

# Economic recovery: Employment, finance and institutional considerations

*GTAC Winter School*

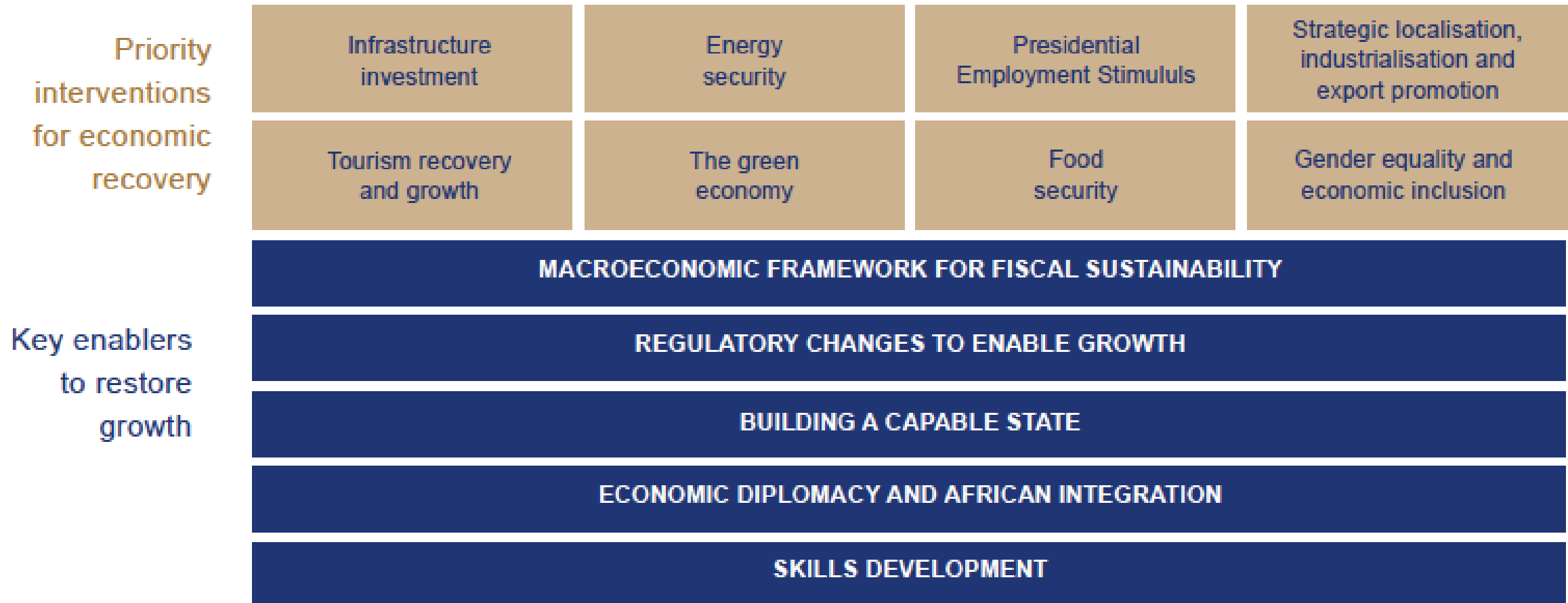
Andrew Donaldson  
19 August 2021



*Covid vs Economy by Pilato Bulala,  
Ribola Art Route, Limpopo*

# The Reconstruction and Recovery Plan

*...a bold vision and immediate actions to enable an economic rebound and to build the economy of the future. It brings together the work of government departments, the Economic Recovery Action Plan agreed by social partners at NEDLAC and contributions from the Presidential Economic Advisory Council.*



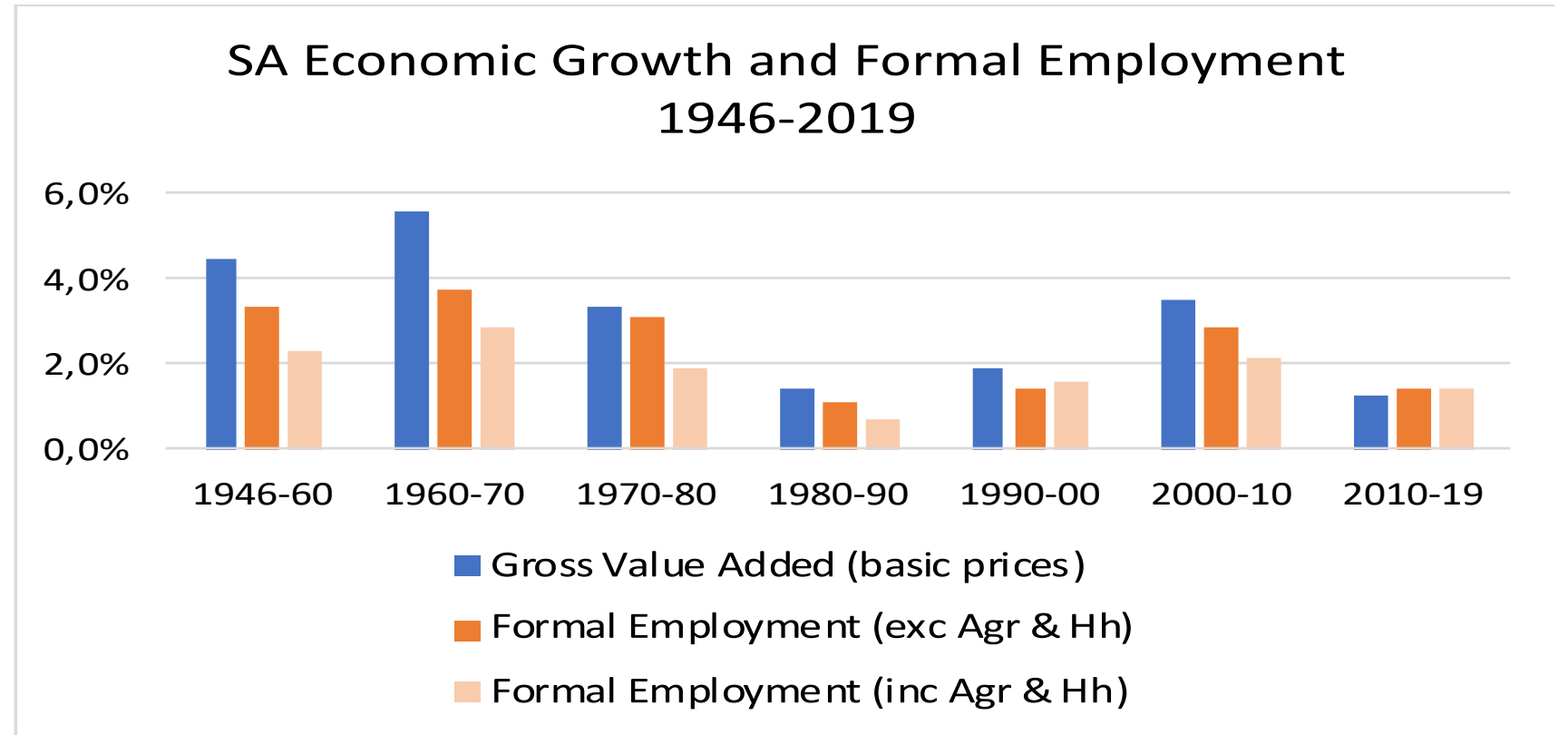
# The recovery plan promises:

- *Sufficient, secure and reliable energy supply within two years*
- *800,000 work opportunities to respond to job losses*
- *R1 trillion in infrastructure investment*
- *Reduce data costs and expand broadband access*
- *Expand local manufacturing and promote exports*
- *Resuscitate sectors (eg tourism) hardest hit by the effects of the pandemic*
- Eight priority interventions, 47 key commitments for action within<sup>1</sup> 12<sup>3</sup> months

# Growth & employment – the long view

*Long-term economic decline?*

*Or failed decade after 2009 recession ?*



# Real GDP growth since the 2009 recession

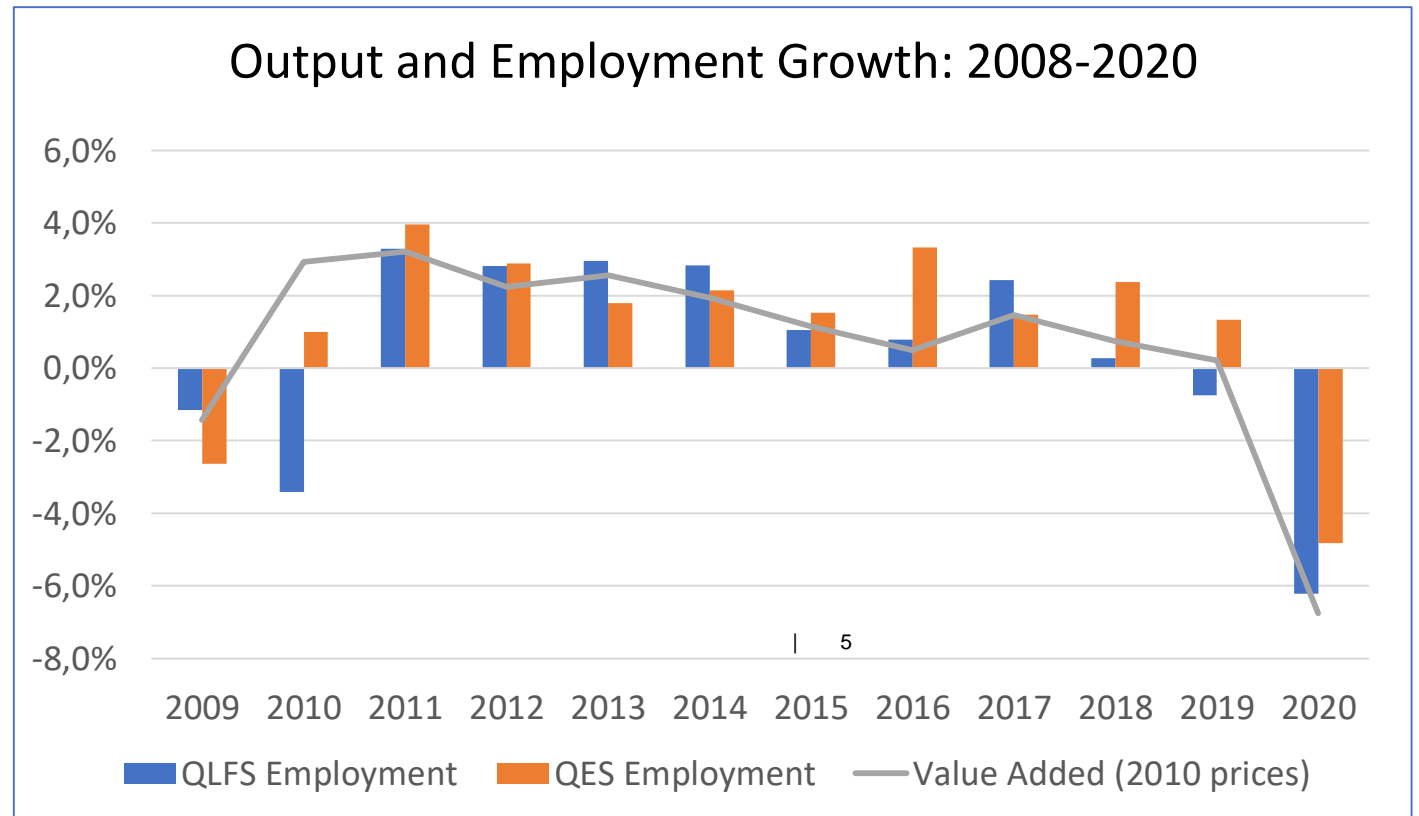
*Real GDP growth since 2009: 1.5% a year*

- *Steep pandemic decline after a decade of slow growth*

*Quarterly Employment Statistics:*

- *QES employment growth: 2.2% a year*
- *Real mean earnings growth: 1.7% a year*

*GDP is due to be rebased and re-benchmarked to 2015 prices in August 2021*



# Covid-19 has deepened an already deteriorating employment outlook

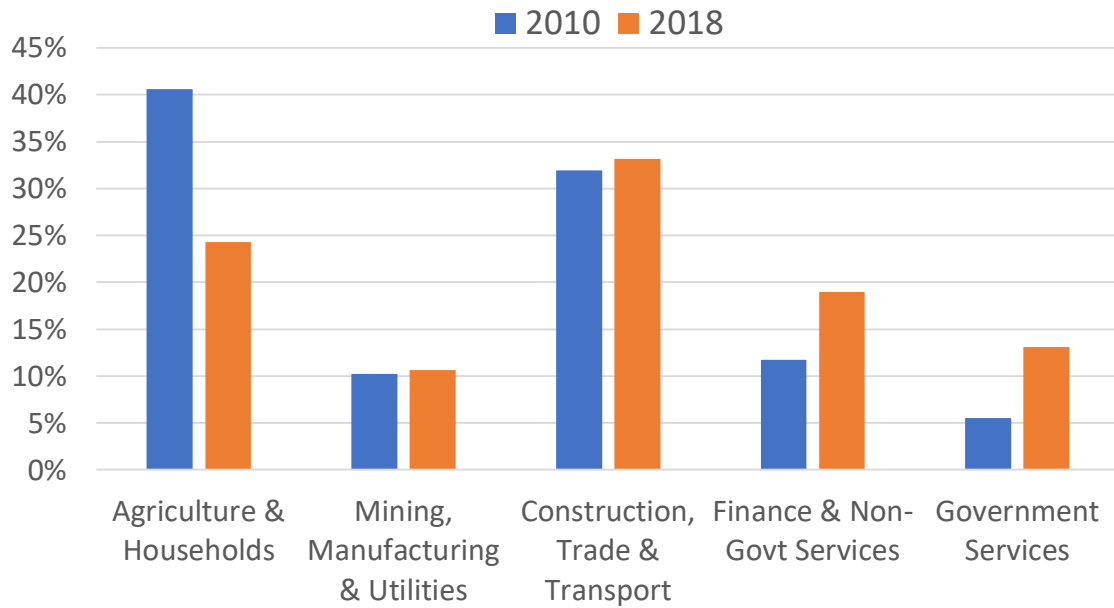
- *14% decline in employment in 2020 Q2 (QLFS)*
  - *With job losses concentrated in lower income levels*
- *R58 bn loss of earnings in 2020 Q2 (9% real)*
- *Recovery by 2021 Q1 (relative to trend):*
  - *Employment – 26%*
  - *Earnings – 96%*



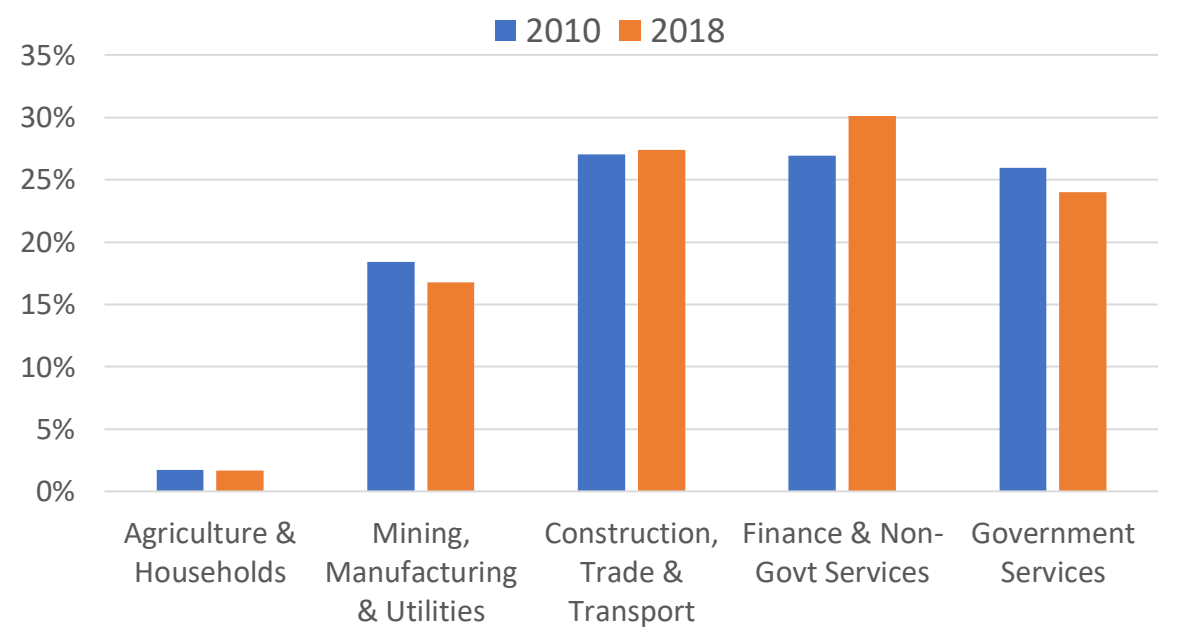
Source: Quarterly Labour Force Survey

# Structural change in earnings distribution: 2010-2018

## Earnings below 25th percentile



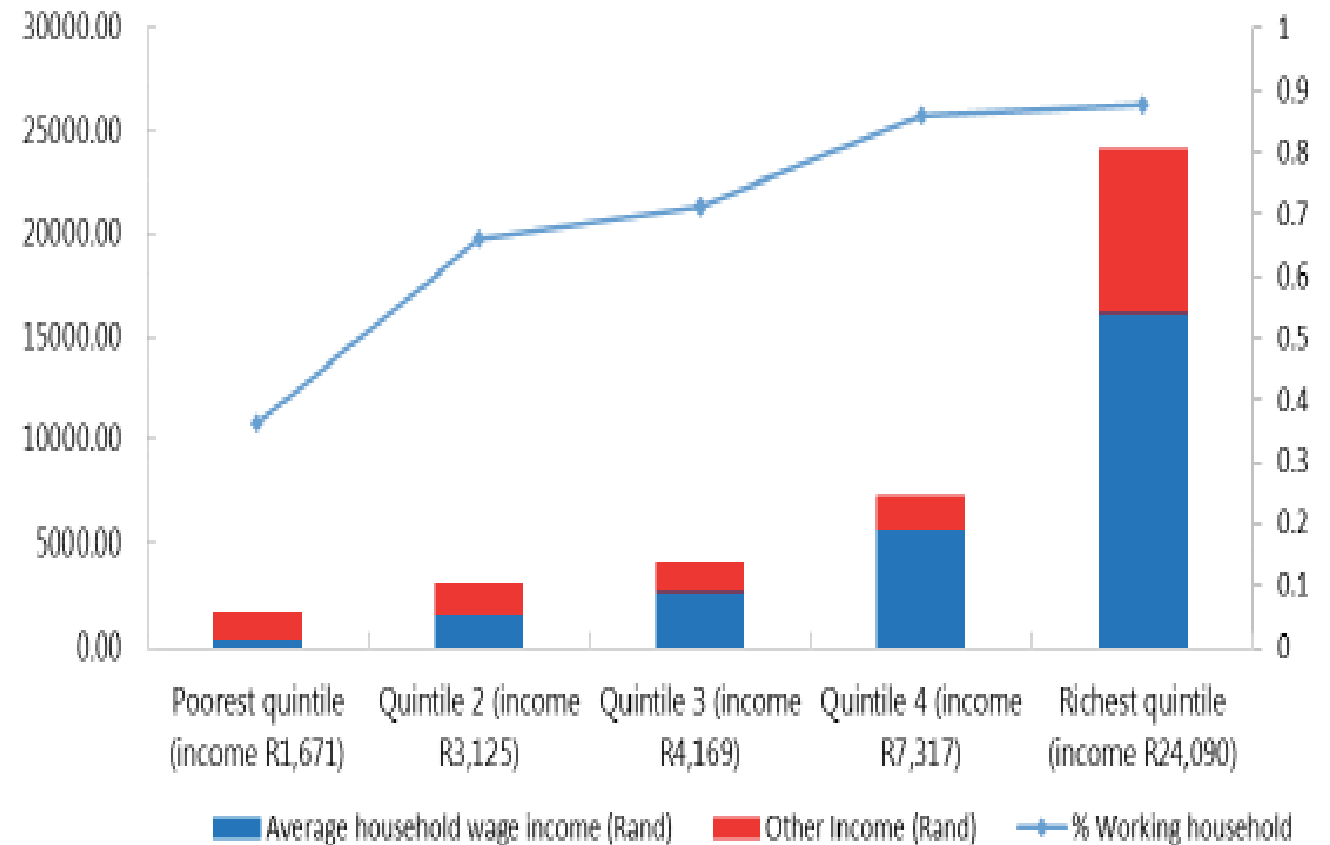
## Earnings above 75th percentile



# Policy perspective: Growth, employment and living standards

- *Employment-intensive growth is central to inclusivity and social sustainability*
- *Macro stabilisation is not enough*
  - *Slow road to economic collapse if investment stalls*
- *We know what to do to raise living standards and overcome the poverty trap*
  - *Improved urban living conditions are about technologies, logistical capabilities and investment designs that have been understood for a century or more*

*(Robert Gordon, The Rise and Fall of American Growth, 2016)*

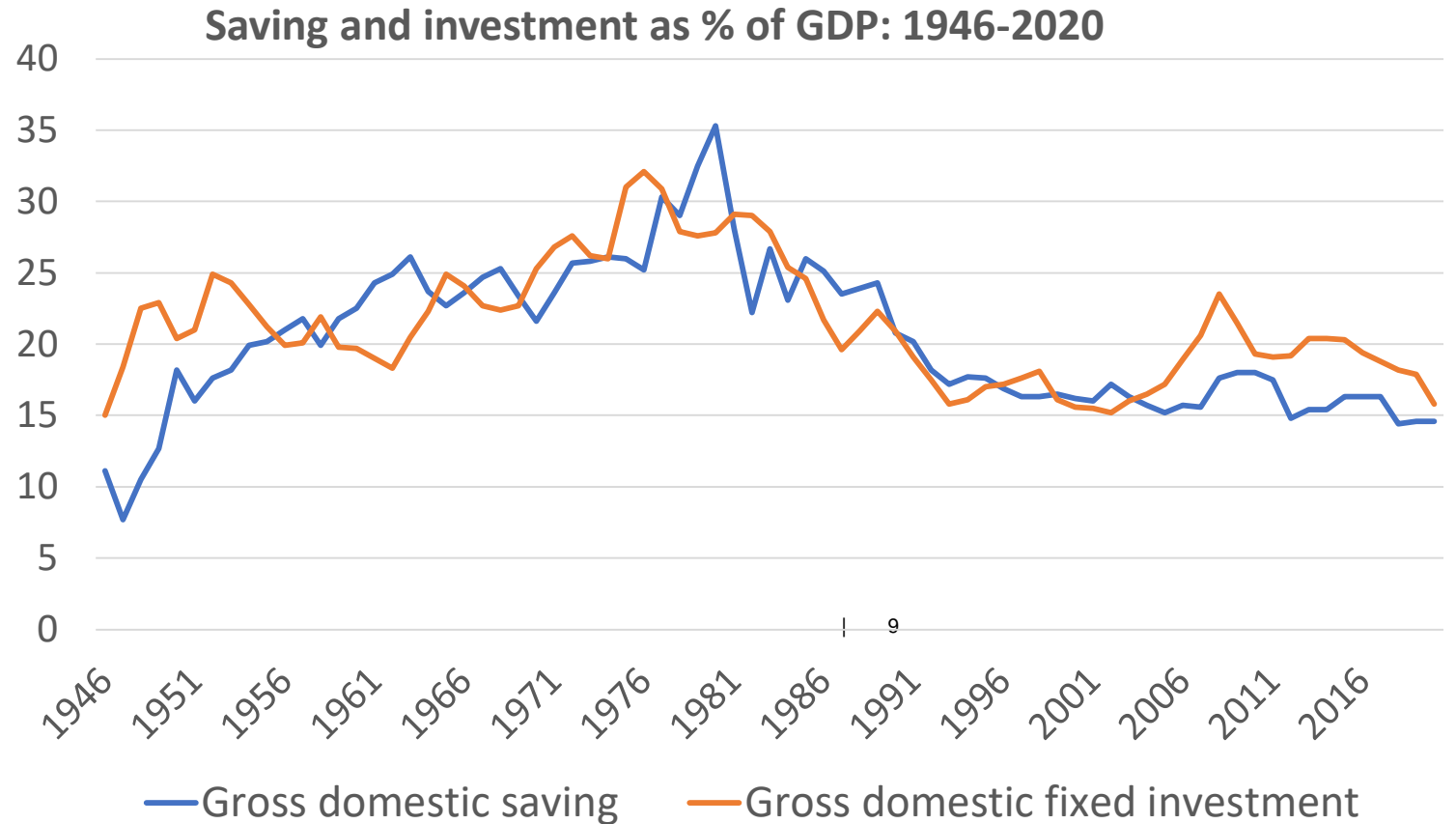




# Saving and investment: 1946-2020

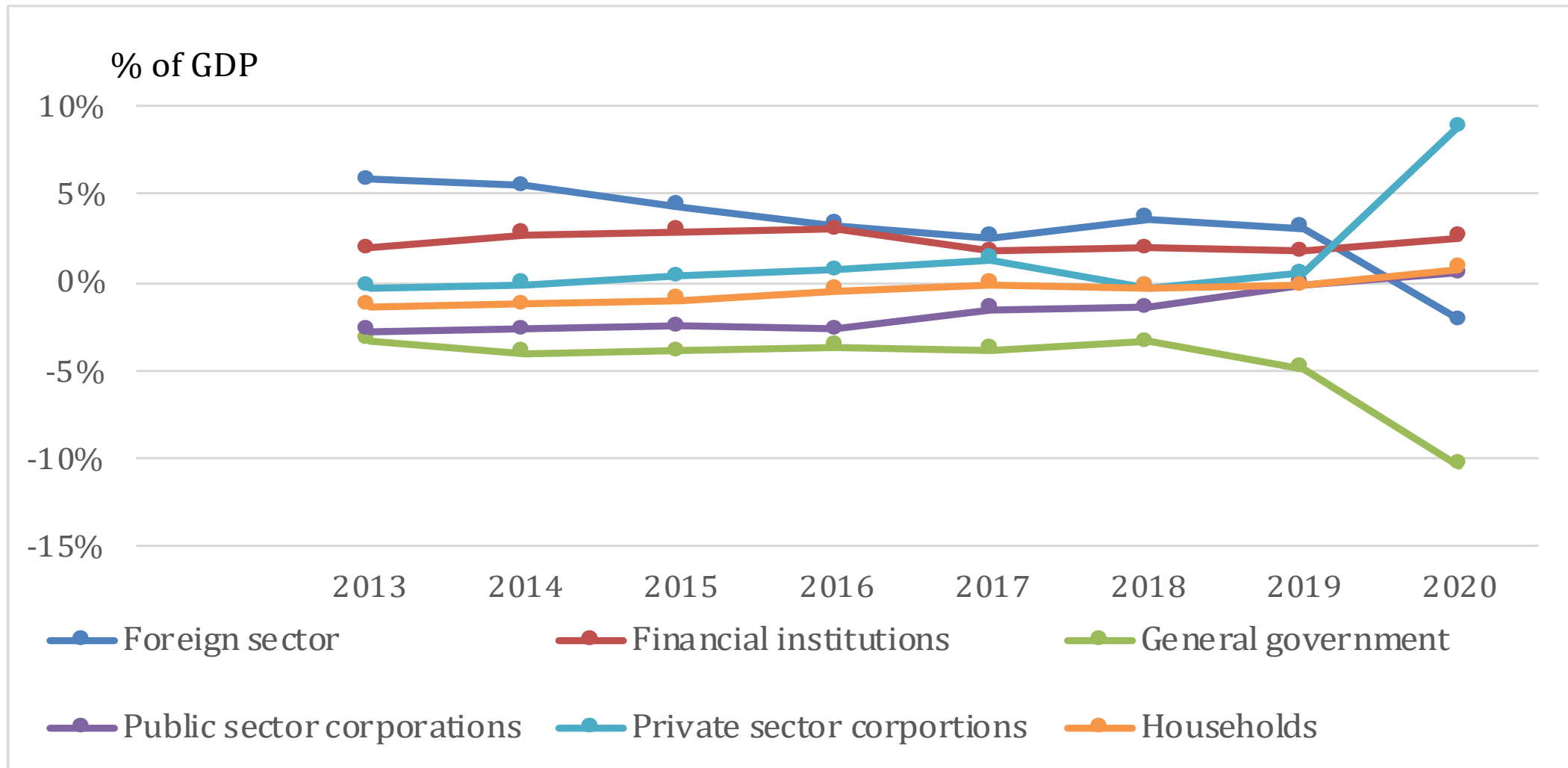
*Investment remains too low to sustain rising incomes and living standards*

*Investment recovery in 2000s lost momentum in 2010s*



# Sectoral financing balances: 2013-2020

*Govt 2020 deficit financed by private sector saving*



# Economic recovery – structural change?

- How do we shift to a more employment-intensive growth path?
  - Public employment programmes
  - Investment in social infrastructure
  - Training and work placement
  - Employment incentive for low-wage activities
- How do we channel finance to productive investment?
  - Financial intermediation towards investment led growth
  - Housing and local economic development
  - Improving access to financial services
  - Patient capital for public infrastructure investment
- How do we build state capacity to support recovery & reconstruction?
  - Modernisation of institutions
  - Complementary public and private sector development