

Formal Business and Job Creation

Assessment Task

The role of formal businesses in wealth and job creation (Individual activity) (LO4 AS5)

Read the information below and answer the questions that follow.

Facts from the 8th South African Employment Report (2008)

- More than 1 out of every 6 people was self-employed.
- Growth in CCs averaged 17,1% – a good indicator of self-employment.
- On average self-employed people earn about 15% more than the employed.
- Last year big companies increased salaries on average with 16% over 2007.
- Big employers added 1,1% more employees.
- Small companies now employ 55% of the workforce, up from 52% in 2005 when we first did the investigation into big and small businesses.
- Government is probably showing the fastest employment growth, but this is unsustainable.
- SA has 1,2% of the number of employed in the world.
- However, South Africa has 5,3% of the number of unemployed.
- On the latest data from the ILO database we have 3.8 million of the 74 million unemployed.
- SA has the third-highest unemployment rate of the 73 countries measured. Only the West Bank and Gaza as well as Macedonia have a higher unemployment rate.
- We have nearly 14 million people employed but also nearly 4 million people unemployed. The latest unemployment rate is 21,2%.

(Source: 8th South African Employment Report, www.economicsts.co.za)

- a) Why is the growth in CCs a good indicator of self-employment? [1 mark]
- b) What percentage of people was self-employed during 2008? [1 mark]
- c) Why do you think self-employed people earn more than employed people? [1 mark]
- d) How have small companies contributed to wealth creation since 2005? [2 marks]
- [Total: 5 marks]