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Fix the basics and the jobs will follow

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Reliable infrastructure, working municipalities and less red tape will do more for employment than chasing the "right" industries

In South Africa, only four out of 10 working-age adults are employed. Faster economic growth is the obvious (and correct) answer. But without the necessary reforms, growth alone will not reduce unemployment at the scale required.

South Africa's unemployment rate has remained above 20% since the early 1990s, which, for a country that has avoided war or economic collapse, is almost without parallel. Decades of weak schooling for the majority, and a growth path that increasingly relies on capital and skills, are among the reasons that have left a large share of working-age South Africans locked out of the modern economy. When conditions improve, it takes time for the effects to trickle down to the least skilled and most marginalised.

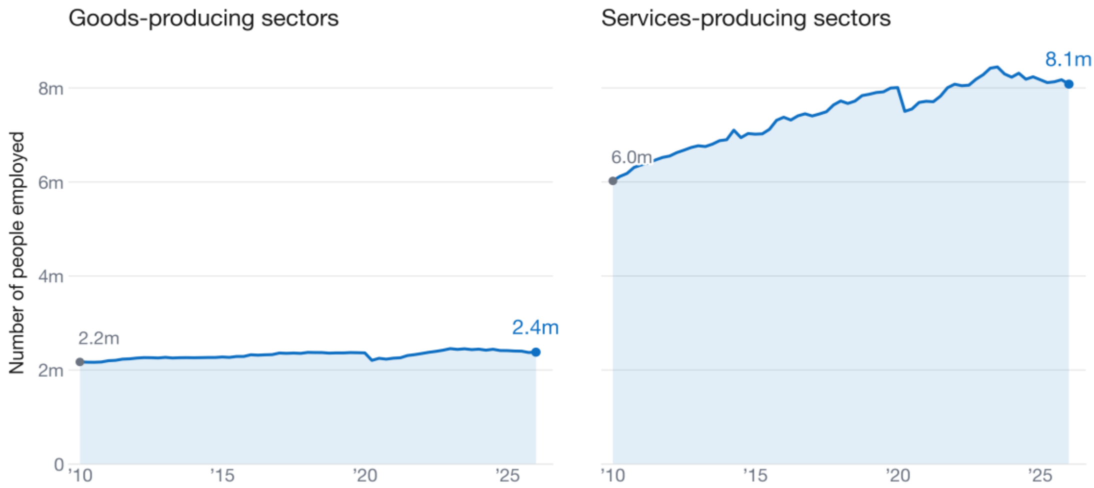
What the past decade tells us

First, faster growth does reduce unemployment. Between 2001 and 2008, the economy grew by 3%-5% a year, and the official unemployment rate fell from 30.3% to 22.5%. Yet, even at the height of that boom, unemployment never dipped below 22%. Growth helped clear the cyclical joblessness but did not address the deeper structural problem.

The Bureau for Economic Research's (BER's) own modelling shows that if the economy could grow at 3% it would create 2.4 million jobs by 2030, compared to 1.4 million jobs if growth remains at around 1%. But, with just over 8 million people officially unemployed, even 3% growth will not come close to eliminating the employment shortfall.

Stats SA's Quarterly Employment Survey, released earlier this week, reveals the shape of the problem.

Figure 1: SA's goods-producing sectors have struggled to add formal-sector jobs over the past 15 years, and even the service sectors have stagnated post-COVID



Source: Stats SA, Quarterly Employment Survey 2026Q1

Note: The QES survey draws its sample from private non-agricultural businesses, including factories, firms, offices and stores, and from national, provincial and local government bodies. "Goods-producing" sums formal jobs in mining, manufacturing, electricity/gas/water and construction; "services-producing" sums trade and hospitality, transport and communication, finance and business services, and community and social services. Quarterly data, 2010 to 2026Q1, formal sector only (excludes agriculture and informal work).

A 15-year view shows a clean split. Most service sectors began the previous decade strongly and kept adding jobs, while the secondary sectors (chiefly mining and manufacturing) largely flatlined. Some of this is a normal evolution that maturing economies go through, as activity shifts from mines and factories towards services.

But two things should trouble us. Mining, which could be an important source of jobs, employed fewer people in 2026Q1 than at the start of 2010, despite firm commodity prices. And even the service sectors that drove job creation before 2020 have added almost nothing since recovering from the COVID-19 pandemic.

Manufacturing's long slide is a clear case of what has gone wrong. Its decline reflects a lethal combination of weak global demand, unreliable municipal services, and escalating input costs due to network infrastructure failures in electricity, ports and rail. These realities, compounded by regulatory hurdles, have eroded confidence and fed a vicious cycle of low investment, low growth and low employment.

These trends provide important context for the government's new Industrial Development Strategy. It names the binding constraints, puts affordable electricity and working ports and rail at the centre, promises to cut red tape through Operation Vulindlela, and even adopts the same 3% growth target.

But it also leans on chosen "pathways" and targeted incentives.

The lesson of the past two decades is that picking winners has failed, and South Africa, as a middle-income country, is unlikely to win export markets by micromanaging the economy. Instead, the government should focus with an eagle eye on fixing the foundations, so that the parts of the economy that can absorb workers are free to grow.

We know what needs to be done

Operation Vulindlela is slowly clearing many of the economy-wide frictions that hold back investment, and that should sharpen the employment response to growth. But structural reforms take time, and other fixes can run in parallel.

Take the perennial problem of red tape. Regulatory barriers raise compliance costs, can discourage entrepreneurship, and hold firms back from investing, expanding and hiring. Yet much of this can be undone with the stroke of a pen. Regulatory reform is fast and almost free, certainly next to the cost of rebuilding ports and railways.

The OECD's 2025 Economic Survey finds, as it has at almost every survey since the first in 2008, that South Africa's product-market regulation is among the most restrictive in the G20 and the OECD. It singles out the administrative burden on local firms and urges the government to make simplifying licences and permits a national priority.

Stronger job growth depends not only on long-term structural reforms but also on reducing the daily frictions that stifle business and hiring. And because South Africa’s starting point is so restrictive, freeing firms to operate could have an outsized effect on growth, efficiency and employment.

There is a further reason to act here. Small and informal enterprises should have the capacity to absorb large amounts of labour, yet they carry the heaviest burden of poor infrastructure, red tape and weak service delivery. Without romanticising precarious and informal work, the policy implication is clear: remove the barriers that stop micro and informal firms from starting, surviving and growing.

The point is simple. Large and small firms alike need affordable and dependable infrastructure, functioning municipal services and a predictable regulatory environment that does not smother enterprise. Only when South Africa fixes these basics and makes it easier for firms to thrive will the flat lines on that graph finally begin to climb.

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