

# Comments on sectoral dimensions of employment creation

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# Conceptualising and measuring employment-intensity at sectoral level

Key importance:

- Give policymakers the tools to target employment-intensive sectors
- Projecting and monitoring employment impact of other policies

Measures:

- Employment / value added
- Employment / capital stock
- Employment multipliers

Dynamic – employment elasticity of growth at sectoral level

Various forecasting models, macroeconomic models etc.

# Conceptualising and measuring employment-intensity

Some considerations:

- Further caveats in interpreting employment multipliers
  - imported intermediates
  - full- or part-time jobs
  - supply constraints
  - average not marginal
  - degree of disaggregation

# Conceptualising and measuring employment-intensity

Some considerations (cont.):

- Relationship between employment-intensity and productivity – trade-off?
- Beyond numbers, job quality... ‘decent work intensity’?
- Other channels through which sectors can be important for employment.

# Why a sectoral angle?

- Recognition of the possibilities of structural imbalance [sectoral distribution of factors of production may well be sub-optimal for growth].
- Contrary to neo-classical assumptions of equilibrium and optimal distribution of factors of production based on equilibrating processes in marginal returns.
- Structural imbalances may be particularly pronounced in developing countries.
- Rationale for industrial policy.

# Why a sectoral angle?

- Sectoral structure neither growth-neutral nor employment-neutral
- Sectoral differences in job quality
  - wage levels, benefits, job security, protection of labour rights, degree of unionisation etc.
- Various other sectoral patterns of employment that could be relevant for policy in targeting sectors
  - differences in gender; age (youth); skills demand and development; vulnerability/volatility of employment; spatial patterns; etc.

# Manufacturing sector

- Kaldorian and Structuralist approaches – manufacturing has special role as engine of growth
  - stronger intersectoral linkages
  - greater scope for cumulative productivity increases
  - role in technological advancement
  - balance of payments
- Inconclusive empirical evidence.
- Employment – not the most labour-intensive but high linkages raise employment multipliers; high degree heterogeneity.
- On average, greater proportion decent jobs in manufacturing?
- Needs active policy to promote and sustain.

# Sectoral linkages & employment multipliers

- Calculated intersectoral linkages and employment multipliers, especially comparing manufacturing and services.
- Exclude imported intermediates.
- Overall, services sectors have stronger employment multipliers than manufacturing, but considerable heterogeneity.
- Decline in employment multipliers over time.

Tregenna (2008) 'The contributions of manufacturing and of services to employment creation and growth in South Africa', *South African Journal of Economics*

# Sectoral comparisons of employment intensity in SA

- Comparison of subsectors by various measures of employment intensity
- Top-ranked sectors by composite measure:

Rank	By employment multipliers	By composite measure:
1	Other producers (services)	Other producers (services)
2	Clothing	Clothing
3	Catering & accommodation	Catering & accommodation
4	Agriculture	Textiles
5	Textiles	Furniture

Tregenna (2010)

[also Venezuela case]

# Deindustrialisation

- International trend towards declining share of manufacturing in total employment.
- New method for analysing changes in level and share of manufacturing employment.
- In most 'deindustrialisation' episodes, decline in manufacturing employment is mostly accounted for by lower labour intensity [higher productivity].

Tregenna (2009) 'Characterising deindustrialisation: an analysis of changes in manufacturing employment and output internationally', *Cambridge Journal of Economics*

# Intersectoral outsourcing of employment

- How much of sectoral shifts in employment is a 'statistical illusion' due to outsourcing?
- New methodology for estimating intersectoral outsourcing.
- Applied to specific labour-intensive occupations in South Africa.
- Much of the apparent growth in private services employment accounted for by outsourcing from other sectors.
- Has implications for understanding underlying trends in sectoral employment.

Tregenna (2010) 'How significant is the intersectoral outsourcing of employment in South Africa?', *Industrial and Corporate Change*

# Related issues in my own current research (not presented)

- Relationship between sectoral structure and changes therein (including deindustrialisation) and growth – a cross-country econometric study
- Relationship between sectoral structure and unemployment rates – a cross-country econometric study
- International study of the intersectoral outsourcing of employment
- Gendered patterns of employment changes during downturns, including sectoral dimensions

# Some possible research issues (1)

- Success stories of employment creation internationally – what lessons can be learnt with potential international applicability, especially re. sectoral aspects?
- Sectoral patterns in employment changes during economic cycles especially crisis.
- Reindustrialisation
- Intersection between macro and industrial policy in sectoral policies.
- Linking social dialogue and industrial policy in sectoral policies.

## Some possible research issues (2)

- Industrial policy tools for sectoral targeting, old & new.
- Measuring 'decent work intensity' by sector.
- Relationship between employment intensity & productivity.
- Which subsectors of services have 'desirable' characteristics i.t.o. employment and growth?