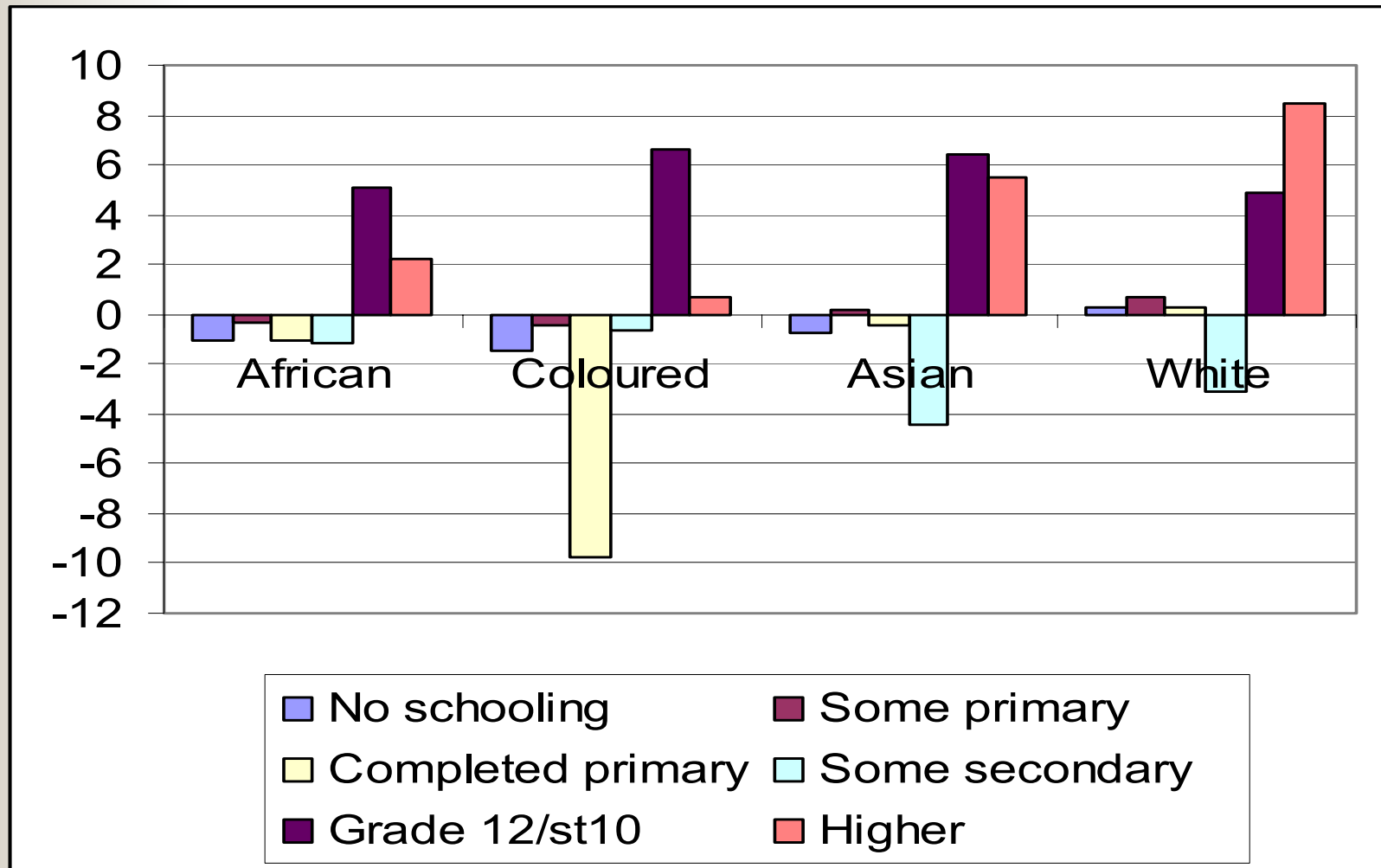


- Total formal employment
- Informal employment
- Total formal and informal employment
- Total unemployment

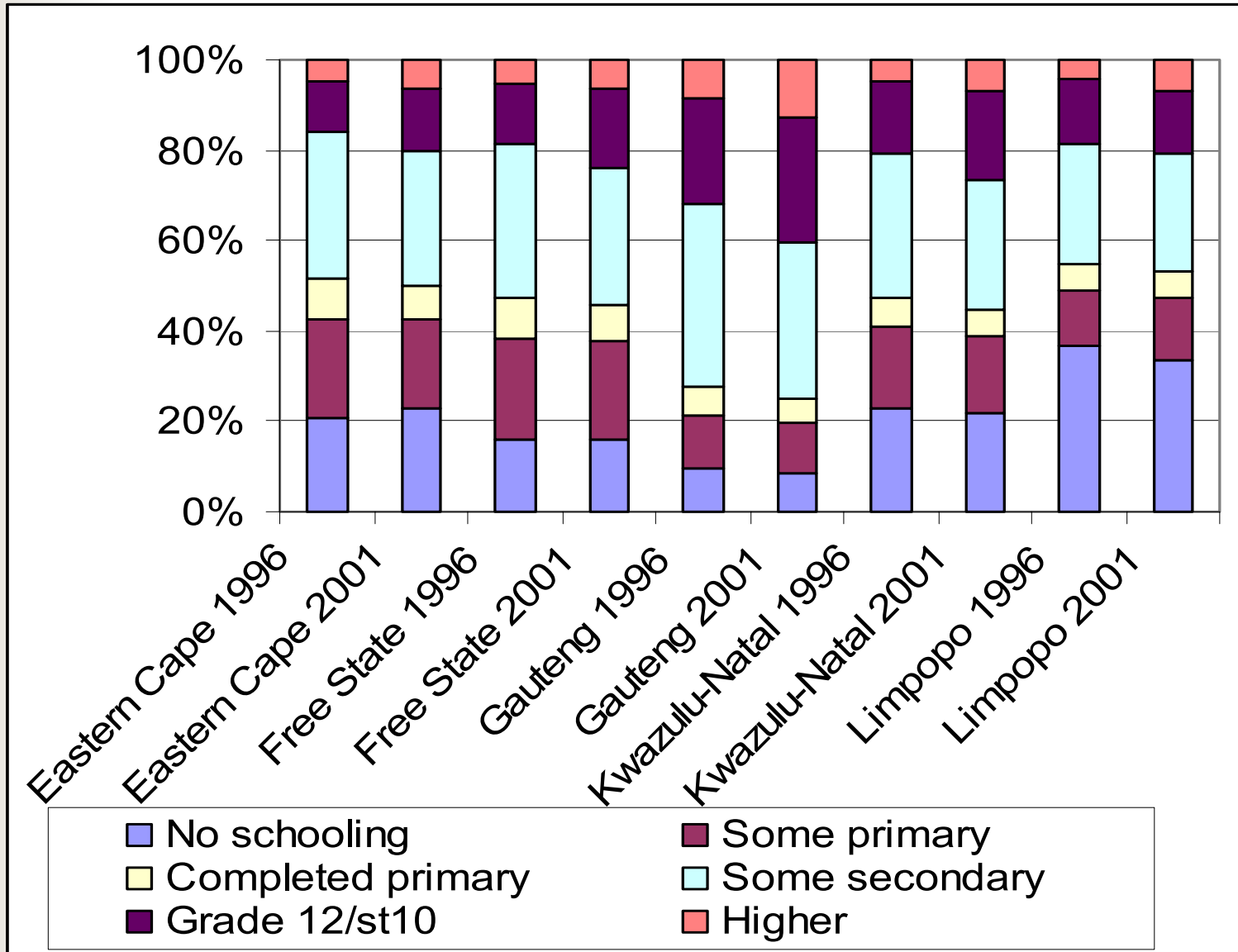
Graph 1: Highest level of education by population group, 20 years and older



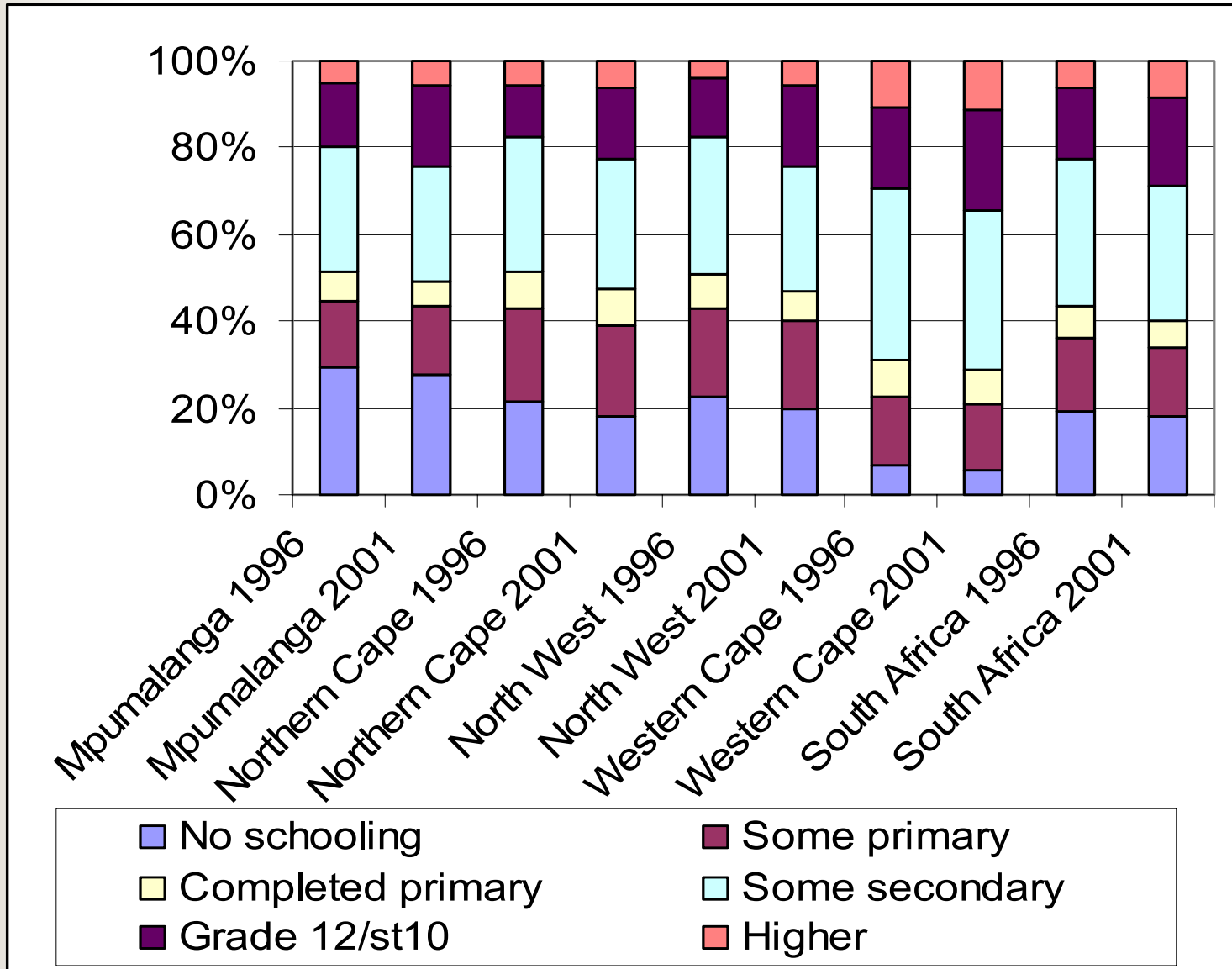
Graph 2: Change 1996-2001 in highest level of education by population group, 20 years and older



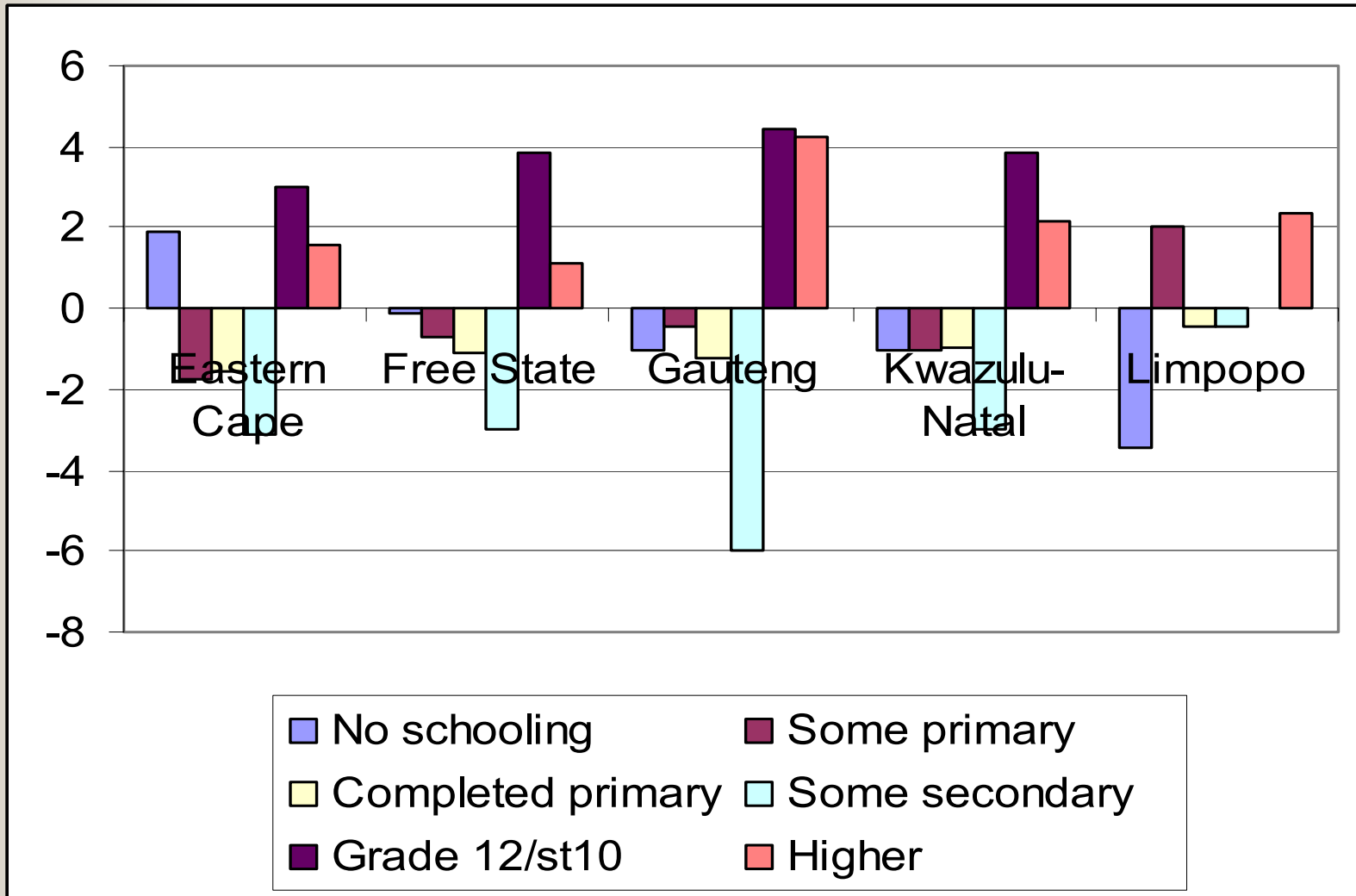
Graph 3a: Highest level of education by province, 20 years and older



Graph 3b: Highest level of education by province, 20 years and older



Graph 4a: Change 1996-2001 in highest level of education by province, 20 years and older



Graph 4b: Change 1996-2001 in highest level of education by province, 20 years and older

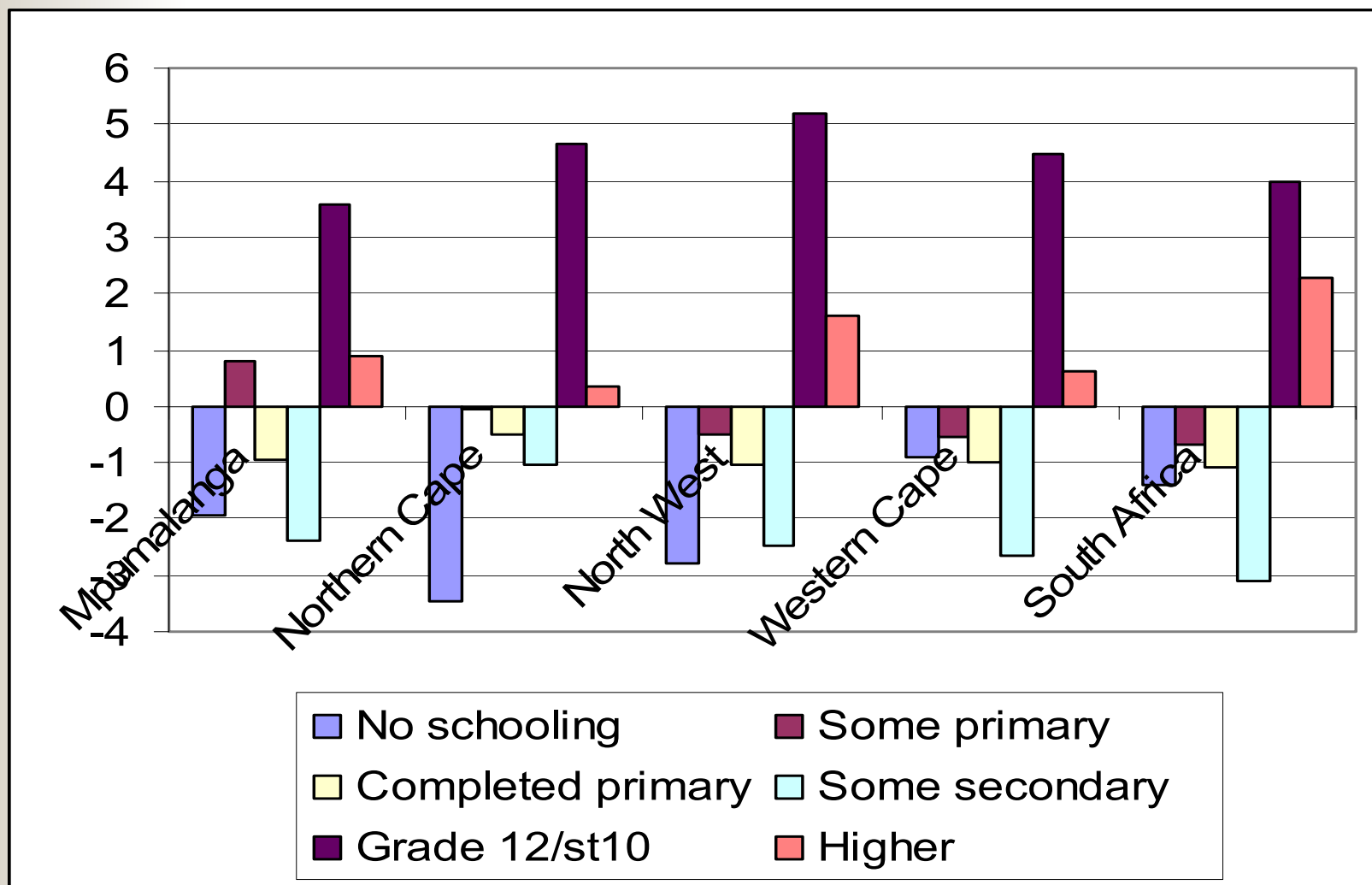




Table 5 - HDI Index and the South African provinces - 2003

South Africa	0.67
Province	
Eastern Cape	0.62
Free State	0.67
Gauteng	0.74
KwaZulu-Natal	0.63
Limpopo	0.59
Mpumalanga	0.65
Northern Cape	0.61
North West	0.69
Western Cape	0.77



3. Income distribution, development and black empowerment

- Gini-coefficient: 0.59 for 1995.
 - South Africa one of the worst income distributions in the world.
 - USA: 0.38; Netherlands: 0.27; Philippines: 0.45; India: 0.42; Brazil 0.59
- The poorest 60% earns less than 20% of total income,
- The richest 20% earns more than 60% of total income.



Table 6 - Income Levels for Quintiles – 1995

	Fifth 20%	Fourth 20%	Third 20%	Second 20%	First 20%
Annual Income	R400- 6868	R6869- 12660	R12691- 23940	R23941- 52800	R52801 +

Source: StatsSA

Table 7 – Income distribution according to race and gender (Quintile 1: top income)

	African female	African male	White female	White male
Quintile 1	6	12	40	73
Quintile 2	17	20	32	19
Quintile 3	21	25	17	6
Quintile 4	25	24	7	2
Quintile 5	31	19	5	0

Source: StatsSA

Table 8 – Income distribution according to race and area (Quintile 1: top income)

	Non-urban female	Non-urban male	Urban female	Urban male
African:				
Quintile 1	3	7	11	19
Quintile 2	12	15	24	29
Quintile 3	18	25	25	27
Quintile 4	28	28	21	17
Quintile 5	37	26	19	8
Whites:				
Quintile 1	52	75	38	73
Quintile 2	31	18	32	19
Quintile 3	7	4	17	6
Quintile 4	8	2	8	2
Quintile 5	2	1	5	0

Source: StatsSA

Table 9 – Income distribution by gender, area and province (Quintile 1: top income)

	Non-urban female	Non-urban male	Urban female	Urban male
E-Cape:				
Quintile 1	2	5	10	31
Quintile 2	7	9	21	23
Quintile 3	11	20	22	19
Quintile 4	28	35	22	17
Quintile 5	53	31	25	11
Free State:				
Quintile 1	2	4	6	27
Quintile 2	5	5	14	25
Quintile 3	7	14	23	18
Quintile 4	27	30	28	20
Quintile 5	60	47	29	10
N-Cape:				
Quintile 1	6	17	16	40
Quintile 2	14	18	25	28
Quintile 3	18	20	27	15
Quintile 4	24	24	21	9
Quintile 5	37	22	11	8

Table 9 – Income distribution by gender, area and province (Quintile 1: top income)

	Non-urban female	Non-urban male	Urban female	Urban male
North West:				
Quintile 1	3	5	11	33
Quintile 2	11	11	23	25
Quintile 3	16	18	23	24
Quintile 4	32	32	21	12
Quintile 5	38	34	22	6
Limpopo:				
Quintile 1	7	13	6	21
Quintile 2	15	9	16	23
Quintile 3	18	12	27	27
Quintile 4	22	34	27	17
Quintile 5	38	34	25	13
Mpumalanga:				
Quintile 1	3	9	14	33
Quintile 2	15	18	25	29
Quintile 3	31	30	23	19
Quintile 4	28	24	18	11
Quintile 5	23	19	20	8

Table 9 – Income distribution by gender, area and province (Quintile 1: top income)

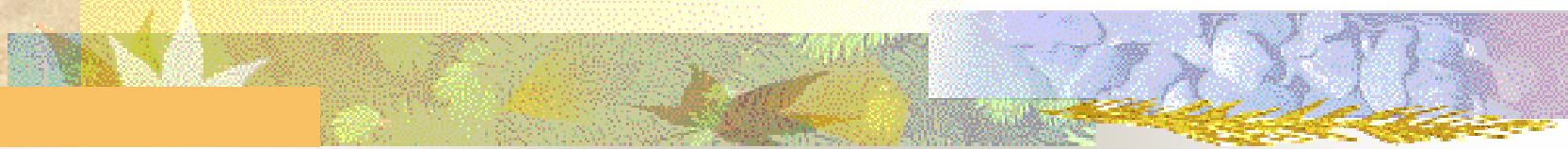
	Non-urban female	Non-urban male	Urban female	Urban male
KwaZulu-Natal:				
Quintile 1	4	7	22	42
Quintile 2	17	21	29	31
Quintile 3	26	31	26	16
Quintile 4	30	26	16	8
Quintile 5	22	15	7	3
W-Cape:				
Quintile 1	30	12	20	38
Quintile 2	24	14	28	29
Quintile 3	18	33	26	20
Quintile 4	20	21	15	10
Quintile 5	8	9	11	3
Gauteng:				
Quintile 1	19	21	27	50
Quintile 2	18	12	32	25
Quintile 3	16	25	22	16
Quintile 4	26	21	12	7
Quintile 5	21	9	7	3

Source: StatsSA



4. What should be the focus of policy?

- Large discrepancies in income amidst pervasive unemployment.
- Unemployment and the distribution of income both have *racial, gender and spatial dimensions*.
- African women in rural areas are the worst off.
- Not only the delivery of services to this group that needs attention, but the creation of skills



- Need to develop rural African women and the need to develop semi-skilled capacity to deliver services can be combined.
 - This combines development and job creation
 - Translates into more purchasing power for households, more sales for companies.
 - Larger sales: incentive for more investment.
- Improvement in skills and a higher level of income and employment: decrease in the income gap.
- This improve social cohesion