



ECONOMIC COMMENTARY

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SA'S RISING INEQUALITY AND HOW TO FIX IT

South Africa (SA) remains one of the most unequal countries in the world, with its Gini coefficient (a measure of income inequality) worsening since 1994. Despite efforts to redistribute wealth and improve economic inclusion, inequality has deepened, owing to persistent unemployment, policy failures, and slow economic growth. However, targeted reforms in labour markets, governance, education, and entrepreneurship could help reverse this trend.

A dual economy and rising unemployment

SA's economy remains divided. A small, highly developed sector competes globally, while a large, informal sector struggles to create sustainable livelihoods. Unemployment exceeds 30%, with youth unemployment even higher.

Problem: Rigid labour laws discourage businesses from hiring. A high minimum wage limits opportunities in low-skilled sectors. Many job seekers lack the necessary skills.

Solution: Introducing flexible labour policies, lowering entry-level wages for first-time job seekers in targeted sectors, and providing tax incentives for businesses that create jobs can help integrate more people into the workforce. Encouraging labour-intensive industries would also help to create sustainable employment.

Policy failures, corruption, and poor governance

While government policies aimed to address historical injustices, they have primarily benefited a small elite instead of broadening economic participation. Corruption, particularly state capture, has also weakened public services and driven away investment.

Problem: State-owned enterprises (SOEs), like Eskom and Transnet, have been mismanaged, causing energy shortages and logistical constraints that slow economic growth.

Solution: Strengthening anti-corruption measures, increasing transparency in public spending (like the Department of Government Efficiency in the United States), and ensuring competent leadership in SOEs would restore confidence and allow economic resources to be used efficiently. Improving government efficiency would ensure that tax revenues are spent on infrastructure, education, and economic development rather than being lost to corruption.

A weak education system and the skills gap

Millions of South Africans receive poor-quality education, leaving them unprepared for the job market. Private and Model C schools offer better opportunities but they remain out of reach for most, reinforcing inequality.

Problem: Schools lack resources, and university education is inaccessible to many. There is a mismatch between what industries need and the skills available in the labour market.

Solution: Expanding technical and vocational training, partnering with businesses to offer apprenticeships, and improving STEM education (science, technology, engineering, and mathematics) would make graduates more employable. By investing in education and skills development, SA can ensure that future workers are equipped for higher-paying jobs.

Slow economic growth and capital flight

For almost a decade, gross domestic product growth has averaged below 2%, limiting job creation and economic opportunity. Business confidence has been eroded by policy uncertainty, excessive regulation, and high corporate taxes.

Problem: High taxation and restrictive policies discourage investment. Capital flight sees wealthier South Africans moving assets abroad rather than reinvesting locally.

Solution: Simplifying business regulations, lowering corporate taxes, and providing investment incentives can encourage local and foreign companies to expand their operations in SA. A stable economic policy environment would attract investment and create jobs, benefiting a broader portion of the population.

Limited support for entrepreneurship and the informal sector

Entrepreneurship is a powerful tool for reducing inequality but SA's policies often make it difficult for small businesses to succeed. Many entrepreneurs struggle to access funding, and the informal sector remains underdeveloped.

Problem: High costs and complex regulations discourage small business growth. Access to capital is limited for many aspiring entrepreneurs.

Solution: Providing easier business registration, expanding microfinance programmes, and offering mentorship and skills training would help small businesses thrive. A thriving entrepreneurial ecosystem would enable more South Africans to create their own wealth rather than relying on limited formal-sector jobs.

Conclusion: A shift towards inclusive growth

SA's rising inequality is not beyond the point of no return. With targeted reforms in labour markets, governance, education, business policies, and entrepreneurship, our country can create more opportunities and reduce reliance on social grants. The solutions are clear; the challenge lies in implementing them. With decisive leadership and political will, SA can bridge its economic divide to build a more inclusive and sustainable future.

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