

A Shift-Share Analysis: Manufacturing Employment Specialisation at uMhlathuze Local Municipality, South Africa

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Abstract : Globally, the manufacturing employment has been declining and the South African manufacturing sector experiences the very same trend. Despite the commonality between the global and South African manufacturing trend, there is an understanding that local areas provide distinct contributions to the provincial/national economy. Therefore, the growth/decline of a particular manufacturing division in one local area may not be evident in another area since economic performances vary from region to region. In view of the above, the study employed the Esteban-Marquillas model of shift-share analysis (SSA) to conduct an empirical analysis of manufacturing employment performance at uMhlathuze Local Municipality in the KwaZulu-Natal province. The study set out two objectives; those are, to quantify uMhlathuze manufacturing jobs that are attributed to the provincial manufacturing employment trends and identify manufacturing divisions are growing/declining in terms of employment. To achieve these objectives, the study sampled manufacturing employment data from 2010 to 2017 and this data was categorised into ten manufacturing divisions. Furthermore, the Esteban-Marquillas model calculated manufacturing employment in terms of two effects, namely; provincial growth effect (PGE) and industrial mix effect (IME). The results show that even though uMhlathuze manufacturing sector has a positive PGE (+230), the municipality performed poorly in terms of IME (-291). A further analysis included other economic sectors of the municipality to draw employment performance comparison and the study found that agriculture; construction; trade, catering and accommodation; and transport, storage and communication, performed well above manufacturing sector in terms of PGE (+826) and IME (+532). This suggests that uMhlathuze manufacturing sector is not necessarily declining; however, other economic sectors are growing faster and bigger than it is, therefore, reducing the employment share of the manufacturing sector. To promote manufacturing growth from a policy standpoint, the government could create favourable macroeconomic policies such as import substitution policies and support labour-intensive manufacturing divisions. As a result, these macroeconomic policies can help to protect local manufacturing firms and stimulate the growth of manufacturing employment.

Keywords : allocation effect, Esteban-Marquillas model, manufacturing employment, regional competitive effect, shift-share analysis

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