



UNDERSTANDING THE EMPLOYMENT INTENSITY OF GROWTH IN SOUTH AFRICA

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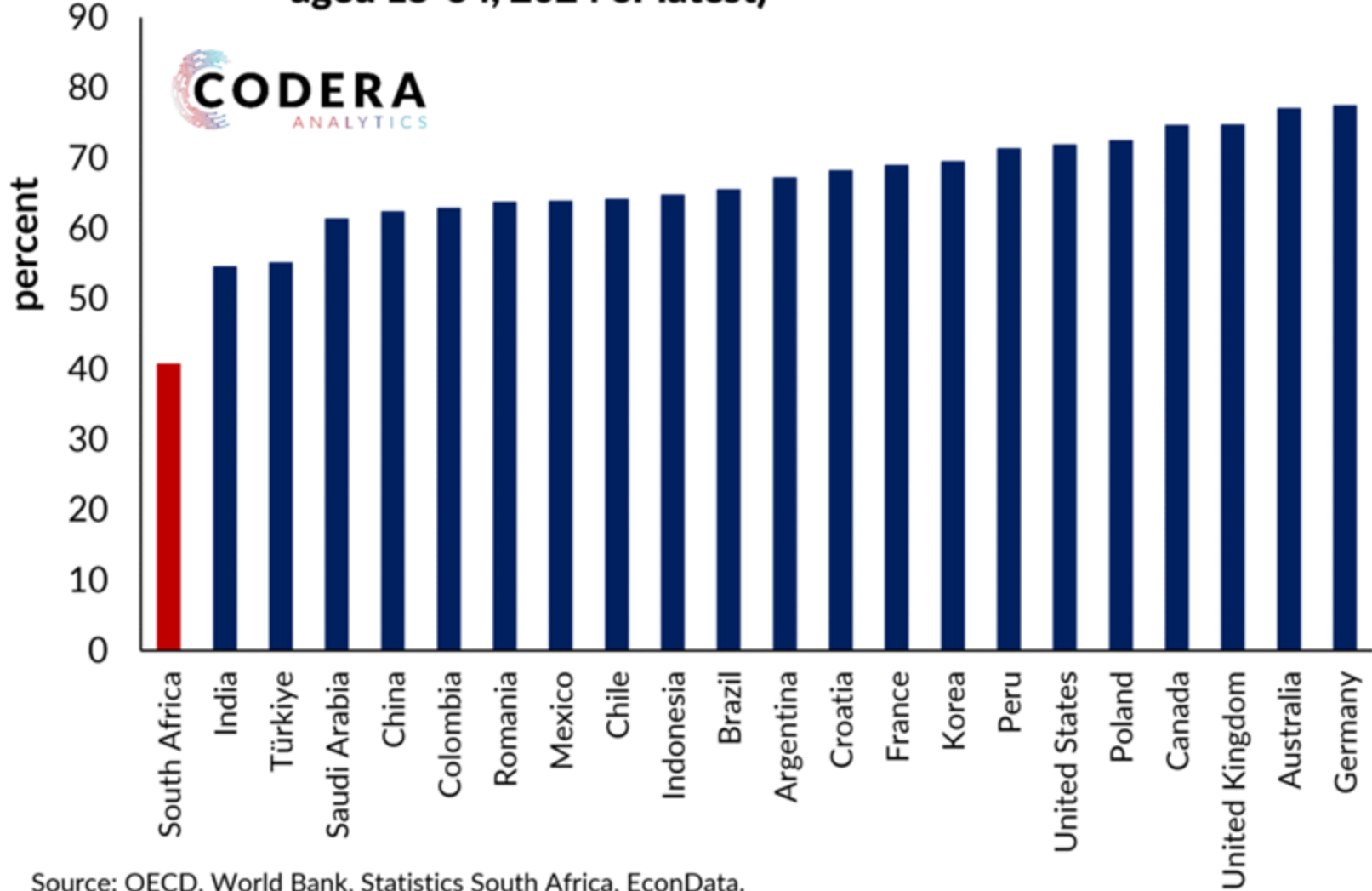
JULY 2025

Outline

- South Africa has structurally low employment
- Economic growth has been associated with low employment growth
- SA is characterised by a low level of informal sector activity and a relatively low proportion of sole proprietorships and small businesses that are employment-intensive, compared to peer developing countries
- A variety of regulations and government inefficiencies weigh on job creation, firm growth and investment
- Government support is focused on capital-intensive, oligopolistic industries, such as car manufacturing, that are not employment-intensive

SA has the lowest employment rate across the workforce across G20

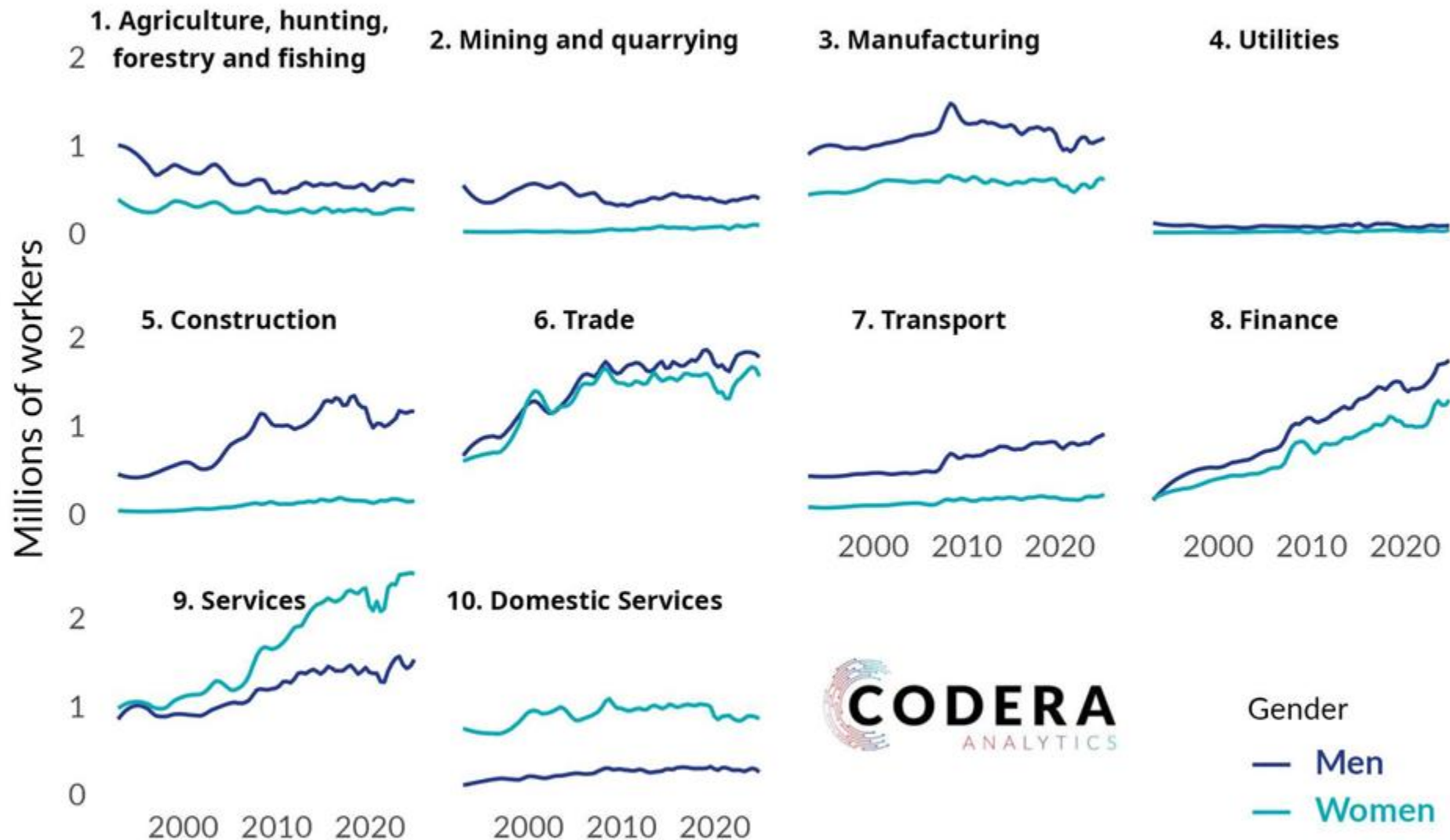
Employment rate in selected economies (% of population aged 15-64, 2024 or latest)



Source: OECD, World Bank, Statistics South Africa, EconData.

Employment growth is concentrated in finance, trade and govt/services

Employment by industry and gender in South Africa since 1993



“Services” includes the public sector.

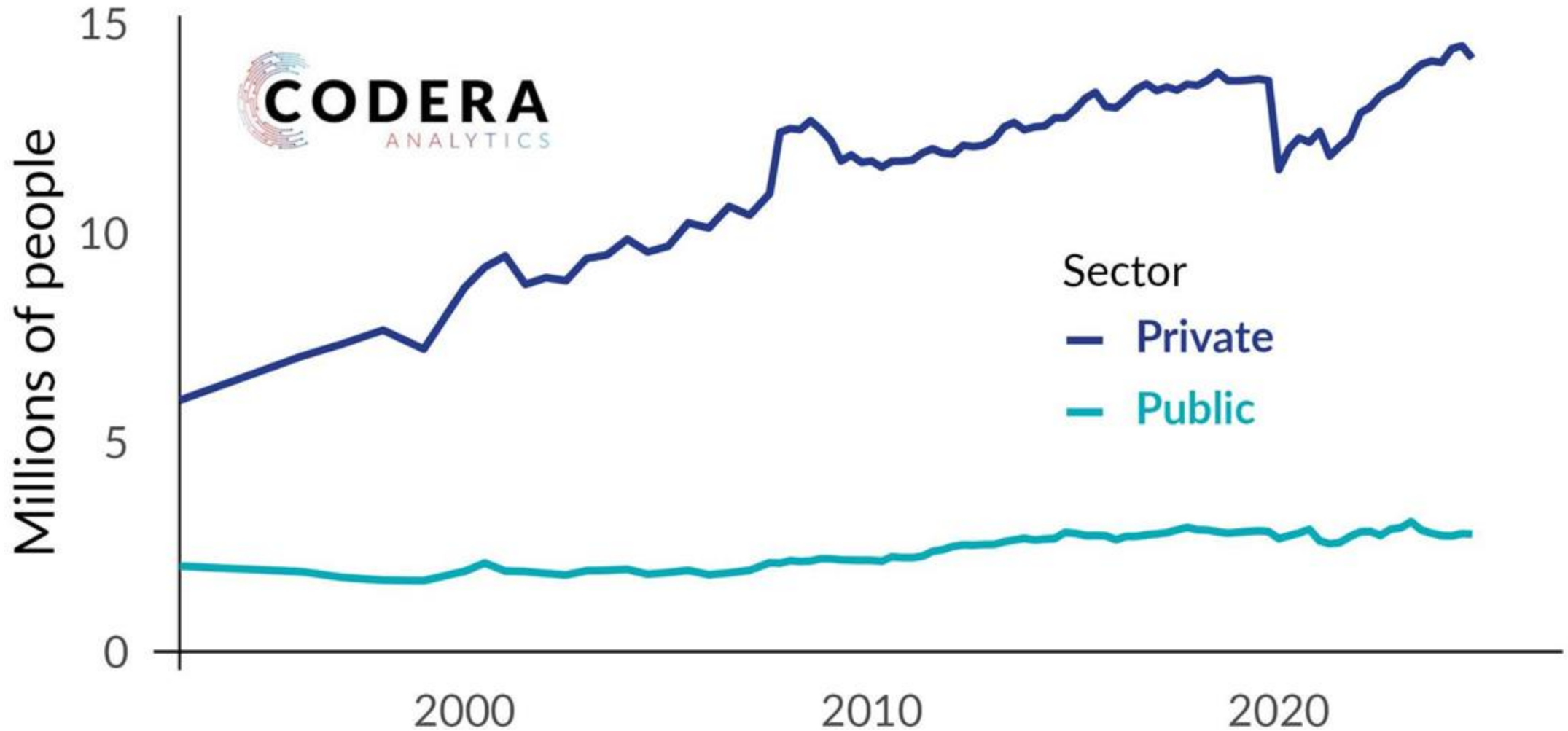
Source: (Quarterly) Labour Force Survey
StatsSA and Codera Analytics



Gender
— Men
— Women

Private employment is higher & has grown faster than public

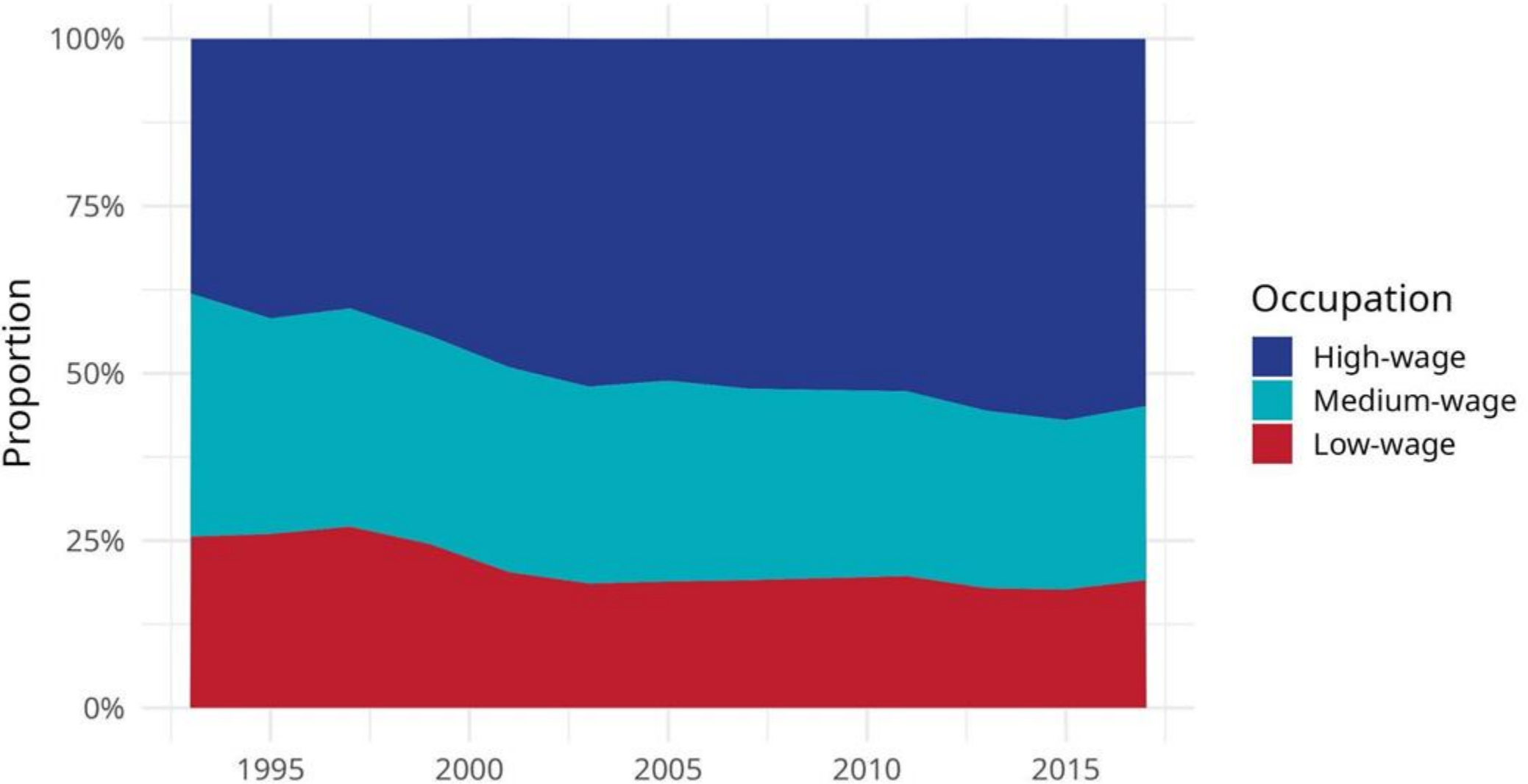
Employment levels in South Africa since 1993



Source: StatsSA labour force surveys, Codera Analytics

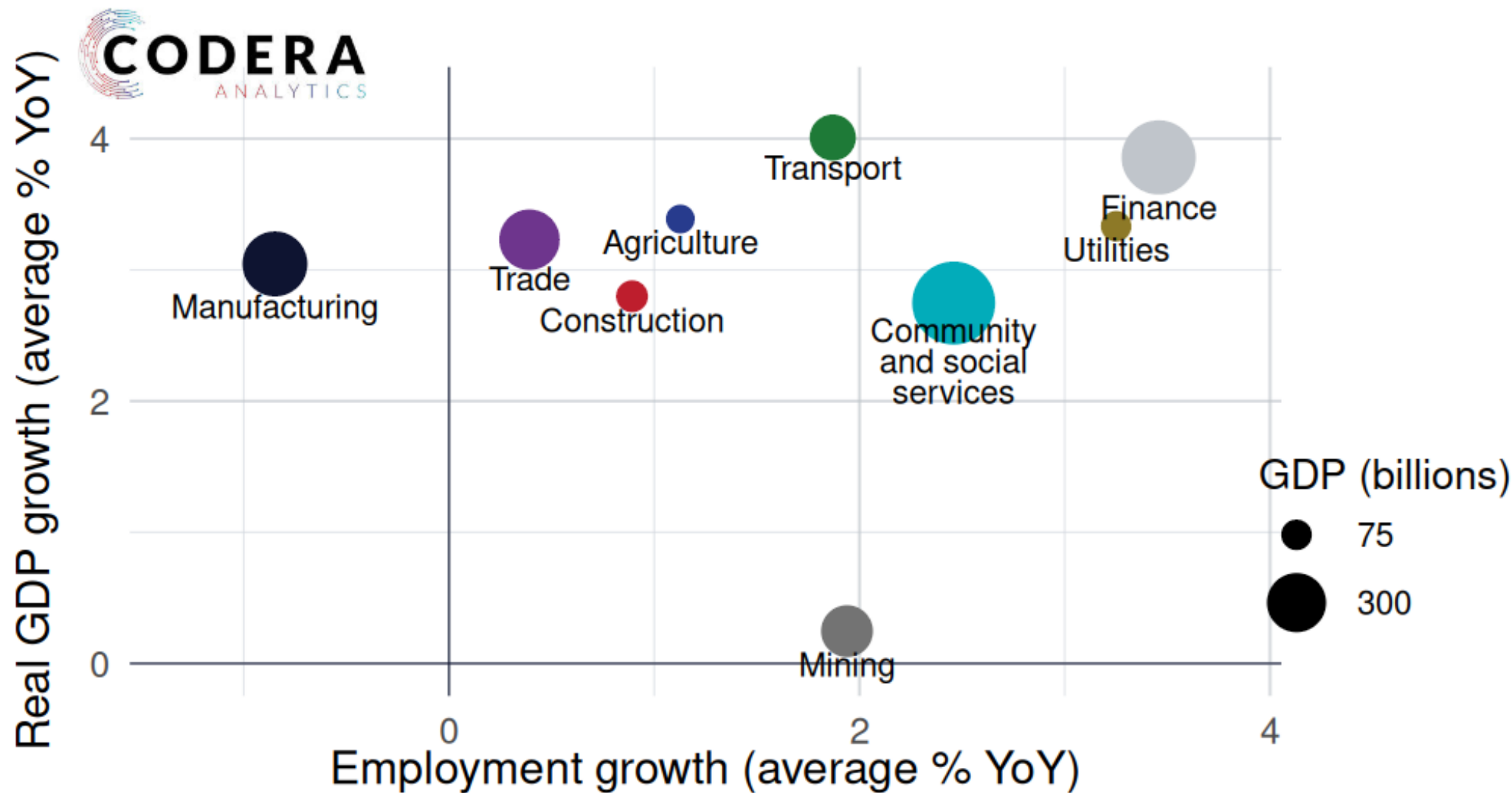
Polarizing trend in aggregate earnings in South Africa

Proportion of aggregate earnings by occupation category



Horn, et. al. 2025. Occupational Polarization in South Africa: Evidence from the Post-Apartheid Labour Market Series

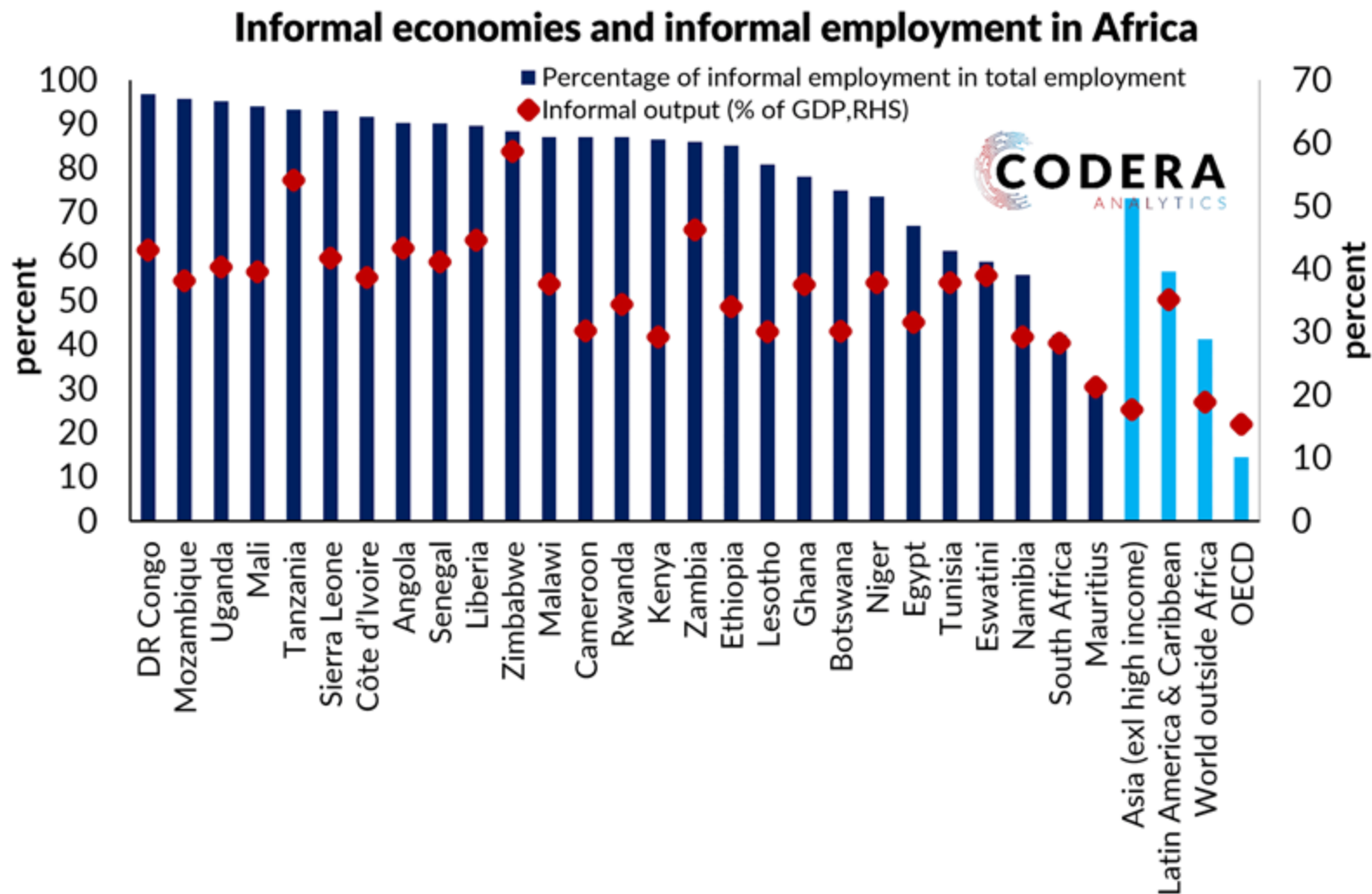
Employment is growth slower than GDP growth



Source: StatsSA, EconData
Time period: 2008Q1 – 2025Q1

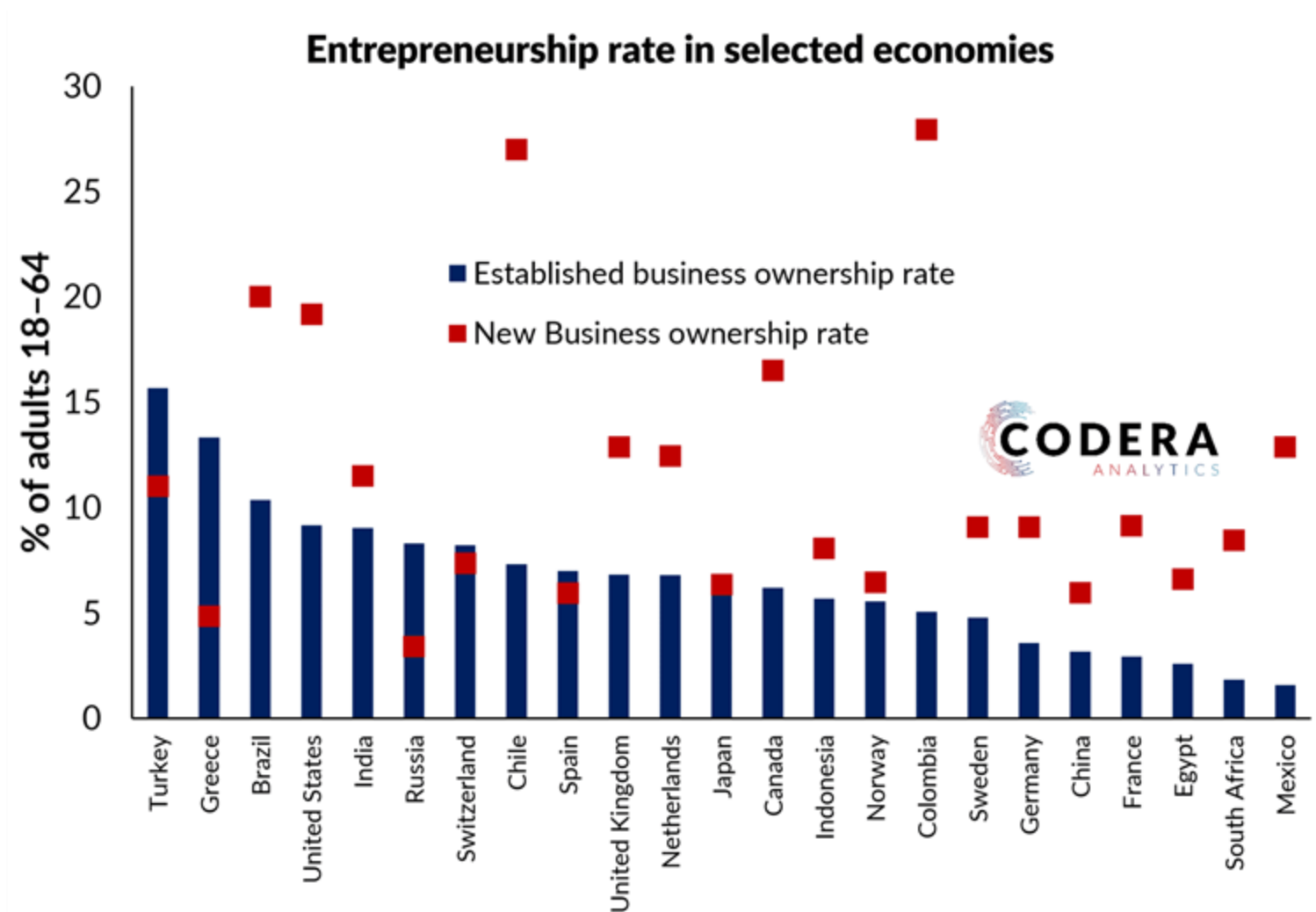
South Africa
2020Q2 and 2021Q2 excluded

SA's informal sector is small



Source: ILO, The Informality Database (Elgin, C., M. A. Kose, F. Ohnsorge, and S. Yu. 2021. "Understanding Informality." CERP Discussion Paper 16497, Centre for Economic Policy Research. Informal output estimate based on multiple indicators multiple causes model-based estimates (2018). Informal employment most recent measure 2013-21.

South Africa ranks low on entrepreneurship

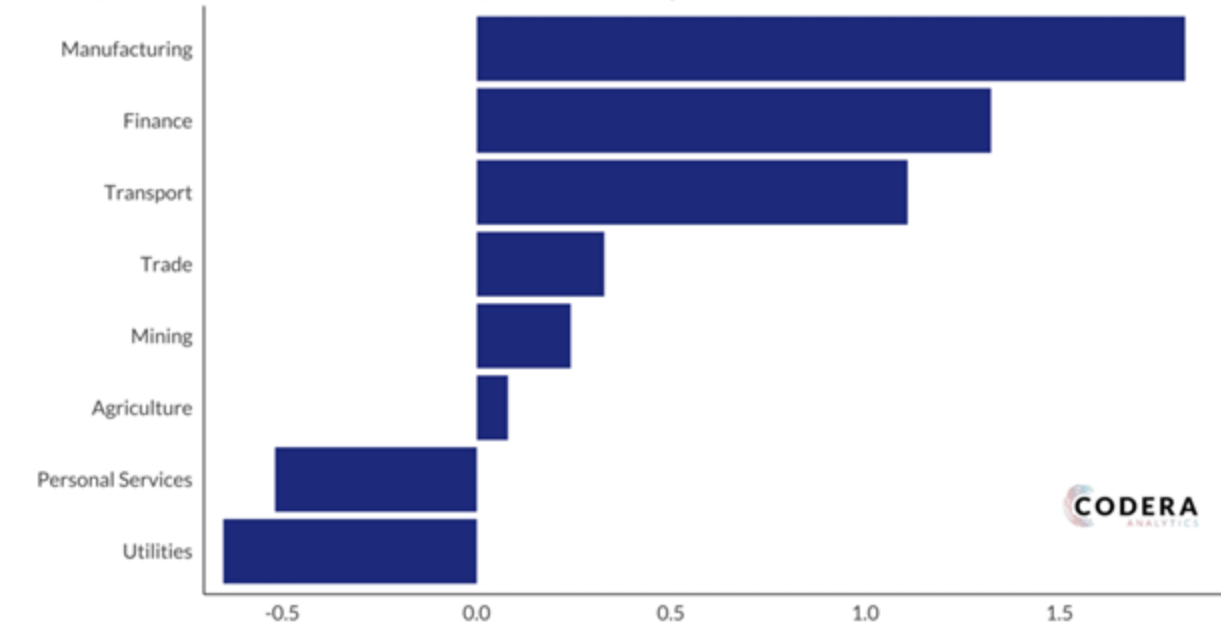


Source: Global Entrepreneurship Monitor. Those who are either a nascent entrepreneur or owner-manager of a new business or who are currently an owner-manager of an established business. 2022 for all except Russia, Spain and Turkey (2021).

Weak employment reaction to GDP growth

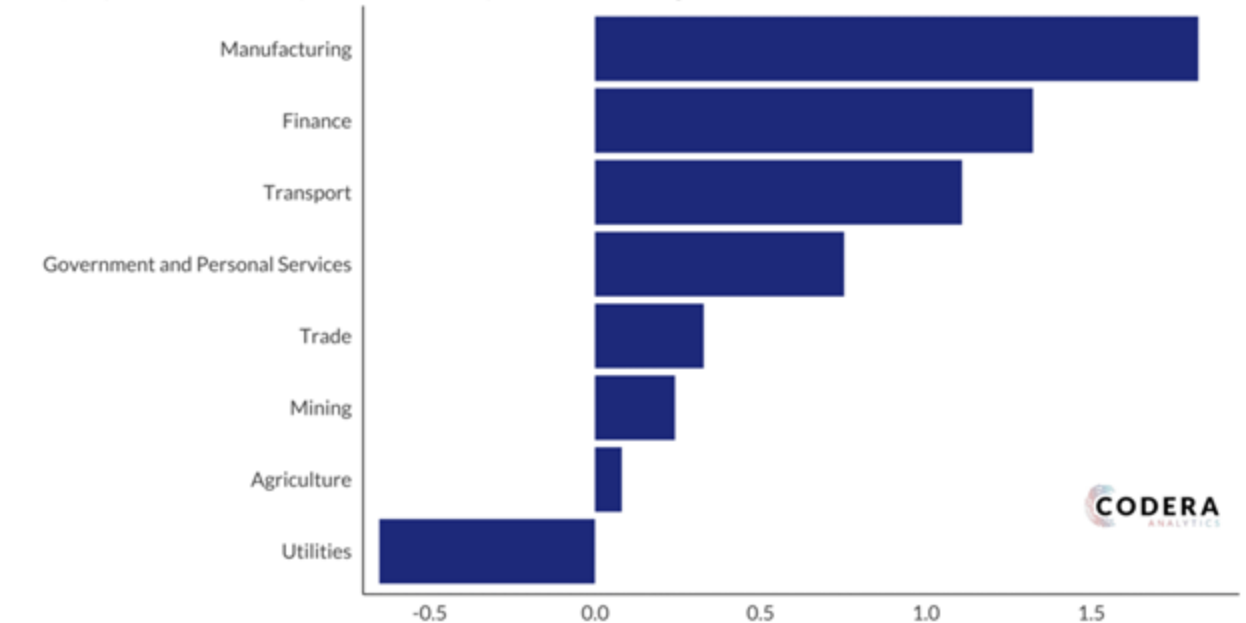


Employment elasticity from industry value added growth in South Africa (2008Q1-2025Q1)



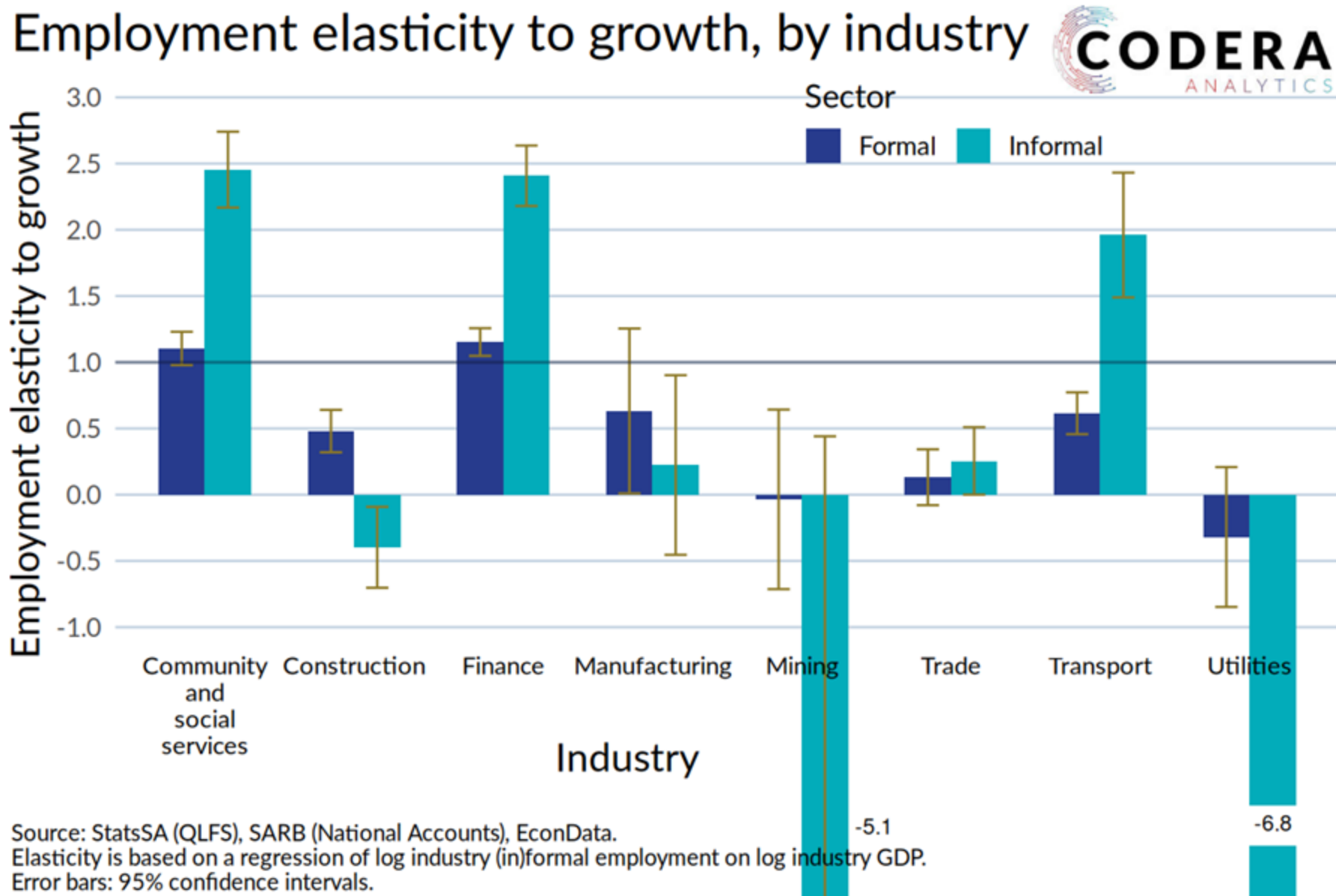
Source: Stats SA, EconData.
Note: Estimated % change in employment for a 1% change in industry growth using Error Correction Models, based on quarterly data.

Employment elasticity from industry value added growth in South Africa (2008Q1-2025Q1)



Source: Stats SA, EconData.
Note: Estimated % change in employment for a 1% change in industry growth using Error Correction Models, based on quarterly data.

Large differences between formal and informal and industries



INFORMAL ECONOMY MEASUREMENT

Sectors covered by public labour datasets

- The **Quarterly Labour Force Survey (QLFS)** data are collected through surveying a sample of households, so **it includes the informal sector** (see next slide). The earnings data are published with a two-year delay, in the Labour Market Dynamics in South Africa (LMDSA).
- The **National Income Dynamics Study (NIDS)** is a household survey, tracking individuals, including the informal sector and incomes. It is run about every four years, dependent on funding.
- The **Quarterly Employment Statistics (QES)** is a survey given to firms, so it is limited to the formal sector, and excludes agriculture.
- The **National Accounts** (i.e. GDP) covers SNA activities (which excludes household work).
- The **SARS income tax data** is limited to the formal sector (those reporting income to SARS, including people who are below the tax threshold). These data are publicly available at <https://spatialtaxdata.org.za/>

Informal Economy in the QLFS Metadata

Informal employment (Infempl)

(@260 1.)

Derived variable

This variable is intended to identify persons who are in precarious employment situations.

Informal employment includes all persons aged 15 years and older who are employed and work in:

- Private households and who are helping unpaid in a household business; or
- Working for someone else for pay and are NOT entitled to basic benefits from their employer such as a pension or medical aid and has no written contract; or
- Working in the informal sector.

Formal employment includes all persons aged 15 years and older who are employed and who do NOT meet the above criteria.

Employers and own-account workers aged 15 years and older are included in the category 'Other'.

Derived from a series of questions:

Status	(Derived variable)
Sector 2	(Derived variable)
Work for whom	(Question 4.5)
Contribution to pension or retirement fund	(Question 4.6)
Medical aid or health insurance contributions	(Question 4.9)
Employment contract	(Question 4.11)

Final code list

- 1 = Formal employment
- 2 = Informal employment
- 8 = Other
- = Not applicable

Informal Economy in the QLFS

Metadata (continued)

STATISTICS SOUTH AFRICA

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Sector (Sector2)

(@255 1.)

Derived variable

Derived from a logical series of questions:

Work for whom	(Question 4.5)
Income tax deducted	(Question 4.10)
Business registered for VAT	(Question 4.13)
Business registered for income tax	(Question 4.14)
Number of employees	(Question 4.16)

Agriculture is included in the formal and informal sector in this variable.

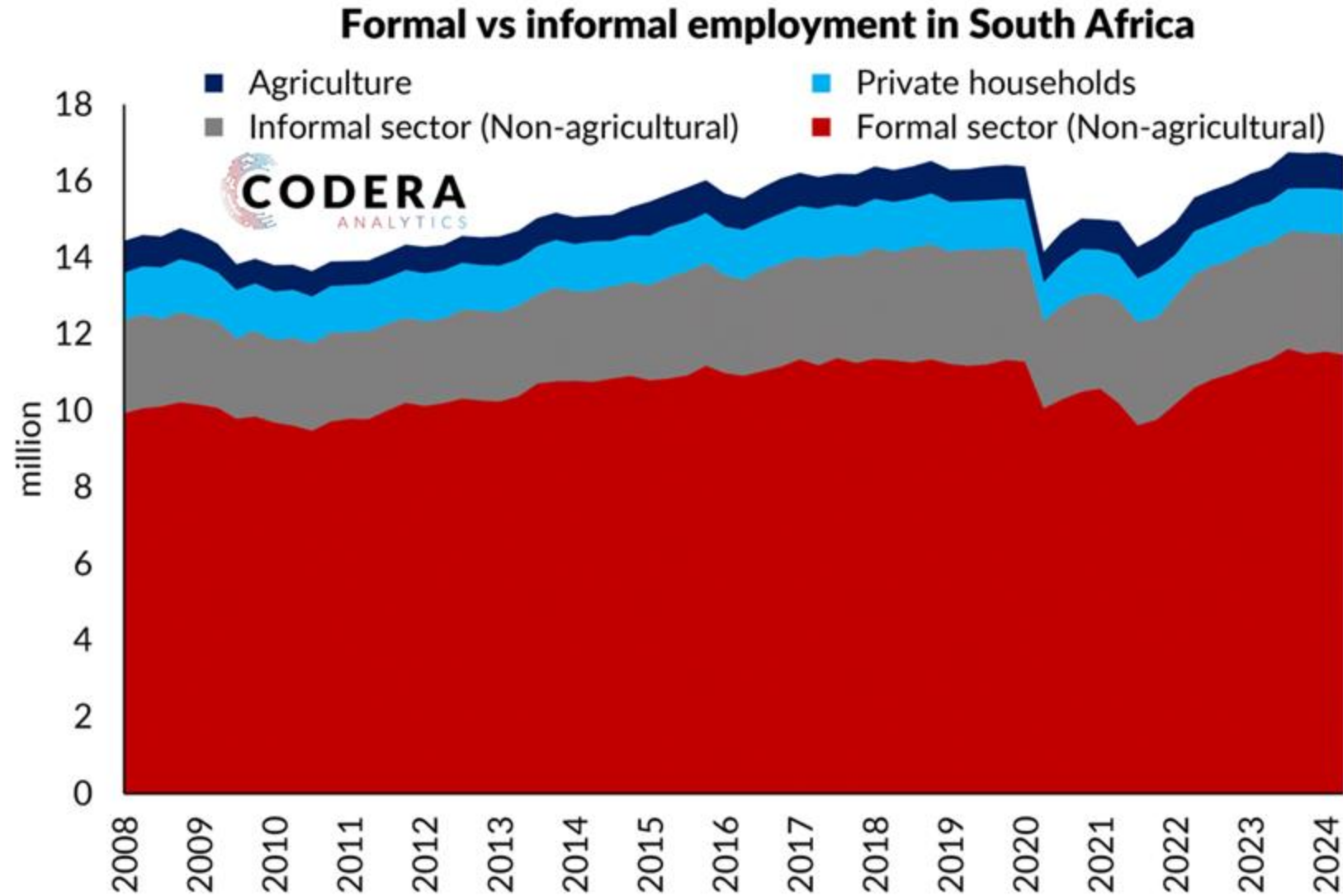
Final code list

- 1 = Formal sector (including agriculture)
- 2 = Informal sector (including agriculture)
- 4 = Private households
- = Not applicable

Survey Sampling Weights

- Even though the QLFS household survey may not be truly randomized, a weight is calculated for each respondent.
- Averages are calculated with the weights, so that the statistics are representative of the population.

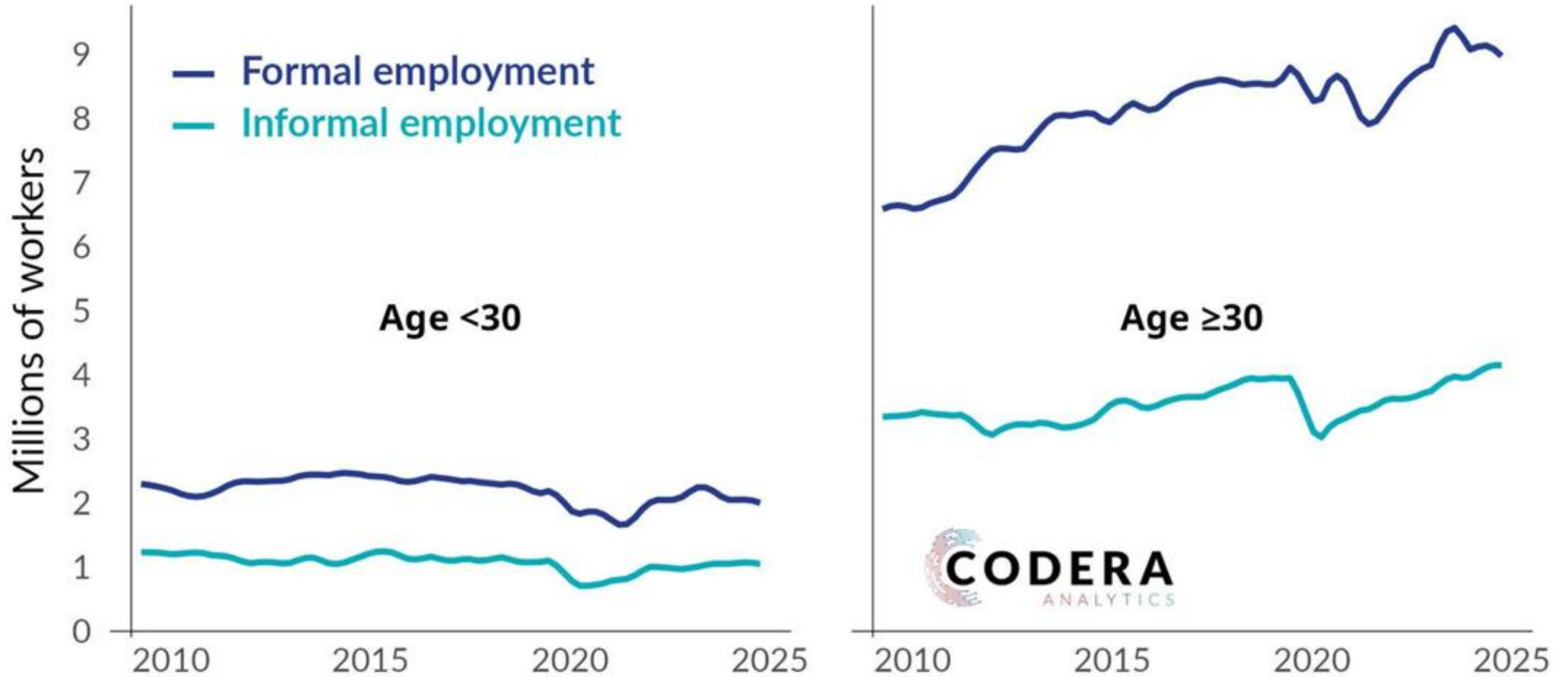
Informal employment is low



Source: Statistics South Africa, EconData.

Informality differs by age

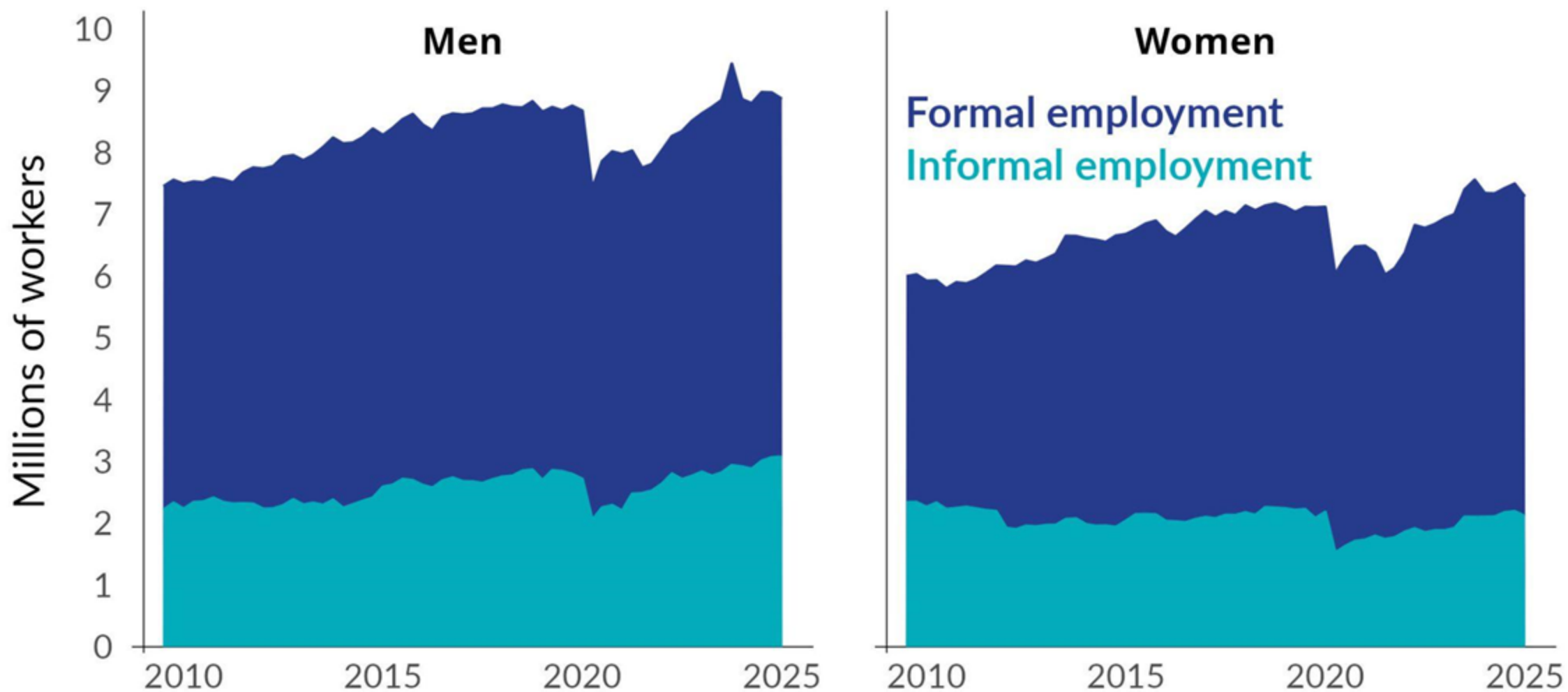
Employment by age and formal status in South Africa since 2009



Source: Quarterly Labour Force Survey
StatsSA and Codera Analytics

And by gender

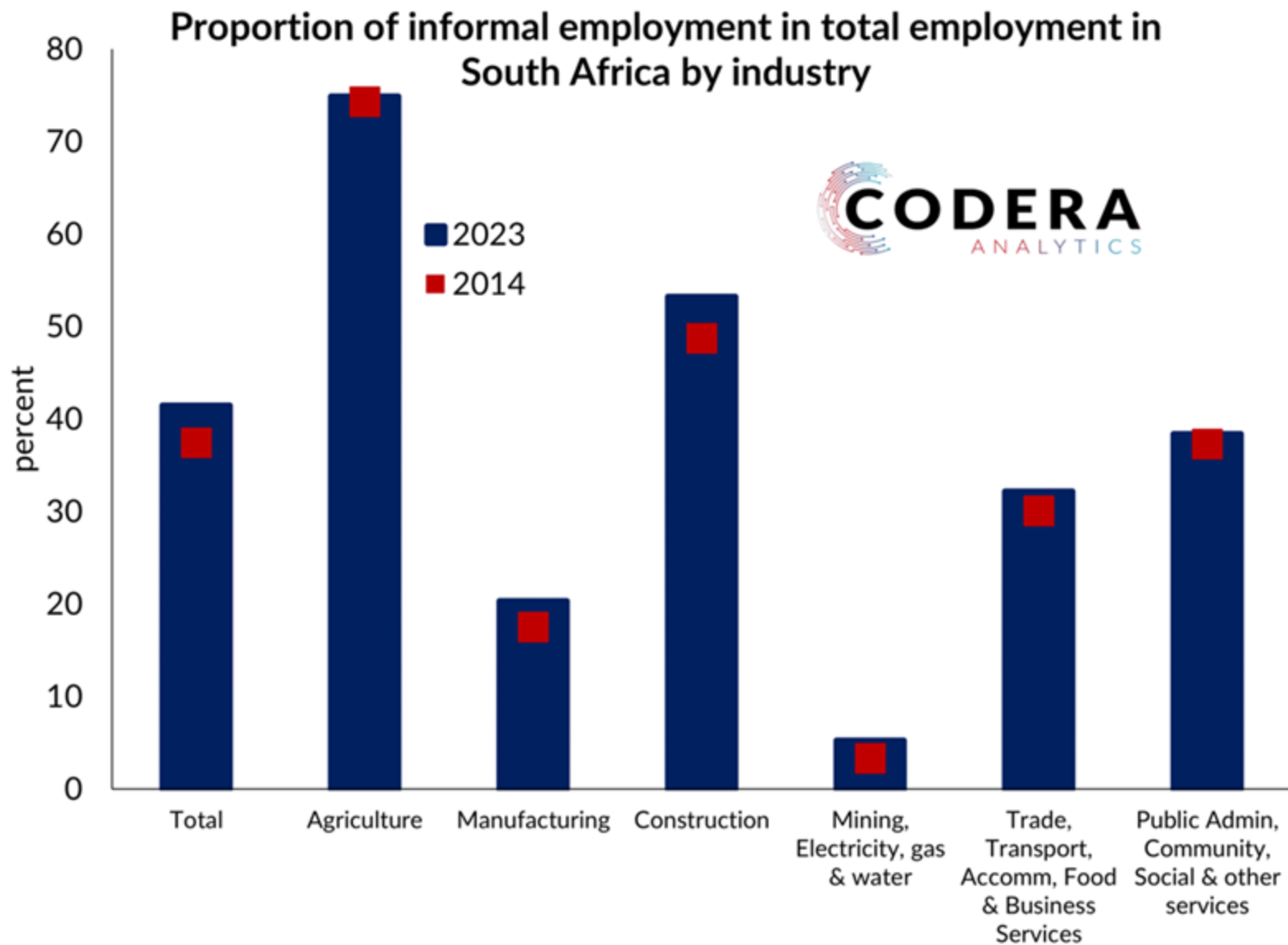
Employment by gender and formal status in South Africa since 2009



Source: Quarterly Labour Force Survey
StatsSA and Codera Analytics



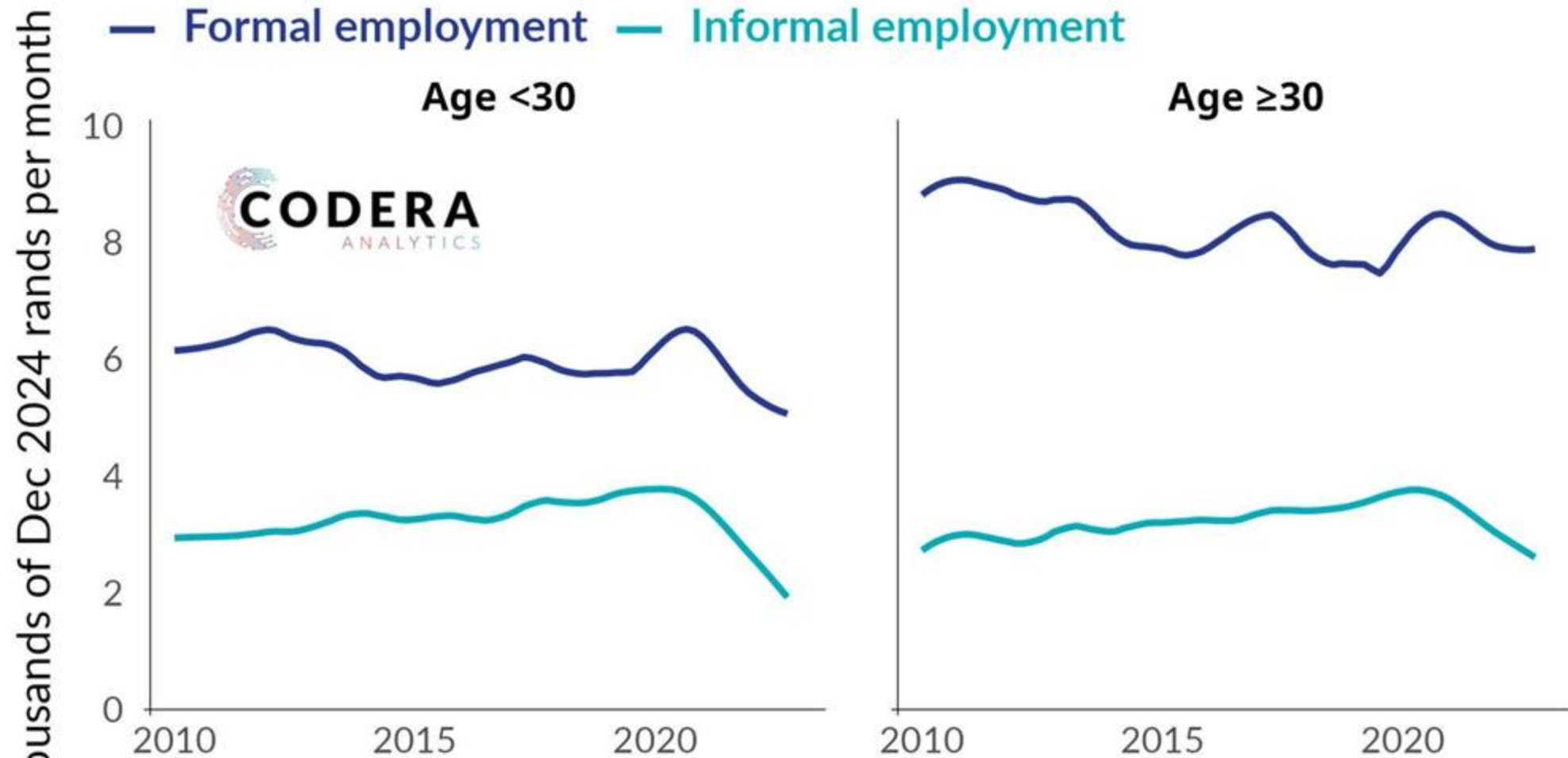
And across industries



Source: ILO

Wages are higher in the formal sector

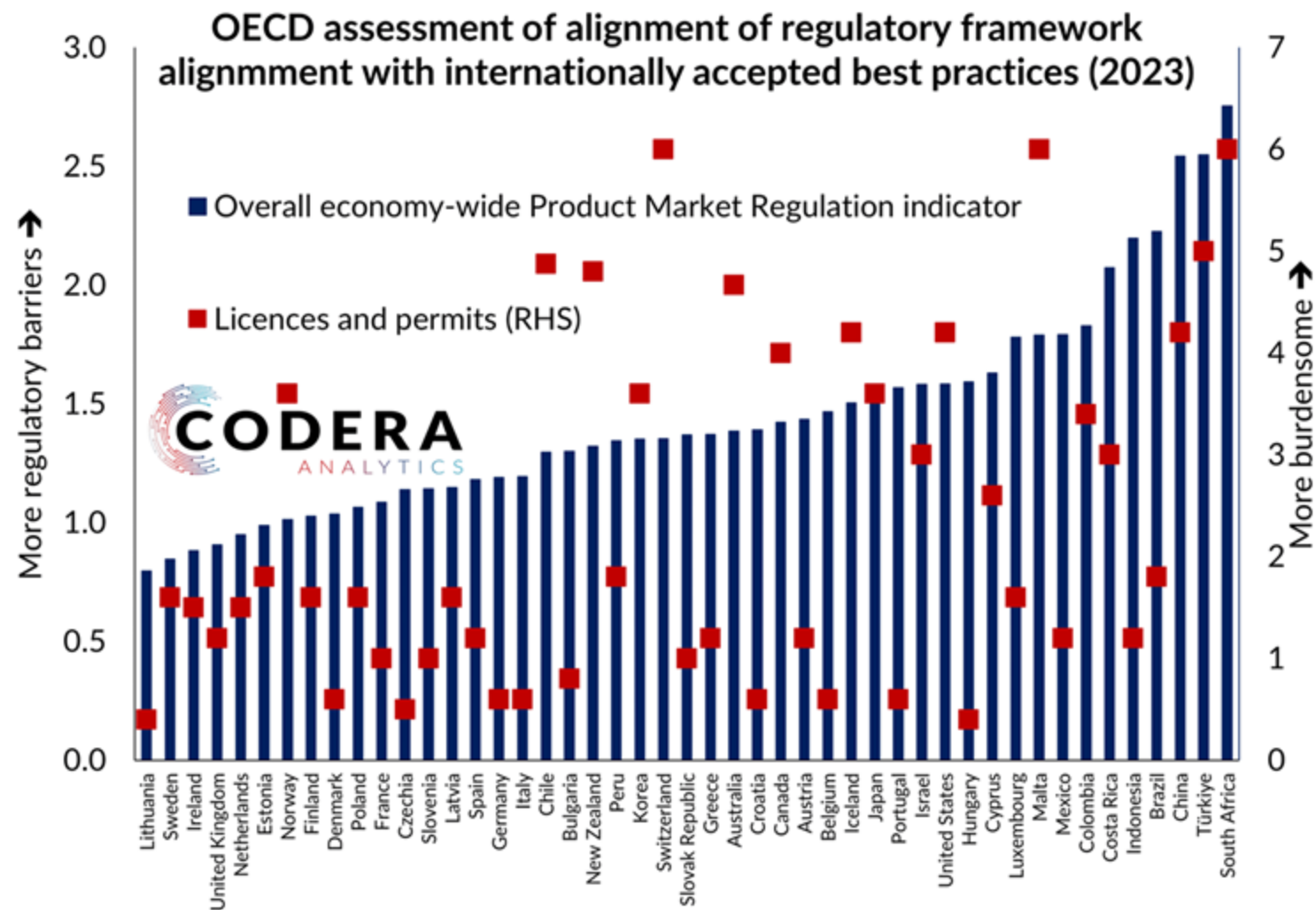
Median real gross earnings by age in South Africa since 2010



Source: Quarterly Labour Force Survey
StatsSA and Codera Analytics. Nominal wages deflated by headline CPI.

REGULATIONS AND POLICY

SA stands out for regulatory distortions to competition



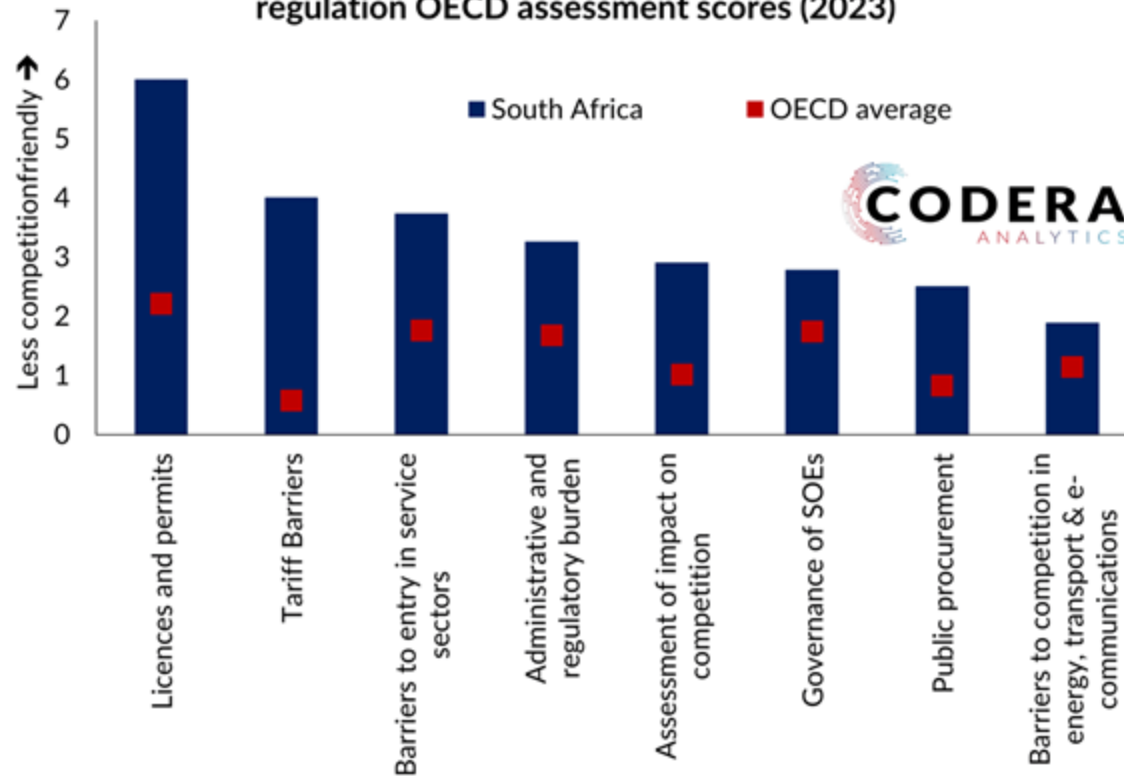
Source: OECD

<https://codera.co.za/regulatory-distortions-to-competition-around-the-world/>

Regulatory challenges and quality of government

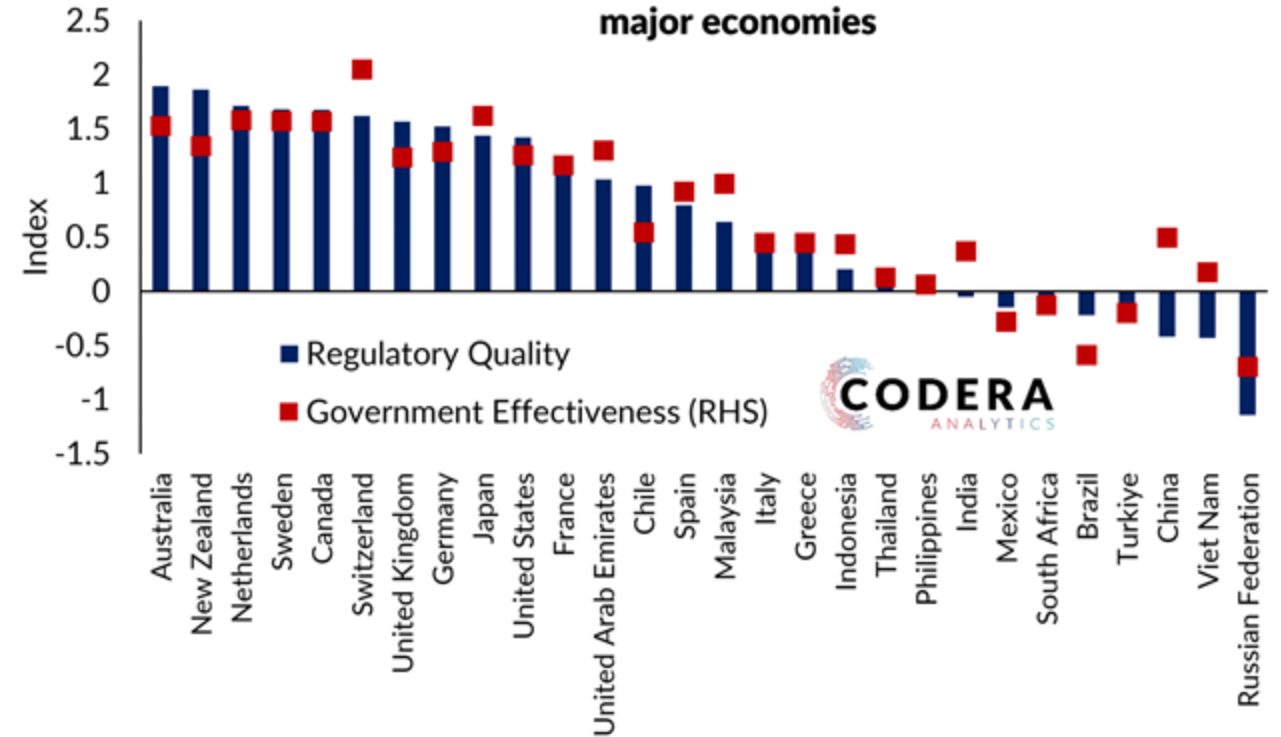


South Africa has weak economy-wide product market regulation OECD assessment scores (2023)



Source: OECD

Regulatory and government efficiency estimates in selected major economies

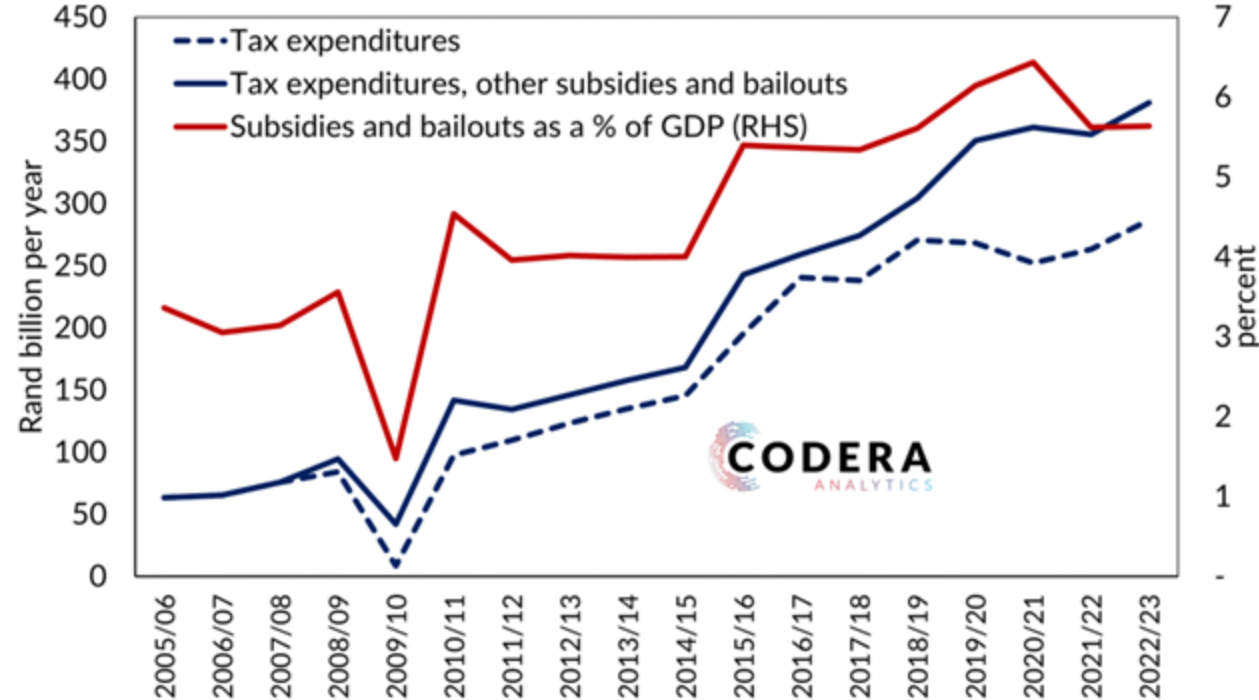


Source: World Bank, estimates for 2022. Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

Government support focused on inefficient SOEs and capital-intensive, oligopolistic industries

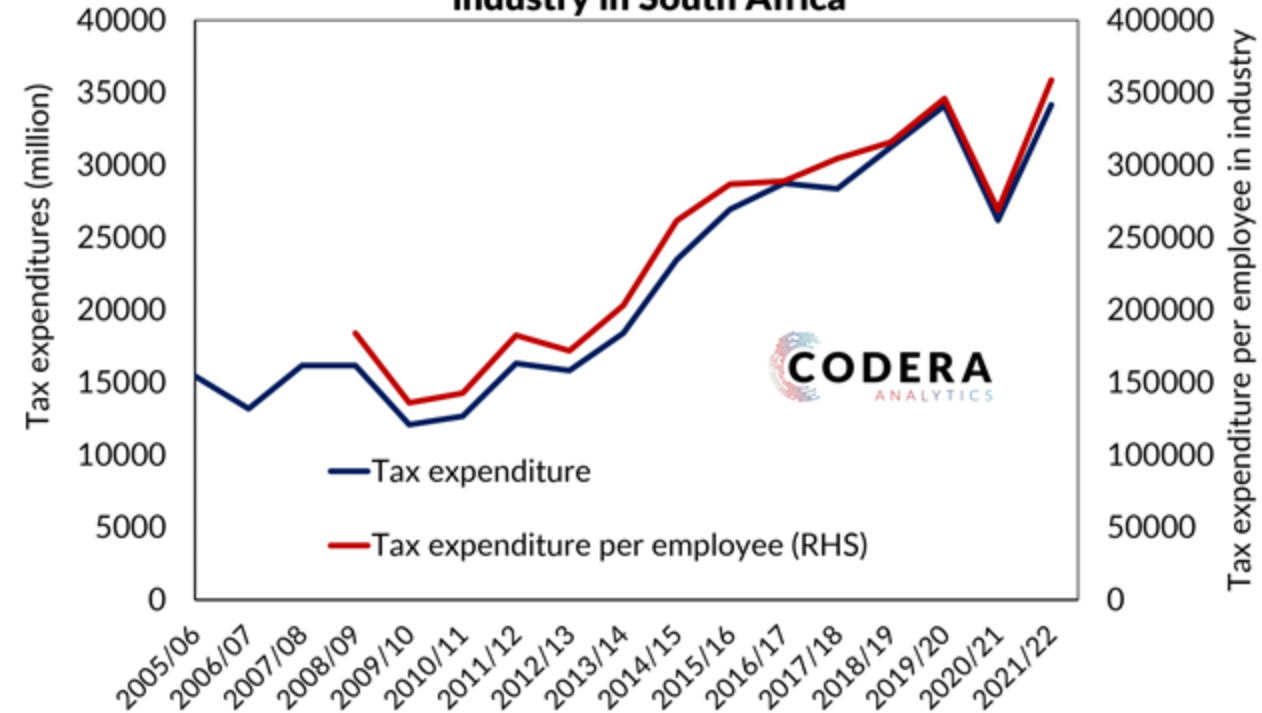


Government subsidies and bailouts in South Africa



Source: National Treasury Budget Reviews, Statistics South Africa, IDC Annual reports, Parliamentary Question to DTIC number 1221, Codera Analytics. Includes total tax expenditures (personal income, corporate and value added tax, customs and excise, research and development, and participation exemptions), recapitalisation of state-owned corporations, IDC non-performing loans, DTIC Black Industrialists Fund. Tax expenditures are estimates of the total revenue foregone from targeted tax exemptions, deductions or credits.

Motor industry support per employee in motor vehicle industry in South Africa



Source: Statistics South Africa, National Treasury Budget Reviews, EconData, Codera Analytics. Tax expenditures are estimates of the total revenue foregone as a result of this preferential tax treatment based on National Treasury estimates for motor vehicles. Employment in motor vehicles, bodies and parts and accessories for transport equipment.



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