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Special Economic Zones and Socio-Economic Development in South Africa: A Structured Review of Employment Creation and Industrial Policy

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Abstract:

The Special Economic Zones (SEZs) have become an important component of South Africa's industrial policy aimed at stimulating investment, industrialisation, employment creation, and regional economic development. Despite their strategic importance, concerns remain regarding the extent to which SEZs contribute meaningfully to addressing persistent socio-economic challenges such as unemployment, inequality, and uneven regional growth. This study evaluates the impact of SEZs on employment creation and socio-economic development in South Africa while examining the institutional and structural factors influencing their performance. The study adopted a structured literature review approach based on secondary data obtained from peer-reviewed journal articles, policy reports, working papers, institutional publications, and statistical sources relating to SEZ development in South Africa and Southern Africa. The analysis was guided by Agglomeration Theory, Growth Pole Theory, and Developmental State Theory and applied thematic analysis to synthesise evidence across the reviewed literature. The findings indicate that SEZs have contributed to investment attraction, industrial expansion, and employment creation, particularly within strategically located zones such as Coega and Dube TradePort. However, employment and socio-economic outcomes remain uneven across regions due to differences in infrastructure quality, governance capacity, institutional coordination, and sectoral composition. The study further found that weak local economic linkages and reliance on capital-intensive industries constrain broader developmental spillovers. The study highlights the need for stronger governance, labour-intensive industrial targeting, skills development, and local supplier integration to enhance the inclusive developmental impact of SEZs in South Africa.

Keywords:

Special Economic Zones, Employment Creation, Industrial Policy, Regional Development, Socio-Economic Development.

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Introduction

The Special Economic Zones (SEZs) have become an increasingly prominent instrument within industrial policy frameworks aimed at stimulating economic growth, attracting investment, and supporting structural transformation in developing economies (Nyakabawo, 2014). In South Africa, the adoption of SEZs reflects broader efforts to address persistent structural challenges such as high unemployment, spatial inequality, and limited industrial diversification through targeted economic interventions (Qumba, 2023).

The conceptual rationale for SEZs is rooted in the belief that geographically defined zones offering preferential regulatory regimes, fiscal incentives, and improved infrastructure can create competitive production environments capable of accelerating industrial activity and employment growth (Dube, Matsika & Chiwunze, 2020). This policy logic assumes that the concentration of firms within such zones generates agglomeration benefits, including knowledge spillovers, productivity gains, and stronger value-chain linkages (Dube, Matsika & Chiwunze, 2020).

In the South African context, SEZs are positioned as strategic tools for advancing the country's industrialisation agenda, particularly by expanding manufacturing capacity and promoting export-oriented production (SEZ Advisory Board, 2017). Government policy frameworks emphasise that SEZs are intended to facilitate foreign and domestic investment, create employment opportunities, and contribute to regional economic development through targeted industrial clustering (DTIC, 2018).

Despite these policy ambitions, empirical research indicates that the developmental outcomes of SEZs have been uneven, with variations in performance across regions and sectors raising questions about their effectiveness as employment-generating instruments (Makgetla, 2021). Studies suggest that while some zones have attracted significant investment and generated jobs, their broader socio-economic spillovers remain constrained by structural economic factors such as limited domestic linkages and persistent inequality (Makgetla, 2021).

Evidence from Southern Africa further demonstrates that the success of SEZs is closely linked to programme design, institutional capacity, and the extent to which zones are integrated into national development strategies, For example, in South Africa, the Coega Special Economic Zone has been relatively successful due to strong infrastructure, proximity to the Port of Ngqura, and coordinated institutional support, which have enabled it to attract significant investment and generate employment. By contrast, several SEZ initiatives in the region have struggled to achieve similar outcomes due to weak governance structures, delays in infrastructure provision, and limited integration with local industries, resulting in underutilised zones and weaker socio-economic spillovers (Dube, Matsika & Chiwunze, 2020). In cases where these enabling conditions are weak, SEZs tend to function as isolated industrial enclaves with limited transformative impact on local economies (Makgetla, 2021).

The South African experience illustrates both the potential and limitations of SEZs as policy instruments, as some zones have contributed meaningfully to investment attraction and skills development while others have struggled to achieve anticipated employment outcomes. For instance, the Coega Special Economic Zone has attracted significant foreign and domestic investment, supported industrial expansion in sectors such as automotive and energy, and facilitated skills development through large-scale projects and training initiatives. Similarly, the Dube TradePort Special Economic Zone has leveraged its proximity to King Shaka International Airport to promote high-value manufacturing and logistics, contributing to both investment inflows and specialised employment opportunities. (Qumba, 2023).

In contrast, other zones, including the Saldanha Bay Special Economic Zone, have experienced slower-than-expected growth in employment due to sector-specific constraints and global market volatility, particularly within the oil and gas services industry. Likewise, emerging zones such as the Maluti-A-Phofung Special Economic Zone have faced challenges related to infrastructure readiness, investor uptake, and governance capacity, limiting their ability to generate sustained employment. This divergence highlights the importance of systematically reviewing empirical evidence to better understand the mechanisms through which SEZs influence labour markets and socio-economic development (Dube, Matsika & Chiwunze, 2020).

Given the continued prominence of SEZs within South Africa's industrial strategy, a comprehensive synthesis of existing research is necessary to evaluate their effectiveness in addressing unemployment and broader development challenges (Nyakabawo, 2014). Such a review provides an opportunity to identify key success factors, policy gaps, and areas where programme design can be strengthened to enhance inclusive economic outcomes (Makgetla, 2021).

Accordingly, this paper critically reviews the literature on SEZs in South Africa to assess their impact on employment creation and their role in mitigating socio-economic challenges, with the aim of contributing to ongoing policy debates on industrial development and labour market reform (Qumba, 2023).

In light of the above, the objectives of the study were:

- To assess the employment effects of SEZs, focusing on job creation, job quality, and sustainability.

- To examine the broader socio-economic impacts of SEZs, including their influence on investment, regional development, and inequality.

- To identify key institutional and policy factors shaping the effectiveness of SEZs as instruments of inclusive industrial development.

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Literature Review

Conceptualising SEZs in Development Policy

SEZ has become a prominent instrument in industrial policy across developing economies, reflecting a broader shift toward spatially targeted development strategies designed to accelerate structural transformation and industrial diversification (Nyakabawo, 2014). These zones are typically defined as geographically demarcated areas that operate under differentiated regulatory, fiscal, and administrative regimes aimed at creating favourable conditions for investment and production (Dube, Matsika & Chiwunze, 2020). Reducing regulatory barriers and providing dedicated infrastructure, SEZs seek to enhance competitiveness and attract both domestic and foreign firms.

The conceptual foundations of SEZs are closely linked to agglomeration economics, which posits that spatial clustering of firms generates productivity gains through shared infrastructure, labour pooling, and knowledge spillovers (Dube, Matsika & Chiwunze, 2020). These agglomeration benefits reduce transaction costs and facilitate innovation by enabling closer interaction between firms and suppliers. Consequently, SEZs are often conceptualised as growth poles capable of stimulating regional economic development and industrial upgrading (Qumba, 2023).

In addition to their economic role, SEZs are frequently viewed as policy laboratories where governments can experiment with new regulatory frameworks and investment incentives (Nyakabawo, 2014). This experimental function is particularly relevant in contexts where nationwide reforms may be politically or administratively difficult to implement (Makgetla, 2021). Through such experimentation, SEZs can serve as transitional mechanisms for integrating developing economies into global value chains while gradually strengthening domestic institutional capacity.

Despite these theoretical advantages, the literature emphasises that the success of SEZs depends heavily on contextual factors such as governance capacity, infrastructure quality, and macroeconomic stability (Dube, Matsika & Chiwunze, 2020). In the absence of these enabling conditions, SEZs risk operating as isolated enclaves with limited integration into domestic economies, thereby constraining their developmental impact (Makgetla, 2021).

Theoretical Framework

This study is informed by Agglomeration Theory, Growth Pole Theory, and Developmental State Theory, which collectively explain the relationship between Special Economic Zones (SEZs), employment creation, and socio-economic development in South Africa.

Agglomeration Theory, associated with Marshall (1920), argues that firms benefit from geographic clustering through shared infrastructure, labour pooling, supplier networks, and knowledge spillovers.

Within SEZs, industrial concentration is expected to improve productivity, attract investment, and stimulate employment creation through direct and indirect economic activities (Dube, Matsika & Chiwunze, 2020). The theory is relevant to South Africa, where zones such as Coega and Dube TradePort have benefited from strategic infrastructure and industrial clustering to attract investment and support manufacturing growth (Stats SA, 2023).

Growth Pole Theory, developed by Perroux (1955), explains that economic development occurs around strategically located centres of industrial activity that stimulate broader regional growth. SEZs align with this perspective because they are designed to function as regional development hubs that attract investment, promote industrialisation, and generate multiplier effects within surrounding economies (Qumba, 2023). However, uneven regional performance may reinforce spatial inequality where infrastructure and institutional capacity are weak (Makgetla, 2021).

Developmental State Theory emphasises the role of government in coordinating industrial development through strategic planning, infrastructure provision, and policy support (Johnson, 1982; Evans, 1995). The theory highlights that effective governance and institutional coordination are critical determinants of SEZ performance in South Africa, (DTIC, 2021; Stats SA, 2023). Together, these theories provide a framework for understanding both the opportunities and limitations of SEZs as instruments of inclusive industrial development.

Human Capital Theory further strengthens the analytical framework by emphasising the relationship between skills development, productivity, and economic growth (Becker, 1964). Within the context of SEZs, the theory is relevant in explaining how industrial training, technological exposure, and workforce development initiatives may contribute to labour market advancement and long-term socio-economic development. Since employment quality and skills transfer are important dimensions of SEZ performance in South Africa, Human Capital Theory provides an additional lens for evaluating the developmental sustainability of employment outcomes generated within the zones.

In addition, Dependency Theory provides a critical perspective on the limitations of externally driven industrialisation strategies (Frank, 1967). The theory argues that economies reliant on foreign capital and externally controlled production systems may experience weak domestic integration and uneven developmental outcomes. This perspective is relevant to South African SEZs, where concerns persist regarding limited backward linkages, dependence on imported inputs, and uneven spillover effects across local economies. Dependency Theory therefore assists in critically assessing whether SEZ-led industrialisation contributes to inclusive domestic development or reinforces enclave economic structures.

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Figure 1 below presents the conceptual model underpinning the study and illustrates the relationship between SEZ policy inputs, investment attraction, industrial clustering, employment outcomes, and broader socio-economic development outcomes within the South African context.

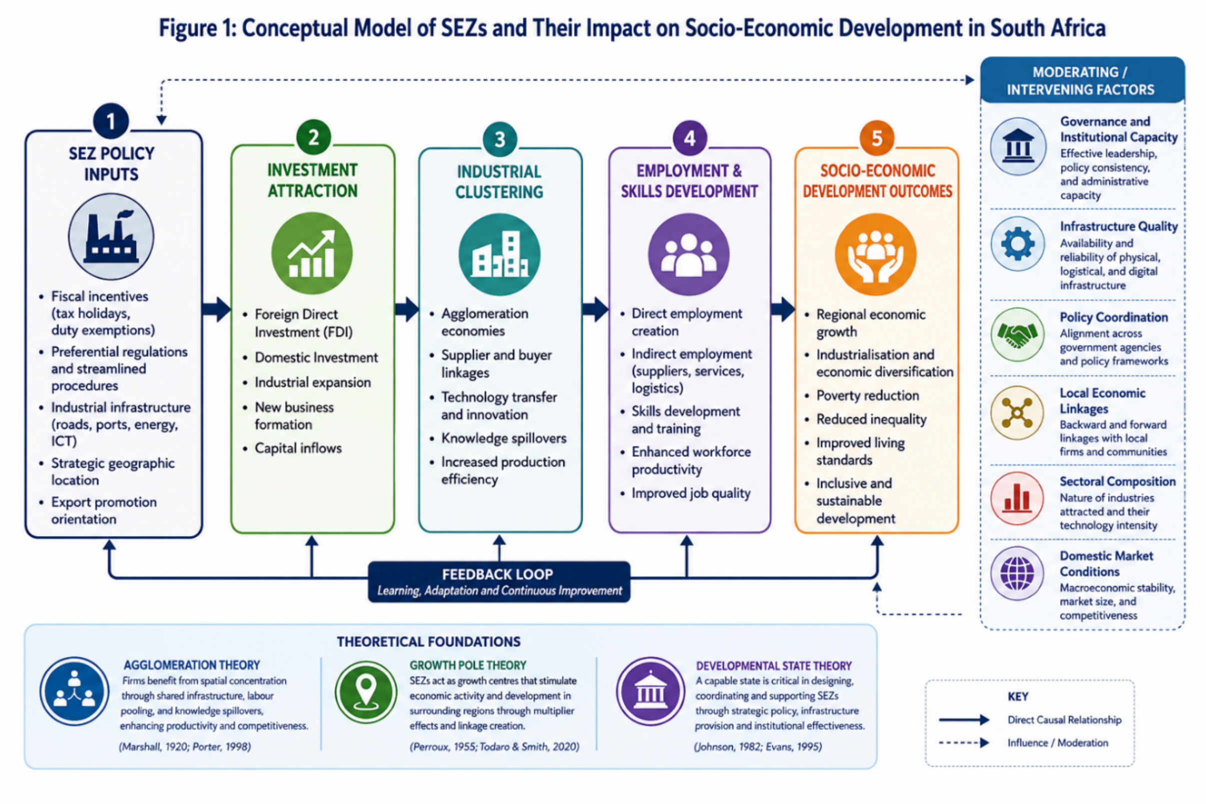

Figure 1: Conceptual Model of SEZs and Their Impact on Socio-Economic Development in South Africa

Evolution of SEZ Policy in South Africa

The emergence of SEZs in South Africa is closely linked to the country's post-apartheid industrial policy agenda, which sought to address structural inequalities and promote inclusive economic growth through industrial development (Nyakabawo, 2014). Early spatial initiatives, particularly Industrial Development Zones (IDZs), were introduced to attract export-oriented investment, but their limited success in generating large-scale employment prompted a shift toward a more comprehensive SEZ framework (SEZ Advisory Board, 2017).

This transition reflected a policy effort to enhance institutional coordination and expand the range of incentives available to investors. South Africa's SEZ programme is therefore positioned as part of a broader strategy aimed at revitalising the manufacturing sector, promoting export growth, and supporting

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regional economic development (DTIC, 2018). By directing investment toward targeted regions, the programme seeks to address spatial disparities and stimulate local economic activity.

However, empirical assessments indicate that the performance of SEZs across South Africa has been uneven, with significant variation in investment levels, employment outcomes, and operational maturity. For example, the Coega Special Economic Zone has achieved relatively high levels of investment and job creation, supported by strong infrastructure and strategic positioning near the Port of Ngqura. Similarly, the Dube TradePort Special Economic Zone has demonstrated steady growth in investment and specialised employment due to its integration with air cargo logistics and agro-processing industries.

In contrast, zones such as the Saldanha Bay Special Economic Zone have experienced slower investment uptake and limited employment growth, partly due to dependence on volatile global oil and gas markets. Likewise, the Maluti-A-Phofung Special Economic Zone has faced challenges related to infrastructure readiness, governance constraints, and investor attraction, resulting in delayed operational maturity and weaker economic outcomes. These differences illustrate the uneven trajectory of SEZ development across the country (Saville et al., 2025).

While some zones have successfully attracted large anchor investors, others remain underdeveloped due to infrastructure constraints and governance challenges (Makgetla, 2021). This uneven performance highlights the importance of local institutional capacity and strategic planning in shaping SEZ outcomes (Dube, Matsika & Chiwunze, 2020).

SEZs and Employment Creation

Employment creation remains one of the central objectives of SEZ programmes, particularly in economies characterised by high unemployment (Nyakabawo, 2014). SEZs are expected to generate jobs through direct employment within zone-based firms as well as indirect employment through supply chains and local service industries (Dube, Matsika & Chiwunze, 2020). These employment effects are frequently used as key indicators of SEZ performance in policy evaluations (Qumba, 2023).

The evidence across Southern Africa suggests that while SEZs have created jobs, the scale of employment relative to labour market needs has generally been modest (Makgetla, 2021). This outcome is often attributed to the capital-intensive nature of many industries attracted to SEZs, which limits their labour absorption capacity despite substantial investment inflows (Makgetla, 2021). As a result, SEZs tend to function as complementary employment mechanisms rather than transformative labour market solutions.

In South Africa, case studies of zones such as Coega demonstrate how SEZs can generate employment across sectors including manufacturing, logistics, and services (Stats SA, 2023). Nevertheless, the persistence of high unemployment suggests that SEZs alone cannot address structural labour market challenges without complementary policy interventions (Qumba, 2023). The concentration of employment benefits in a small number of high-performing zones further highlights the role of infrastructure and geographic positioning in shaping labour market outcomes, (DTIC, 2021; Stats SA, 2023).

Job Quality, Skills Development and Labour Market Dynamics

Beyond employment quantity, the literature emphasises the importance of assessing job quality and sustainability as indicators of the impact of SEZs (Makgetla, 2021). SEZs can contribute to skills development by exposing workers to advanced production technologies and organisational practices, particularly in export-oriented industries (Nyakabawo, 2014). These processes can enhance workforce productivity and support upward mobility within the labour market.

However, the benefits of skills development are unevenly distributed, as high-skilled positions often represent a relatively small share of total employment within zones (Saville et al., 2025). Additionally, a significant proportion of SEZ-related employment may be associated with construction phases or short-term projects, limiting the long-term socio-economic impact of job creation (Makgetla, 2021). These findings highlight the importance of aligning SEZ development with broader skills policies to maximise labour market benefits (Qumba, 2023).

SEZs and Investment Attraction

Investment attraction is one of the most consistent objectives of SEZ programmes, as increased capital inflows are expected to stimulate industrial expansion and technological upgrading (Nyakabawo, 2014). By offering fiscal incentives, streamlined administrative processes, and high-quality infrastructure, SEZs aim to create a competitive environment for firms (Dube, Matsika & Chiwunze, 2020).

In South Africa, zones located near major transport corridors and ports have demonstrated relatively stronger investment performance, reflecting the importance of infrastructure connectivity in shaping investor decisions, (DTIC, 2021; Stats SA, 2023). Investment inflows have supported industrial expansion and export growth, reinforcing the role of SEZs as catalysts for sector-specific development.

Nevertheless, the relationship between investment and employment outcomes is complex, as capital-intensive industries may generate significant output growth with limited labour absorption (Makgetla, 2021). This variation underscores the importance of sectoral targeting in SEZ policy design to balance investment attraction with employment creation (Qumba, 2023).

Socio-Economic Spillovers and Regional Development

SEZs are expected to generate broader socio-economic benefits through spillover effects such as supplier development, technology transfer, and increased local economic activity (Nyakabawo, 2014).

When effectively integrated into local economies, SEZs can support the development of industrial clusters that enhance regional competitiveness (Dube, Matsika & Chiwunze, 2020).

However, empirical evidence indicates that spillover effects are often limited due to weak backward linkages and reliance on imported inputs (Makgetla, 2021). This pattern reduces opportunities for domestic firms to benefit from SEZ-driven growth and constrains the broader developmental impact of the programme (Makgetla, 2021). Consequently, the strength of local supplier networks emerges as a key determinant of SEZ effectiveness. The uneven distribution of benefits across regions also raises concerns about spatial inequality, as high-performing zones capture a disproportionate share of investment and employment, (DTIC, 2021; Stats SA, 2023).

Governance and Institutional Determinants

The governance and institutional design of SEZ programmes play a critical role in shaping their performance outcomes (Dube, Matsika & Chiwunze, 2020). Effective coordination between national and regional authorities, investors, and local stakeholders is essential for ensuring the smooth operation of zones (Nyakabawo, 2014).

In South Africa, governance challenges such as fragmented institutional responsibilities and inconsistent implementation of incentives have been identified as constraints on SEZ performance (Saville et al., 2025). Addressing these challenges requires improved policy coherence and stronger monitoring systems to evaluate the effectiveness of zone-based interventions (Qumba, 2023).

Structural Constraints and Developmental Outcomes

The literature consistently emphasises that SEZs operate within broader macroeconomic and structural contexts that shape their potential impact (Makgetla, 2021). Infrastructure deficits, domestic demand constraints, and global market dynamics influence both investment flows and employment outcomes (Dube, Matsika & Chiwunze, 2020). These structural constraints highlight the importance of viewing SEZs as complementary rather than standalone development tools. Without supportive industrial policies and skills development initiatives, their ability to drive inclusive growth remains limited (Qumba, 2023).

Integrated Synthesis of Evidence

Taken together, the literature presents a nuanced picture of SEZs as policy instruments with both potential and limitations. While SEZs have demonstrated the capacity to attract investment and generate employment, their broader socio-economic impact varies significantly depending on governance quality, sectoral composition, and local economic integration (Dube, Matsika & Chiwunze, 2020).

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The South African experience illustrates that SEZs can contribute to industrial development and regional growth, but their effectiveness in addressing structural unemployment and inequality depends on complementary reforms and policy alignment (Saville et al., 2025). Evaluating SEZs through a holistic lens that considers both economic and social outcomes therefore provides a more comprehensive understanding of their role within national development strategies (Nyakabawo, 2014).

Methods and Data

Research Design

This study adopts a structured review of secondary data to synthesise empirical and policy-oriented research on SEZs in South Africa. A literature-based approach is appropriate because the study seeks to consolidate existing knowledge rather than generate primary data, thereby enabling a comprehensive assessment of impacts of SEZs across multiple contexts and time periods (Snyder, 2019). Structured reviews were widely used in social science research to integrate findings from diverse sources and develop an analytical understanding of complex policy phenomena (Grant & Booth, 2009).

The choice of a secondary data approach is particularly suitable for evaluating SEZs because their impacts on employment and socio-economic outcomes have been extensively documented in academic studies, policy reports, and statistical publications, allowing for cross-study comparison and synthesis (Johnston, 2017). By drawing on existing empirical evidence, the study is able to identify patterns and trends that may not be visible in single case studies, thereby enhancing the robustness of the analysis (Snyder, 2019).

Secondary Data

The use of secondary data offers several methodological advantages for research examining policy interventions such as SEZs. First, secondary data allows for the analysis of large and diverse evidence bases without the time and resource constraints associated with primary data collection (Johnston, 2017). This is particularly important in evaluating SEZs, as their impacts unfold over long periods and across multiple geographic contexts, making longitudinal primary data collection impractical (Snyder, 2019).

Second, the use of secondary data enhances the reliability of findings because many of the sources analysed are produced by academic researchers, government agencies, and international organisations using established methodological standards (Grant & Booth, 2009). Drawing on such sources allows the study to build on validated empirical evidence rather than relying on limited or context-specific observations (Johnston, 2017).

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Third, secondary data analysis facilitates comparative research by enabling the synthesis of findings across multiple studies, thereby supporting the identification of consistent patterns and divergences in SEZ performance (Snyder, 2019). This comparative perspective is essential for understanding the broader developmental implications of SEZs beyond individual case studies (Grant & Booth, 2009).

Framework

The blueprint analysis of this study is guided by a thematic synthesis framework, which allows qualitative and quantitative findings from different studies to be integrated into a coherent analytical narrative. Thematic synthesis is widely recognised as an effective approach for reviewing heterogeneous evidence because it enables researchers to identify recurring concepts and relationships across studies (Thomas & Harden, 2008).

The framework was developed inductively by identifying recurring themes within the literature and aligning them with the research objectives. The final analytical themes included employment creation, job quality, investment outcomes, socio-economic spillovers, and governance dynamics. This thematic approach provides a structured basis for interpreting the evidence while preserving the contextual nuances of individual studies (Thomas & Harden, 2008).

Data extraction involved systematically reviewing each selected study to identify its research focus, methodology, key findings, and policy implications. This process ensured consistency in the way evidence was interpreted and facilitated cross-study comparison. The synthesis process followed an iterative approach, allowing themes to be refined as patterns emerged across the literature, which is a common practice in qualitative evidence synthesis (Snyder, 2019).

By combining insights from multiple sources, the synthesis moves beyond the findings of individual studies to develop a broader understanding of how SEZs influence employment and socio-economic outcomes. This integrative approach enhances the explanatory power of the review and supports the development of evidence-based policy insights (Grant & Booth, 2009).

Search Strategy and Source Selection

The structured review followed a systematic search strategy designed to identify literature relevant to the relationship between Special Economic Zones (SEZs), employment creation, industrialisation, and socio-economic development in South Africa. Electronic searches were conducted using Google Scholar, Scopus, ScienceDirect, and institutional databases containing policy and development studies literature. Additional sources were obtained from government publications, policy reports, statistical reports, and working papers relating to SEZ performance in South Africa and Southern Africa.

The search process utilised combinations of keywords and phrases including “Special Economic Zones”, “SEZs and employment creation”, “industrial policy in South Africa”, “regional development and SEZs”, "SEZ socio-economic impacts", and "SEZ governance in Southern Africa". The search focused primarily on English-language publications produced between 2010 and 2025 to ensure relevance to contemporary industrial policy debates and SEZ implementation trends.

Inclusion criteria consisted of peer-reviewed journal articles, policy reports, working papers, government publications, statistical reports, and institutional studies that addressed SEZ performance, employment outcomes, industrialisation, investment attraction, governance, or socio-economic development within South Africa or the broader Southern African region. Sources unrelated to SEZs, lacking sufficient methodological detail, or focusing exclusively on unrelated international contexts were excluded from the review.

The screening process involved reviewing titles, abstracts, and full-text documents to determine relevance to the study objectives. An initial pool of sources was identified through database searches and institutional repositories, after which duplicate and non-relevant materials were removed. The final review incorporated approximately twenty core sources that provided empirical, theoretical, and policy-oriented evidence relevant to the study objectives.

Results

Employment Outcomes

The reviewed literature indicates that Special Economic Zones (SEZs) in South Africa have contributed to employment creation through investment-led industrial activities, particularly within manufacturing, logistics, and export-oriented sectors (Qumba, 2023; Dube, Matsika & Chiwunze, 2020). Direct employment opportunities have emerged from firms operating within the zones, while indirect employment has been generated through supply chains, transportation services, and related local economic activities. Zones such as Coega and Dube TradePort have demonstrated relatively stronger employment performance due to infrastructure availability, industrial concentration, and strategic geographic positioning (Stats SA, 2023).

However, employment outcomes across SEZs remain uneven. While some zones have generated substantial employment opportunities, emerging or less developed SEZs have experienced slower labour market growth due to infrastructure delays, weaker investor uptake, and operational constraints (DTIC, 2021; Stats SA, 2023). The findings further indicate that employment creation within SEZs is influenced by the nature of industries located within the zones, with labour-intensive sectors generally producing stronger employment outcomes than capital-intensive industries (Makgetla, 2021).

Investment and Industrialisation

The literature demonstrates that SEZs have played an important role in attracting domestic and foreign investment through incentives, infrastructure provision, and streamlined administrative processes (DTIC, 2018). Investment inflows have supported industrial expansion within sectors such as automotive manufacturing, logistics, energy, and agro processing (Dube, Matsika & Chiwunze, 2020).

Nevertheless, investment performance differs considerably across zones. Coega and Dube TradePort have recorded relatively stronger investment inflows due to strategic infrastructure and transport connectivity, whereas some zones such as Saldanha Bay have experienced slower growth associated with sector-specific market volatility and limited investor confidence, (DTIC, 2021; Stats SA, 2023). The findings also indicate that capital-intensive investments often contribute more significantly to industrial output and export growth than to large-scale employment creation (Qumba, 2023).

Job Quality and Skills Development

The reviewed studies indicate that SEZs can contribute to skills development through industrial training programmes, technological exposure, and workforce participation within modern production systems (Nyakabawo, 2014). Workers employed within SEZs may benefit from improved technical and organisational skills that contribute to productivity and labour market mobility.

However, evidence suggests that higher-skilled employment opportunities remain limited relative to lower-skilled and temporary occupations, (DTIC, 2021; Stats SA, 2023). In some cases, employment growth has been concentrated within construction activities associated with early infrastructure development rather than long-term industrial operations (Makgetla, 2021). The findings therefore indicate that the sustainability and quality of employment generated by SEZs vary significantly across industries and regions.

Socio-Economic Spillovers and Regional Inequality

The literature indicates that SEZs have the potential to generate broader socio-economic spillovers through supplier development, technology transfer, and increased local economic activity (Nyakabawo, 2014). In areas where stronger linkages exist between SEZ firms and domestic industries, zones have contributed to regional industrial activity and local business participation (Dube, Matsika & Chiwunze, 2020).

Despite these positive outcomes, the findings reveal that spillover effects remain uneven across South Africa's SEZ landscape. Several emerging zones continue to experience weak backward linkages and limited integration with local supplier networks, reducing broader developmental impacts (Makgetla, 2021). High-performing zones continue to attract disproportionate levels of investment, employment, and infrastructure development, while less developed regions experience slower economic growth and industrial activity, (DTIC, 2021; Stats SA, 2023).

Governance, Infrastructure and Institutional Capacity

Governance and institutional effectiveness emerge consistently as important determinants of SEZ performance (Dube, Matsika & Chiwunze, 2020). The literature indicates that successful SEZs are generally characterised by stronger infrastructure provision, efficient administrative systems, coordinated policy implementation, and investor support mechanisms. These factors contribute to improved operational efficiency and investment attraction.

The findings further demonstrate significant variation in governance capacity across South African SEZs. Zones such as Coega and Dube TradePort have benefited from relatively stronger institutional coordination and infrastructure investment, contributing to improved industrial performance and investment outcomes (Stats SA, 2023). Conversely, weaker-performing zones have experienced governance fragmentation, delayed infrastructure delivery, and administrative inefficiencies that constrain industrial development and investor confidence, (DTIC, 2021; Stats SA, 2023).

Summary

The findings therefore indicate that SEZs have contributed to investment attraction, industrial expansion, and employment creation within South Africa. However, these outcomes remain uneven across regions and sectors due to differences in infrastructure quality, governance capacity, institutional coordination, and industrial composition (Qumba, 2023). While some SEZs have demonstrated stronger developmental outcomes, others continue to experience operational and structural constraints that limit their broader socio-economic impact (Makgetla, 2021).

Discussion

Interpreting Employment Outcomes

The findings demonstrate that SEZs have contributed to employment creation in South Africa, although the scale and sustainability of employment outcomes remain uneven across regions and sectors. This supports broader arguments within the literature that SEZs can stimulate labour market activity through industrial expansion and investment attraction, particularly within manufacturing and logistics industries (Qumba, 2023). However, the findings also reveal that employment gains are concentrated within a limited number of high-performing zones, suggesting that the developmental impact of SEZs is strongly shaped by local economic and institutional conditions, (DTIC, 2021; Stats SA, 2023).

The uneven distribution of employment opportunities across SEZs aligns closely with Agglomeration Theory, which argues that regions characterised by stronger infrastructure, industrial clustering, and

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logistical connectivity are more likely to attract investment and generate employment growth (Marshall, 1920). The comparatively stronger performance of Coega and Dube TradePort reflects these agglomeration advantages, as both zones benefit from strategic infrastructure and established industrial ecosystems (Stats SA, 2023). In contrast, emerging zones with weaker infrastructure and lower investor confidence have struggled to produce comparable labour market outcomes (Makgetla, 2021).

The findings further indicate that employment outcomes are influenced significantly by sectoral composition. Capital-intensive industries continue to dominate several SEZs, generating industrial output and export growth without proportionate labour absorption (Qumba, 2023). This pattern reinforces concerns that investment-led industrialisation does not automatically translate into inclusive employment growth, particularly in economies characterised by structural unemployment and labour market inequality.

Investment Attraction and Industrial Policy

The findings confirm that SEZs remain important instruments for attracting domestic and foreign investment within South Africa's industrial policy framework. Incentive structures, infrastructure provision, and strategic geographic positioning continue to influence investor decisions and industrial expansion within the zones (DTIC, 2018). The relatively stronger performance of Coega and Dube TradePort demonstrates the importance of infrastructure connectivity, logistics integration, and institutional coordination in supporting industrial development, (DTIC, 2021; Stats SA, 2023).

Growth Pole Theory provides a useful framework for interpreting these outcomes by explaining how concentrated industrial investment within strategic locations can stimulate broader regional economic activity (Perroux, 1955). Through industrial clustering and infrastructure concentration, SEZs are expected to generate multiplier effects that support supplier development, business expansion, and regional economic integration. The findings suggest that this process has occurred more successfully within zones characterised by stronger infrastructure and industrial diversification.

However, the findings also indicate that investment attraction alone is insufficient for achieving broader socio-economic transformation. In contrast to labour-intensive industrial strategies, capital-intensive investments often generate weaker employment multipliers despite contributing significantly to industrial output and export performance (Makgetla, 2021). This suggests that industrial policy frameworks should place greater emphasis on sectoral targeting to ensure that investment contributes more directly to inclusive development objectives.

Job Quality and Skills Development

The findings demonstrate that SEZs can contribute to skills development and workforce productivity through industrial training opportunities, technological exposure, and participation within modern production systems (Nyakabawo, 2014). These outcomes are particularly important within the South African context, where unemployment and skills shortages remain significant socio-economic challenges.

Human Capital Theory assists in explaining the developmental significance of these findings by emphasising the relationship between skills development, productivity enhancement, and economic growth (Becker, 1964). From this perspective, SEZs contribute most effectively to long-term socio-economic development when they support sustainable employment accompanied by workforce upgrading and technological learning.

Nevertheless, the findings reveal that employment quality within SEZs remains uneven. Higher-skilled occupations account for a relatively small proportion of total employment within many zones, while temporary and lower-skilled jobs continue to dominate certain sectors (DTIC, 2021; Stats SA, 2023). In several instances, employment gains were associated primarily with infrastructure construction rather than sustained industrial activity (Makgetla, 2021). These findings suggest that employment quantity alone provides an incomplete measure of SEZ success. Greater emphasis should therefore be placed on the sustainability, quality, and developmental value of employment generated through SEZ programmes.

Socio-Economic Spillovers and Regional Inequality

One of the central developmental assumptions underpinning SEZ policy is that industrial growth within the zones will stimulate broader socio-economic benefits through local supplier development, technology transfer, and regional economic integration (Dube, Matsika & Chiwunze, 2020). The findings indicate that such spillovers have emerged within selected zones where stronger industrial linkages and infrastructure networks exist.

However, the findings also reveal that spillover effects remain uneven and, in some instances, limited. Compared with more established zones such as Coega, several emerging SEZs continue to exhibit weaker backward linkages and limited integration with local industries (Makgetla, 2021). Heavy reliance on imported inputs constrains the participation of domestic suppliers and reduces the broader developmental impact of industrial activities within the zones.

Dependency Theory provides a critical lens through which these outcomes may be understood. The theory argues that externally driven industrialisation may produce enclave economies that remain weakly integrated with domestic production systems (Frank, 1967). The findings suggest that this concern remains relevant within some South African SEZs, particularly where foreign investment operates with limited local supplier participation. As a result, the developmental effectiveness of SEZs depends not only on investment attraction but also on the extent to which local industries and communities benefit from industrial growth.

The findings further indicate that regional inequality remains a significant challenge within South Africa's SEZ programme. High-performing zones continue to attract disproportionate levels of infrastructure investment, industrial activity, and employment opportunities, while less developed regions struggle to achieve comparable outcomes, (DTIC, 2021; Stats SA, 2023). This unevenness highlights the importance of targeted regional development strategies to ensure that SEZs contribute more equitably to national socio-economic objectives.

Governance and the Developmental State Perspective

Governance and institutional coordination emerge consistently throughout the literature as critical determinants of SEZ performance. The findings indicate that zones characterised by stronger administrative efficiency, infrastructure provision, and policy coordination generally achieve better investment and employment outcomes (Dube, Matsika & Chiwunze, 2020). These institutional conditions improve investor confidence and enhance the operational effectiveness of industrial activities within the zones.

Developmental State Theory provides a strong explanatory framework for understanding these outcomes by emphasising the role of state capacity, strategic coordination, and industrial policy intervention in economic transformation (Johnson, 1982; Evans, 1995). Within the South African context, the findings demonstrate that successful SEZ implementation depends not only on investment incentives but also on the ability of the state to coordinate infrastructure delivery, regulatory processes, and industrial development strategies effectively.

The stronger performance of zones such as Coega and Dube TradePort illustrates the importance of institutional coordination and long-term strategic planning (Stats SA, 2023). Conversely, governance fragmentation, delayed infrastructure delivery, and administrative inefficiencies continue to constrain the performance of several emerging SEZs, (DTIC, 2021; Stats SA, 2023). These findings reinforce broader arguments within the literature that developmental outcomes are shaped fundamentally by governance quality and institutional effectiveness.

Policy Implications

The discussion highlights that the effectiveness of SEZs depends not only on investment attraction but also on the extent to which zones are integrated into broader industrial and socio-economic development strategies. Policymakers should therefore prioritise labour-intensive industries capable of generating sustainable employment and stronger local economic linkages (Qumba, 2023). Greater emphasis

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should also be placed on strengthening supplier development programmes, skills training initiatives, and regional economic integration to improve the broader developmental impact of SEZs.

The findings further demonstrate the importance of governance reform and institutional coordination within South Africa's SEZ programme. Strengthening administrative efficiency, infrastructure provision, monitoring systems, and intergovernmental coordination will be essential for improving investor confidence and ensuring more balanced regional development outcomes (DTIC, 2021; Stats SA, 2023). Without these interventions, the socio-economic benefits associated with SEZs are likely to remain uneven despite continued industrial policy support.

This study is limited by its reliance on secondary data and existing literature, which may restrict the ability to capture recent operational developments within all South African SEZs. In addition, variations in reporting standards across policy documents and institutional studies may affect the comparability of certain findings. Nevertheless, the structured review approach provides a comprehensive synthesis of available evidence and offers important insights into the developmental role of SEZs within South Africa.

Conclusion

This study evaluated the extent to which Special Economic Zones (SEZs) in South Africa contribute to employment creation and the mitigation of socio-economic challenges through a structured review of existing literature. The findings demonstrate that SEZs have contributed to investment attraction, industrial expansion, and sector-specific employment creation, particularly within strategically positioned and institutionally stronger zones. However, the review also reveals that the developmental outcomes of SEZs remain uneven across regions due to differences in infrastructure quality, governance capacity, institutional coordination, and sectoral composition.

The study further found that while SEZs can support skills development, industrial clustering, and regional economic activity, their broader socio-economic impact is constrained by weak local supplier integration, limited labour absorption within capital-intensive industries, and uneven regional development patterns. These findings suggest that SEZs should not be viewed as standalone solutions to unemployment and inequality, but rather as complementary industrial policy instruments integrated within broader national development strategies. The study also contributes theoretically by demonstrating the relevance of Agglomeration Theory, Growth Pole Theory, and Developmental State Theory in explaining the uneven performance and developmental outcomes of SEZs within South Africa.

To enhance the developmental impact of SEZs in South Africa, the study recommends the following:

• Prioritise labour-intensive industries such as agro-processing, light manufacturing, and renewable energy production to improve employment absorption and support inclusive industrialisation.

• Strengthen local supplier development programmes and procurement frameworks to improve backward linkages between SEZ firms and domestic enterprises.

• Align SEZ development more closely with national skills strategies to support workforce development and improve employment quality.

• Improve governance systems, infrastructure provision, monitoring mechanisms, and intergovernmental coordination to enhance operational efficiency and investor confidence within SEZs.

• Provide targeted support to underperforming and emerging SEZs to reduce regional disparities and promote balanced spatial development.

Future research should focus on longitudinal assessments of employment sustainability, household income effects, and community-level socio-economic outcomes associated with SEZ development in South Africa. Comparative studies examining SEZ performance across African countries could also provide broader insights into the institutional and structural factors influencing successful industrialisation and inclusive regional development.

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