Connecting local enterprises to global markets: South African exporters

Volker Schöer
African Micro-Economic Research Unit (AMERU)
University of the Witwatersrand, Johannesburg
SME targeted policy interventions

The National Development Plan (NDP) of 2011 identifies SMEs as drivers of economic growth.

- creating employment opportunities
- increasing exports
- introducing innovation and entrepreneurship skills

Various policies are firm size dependent, targeting SME including Export Promotion policies of DTI. However, focus and selection of Micro – Small enterprises with less than 50 employees.
### Job creation/ destruction by firm size 2005-2011

<table>
<thead>
<tr>
<th>Size Category</th>
<th>Weighted Emp Share</th>
<th>Job Creation</th>
<th>Job Destruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-19</td>
<td>16.2</td>
<td>10.1</td>
<td>14.3</td>
</tr>
<tr>
<td>20-49</td>
<td>15.6</td>
<td>12.2</td>
<td>12.2</td>
</tr>
<tr>
<td>50-99</td>
<td>11.2</td>
<td>9.7</td>
<td>13</td>
</tr>
<tr>
<td>100-249</td>
<td>10.3</td>
<td>9.6</td>
<td>11.3</td>
</tr>
<tr>
<td>250 - 499</td>
<td>6.1</td>
<td>10.4</td>
<td>10.9</td>
</tr>
<tr>
<td>500 - 999</td>
<td>5.9</td>
<td>11.2</td>
<td>8.6</td>
</tr>
<tr>
<td>1000 - 2499</td>
<td>7.3</td>
<td>11.1</td>
<td>8.3</td>
</tr>
<tr>
<td>2500 - 4999</td>
<td>6.4</td>
<td>12.5</td>
<td>6.9</td>
</tr>
<tr>
<td>5000+</td>
<td>20.9</td>
<td>6.7</td>
<td>4</td>
</tr>
</tbody>
</table>

#### Manufacturing only

<table>
<thead>
<tr>
<th>Size Category</th>
<th>Weighted Emp Share</th>
<th>Job Creation</th>
<th>Job Destruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-19</td>
<td>12.9</td>
<td>9.6</td>
<td>13.5</td>
</tr>
<tr>
<td>20-49</td>
<td>14.7</td>
<td>9.9</td>
<td>11.5</td>
</tr>
<tr>
<td>50-99</td>
<td>13.1</td>
<td>9.1</td>
<td>10.4</td>
</tr>
<tr>
<td>100-249</td>
<td>16</td>
<td>9.4</td>
<td>10.4</td>
</tr>
<tr>
<td>250 - 499</td>
<td>11.1</td>
<td>8.1</td>
<td>8.8</td>
</tr>
<tr>
<td>500 - 999</td>
<td>7.6</td>
<td>9.2</td>
<td>8.1</td>
</tr>
<tr>
<td>1000 - 2499</td>
<td>10</td>
<td>7.5</td>
<td>7.2</td>
</tr>
<tr>
<td>2500 - 4999</td>
<td>6.6</td>
<td>9.5</td>
<td>7.5</td>
</tr>
<tr>
<td>5000+</td>
<td>8</td>
<td>6</td>
<td>5.4</td>
</tr>
</tbody>
</table>

*Kerr, Wittenberg & Jarrow, 2013*
Exporters vs non-exporters

Similar to empirical findings in other countries, South African exporters are:

- significantly larger
- produce more output and value-added per employee
- are older
- more likely to be foreign owned

(Rankin, Söderbom & Teal, 2005; Edwards, Rankin & Schöer, 2008)
Exporters vs non-exporters

Probability of exporting:

- when compared with those in other developing countries South African manufacturing firms seem to enter the export market when relatively small. South African companies with 100 employees have more than a 50% probability of being exporters (Anjinho & Rankin, 2008)
Exporters vs non-exporters

Share of output exported (when exporting):

- relatively small share of total output gets exported: majority exports less than 30% of total output
- top 1% of exporters account for 80% of exports

(Rankin *et al*, 2005; Rankin & Schöer, 2013, World Bank, 2014)
Firm characteristics differ by export destination:

• larger firms export to more distant and developed markets (EU, US)

• developed country exporters more productive while regional exporters less productive than domestic market supplier (non-exporter)

• wage premium for workers of exporters to developed countries and wage penalty for workers of exporters to regional market (Southern Africa, RoA)

• Is regional trade necessarily a stepping stone to more distant market?  

*(Rankin & Schöer, 2013)*
Followed small sample of DTI supported exporters between 2009 - 2012: employment

Rankin, 2013
Followed small sample of DTI supported exporters between 2009 - 2012:

Constraints on exporting

Volatile exchange rate
Transport costs
Competitive foreign markets
Marketing costs
Contacting buyers
Language barriers
Customs
Tariffs
Documentation
Non-payment risk
Product standards
Transport logistics
Monitoring shipments
Trade credit

Rankin, 2013