



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA



# INCLUSIVE ECONOMIC GROWTH:

**RESTRUCTURE THE  
ECONOMY, ADDRESSING  
OLIGOPOLIES AND  
CONCENTRATION**

**11 JUNE 2025**

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**PARLIAMENTARY  
RESEARCH UNIT (PRU)**

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## Table of Contents

1. Introduction .....	3
2. Key issues and challenges.....	3
3. Key statistics .....	7
4. Recommendations .....	9
5. Conclusion .....	9
6. References.....	11

## 1. Introduction

Inclusive economic growth is a driver of poverty reduction and reducing income inequality. Poverty and Income inequality are a global challenge. It is one of the issues many countries in the world are striving to address. Inclusive economic growth enables people to participate in economic activities and benefit from economic growth, thereby reducing poverty and inequality.

According to the World Bank's 2024 Poverty, Prosperity, and Planet Report, approximately 8.5 per cent (692 million people) of the people in the world lived in extreme poverty in 2024.<sup>1</sup> At a higher poverty line, poverty was 43.6 per cent (almost half) of the world's population.<sup>2</sup> Furthermore, there is a widening income gap between the rich and the poor. In 2021, the top 10 per cent of the population accounted for 52 per cent of the income and 76 per cent of the wealth, while the middle 40 per cent accounted for 39.5 per cent of the income and 22 per cent of the wealth globally. More concerning, though, is the share of income and wealth for the bottom 50 per cent (half of the population globally) merely received 8.5 per cent of the income and owned 2 per cent of the wealth.<sup>3</sup> This is evidence of how disproportionate economies are globally as some countries are more disproportionate than others, as well as how the poor are hardly benefiting from income and wealth.

South Africa, along with the rest of the world, is faced with the same challenges. South Africa is among the most unequal economies in the world, and it has high levels of both income and wealth inequality. It is reported that the bottom 50 per cent of the population receive just over 5 per cent of the income, while the top 10 per cent receive 67 per cent of the income and own 87 of the wealth.<sup>4</sup> This is perpetuated by high levels of unemployment as well as other historical factors of exclusion from economic activities. Therefore, creating an inclusive economy is one of the priorities for the country, and this is articulated as such in the country's engagements with its global partners. South Africa's priorities for its G20 Presidency are:

- Inclusive Economic Growth, Industrialisation, Employment, and Reduce Inequality.
- Food Security.
- Artificial Intelligence, Data Governance and Innovation for Sustainable Development.<sup>5</sup>

The country has been in pursuit of inclusive economic growth for the past two decades, with various challenges such as market concentration as the areas that needed to be addressed for the economy to move towards greater economic inclusion.

## 2. Key issues and challenges

Inclusive economic growth encompasses structural economic transformation for economic diversification that creates jobs and allows more inclusive ownership. In countries with low growth, an Inclusive Growth Framework, which suggests that economic growth facilitates poverty reduction through increases in income from productive economic activities such as

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<sup>1</sup> World Bank (2024)

<sup>2</sup> World Bank (2024)

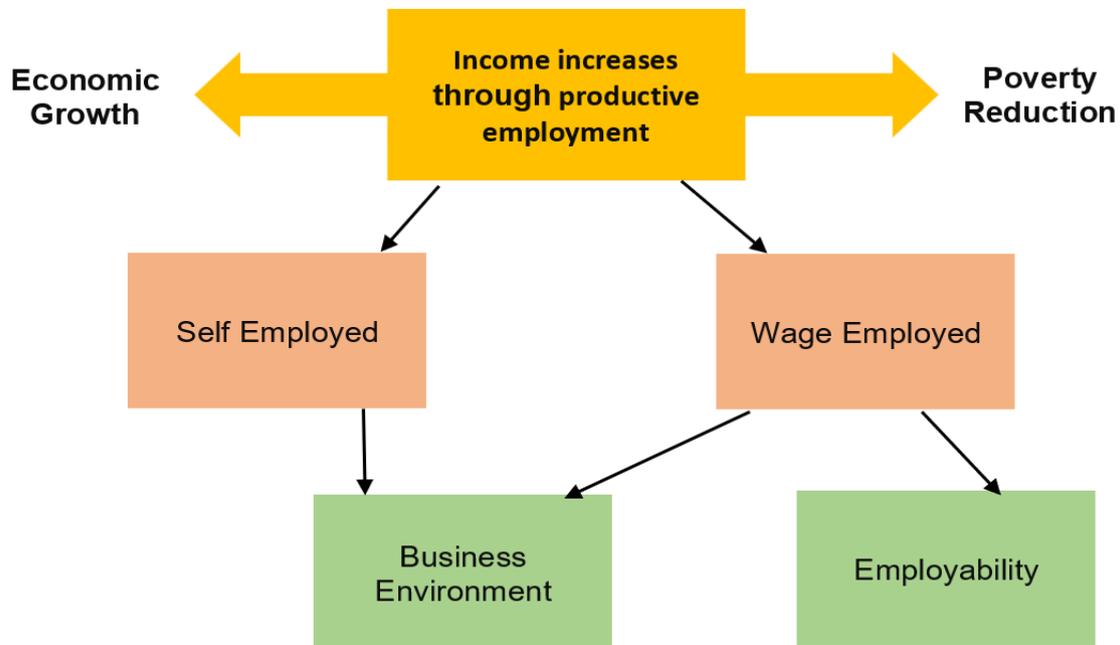
<sup>3</sup> World Inequality Lab (2022)

<sup>4</sup> World Inequality Database (2022)

<sup>5</sup> Presidency (2025).

employment and owning a business/ self-employment, can be used to determine activities required for inclusive economic growth. Within these activities, it is important to consider the business environment within which employment opportunities can be created or businesses can operate efficiently, as well as the employability of the labour force.<sup>6</sup>

**Figure 1: Inclusive Growth Framework**



Source: World Bank (2009)

In the context of this Framework, it is important to note that while South Africa has been striving for inclusive economic growth for more than two decades, it has yet to be achieved. The country’s economic growth is still low and below the levels required to reduce unemployment; hence, inclusive economic growth remains a priority for reducing poverty and inequality. The high unemployment suggests that a large proportion of the population does not participate in economic activities. At the end of the first quarter (March) of 2025, unemployment was at 32.9 per cent.<sup>7</sup> More concerning is the unemployment rate which is the high rate of unemployment among the youth. South Africa is a youthful economy; however, the youth is one segment of the population that is severely affected by unemployment. Unemployment among the youth is higher than the national average. Unemployment among the youth ages 15-24 is as high as 62.5 per cent and 40.4 per cent among the youth between the ages of 25-34 years.<sup>8</sup>

In terms of self-employment, Small, Micro, and Medium Enterprises (SMMEs) struggle to grow in the country, which has further adversely affected employment. SMMEs are the largest employers in the South African economy. Therefore, their growth is critical; however, their challenges, such as markets and competition, access to finance, and the costs of finance, among others, inhibit their growth, consequently employment creation. With limited employment opportunities, hence the high unemployment rates, economic participation can be achieved through owning a business. However, participation is also low, particularly among

<sup>6</sup> World Bank (2009)

<sup>7</sup> Statistics South Africa (2025)

<sup>8</sup> Statistics South Africa (2025)

the youth. Reports show that in 2024, the youth (35 years or younger) accounted for only 30 per cent of the business owners in the country.<sup>9</sup> Without the participation of this large portion of the population in economic activity, the economy is not inclusive, and without economic participation, poverty and inequality will persist.

## 2.1. Restructure The Economy, Addressing Oligopolies and Concentration

To ensure inclusive economic growth, it is important that factors that inhibit the growth of enterprises, consequently, economic growth and employment be addressed. Micro, Small and medium enterprises (SMMEs) are important in developing countries such as South Africa as they significantly contribute to employment creation, economic growth, and innovation. Market and competition have been identified among the key inhibiting factors to SMMEs' development and growth. In particular, market concentration where one or few companies control the market, as a result, new or smaller enterprises struggle to enter the market or there is no competition in the market. In South Africa, more than 60 per cent of the economy is concentrated. Merely, 9.7 per cent of the economy is unconcentrated.<sup>10</sup> Market concentration has been identified as one of the factors restricting the emergence of SMMEs, which are often labour-intensive.<sup>11</sup> This does not bode well for enterprises or employment. Economic concentration leads to fewer opportunities for SMMEs, including emerging black business owners, to enter certain concentrated markets.

Impact of market concentration on the growth of SMMEs:

- Market concentration makes it difficult for new firms to enter the market.
- Smaller firms in concentrated markets experience slower growth.

Impact of market concentration on the economy:

- Limits employment opportunities due to the limited growth of the smaller players.
- Higher prices - with less competition, the dominant firm charges higher prices.

According to the Competition Commission, while most of the economy is concentrated, some sectors are more concentrated than others. Sectors that have been identified as highly concentrated and where there is a dominant firm in that sector include farming inputs, agro-processing, alcohol, gambling and cigarettes industries; healthcare (medical schemes and administration, pathology); communications; upstream steel value chain and chemicals. While highly concentrated that have no dominant firm include, farming inputs (grain storage, fungicides and insecticides, animal feed); agro-processing (grains processing for animal consumption, bread, poultry, sugar processing); healthcare (hospitals and pharmacy); transport (airlines and commercial vehicles); and financial services (all areas of insurance, banks).<sup>12</sup> Oligopolistic industries (where there are few dominant firms) include banking, which is dominated by the top four banks and insurance, which is also dominated by the top four life insurers, and some agricultural sectors.<sup>13</sup> In these sectors, entry is difficult, or where smaller firms have been able to enter the market, their growth is limited because their profits and

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<sup>9</sup> FinScope (2024)

<sup>10</sup> Competition Commission (2021)

<sup>11</sup> International Monetary Fund (2020)

<sup>12</sup> Competition Commission (2021)

<sup>13</sup> Competition Commission (2021)

consumer base are also limited, as the more dominant firm accounts for the largest share of the market.

Economic concentration is a challenge for South Africa as a country that requires inclusive economic growth, including increased participation of firms in various sectors to change the structure of the economy. The World Bank suggests that South Africa can increase its Gross Domestic Product (GDP) per capita by 1 per cent in the short term and by up to 2.5 per cent in the long term if it facilitated competition in markets where there is a smaller number of firms, and ensured that there are no barriers to entry and exit for the competing firms.<sup>14</sup> Currently, there are policies and legislative instruments that exist which aim to restructure the economy by promoting increased competition in various sectors. These instruments include provisions of the Competition Amendment Act (Act No. 18 of 2018).

The legislation aims to address the concentration of ownership and control within the economy, anti-competitive trade practices, and eliminate restrictions on full and free participation in the economy by all South Africans.<sup>15</sup> Furthermore, the 2018 amendments to the Act aim to provide the Competition Commission with powers to facilitate the inclusion of small and medium enterprises (“SME’s”) and historically disadvantaged persons (HDPs) in various markets. Broadly, this is expected to contribute to the creation of an inclusive economy. The provisions of the Act include:

- **Merger control:** The amendment Act makes provisions for the Competition Authorities<sup>16</sup> to consider medium-sized businesses in mergers and to determine whether the merger influences small and medium-sized businesses’ participation in the respective markets. The provisions also allow for consideration to be given to the “promotion of a greater spread of ownership, in particular to increase the levels of ownership by historically disadvantaged persons and workers in firms in the market”<sup>17</sup>. This will contribute to greater economic participation if effectively implemented.
- **Abuse of Dominance:** provisions to control excessive pricing by a dominant firm, and predatory pricing, as well as preventing abuse of buyer power (where a dominant firm is supplied by SMEs or historically disadvantaged) by ensuring that the firm does not abuse its position by paying less price.<sup>18</sup>

No one instrument can change the structure of the South African economy. Several instruments should be used to address the challenges of business and improve the environments in which they operate. Therefore, other measures to improve the participation and growth of small and medium enterprises and historically disadvantaged individuals’ participation in the economy include:

- Access to finance.
- Cash flow challenges.
- Access to markets/ consumers.
- Access to infrastructure.
- Regulatory burden.

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<sup>14</sup> World Bank (2024)

<sup>15</sup> Competition Amendment Act (Act No. 18 of 2018)

<sup>16</sup> Competition Commission and Competition Tribunal

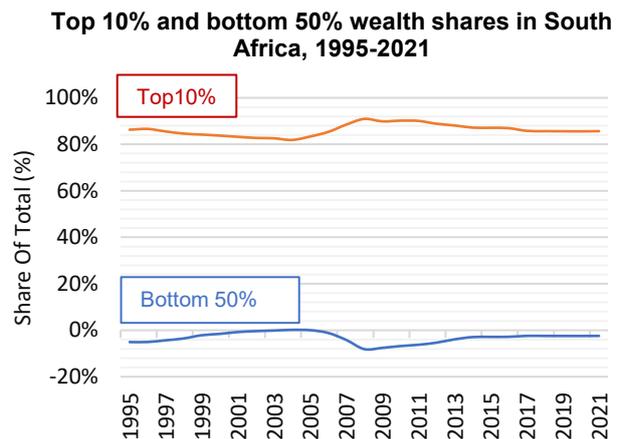
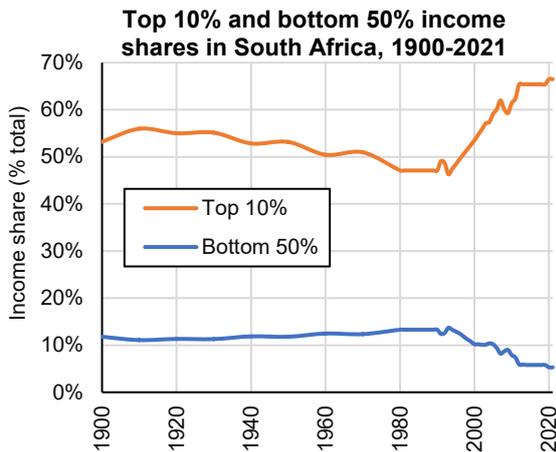
<sup>17</sup> Competition Amendment Act (Act No. 18 of 2018)

<sup>18</sup> Ibid

### 3. Key statistics

The state of the South African economy in terms of inequality, unemployment, and economic concentration makes a case for or necessitates inclusive economic growth. Income and wealth inequality, unemployment, and economic concentration are high, while economic growth is low.

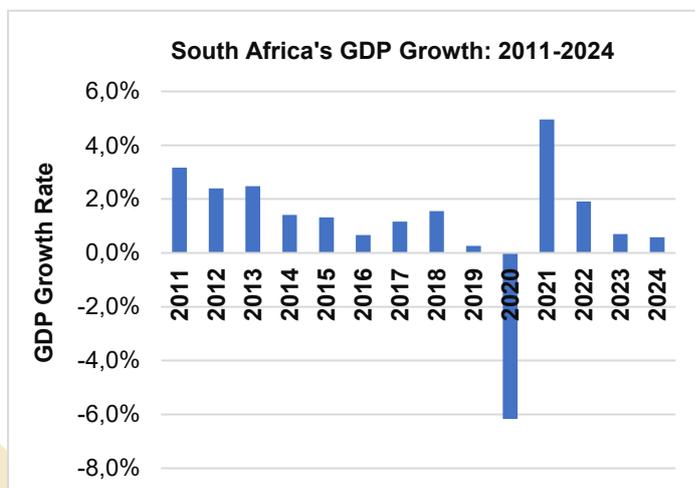
#### a) Income and wealth inequality



Source: World Inequality Database (2022)

- There has been a large income gap in South Africa since the 1900s. However, the income gap has been widening since the 1990s, with the share of income of the bottom 50 per cent of the population declining while the top 10 per cent's income has been increasing.
- The bottom 50 per cent of the population receives just over 5 per cent of the income, while the top 10 per cent receives 67 per cent of the income.
- Similarly, with the share of wealth, the gap remains large, with the top 50 per cent of the population owning 87% of the wealth in the country.

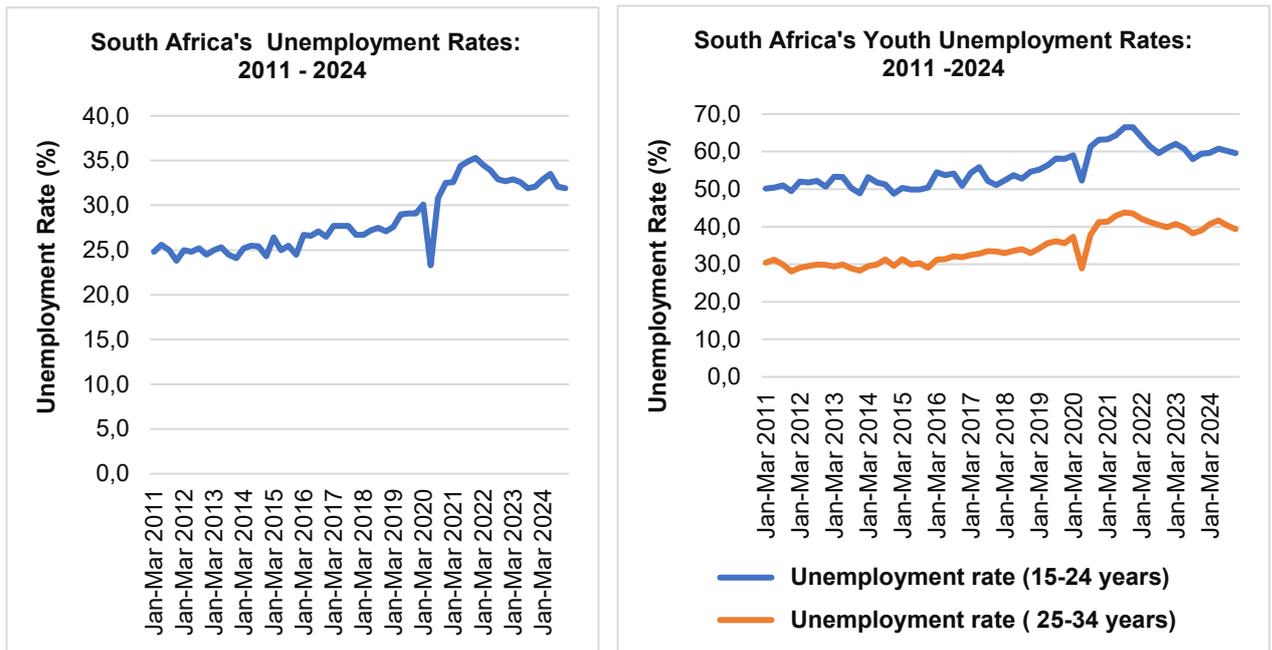
#### b) Economic Growth



Source: Statistics South Africa (2025)

- The National Development Plan envisaged Gross Domestic Product (GDP) growth of 5.4 per cent annually between 2012 and 2030 for the economy to reduce the level of unemployment.
- GDP growth has consistently been below this required rate. Notwithstanding the relatively high growth rate in 2021 because of economic recovery post the COVID-19 pandemic, the economy was growing from a low base.

### c) Unemployment



Source: Statistics South Africa (2024a and 2024b)

- The unemployment rate has been increasing since it reached 30 per cent in 2020. By the end of 2024, it was at 32 per cent.
- Unemployment among the youth has always been significantly higher than the average of the total population. In 2024, unemployment was 60 per cent among the youth ages 15-24 years (this is almost double the total population average) and 39 per cent among the youth ages 25-34 years.

### d) Self-Employment Among the Youth

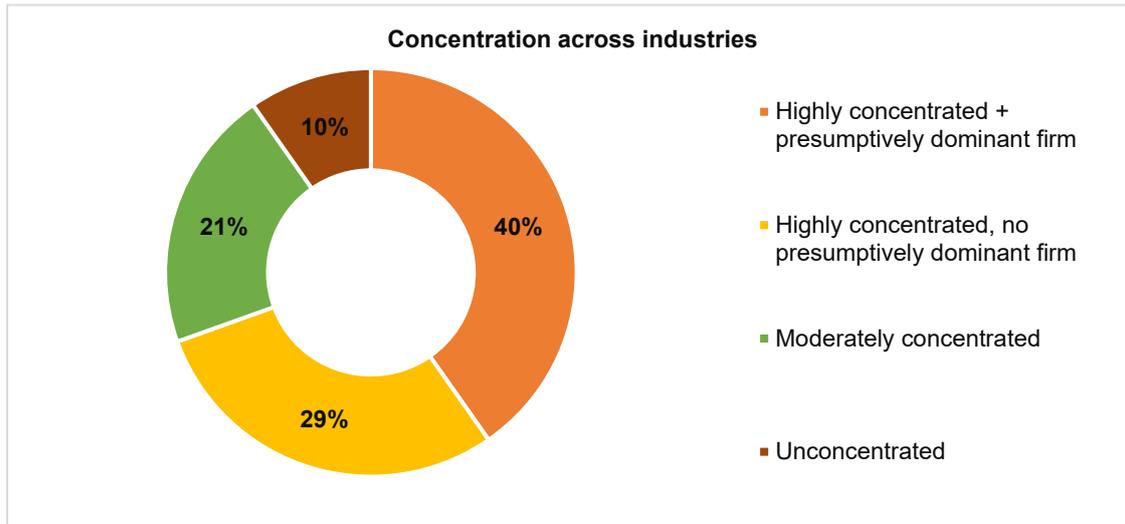
- Approximately 30 per cent of SMMEs are owned by the youth, mainly between the ages of 25-35 years.
- There has been an increase in the number of businesses owned by youth aged 20-24 years. This is said to be attributed to “unemployed youth who opt to start their own business as a survival mechanism due to the difficulty of finding employment elsewhere”<sup>19</sup>.

### e) Economic Concentration

- More than 60 per cent of the economy is concentrated.
- Approximately 40 per cent of the economy is concentrated with a presumptively dominant firm, and 29 per cent is concentrated, with no presumptively dominant firm.<sup>20</sup>

<sup>19</sup> Small Enterprise Development Agency (2022)

<sup>20</sup> Competition Commission



Source: Competition Commission (2021)

## 4. Recommendations

For inclusive economic growth to be achieved, active participation of all segments of the population, including youth who account for the largest share of the population, the previously disadvantaged, as well as SMEs must be encouraged. Participation in economic activities is mainly in two forms: ownership of businesses or employment. However, as a result of the structure of the economy, which is highly concentrated, opportunities for greater participation in the economy are limited; hence, currently, any economic growth achieved is not fully inclusive. It is important to note that South Africa, through its competition authorities, has instruments to address market concentration and to promote competition. In this regard, Parliament, as the oversight body that oversees the executive, including the competition authorities, in line with its oversight role, should oversee:

- The implementation of the legislative provisions that encourage market competition and control market concentration.
- The extent to which the legislative provisions impact the economic structure and the markets that have been identified as highly concentrated.
- Other interventions aimed at supporting micro, small and medium enterprises to access markets, grow or scale their business, including access to finance, incentives to SMMEs, improvement in technology and training.

In addition, regulatory burden often discourages smaller enterprises from formal registration/licensing, which consequently limits their access to government funding; therefore, reducing regulatory burden, thereby improving ease of doing business, is necessary. In this area, Parliament oversees the easing of regulations to encourage economic development. In the passing of legislation, it should ensure that such legislation would not have an adverse impact on the ability of all South Africans to participate in economic activity, thus contributing to the creation of an inclusive and growing economy.

## 5. Conclusion

Ownership and employment are some of the tools of economic inclusion. Ownership and employment to facilitate inclusive economic growth require the right market conditions, such as competition and free entry into markets and growing enterprises. In South Africa, in some

sectors, the conditions are not ideal for fostering competition that would enable SMEs to enter markets and grow, as well as create jobs. The South African economy is highly concentrated; however, there are legislative instruments to address market concentration. The implementation of these instruments and the oversight thereof are key to creating an environment where small enterprises owned by young people are able to enter markets and enterprises grow so as to create employment opportunities.

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