# An investigation into the geographical trends in the sectoral composition of the Cape Town economy

**By**

**Netshikulwe Azwihangwisi**

**NTSAZW002**

**Supervisor**

**Professor Owen Crankshaw**

**A minor dissertation submitted in partial fulfilment of the requirements for the degree of Masters of Social Science in Sociology in the Department of Sociology**

**Faculty of the Humanities**

**University of Cape Town**

**March 2010**

# Plagiarism Declaration

This work has not been previously submitted in whole, or part, for the award of any degree. It is my own work. Each significant contribution to, and quotes from people has been attributed, and has been cited and referenced.

Signature

**Azwihangwisi Netshikulwe**
**September 2009**

# Acknowledgements

I would like to acknowledge the financial contributions made by the following institutions towards my study: the National Research Foundation (NRF), the Harry Crossley Foundation, the KW Johnstone Research Scholarship and UCT Scholarship.

To my supervisor, Professor Owen Crankshaw, your indefinite support and guidance have been a major determinant in my completing this degree. Thank you for assisting me throughout this journey and particularly in the theoretical component and for continuously providing me with data relevant to my study. Your support in my study has been immense and incalculable.

I would also like to thank the City of Cape Town staff who provided me with the necessary data to conduct my research. In particular, Professor Owen Crankshaw, your insightful knowledge and advice with regard to data has been the cornerstone to this study.

Lastly, I would like to thank my family, for continued emotional support. You have been the pillar of my strength throughout my studies, thank you for believing in me and for giving me the confidence to succeed.

Thank you

## Abstract

*The purpose of this research is to examine the geographical trends in the sectoral composition of the city of Cape Town economy between the year 2000 and 2005. The research is informed by related studies and theories that argued Cape Town is developing a post-Fordist spatial order characterised by the development of edge cities and the excluded ghetto. It investigates the extent to which the service sector or producer service is becoming decentralised, and the growth it had experienced compared to the manufacturing sector. We have used sectoral composition data by areas to determine the locations of the service and manufacturing sector, and undoubtedly to test this theory. To achieve our research purpose, data on actual locations of the manufacturing and service companies have been used to determine growth. The spatial trends under debate include 'edge cities' or suburbanisation, the 'excluded ghetto' and 'spatial mismatch'. The implications of the service sector growth in selected geographies are central to the study.*

*Our findings confirmed the growth of the service sector and low decline in the manufacturing sector in the City of Cape Town. Furthermore, the data also show that the immeasurable growth of the service sector has been occurring in the northern and southern suburbs while south-east area has experienced little or no growth. Additionally, it has been observed that although the Cape Town Central Business District (CBD) has experienced a growth in the service sector, it is relatively low compared to the northern and southern suburbs areas. However, the CBD also experienced a slight decline in manufacturing which demonstrate the importance role of this sector in the area. Spatially, the evidence confirmed that it is the services sector situated to the north and south of the CBD that are experiencing increases while the south-east experienced a little growth. The implications of the growth of the service sector in the northern and southern side of the CBD is that of increased spatial and social polarisation as the job market particularly for the working class who are located further away in the impoverished south-east. These spatial trends negatively affect those living in the townships from the rest of society, particularly the working class.*

# Table of Contents

# List of tables

# List of Figures

# Chapter 1

## 1.1. Introduction

Recent subject for research and debate is the issues of urban geographies and changes in relation to manufacturing and producer services in the urban economy. Indeed it is observable that very little in this world remains the same, least of which is the spatial order of the cities as they are constantly changing and evolving due to many forces that influence their development. New national and international economic and social forces have reshaped national geographies in general and the characteristics of cities in particular, resulting in a range of diverse social and spatial outcomes. These outcomes, which include greater differentiation across, within and between metropolitan regions and cities, have become a feature of the economic and social forces associated with post-Fordist social structures. Many studies contended that global economic restructuring process, patterns of migration and the changing role of public sector are viewed as some of the factors contributed to urban spatial changes.

One of the prominent investigators in US cities, Marcuse and Van Kempen (2000) have argued that there is a persistent and increasing trend amongst suburban environments to become "edge cities" or "totalizing suburbs" where all business activities; centres for employment; and commercial, cultural and residential facilities are provided in one area. These areas are not only known for being dynamic and attractive but also contain the prospect of economic opportunities. These characteristics of the 'edge cities' in most cities are said to trigger the movement of middle class population and jobs from central cities to the suburbs, a process which is referred to as suburbanization. In addition, the suburban part of the city is usually made up of 'middle class' households and this signifies that the movement of the urban population to those areas are not class neutral.

In the contrary, the other spatial phenomenon mentioned is what has been termed as 'excluded ghetto.' According to Marcuse (1997:313), the term excluded ghetto can be defined as an area "in which race is combined with class in a spatially concentrated area

where residents' activities are excluded from the economic life of the surrounding society, which does not profit significantly from its existence, and the confinement of their residents to the ghetto is desired by the dominant interests out of fear that their activities, not controlled, may endanger the dominant society". Unlike the 'edge cities', these areas are at the very bottom of the economic ladder, and not needed in the dominant economy. They are confined, reduced public services and neglected physical surrounding. In this regard, due to economic circumstances, the residents in those areas have no choice in where they can secure decent residential areas like the middle class population. Though the excluded ghettos seem to be neglected, these areas have their own economy, structure and organisation which are both formal and informal.

The presence of excluded ghettos is said to be mostly exacerbated by the location of the edge cities which are usually found in the decentralized or periphery of the city. The location of the edge cities contribute to the creation of excluded ghettos because many economic opportunities such as jobs which where located in the core of the city are relocated to the suburbs. The result is the growing distance between the affluent areas and poor parts of the city. In addition, many public transport systems in most cities are linked to the city core, and hence little or no public transport to the suburbs. In this regard, when the jobs are being suburbanized, it negatively affects the inhabitants of the excluded ghettos who heavily rely on public transport and jobs that were used to be found in the city centre. In the end, socio-spatial polarisation in the city becomes evident.



The present study considers geographical trends in the sectoral composition changes in the city of Cape Town economy that seem to be influenced by some of the macro-social forces mentioned above. This study employs quantitative data to establish the changes in sectoral composition of Cape Town economy and their spatial trends between 2000 and 2005. The data are expected to show the extent of growth in service sector and the decline in manufacturing sector. The new growth sectors particularly services sector is said to be contributing to produce not only a new geography of decentrality or

suburbanization, commonly known as edge cities but also a new geography of marginality or excluded ghettos.

Furthermore the data are also expected to point to the spatial phenomena in which service sector is popular in the northern and southern suburbs, and that south-eastern areas have experienced little or no growth in service sector i.e. edge cities and the excluded ghetto. Thus, these data will not only show the extent of growth in service sector and decline in manufacturing sector but also assist in determining the extent in which decentralisation and the emergence of edge cities or the excluded ghetto are taking place. The impact of deindustrialisation where decline in manufacturing elsewhere in the city and the growth of service sector, particularly in the north of the city is very important in the study.

Finally, quantitative data will be used to determine the number of employees employed in all economic sectors, but paying a special attention to manufacturing and service sector. As mentioned above, service sector is said to employ both working class employees at the bottom and professionals on the top. In this regard, the data is expected to show growth in service sector employees and somewhat changes in manufacturing employment. In turn, this will show the extent of occupational polarisation which bears implication for employees' income.

Overall, central aim of this study is to contribute to the debate on post-fordist spatial order. It seeks to determine the spatial trends of economic sector and discusses their implication to the city. In this regard, the research question posed in this study is "what is the geography of economic sectors change in the city of Cape Town? Are these changes contributing to the development of edge cities and excluded ghettos? In other words, is the economic restructuring, particularly the growth in service sector alongside the decline in manufacturing contributing to the spatial polarisation of the city?

### 1.2. Why particular interests on service sector growth and its geography?

Following service sector spatial trends is another way to understand urban change because , as stated above, the geographies of service sector are found where a large of job growth are said to occurs. In some metropolitan areas such as in US cities, it was found that nearly half of all newly hired employees go to work in service sector locations. The location of services sector is critical in a number of public policy areas. For example, the distribution of service sector affects the extent to which jobs/housing mismatch exists in a region. Thus, the location of service sector has implication for edge cities and excluded ghetto's creation. It can also influence economic opportunity, if, for example, there is a mismatch between locations of jobs and concentration of minority households, a phenomenon known as spatial-mismatch. Service sector location also has an impact on urban sprawl. Lastly, recently the geography of service sectors location figures prominently in transportation analysis. If most new service sector companies are built in areas with no access to public transport, reliance on automobiles will continues to grow and also putting poor on disadvantage end.

The data used in this study was kindly provided by the City of Cape Town.

### 1.3. Defining concepts

Service sector is generally referred to as the non-manufacturing sector. However, there is some disagreement among policy makers and economists as to a precise definition of what constitutes the service or service-providing sector. Service-sector industries are characterized by a close interaction between production and consumption, high information content, the intangible nature of their output, and a heavy emphasis on labour capital in the delivery of their output (Sirilli and Evangelista, 1998). Generally, the term services are widely differing economic product activities distinct from manufacturing, mining and agriculture.

According to Sassen (2001: 90), producer services or service sector cover financial, legal, and general management matters, innovation, development, design, administration, personnel, production technology, maintenance, transport, communication, wholesale distribution, advertising, cleaning services for firms, security, and storage. Thus, the term encompasses a broad range of industries that provide basic economic infrastructure (communications, transport, distribution, energy-related services, construction, water supply, sanitation and sewerage services, waste collection and disposal), financial infrastructure (banking, insurance, financial markets), business support (advertising, marketing, computer services, professional services), or needed social infrastructure (education, health and social services).

# Chapter 2

## 2. Literature review

### 2.1. Introduction

The literature review in this study discusses international and local spatial trends within the cities and their impact on the spatial form of the city. It will also include the review on global economic restructuring focusing on manufacturing and service sector, and the resultant social polarisation. The spatial trends of importance in this study are the decline of employment in the manufacturing sector with a simultaneous increase in employment in the service sector. Furthermore, literature on the city of Cape Town with a particular interest in decentralization- the growth of service sector in the northern and southern parts of the city; and social polarisation is covered. In this, regard, this section will begin with a summary of the post-Fordist spatial order, followed by a section on the socio-economic spatial development of the City of Cape Town.

### 2.2. The post-Fordist spatial order

New national and international economic and social forces have reshaped national geographies in general and the characteristics of cities in particular, resulting in a range of diverse social and spatial outcomes (Marcuse, 1997; Marcuse and Van Kempen, 2000). These outcomes, which include greater differentiation across, within and between metropolitan regions and cities, have become a feature of the economic and social forces associated with post-Fordist social structures. Similarly, O'Connor, Stimson and Daly (2001) have argued that new national and international economic and social forces have reshaped national geographies in general and the characteristics of cities in particular, resulting in a range of diverse social and spatial outcomes.

Some theorists of economic, political and social cultural forces believe that the changes experienced by modern society can be attributed to, amongst others, the economic movement from Fordism to post-Fordism (Beauregard and Haila, 1997 and Marcuse and Van Kempen, 2000). Urban geographers such as Castells (1989; 1993) have argued that far-reaching technological and economic transformations are radically reshaping the function, form and character or even the structure of the city. However the concepts of 'Fordism' and 'post-Fordism' stimulated the interest of many researcher and as such those concepts are considered.

The socio-spatial structure of post-fordist cities and discussions relating to urban differentiation, segregation, social polarisation and social exclusion and inclusion are among central concerns in urban debates today. Within the international literature reference to these types of concerns can be seen in research by Marcuse (1997; 1989), Marcuse and van Kempen (2000), Soja (2000), Dear (2000), Walks (2001) in North America and by Hamnett (2003), in the United Kingdom and Europe. Marcuse (1997: 228-229) talks about changes in space and race which have contributed to new processes of exclusion that are part of "a broad pattern that makes up the post-Fordist city", while Soja (1997: 193) talks about forces altering the urban social structure in a way that has seen the form of the city explode "to an unprecedented scale, scope and complexity".

More recently, Walks (2001: 440) considering the changing socio-spatial structure of Toronto supported the list of earlier work suggesting that "the social ecology of the post-Fordist/global city may be characterized by increasing social complexity and differentiation among, between and within neighbourhoods". Outside of North America similar issues have also been taken up with Hamnett (2003) pointing to the changes occurring in London's social geography as the city is transformed into a post-industrial urban centre and work on European cities pointing to, among other things, the changes in segregation and social exclusion.

Historically, the Fordist period was understood to have taken place from the end of the Second World War up until the oil crisis of the mid-1970s. Fordism involved the mass production of standardized products which were produced on an assembly line by semi-skilled labour or blue-collar working class (Jessop 2006). Fordist society was seen as an urban-industrial, 'middle mass', wage earning society with close relations to the functions of the Keynesian welfare state where the state managed the wage relation and labour market policies and guided demand. This assisted in the balance between supply and demand. From a spatial point of view, it can be argued that the Fordist period was also responsible for the rise in urban sprawl and suburban development. This can be seen as a direct outcome of the increase in car and home ownership among the increasingly affluent working and middle classes at that time.

The period after Fordism has been referred to as Post-Fordist. Post-Fordism was said to have taken place when the strong trade unions, factory-based, production-line manufacture with high wages and full-time permanent jobs associated with Fordism were replaced with deindustrialisation, 'flexible' employment practices (such as casual, temporary or informal employment, home-working and sub-contracting), weak trade unions and lower wages. Thus, post-Fordism is characterized by the application of production methods, considered to be more flexible than those of the Fordist area. The period is also called the age of Flexibility. In this regard, post-Fordism was therefore directly associated with deindustrialisation.



Flexible production (Beall *et al*., 2002; Thompson, 2006) dramatically reduced the demand for unskilled labour which resulted in an increase in unemployment. This was because many unskilled/semi-skilled manual workers had previously been employed in the manufacturing sector. The service sector, however, experienced an expansion in service sector employment. Thus, deindustrialisation also changed the demand in labour. Beauregard and Haila (1997) believe that post-Fordist capitalism was responsible for the fragmentation and partitioning of the city which occurs mostly along race and class lines.

Marcuse and van Kempen (2000) work within the political economy approach that dates the emergence of new spatial order to the 1970s when crises in the Fordist mode of capital accumulation precipitated a move towards flexible modes of production, internationalization of the financial sectors, and a new global division of labour. Within western societies, these post-Fordist changes have included the rise of employment in "high-level" international business services, the decline of manufacturing employment, and a retreat of the welfare state. According to the hypothesis, the new post-Fordist spatial order exhibits increasing spatial divisions or 'quartering' of the city between elite citadels, new locations of the gentry, a suburban city, a tenement city, and an abandoned city (Marcuse and van Kempen, 2000). Suburban city is closely linked to the concept of 'edge cities' while abandoned city is linked to what has been termed 'excluded ghettos'

With regard to recent urban spatial phenomenon, one of the most frequently mentioned spatial components which are associated with post-fordist cities is edge cities and excluded ghettos identified by Marcuse (1997). However, these new spatial characteristics do not necessarily exist in complete isolation from spatial elements that have existed in earlier periods, but rather have developed from these existing patterns, reflecting the socio-spatial histories of cities. Thus, these new spatial developments combine old and well-known processes with elements that are substantially contemporary i.e. the development of the excluded ghetto and edge city or the totalizing suburb. As (Beauregard and Haila, 1997) puts it, to suggest that a new spatial form might emerge in a quarter century neglects "the inevitable continuities of the city."

Marcuse (1997: 313) defines the edge cities or totalizing suburb as a "spatially concentrated development taking place outside of the central city and inner suburbs in which all business activities are brought together with residentially exclusionary enclaves in a form that permits diversity without including either the top or the bottom of the social and economic hierarchy". At the other extreme is the abandoned city made up of what has been termed the excluded ghetto. The excluded ghetto is defined as a spatially concentrated and involuntarily separated area where inhabitants are treated as an inferior

part of society (Marcuse and Van Kempen, 2000: 19). The 'excluded ghetto' residents bear the brunt of unemployment and economic inadequacies.

Although the above new types of spatial patterns may differ, they do have two major characteristics in common: walling or an exclusionary trend and a totalizing trend. Seemingly, spatial concentrations are increasingly becoming more and more cut off from their surroundings, symbolically or physically (e.g. railway tracks, highways or buildings), and are combining residential, business, social and cultural areas into one area. Spatial separation in the case of the excluded ghetto means being walled out with increased totalizing internalization taking place. And, the combination of the totalizing trend and the exclusionary trend of the suburbs into what are often called edge cities now have given rise to the new phenomenon of the totalizing suburb (Marcuse, 1997).

The edge cities are characterized by the nodes of office activities, retail stores, and apartment buildings that now dot metropolitan areas, particularly in the United States. Beauregard and Haila (1997: 329) mentioned that the edge cities are understood to compete with the former central business districts for office tenants, restaurant patrons, shoppers, and moviegoers. The suburban concentration of corporate services and their dispersal from the business districts of central cities and re-agglomeration in the periphery is associated with the post-fordist period. Today, edge cities continue to reinforce the racial and class partitioning of metropolitan areas (Beall *et al.*, 2002: 30). The edge cities are characterised by mostly White and middle-class citizens while excluded ghettos residents are mostly Black and working-class (Beauregard and Haila (1997:29). In Johannesburg, Crankshaw (2008) have argued that edge cities exacerbate occupational class divisions and income inequality, but that the growth of the black middle class in the edge city means that the post-fordist city is becoming less racially unequal.

It is provided that the relocation of business services from central cities to suburban office nodes is fundamental to the idea of the edge city (Beauregard and Haila, 1997).

Businesses are attracted to relocate to the suburbs because of improved communication technology, access to major transport links, new trends in business organization and reduced distances between work and home for employees. The phenomenon of suburbanization and metropolization, it seems to be made possible by individual transportation and highway construction. It is believed that edge cities compete with CBDs for business and this, in turn, undermines the dominance of the CBD (Beauregard and Haila, 1997)

Edge cities are considered to be one of the most frequently mentioned spatial phenomena of the contemporary city. Beauregard and Haila (1997: 329) add that in the United States, households have been relocating from central cities to adjacent communities since the 19th century. Although most pronounced in the United States, the edge city is also a dominant form in Canada, Japan, South Africa and Europe. Examples of cities that have this spatial component include: Phoenix, Dallas, Los Angeles, Washington DC, Toronto, Helsinki, Zurich, and Johannesburg. Thus edge cities are not only a US phenomenon, but are experienced all over the world.

There is an ongoing debate around the self-sufficiency of the edge city. Beauregard and Haila (1997) argue that some authors support the notion that although edge cities compete with the once-central cities for dominance in the region, they do offer specialised functions that are different from those offered in the CBD. Many edge cities have a manufacturing base which CBD's do not. On the other hand, studies have concluded that some edge cities are neither self-sufficient nor economically autonomous from the central cities.

In conclusion, the post-fordist phenomenon is mostly associated with deindustrialization or global economic restructuring. Evidences suggest that from the early post-fordist period until recently, de-industrialization intensified and there is a clear shift from manufacturing to service sector employment. In most cities, manufacturing employment has declined everywhere and new jobs have been created in the service industry. Also

manufacturing investment has partly moved abroad for reasons of cheaper production. Within the service industry, especially the Finance, Insurance and Real Estate sector (FIRE) has gained importance and replaced the dominance of manufacturing in the cities. These changes did not only alter the functioning of the cities and labour market, but also resulted in urban fragmentation which include edge cities and excluded ghettos, coupled with various inequalities within the cities.

### 2.3. Global economic restructuring and urban polarisation

Until recently, the global phenomena of urban polarisation and economic restructuring have been well documented in the cities of the West, particularly in US cities. Many cities have witnessed drastic changes in their city structure and sectoral economic composition, including the geographies of those sectors. In addition, it has been observed that the global economic change results in 'labour market skills and spatial mismatch' for low-skilled residents from poor areas as have been seen in many global cities.

For example, elsewhere in the world, especially in the USA, the 'spatial mismatch' hypothesis has been used to argue that suburbanization of economic activities has led to increased unemployment amongst the relatively low-skilled section of the population who tend to reside in what has been termed 'excluded ghettos' (Ihlanfeldt and Sjoquist, 1990, 1991; Houston, 2005). In most cities these are areas are mostly found in the inner cities. However, this is not the spatial pattern found in all cities. Not all cities experience unemployment, poverty and urban decay in the inner city, as is the case in the United States and Britain. In South Africa 'excluded ghettos' are mostly located on the suburbs. Hence, more low-skilled jobs are being created in suburban areas, to which low-skilled people who reside in the townships have less access, and about which they posses less knowledge. However, in some cities suburbanization had not only affected those who reside in the inner city but those in the suburbs as well.

The decline of manufacturing employment in the inner cities and the simultaneous growth of service sector employment have been associated with global economic restructuring. The process of deindustrialisation exacerbates the decentralisation of factories, shops and offices from the inner cities to the suburbs (Bluestone and Stevenson, 2000) which lead to the formation of 'edge city' and its associated class structure. The edge city is usually dominated by professional and middle class residents. In this regard, the growth of service sector employment in suburban areas means that poorly educated, working-class residents, who could not afford expensive suburban housing, became trapped in jobless 'ghetto exclusion areas (Marcuse and van Kemp, 2000). In the end, decentralisation of jobs to the suburbs resulted in spatial job mismatch and consequently racial and class inequality as discussed above.

### 2.4. The spatial development the City of Cape Town

The City of Cape Town is situated at the south-western tip of the Republic of South Africa. It is a city that is affectionately referred to as the 'mother city' as it was the first site of permanent European settlement in South Africa (Lemanski, 2006: 451). In 2000, the City of Cape Town had a total population of approximately 3 million, which was racially composed of 45,8% Coloured, 31,2% Black, 21,5% White, and 1,5% Asian/Indian (City of Cape Town, 2002).

A large body of literature has examined the fragmentation and polarization of the post-apartheid city (Turok, 2001; McDonald and Smith, 2004; and Watson, 2002). This literature have shown that post-apartheid neoliberalism, through restructuring the state and liberalizing the economy, has continued to a certain degree the apartheid legacy of spatial inequalities. In the face of global economic restructuring process, it has been mentioned that the "Rapid and radical change has become the *leitmotiv* of South African society at the beginning of the twenty-first century" (Dewar, 2004). Not only is the observed change is reflected in the changing structure, form, and functioning of the

country's metropolitan areas but also in the Central Business District (CBD) or 'downtown' area (ibid), including the geographies of the economic sectors.

In the context of technological and economic transformations many studies has found that the global processes in the city of Cape Town have affected the geographies of the sectoral structure of the economy and produces spatial inequality (Turok and Watson, 2001; Watson, 2002; Turok, 2001). However, little research has focused on the intra-metropolitan location of producer services, despite the rise of interest in "edge" cities development or suburban employment centers (Garreau 1991; Gordon and Richardson 1996; Forstall and Greene 1997; Anas et al. 1998; Bogart and Ferry 1999). Thus, it has only been in the past few years that geographers have given careful attention to the role of producer services in metropolitan economies. It is to this lack of research that the recent studies investigate the geographical trends in the sectoral composition of the City of Cape Town economy, particularly services sector because the geographies of service sector companies are found where a large of job growth are said to occurs.

Historically, despite the fact that segregation has a long history in Cape Town, prior to the implementation of the Group Areas Act it was the least segregated major city in South Africa (Saff, 1998: 85). However, socially and politically, race separation had always existed to a greater or lesser degree in Cape Town. For many years a system of racial ideology and planning that emphasised separate human, economic and spatial development existed in South African cities. Segregation and apartheid were fundamentally based on the maintenance of white domination by creating a reservoir of cheap labour among the non-white population of the country. It also inscribed deep divisions into the geography of the city through population controls, forced removal and separate, unequal governing institutions (Turok, 2001: 2350).

Through the promulgation and implementation of racist policies, black South Africans were subjected to discrimination and subordination. The situation changed in the 1980s and 1990s when urban sprawl worsened due to rapid urbanisation and the relaxation of

influx control laws (Dewar, 2004). In 1994, a new democratic dispensation took control of the country and all discriminatory legislation was abolished. In-migration, mostly comprised of low-income blacks from the Eastern Cape, to Cape Town was a direct consequence of the political changes taking place. Local authorities were forced to fast track the provision of low cost housing in the south-east of the CBD and to consolidate and formalize shack development. In turn, the city increased in population and in size.

In spite of the history of separateness, Wilkinson (2004: 221) maintained that in line with the worldwide trends of globalisation, Cape Town experienced acceleration of the 'tertiarisation' of the economy. Indeed, the city of Cape Town is not immune from 'the dynamics of globalization processes that are shaping the geography of major cities worldwide' (Friedmann, 1995; Sassen, 1996; Smith, 2001). Furthermore, it has been argued that restructuring of urban space to serve the ideal of a world class city integrated into the global economy, is at the cost of the city's social and spatial integration (Miraftab, 2007). Lemanski (2007:453) also mentioned that Cape Town's contemporary economic growth is driven by the commercial, financial and service sectors, demonstrating a strong resemblance to Global Cities elsewhere.

The changing sectoral composition of Cape Town's economy strongly reflects the city's growing global status, with significant rise in the financial, commercial and service sectors occurring to the suburban centres over the past ten years, alongside the decline of manufacturing sector, hence changes in physical structure of the city. Consequently, there has been an increase in unemployment as many of those employed in the manufacturing sector were either unskilled or semi-skilled with little opportunity for employment in the service sector mostly due to the locations of service sector jobs. Turok (2001) maintains that these changes are mostly occurring within the city and the affluent suburbs located in the north and south of the city. He further asserts that these affluent suburbs characterize the city of Cape Town.

Turok (2001) mentioned that prosperous economic centres offering office and retail parks are located in controlled high amenity environments as well as along major high ways, particularly in the north of the city. Threatened by these new developments in the late 1990s, the Central Business District was forced to shift its business towards tourism and entertainments activities, with retailing geared more towards lower income consumers (Marks and Bezzoli, 2001). To this end, Turok (2001) concludes that these affluent suburbs and prosperous economic centres are not only attracting the vast majority of private sector investment, but also tend to be locations where jobs growth and plenty of other economic opportunities are occurring.

The study conducted by Turok and Watson (2001) identified a widening of the gap between rich and poor in Cape Town. They posited that the new spatial developments taking place were exacerbating this gap and reinforcing spatial divisions. In their study on the challenges facing Cape Town they claimed that deindustrialisation had exacerbated income inequalities by improving the state of the wealthier predominantly white northern suburbs and excluding the poorer, south-eastern townships from the formal economy. Consequently, they saw this as a case of the 'rich getting richer' and the 'poor getting poorer'.

In terms of geographies, some studies observed that most businesses, particularly service sector in Cape Town are heading to the northern and southern suburbs. Turok and Watson (2002: 1) mentioned that economic geography of the city of Cape Town is changing to a more dispersed and decentralized structure. They further argue that office and retail activities are shifting from the city core to suburban centres and to new office and retail parks along the major freeways. Commercial, residential and business developments have been concentrated in Cape Town's northern suburbs such as Century City, Tygervalley centre, Cape Gate centre; and southern suburbs which includes Claremont redevelopment, Westlake development, both former 'White' areas that benefited from apartheid's skewed distribution of resources (Watson, 2002: 145).

Turok (2001) summarizes the spatial pattern of development and mentioned that past political ideologies and city practices have resulted in an inefficient and inequitable distribution of economic activities relative to population distribution. These spatial patterns impose long travelling distances and proportionately high costs on the city's poor, and promote income leakages from poor to richer areas.

In the past the development in the City of Cape Town took on a more centralised physical form with the Cape Town CBD being the dominant node. The CBD was the centre for all office and retail activities in the City of Cape Town. However, over time, due to greater accessibility and increased popularity, decentralized office nodes developed along the N1 and N2 highways and the railways (Turok and Watson, 2001). In particular, concentrations grew to form lesser nodes in Rondebosch, Claremont, Wynberg, Milnerton and Tygervalley (Bellville) which were relatively wealthy white suburbs. Some of these nodes have since developed into major nodes and now compete with the CBD for business.

Furthermore, according to the City of Cape Town (2002) minor clusters of office and retail development have taken place in less developed areas in the Cape Flats, these include Athlone and Mitchell's Plain town centres. The areas to the south-east of the CBD were developed as a result of racially based residential segregation during the post-war period and apartheid era and were where the poorer, predominantly black townships existed. These were built as dormitory suburbs with inferior housing, infrastructure and facilities and can be regarded as excluded ghettos (Turok and Watson, 2001).

While the above-mentioned development concentrated investments in already-affluent spaces in the northern and southern suburbs or edge cities, there was very little private investment in the city's poverty stricken, African and Coloured in the south eastern suburbs such as Khayelitsha and Philippi. Turok and Watson (2001) maintain that the south eastern townships are lagging behind in all respects in terms of development. Overcrowding, impoverished dormitory settlements on the periphery, relatively low

levels of skills and educational qualifications, high rates of unemployment, vulnerable social stability, crime and poor environmental quality- all combined not only to make south-eastern areas unattractive to private investors, but also dissuade industrial and office-based firms from moving in or opening new branches there.

Thus, the vast majority of private sector investment and job growth is occurring in or close to prosperous suburbs in the north and west of the city thereby disadvantaging the poor and working class who reside in south-eastern areas. The locations of companies and jobs in the affluent suburbs is a disadvantage to the working-class who mostly depend public transport, particularly with regard to transport mode system and the cost to commute to these areas. Thus these areas are easily accessed by private car and they do not have an easy link to public transport. In addition, one significant effect of the infusion of these centres across the wider city has been to undermine retailing in the CBD (Dewar, 2004). Turok (2001: 2349) criticised the metropolis for functioning as a "starkly polarised city" dominated by the juxtaposition of centrally-located affluent suburbs and economic centres, alongside poverty-stricken and overcrowded settlements located on the city edges.

Despite state attempts to encourage development in Cape Town's working class majority areas on the distant south-eastern edge, both investors and business owners have been wary to invest in these areas, resigning them to a severe lack of development and continued deterioration (Turok, 2001). In addition, the continued tendency to locate subsidized housing on the peripheries further reinforces the legacy of apartheid (residential segregation) and lack of investments from private sectors (Behrens and Wilkinson, 2003).

Similar findings were presented by Ihlanfeldt and Sjoquist (2000) in Atlanta. When comparing the south side of the CBD and the southern suburbs, they found that north side of the CBD and northern suburbs were much more affluent, considerably less black, and have experienced unprecedented job growth for both skilled and unskilled workers

(Ihlanfeldt and Sjoquist, 2000: 118). The US city of Atlanta provides an instructive comparison with Johannesburg where similar patterns has been observed. There has been a steady increase in the number of decentralized malls in Johannesburg, mostly located in the north, such that in 1999 the amount of decentralized retail space greatly exceeded the retail space in the inner city. When examining the city of Johannesburg, Beavon (2004) showed that service sector businesses and employment are increasingly located in the northern suburbs 'whereas the central business districts and southern suburbs bear the brunt of unemployment and increasingly resemble an excluded ghetto' (Crankshaw, 2008). This is in line with Marcuse and Van Kemp's (2000) reference to 'edge cities' and 'excluded ghettos'

Furthermore, Beavon (2000: 1) observed that not only was the central business district of Johannesburg in decline, but by the late 1990s the surge of new shopping facilities, office blocks, hotels, and entertainment facilities in the former 'whites-only' northern suburbs of Johannesburg had increased the quality of life far beyond what the white citizens of the city had previously enjoyed under the apartheid regime. Beavon observed that areas such as Sandton in the northern Johannesburg not only attract the lion's share of growing service-sector business, but they were also the destination of choice for all kinds of businesses that abandoned the old city centre'.

In Atlanta, Cape Town and Johannesburg evidence suggests global economic restructuring in the context of post-Fordist spatial order that resulted in the shift of businesses and jobs from central business districts to the urban peripheries had affected the poor and working class negatively. For example, Rospabe and Selod (2003) found that employment accessibility within different population groups in Cape Town is largely influenced by spatial factors such as employment decentralization and residential segregation (city structure). This study showed that the links between transport infrastructure, housing market and labour market not only have direct effects of job accessibility and deteriorate the income of disadvantaged communities, but also influence

the characteristics of neighbourhood. Studies in these cities found that it is only low-skilled blacks who bear the brunt of the commuting to the locations of Jobs

The post-Fordist spatial order exacerbated by the decentralisation of factories, shops and offices from the inner cities to the suburbs negatively affects the poor. When businesses move to the suburbs, it is the poorly educated, working-class residents, who could not afford expensive suburban housing, became trapped in these jobless 'ghettos of exclusion' (Crankshaw, 2008). Public transport system is not connected to the suburbs which make it difficult to the poor to access jobs available in those areas. In Cape Town, Blacks and Coloureds who are mostly concentrated in the south eastern township suffers spatial job mismatch which further contributed to racial inequality. It has been argued that within the post-Fordist spatial order, the population of edge cities is therefore largely middle class and White (Crankshaw, 2008:1694).

In summary, there has been an abundant literature regarding the nature of contemporary globalization in terms of its ultimate effects on cities. It is evident from the literature that there have been some major changes in the world's economies which is attributed to global restructuring process. The city of Cape Town had also experienced some changes in its sectoral business economic activities and their and geographies. Growing service sector employment and a movement of employment opportunities from the central business district to the suburban areas has been observed with a simultaneous decline in manufacturing. This shift has negatively affected the city's poor and working class in many ways including increased commuting cost and distances to the job locations.

# Chapter 3

## 3. Research Methodology

### 3.1. Introduction

In this chapter, the research methodology is discussed in more specific detail. According to Mouton and Marais (1996), the research methodology focuses on the manner in which the research was planned, structured and executed in order to comply with scientific criteria. For Leedy (1993), research methodology forms an integral part of any research that is undertaken. In this regard, methodology, therefore, assists in explaining the nature of the data, and highlights the methods employed that will led to the generation of appropriate conclusions through applicable data processing.

In terms of research methodology, two methods, namely qualitative and quantitative, can be employed. However, depending on the nature of the study, the research may use either, or both of these methods. According to Crotty (1998: 216), the research method can be either qualitative, quantitative, or both, regardless of the type of research that is engaged in. The author further emphasizes that, "as researchers, we have to devise for ourselves a research process the serves our purpose best, one that helps us more than any other to answer our research question" (Crotty (1998: 216). For the purposes of this study a quantitative method was applied.

In an attempt to investigate the locational and sectoral composition trends of the Cape Town economy, the study adopted quantitative data collection techniques and analysis. The quantitative research methodology was adopted as a means to achieve a comprehensive understanding of an estimate of the extent of recent geographical trends in the sectoral composition of the Cape Town economy. According to Leedy (1993), quantitative research pertains to research that manipulates and controls variables. Quantitative research refers to an enquiry into a social or human problem, based on testing a theory composed of variables, measure with numbers, and analysed with

statistical procedures. To put it simply, quantitative research can be best referred to as describing and explaining observations of a phenomenon through a numerical discourse (Punch, 2005).

Quantitative research employs numbers (statistics) in order to measure or describe quantitatively the characteristics of the unit of analysis. The research describes variables and the relationship between these variables. According to Punch (1998) quantitative methods measure changes in quantities. It has been mentioned that one of the strength of employing quantitative approach is that quantitative data enable standardized, objective comparison to be made, and the measurements of quantitative research allow overall description of situations or phenomena in a systematic and comparable way (Punch, 2005). In this regard, employing a quantitative approach means that certain types of important questions posed in this study can be systematically answered and hence opening the way to the development of useful knowledge.



## 3.2. Data Gathering and Processing

### 3.2.1. *Data Source*

Most of the statistics and other information in this paper are derived from a database on a businesses levy collected by in the Regional Services Council (RSC). These data were prepared by the Cape Metropolitan Council (CMC, 2000, 2003 and 2005).The RSC levy was used as a primary database in this study to examine the sectoral economic geographies trends between 2000 and 2005 in the City of Cape Town. In particular, the location of service sector companies such as ICT, commercial businesses; and the decline in manufacturing sector was investigated. Regional Services Council data content of interest to this project is openly available from the database which was administered by the Cape Metropolitan Council (CMC).

The RSC levy was established in terms of the Regional Services Council Act, 1985. The implementation of the RSC was specifically aimed at assisting local authorities in the rendering of services and upgrading of infrastructure in a particular region, especially where the needs and backlogs were greatest. According to Cameron (1993: 421) 'the objectives of the RSC Act, were to provide bulk services in a more cost-efficient and effective manner; to provide extra sources of revenue to alleviate the limited growth potential of property rates; and to facilitate multi-racial decision-making at local government level. In overall, the Regional Services Council levy was designed to create a tax on businesses that was used to fund infrastructural development and service delivery in African urban areas after the introduction of Black Local Authorities. (Cameron, R. (1993).

The data which have been used in this study comprise over 50,000 formal businesses for the years 2000, 2003 and 2005 respectively. The RSC levy database provides detailed information on companies and employment locations which enable us to compute the number of companies and employment with a defined geographical parameter. The RSC levy database contains information on the economic sector of companies which include their employment (the number of employees in each company), turnover, industry code of the company, and address which shows the geographical location of the companies. Based on this database it is easy to find out the industry which the company belongs to, the number of employees in the company, and the location of the company in the city.

In terms of industry, the database contains classifies companies into the following sectors: Agriculture; Mining and Quarrying; Manufacturing; Electricity; Construction; Wholesale and Trade; Transport and Communication; Financial Intermediation; Community, Social and Personal Service; Private Households and Exterritorial Organisations; and Other activities. For the purposes of this research, particular attention is directed to manufacturing and service sector. Note that service sector includes Wholesale and Trade; Transport and Communication; Financial Intermediation; and Community, Social and Personal Service.

### 3.2.2. *Data Processing and Analysis*

The two key elements of this research process is data processing and content analysis was conducted in order to accomplish a quantitative analysis which allows us to investigate the changing geography of the sectoral economic business activity in Cape Town. In this regard, RSC database content is complex and need careful observation. However, due to the complex nature of the data, I had personal communication with Jacqui Boulle, a Research Consultant for the City of Cape Town and Western Cape Provincial Government who helped me with some of the things to consider when conducting my analysis. Subsequently, it was possible to extract and identify relevant variables for sectoral business activity spatial analyses.

It should be emphasized that the above-mentioned data source does not contain complete employment information for the year 2000 which is a minor drawback to this research. There is considerable number of companies with zero employment information. With the exception of this drawback, the database contains complete information on other variables. The main question is; were the data left as missing, or were values imputed? In order to verify this question, I have consulted Rae Wolpe, an expert on the RSC levy data, who confirmed that the data on employment was not available on the forms submitted by the companies. Additionally, specific information on companies' turnover per annum is also not available except the provision of minimum to maximum range which is also difficult to use.



## 3.3. Procedures

In order to process the data, the first task was to manually group the companies using the area codes and placenames provided on the database. However, some of the placenames were coded incorrectly in all databases and had to be corrected. A process used to determine inaccurate, incomplete, or inconsistent data and then improving the quality through correction of detected errors and omissions is called data cleaning. The process

of data cleaning was conducted which include format consistency checks, review of the data to identify geographical errors (i.e. companies with addresses that fell outside the City of Cape Town), other errors, and assessment of data before the analysis. In brief, the need for data cleaning was conducted centred around improving the quality of data to make them "fit for use" by users through reducing errors in the data.

The next step was to manually group the areas according to their conceptualized boundaries. Geographically, the areas were manually grouped into thirty (30) groups and each group covers several subareas that fall within the conceptualised boundaries. Each main area and their sub-places are outlined under 'spatial definitions' section below. Note that although the study covers all areas within Cape Town, the most important groups of interest are located in the CDB and inner city areas; northern and southern suburbs; and the south east areas.

The second task was conducted in order to group the companies according to industrial sector activities. This was fully achieved by using the standard classification categories of industry codes provided on the database. The codes covers industry activities from Agriculture, Mining, Manufacturing, Electricity, Construction, Retail and wholesales, Transport and Communication, Financial Intermediate, Personal and community services, and others.

There were 125,293 total numbers of companies that had to be sorted and categorised manually according to the standard classification categories outlined above. This number includes all the companies for the year 2000, 2003 and 2005. The importance of this task was to easy the calculation of each sector companies and to eliminated errors as possible.

### 3.4. Spatial Definitions

The spatial definition of areas in this study is divided into main areas and sub-places in each area. Because of the large number of sub-place in each main area, only the main

area name is used to denote sub-places. The main areas and the sub-places in each area are outlined below in no order of importance. However, note that most attention in this study is directed to the Cape Town CBD and inner city areas; and the decentralised nodes which include Milnerton/Century City, Tygervalley (Northern suburbs); Claremont and Wynberg (Southern suburbs). Furthermore, south east areas of Guguletu, Athlone, Mitchells Plain, Airport Industrial, Khayelitsha and Eersterivier are also noteworthy in this study.

The most important boundaries which make up each node conceptualised in this study as follows :

**Area**

1. **CBD:** Foreshore, Gardens, Mouille Point, Table Bay harbour, Tamboerskloof, V & A Waterfront, Vredehoek, Oranjezicht

2. **Wynberg:** Bergvliet, Constantia, Clovelly, Diep River, Kenilworth, Plumstead, Steenberg, Southfield, Tokai, Heathfield, Meadowridge, Kirstenhof, Kreupelbosch, Westlake, Retreat, Elfindale

3. **Milnerton:** Bloubergstrand, Killarney Gardens, Melkbosstrand, Flamingovlei, Montague Gardens, Table View, Parklands, Blaauwberg, Sanddrift, Potsdam, Summer Greens, Duynefontein, Phoenix, Sunset Beach

4. **Tygervalley:** Bellville, Durbanville, Loevenstein, Plattekloof, Rosendal, Stellenberg, Welgemoed, Kraaifontein, Welgelegen, Kenridge, Eversdal, Tygerberg Hills, Ridgeworth, Rosenpark, Protea Valley, Stellenryck, Amanda Glen, Aurora, Langebergridge (Includes all companies that fall into the area north of N1 from Plattekloof road up to Durbanville)

5. **Claremont:** Rondebosch, Bishops Court, Mowbray, Newlands, Rosebank, Rondebosch East, Sybrand Park, Harfield

6. **Somerset West:** Firgrove, Strand, Faure, Duynefontein, Helderberg, Erinvale, Heldervue, Sir Lowry's Pass, Lwandle, Rusthof, Steynsrust

7. **Epping:** Goodwood, Pinelands, Thornton, Langa, Ruyterwacht, Tygerdal, Vasco, N1 City, Vrijzee

8. **Bellville South:** Bellair, Belhar, Stikland, Boston, Blomtuin, Glenhaven, Kaymor Industria, Oakdale, Kasselsvlei, Triangle Farm, Sack's Circle, Chrismar, La Rochelle, Labiance, Saxon industrial (Includes all companies that fall into the area south of N1 from Triangle Farm road up to Kaymor Industrial up to R300 road)

9. **Parow:** Elsiesriver, Beaconvale, Parow East, Parow Valley, Matroosfontein, Ravensmead, Bonteheuwel, Valhalla Park, De Tijger, Bishop Lavis, Connaught Estate, Cravenby Estate, Oostersee

10. **Maitland:** Paarden Eiland, Ndabeni, Brooklyn, Factreton, Kensington, Rugby, Metro Industrial Township, Ysterplaat,

11. **Observatory:** Woodstock, Zonnebloem, Salt River, University Estate, Walmer Estate, District Six, Devil's Peak

12. **Athlone:** Bridgetown, Crawford, Gatesville, Manenberg, Sherwood Park, Penlyn Estate, Surrey Estate, Kewtown, Welcome Estate, Belgravia, Newfields, Rylands Estate, Green Haven, Heideveld, Primrose Park, Hazendal, Vanguard Estate

13. **Green Point:** Bantry Bay, Camps Bay, Granger Bay, Three Anchor Bay, Sea Point, Fresnaye, Bakoven, Clifton

14. **Brackenfell:** Eden Park, Kraaifontein Industria, Joostenbergvlakte, Brackenfell Industria, Northpine, Scottsville, Scottsdene, Morgenster, Windsor Park, Eikendal, Protea Heights, Peerless Park East, Eredekloof Heights

15. **Mitchell's Plain:** Philippi, Schaapkraal, Strandfontein, Lentegeur, Portlands, Tafelsig, Westridge, Woodlands, Rocklands, East Ridge, Beacon Valley, Brown's Farm, Colorado Park, Montclair, Samora Machel

16. **Lansdowne:** Ottery, Wetton, Kenwyn, Hanover Park, Youngsfield

17. **Blackheath:** Kuils River, Amandelsig, Saxonburg Park, Highbury, Gaylee, Greenfields, Zevendal

18. **Fish Hoek:** Marina Da Dama, Muizenberg, Lakeside, Sun Valley, Kalk bay, St James, Peers Hill

19. **Bothasig:** Edgemead, Monte Vista, Plattekloof Glen, Sonnendal, Panorama, Richwood

20. **Khayelitsha:** Mandalay, Litha Park, Makhaza, Mandela Park, Harare, Tembani, Ikhwezi Park, Kulani Park, Bongweni, Ekupumleni

21. **Grassy Park:** San Marina, Fairways, Parkwood, Pelican Park, Zeekoevlei, Lotus River, Lavender Hill, Seawinds, St Montague village

22. **Eersterivier:** Blue downs, Driftsands, Voorbrug, Delft South, Mfuleni, Melton Rose, Devon Park, Electric City, Kleinvlei, Malibu Village, Leiden, Roosendal, The Hague, Tuscany Glen

23. **Hout Bay:** Penzance, Llandudno, Imizamo Yethu

24. **Atlantis:** Malmesbury, Philadelphia, Klein Dassenberg, Klipheuwel, Saxonsea, Langebaan, Mamre, Robinvale, Sherwood Park, Wesfleur, Avondale, Beacon Hill, Protea Park

25. **Guguletu:** New Crossroads, Nyanga, Old Crossroads,

26. **Noordhoek:** Ocean View, Sunnydale, Kommetjie, Milkwood Park, Capri Village

27. **Airport Industria:** Montana, Charlesville

28. **Gordon's Bay:** Grabouw, Elgin, Botriver

29. **Century City:** Canal Walk, Ratanga Junction

30. **Simon's Town:** Red Hill, Bayview, Cape Point, Glencairn, Scarborough

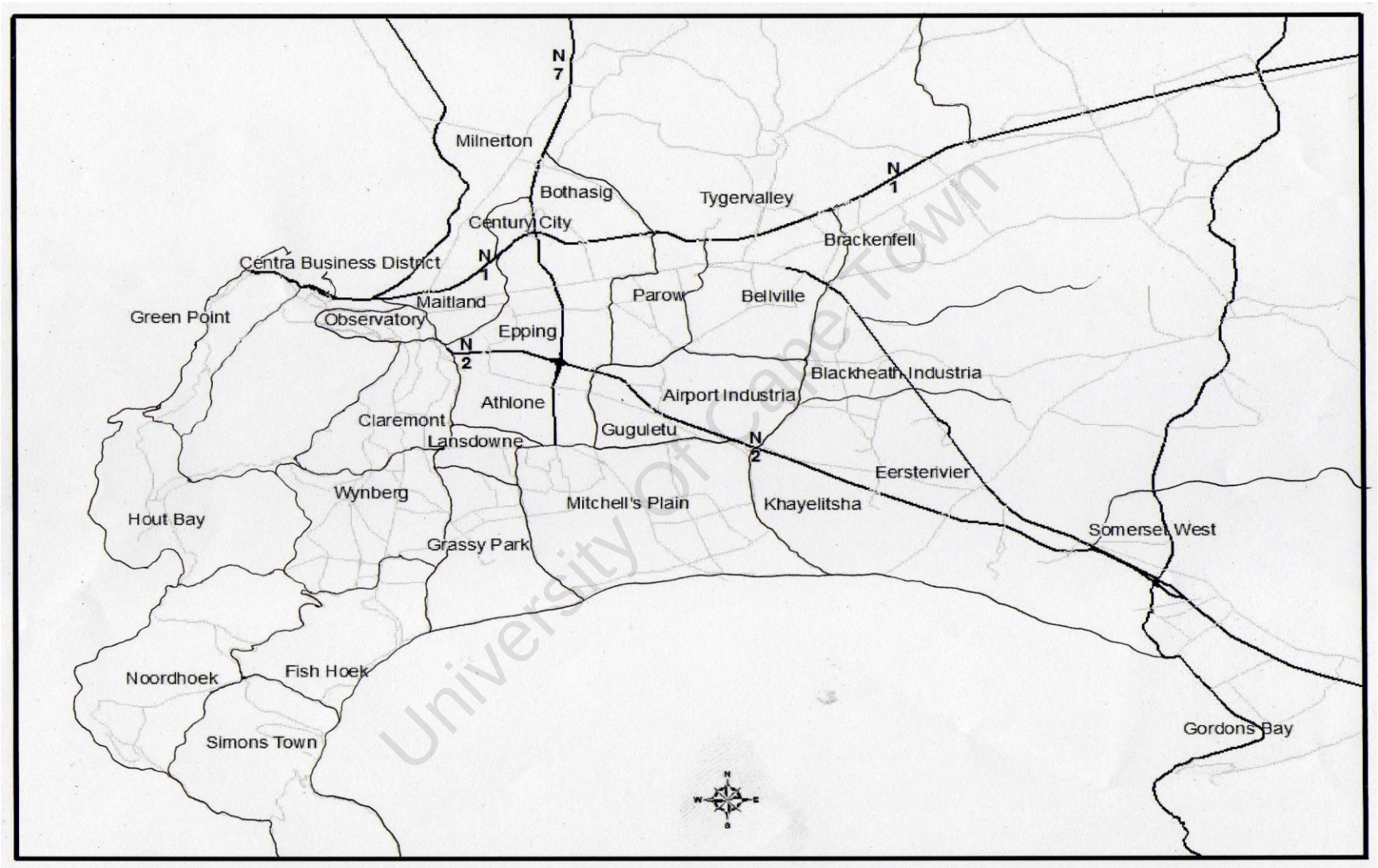


**Figure 1: Main Areas in the City of Cape Town**

## Chapter 4

# 4. Findings and Analysis

## 4.1. Introduction

The following section analyses the data obtained from the Regional Services Council Levy (RSCL) database for the year 2000, 2003 and 2005 data. It begins with contextual discussion by focusing on geographies employment and number of companies by sector in the City of Cape Town. Though, the databases contain various variables, the main focal point is on manufacturing and service sector. Secondly, this section also examines employment and sector trends with a particular interest in manufacturing and services sector. Companies and employment data from RSCL database of over 50,000 businesses illustrate an interesting picture in the geographical distribution of sectoral economic activities in the City of Cape Town. However, a brief overview of results is considered before we embark with discussions.



## 4.2. The geography of business establishments in Cape Town

This section covers a discussion on the geography of sectoral economic activities and employment in Cape Town. Firstly, the discussions of the geography of all the companies in Cape Town considered. This is followed by discussion on the geography of manufacturing and service sector. Lastly, a change in the geography of business establishment in Cape Town is considered.

Although the companies are scattered all over Cape Town, some areas have vast number of companies compared to those with small number of companies. Thus, the spatial distribution of companies differs by areas as observed in Table 1 below.

*Table 1*: Number of Companies in Cape Town by area for the year 2005

| Area | No. of Companies 2005 | Percentage 2005 |
|---|---|---|
| **CBD** | 6,681 | 12 |
| **Wynberg** | 4,806 | 9 |
| **Milnerton** | 3,978 | 7 |
| **Tygervalley** | 3,736 | 7 |
| **Claremont** | 3,465 | 6 |
| **Somerset West** | 3,292 | 6 |
| **Epping** | 2,650 | 5 |
| **Bellville South** | 2,639 | 5 |
| **Parow** | 2,574 | 5 |
| **Maitland** | 2,259 | 4 |
| **Observatory** | 1,905 | 4 |
| **Athlone** | 1,622 | 3 |
| **Green Point** | 1,612 | 3 |
| **Brackenfell** | 1,588 | 3 |
| **Mitchell's Plain** | 1,456 | 3 |
| **Lansdowne** | 1,424 | 3 |
| **Blackheath** | 1,216 | 2 |
| **Fish Hoek** | 833 | 2 |
| **Bothasig** | 760 | 1 |
| **Khayelitsha** | 737 | 1 |
| **Grassy Park** | 701 | 1 |
| **Eersterivier** | 661 | 1 |
| **Hout Bay** | 649 | 1 |
| **Atlantis** | 545 | 1 |
| **Guguletu** | 477 | 1 |
| **Noordhoek** | 369 | 1 |
| **Airport Industria** | 324 | 1 |
| **Gordon's Bay** | 281 | 1 |
| **Century City** | 229 | 0 |
| **Simon's Town** | 213 | 0 |
| **Total** | **53,682** | 100 |

*Source: Regional Services Council Levy (2005)*



In spatial terms, it is clear from the figures in Table 1 above that most companies are located in the CBD (6,681), Milnerton (3,978) and Tygervalley (3,736) in the northern suburbs; Wynberg (4,806) and Claremont (3,465) in the southern suburbs; and Somerset West (3,292) in the southern-east of the city. These areas have the largest number of companies compared to other areas. In addition, industrial site areas such as

Epping/Goodwood (2,650), Parow/Elsiesriver (2,574), Bellville-South/Sack's Circles/Kaymor (2,639) and Maitland/Paarden Eiland (2,259) also have a considerable number of companies. Furthermore, the observed data demonstrates that the CBD has the highest number of all companies geographically almost double and triple most of the other areas. Overall, CBD, Milnerton, Tygervalley, Wynberg, Claremont and Somerset West have the highest number of companies in Cape Town and in percentage terms these areas account for 47 per cent, almost half of all the companies. On the other hand, areas such as Observatory, Athlone, Green Point, Brackenfell, Mitchell's Plain, Lansdowne and Blackheath also have the generous number of companies compared to the areas mentioned above.

In contrast, the south east areas such as Airport Industria, Guguletu, Khayelitsha, Grassy Park, Eersterivier; and Blackheath in the northern east show the lowest number of companies in Cape Town. Overall, there are few companies located in the south east and these areas constitute a margin of 6 per cent of all companies in Cape Town.



### 4.2.1. The geography of Manufacturing and Service sector companies

In this section the geography of manufacturing and service sector companies is considered. The findings suggest that while most manufacturing companies are located in the CBD and inner city areas of Maitland/Paarden Eiland, Observatory/Woodstock, and old industrial sites such as Epping, Pinelands, Parow, Bellville South/Sack's Circle/Kaymor, service sector companies are mostly located in the CBD, Milnerton and Tygervalley (northern suburbs), Claremont and Wynberg (Southern suburbs), and Somerset West area. The geography of manufacturing sector companies is considered first followed by service sector companies

#### 4.2.1.1. Manufacturing companies

In spite of the worldwide trends of manufacturing sector decline, manufacturing companies in Cape Town are still are found in many areas. Table 2 below shows the number and geography of manufacturing sector companies.

*Table 2*: Manufacturing sector companies by areas for the year 2000, 2003, 2005

| Area | Number of Manufacturing Companies | | | Absolute Change |
|---|---|---|---|---|
| | **2000** | **2003** | **2005** | 2000-2005 |
| **Milnerton** | 429 | 465 | 432 | 3 |
| **Maitland** | 458 | 441 | 412 | -46 |
| **CBD** | 430 | 386 | 339 | -91 |
| **Parow** | 374 | 356 | 326 | -48 |
| **Wynberg** | 316 | 337 | 311 | -5 |
| **Epping** | 319 | 311 | 292 | -27 |
| **Observatory** | 344 | 328 | 291 | -53 |
| **Bellville South** | 276 | 280 | 245 | -31 |
| **Somerset West** | 235 | 244 | 216 | -19 |
| **Lansdowne** | 232 | 217 | 204 | -28 |
| **Blackheath** | 186 | 192 | 174 | -12 |
| **Brackenfell** | 153 | 153 | 141 | -12 |
| **Tygervalley** | 128 | 127 | 131 | 3 |
| **Athlone** | 129 | 128 | 125 | -4 |
| **Claremont** | 132 | 132 | 118 | -14 |
| **Atlantis** | 77 | 76 | 67 | -10 |
| **Mitchell's Plain** | 64 | 72 | 63 | -1 |
| **Green Point** | 55 | 49 | 51 | -4 |
| **Airport Industria** | 31 | 38 | 34 | 3 |
| **Fish Hoek** | 37 | 36 | 33 | -4 |
| **Hout Bay** | 33 | 33 | 28 | -5 |
| **Bothasig** | 25 | 32 | 24 | -1 |
| **Grassy Park** | 17 | 24 | 22 | 5 |
| **Noordhoek** | 17 | 21 | 19 | 2 |
| **Eersterivier** | 14 | 18 | 16 | 2 |
| **Gordon's Bay** | 14 | 17 | 14 | 0 |
| **Simon's Town** | 9 | 12 | 11 | 2 |
| **Khayelitsha** | 4 | 6 | 9 | 5 |
| **Guguletu** | 0 | 1 | 2 | 2 |
| **Century City** | 1 | 0 | 0 | -1 |
| **Total** | **4,539** | **4,532** | **4,150** | -389 |

*Source: Regional Services Council Levy (2000; 2003; 2005)*

In the year 2005, the findings show that most of manufacturing companies are located in the CBD (339), and the inner city areas of Maitland, Paarden Eiland (441) and Observatory, Woodstock (291). In addition, manufacturing companies are also located mainly in the old industrial site areas of Epping industrial/ Ndabeni/Pinelands/Goodwood (292), Parow/Elsiesriver industrial (326), Sack's Circle/Triangle Farm/Kaymor/Bellville South industrial (245). Furthermore, Montague Gardens industrial, Killarney Gardens and areas such as Marconi Beam in the northern suburb are areas where manufacturing sector companies are also located in greater numbers (465).

Moreover, despite the fact that Wynberg and Lansdowne area in the southern suburb are not known for manufacturing sector activities, the data has reveals a substantial number of companies in manufacturing. Both Wynberg and Lansdowne have 311 and 204 of manufacturing companies respectively. Lastly, Somerset West in the south eastern side of the city also shows a considerable number of manufacturing sector companies. Overall, in 2005, 74 percent of manufacturing sector companies is mostly located in the CBD, inner city areas of Observatory/Woodstock and Maitland/Paarden Eiland, and old industrial site of Epping, Parow, Montague Gardens/Killarney Gardens, and Bellville South/Sack's Circle/Triangle Farm/Kaymor. However, the CBD and inner city areas remain the largest with 25 per cent in manufacturing companies compared to Milnerton and Tygervalley's 14 per cent in the northern suburb, and Wynberg and Claremont's 10 per cent in the southern suburbs.

In contrast, areas such as Athlone (128), Blackheath Industria (174) and Brackenfell/Kraaifontein Industrial (141) have a moderate but low number of manufacturing companies. Claremont (118) in the southern suburbs and Tygervalley (131) in the northern suburbs also show a moderate number of manufacturing companies. In addition, the findings also reveal that fewer manufacturing companies are mostly located in the south-eastern areas such as Mitchells Plain/Philippi (63), Airport Industria (34), Grassy Park (22), Eersterivier (16), Khayelitsha (9), and Guguletu (2). While other areas declined in manufacturing in 2005, Bellville North and Khayelitsha experienced a

slight growth in manufacturing companies. Overall, the areas with low manufacturing companies constitute 24 percent of all manufacturing companies in the city of Cape Town. However, Guguletu, Grassy Park, Eersterivier, and Mitchells Plain have the lowest number of manufacturing companies in the south eastern areas.

#### 4.2.1.2. Manufacturing employment

This section looks at the number of employment in manufacturing sector companies for the year 2003 and 2005. In terms of employment, it has been stated under method section that 2000 data on employment was incomplete and as such 2003-2005 data was considered for analysis.

In spatial terms, as Table 3 below indicates, manufacturing employment in the year 2005 was highest in areas located in the industrial site of Epping/Goodwood (23,620), Parow (18,091) and Bellville South (12,062). On the other hand the CBD (11,336) and inner city areas Observatory/Woodstock (14,784) and Maitland (16,494) also have a considerable number of workers in manufacturing. In addition, Milnerton (11,750) in the northern suburbs and Wynberg (11,628) in the southern suburbs also have a substantial number of workers in manufacturing sector. Interestingly, Athlone in the south east has 14,646 workers in manufacturing in the year 2005. Overall, these areas account for 72 per cent (134,411) of employment in manufacturing sector companies in Cape Town.

Furthermore, areas such as Brackenfell, Blackheath industrial, Somerset West, Lansdowne and Tygervalley show a moderate number of workers in manufacturing companies. These areas have just over 5,000 employees in manufacturing except for Lansdowne with 8,746 employees. On the other had, manufacturing sector employment in the south east areas of the city is much lower and varies slightly between those areas. In areas such as Guguletu (127), Mitchells Plain (2,218), Eersterivier (599), Grassy Park (933) and Khayelitsha (187) manufacturing employment is lesser compared to other areas. The table below shows the number of manufacturing sector employment by area in

the year 2003 and 2005. Overall the south east areas constitute a mere of 3 per cent (5,884) employment in manufacturing sector.

*Table 3*: Manufacturing sector employment by areas between 2000 and 2005

| | Number of Manufacturing Employment | | Absolute Change |
|---|---|---|---|
| **Area** | **2003** | **2005** | 2005-2003 |
| **Epping** | 24,189 | 23,620 | -569 |
| **Parow** | 20,097 | 18,091 | -2,006 |
| **Maitland** | 17,441 | 16,494 | -947 |
| **Observatory** | 16,224 | 14,784 | -1,440 |
| **Athlone** | 14,573 | 14,646 | 73 |
| **Bellville South** | 14,643 | 12,062 | -2,581 |
| **Milnerton** | 12,129 | 11,750 | -379 |
| **Wynberg** | 12,647 | 11,628 | -1,019 |
| **CBD** | 12,198 | 11,336 | -862 |
| **Lansdowne** | 9,048 | 8,746 | -302 |
| **Brackenfell** | 6,045 | 5,929 | -116 |
| **Somerset West** | 6,750 | 5,896 | -854 |
| **Tygervalley** | 4,117 | 5,594 | 1,477 |
| **Blackheath** | 6,122 | 5,443 | -679 |
| **Atlantis** | 6,380 | 5,390 | -990 |
| **Claremont** | 3,859 | 3,564 | -295 |
| **Mitchell's Plain** | 3,258 | 2,218 | -1,040 |
| **Airport Industria** | 1,886 | 1,820 | -66 |
| **Hout Bay** | 1,394 | 1,347 | -47 |
| **Green Point** | 946 | 1,232 | 286 |
| **Grassy Park** | 946 | 933 | -13 |
| **Fish Hoek** | 1,797 | 745 | -1,052 |
| **Eersterivier** | 668 | 599 | -69 |
| **Bothasig** | 530 | 417 | -113 |
| **Noordhoek** | 403 | 369 | -34 |
| **Gordon's Bay** | 362 | 337 | -25 |
| **Simons Town** | 321 | 326 | 5 |
| **Khayelitsha** | 136 | 187 | 51 |
| **Guguletu** | 26 | 127 | 101 |
| **Century City** | - | - | 0 |
| **Total** | **199,135** | **185,630** | -13,505 |

*Source: Regional Services Council Levy (2003; 2005)*

#### 4.2.1.3. Service sector companies

The geography of service sector growth has much in common with the geography of contemporary urban change in which service companies tend to be mostly located in suburban areas than in the CBD. Table 4 below show the geographic distribution of service companies

*Table 4*: Service sector companies by area for the year 2000, 2003 and 2005

| Area | No. of Service sector Companies | | | Absolute Change |
|---|---|---|---|---|
| | 2000 | 2003 | 2005 | 2000-2005 |
| **CBD** | 5,628 | 5,509 | 6,097 | 469 |
| **Wynberg** | 2,872 | 3,238 | 4,203 | 1,331 |
| **Tygervalley** | 1,986 | 2,355 | 3,355 | 1,369 |
| **Milnerton** | 1,938 | 2,366 | 3,309 | 1,371 |
| **Claremont** | 2,499 | 2,670 | 3,207 | 708 |
| **Somerset West** | 1,881 | 2,008 | 2,854 | 973 |
| **Bellville South** | 1,676 | 1,797 | 2,254 | 578 |
| **Epping** | 1,566 | 1,649 | 2,200 | 634 |
| **Parow** | 1,657 | 1,656 | 2,098 | 441 |
| **Maitland** | 1,409 | 1,388 | 1,682 | 273 |
| **Observatory** | 1,219 | 1,240 | 1,519 | 300 |
| **Green Point** | 1,217 | 1,229 | 1,506 | 289 |
| **Athlone** | 971 | 1,064 | 1,368 | 397 |
| **Brackenfell** | 715 | 864 | 1,315 | 600 |
| **Mitchell's Plain** | 584 | 728 | 1,210 | 626 |
| **Lansdowne** | 714 | 772 | 1,055 | 341 |
| **Blackheath** | 544 | 624 | 910 | 366 |
| **Fish Hoek** | 490 | 514 | 740 | 250 |
| **Bothasig** | 463 | 563 | 665 | 202 |
| **Grassy Park** | 328 | 376 | 589 | 261 |
| **Khayelitsha** | 65 | 178 | 584 | 519 |
| **Eersterivier** | 168 | 237 | 581 | 413 |
| **Hout Bay** | 369 | 413 | 561 | 192 |
| **Atlantis** | 210 | 213 | 414 | 204 |
| **Guguletu** | 66 | 179 | 389 | 323 |
| **Noordhoek** | 138 | 179 | 321 | 183 |
| **Airport Industria** | 181 | 195 | 272 | 91 |
| **Gordon's Bay** | 178 | 166 | 233 | 55 |
| **Century City** | 29 | 111 | 224 | 195 |
| **Simon's Town** | 99 | 121 | 187 | 88 |
| **Total** | **31,860** | **34,602** | **45,902** | **14,042** |

*Source: Regional Services Council Levy (2000; 2003; 2005)*

Geographically, it is clear from Table 4 that the CBD still has the single highest number of service sector with 6,097 companies and double the number of most other centres in the year 2005. On the hand, the data reveals that there has been some decentralisation of shops, offices and/or formal business from the CBD and the traditional corridors of Cape Town to the southern and northern suburbs. In 2005, the southern suburbs of Wynberg and Claremont had 4,203 and 3,207 service sector companies respectively while Tygervalley and Milnerton in the southern suburbs had 3,309 and 3,355 companies respectively. Overall, these areas account for 44 per cent of service sector companies

Furthermore, Somerset West in south eastern area also shows a considerable number of service sectors companies at 2,854. It has also been noted that areas that are known as industrial sites such as Epping/Goodwood, Parow/Elsiesriver and Bellville South/Kaymor/Sack's Circle industrial has just over 2,000 number of service sector companies, a moderate figure compared to CBD and areas in the southern and northern suburbs.

On the contrary, Table 4 above indicates that the Cape Flats and the metropolitan south east has produced smaller 'islands' of service sector companies (Mitchell's Plain Town Centre, Athlone, and Airport Industria) but on the whole it remains an area which seems to be avoided by larger, formal commercial and industrial concerns. The evidence illustrate that the south east areas such as Khayelitsha (584), Grassy Park (589), Eersterivier (581), Guguletu (389), and Airport Industria (272) show a small number of service sector companies. However, Athlone and Mitchells Plain both have 1,368 and 1,210 service company respectively which is higher compare to other areas in the south east. Overall, the south east area show a low number of service sector companies and account for only 13 per cent of all service sector companies in the city. These service sector companies are scattered all over the city

#### 4.2.1.4. Service sector employment

This section looks at the geography of service sector employment in Cape Town. While large numbers of service sector employees are located in the CBD, other areas in the

southern and northern suburbs also show a substantial number of employees. Table 5 below illustrate the geographic distribution of employment in service sector companies.

*Table 5*: High service sector employment by areas between 2003 and 2005

| | Services Sector Employment | | Absolute Change |
|---|---|---|---|
| **Area** | **2003** | **2005** | **2003-2005** |
| **CBD** | 146,344 | 154,180 | 7,836 |
| **Green Point** | 128,303 | 136,756 | 8,453 |
| **Tygervalley** | 53,592 | 67,309 | 13,717 |
| **Claremont** | 54,654 | 64,408 | 9,754 |
| **Milnerton** | 46,765 | 63,743 | 16,978 |
| **Wynberg** | 48,594 | 63,012 | 14,418 |
| **Epping** | 51,518 | 59,802 | 8,284 |
| **Somerset West** | 31,819 | 45,512 | 13,693 |
| **Bellville South** | 36,926 | 41,481 | 4,555 |
| **Parow** | 27,645 | 33,524 | 5,879 |
| **Maitland** | 24,832 | 29,398 | 4,566 |
| **Observatory** | 27,206 | 29,164 | 1,958 |
| **Athlone** | 15,798 | 20,108 | 4,310 |
| **Brackenfell** | 12,372 | 19,123 | 6,751 |
| **Mitchell's Plain** | 11,503 | 16,993 | 5,490 |
| **Fish Hoek** | 12,034 | 16,783 | 4,749 |
| **Lansdowne** | 13,010 | 16,306 | 3,296 |
| **Hout Bay** | 9,481 | 13,951 | 4,470 |
| **Blackheath** | 8,040 | 11,505 | 3,465 |
| **Khayelitsha** | 4,318 | 9,392 | 5,074 |
| **Bothasig** | 7,182 | 8,937 | 1,755 |
| **Eersterivier** | 3,534 | 7,802 | 4,268 |
| **Grassy Park** | 4,818 | 7,581 | 2,763 |
| **Simon's Town** | 4,682 | 6,970 | 2,288 |
| **Atlantis** | 3,546 | 6,119 | 2,573 |
| **Guguletu** | 3,537 | 5,991 | 2,454 |
| **Airport Industria** | 3,608 | 5,226 | 1,618 |
| **Noordhoek** | 3,856 | 4,821 | 965 |
| **Gordon's Bay** | 2,806 | 3,814 | 1,008 |
| **Century City** | 2,301 | 3,744 | 1,443 |
| **Total** | **804,624** | **973,455** | 168,831 |

*Source: Regional Services Council Levy (2003; 2005)*

When looking at the geography of employment in service sector in Table 5 above, it is evident that the largest number of employment was located in the CBD (154,180) followed by Green Point (136,756) in the year 2005. It should be emphasized that there is

one company in service sector in wholesale and trade in Green Point areas which has 100,000 employees and that makes it larger in term of service employment. With the exception of Green Point, areas such as northern suburb's Tygervalley and Milnerton have 67,309 and 63,743 employees respectively. In addition, Claremont and Wynberg in the southern suburbs have 64,408 and 63,012 service sector employees respectively. These areas including the CBD shows the largest number service sector employees and account for 42 per cent of all service sector employees in Cape Town. Note that if Green Point is excluded from the total number of all services companies, the above percentage rise to 49 per cent.

In addition, it is noted that industrial areas of Epping (59,802), Bellville South (41,481), and Parow (33,524) have considerable number of service sector workers. The inner city areas of Maitland and Observatory show a little over 29,000 employees in service sector. Service sector employment is also significant in Somerset West area with 45,512 employees. It is also observed that the number of employees in service sector companies in the CBD doubled other areas such as Milnerton/Century City, Tygervalley, Claremont and Wynberg.

On the other hand, in the year 2005 south east areas of Khayelitsha, Guguletu and Mitchells Plain, Grassy Park, Eersterivier and Airport Industria demonstrate a smaller number of workers in service sectors. These areas have the smallest number of workers in services companies compared to other areas in Cape Town. Overall, employment in service sector south east areas only accounts a mere of 5 per cent of all service employment in Cape Town.



### 4.3. Changes in the geography of business establishment between 2000-2005

This section discusses manufacturing and service sector trends including employment trends for both sectors. It starts with a brief discussion looking at all companies and changes in Cape Town between the year 2000 and 2005. Table 6 below contains the number of all companies and their changes including percentage change by area in Cape Town.

In a nutshell, evidence obtained from this research based on Regional Service Council Levy data by investigating economic sectoral geographic trends between the year 2000 and 2005 data suggests that there has been a change in sectoral economic composition of Cape Town. Furthermore, the findings reveal that changes in sectoral composition of the economy differ spatially. Overall, the results demonstrate that changing sectoral composition of Cape Town's economy strongly reflects the city's growing global status, with significant growth in the service sector (i.e. financial intermediation; wholesale and retail; transport and communication; and Community, Social and Personal Services) over the past five years alongside the decline of manufacturing sector between 2000 and 2005.

In addition, the findings reveals that spatially, manufacturing has decline in almost all the areas considered between 2000 and 2005, while service sector experienced growth in all areas i.e. northern and southern suburbs, including south east areas and old industrial sites. Overall, the data shows that manufacturing sector declined in almost all areas between 2000 and 2005 alongside the continuous growth in service sector. The CBD, followed by inner city areas such as Observatory, Parow and Maitland shows the highest number of companies decline in manufacturing.

The outstanding feature of urban economic change in Cape Town is the changing spatial structure of the city's sectoral economic activities as observed. Table 6 below illustrate the number of companies in the City of Cape Town by area and how they have changed geographically over the years. When discussing the geography of all companies in Cape Town above it has been observed that most companies are located in the CBD, Milnerton and Tygervalley in the northern suburbs; Wynberg and Claremont in the southern suburbs; and Somerset West in the southern-east of the city. These areas have the largest number of companies compared to other areas. In addition, industrial dominated areas of Epping/Goodwood, Parow/Elsiesriver, Kaymor/Sack's Circle/Bellville South Industrial and Maitland also have a substantial number of companies. Furthermore, the data indicate that each area has experienced growth between 2000 and 2005. In terms of absolute change, Wynberg, Milnerton and Tygervalley have seen the largest growth. Overall, the CBD has the highest number of all companies geographically.

*Table 6*: Number of all companies by area in Cape Town for the year 2000 and 2005

| Area | Frequency Distribution | %[1] | Frequency Distribution | % | Absolute Change[2] | Percentage Change[3] | Percentage-point change[4] |
|---|---|---|---|---|---|---|---|
| | 2000 | 2000 | 2005 | 2005 | 2000-2005 | 2000-2005 | 2000-2005 |
| **Milnerton** | 2,603 | 7 | 3,978 | 7 | 1,375 | 53 | 0.9 |
| **Tygervalley** | 2,362 | 6 | 3,736 | 7 | 1,374 | 58 | 1 |
| **Wynberg** | 3,482 | 9 | 4,806 | 9 | 1,324 | 38 | 0.2 |
| **Somerset West** | 2,370 | 6 | 3,292 | 6 | 922 | 39 | 0.2 |
| **Mitchell's Plain** | 772 | 2 | 1,456 | 3 | 684 | 89 | 0.8 |
| **Claremont** | 2,790 | 7 | 3,465 | 7 | 675 | 24 | -0.6 |
| **Epping** | 2,005 | 5 | 2,650 | 5 | 645 | 32 | -0.1 |
| **Khayelitsha** | 112 | 0 | 737 | 1 | 625 | 558 | 1.1 |
| **Brackenfell** | 997 | 3 | 1,588 | 3 | 591 | 59 | 0.5 |
| **Bellville South** | 2,078 | 5 | 2,639 | 5 | 561 | 27 | -0.3 |
| **Eersterivier** | 211 | 1 | 661 | 1 | 450 | 213 | 0.7 |
| **Athlone** | 1,206 | 3 | 1,622 | 3 | 416 | 34 | 0 |
| **Parow** | 2,173 | 6 | 2,574 | 5 | 401 | 18 | -0.7 |
| **Guguletu** | 93 | 0 | 477 | 1 | 384 | 413 | 0.7 |
| **Blackheath** | 835 | 2 | 1,216 | 2 | 381 | 46 | 0.2 |
| **Lansdowne** | 1,100 | 3 | 1,424 | 3 | 324 | 29 | -0.1 |
| **Grassy Park** | 400 | 1 | 701 | 1 | 301 | 75 | 0.3 |
| **CBD** | 6,390 | 16 | 6,681 | 12 | 291 | 5 | -3.6 |
| **Green Point** | 1,348 | 3 | 1,612 | 3 | 264 | 20 | -0.4 |
| **Fish Hoek** | 587 | 2 | 833 | 2 | 246 | 42 | 0.1 |
| **Observatory** | 1,669 | 4 | 1,905 | 4 | 236 | 14 | -0.6 |
| **Maitland** | 2,038 | 5 | 2,259 | 4 | 221 | 11 | -0.9 |
| **Atlantis** | 325 | 1 | 545 | 1 | 220 | 68 | 0.2 |
| **Century City** | 32 | 0 | 229 | 0 | 197 | 616 | 0.3 |
| **Bothasig** | 563 | 1 | 760 | 1 | 197 | 35 | 0 |
| **Hout Bay** | 459 | 1 | 649 | 1 | 190 | 41 | 0.1 |
| **Noordhoek** | 191 | 1 | 369 | 1 | 178 | 93 | 0.2 |
| **Simon's Town** | 115 | 0 | 213 | 0 | 98 | 85 | 0.1 |
| **Airport Industria** | 240 | 1 | 324 | 1 | 84 | 35 | 0 |
| **Gordon's Bay** | 219 | 1 | 281 | 1 | 62 | 28 | 0 |
| **Total** | **39,765** | **100** | **53,682** | **100** | **13,917** | **35** | **0.0** |

*Regional Services Council Levy (2000; 2003; 2005)*

[1] The number of each company in each area divided by the sum of all companies multiplied by 100
[2] The number of companies in the in the year 2005 minus number of companies in the year 2000
[3] Absolute change divided by number of companies in each area in 2000 multiplied by 100
[4] The difference between percentage distribution for the year 2000 and 2005

When investigating the trends of all companies in Cape Town, Table 6 above indicate that Milnerton and Tygervalley in the northern suburbs have seen large absolute growth with 1,375 and 1,374 growth respectively. Wynberg in the southern has recorded an absolute growth of 1,324 while Somerset West in the south eastern area have experience an absolute growth of 922. However, in terms of relative growth, Century City (+616), Khayelitsha (558), Guguletu (+413) and Eersterivier (+213) have seen higher percentage change. In addition, Mitchells Plain, Grassy Park, Brackenfell, Blackheath have also seen slightly higher percentage change. The evidence suggests that instead of places like Observatory, Salt River, Maitland and Paarden Eiland growing, it is areas in the suburbs that are growing in absolute terms.

### 4.3.1. Manufacturing sector companies trends

Our findings indicate that in terms of manufacturing, the CBD and inner city areas such Observatory/Woodstock, Epping/Goodwood, Parow/Elsiesriver, Bellville-South/Stikland/Sack's Circle/Kaymor/Belrail and Maitland/Paarden Eiland are losing more business than the suburb areas such as Milnerton/Montague/Killerny Gardens industrial, Tygervalley/Durbanville and Wynberg/Elfindale/Retreat. The nature and scale of the recent decline in manufacturing is such that it has been termed 'de-industrialisation' (Blackaby, 1981; Thirlwell, 1982), simply meaning a declining industrial base. See the Table 7 below

While looking at absolute and percentage changes, it is clear from the figures in Table 7 below that there was a considerable decline in the number and proportions of manufacturing companies between the year 2000 and 2005. The number of manufacturing companies declined in almost all areas and vast majority of these loses occurred in the CBD which fell by 91 (-21 per cent), and inner city area of Observatory, Salt River and Woodstock with a decline of 53 (-15 per cent) over that period. On the other hand, there was a decline in manufacturing companies in areas such as Maitland, Parow, Bellville South and Epping. Parow declined by 48 (-13 percent) while Bellville South decline by 31 (-11 per cent) followed by Maitland at -46 (-10 percent) and Epping

with -27 (-8 percent). Claremont and Wynberg in the southern suburbs lost 14 (-11 percent) and 5 (-2) respectively in manufacturing companies. Somerset West also show a decline of 19 (-8 percent) of manufacturing companies. Over all, there was a decline of 9 per cent in manufacturing companies between 2000 and 2005

*Table 7*: Number of manufacturing companies by area in Cape Town for the year 2000 and 2005

| Area | Frequency Distribution 2000 | % 2000 | Frequency Distribution 2005 | % 2005 | Absolute Change 2000-2005 | Percentage Change 2000-2005 | Percentage-point change 2000-2005 |
|---|---|---|---|---|---|---|---|
| **CBD** | 430 | 9 | 339 | 8 | -91 | -21 | -1.3 |
| **Observatory** | 344 | 8 | 291 | 7 | -53 | -15 | -0.6 |
| **Parow** | 374 | 8 | 326 | 8 | -48 | -13 | -0.4 |
| **Maitland** | 458 | 10 | 412 | 10 | -46 | -10 | -0.2 |
| **Bellville South** | 276 | 6 | 245 | 6 | -31 | -11 | -0.2 |
| **Lansdowne** | 232 | 5 | 204 | 5 | -28 | -12 | -0.2 |
| **Epping** | 319 | 7 | 292 | 7 | -27 | -8 | 0 |
| **Somerset West** | 235 | 5 | 216 | 5 | -19 | -8 | 0 |
| **Claremont** | 132 | 3 | 118 | 3 | -14 | -11 | -0.1 |
| **Blackheath** | 186 | 4 | 174 | 4 | -12 | -6 | 0.1 |
| **Brackenfell** | 153 | 3 | 141 | 3 | -12 | -8 | 0 |
| **Atlantis** | 77 | 2 | 67 | 2 | -10 | -13 | -0.1 |
| **Wynberg** | 316 | 7 | 311 | 7 | -5 | -2 | 0.5 |
| **Hout Bay** | 33 | 1 | 28 | 1 | -5 | -15 | -0.1 |
| **Athlone** | 129 | 3 | 125 | 3 | -4 | -3 | 0.2 |
| **Green Point** | 55 | 1 | 51 | 1 | -4 | -7 | 0 |
| **Fish Hoek** | 37 | 1 | 33 | 1 | -4 | -11 | 0 |
| **Mitchell's Plain** | 64 | 1 | 63 | 2 | -1 | -2 | 0.1 |
| **Bothasig** | 25 | 1 | 24 | 1 | -1 | -4 | 0 |
| **Century City** | 1 | 0 | 0 | 0 | -1 | -100 | 0 |
| **Gordon's Bay** | 14 | 0 | 14 | 0 | 0 | 0 | 0 |
| **Noordhoek** | 17 | 0 | 19 | 0 | 2 | 12 | 0.1 |
| **Eersterivier** | 14 | 0 | 16 | 0 | 2 | 14 | 0.1 |
| **Simons Town** | 9 | 0 | 11 | 0 | 2 | 22 | 0.1 |
| **Guguletu** | 0 | 0 | 2 | 0 | 2 | 0 | 0 |
| **Milnerton** | 429 | 9 | 432 | 10 | 3 | 1 | 1 |
| **Tygervalley** | 128 | 3 | 131 | 3 | 3 | 2 | 0.3 |
| **Airport Industria** | 31 | 1 | 34 | 1 | 3 | 10 | 0.1 |
| **Grassy Park** | 17 | 0 | 22 | 1 | 5 | 29 | 0.2 |
| **Khayelitsha** | 4 | 0 | 9 | 0 | 5 | 125 | 0.1 |
| **Total** | **4539** | **100** | **4150** | **100** | -389 | -9 | 0 |

*Regional Services Council Levy (2000; 2003; 2005)*

(Note that negative sign represent a decrease)

Despite the fact that there have been concentrated manufacturing sector companies decline in most areas in Cape Town, Milnerton and Tygervalley in the northern suburbs show a slight increase of one percent each. In addition, Khayelitsha, Guguletu, Airport Industria and Eersterivier in the south east have also seen a slight increase in manufacturing companies. Overall, while there has been decrease in manufacturing sector companies in almost all areas, some areas have seen a minimal growth. The data also indicate that there was a progressive decline in the CBD that has taken place between 2000 and 2005.

### 4.3.2. Manufacturing sector employment trends

This section discusses changes in manufacturing employment between 2003 and 2005. As stated in the method section, employment data for the year 2000 is incomplete and as a result the data considered here are for the year 2003 and 2005.

When investigating manufacturing employment trends, the data in Table 8 below demonstrate that there was a decline in almost all areas except for the few which have seen an increase between 2003 and 2005. The evidence indicates that Bellville South, Kaymor and Sack's Circle industrial areas have seen decline of 2,581 (-18 per cent) in manufacturing employment which is the largest drop, followed by Parow/Elsiesriver, which declined by 2,006 (-10 per cent) workers.

In addition, the data indicates that the CBD have seen a decline of 7 per cent (percentage change) in manufacturing employment which amount to 862 in absolute change terms and inner city areas of Observatory/Woodstock/Salt River suffered a decline with the proportion of workers employed in the manufacturing sector dropped by 9 percent (-1,440) respectively between 2003 and 2005. On the other hand, Wynberg in the southern suburbs lost 8 per cent (1,019) of its share of manufacturing employment. However, there was a strong increase in manufacturing employment in Tygervalley with an absolute change of 1,447 and 36 per cent in percentage change while a decline of 379 (-3 per cent) workers was felt in Milnerton in the northern suburbs. Somerset West in the south eastern of the city experienced 13 percent (854) decline in manufacturing employment.

Furthermore, Mitchells Plain in the south east experienced a decline of 1,040 (32 per cent) decline of employment in manufacturing while other areas such as Khayelitsha, Athlone and Guguletu have seen a slight growth over the period.

*Table 8*: Number of manufacturing employment by area in Cape Town for the year 2000 and 2005

| | Frequency Distribution | % | Frequency Distribution | % | Absolute Change | Percentage Change | Percentage-point change |
|---|---|---|---|---|---|---|---|
| **Area** | **2003** | **2003** | **2005** | **2005** | **2003-2005** | **2003-2005** | **2003-2005** |
| **Bellville South** | 14,643 | 7 | 12,062 | 6 | -2,581 | -18 | -0.9 |
| **Parow** | 20,097 | 10 | 18,091 | 10 | -2,006 | -10 | -0.3 |
| **Observatory** | 16,224 | 8 | 14,784 | 8 | -1,440 | -9 | -0.2 |
| **Fish Hoek** | 1,797 | 1 | 745 | 0 | -1,052 | -59 | -0.5 |
| **Mitchell's Plain** | 3,258 | 2 | 2,218 | 1 | -1,040 | -32 | -0.4 |
| **Wynberg** | 12,647 | 6 | 11,628 | 6 | -1,019 | -8 | -0.1 |
| **Atlantis** | 6,380 | 3 | 5,390 | 3 | -990 | -16 | -0.3 |
| **Maitland** | 17,441 | 9 | 16,494 | 9 | -947 | -5 | 0.1 |
| **CBD** | 12,198 | 6 | 11,336 | 6 | -862 | -7 | 0 |
| **Somerset West** | 6,750 | 3 | 5,896 | 3 | -854 | -13 | -0.2 |
| **Blackheath** | 6,122 | 3 | 5,443 | 3 | -679 | -11 | -0.1 |
| **Epping** | 24,189 | 12 | 23,620 | 13 | -569 | -2 | 0.6 |
| **Milnerton** | 12,129 | 6 | 11,750 | 6 | -379 | -3 | 0.2 |
| **Lansdowne** | 9,048 | 5 | 8,746 | 5 | -302 | -3 | 0.2 |
| **Claremont** | 3,859 | 2 | 3,564 | 2 | -295 | -8 | 0 |
| **Brackenfell** | 6,045 | 3 | 5,929 | 3 | -116 | -2 | 0.2 |
| **Bothasig** | 530 | 0 | 417 | 0 | -113 | -21 | 0 |
| **Eersterivier** | 668 | 0 | 599 | 0 | -69 | -10 | 0 |
| **Airport Industria** | 1,886 | 1 | 1,820 | 1 | -66 | -3 | 0 |
| **Hout Bay** | 1,394 | 1 | 1,347 | 1 | -47 | -3 | 0 |
| **Noordhoek** | 403 | 0 | 369 | 0 | -34 | -8 | 0 |
| **Gordon's Bay** | 362 | 0 | 337 | 0 | -25 | -7 | 0 |
| **Grassy Park** | 946 | 0 | 933 | 1 | -13 | -1 | 0 |
| **Simon's Town** | 321 | 0 | 326 | 0 | 5 | 2 | 0 |
| **Khayelitsha** | 136 | 0 | 187 | 0 | 51 | 38 | 0 |
| **Athlone** | 14,573 | 7 | 14,646 | 8 | 73 | 1 | 0.6 |
| **Guguletu** | 26 | 0 | 127 | 0 | 101 | 388 | 0.1 |
| **Green Point** | 946 | 0 | 1,232 | 1 | 286 | 30 | 0.2 |
| **Tygervalley** | 4,117 | 2 | 5,594 | 3 | 1,477 | 36 | 0.9 |
| **Century City** | - | 0 | - | 0 | - | 0 | 0 |
| **Total** | **199,135** | **100** | **185,630** | **100** | -13,505 | -7 | 0 |

*Regional Services Council Levy - 2003; 2005*

What is interesting however is that while Mitchells Pain show the strongest decline at 32 percent in percentage change and a share of -0.4 point employment share, by far the largest absolute decrease in manufacturing employment was in Bellville South (-2,581) followed by Parow and Observatory with the declines of 2,006 and 1,440 respectively. In percentage point terms, this means Bellville South decreased its share of manufacturing employment share by -0.9 points, while Parow and Observatory decreased their share by -0.3 and -0.2 respectively. The share of manual workers and others fell by 7 points. While other area have experience a decline in manufacturing companies, areas such as Tygervalley, Milnerton, Khayelitsha, Airport Industria and Grassy Park have seen a slight increase in 2005. Guguletu and Khayelitsha have an absolute increase and percentage change of 101(+388 percent) and 51(+38 percent) respectively. Note that the percentage change in Guguletu and Khayelitsha is higher due to the fact that employment base of the previous year is small.

Overall, Although manufacturing employment has been declining in recent years, Bellville, South, Parow, and Observatory has the highest declines, followed by Wynberg and Mitchells Plain with just a little over a thousands employment decline. The CBD also experience a decrease in manufacturing employment but is less. In addition, Epping industrial and Maitland show a slight decline in manufacturing employment compared to other industrial site except the CBD. On the other hand, there was a growth in manufacturing employment in Khayelitsha, Guguletu and Athlone in the south east area. In sum, manufacturing employment in Cape Town have declined by 7 per cent between 2004 and 2005



### 4.3.3. Service sector companies trends

This section discusses changes in service employment between 2003 and 2005. The findings clearly show that there was a notable shift towards the northern and southern parts of the city, in particular to Tygervalley/Milnerton and to Claremont/Wynberg as illustrated in Table 9 below.

*Table 9*: Number of service sector companies by area in Cape Town for the year 2000 and 2005

| Area | Frequency Distribution | % | Frequency Distribution | % | Absolute Change | Percentage Change | Percentage-point change |
|---|---|---|---|---|---|---|---|
| | 2000 | 2000 | 2005 | 2005 | 2000-2005 | 2000-2005 | 2000-2005 |
| **Milnerton** | 1,938 | 6 | 3,309 | 7 | 1,371 | 71 | 1.1 |
| **Tygervalley** | 1,986 | 6 | 3,355 | 7 | 1,369 | 69 | 1.1 |
| **Wynberg** | 2,872 | 9 | 4,203 | 9 | 1,331 | 46 | 0.1 |
| **Somerset West** | 1,881 | 6 | 2,854 | 6 | 973 | 52 | 0.3 |
| **Claremont** | 2,499 | 8 | 3,207 | 7 | 708 | 28 | -0.9 |
| **Epping** | 1,566 | 5 | 2,200 | 5 | 634 | 40 | -0.1 |
| **Mitchell's Plain** | 584 | 2 | 1,210 | 3 | 626 | 107 | 0.8 |
| **Brackenfell** | 715 | 2 | 1,315 | 3 | 600 | 84 | 0.6 |
| **Bellville South** | 1,676 | 5 | 2,254 | 5 | 578 | 34 | -0.4 |
| **Khayelitsha** | 65 | 0 | 584 | 1 | 519 | 798 | 1.1 |
| **CBD** | 5,628 | 18 | 6,097 | 13 | 469 | 8 | -4.4 |
| **Parow** | 1,657 | 5 | 2,098 | 5 | 441 | 27 | -0.6 |
| **Eersterivier** | 168 | 1 | 581 | 1 | 413 | 246 | 0.7 |
| **Athlone** | **971** | 3 | 1,368 | 3 | 397 | 41 | -0.1 |
| **Blackheath** | 544 | 2 | 910 | 2 | 366 | 67 | 0.3 |
| **Lansdowne** | 714 | 2 | 1,055 | 2 | 341 | 48 | 0.1 |
| **Guguletu** | 66 | 0 | 389 | 1 | 323 | 489 | 0.6 |
| **Observatory** | 1,219 | 4 | 1,519 | 3 | 300 | 25 | -0.5 |
| **Green Point** | 1,217 | 4 | 1,506 | 3 | 289 | 24 | -0.5 |
| **Maitland** | 1,409 | 4 | 1,682 | 4 | 273 | 19 | -0.8 |
| **Grassy Park** | **328** | 1 | 589 | 1 | 261 | 80 | 0.3 |
| **Fish Hoek** | 490 | 2 | 740 | 2 | 250 | 51 | 0.1 |
| **Atlantis** | 210 | 1 | 414 | 1 | 204 | 97 | 0.2 |
| **Bothasig** | 463 | 1 | 665 | 1 | 202 | 44 | 0 |
| **Century City** | 29 | 0 | 224 | 0 | 195 | 672 | 0.4 |
| **Hout Bay** | 369 | 1 | 561 | 1 | 192 | 52 | 0.1 |
| **Noordhoek** | **138** | 0 | 321 | 1 | 183 | 133 | 0.3 |
| **Airport Industria** | 181 | 1 | 272 | 1 | 91 | 50 | 0 |
| **Simon's Town** | 99 | 0 | 187 | 0 | 88 | 89 | 0.1 |
| **Gordon's Bay** | 178 | 1 | 233 | 1 | 55 | 31 | -0.1 |
| **Total** | **31,860** | **100** | **45,902** | **100** | **14,042** | **44** | **0** |

*Regional Services Council Levy (2000; 2003; 2005)*

The findings from Table 9 above suggests that while the CBD is the largest in terms of service sector companies, the growth between 2000 and 2005 has been relatively slow compared to other major areas. The data indicate that between the year 2000, and 2005,

the CBD has an absolute change of 409 (8 per cent) in services companies. In percentage change terms, it means that the CBD has a relatively lower increase of 8 percent between 2000 and 2005. On the other hand, Milnerton and Tygervalley in the northern suburbs have experienced a significant growth in services companies of 1,371 (71 per cent) and 1,369 (69 per cent) respectively, followed by southern suburbs' Wynberg at 1,331 (46 per cent).

Thus, the findings illustrate that in terms of absolute and relative terms, northern and southern suburbs have experienced a relatively large increase compared to the CBD and inner city areas of Observatory/Woodstock and Maitland/Paarden Eiland. Although the northern and southern suburbs had large increase, the findings also indicate that the CBD remains the single largest in service sector companies with 6,097 (13 percent) compared to Wynberg (9 percent), Milnerton (8 percent), Tygervalley, and Claremont with (7 percent) each. The service sector companies also constitute 91 percent of all companies in the CBD. In addition, the evidence suggests that against manufacturing sector companies decline there has been a significant increase in service sector companies in Cape Town. The number of shops, offices, transport and communication, wholesale and trade rose by considerable numbers over period between 2000 and 2005 in all areas in Cape Town. The CBD; Milnerton and Tygervalley in the northern suburbs; and Wynberg and Claremont in the southern suburbs has the largest number of service sector companies compared to other areas. However, the data also shows that CBD has the highest number of service sector companies almost double and triple most of the areas. Overall, the CBD Milnerton, Tygervalley, Wynberg and Claremont saw the most growth in service sector companies.

In contrast, the data indicate some growth in service sector companies in the south east areas of the city. However, the evidence show that the growth has been minimal in absolute terms compared to other areas, in particular the CBD, northern and southern suburbs areas. Between 2000 and 2005, Mitchells Plain had an increase of service sector companies 626 followed by Khayelitsha at 519 while Guguletu rose by 323 companies. However, these areas revealed a high percentage change rate meaning that the growth in service sector companies was relatively higher between 2000 and 2005 in those areas.

In brief, although inner city areas and industrial areas of Epping, Parow, and Bellville South have seen a decline in manufacturing companies in the year 2005 as indicated in Table 9, they have also seen a rise in the number of service sector companies. However, it is evident that there was also a larger increase in suburban nodes such as Wynberg, Tygervalley and Milnerton. These areas are mainly dominated by shops and offices while transport and communication, and wholesale and trade have also contributed. On the other hand, the CBD still remain the largest in service sector companies despite the fact that growth was relatively lower compare to the suburban notes. In contrast the south east areas of Khayelitsha, Guguletu, Airport Industria and Eersterivier experience a moderate rise in service sector companies.

### 4.3.4. Service sector employment trends

While manufacturing sector employment has declined between the year 2003 and 2005, service sector employment findings show that there has been a considerable increase in the employment share of services sector between over the period. When looking closely at employment trends in service sector it follows that the number of employment in service sector companies have increased in all areas in Cape Town as shown in Table 10 below.

However, the data also demonstrate that between during this period, Milnerton and Tygervalley area in the northern suburbs and Wynberg in the southern suburbs have experienced a highest growth of service sector employment growth in absolute terms compared to the CBD and other areas. For example, Milnerton indicate a growth with an absolute change of 16,978 and a percentage change of 36, followed by Wynberg absolute's change of 14,418 and a percentage change of 30. In contrast, CBD has a relatively low growth of 7,836 absolute changes with 5 percentage change. This means the CBD is experiencing less service sector employment growth compared to the southern and northern suburb nodes. Somerset West, a region in the far south-east of

Cape Town, also indicates a vast number of employment increases in the service sector at 13,693 absolute change and 43 percentage change.

*Table 10*: Number of service sector employment by area in Cape Town for the year 2003 and 2005

| Area | Frequency Distribution 2003 | % 2003 | Frequency Distribution 2005 | % 2005 | Absolute Change 2003-2005 | Percentage Change 2003-2005 | Percentage-point change 2003-2005 |
|---|---|---|---|---|---|---|---|
| **Milnerton** | 46,765 | 6 | 63,743 | 7 | 16,978 | 36 | 0.7 |
| **Wynberg** | 48,594 | 6 | 63,012 | 6 | 14,418 | 30 | 0.4 |
| **Tygervalley** | 53,592 | 7 | 67,309 | 7 | 13,717 | 26 | 0.3 |
| **Somerset West** | 31,819 | 4 | 45,512 | 5 | 13,693 | 43 | 0.7 |
| **Claremont** | 54,654 | 7 | 64,408 | 7 | 9,754 | 18 | -0.2 |
| **Green Point** | 128,303 | 16 | 136,756 | 14 | 8,453 | 7 | -1.9 |
| **Epping** | 51,518 | 6 | 59,802 | 6 | 8,284 | 16 | -0.3 |
| **CBD** | 146,344 | 18 | 154,180 | 16 | 7,836 | 5 | -2.3 |
| **Brackenfell** | 12,372 | 2 | 19,123 | 2 | 6,751 | 55 | 0.4 |
| **Parow** | 27,645 | 3 | 33,524 | 3 | 5,879 | 21 | 0 |
| **Mitchell's Plain** | 11,503 | 1 | 16,993 | 2 | 5,490 | 48 | 0.3 |
| **Khayelitsha** | 4,318 | 1 | 9,392 | 1 | 5,074 | 118 | 0.4 |
| **Fish Hoek** | 12,034 | 1 | 16,783 | 2 | 4,749 | 39 | 0.2 |
| **Maitland** | 24,832 | 3 | 29,398 | 3 | 4,566 | 18 | -0.1 |
| **Bellville South** | 36,926 | 5 | 41,481 | 4 | 4,555 | 12 | -0.3 |
| **Hout Bay** | 9,481 | 1 | 13,951 | 1 | 4,470 | 47 | 0.3 |
| **Athlone** | 15,798 | 2 | 20,108 | 2 | 4,310 | 27 | 0.1 |
| **Eersterivier** | 3,534 | 0 | 7,802 | 1 | 4,268 | 121 | 0.4 |
| **Blackheath** | 8,040 | 1 | 11,505 | 1 | 3,465 | 43 | 0.2 |
| **Lansdowne** | 13,010 | 2 | 16,306 | 2 | 3,296 | 25 | 0.1 |
| **Grassy Park** | 4,818 | 1 | 7,581 | 1 | 2,763 | 57 | 0.2 |
| **Atlantis** | 3,546 | 0 | 6,119 | 1 | 2,573 | 73 | 0.2 |
| **Guguletu** | 3,537 | 0 | 5,991 | 1 | 2,454 | 69 | 0.2 |
| **Simon's Town** | 4,682 | 1 | 6,970 | 1 | 2,288 | 49 | 0.1 |
| **Observatory** | 27,206 | 3 | 29,164 | 3 | 1,958 | 7 | -0.4 |
| **Bothasig** | 7,182 | 1 | 8,937 | 1 | 1,755 | 24 | 0 |
| **Airport Industria** | 3,608 | 0 | 5,226 | 1 | 1,618 | 45 | 0.1 |
| **Century City** | 2,301 | 0 | 3,744 | 0 | 1,443 | 63 | 0.1 |
| **Gordon's Bay** | 2,806 | 0 | 3,814 | 0 | 1,008 | 36 | 0 |
| **Noordhoek** | 3,856 | 0 | 4,821 | 0 | 965 | 25 | 0 |
| **Total** | **804,624** | **100** | **973,455** | **100** | **168,831** | 21 | 0 |

*Regional Services Council Levy (2003; 2005)*

On the other hand, areas that are known for manufacturing companies have also seen an increase in service sector employment. Areas such as Epping/Goodwood, Bellville South, Parow and Maitland have experienced growth in service sector employment. In contrast, while areas such as Airport Industria, Guguletu, Khayelitsha and Mitchells Plain and Athlone have experience some increase in service sector employment, it has been relatively small compared to other areas over the same period. Khayelitsha and Mitchells Plain with an increase of 5,490 and 5,074 workers respectively, are the most growing areas in service sector employment compared to other areas in the south east. In relative terms Khayelitsha show a percentage change rate of 118 while Mitchells Plain had 48 per cent.

Overall, the evidence suggests that there was a large increase in service sector employment in the northern and southern suburbs while the CBD has seen a small increase compared to the suburbs. It also shows that other areas particularly known for manufacturing also experience a significant increase in the service sector. Service sector employment increase was also felt in south east areas but it was relatively small compared to other areas.



**Summary**

In summary, it is evident that the strength of Cape Town's economy is well diversified. However, in line with global trends, there has been a shift towards the service sector with the three sectors experiencing most growth recently being finance and business services; trade, catering and accommodation; and transport and communication. The manufacturing sector has been declining between 2000 and 2005. Growth is likely to continue to focus on the service sector. Furthermore, the findings confirm that with the growth of service companies to the decentralised nodes such as Tygervalley and Milnerton in the northern suburbs, Claremont and Wynberg in the southern suburbs, the suburbanisation of jobs is also taking place.

The evidence indicates that service sector companies have been continuously increasing alongside manufacturing decline between the year 2000 and 2005. However, geographically, the growth in service sector has been distributed unequally all over the city. Between the same period, evidence suggests that, to a large extent, service sector increase has dominated the northern (Milnerton and Tygervalley) and southern suburbs (Wynberg and Claremont), with little growth in other areas. South east areas such as Khayelitsha, Guguletu and Mitchells Plain experience considerable but marginal growth compared to other areas. In addition, the CBD has also experienced a considerable increase in service sector but the increase has been minimal compared to southern and northern suburbs areas. It is also noted that the increase of employees in the service sector differs spatially, with parts of the northern and southern suburbs in particular showing a tremendous growth in comparison with other areas. Milnerton has experienced increases in employment followed by Wynberg, while Tygervalley and Somerset West both have an increased

On the other hand, the data on employees seem to follow similar trends. While there has been a decline in manufacturing sectors companies in almost all areas, the number of employees in this sector has shown a simultaneous decline. In addition, although the CBD has experienced the biggest loss in manufacturing sector companies compared to other areas, it was noted that the decline in manufacturing employment was relatively low compared to other areas that have suffered a loss. Moreover, there is also a simultaneous increase in employment in those areas that have experienced increase in manufacturing sector.

Moreover, the growth of service sector companies is accompanied by a simultaneous increase of jobs in the suburbs and this is a characteristic of edge cities. On the other hand, lack of growth in both sector and employment in the south-east areas means that the residents living in the excluded ghetto are negatively affected by the development of edge cities. This is due to the inaccessibility of jobs in the edge cities to ghetto residents. Consequently, the development of the excluded ghetto emerges as those residing in this

spatially concentrated area are excluded from the economic opportunities and other benefits the city can offer.

# Chapter 5

## 5. Discussion

### 5.1. Introduction

This discussion section is guided by research question posed in our introduction and backed-up by the results outlined above. The question posed above can be reiterated as follows: what is the changing geography of economic growth in the city of Cape Town? Are these changes contributing to the development of 'edge cities' and 'ghettos of exclusion'? Put differently, is economic restructuring, particularly the growth in service sector alongside the decline in the manufacturing sector contributing to the spatial polarisation of the city?

### 5.2. The geographic patterns of economic sectors development in Cape Town

Contemporary studies have argued that, post-Fordist metropolitan areas are no longer dominated by their so-called 'central cities' (Sassen, 2001; Marcuse and van Kemp, 2000; Beauregard and Haila, 1997). Instead, many business activities and workplaces are now located beyond the inner city in a new kind of suburbia, a phenomenon known as the 'edge city' At the same time, poverty and disadvantaged are concentrated in the 'excluded ghettos' far away from job opportunities. In this section, we consider the geographic pattern of economic change.

Geographically, it is clear from the data that there was some change in Cape Town business activities with more business growth in the northern and southern suburbs. Thus, the findings illustrate that formal economic business activities, services sector in particular, mostly occur in Cape Town's three established areas namely: the CBD, Claremont/Wynberg in the southern suburbs, and Milnerton/Century City and Tygervalley in the northern suburbs. Watson (2002: 145) stated that commercial,

residential and business developments have been concentrated in Cape Town's northern (Century City, Tygervalley centre, Cape Gate centre) and southern (Cavendish Square, Blue Route Mall and Westlake development suburbs), both former 'White' areas that benefited from apartheid's skewed distribution of resources.

According to the City of Cape Town (2002) minor clusters of office and retail development have taken place in less developed areas in the Cape Flats, these include Athlone (Vangate Mall), the Khayelitsha Retail Centre and Mitchell's Plain town centres. The present study also confirmed that the growth of service sector companies has been very minimal. This means that although recent investment has led to commercial ventures in these areas it was insignificant compared to the proliferation of up-market business, commercial and residential development in Cape Town's northern and central southern areas. Indeed, our findings support Turok's argument in which he criticized the metropolis for functioning as a 'starkly polarized city' dominated by the juxtaposition of centrally-located affluent suburbs and economic centers, alongside poverty stricken and overcrowded settlements located on the city edges (Turok, 2001:2349).

In his study on development trends in the City of Cape Town Turok (2001) identified deep social and spatial divisions taking place. He regarded Cape Town in the late 1990s as that of a polarized city with inequalities existing between the affluent north and the impoverished south-east. While Turok used the 1990s data, the present study identified that this trend has continued up to 2005 and confirms that even though there was an increase in business activities, large growth was experienced in the northern and southern suburbs with little in the south-east areas. These findings reveal the continuous and existing spatial inequalities in terms of business activities in Cape Town economy.

The pattern of company growth in service sector corresponds well with the observed pattern of employment growth in Cape Town. This also applies to manufacturing sector. The pattern of company growth in service sector corresponds well with the observed pattern of employment growth in Cape Town. This also applies to manufacturing sector.

Employment in service sector is vastly located in the suburbs and the CBD, and increase substantially in the suburbs between 2000 and 2005. This study discovered that Milnerton and Tygervalley area in the northern suburbs and Wynberg in the southern suburbs have experienced a highest growth of service sector employment growth in absolute terms compared to the CBD and other areas.

Due to the lack of business and employment growth in the south-east it is concluded that private investors are less confident and discouraged from investing in those areas. Consequently, the development gap between the poor townships and the affluent suburbs appears to be widening which is contributing to the development of social and spatial polarisation.

### 5.3. Spatial Mismatch

Horn (2002) stated that under apartheid, patterns of politically enforced residence have created racially segregated cities. However, since the abolition of apartheid in the mid-1990s, there has been a significant, although relatively slow decline in overall residential segregation (Christopher, 2001). The implication is that differences in spatial access to jobs may result in different rates of unemployment amongst differently affected population groups. For example, there may be a 'mismatch' of the unemployment with job opportunities.

The theory of spatial mismatch focuses on the impacts of a spatial disconnect between residential locations of the urban poor and the locations of their potential jobs. This theory first arose in the 1960s, tracing the causes of riots in black inner-city neighbourhoods of US cities to the spatial disconnection between inner-city ghettos and the suburbs, where low-skilled jobs had already begun to decentralise.

In this regard, the 'spatial mismatch' hypothesis (SMH) has been used especially in the USA, to argue that 'suburbanization' of economic activity has lead to increased unemployment amongst the relatively low-skilled section of the population who tend to

reside more proportionally in inner city areas (Ihlanfeldt and Sjoquist, 1990, 1991; Houston, 2005). As a result, more low-skilled jobs are being created in suburban areas, to which low-skilled people in central areas have less access, and about which they possess less knowledge. Coulson et al. (2001) pointed out that the SMH implies that there will be more vacancies for low-skilled labour in suburban areas, and that wages for the low-skilled will be higher in suburban than in central-city areas.

It is evident from the present study that the vast majority of firms that relocate or open new branches in the suburbs are mainly in the service sector, and that geographically these firms are mostly located in the northern and southern suburbs. This process is characterised as suburbanisation. Spatial mismatch hypothesis in Cape Town was critical to Turok's (2001) study which focused where people lived and where people worked. Contrary to international trends where the poor mostly reside in the inner cities, the poor mostly Blacks and Coloured in Cape Town had to commute unusually long distances from south east residential areas on the periphery to get to their places of employment which are now vastly located in the northern and southern suburbs in large numbers.

Since Blacks and Coloureds in Cape Town are mostly concentrated in the south east areas, commonly known as townships, this spatial job mismatch further contributed to racial inequality (Kasarda, 1993; Wilson, 1987). Within this post-Fordist spatial order, the population of edge cities is therefore largely middle class and White (Beauregard and Haila, 2000: 29).This situation is exacerbated by the fact that most of the working class or poor does not own personal vehicles and mostly relies on public transport, a legacy carried over from the Apartheid era. This spatial pattern impose long travelling distances and proportionately high cost on the poor in the city, and promotes income leakages from poor to richer areas (Turok, 2001). In contrast, the upper and middle classes who own personal vehicles resides much closer to where they worked. Wilkinson (2000) argues that the forced removal of Coloured and African population from the city bowl to new public housing estate or townships built in the Cape Flats contributed to a great deal to the current spatial order. This social pattern is having detrimental implications on the spatial structure of the city as it worsened economic imbalances that were present and sustained social polarisation as argued above.

Workers, notably unskilled residing in neighbourhoods of the south east are disconnected from job opportunities due to their reliance on public transport. While workers mostly use trains or buses, there is a lack of coordination between transportation modes and limited routes to the suburbs where growing service sector jobs are largely located. Taxi are mostly used as public transport to access suburbs and this lead to a high commuting costs in comparison with wages low-skilled people earns.

### 5.4. Edge cities versus excluded ghettos

The spatial and sectoral composition reorganisation of the economic industries has begun to change the urban structure of the City of Cape Town in recent years. In addition to the existing centre of the Central Business District -CBD, the northern and southern suburbs have emerged as important centres of services sector firms in Cape Town, some partly resulting from relocations from the CBD. The new growth sectors particularly services sector in Cape Town is said to be contributing to produce not only a new geography of decentralisation or suburbanization, commonly known as edge cities but also a new geography of marginality or excluded ghettos.

Beauregard and Haila (1997:3) mentioned that one of the most frequently mentioned spatial components of the contemporary city is edge cities, the nodes of office activities, retail stores, and apartment buildings that now dot metropolitan areas, particularly in the United States, and compete with the former central business districts for office tenants, restaurant patrons, shoppers, and moviegoers. Marcuse (1997) defines 'edge cities' as a "spatially concentrated development taking place outside of the central city and inner suburbs in which all business activities are brought together with residentially exclusionary enclaves in a form that permits diversity without including either the top or the bottom of the social and economic hierarchy.

On the other hand, studies particularly in the US cities observed the place where the desperately poor, permanently unemployed, homeless, and racially and socially

discriminated against by the remainder of society live. Moreover, this place is part of the city that suffers from a lack of public services, high crime rate and overpopulation. Places with this condition has been termed 'excluded ghetto' According to Marcuse (1997: 313) 'Excluded ghetto' is spatial phenomenon defined by as "a spatially concentrated area in which race is combined with class, where residents' activities are excluded from the economic life of the surrounding society which does not profit significantly from its existence, and where they are treated as inferior by the dominant society."

The data in this study confirms that with the movement of offices to the decentralised nodes, the suburbanisation of jobs was taking place in the northern and southern side of the CBD between 2000 and 2005. Furthermore, the movement of jobs from the CBD and to the suburbs is a characteristic of edge cities. When this movement of offices occur, residents living in the ghetto are negatively affected by the development of edge cities. This is due to the inaccessibility of jobs in the edge cities to ghetto residents. For example, Cape Town public transport systems is linked to the city core, and the old industrial areas hence little or no public transport to the suburbs which makes it difficult to navigate to the new locations of firms in the northern suburbs.

As a result, the development of the excluded ghetto emerges as those residing in this spatially concentrated area are excluded from the rest of society. Thus, poorly educated, working-class residents in the south east of the city, who could not afford expensive suburban housing and private transport, became trapped in this jobless ghetto of excluded areas. Furthermore, the excluded ghetto, exists where race is combined with class in an area that is essentially barred from society. Wilson (1987) substitutes the term underclass for that of ghetto poor which suggests the link between race and class. Whilst, at the same time, the edge cities continue to grow and develop into totalizing suburbs where all business, employment, recreational and cultural facilities are available in a single area.

# Chapter 6

## Conclusion

This study has examined the changing geography of economic activities and the extent to which Cape Town is developing a post-Fordist spatial order characterised by the development of edge cities and the excluded ghetto. The growth of service sector companies in the northern and southern suburbs largely influence the development of edge cities and excluded ghettos. Regional Service Council levy data was used to investigate the geographical trends of business activities in Cape Town.

In spatial terms, it was evident that most companies are located in the CBD; Milnerton and Tygervalley in the northern suburbs; Wynberg and Claremont in the southern suburbs; and Somerset West in the southern-east of the city. These areas had much larger numbers of companies compared to other areas. Furthermore, the observed data demonstrates that the CBD has the highest number of all companies geographically almost double and triple that of many other areas. In contrast, the south east areas show the lowest number of companies in Cape Town.

When investigating trends, the findings suggest that service sector growth was largely occurring in the northern (Milnerton and Tygervalley) and southern (Wynberg and Claremont) suburbs. There was also a growth of service sector companies in the CBD but the increase was at much slower rate than that of the decentralised nodes. Of importance is the fact that there was a smaller service sector growth recorded in the south-eastern parts of the city. Alongside service sector growth there was a progressive decline in manufacturing sector companies. It was evidenced that the number of manufacturing companies declined in almost all areas and much of these loses occurred in the CBD and inner city areas of Observatory, Salt River and Woodstock. The pattern of company growth in service sector corresponds well with the observed pattern of employment growth in Cape Town and the same applies to the decline in manufacturing sector.

It has been discussed that the growth of service sector predominantly in the northern and southern parts of the city and the lack service sector companies in the poorer and neglected south-east has implications for social polarisation and spatial mismatch. More service sector jobs are available in the northern and southern suburbs than in the south-eastern parts of the city. Service sector jobs require low-skilled workers and it is difficult for the residents of the south-east areas to access those jobs. The exclusion of the south east residents from low-skilled jobs in the growing office nodes contributes to what has been termed as the 'excluded ghetto'. On the other hand, data showed that all the decentralised nodes had taken on the characteristics of an 'edge city'. The decentralised nodes showed signs of 'edge city' where employment, business, recreational and cultural facilities were available within each node.

In brief, most service sector companies and employment occurred in the northern and southern parts of the CBD while south-east of the CBD experienced very little growth continue to be neglected and overlooked by those investing in office development. Thus, new growth sectors particularly services sector is said to be contributing to produce not only a new geography of decentralization or suburbanization, commonly known as edge cities but also a new geography of marginality or excluded ghettos. In the end, the data suggests that social polarization is indeed a trend that is taking place in Cape Town.

**Reference:**


Anas, A.R. Arnott, and Small, K.A. (1998) Urban spatial structure. *Journal of Economic Literature* 36, pp.1426-1464.

Beavon , K. (2000) Northern Johannesburg: part of the 'rainbow' or neo-apartheid city in the making?
http://motspluriels.arts.uwa.edu.au/MP1300kbtext.html Accessed 06 June 2009

Beavon, K. (2004) *Johannesburg: The making and shaping of the city* (University of South Africa Press, Pretoria, Chapter 7, pp.237-282.

Beall, J., Crankshaw, O. and Parnell, S. (2002) *Uniting a Divided City: Governance and Social Exclusion in Johannesburg*. Johannesburg. Earthscan Publications

Beauregard, R. and Haila, A. (1997) 'The unavoidable incompleteness of the city. (The Changing Spatial Order in Cities)'. *The American Behavioral Scientist* 41 (3), pp.327 – 336

Beauregard**,** R**. (**1991**)** 'Without a net: Modernist planning and the post-modern abyss'. *Journal of Planning Education and Research* 10(3): pp.189-194.

Behrens, R. and Wilkinson, P. (2003) *Metropolitan transport planning in Cape Town, South Africa: a critical assessment of key difficulties*, Working Paper No. 5, Urban Transport Research Group, University of Cape Town

Blackaby, F. (1981) *De-Industrialization*, Heinemann, London

Bluestone, B. and Stevenson, M. (2000) (eds), *The Boston Renaisance: Race, space, and economic change in an American metropolis*. Russell Sage Foundation, New York.

Bogart, W.T. and Ferry W.C. (1999) 'Employment centres in Greater Cleveland: Evidence of evolution in a formerly monocentric city'. *Urban Studies* 36, pp.2099-2110.

Cameron, R. (1993) 'Regional Services Councils in South Africa: Past present and future', *Public Administration*, 71(3), pp.417-439.

Castells, M. (1989) *The Informational City: Information Technology, Economic Restructuring, and the Urban-Regional Process*, Oxford: Basil Blackwell.

Castells, M. (1993) European cities, the informational society, and the global economy. *Tijdschrift voor Economische en Sociale Geografie* 84 (4), pp.247-257.

Christopher, A J (2001) 'Urban segregation in post-apartheid South Africa'. *Urban Studies* 38, pp.449–466.

City of Cape Town. 2002. Municipal Spatial Development Framework. Review/New City SDF: Phase 1: Spatial Analysis, Trends and Implications. First Draft. City of Cape Town November 2002

Coulson, N E, Laing, D. and Wang, P. (2001) 'Spatial mismatch in search equilibrium'. *Journal of Labour Economics* 19(4), 942–972.

Crankshaw, O. (2008) 'Race, Space and the Post-Fordist Spatial Order of Johannesburg'. *Urban Studies* 45(8), pp.1692–1711.

Crotty, M. (1998) *The foundations of social research: Meaning and perspective in the research process*. London and Thousand Oaks: Sage Publications

Dear, M. (2000) *The Post-Modern Urban Condition*. Oxford: Blackwell.

Dewar, N. (2004) 'Stemming the tide': revitalizing the central business district of Cape Town'. *South African Geographical Journal* 86 (2), pp.91-103

Forstall, R.L. and Greene R.P. (1997) 'Defining job concentrations: The Los Angeles case'. *Urban Geography* 18: 705-739

Friedmann, J. (1995) "Where We Stand: A Decade of World City Research." In P. Knox and P. Taylor (eds.) *World Cities in a World-System*, New York: Cambridge University Press

Garreau, J. (1991) *Edge city: Life on the new frontier*. New York: Doubleday

Gordon, P. and Richardson, H.W. (1996) 'Beyond polycentricity: The dispersed metropolis, Los Angeles 1970-1990'. *Journal of American Planning Association* 62, pp.289-295.

Hamnett, C. (2003) *Unequal City: London in the Global Arena.* London: Routledge.

Horn, A. C. (2002) "New perspectives on urban segregation and desegregation in post-resolution South Africa". In Schnell, I. and Ostendorf, W. (eds). *Studies in Segregation and desegregation*. Aldershot, Ashgate.

Houston, D. (2005) 'Employability, skills mismatch and spatial mismatch in metropolitan labour markets', *Urban Studies* 42 (2), pp. 221–243.

Ihlanfeldt, K. and Sjoquist, D.L. (1990) 'Job accessibility and racial differences in youth employment rates', *American Economic Review* 80 (1), pp. 267–276

Ihlanfeldt, K. and Sjoquist, D.L. (1991) 'The effect of job access on black and white youth employment: a cross-section analysis', *Urban Studies* 28, pp. 255–265.

Ihlanfeldt, K. and Sjoquiest, D. (2000) 'The Geographic Mismatch Between Jobs and Housing', in Sjoquist, D. (ed.), *The Atlanta Paradox*. New York: Russell Sage Foundation.

Jessop, B. (2006) Post-Fordism and the State. http://www.geo.ut.ee/inimtool/referaasis/krap/referaat_palhus.htm Accessed on 22 May 2009

Kasarda, J. (1993) 'Cities as Places Where People Live and Work: Urban change and neighbourhood distress', In Cisneros H. (ed.), *Interwoven Destinies: Cities and the nation*. Norton, New York.

Leedy**,** P**. (**1993**).** *Practical Research Planning and Design*. 5th . Ed. New York: Macmillan.

Lemanski, C. (2007) 'Global Cities in the South: Deepening social and spatial polarisation in Cape Town'. *Cities*, 24 (6), pp.448-461,

Map Studio (2001/2002) *Street Guide 11 eds*. New Holland Publishing

Marcuse, P. (1997) 'The enclave, the citadel and the ghetto: What has changed in the post-Fordist U.S. city?' *Urban Affairs Review*, 33 (2), pp. 228-264.

Marcuse, P. (1989) 'Dual city: A muddy metaphor for a quartered city', *International Journal of Urban and Regional Research*, 13 (4), pp. 697-708.

Marcuse, P. and Van Kempen, R. (2000) *Globalising Cities: A New Spatial Order?* London and Cambridge: Blackwell Publishers

Marks, R. and Bezzoli, M. (2001) Palaces of desire: century city, Cape Town and the ambiguities of development, *Urban Forum*, 12 (1), pp.27-47

McDonald, D. and Smith, L. (2004) Privatizing Cape Town: From apartheid to neoliberalism in the mother city. *Urban Studies* 41(8), pp.1461–1484

Miraftab, F. (2007) 'Governing Post Apartheid Spatiality: Implementing City Improvement Districts in Cape Town', *Journal compilation*, pp. 602-629

Mouton J and Marais H C (1996) Basic concepts in the methodology of the social sciences. Revised edn. Pretoria: Human Sciences Research Council

O'Connor, K., Stimson, R. and Daly, M. (2001) Australia's Changing Economic Geography: A Society Dividing. South Melbourne: Oxford University Press.

Punch, K. F. (2005) *Introduction to Social Research–Quantitative and Qualitative Approaches*. London: Sage

Punch, K. F. (1998), Introduction to Social Research. Quantitative and Qualitative Approaches. Sage, London

Rospabe, S. and Selod, H. (2006) 'Does City Structure Cause Unemployment? The case of Cape Town', in H. Bhorat and R. Kanbur (eds.), Poverty and Policy in Post-Apartheid South Africa (HSRC Press, Cape Town).

Saff G. R. (1998) Changing Cape Town: urban dynamics, policy and planning during the political transition in South Africa. Lanham, University Press of America.

Sassen, S. (2001) The global city: New York, London, Tokyo. Princeton University Press

Sirilli, G., and R. Evangelista. 1998. "Technological Innovation in Services and Manufacturing: Results from Italian Surveys."*Research Policy* 27:881-899.

Smith, M.P. (2001) *Transnational Urbanism*, Blackwell, Oxford (2001).

Soja, A. (1997) Margin/alia: Social justice and the new cultural politics, in: A. Merrifield and E. Swyngedouw (Eds.) *The Urbanization Injustice*. New York: New York University Press.

Soja, E. (2000) *Postmetropolis*. Oxford: Blackwell.

Thirlwell, A. P (1982) 'Deindustrialization in the United Kingdom', *Lloyds Bank Review*, 144, pp. 22-37

Thompson, F. *Fordism, post-Fordism and the Flexible System of Production*. Accessed on 22 June 2009 at http://www.willamette.edu/~fthompso/ MgmtCon/Fordism_&_Postfordism.html

Turok, I. (2001). 'Persistent Polarisation Post-*Apartheid*? Progress towards Urban Integration in Cape Town'. *Urban Studies* 38 (13), pp.2349 – 2377

Turok, I. and Watson, V. (2001) 'Divergent Development in SA Cities: Strategic Challenges Facing Cape Town', *Urban Forum*, 12(2), pp.119-138.

Walks, R. A. (2001) The social ecology of the post-Fordist/global city? Economic restructuring and socio-spatial polarisation in the Toronto urban region, *Urban Studies*, 38 (3), pp. 407-473

Watson, V. (2002) *Change and Continuity in Spatial Planning; Metropolitan Planningin Cape Town Under Political Transition*. London and New York: Routledge

Wilkinson, P. (2004) 'Renegotiating Local Governance in a Post-Apartheid City: The Case of Cape Town'. *Urban Forum*, 15 (3), pp.213 – 230

Wilson, W.J. (1987) '*The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*'. Chicago: University of Chicago Press