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- The GDP per capita gap *vis-à-vis* the upper half of the OECD has narrowed only gradually since around 2000, and income per capita has grown somewhat more rapidly given a sustained improvement in the terms of trade. The contribution of low labour utilisation to the GDP per capita gap, which was already large, increased further in the wake of the global crisis.
- Some progress has been made in improving the quality of and access to basic education, while little action has been taken to reform wage bargaining or make product market regulation less restrictive.
- There is an urgent need for policies to boost employment by reforming areas such as activation, training and wage bargaining. Productivity growth must also improve in order to raise living standards over the long term. Complementary reforms of product and labour markets would erode the sharing of rents between incumbent firms and labour market insiders, unleashing faster employment growth in the short term and higher productivity growth in the medium to long term, by spurring innovation and improving resource allocation.
- Raising the quality of education and facilitating school-to-job transitions would both strengthen employment growth and reduce income inequality.

Growth performance indicators

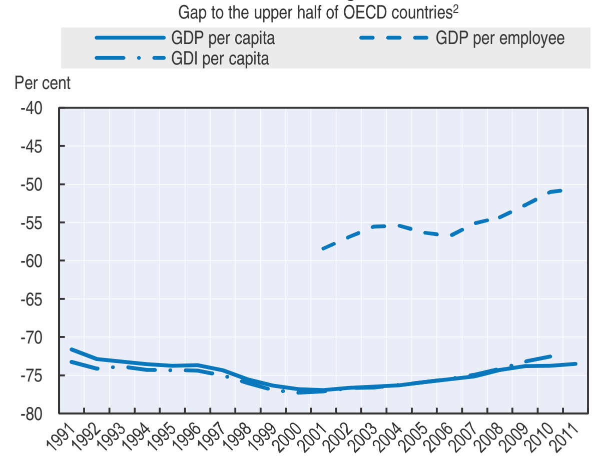
A. Average annual growth rates

Per cent

	2001-06	2006-11
GDP per capita	3.1	1.5
Labour utilisation[1]	0.9	-1.4
Labour productivity	2.2	2.9

B. Gaps in GDP per capita and productivity are large, though narrowing

Gap to the upper half of OECD countries[2]



1. Labour utilisation is defined as the ratio of total employment over population.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2005 PPPs).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases*; World Bank (2012), *World Development Indicators (WDI) Database* and Statistics South Africa.

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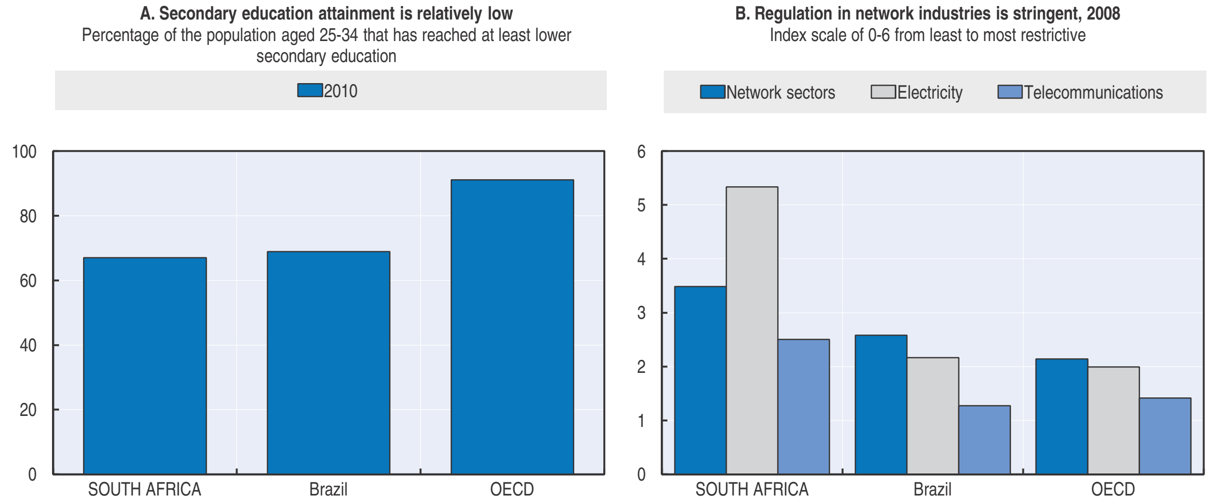
Policy indicators



Source: Samir *et al.* (2008), "Projection of Population by Level of Education Attainment, Age and Sex for 120 countries for 2005-2050", *International Institute for Applied Systems Analysis Interim Reports*; OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888932777796

Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Raise efficiency and equity in education. Improving the quality of education would boost human capital accumulation, and hence productivity, while also reducing inequality.

Actions taken: Funding of trainee teachers and school infrastructure is being increased during 2012-14. In 2011 new national assessment exams were introduced and the roll-out of workbooks to improve literacy and numeracy in Grades 1-6 began, and in 2012 a schools evaluation unit was created.

Recommendations: Improve teacher training, enhance accountability and monitoring of school leadership. Begin teaching English as a second language earlier while maintaining mother-tongue instruction for longer. Gradually phase out school fees in the public school system. Upgrade infrastructure. Expand vocational education and training.

Enhance competition in network industries. Greater competition in network industries would ease bottlenecks to productivity growth.

Actions taken: A draft bill to establish an independent system and market operator for electricity is undergoing public consultation.

Recommendations: Rule out granting state-owned enterprises exemptions from competition laws. Move towards separating generation, transmission and distribution of electricity. Strengthen the independence of the telecoms regulator. Unbundle the divisions of the state-owned transport conglomerate Transnet and open public infrastructure to private users.

Reduce barriers to entrepreneurship. Unnecessarily heavy administrative burdens on firms hinder productivity growth.

Actions taken: The institutional framework for conducting regulatory impact assessments is under development within the National Treasury.

Recommendations: Introduce systematic regulatory impact assessment for all new regulation, and review existing legislation with a view to reducing administrative burdens. Reduce the complexity and increase the transparency of existing regulation.

Other key priorities

Strengthen active labour market policies to tackle youth unemployment. Extremely high youth unemployment erodes human capital and exacerbates inequality.

Actions taken: Draft legislation has been introduced to the Parliament to establish public job centres. The government has proposed a youth employment committee to consider measures to boost youth employment.

Recommendations: Implement a wage subsidy for the hiring of young workers, possibly linked to an expansion of the learnership programme. Provide for age-differentiation of minimum wages in sectors where these are set by the state. Expand placement assistance for young job-seekers and expand support for young entrepreneurs while linking it to management training.

Reform the wage bargaining system. Moving away from sectoral bargaining with administrative extension could boost employment.

Actions taken: No action taken.

Recommendations: Weaken administrative extension of collective bargaining in sectors covered by bargaining councils. Provide for indicative guidelines for wage bargains at a centralised level consistent with inflation targets.

Previous *Going for Growth* recommendations no longer considered a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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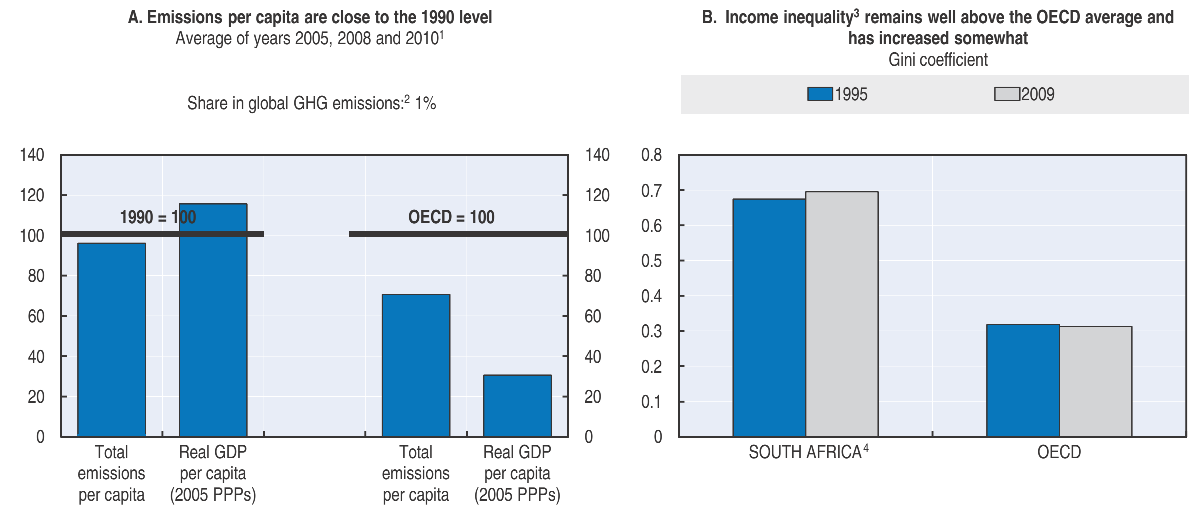
Other dimensions of well-being: Performance indicators



1. Total GHG emissions in CO_2 equivalents from the *International Energy Agency (IEA) Database*. These data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using IEA data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on per capita income for South Africa.
4. Data refer to 1993 and 2008. For 1995, the OECD average excludes Estonia, Iceland, Korea, Poland, Slovak Republic, Slovenia and Switzerland.

Source: OECD, *Energy (IEA) Database*; OECD (2011), "Special Focus: Inequality in Emerging Economies", in *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing and *OECD Income Distribution Database*, provisional data (*www.oecd.org/social/inequality.htm*).

StatLink http://dx.doi.org/10.1787/888932777815