

Impact of Economic Policies on the Labour Market and Women's Poverty

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ABSTRACT

This study focuses on the Republic of South Africa. We built a CGE model coupled with a micro simulation module to assess the statistical effects of these economic policies on the evolution of well-being and poverty. We are particularly interested in seeing how women and the female labour market will be affected. The model that takes into account certain market imperfections (notably unemployment) and include a gender-racial skilled labour market. The study analyses the impacts of two economic policy measures. After almost two terms of office of President Zuma, who left the country in a catastrophic state in terms of public finances, the new Ramaphosa government was forced to increase indirect taxes. This economic policy measure is the subject of our first scenario. On the other hand, the government is looking for 5% cuts by 2020-2021 and this economic policy measure is the subject of our second simulation. Our study reveals that the impact of the two policies has negative effects on the well-being of the agents and increases poverty levels. On the one hand, the first simulation is favourable only for the public agent that will see the fiscal increase, however it reduces the welfare of the rest of agents and mainly of households; the results also show that this reform does not pro-growth, but that some categories of employment are positively affected. On the other hand, the second simulation leaves negative effects for all agents and increases poverty levels. In the same way, this reform does not pro-growth either, but the employment of the female labour force is increasing in 13 of the 21 sectors. Nevertheless, this policy would reduce the government's negative balance to around 70%.

KEYWORDS Computable general equilibrium model; Inequality; Labour market; Poverty; Indirect taxes; Women; South Africa