

Firm level surveying for the Gauteng City-Region

Gauteng Growth and Development Agency (GGDA)

Gauteng City-Region Observatory (GCRO)

Human Sciences Research Council (HSRC)

Centre for Competition, Regulation and Economic Development (CCRED)

Tshepo 1 million

Summary proposal – July 2017

Introduction

Government in the Gauteng City-Region (GCR) recognises the need to intervene strategically in the regional economy to promote further growth, diversification, inclusivity and sustainability. To the extent possible, government must help to address costs of and constraints on doing business; facilitate entrepreneurship; promote trade and investment; encourage R&D; help ameliorate market failures in jobs and skills matching; and unlock township economic growth. To better target and tailor its interventions government needs more information and deeper analysis on what is going on in the economy at a firm level.

This proposal flows from a collaboration between the Gauteng, Growth and Development Agency (GGDA) and the Gauteng City-Region Observatory (GCRO) to undertake, in partnership with specialist research entities, a series of interlocking firm level surveys over the 2017/18 financial year. GCRO itself will run a survey of formal and informal businesses piggy-backing on its Quality of Life Surveys. GCRO has further entered into partnerships with the Human Sciences Research Council (HSRC), that will run a survey into the tradeable services sector in the GCR, as well the University of Johannesburg's Centre for Competition, Regulation and Economic Development (CCRED), that will expand its recent census of and surveying in Johannesburg's manufacturing districts to a selection of manufacturing areas across the region. In addition, lines of discussion have been opened with the Gauteng Tshepo 1 million youth employment programme. Tshepo 1 million has already run a 'census' of township economy activities in nine Gauteng townships.

This document summarises the proposed work, and associated costs, to be undertaken by the partners. The work has already begun on the basis of an allocation of R1 million from GGDA, together with R500 000 from GCRO's own 2017/18 budget. These allocations are split across a number of work-packages, each led by one of the partners, making up a *preparatory phase* of the survey. Additional funding of between R5 and R6 million (excluding Tshepo) will be required to take the surveying work to scale in an *implementation phase* running mid- to late-2017/18.

Four interlocking surveys

One starting point for this initiative was the requirement that GGDA conduct a 'cost of doing business'

survey. More and richer data on key constraints facing existing businesses, as well as obstacles to the start-up of new enterprises, will remain a central concern across all the surveying work proposed. However, in addition, a bank of surveys may be able to gather critically needed information on a range of other issues, including:

- *Geographic distribution of firm operations* to understand current (and possible future scenarios for) spatial concentration of economic activity;
- *Investment and expansion strategies*, notably with respect to future planned investments in Gauteng and Africa, in order to support strategies to project Gauteng as a leader of Africa's industrialisation;
- *Product diversification trends and dynamics*, to better equip government to target any trade marketing, import substitution and export promotion strategies;
- *Business intentions to relocate or scale down operations*, and the key drivers thereof, to enable government to better target business retention strategies;
- *Research and development (R&D) activity*, ideally following well-established CESTII indicators, to gauge R&D investment and collaborations, and the opportunities for a regional system of innovation;
- *Business supply chains, in particular to get a view on supplier profiles, and supplier diversification strategies*, in order to understand prospects for economic transformation, access to economic opportunities and the development of the township economy;
- *Business-specific skills requirements and opportunities for labour absorption*, to help government sharpen labour-market intermediation programmes such as those matching available skills to jobs to address youth unemployment;
- *Changing property requirements of enterprises in different sectors*, to help government focus its spatial planning and infrastructure investment activities.

To obtain data on these and a host of other matters, a bank of four interlocking surveys, each led by a separate partner, is proposed:

1. Piggybacking on the 2017 Quality of Life Survey (V), GCRO will run an ancillary survey using the contact details supplied by respondents who identify themselves as business owners and those who say that they once owned a business but that this has failed;
2. The HSRC will undertake a survey of firms in the 'tradeable services' sector in Gauteng;
3. CCRED will expand the census and surveying done in Johannesburg manufacturing districts in 2016 to a selection of 25 industrial areas across Gauteng;
4. Tshepo 1million will undertake on-the-ground audits of local economic activities in selected Gauteng townships.

Each of these surveys is described in more detail below. Each will, of course, be tailored to a specific set of objectives and a particular sample frame. However the members of the partnership will work together to ensure that each survey, in part, includes a set of cross-cutting questions common to all.

1. Gauteng City-Region Observatory (GCRO) – business survey on the back of the Quality of Life Survey

Survey focus

The 2015/16 Quality of Life Survey (IV) asked a number of questions about entrepreneurship, employment and local access to economic services (reflecting on the strength of the township economy). It asked all respondents whether they were currently the owner of a business. Of 30 002 respondents 2 310 said they were business owners, and of these 1 663 gave their agreement to be

contacted in future for similar surveys and provided cell phone contact details. A further 1 958 respondents – who were not also current business owners – said that they had previously started a business but that their business had failed. Of these, 1 517 gave permission to be contacted again and supplied their cell phone details. This affords a list of 3 180 possible respondents for two related surveys:

1. A survey of *current business-owners*. Questions asked in QoL 2015/16 allow for this grouping to sampled by the economic sector within which they operate (responses to the open-ended question ‘what does your business do?’ have been coded to the new SIC-7 codes); whether they are formal or informal; and business size as measured by number of employees. Because of this, the survey can be targeted towards particular industry clusters in areas of particular spatial interest (e.g. manufacturing firms operating in small-holdings) if this is in line with key provincial policy objectives;
2. A survey of *past business-owners* who could answer a series of questions on the reasons for the failure of their enterprises.

Results from the 2015/16 QoL Survey provide the basis for a test survey. They also provide an indication of the likely size of the possible sample to be obtained from the 2017 QoL Survey.

Preparatory phase

In a preparatory phase, GCRO will test a survey method that will be taken to full implementation through the 2017 Quality of Life Survey. Using the contact details supplied all respondents who identified themselves as current and ex-business owners will be phoned. Most will be asked to complete a telephone-based interview. In addition a limited number of approximately 100 respondents will be targeted for a face-to-face interview. It must be recognised that the response rate – as dictated by the currency of contact details and the willingness of the respondent to be interviewed – is likely to be fairly low. The realised sample may not be more than a few hundred in total.

The results of the surveying, and key lessons learnt, will be synthesized into an .spss dataset and analysed in a brief report. This will provide the basis for the fuller survey to be conducted on the back of the 2017 Quality of Life Survey that will roll out from August 2017.

Implementation phase

In the implementation phase of the survey the method tested in the preparatory phase will be replicated, with due adjustments made in light of the lessons learnt in the first round of surveying. In this phase a fieldwork house separate from the firm doing the QoL Survey will be supplied with contact details on a weekly basis as QoL results flow in. Every effort will be made to arrange for face-to-face interviews with all respondents. Only if this is refused will a telephone or electronic-survey be administered.

Envisaged outputs

- .Spss datasets from the preparatory and implementation phases of the survey
- A brief report on results and lessons learnt from the preparatory phase
- A report and power-point presentation on results from the full survey.

2. Human Sciences Research Council (HSRC) – Survey into the tradeable services sector

Survey focus

The GCRO's own business survey will not be sector specific. In the process of interviewing it will seek to 'discover' the sector and industry focus of current and ex-business owners operating across the economy. The GCRO survey will be complemented with two sector specific surveys, one on tradable services and the other on manufacturing.

The HSRC proposes to undertake a survey of the tradable services sector in Gauteng. Tradable services refer to business activities broadly understood to be in the services sector whose output can be traded internationally or whose jobs are performed outside the country. They typically include activities such as engineering, consulting, ICT, business-process outsourcing, and so on, though with globalisation and technological advancements an ever greater range of services may be subject to offshoring and trade. These services are often complementary to agriculture, mining and manufacturing, rather than substitutes for them. They can reinforce reindustrialisation by improving the productivity of manufacturing and mining (by providing specialized expertise and other inputs), and stimulating demand for their outputs (by developing external markets).

Gauteng is well positioned to take advantage of dynamic growth in the tradable services cluster. It has unique competitive advantages because of its geographic position and growing regional integration with fast-developing African countries and cities – whose demands for infrastructure and related inputs associated with industrialization and rapid urbanization are accelerating. The proposed survey work will seek to understand the scope of, key dynamics in, and opportunities and challenges facing the tradable services sector in Gauteng.

Preparatory phase

In a preparatory phase starting in March, and ending May 2017, the HSRC will utilise secondary sources to determine the scope, size and key geographic locations of the tradeable services sector in Gauteng. With reference to the membership directories of industry associations and professional bodies such as Consulting Engineers South Africa (CESA), the HSRC will also build up a database of firms from which to draw a sample in the implementation phase of the survey. In addition, a survey instrument will be tested through 15 in-depth face-to-face interviews. The results of this preparatory phase will be written up in a brief report covering preliminary findings and lessons for the implementation phase.

Implementation phase

In the implementation phase HSRC will build on the foundations laid in the preparatory phase utilising two modes of data collection. First, using the database of firms developed in the preparatory phase, it will target an electronic survey at as many businesses as possible. This will ask questions on firm characteristics, performance, investment strategies, locational choices and operating constraints. Second, 60 in-depth interviews will be conducted with representatives of selected businesses. The interviews will most probably focus on larger enterprises in order to get a sense of external trade and local linkages, and selected geographic nodes in order to understand locational advantages and disadvantages in specific business precincts. This phase of the work will be written up in detailed final reports.

Key outputs

- Initial report on main findings and recommendations for the full survey
- A database of firms in the tradable services sector
- Final reports, documenting the results of the full business survey, analysing the trends and dynamics in different components of the sector, and making recommendations for policy and practice.

3. Centre for Competition, Regulation and Economic Development (CCRED) – Census of and surveying in manufacturing districts in Gauteng

Survey focus

Gauteng contributes 40% of the country's share of GDP to manufacturing, and 44% of the country's employment in manufacturing. However, with a relentless shift of economic weight to tertiary services and a continued loss of jobs in manufacturing activities, the Gauteng Provincial Government remains very concerned with de-industrialisation. To tailor interventions that further support manufacturing in the province government needs more insight into how manufacturing firms respond to competitive pressures, build and renew capabilities, and contribute to employment creation.

In 2016, the Centre for Competition, Regulation and Economic Development (CCRED), on a commission from the Department of Economic Development at the City of Johannesburg, undertook a large scale census of manufacturing and related activities in all of Johannesburg's industrial nodes, followed by a survey and more in-depth interviewing of establishments in selected areas.

CCRED proposes to roll out this now tried and tested method to industrial zones across Gauteng. In 2017 it will:

1. Undertake a province-wide firm census in 25 selected industrial nodes
2. Do a survey of firms in manufacturing and related services in 10 of the selected nodes
3. To deepen the analysis of the factors influencing industrial development, do more in-depth interviews of 50 firms, with the selection based on the main industrial sectors.

Preparatory phase

In the preparatory phase of the work CCRED will work to identify and determine the geographic location of all the formally designated industrial areas across the province. It will then randomly select 25 of these areas (excluding those in Johannesburg which have all be covered in 2016). In the preparatory phase a census will be undertaken of all establishments in 10 of these 25 nodes. The census will be done by a team of specialist fieldworkers who will 'walk-the-streets' to identify establishments in each selected industrial area. Basic information will be collected on each firm and contact details for key representatives will be sourced. The location and industry categorisation of each establishment will be captured in GIS.

Implementation phase

In the implementation phase the 10 selected nodes will be targeted for more in-depth follow-up surveying, while at the same time the census is completed in the remaining 15. An electronic survey – using the survey monkey platform – will be sent to all businesses in the selected nodes. It will cover: basic background information such as main activities, size and reasons for locating in the area; operations and performance over the previous five years (e.g. sales growth, market expansion, investment and R&D); skills availability and employment practices; barriers to growth and entry into

new markets; the perceived quality of locally available infrastructure; and experiences with interacting with government.

In addition to the electronic survey administered to all firms in the selected 10 nodes, 50 in-depth interviews will be conducted with representatives of selected manufacturing enterprises to better understand specific sub-sector and firm location issues and dynamics.

Key outputs

- A geographically referenced database of all firms captured in the census of 25 nodes
- Data from the electronic survey of 10 nodes
- Based on the census and survey, a profile of each of the 10 nodes
- An integrated report drawing on all three modes of data acquisition analysing key trends and dynamics in manufacturing areas.

4. Tshepo 1million – Audits of township economies

Survey focus

In a nutshell Tshepo 1million is a Gauteng Provincial Government led multi-dimensional labour-market intermediation strategy aimed at opening up new employment opportunities for the youth. It has already seen considerable success, but a need has been identified to recalibrate the programme so that it is less focused on temporary employment opportunities in government sponsored activities. As part of this adjustment the programme is training unemployed youth as street-level knowledge workers, using low-cost tablets to conduct geo-coded data gathering exercises on the township economy in targeted townships. An opportunity exists to see this surveying work aligned with the surveys to be conducted in the other components of this initiative.

Preparatory phase

The township economy audit work by Tshepo 1million has already been initiated at the beginning of 2017. On the model provided by Jozi@work's Digital Ambassadors project, 750 previously unemployed youth were selected, screened and trained in partnership with Harambee and the University of Johannesburg. They were then deployed to 9 initial townships. They are walking the streets of these areas to find any and all businesses and, using GIS enabled tablets, applying a detailed questionnaire. Fieldwork was completed in March/April 2017.

Implementation phase

Although work on the township economy audits has already started, the opportunity nonetheless exists for the lessons from the first phase to be incorporated into a subsequent phase of surveying expanded to beyond the initial 9 townships, and for the questionnaires to be aligned with those in the other surveys at that point.

Key outputs

- Datasets on townships economies across the province.

Laying the basis for ongoing surveying

On a final note, the collaborators in this initiative do not see the current planned survey work as a once-

off exercise. This is an opportunity for key partners – all interested in systematically building the information and knowledge base available to economic actors across the province – to work together to develop a sustainable platform for firm-survey work in the GCR. As the work progresses other partners with mutual interests like the City Support Programme will be engaged with a view to determining how a platform for ongoing firm-level focused data collection and analysis could be institutionalised.

Summary of work packages

	Preparatory phase	Implementation phase
GCRO <i>Business survey on the back of 2017 Quality of Life Survey (V)</i>	1) A mostly telephone based survey of <i>current</i> business owners as identified in QoL 2015/16 2) A mostly telephone based survey of <i>ex-business</i> owners as identified in QoL 2015/16 Key output: Preliminary report	1) A mostly face-to-face survey of <i>current</i> business owners as identified in QoL 2017 2) A mostly face-to-face survey of <i>ex-business</i> owners as identified in QoL 2017 Key output: Spss datasets, and final report and presentation
HSRC <i>Survey of firms in the tradable services sector</i>	1) A review of secondary data sources to gauge the composition and size of the tradeable services sector 2) 15 face-to-face interviews to test the interview schedule to be rolled out in the implementation stage 3) Development of a database of firms in the sector Key output: Preliminary report	1) Electronic survey administered to the database of firms 2) 60 face-to-face interviews with selected firms in selected locations Key output: Final database of firms in the sector and final report
CCRED <i>Census of manufacturing areas and surveying of manufacturing firms</i>	1) Identification and geographic location of all manufacturing areas in Gauteng 2) Selection of 25 areas and census of all establishments in 10 of these Key output: Firm census database	1) Completion of census in remaining 15 of 25 areas 2) Electronic survey of all firms in 10 selected areas 3) 50 In depth face-to-face interviews Key output: Survey datasets; profiles of 10 nodes; Integrated report
Tshepo 1 million <i>'Audits' of township economies</i>	1) Using 750 previously unemployed youth, on the ground audits of nine townships Key output: Audits of nine townships	1) Potential extension of the surveying work to townships across the province