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# THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

SECOND QUARTER 2023

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## Briefing Note 1: Internal migration and industrial policy

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The deadly fire in Marshalltown underscored the abject failure to accommodate the massive influx of new migrants into South Africa's main urban hubs in ways that can promote both economic and social development. Everywhere, industrialisation builds up economic hubs while leaving much of the country behind. In South Africa, however, discriminatory citizenship policies under apartheid prevented the normal flow of people to the main urban areas. That has fuelled a much larger and enduring migratory wave since 1994. In response, industrial policy has tended to try to build up new industrial centres in remote rural areas, rather than focusing on integrating newcomers into more efficient and dynamic urban agglomerations.

Estimates in the early 1990s suggested that half the population, around 20 million people, lived in the impoverished, underserved and overpopulated so-called "homelands." Almost 30 years later, Statistics South Africa estimates that the population in these areas has remained virtually unchanged. In contrast, the rest of the country had seen a doubling in numbers. This situation reflects a massive population transfer, especially of working aged people.

Virtually all urban areas, especially in the centre of the country, grew in size. The metros in Gauteng saw by far the fastest growth. According to Quantec, Johannesburg's population has grown 145% from 1994; Tshwane, 120%; Cape Town, 90%; and eThekweni, 50%. Statistics South Africa data suggest that from 1995 to 2022, the Eastern Cape, Free State and Limpopo grew just over 5%. In contrast, the population of Gauteng grew over 125%; the Western Cape, 95%; and other provinces, 30%. If Gauteng's population had grown only as fast as the rest of the country, it would today have nine million residents. In fact, it has 16 million.

People's decisions on where to live largely reflect economic realities. Since 1994, Quantec estimates that the Gauteng economy expanded over 105% while Western Cape and KwaZulu-Natal grew 95%. The rest of the country grew only 60%. Gauteng generated over a million net new formal jobs in the same period, or over 40% of the total. Gauteng's share in manufacturing production is 40%, the same as in 1994; its share in financial and business services is 45%, up from 35% in 1994. Only government services and retail are spread across the country more or less in line with population.

These figures translate into opportunities for individuals, which is why they are voting with their feet. Today, only one in four residents in the historic labour-sending regions is employed, and 60% of households depend primarily on social grants. In the rest of the country, almost half of residents say they have some kind of job, while 30% depend on social grants.

In effect, apartheid laws were trying to hold back an inevitable tide. More realistic solutions require facing up to the inevitability of inequalities between rural and urban areas. Some historic labour-sending regions have economic potential, but many were set up fail – to act solely as impoverished reservoirs for migrant workers. We need a strategy to determine the economic

potential of different regions, rather than committing to somehow plant industrial centres even in the most hostile environments.

The refusal to make tough decisions about the spatial economy has obvious political economic underpinnings. On the one hand, elected provincial and municipal governments feel bound to fight to develop their areas, however bleak the prospects for long-term growth. On the other hand, the 1994 pact entrenched traditional authorities, many precisely in the poorest regions.

These political realities make it difficult for the national industrial policy to make the hard choices around where to locate new projects and initiatives. Instead, they promise every province a special economic zone or two, and every district its own development plan. Without a pragmatic spatial policy, however, much of the associated investment will be wasted. Moreover, it makes it harder to justify the huge sums required to accommodate new migrants in the economic centres, or to figure out how they can help build more dynamic urban economies.