

THE IMPACT of the electricity crisis, policy incoherence, continued poor implementation and the leadership succession battle ahead of national elections in 2019 will constrain economic growth over the next few years.

GDP growth already dropped from 2.2 percent in 2013 to an ailing 1.5 percent last year, and Finance Minister Nhlanhla Nene has repeatedly warned about the cap on growth resulting from South Africa's energy constraints.

This means South Africa's already-high unemployment is likely to rise in the short to medium term with all the attendant negative effects.

But in the longer term the country should experience higher economic growth due to its growing population and the ANC-led government's investments over the past 20 years in water, sanitation, health, education and other drivers of social and human productivity.

These investments, with all the associated wastage and inefficiency that accompanied them, will inevitably pay dividends – but only after the current electricity supply constraint has been overcome.

In a recent paper setting out scenarios for South Africa to 2035 (South African Futures 2035, see www.issafrica.org/publications), the Institute for Security Studies forecast a South African population of about 67.3 million by 2035, a big rise from the 2015 estimate of 55 million and significantly higher than the forecast used by the National Planning Commission when completing the NDP in 2012.

In our forecast, GDP growth rates steadily ramp up over time from their current modest levels.

Eventually we expect the South African economy to obtain an average growth rate of 3.6 percent over the period to 2035, slightly higher than the historical average rate of 3.4 percent since World War II.

If policy incoherence and implementation remain as they are, there is little chance of average GDP growth levels reaching or exceeding 5 percent in the medium to long term, which is the target in the National Development Plan.

We base our forecast on the finding by the National Planning Commission that jobs in the South African economy grew at 0.6 percent to 0.7 percent a year for every 1 percent of economic growth a year.

The prognosis for improvements in this employment rate is not good, partly because of the uneven distribution of skills in the labour force, and poor outcomes from an education system not delivering on the demands of the economy.

Also, government policies and poor labour relations have, in recent years, reduced employment intensity in the private sector.

So while we forecast that the numbers of unemployed will remain relatively constant (after an initial deterioration), growth in the labour force will have a positive impact on tax revenues, the size of the economy and social stability.

This is good news, but it will take time to unfold.

South Africa's working-age population group (15 to 64) is growing at a slightly faster rate than the total annual population, increasing from 36 million in 2015 to 46 million by 2035 (while the total population rises from 55 million to 67 million during this period).

According to Statistics SA, last year as many as 1.5 million of the 5.1 million unemployed people were looking for a job for more than five years, up from 974 000 in 2008.



Job seekers look for work at a construction site. High levels of unemployment will remain a feature of South Africa's economy with political, economic and social effects for the foreseeable future.

PICTURE: SIPHIWE SIBEKO / REUTERS

There's good news too



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What goes up must come down – and so will the unemployment rate, as the economy grows

Stats SA uses two unemployment rates: an official and an expanded rate.

The latter includes people who have given up searching for employment. The official rate was 22.5 percent in 2008 and the expanded rate 29.7 percent. Both had risen in 2014 to 25.1 percent and 35.3 percent respectively.

Unemployment has grown every year since 2008, when the global financial recession hit South Africa.

South Africa's low employment ratio suggests that comparatively few people, particularly those in the lower-income categories, rely on wages as the main source of income.

Social grants play an important role as the source of income for these households.

According to Stats SA, out of a total population of 54 million in 2014, of whom 35 million were of working age, about 15.2 million were employed; 4.2 million were unemployed (official rate); and 15.2 million were not economically active, including those unemployed who had given up seeking work, or so-called discouraged job seekers.

Under the current conditions the number of unemployed is set to increase for at least a decade before it starts to fall.

This is because the size of the South African labour force is increasing, while the economy is expected to grow slowly for the next several years.

As growth accelerates over time, job creation intensifies. Yet only after 15 years is South Africa able to recover the employment losses as a result of the electricity crisis,

Every new job is one more consumer and one more taxpayer

vividly demonstrating the impact of poor planning and lack of foresight.

In summary, high levels of unemployment are likely to remain a feature of South Africa's economy with all the attendant effects – political, economic and social – for the foreseeable future.

There is, however, another side to this picture that is insufficiently recognised.

Although high levels of unemployment will continue to have negative consequences, the increase in employment levels to a forecast of more than 25 million by 2035 will have a positive impact on tax revenues, the size of the economy and social stability.

Every new job is one more consumer and one more taxpayer. Whereas last year about 43 percent of the working-age group was employed, by 2035, 56 percent of the working-age population could be employed given a relatively modest growth-rate forecast.

While structural unemployment is expected to remain a heavy social, economic and political burden, it is one that steadily decreases over time to the point that, by 2035, an additional 13 percent of the labour force could be employed.

But this will only occur through a concerted effort by the government, labour and the private sector.

More than any other goal, increased employment will improve human development and reduce inequality.

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