Conference Invitation

Trade and Industrial Policy and Strategies (TIPS) and the World Bank cordially invite you to a conference on ***Improving Competitiveness for Job Creation: Technology, Access to Finance and Industrial Policy***, to be held on October 27, 2011 in the Vulindlela Auditorium, Development Bank of Southern Africa.

Competitiveness and Job Creation

Employment has been identified by various actors as the top development challenge for South Africa, not least because of its implication for income inequality and social unrest. A less prominent – but closely interrelated – economic challenge is that of competitiveness. Growing employment requires growing the economy, which in turn, requires that the country grows its market share in the global economy - an achievement which requires improved competitiveness.

However, over the last decade or more, the modest growth of the South African economy has been driven, and constrained, by credit-fueled consumption, rather than by improved productivity and exports. Exports remain dominated by basic resources, but even in this sector, the stagnation or (in the case of gold) decline in export *volumes* (a local factor) was masked by a commodity *price* boom (a global factor).

A transformation of the economy towards a New Growth Path of higher growth and greater job creation requires that net exports and investment must together displace consumption as the principal sources of increased demand. A crucial issue for South Africa is whether its businesses can rapidly diversify into product categories for which global demand is expanding and whether production can be scaled up rapidly. Tapping into global growth, would result in the creation of local jobs.

Technology

Technology is sometimes considered as competing with job creation in that the massive decline of agricultural and mining jobs in South African and elsewhere around the world has been largely attributed to increased mechanization. However, at the same time, it is undeniable that no country has attained a high level of income, growth or employment without embracing technology.

While technological progress is often associated with reduced demand for low skilled labor (a phenomena know as “skill-biased technical change”), it does not mean technology progress is irrelevant to job creation. To many firms and countries technological upgrading is a matter of survival in the context of global competition, simply because competitors are embracing the productivity gains provided by technological upgrading.

Technological progress and productivity growth can be achieved through either technology innovation or absorption. Technology innovation is the development and commercialization of new, unproven technologies and untested processes and products. Technology absorption on the other hand is defined as the application of existing technologies, processes, and products proved and tested in new markets where commercial applications are not fully known. Simply put, innovation involves creation of “new-to-the-world” technology, while absorption is about “new-to-the-firm” technology.

South Africa has maintained technological advantage in some areas such as mining equipment, and has developed a fairly strong innovation system. Yet, most South African industries are not operating in the global technological frontier and could therefore benefit greatly from technological upgrading. Innovation and absorption are therefore two parallel and mutually reinforcing routes for South Africa to strengthen its global competitiveness. The National Planning Commission (NPC) Diagnostic also acknowledges the interrelated challenge (which it places on par with job creation as the country’s top two challenges) of education as a means for growing skills and, in turn, the national ability for technological innovation and absorption.

TRADE & INDUSTRIAL POLICY STRATEGIES

27 October 2011

The Vulindlela Auditorium, DBSA

TIPS & World Bank Conference:
Improving Competitiveness for Job Creation:
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Access to Finance

Small and medium-sized enterprises (SMEs) contribute greatly to competitiveness and job creation. This has been confirmed by numerous studies worldwide. A study of 76 developed and developing economies, for example, found that SMEs account for more than 60 percent of total manufacturing employment and that SMEs contributed significant proportions of GDP. SMEs are also found being positively associated with economic growth.

SME growth requires external financing, but constraints to accessing credit, consistently rated as some of the greatest barriers to the operation and growth of firms, affect SMEs more severely than large firms. Historically, the performance of the South African financial sector in providing access to finance to medium-sized and large firms in the formal sector was seen to be satisfactory, with the financial sector in general rating highly in global assessments of competitiveness. However, at the same time, many micro and small enterprises in the informal economy were facing more severe constraints. Worsening macroeconomic conditions during 2007–09 negatively impacted SME financing, due to both the reduced demand for goods and services sold by SMEs and the tightened credit conditions. Given South Africa's entrenched economic divisions, where an advanced economy operates in parallel (and some would argue, co-dependently) with a much poorer, less developed economy**,** there remains an important role for government in taking an active, market-leading policy stance to address structural obstacles and to ensure access to finance for all entrepreneurs.

Industrial Policy

Industrial policies are widely employed by governments to promote industrialization, technological upgrading and improved competitiveness. There are few economies in the world that do not offer incentives for industrial development. Advanced market economies are as wedded to incentive policies as are industrializing socialist economies such as China and Vietnam. But industrial policies are risky. It is always challenging to get industrial policies right, and when they go wrong, they cost dearly in terms of growth and jobs.

Additional challenge arises from the fact that the global economy is changing rapidly; industrial policies that worked before in other countries may not work today in South Africa. In particular, the strength of global demand for manufactured goods and export competition from China and India directly impinge upon the composition and pace of industrial change in South Africa and the effectiveness of industrial policies.

In implementing the Industrial Policy Action Plan, South Africa would benefit from acknowledging a historic legacy of industrial development, with good and bad elements, that gave rise to the so-called Mineral-Energy Complex. In optimizing the gains from industrial development, policies should strike a balance between programmes of industrial development that keep on delivering significant returns, while continuously adapting policies to changing global conditions. Both persistence and change need to be informed by evidence of improvements in investment, employment and competitiveness.

Objectives

Building on a range of analytical products completed recently by TIPS, the World Bank and other researchers, this conference is intended to provide a platform for in-depth discussion on important policy issues that have implications for competitiveness and job creation, with particular focuses on technology, entrepreneurship and SME finance, and industrial policy. It is expected that the discussions will move forward the debate on policy actions that can be taken to foster job-creating competitiveness in South Africa as well as identify knowledge gaps with policy reference that require further study and debate.

LOGISTICS

Date: *27 October, 2011* ***Time****: 08:30 for 09:00 -16:30*
Venue*: the Vulindlela Auditorium, Development Bank of Southern Africa*
Physical address*: Headway Hill, 1258 Lever Road, Midrand*
RSVP*: Ipeleng Mohlala* ***E-mail****: Ipeleng@tips.org.za* ***/ Tel:*** *012 431 7900*

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