Finance and Industrial Development: Convergent or Divergent Trajectories?

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Human Sciences Research Council

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Finance and Industrial Development: Convergent or Divergent Trajectories?

- Apparent rise of financial/business services in SA is in tandem with a weakened manufacturing base:
- Questions over divergence:
  - Does growth of the banking sector represent over-extension in the domestic market or new opportunities over our borders?
  - How do we reconcile all-time highs on the JSE with low levels of real investment and general economic stagnation?
  - Is local consumption driven by higher-levels of debt or growing public wage bill?

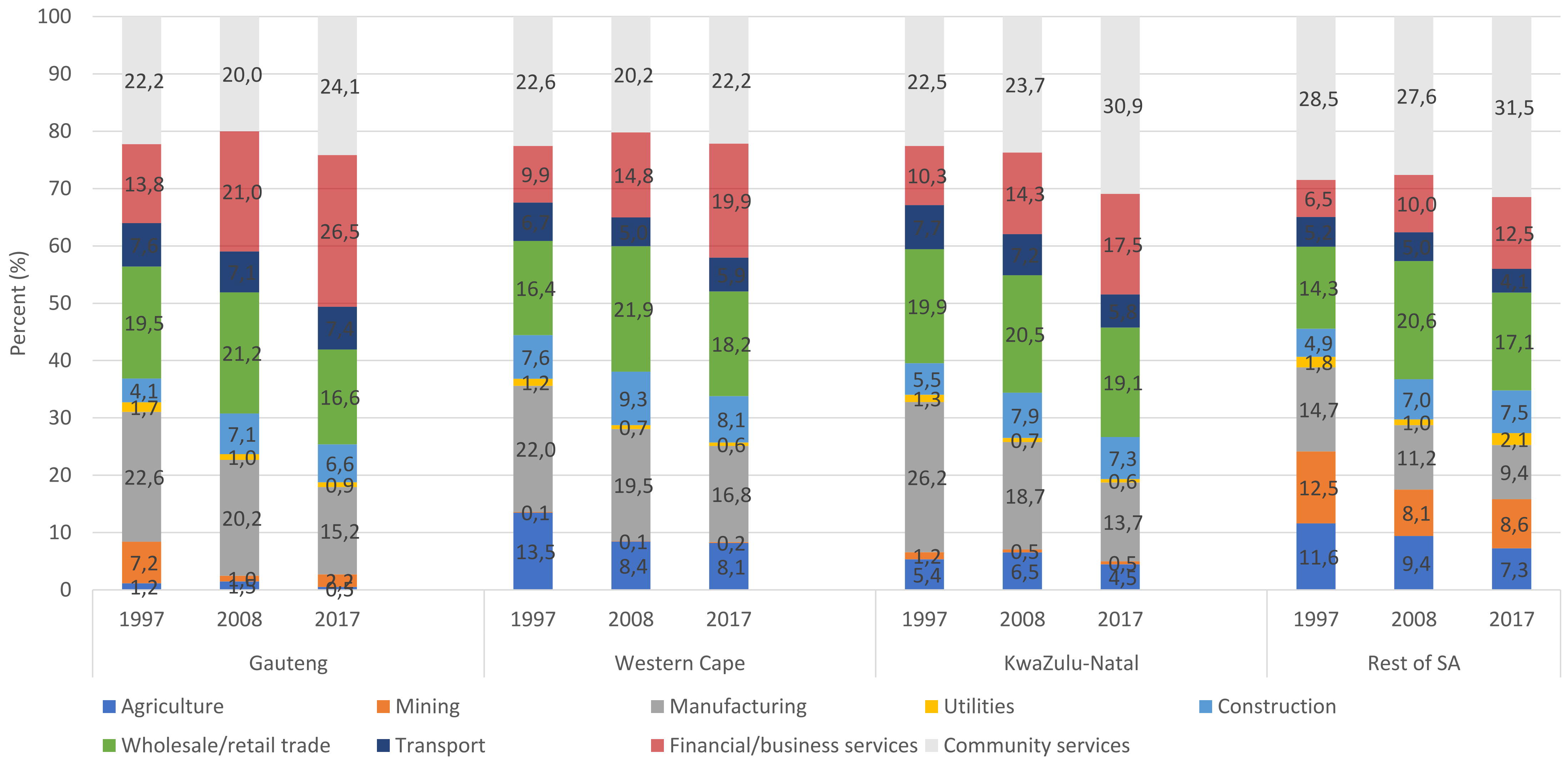
Finance and Industrial Development: Convergent or Divergent Trajectories?

- Growing acknowledgement that ‘tradable’ service economy offers a complimentary path to industrial development.
- Questions over convergence:
  - Knowledge-intensive services offer thick layers of value addition within global value chains.
  - Role of ‘fourth industrial revolution’: digitalisation/standardisation of service inputs; use of big data flows; reduced friction of physical distance.
  - Importance of services as a global export
- **Critical to dig deeper to understand which sub-sectors explain growth in the service economy – are these ‘tradable’?**

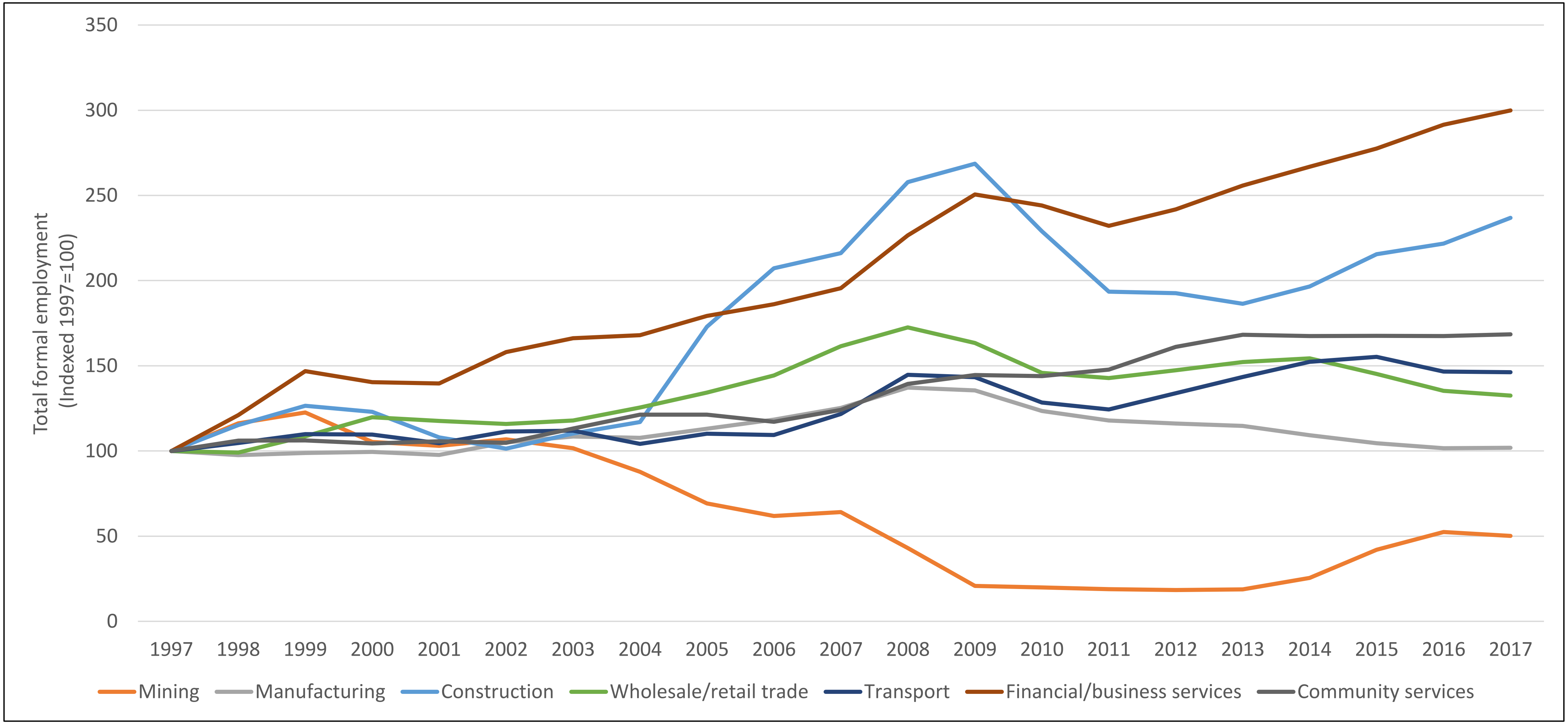
Dataset: Exploring the PALMS

- Post-Apartheid Labour Market Series (PALMS)
  - October Household Surveys, Labour Force Surveys and Quarterly Labour Force Surveys
  - We examine **pooled** annual cross-sections where applicable: significantly boosts the sample size for the LFS and QLFS.
  - Interested in *formal sector employment*
  - Note: analysis preliminary – differences in the ways in which questions are asked; may be issues with capturing agricultural workers (Neyens and Wittenberg, 2016)
- Different spatial-scales: importance of regional clustering and agglomeration economies

Change in structure of the economy in post-apartheid SA:
Share of jobs by sector 1997 – 2017

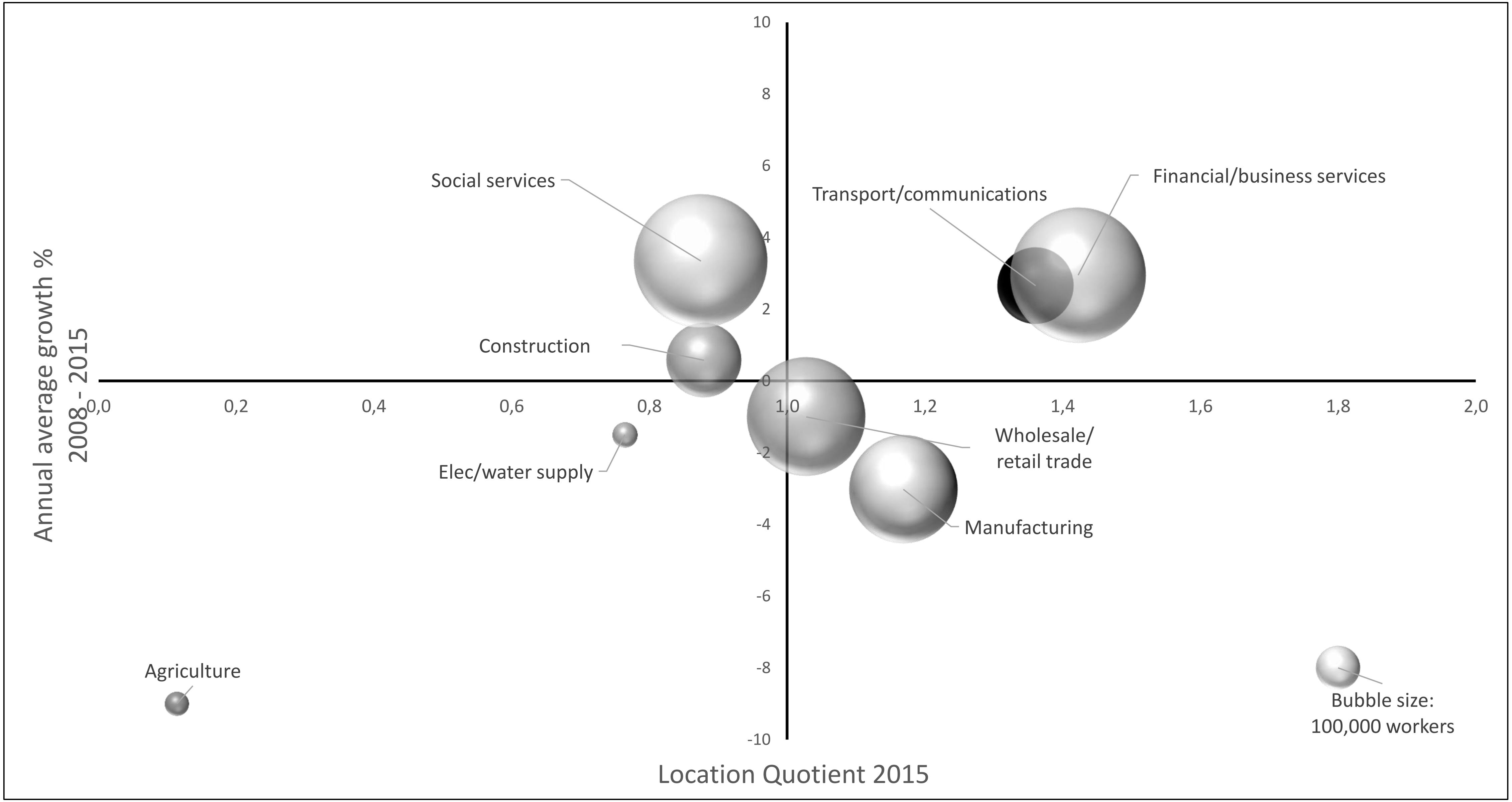


Total formal jobs by sector in Gauteng (indexed: 1997=100)

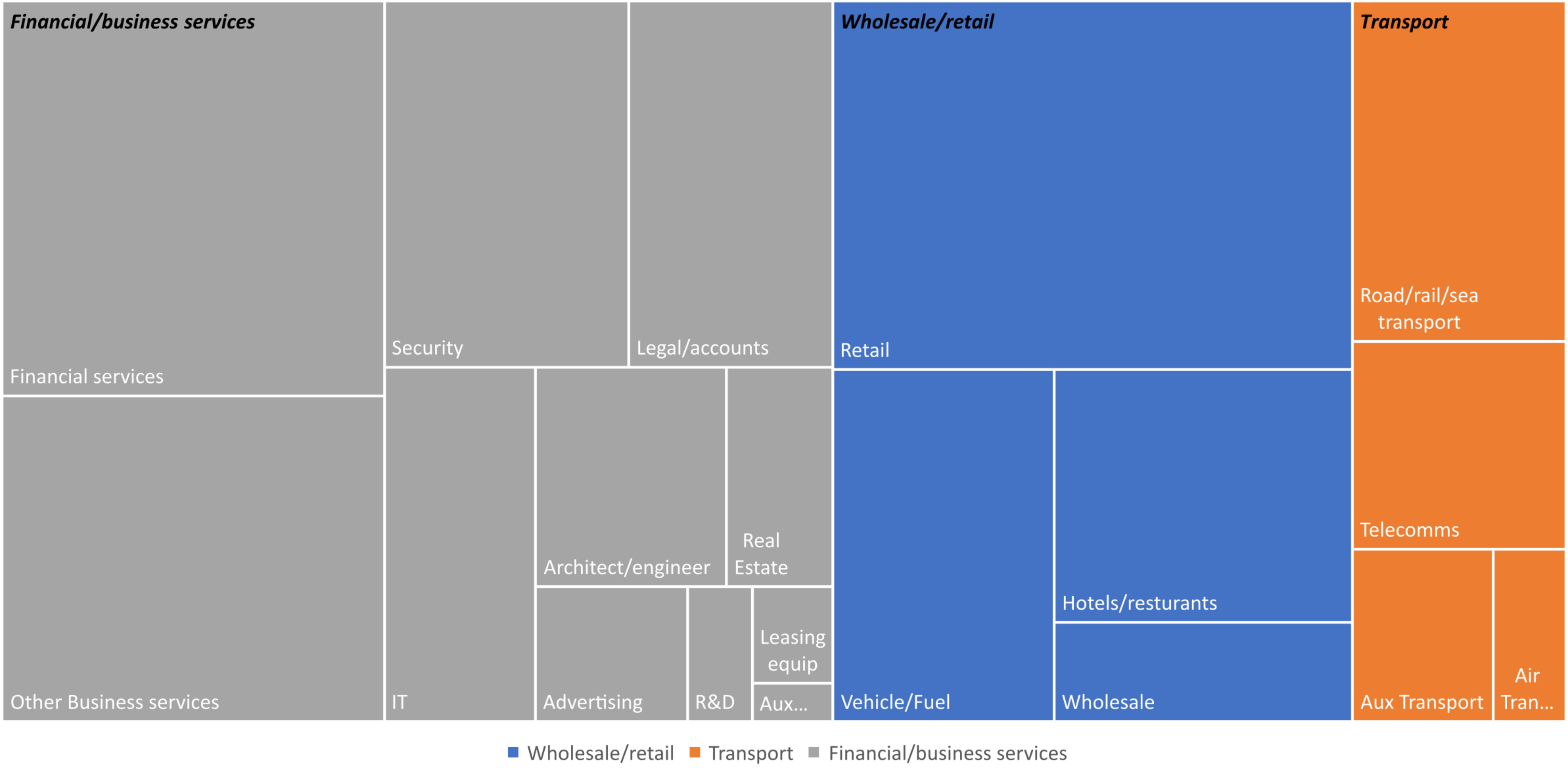


Note:*agriculture and utilities excluded due to small base

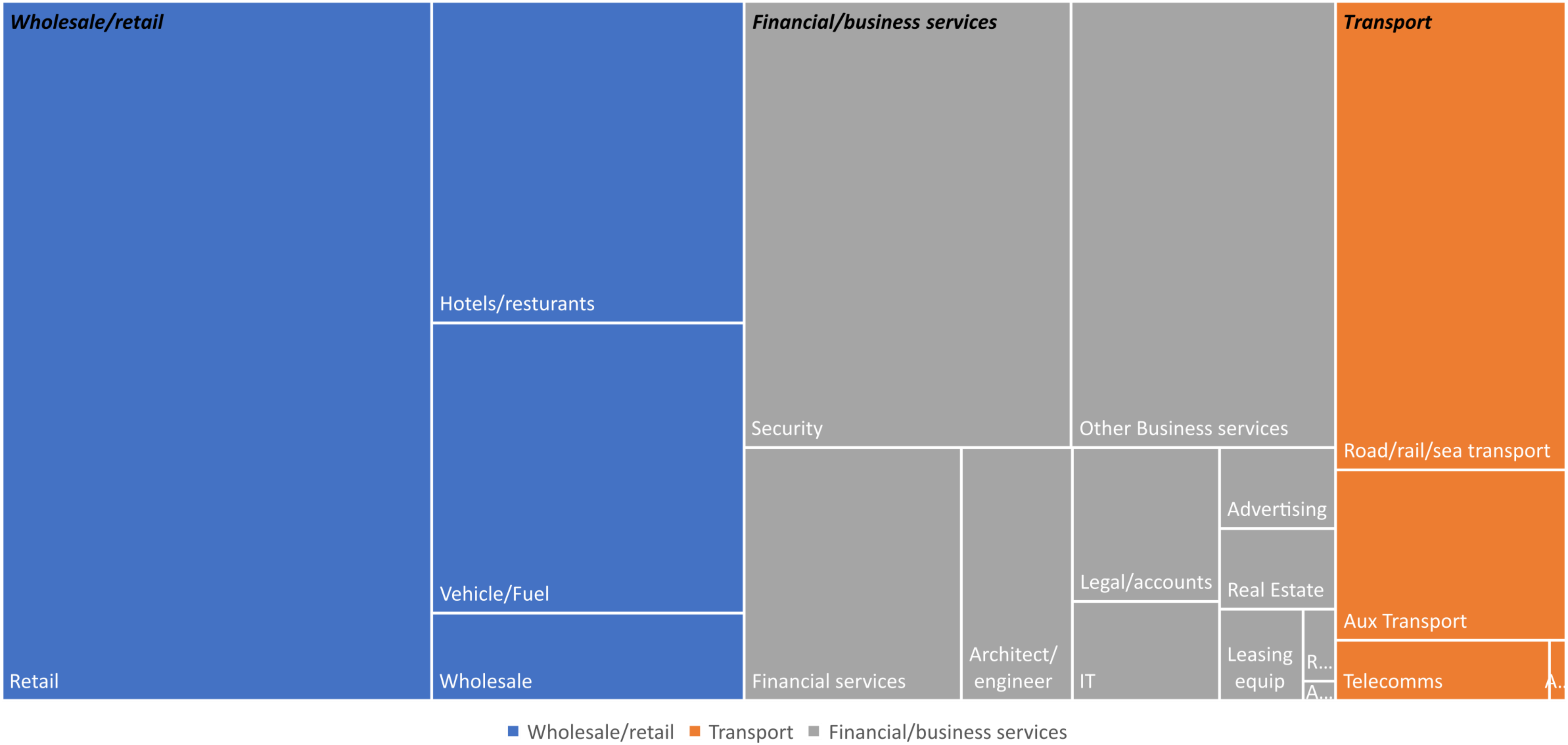
Industry dynamics in Gauteng: 2008 - 2015



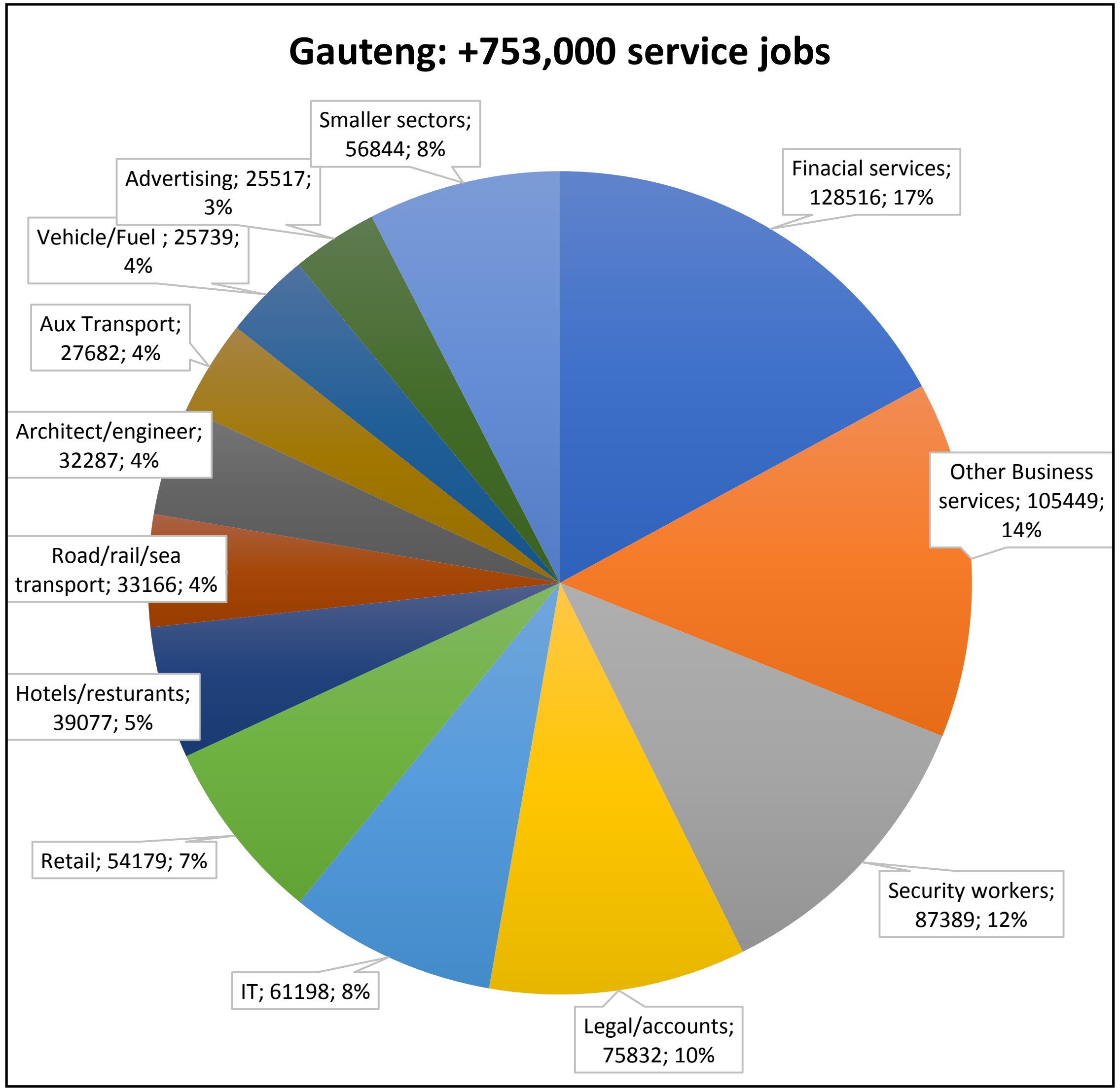
Makeup of Gauteng service economy in 2016 (jobs per sector)

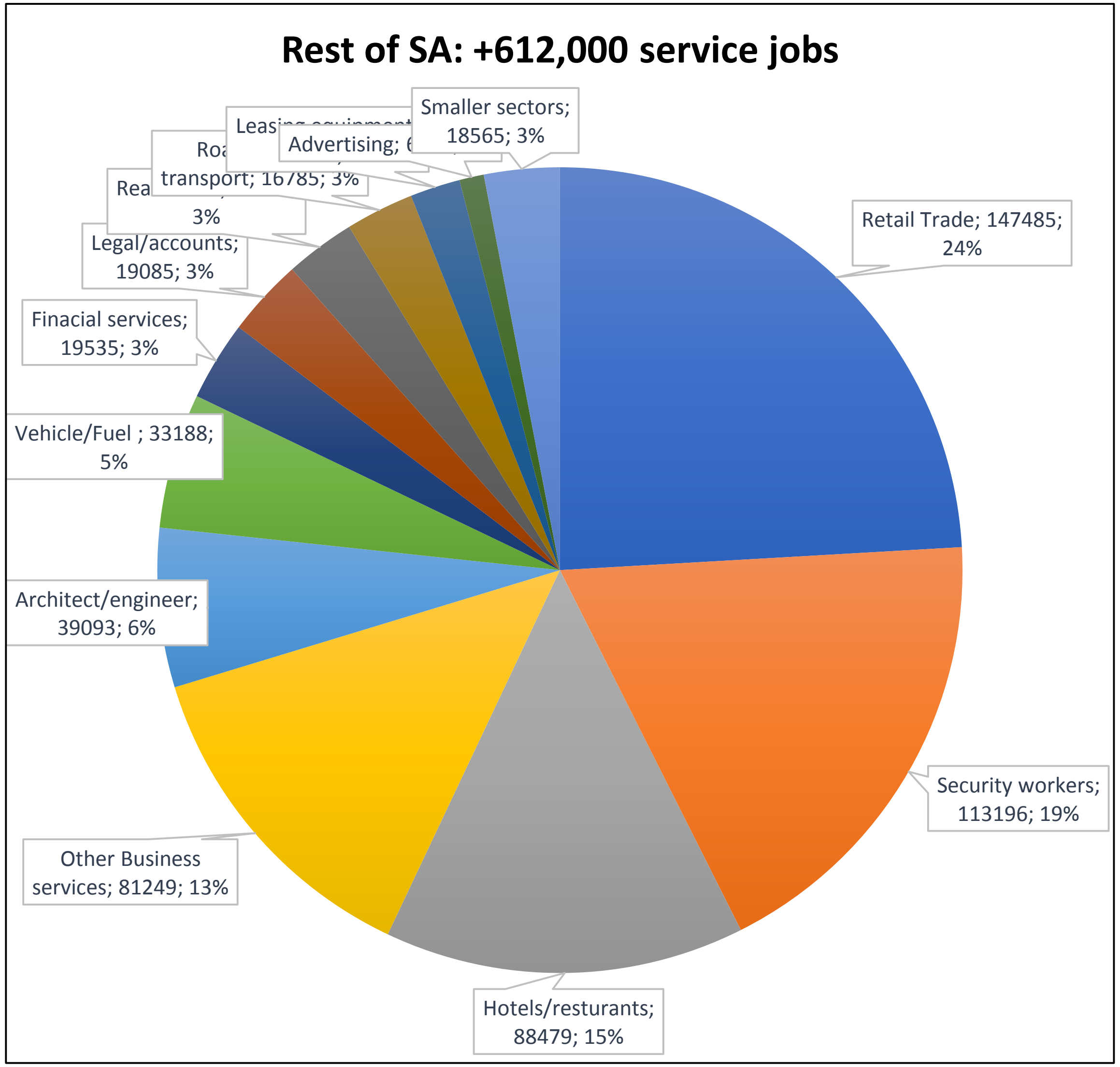


Makeup of KwaZulu-Natal service economy in 2016 (jobs per sector)

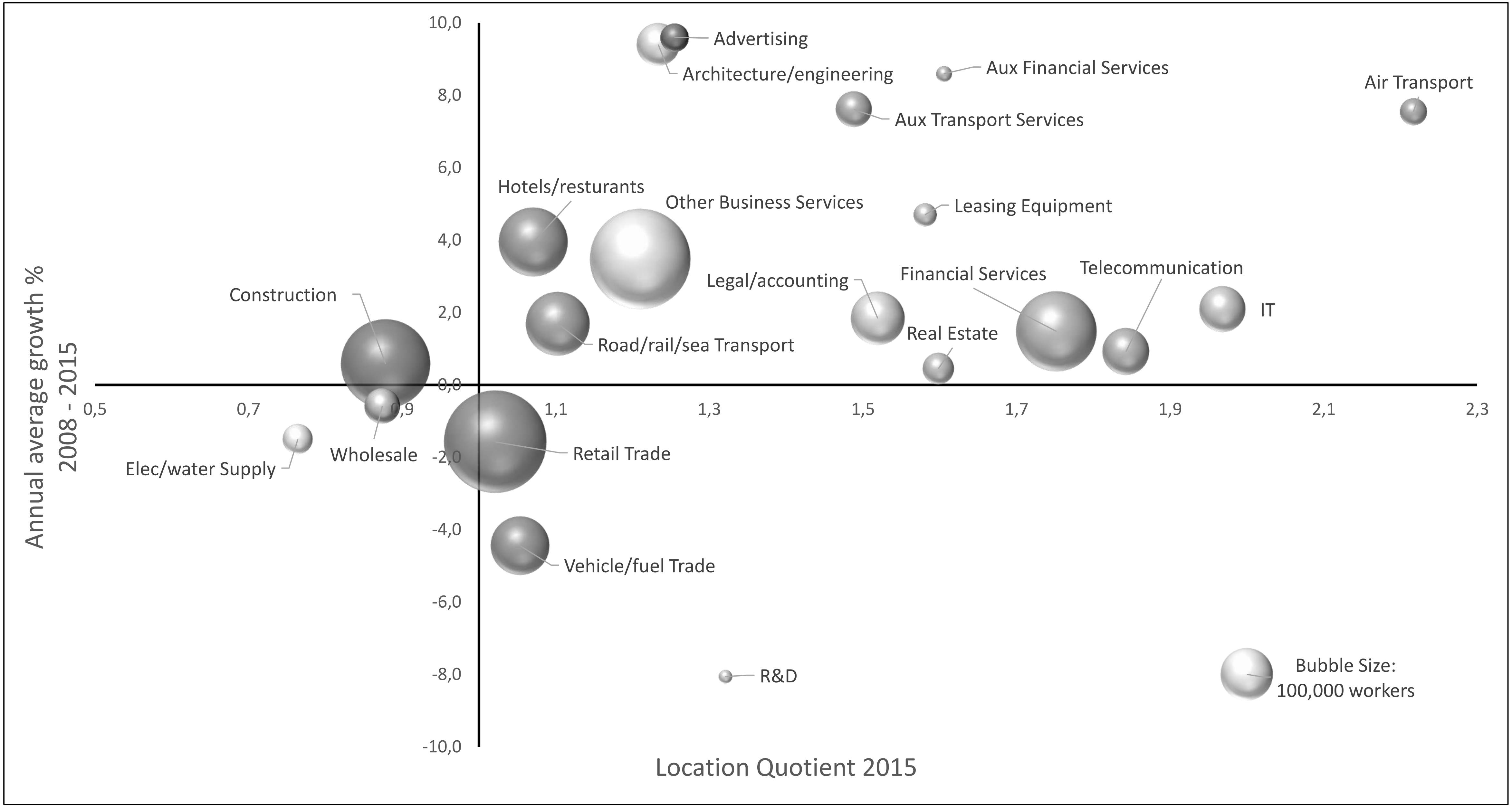


Percentage share of new service economy jobs: 1997-2017

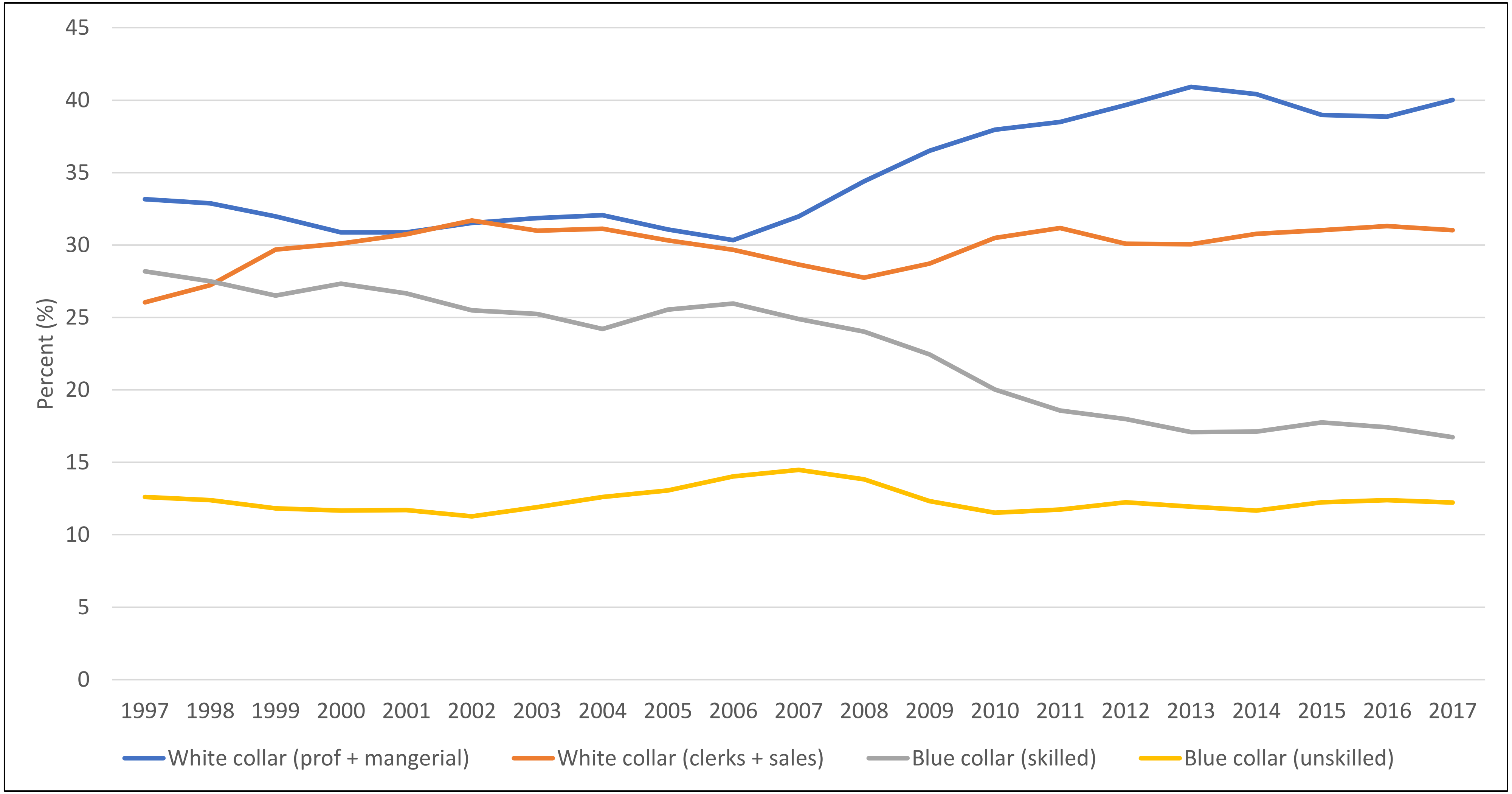




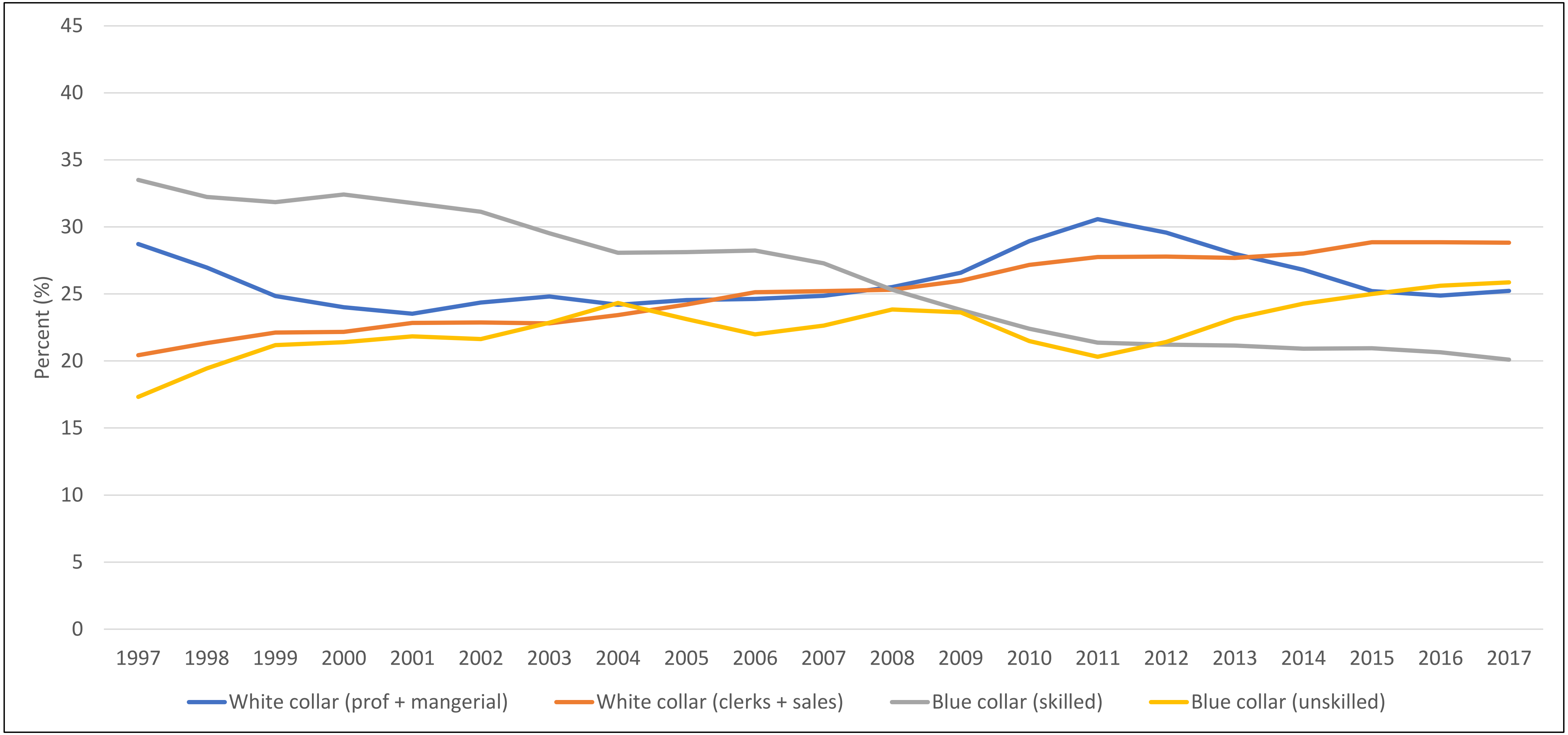
Service industry dynamics in Gauteng: 2008 - 2015



Share of white or blue collar work in Gauteng: 1997-2017



Share of white or blue collar work in rest of SA: 1997-2017



Reflections

- The analysis suggests **divergence** between the manufacturing base and financial/business services across the country.
  - Only service related sectors reflected significant job gains over the post-2008.
  - Matched by changes in composition of workforce: white-collar
- ‘Financial and business services’ is misleading. Better to think about ‘Business and financial services’?
  - Finance did not account for much job creation outside of Gauteng
  - Important to consider substantial number of security workers
- Importance of ‘tradable/non-tradable’ distinctions
- Spatial lens merits further interrogation: very different types of economic change by region

Questions for discussion

- Can Gauteng be supported as a regional service hub into Africa?
- How do we promote convergence between tradable services and manufacturing?
- What are the responses to 'hallowing out' of productive economy elsewhere in SA?

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Siyabonga

Enkosi

Ke a leboha

Ndza nkhensa

Dankie!