

# CITY OF JOHANNESBURG'S SOCIO-ECONOMIC DEVELOPMENT STATUS

Issue 2 – December 2016

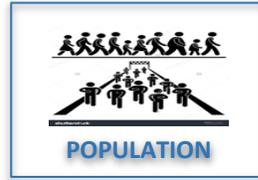
## HIGHLIGHTS

The City's population is projected to increase to about 5.43 million in mid-2021



Group Strategy, Policy Coordination and Relations

Socio-Economic indicators



Socio-Economic indicators

## 1. POPULATION AND HOUSEHOLDS OF THE COJ

According to StatsSA Community Survey 2016, the current population of the City is estimated to be 4.94 million, making it the biggest metro by population size in South Africa. The overall change in population size from the 2011 Census is an increase of 514 520 (11.6%) from the total population of 4.43 million in 2011. It is projected that the population of the City could increase to about 5.43 million in mid-2021. The corresponding growth rates in the projection period ranges from about 2.0% per annum to about 2.3% per annum.

Furthermore, there is an important picture painted by the age structure of the City's population relative to Provincial and National structures. Firstly, it is clear that very little change has occurred in the broad age structure of the CoJ population in the last ten years.

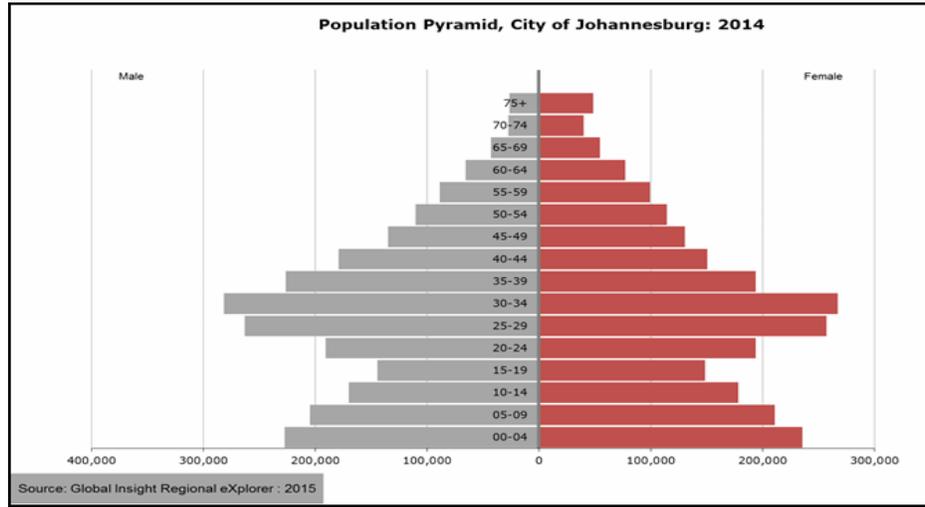
However, while the broad age structure of the City is similar to that of Gauteng, it is different from that of the national population in many respects. For example, the proportions of persons aged 0-14 years in the CoJ in the last ten years have been lower than the corresponding proportions in the national population.

**“It is projected that the population of the City could increase to about 5.43 million in mid-2021”**

Also, the proportions of persons in the working age group (15-64 years) in the CoJ in the last ten years

have been relatively higher than the corresponding proportions in the national population. While the proportion of the elderly population (aged 65 years and over) declined during the same period however, the corresponding proportion increased in the national population (and in Gauteng's have been relatively higher).

The population pyramid further reflects a large youth population (persons aged 14-35 years) which constitute over 40%, as young people migrate to Johannesburg for better opportunities. This has resulted in **high youth unemployment** of approximately 35%. However, the CoJ could also tap on skills and higher productivity ratios associated with youthful economically active population.



Constructed by GSPCR Strategic Information Unit from the Global Insight Database, 2015

In view of the age structure, the overall age dependency burden in the CoJ declined from about 41 dependents for every 100 persons in the working age group to 38 dependents for every 100 persons in the working age group during the last decade. The overall age dependency burden was lower in the City than in Gauteng and nationally in 2011. This was primarily due to marked differences in child dependency between the CoJ and the national population relative to differences in elderly dependency between the CoJ and the national population. While there were 32 persons aged 0-14 years dependents for every 100 persons in the working age group in the CoJ in 2011, at national level, there were 45 persons aged 0-14 years dependents for every 100 persons in the working age group in the same period. Elderly dependency was about six for every 100 persons in the working age group in the CoJ in 2011 while it was about eight for every 100 person in the working age group in the same period.

In absolute terms, the elderly population in the CoJ increased from about 94 496 2001 to about 183 409 in 2011. This implies an annual growth rate of the elderly population of about 6.6% during the period compared with corresponding annual growth rates of 3.6% in Gauteng and 2.2% nationally.

**“The number of households to increase from 1.8 million in 2016 to about 2.16 million in 2021”**

In terms of the number of households in the City, Statistics South Africa Community Survey 2016 puts the total number of households in CoJ at 1.8 million. The City’s projections indicate that if the assumptions underlying the projections hold, the number of households could increase from about 1.8 million to about 2.16 million in 2021. There is, however, an implied annual growth rate of the number of households of between 3.5% - 3.9% in the medium term. Moreover, the household size has declined from 3 persons per household to 2.7 persons per household in 2016 and could become even smaller with time.

**Demographic implications for service delivery**

The population dynamics in the City indicate that, although the future growth of the population may be lower than during the period 2001 and 2016, the probable future growth of the population of the CoJ (in excess of 2% per annum) may still pose a challenge for planning and development in the City. The projected growth rates imply a doubling in the City’s population in less than 35 years if present trends continue with implications for provision of services as well as economic implications. The projections indicate that the rate of growth of the number of household would likely exceed the growth of the population in the City.

The increasing population puts pressure on the environment and if housing provision cannot keep pace with the growing population this will in turn lead to increasing urban slums and accelerating environmental degradation. Some of these pressures are already being reflected in services like electricity provision by ESKOM not only in the City but country wide as well. Therefore, it is important that city planners to take adequate account of the probable growth of the City's population to improve the welfare of the people.

**“If the housing provision cannot keep pace with the growing population this will lead to increasing urban slums and accelerating environmental degradation”**

While the proportion of the population aged 0-14 years has declined in the City, the survivors of this cohort will in the next 1-15 years will be potential entrants into the labour market. With continuing migration, the youth population and its corresponding unemployment rate will remain high in the short to medium term. However, youth population is regarded production population which the City could tap into. Although the proportion of the elderly

population in the City is still small, the annual growth rate of 6.6% per annum was much higher than the national average (2.2% per annum) and also higher than that of Gauteng (3.6% per annum) during the period 2001-2011.

The above conditions further raise a number of implications regarding development: given competing allocation of scarce resources.

- If present growth rates in the CoJ continue, innovative or smart approaches will be needed to accelerate improvement in people's welfare.
- There is a plausible implication for electricity provision or for housing, health et cetera as population and households increase over time.
- In view of the declining trend in the size of the 0-14 age group with accompanying increase in the working age group, there will be implication for the education sector in absorbing the potential increase in entrants to tertiary institutions.
- There will be implications of the increase in the size of the working age group for employment and job creation, savings, capital formation and investment if there

are more new entrants into the labour market than those that exit.

- There will be implication for resource allocations with regard to different forms of old age support by government in view of the high growth rate of the elderly population in the City.

## 2. ECONOMIC OUTLOOK OF JOHANNESBURG

Johannesburg has a friendly business environment and has been successful in attracting investments. De-concentrating the economy has however remained a challenge. The dominance of trade and finance in City arise from the central location in South Africa's geography, amongst other factors. This advantage can be contrasted to the lower concentration in agriculture and mining which is largely driven by the lack of natural factor endowments. Thus, Johannesburg needs to continue boosting manufacturing production, both in terms of higher value-added production and expansion into new emerging neighbouring markets. Before the 2008/9 global financial crises, the City's economy was one of the country's fastest growing at an average rate of 6% per year. The GDP growth rebounded from the negative 1.7% in 2008 and is forecasted to continue growing at an average of 1%- 2% in the short to medium-term. Also in the short to medium-term, the CoJ economy is likely to continue to be dominated by Finance, Community Services and Trade.

The City's current average income per capita is R74, 600 (Quantec 2016). Using the World Bank definition the City is

categorized as an upper-middle income economy. World Bank defines low-income economies as those with **income per capita**, calculated using the World Bank Atlas method of R15, 095 or less; middle-income economies are those with income per capita of more than R15, 095 but less than R183, 975; high-income economies are those with income per capita of R183, 975 or more. Lower-middle-income and upper-middle-income economies are separated at income per capita of R59, 586. Johannesburg's category as an upper-middle income is in recognition of economic achievements in the past decade in which the GDP per capita has almost doubled, while strides towards reducing poverty are being made.

The growing **middle class** in Johannesburg will be positive in the following ways:

- The middle class grows the economy, not the rich.
- A strong middle class is a prerequisite for robust entrepreneurship and innovation.

- Promoting better governance is a key way the middle class grows the economy i.e. the middle class promotes efficient and honest delivery of government services.
- A stronger middle class also invests more in education.

For the City to sustain its growth and avoid the middle income trap, it needs to pay attention to de-concentrating the economy while raising the productivity of not only the manufacturing, but also the already strong services sectors. Higher levels of education and skills as well as creativity, innovation, and competition will be necessary. These would not only promote higher growth but also inclusive growth which will help reduce the persistent high income inequality in the City.

• **Employment**

The City of Johannesburg continues to fight high unemployment, which is one of the major problems facing South Africa as a whole. Overall, **the City's unemployment in the third quarter of 2016 was 28.2%** based on a narrow definition (StatsSA Quarterly Labour Force Survey May 2016). If the expanded definition is taken into account, unemployment in the City rises to approximately 40%. Youth unemployment is of particular concern and is estimated to be above 35% - official definition.

**“ The City's unemployment rate in the third quarter of 2016 was 28.2% ”**

The finance sector is the biggest employer in the region accounting for 26.6% of total employment, followed by the trade sector which employs 21.1% of the formal sector workers. The agricultural sector employs the least share of the formal sector workers with only 0.4% (Global Insight, 2015).

Informal economy employs 12.4% of the total

employment in Johannesburg. The biggest number of informal economy jobs is generated in trade.

Unemployment and, in particular, youth unemployment, will not only be one of the City's most pressing social and economic challenge, but also a major obstacle to transformation, growth and development. When almost half of a City's youth is unemployed, prospects for the future look grim. Unemployment also affects economic welfare, production, the erosion of human capital, social exclusion, crime and social instability.

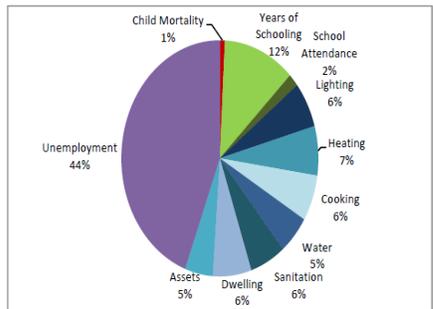
• **Poverty**

Despite facing a number of economic challenges, the City has made great progress in social and economic issues. As such, the City has been one of the great economic development success stories, with sustained strong growth and impressive poverty reduction over the past 10 years. In the last five years, the poverty headcount has declined by 0.2 percentage points from 3.7% in 2011 to 3.5% in 2016. However,

poverty level is still a concern as it increases social unrest and has a bearing on wellbeing and the dignity of the poor.

**What is driving the poverty situation in Johannesburg?**

As depicted in the below figure, the economic activity dimension and education dimension are the biggest contributor to poverty (44% and 14% respectively).



*The South African MPI. Creating a multidimensional poverty index using census data*

Source: Statistics South Africa, 2014

• **Poverty headcount and intensity of poverty figures for 2001 and 2016**

Metro	Poverty Headcount		Intensity of poverty	
	2011	2016	2011	2016
Johannesburg	3.7	3.5	43.3	44.1
Tshwane	4.2	4.1	43.4	43.1
Ekurhuleni	6.4	6.6	44.5	44.7

Source: StatsSA Community Survey

The poverty headcount is lowest in City of Johannesburg compared to other metros in Gauteng. In fact the head count has shown a declining trend in Johannesburg and Tshwane while increasing in Ekurhuleni. However, the intensity of poverty has increased in Johannesburg indicating that the extent of deprivation of those that are regarded poor has increased.

inequalities in terms of incomes and opportunities have been persistent and the benefits of the City of Johannesburg's economic success have not been

• **Inequality in Johannesburg**

Despite the achievements in terms of fighting poverty, shared equally. **The Joburg region has had the highest level of inequality relative to other regions.** The Gini coefficient, a measurement of income inequality in Johannesburg is currently 0.65. This is however an improvement of 4% over the last decade. *What explains high inequality in Johannesburg?*

In the City of Johannesburg, the rise in inequality can be traced to four factors:

1. The region is regarded as the economic engine of the country; it attracts people from different classes - people who have high education levels, unskilled or uneducated persons seeking low income jobs, as well as students who normally work part-time jobs for sustenance during their years of studying. Much of the inequalities are inter-regional with the Region A and Region E lagging behind other regions.
2. A shift in earnings from labour to capital income,
3. The rapid growth of the services sector with a consequent explosion in demand for skilled workers which cannot be met; and
4. A drop in the rate of labour absorption during the democratic period.

In the last 20 years growth in GDP and its per capita has been accompanied by reduction in poverty. However an increase in GDP or its per capita has not had a positive effect on reducing inequality – it has often been accompanied by high inequality. In turn, an increase in inequality torpedoed human development over the years. Data also shows that human development in the past 20 years had a positive direct impact in reducing poverty. Another striking finding is that economic growth in the City (at some point impressive) did not necessarily transform into high human development. The City of Johannesburg’s scenario bears testimony to the economist Amartya Sen’s findings that growth alone does not necessarily result in human development in many cases.

Economic inequalities are also related to the employment sector. If individuals are stuck in employment with low income potential, this has long-term implications for perpetual

poverty and inequality amongst some segments of the City’s population. An analysis of the gender and racial divisions of labour relative to industry type and to the occupations that gender and racial groups engage in shows that women are clearly concentrated in lower earning employment sectors such as administrative and secretarial positions. Further disaggregated, 45% of African women work in elementary occupations and more than 30% of African men work in elementary occupations. This is significant because correlating job growth with industry type can provide a picture of where jobs are being shed and gained and which sectors of the population are likely to suffer as a result of job losses, and

which will gain as a result of employment increases. These low income sectors do not apply only in the formal economy. This is equally of concern in the informal sector.

- **Human Development in Johannesburg (income, longevity and education)**

Improving human development involves the enhancement of the population’s well-being in terms of health, nutrition, education, social capital and safety. It also involves the expansion of social assistance programmes to provide a level of basic ‘income security’, particularly for those communities without access to economic opportunities. This social safety net is critical to combating poverty, and hence should be strengthened and sustained. Social transfers should ideally also cover the unemployed portion of the population, in addition to vulnerable groups such as the disabled, the elderly and children.

- *Literacy (%) in the City*

The persons under the age of 20 years who have completed grade 12 increased by 7.9% from 1.63 million in 2011 to 1.77 million in 2016. Going

towards 2030, the City should push for 100% Literacy Rate. The City should also aim beyond only functional Literacy as measure of success in education, but look to further improve the number of individuals with bachelor’s degrees and higher to above 20% by 2030. Currently bachelor’s degrees and higher is averaging 11%. However the trend below has been encouraging in that regard.

- Food Security

Improving food security should remain a priority. The StatsSA **food security index** shows that while 82% have adequate food access, 14.8% and 3.2% have inadequate and severely inadequate access to food respectively. The challenge is to eliminate the 3.2% that have severely inadequate access to food in the short to medium-term. In the 2015/16 Quality of Life Survey, 8% of the respondents indicated that a child in their household had skipped a meal in the past year due

to lack of finance, and 12% of the respondents had indicated that an adult in the household had had the same experience. The effects of inequality and marginalisation further exacerbate the inability of City’s chronically poor to participate in the economy and subsequently, their inability to access food. Food insecurity also has a ripple effect on the state of the poor’s health and nutrition.

The City’s integrated food security strategy includes interventions to improve food safety and nutrition, to increase domestic food production and trading, and an enhanced focus on urban agriculture for job creation.

### 3. PROVISION OF BASIC SERVICES

- In order to further address the aforementioned challenges, the City should look at the following:

1. Strengthening primary healthcare re-engineering through ward based outreach teams, alternative health delivery models to address issues of access, integrated school health programmes, and continuous awareness campaigns to encourage healthy living.
2. Reviewing and aligning the City's integrated food security strategy to this anti-poverty and inequality approach.
3. Increasing the social networks of the poor communities through effective communication and information on opportunities.
4. Crafting clear programmes to promote social cohesion.

Thus, to improve Human Development to levels similar to other OECD countries, the

economy needs to grow at levels that will grow per capita income. Growth rates of above inflation are the encouraged levels that will enable positive per capita growth while trickling down to reducing poverty and inequality. In addition, the Human Development will continue to positively respond as the city continues to target the reduction of **HIV Prevalence** and to further lower infant mortality.

The provision of (and access to) basic services such as electricity, water, adequate sanitation, etc. is critical for the pathway to poverty reduction, and to some extent, inequality – as these have an impact on the quality of life.

Access to basic services is relatively high in Johannesburg (with over 95% of households enjoying access to piped water, flush toilets, and electricity); however, there is still a significant proportion of the population without the capacity / means to access or optimally benefit from these services. This could be attributed to increasing inward migration, rapid urbanisation, and the associated growth in the number of households which require services. It is also important to bear in mind that chronically poor households find it difficult, and often cannot pay for basic services.

In order to improve on progress made, the City should direct its focus to two (2) key areas, i.e. creating mechanisms to extend delivery in order to cater for the growing demand; and reviewing tariff structures and fees to facilitate affordability and access.

Service	2011	2016	% increase
Access to piped water	98.6%	96.1%	-2.5%
Connection to electricity	90.8%	90.4%	-0.4%
Flush Chemical toilet *	90.5%	91.2%	0.7%
Households living in informal dwellings	17.4%	18.0%	0.6%
Households living in formal dwelling	81.4%	81.3%	-0.1%
Refuse Collection	95.3%	95.3%	none
<b>Household's access to basic services</b>			



Group Strategy,  
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