

SOUTH AFRICA

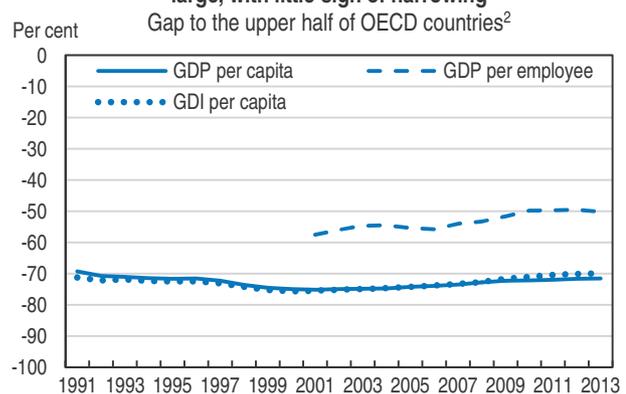
- The narrowing of the income gap vis-à-vis leading OECD economies has almost halted since 2007, reflecting a sharp drop in labour utilisation and a minor slowdown in productivity growth.
- Progress has been made in strengthening active labour market policies to tackle youth unemployment with the introduction of a wage subsidy for young workers in early 2014.
- Enhancing competition in network industries and reducing barriers to entrepreneurship will stimulate labour demand. In association with reforms in the area of minimum wages and wage bargaining, this would boost employment, especially of low-skilled workers. Improving educational outcomes would facilitate moving production up the global value chain, boosting economic growth.
- A more equitable and efficient education system would bolster productivity growth while helping to reduce high youth unemployment, inequality and social exclusion.

Growth performance indicators

A. Average annual growth rates
Per cent

| | 2003-08 | 2008-13 |
|---------------------------------|---------|---------|
| GDP per capita | 3.5 | 0.5 |
| Labour utilisation ¹ | 1.9 | -0.9 |
| Labour productivity | 1.6 | 1.5 |

B. Gaps in GDP per capita and productivity remain large, with little sign of narrowing



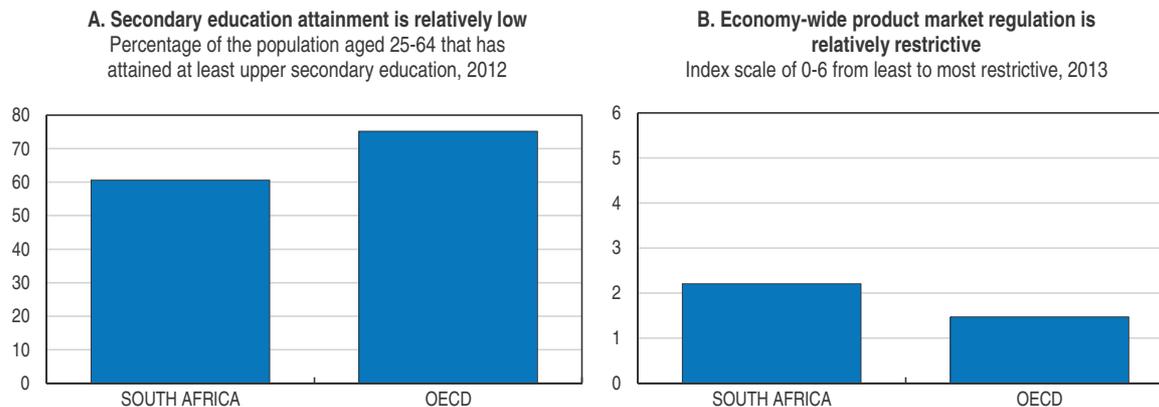
1. Labour utilisation is defined as the ratio of total employment over population.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts Database; World Bank, World Development Indicators (WDI) Database and Statistics South Africa.

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SOUTH AFRICA

Policy indicators



Source: Panel A: OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2014-en>. Panel B: OECD, *Product Market Regulation Database*, www.oecd.org/economy/pmr.

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Going for Growth 2015 priorities

Priorities supported by indicators

Enhance competition in network industries. More intense competition in network industries would ease supply bottlenecks and stimulate productivity growth.

Actions taken: A report on state-owned enterprises was produced by the Presidential Review Committee and accepted by the Cabinet in April 2013. An inter-ministerial committee is planned to guide implementation of the recommendations in the review.

Recommendations: Rule out granting state-owned enterprises exemptions from the competition laws. Secure effective separation of generation, transmission and distribution of electricity. Strengthen the independence of network regulators. Unbundle the divisions of the state-owned transport conglomerate Transnet and open access to public infrastructure to private service providers.

Reduce barriers to entrepreneurship. Stimulation of entrepreneurship would bolster employment and productivity growth.

Actions taken: In 2013, guidelines for reducing municipal red tape were published. In 2014, a Ministry for Small Business Development has been established.

Recommendations: Significantly reduce red tape and other administrative burdens on business operations. Reduce the severity of bankruptcy rules, in particular severance payments, to facilitate second chances for entrepreneurs. Undertake regulatory impact assessments systematically for all new legislation and review existing legislation with a view to reducing regulatory burden.

SOUTH AFRICA

Raise efficiency and equity in education. Improving equity and quality of education would boost human capital accumulation and reduce the high levels of inequality.

Actions taken: The National Education Collaboration Trust was launched in 2013 to work with civil society to improve the professionalisation of teaching and to increase classroom resources.

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

Other key priorities

Strengthen active labour market policies to tackle youth unemployment. Extremely high youth unemployment creates important hysteresis problems, erodes human capital and aggravates inequality.

Actions taken: In April 2013, the government and social partners signed the Youth Employment Accord, setting out joint commitments to prioritise youth employment and skills development. At the same time, the President signed the Employment Services Act, bolstering public employment services including provisions for young job-seekers. In addition, the Youth Enterprise Development Strategy was established to increase youth entrepreneurship. In early 2014, a youth wage subsidy was introduced, which should stimulate demand for younger workers.

Recommendations: Expand placement assistance for young job-seekers and support for young entrepreneurs focused on management training.

Reform minimum wages and wage bargaining systems. Labour market reforms encouraging wage flexibility could boost employment, particularly among small- and medium-sized enterprises and among youth and low-skilled workers.

Actions taken: No action taken.

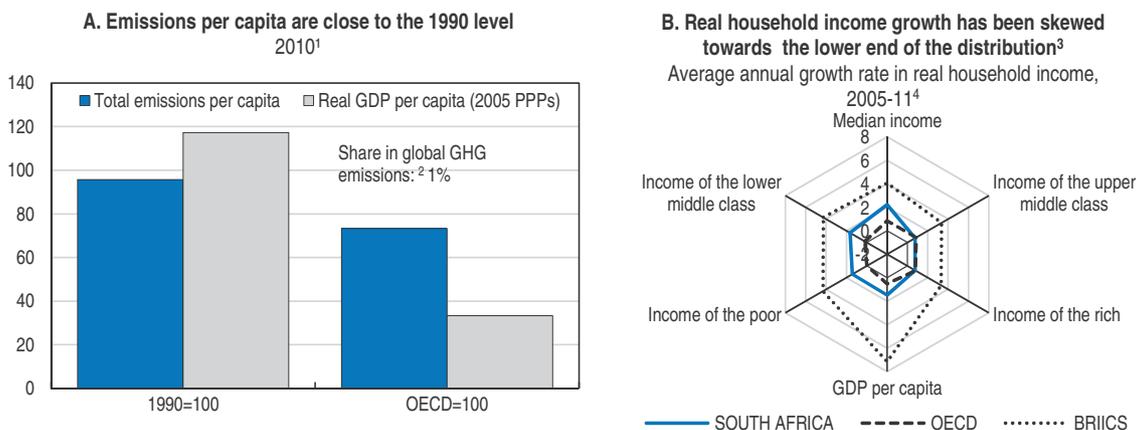
Recommendations: Weaken administrative extension of collective bargaining in sectors covered by bargaining councils. Provide indicative guidelines for wage settlements at a centralised level consistent with inflation targets. Introduce age-differentiation of minimum wages, preferably with a simplified link to training.

Reform areas no longer considered a priority in *Going for Growth*

For South Africa, all priority areas from the 2013 issue of *Going for Growth* are maintained.

SOUTH AFRICA

Beyond GDP per capita: Other policy objectives



1. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This 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 International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. Due to data limitations, income levels across the distribution are derived by combining quintile income shares from nationally representative household surveys and gross national income of the household sector from the national accounts. This implies limited comparability with OECD countries' data. See methodological notes at the end of the chapter for the computation of household income across the distribution.
4. Data refer to 2006-11 for the South Africa.

Source: Panel A: OECD, *Energy (IEA) Database*; World Bank, *World Development Indicators (WDI) Database*; and United Nations Framework Convention on Climate Change (*UNFCCC) Database*. Panel B: World Bank, *World Development Indicators (WDI) Database*.

StatLink  <http://dx.doi.org/10.1787/888933178940>