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**THE HELDERBERG BASIN**  
**REGIONAL AND LOCAL ECONOMIC DEVELOPMENT ISSUES**

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BY

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LIST OF ABBREVIATIONS

AECI	-	African Explosives and Chemical Industry
AGU	-	Agricultural General Union
ANC	-	African National Congress
BIFSA	-	Building Industries Federation of South Africa
CAWU	-	Construction and Allied Workers' Union
CPA	-	Cape Provincial Administration
FAWU	-	Food and Allied Workers' Union
FFRWSA	-	Farms, Food and Rural Workers' Support Association
GATT	-	General Agreement on Tariffs and Trade
HDI	-	Human Development Index
IDC	-	Industrial Development Corporation
LDC	-	Less Developed Country
LED	-	Local Economic Development
NUMSA	-	National Union of Metalworkers of South Africa
PPAPWAWU	-	Paper, Pulp and Printing, Wood and Allied Workers' Union
RDP	-	Reconstruction and Development Programme
RIDP	-	Regional Industrial Development Programme
RSA	-	Republic of South Africa
SACWU	-	South African Chemical Workers' Union
SBDC	-	Small Business Development Corporation
SMME	-	Small, Medium and Micro Enterprise
USA	-	United States of America
WESGRO	-	Association for the Promotion of Economic Growth in the Western Cape

## CHAPTER ONE

### INTRODUCTION

The Reconstruction and Development Programme (RDP) has been described as an integrated, coherent socio-economic policy framework which seeks to mobilise all our people and our country's resources toward redressing the imbalances of apartheid and building a democratic, non-racial and non-sexist future.

An integrated and sustainable programme, based on, and driven by, the people, that provides peace and security for all and builds the nation, links reconstruction and development and deepens democracy - these are the basic principles of the RDP. To this end, meeting basic needs, developing our human resources, building the economy, democratising the state and society and implementing the RDP are the key policy programmes contained in the RDP (African National Congress 1994).

This vision of the RDP for socio-economic development in South Africa, does not however guarantee that the practical programmes and developments that unfold within regions, are going to be exactly as per the policy document. There is always likely to be a dichotomy between the policy, theory and vision, and what happens in reality. The track record of the RDP to date indicates exactly that.

As well as attempting to change national policy to redress class and spatial imbalances, concerned citizens have begun to mobilise and insist that local authorities adopt Local Economic Development (LED) strategies. Organised labour, organised capital, local and regional elements and community activists are co-operating to design innovative common strategies to address their particular problems.



These agents argue that even within the macroeconomic processes there is room for local action to improve the quality of life for the local community. This is the Helderberg Basin plan.

Job creation is the key to increased standards of living and an organised economy is the key to ensure that these jobs are created. An organised economy requires sustainable growth over time. The development of a growth strategy is facilitated by reference to economic theory. Theory provides a useful guide to policy formulation and implementation, but it is unlikely that a single theory will address all practical development issues.

What are some of the basic economic theories, underlying the principles of economic growth strategies, that help to shape regional development policy?

Drawing from the vast literature on regional economic development theory, Chapter Two reviews select theoretical developments in regional development literature, highlighting those theories particularly pertinent to explaining development in the Helderberg Basin. A case study of the Helderberg Basin was conducted initially and guided selection of appropriate theory. A selective review of this body of appropriate theory, this chapter thus seeks to provide a theoretical perspective on regional development as it pertains to the case study, and incorporates theories such as flexible specialisation, Porter's investment and innovation, balanced and unbalanced growth, profit cycle and geography of enterprise.

No single theory provides a comprehensive guide for regional development, many make useful contributions. Consequently an eclectic blend of these theories seems most appropriate for offering an explanation of development in the Basin. Not only are these theories particularly appropriate in explaining past and present developments,

but in light of the prevailing problems, prospects and plans revealed in the case study, these theories could offer guidance for future development and policy-making. It is, in the final analysis, a mix of theory, development and ideas that actually influences policy over time.

Against a background of national development considerations, in particular the role of the state in regional development, Chapter Three provides a review of development considerations particular to the Western Cape, with specific reference to the Helderberg Basin. Discussions, with representatives from the state, namely the RDP Central Office - Ministry in the Office of the President, and the Western Cape Provincial Government Department of Economic Affairs and RDP - Regional Ministry of Economic Affairs, as well as with representatives from institutions involved in development, namely WESGRO (Association for the Promotion of Economic Growth in the Western Cape) - Regional Economic Development Department, and the Western Cape Economic Development Forum, provided an outline of the proposed development strategy envisioned for the Western Cape.

In addition to specific focus on a regional strategy for development, the opinions of policy-makers and development organisations indicate concern regarding national considerations. Comparative Human Development Indices presented in Chapter Three indicate that the Western Cape is relatively well-endowed already, raising concerns about RDP funding coming to the region.

Against this theoretical and practical backdrop, recent development experience in the Helderberg Basin is examined.

Chapter Four focuses on the Basin, an area comprising Somerset West, Gordons Bay, Strand, Van der Stel, Garden Village, Macassar, Faure, Firgrove, Rusthof, Casablanca, Blikkiesdorp/Erijaville, Kersiedorp, Lwandle, Nomzamo, Sun City and Sir Lowry's Pass Village.

The area is characterised by a high level of unemployment, as a result of which many residents will not be able to afford formal housing, despite the assistance of the new Regional Housing Board subsidy. Consequently developing local enterprises and job creation within a Local Economic Development (LED) strategy in the Basin are key to addressing these development problems.

Consulting representatives from the Development Action Group, the Regional Services Council, the Helderberg Chamber of Commerce and Industry, the Local Government Negotiation Forum - Helderberg, the Winelands Regional Development Association, the Rural and Agricultural Commission, the Development and Public Policy Consultants' Public Facilitation Structure Group and the Steering Committee of the Western Cape Economic Development Forum, provided a comprehensive profile of firms small, medium, large, growing and declining in the Helderberg Basin, from which the required size- and sector variant sample of ten firms was selected for the case study to facilitate research of the economic development situation in the Basin.

Chapter Four presents the case study incorporating the findings of this small sample economic survey, conducted in November and December 1994, for use in directing a LED strategy, within the broader framework of the RDP. Key issues emerging from the survey concern skills development, industrial relations and future expectations for the Helderberg Basin.

Drawing on the practical regional economic development considerations of Chapter Three and the local case study experience of Chapter Four, Chapter Five concludes with a review of the theory, useful to explaining development in the Helderberg Basin, as well as the predominant economic development issues impacting on LED in the Basin.

## CHAPTER TWO

### A THEORETICAL OVERVIEW

#### 2.1 INTRODUCTION

The basic economic theories, providing the principles that underpin economic growth strategies and shape regional development policy, are examined in this chapter. Drawing from the vast literature on regional economic development theory, this chapter reviews the theoretical developments approximately chronologically presenting those theories particularly pertinent to explaining development in the Helderberg Basin. Consequently this is a selective, not an exhaustive, review of the body of regional development theory.

Including, amongst others, the currently influential flexible specialisation, Porter's investment and innovation, balanced and unbalanced growth, profit cycle and geography of enterprise theories, this chapter seeks to provide a relevant theoretical perspective on regional development as it pertains to the case study.

#### 2.2 A PERSPECTIVE ON THEORETICAL DEVELOPMENTS

##### 2.2.1 Weber

Theorising industrial location based on the cost of transport, Weber maintains that the weight and/or volume of raw materials, compared with that of final outputs, will pull firms' locations nearer their source of materials or markets, whichever is cheaper (Chapman and Walker 1987: 17).

The influence of labour costs and agglomeration factors on the recurrent attraction of a particular location (Chapman and Walker 1987, Holland 1976, Storper and Walker 1989, Walker 1989) as well as Weber's stress on technological progress and innovation being essential to the industrialisation process (Holland 1976: 5), are other major, though often unrecognised, contributions he makes to industrial location theory.

Weber argues that although production processes will change over time, it will not be possible to continually change the location of plants in order to adapt to the new costs of transporting raw materials or outputs to markets, unless of course opening new plants is planned. As a result sectoral concentration will evolve enabling plants to utilise similar technology and develop external economies. He emphasises that as production processes, based on new technology and leading to new divisions of labour, change in the future, the previously rational location decentralisation will not necessarily hold (Holland 1976: 6). By way of corollary, the forces that call the structures into existence are not necessarily what gives them survival value.

### **2.2.2 Behavioural matrix**

Recognising that locational factors, other than the conventional proximity to markets and/or raw materials, affects firms' decisions to locate new plants, Pred's (1966) behavioural matrix raises issues outside those that "economic man" would be expected to consider.

These include imperfect information, the possibility of different firms or individuals behaving differently and firm survival perhaps not being permanent (Chapman and Walker 1987: 19-22).

Furthermore, Pred (1977) argues that urban systems which pass certain size thresholds, due to successful specialisation, will continue to thrive as nodes of specialised information from which technological innovation will flow (Storper and Walker 1989: 31-2).

### 2.2.3 Geography of enterprise

Underpinning this theory are notions of corporate approaches to decision-making in which, not only production and transportation costs, but the size or concentration of an enterprise's functions are found to affect locational choice. Influenced by business organisation theories and Galbraith's (1967) concern for large corporations, Tornqvist (1978 - As quoted in Platzky) and Hamilton's (1974 and 1978) geography of enterprise introduces the notion that the way in which industries themselves organise, as well as the technology they use, affects regional growth and change.

### 2.2.4 Product cycle

Vernon (1966) revives the product cycle theory, of Kuznets and Burns, which focuses on corporate decision making and the dynamics of growth. Basically the theory predicts : "A youthful industry makes small batches of its products using skilled labour, which is best found in major industrial centres; as it matures, the industry standardises its product, routinizes its activities, mechanises production, deskills the labour process, purchases in large stable quantities, and builds large self-contained factories; it thereby depends less and less on economies of agglomerations and can deagglomerate in search of cheaper labour and cheaper land" (Storper and Walker 1989: 120).

### 2.2.5 Profit cycle

To account for the creation of new enterprises, their subsequent growth and decline, Markusen adapts the product cycle model into a profit cycle theory. She argues that the theory explains why certain sectors concentrate and disperse as agglomerative factors are displaced by cost-cutting imperatives (Markusen et al 1986: 137).

Markusen's profit cycle theory involves four basic stages : an initial innovative stage of super-profits and agglomeration followed by a competitive stage of normal profits, standardisation of large-scale production and dispersion.

Later an oligopolistic stage of monopolistic profits encourages dispersal and an obsolescence stage of market decline, profit squeeze and plant closings, results in relocation or abandonment (Markusen 1985). The theory provides important insights on the power of oligopolies to inhibit innovation and of trade unions to reinforce collusion and discourage new sectors.

Based on Marx and Schumpeter's notions of capitalism's innovative technological dynamics and incorporating Mandel's notion of super-profits, Markusen argues her theory is consistent with Kondratieff's fifty year waves of economic expansion and contraction as well as with Schumpeter's "technological revolutions" in capitalist development, which influenced "long waves of regional development" (Marshall 1987: 2-3).

### 2.2.6 Capital restructuring and labour

Massey is widely acknowledged as the pioneer of this theory. Restructuring refers to qualitative changes in relations between the constituent parts, labour and capital, of a capitalist economy, in the process of accumulation (Lovering 1989: 198). Her work (1979 and 1984) inspired a shift in thinking to emphasize industrial studies, change in space economy, the make-up of industrial production operations (Walker 1989: 45) and the impact on people in places.

According to Massey, a hierarchy of relations of economic ownership and possession is spread between locations such that the technical division of labour, which reflects the separation of conception and execution of functions in capitalist production, shapes class relations over space.

Massey's view that spatial structure is not only determined by characteristics of the labour process, by accumulation requirements, by technology and by change, but also by history and struggles between managers, workers and political representatives, has implications both for locational choices of future industry and for long-term growth or decline of regions.

Concentrating on the role of agency in structure and of class in locality, certain other theorists also lay particular emphasis on the role of labour as an active agent, rather than as a locational factor, in the process of industrialisation, in order better to understand the concrete changes in fortunes of regions and places (Massey and Meegan 1982, Storper and Walker 1983, Scott and Storper 1986, Cooke 1989).



### 2.2.7 Flexible specialisation

Adherents of this theory deny concepts of class, mode of production and laws of historical development (Walker 1989a: 6). Walker outlines the three central ideas of flexible specialisation. Firstly, since World War Two, capitalist firms have been learning to respond more flexibly to fragmented and unstable demand by producing a wider and more variable set of commodities and innovating new products more quickly. Secondly, they achieve this end by means of the more creative use of skilled labour, by more flexible relations among firms and with the aid of new programmable machines. Finally, flexible specialisation occurs mainly in "vertically disintegrated networks of firms and the industrial districts in which they tend to cluster, but not without the help of regional systems of co-operation and governance and imitation by large firms and their sub-contractor networks" (Walker 1989a: 7).

### 2.2.8 Geographical industrialisation and territorial development

Synthesising industrial location and regional development theories, Storper and Walker (1989) propose this new theory of industrial location, which explains territorial growth and decline, as integral to Schumpeter's "creative destruction" of capitalist development (Cooke 1989: 3), whilst Scott and Storper (1992: 35) emphasize the "interactions of economic logic and political institutions at the local and global levels".

Based on Schumpeter's notion of innovation, Keynes' focus on investment and Marx's understanding of technology in capitalist growth, this dynamic growth and decline theory is influenced by Massey's industrial restructuring and Markusen's profit cycle theories and built on early theories of propulsive industries, industrial linkages and cumulative causation, incorporating history, geography, economics and politics.

Storper and Walker argue that the division and integration of the production process is basic to the organisation of that process and to competition. While capital creates the technical division of labour and utilises the resulting social division of labour, it seeks to integrate production functions, to maximise economies of scale and scope and to lower transaction costs in the most efficient way (Williamson 1986).

Storper and Walker propose four basic spatial forms of industrial growth which operate at the national and international scale, namely localisation, clustering, dispersal and shifting centres. Their flexible industrialisation patterns are conducive to explaining territorial development at national, as well as at regional and local level.

Spatial agglomeration of production is central to, and indeed generates territorial development. Storper and Walker distinguish between two locational criteria which help determine spatial agglomeration. The first, somewhat static criterion is the locational specifications of a place/industry (Storper and Walker 1989: 73) which includes the availability of competitively priced, well located factors of production and access to ports and markets, social overhead capital as well as economic overhead capital. The second more dynamic criterion is the concept of locational capabilities which refer first "to the capacity of a plant/firm/industry to secure what it needs - labour, suppliers, buyers - at a given location" (Storper and Walker 1989: 73) at a competitive rate, through bargaining with the local state to provide social overhead capital/economic overhead capital if necessary.

Locational capabilities also refer to the creative powers, of owners and managers, which accompany increased investment, technical innovation, original advance and skills development (Storper and Walker 1989: 74). Unless establishments have the capacity and capability to produce competitively, conducive location as a productive factor is an insufficient condition for growth.

The drive behind their theory is the reduction of the cost of constant capital, which moves the dynamic beyond the simple Fordist demand for cheaper factors of production to a demand for differentiated labour, flexible production methods and a particular competitive structure. Not simply a new capital/labour mix, but a new complex industrial structure to generate product proliferation and increased productivity could give rise to a geographical regeneration of production and a resurgence of the industrial district (Storper and Walker 1989: 152).

Rather than supply, demand and costs, they argue that industrialisation drives location, creating its own markets and inputs which give rise to new industrial centres and peripheries. Thus "comparative advantage and disadvantage are both historical products of geographical industrialisation" (Storper and Walker 1989: 97).

### 2.2.9 Investment and innovation

By identifying the determinants of national or regional competitive advantage, this theory of Porter's (1990) parallels Storper and Walker's view of the causes of territorial growth.

Porter argues that certain sectors in certain geographic areas account for higher/lower than average rates of economic growth. He too points out that supply and demand factors are less significant to territorial industrialisation than the specifications and capabilities generated by previous rounds of growth in an area.

According to Porter, four mutually reinforcing elements in a "diamond" of factors and forces determine the national competitive advantage of certain sectors over others. The "diamond's" two most crucial determinants are the "strategy, structure and rivalry" of the enterprise and the "related and supporting industries" in the territory.

Porter's institutional dimension, incorporating the structure of business as well as the government-business relationship, indicates that regional policy must accept the need for government intervention with regard to a certain degree of support for industry that may have a chance. Such involvement must be guided by long-run competitiveness.

Porter reports that his research indicates economic geography should be a core discipline in understanding competitive advantage (Porter 1990: 791). He found that it is "the combination of national and intensely local conditions that fosters competitive advantage (Porter 1990: 158).

In view of technology reducing the demand for raw materials, Porter emphasizes the need for innovation, education and technically trained human resources as crucial for modern competitiveness. He also observes that the quality demanded by the local market, and the quantity of local competition able to fulfil that demand, appear to be major factors in determining international competitive advantage.

Thus, like Storper and Walker (1989), Porter explains territorial growth and decline as a reflection of, and further stimulus to, geographic industrialisation. The three argue, albeit using different language, that it is in the expansion of productive capacity that increased surplus is accumulated, which if further invested over time, allows for the development of new or improved products through changing productive processes and their organisation as well as the social relations of production.

### 2.2.10 Asian path

Citing the examples of Mainland China and Taiwan, in its early stages of industrialisation, advocates of this approach argue that the existence of large numbers of people willing to accept very low wages provides an opportunity for labour-intensive, export-oriented industrialisation in a region.

Much of the rapid industrialisation in Taiwan has been situated in predominantly rural regions where wages are below those in major urban centres. This rural industrialisation was preceded by massive redistributive land reforms, in the late 1940's, through which the majority of the population gained access to land. The redistributive land reform was accompanied by agricultural growth that raised the living standards of the large majority of the population. There were, in addition, concerted policies of human resource development and investment in education. Taiwan thus fulfilled the need to link redistribution with opening up access to productive possibilities.

Rural industrialisation in Taiwan has therefore grown on a foundation of economic security of the large majority of the population. Accordingly even though wages in rural industry are below those in major urban areas, the lower wages are supplemented by other secure sources of income in the local economy. An important part of the secret of Asian competitiveness thus lies in the way industrial wages are supported by other forms of social and economic security.

It is also the case that industry in Taiwan has been shaped by close linkages between industry and agriculture. These have operated in the following two particular important ways. Firstly, direct production linkages, such as the processing of agricultural products, have been substantial.

Secondly, even more important are local consumption linkages, which arise when increasing incomes from agriculture generate demand for locally produced non-agricultural goods and services and stimulate further rounds of investment and employment.

Thus agriculture in Taiwan was a major stimulus to industry and commerce. Rapid rural industrialisation has consequently been linked to agricultural growth as well as export production in Taiwan (Hart 1995: 1-10).

#### 2.2.11 Balanced growth

This theory, a uniform sectoral growth model approach to regional development, implies the "big-push" theory. A massive "big-push" development effort involves a large number of projects of varying sizes that support one another. This form of balanced growth has been labelled "horizontal balance".

The primary advantages, to potential developers, claimed to result from this approach, include a market-oriented programme, freedom of locational choice as well as an apparent lack of political bias.

The case for the "big-push" rests upon two points. Firstly, the existence of significant scale economies in many productive lines means that the demand for many items must be high even for a break-even point to exist. Secondly, in order to raise demand for any one particular line it is usually necessary to raise income levels substantially over the entire economy. This can only be accomplished with a massive all-out investment programme (Baldwin 1972: 83-4).

The balanced growth doctrine has been further extended to refer to the path of economic development as well as the pattern of investment necessary to keep the different sectors of the economy in balance, so as to ensure that lack of development in one sector does not impede development in others. Hansen indicates that the balanced growth theory thus generally implies "more emphasis on rural development" (Hansen 1978: 221).

This balanced growth theory leads to the conclusion that, when an economy reaches some adequate size, the inhibiting effects of small markets will tend to disappear. On this score growth is easier as incomes grow and is more practical for rich than poor, consequently necessitating focusing assistance on the less developed parts of a country.

#### **2.2.12 Unbalanced growth**

Hirschman (1958) carries the concept of balanced growth further suggesting that the creation of deliberate imbalances may be a superior way to achieve growth, hence the concept of unbalanced growth. According to Hirschman (1958: 183-4) an economy must first develop within itself one or several regional centres of economic strength, by identifying various growth poles or urban centres in the national spatial area for financial assistance for new development.

It is argued that the government should function as the "unbalancing agent" by means of identifying certain growth points which are best suited for their specific development strategy, be it agricultural, industrial, commercial or service-oriented. Thus a choice must be made by the government as to the location of induced growth incentives. Hirschman maintains balanced growth is the end result of a series of uneven government-stimulated advances of one sector followed by the catching up of other sectors (Hirschman 1958: 62-3).

The unbalanced growth theory, employing various selective approaches for regional development, thus concentrates on raising growth rates in selective economic sectors. This approach leaves considerable scope to induced investment decisions and therefore economises the principle : scarce resources - genuine decision-making.

Intensive investment in particular industries and sectors can pay high dividends by eliminating bottlenecks and stimulating a higher investment rate in other industries. In these leading sectors, investment complementarities and resource elasticity can be effectively utilised (Baldwin 1972: 85).

"Unbalanced growth is the way the world works" (Hogendorn 1987: 328) especially in developing countries and "lagging regions" (Hansen 1965: 11).

### **2.3 CONCLUSION**

As indicated in this chapter each theory presents a particular vision of regional development : there is no one definitive theory for practical application. No single theory provides a comprehensive guide for regional development, many make useful contributions. An eclectic blend of theory, development and ideas influences policy over time. As a result, all of the theories outlined above are reflected to a greater or lesser extent in current states of regional development.



Different kinds of development can also be seen in what has happened in the Helderberg Basin over time. The most important, relevant theories of development reflected in the empirical study, indicating the cross-cutting development issues in the Basin and shedding light on developments there, are the theories of flexible specialisation, balanced and unbalanced growth, Porter's investment and innovation, profit cycle and geography of enterprise.

An eclectic blend of these theories seems most appropriate for offering an explanation of development in the Basin. Not only are these theories particularly appropriate in explaining past and present developments, but in light of the prevailing problems, prospects and plans revealed in the case study, these theories could offer guidance for future development and policy-making.

## CHAPTER THREE

### PRACTICAL REGIONAL DEVELOPMENT CONSIDERATIONS

#### 3.1 INTRODUCTION

The particular case of South Africa manifests a state engineered space-economy of an advanced capitalist sector alongside, interdependent with, remnants of previous modes of production, and Platzky (1995) recommends a dynamic and integrated theory of geographical industrialisation and territorial development, such as offered by Storper and Walker (1989) (Platzky 1995: 30).

Territorial growth and decline is influenced predominantly by macroeconomic forces, and is determined by the pace and origin of investment in production, by innovation and competitive strategies of and within sectors, by how production processes are organised and how the division of labour takes place. The innovative roles of capital, labour and the state together with the capacity of the firms in the territory, generate their own dynamic environment, which in turn attracts further growth.

Spatial agglomeration of production is central to, and indeed generates, territorial development. It is determined both by the propinquity of factors needed by the sectors to produce, and by the capacity of the firms located there to create and attract conditions conducive to improvement of the growth environment, including upgrading technology, improving economic overhead capital and social overhead capital, deepening the skill base and attracting related industries and producer services (Platzky 1995: 62). But, unlike Porter's (1990) theory, Storper and Walker's tends to understate the role of the state at all levels in the process.

### 3.2 STATE INVOLVEMENT

Lall (1993) emphasises that the state is one of the most important development institutions and in the interests of long-term development it is, according to Platzky (1995), the responsibility of the state to provide social overhead capital and economic overhead capital, to ensure competition, to encourage high standards of work and to mediate between the groups represented in society.

Although there is increased pressure on local, regional and national states to outbid each other in the quest for interregional and international investment, which has had profound impact on local social relations, it is argued that through organisation local interests have the capacity to change policy through concrete struggles. Despite the high mobility of capital, international competitive advantage is locally embedded. Therein lies the opportunity for labour to demand its fair share of the surplus generated and to influence the development path chosen (Platzky 1995: 63).

In their argument for state involvement, Drewes and Bos (1995) maintain that in developing countries purely permissive sequences may be ineffective in inducing growth and thus the government should take the first step in the more compulsive sequences that may be indicated, such as through active leadership in industrialisation - an unbalancing process. In the wake of economic activity that, for instance, follows the industrialisation process, shortages, for example in transport, and inadequacies, for example in education, will become far more apparent than before, impelling the government to improve its performance in these fields - a balancing process (Drewes and Bos 1995: 261).

Supporting this view, in his search for a compromise between the balanced and unbalanced growth strategies, Thirlwall (1972) argues that balanced and unbalanced growth strategies can be complementary as there is in fact no reason why development strategies should not draw on the strong points of both theories so that an optimal strategy of development combines some elements of balance as well as imbalance (Thirlwall 1972: 165).

### 3.2.1 The Regional Industrial Development Programme (RIDP)

Since no specific regional industrial development policy has been implemented or included in the African National Congress' (ANC) Reconstruction and Development Programme, unveiled in 1994, the RIDP, implemented in 1991, constituting the foundation of the National Regional Development Programme, warrants mention.

Special emphasis is placed on the development of an integrated South African economy and on the promotion of regional development as an objective in its own right. Other principles of importance are the promotion of regional development in such a way as to contribute to the improvement of the South African economy with an emphasis on development of less-developed areas, a market-oriented development approach, free flow of production factors, a multi-sector development approach, backed by regional development strategies and based on comparative cost advantages, and a market-oriented profit/output-based incentive scheme (RSA 1991: 71)

Drewes and Bos (1995) argue that in order to achieve the main purpose of the RIDP, to attain self-sustained growth at designated development points, it is necessary to achieve a concentration of economic activities, accentuating economies of scale and facilitating advantages of agglomeration which heighten development point attractions for new entrepreneurs and render these points more capable of growth and competing with larger centres (Drewes and Bos 1995: 258).

However it would seem that in its spatial application the RIDP is working against the natural forces of regional development. The "intermediate region" in the RIDP receives less incentive measures than the "peripheral region", whilst this "intermediate region" is the area of national growth.

A preliminary evaluation of the RIDP confirmed this, indicating that a certain level of "concentration of capital investment is occurring, especially in the metropolitan areas and some secondary cities" (Ligthelm and Wilsenach 1993: 377), highlighting that metropolitan areas and intermediate-sized cities attract most new or expanding economic activities, (as well as most migrants).

The poor results achieved in developed countries, renders the RIDP even more uneconomical in developing countries, mostly because of a lack of funds to balance economic growth in the country as a whole - a problem multiplied in a developing country with relatively large peripheral areas such as South Africa.

The "new" uniform RIDP (1991) is lauded for its "political correctness" (Black and Roux 1991: 454) compared with the old politically motivated growth centre approach of the "old" selective RIDP (1982). However Drewes (1994) argues that it seems this was the major goal of the new policy - everything possible was done in order to indicate a regional development programme without political connotation, with the unfortunate result that locational guidance received minimum attention (Drewes 1994: 16).

Although an "unbiased objective" is politically meritorious, it can be argued that a regional development strategy should only be based on successful regional development principles tested in many countries, along with sound urban morphological concepts.

Consequently the uniform strategy could pose the same threats of economic failure as the previously politically biased selective growth centre approach did, albeit from a totally different angle!

Is this programme fundamentally a politically-motivated plan - with the objective of not being politically inspired? The primary objective of the programme could therefore be seen as endeavouring to please all political parties in South Africa.

Such action could however result in the failure of decentralisation initiatives in most areas for the primary reason that "appeasement is the enemy of effectiveness in regional planning" (Richardson 1978: 176)!

Furthermore, proposals before the implementation of both RIDP 1982 (RSA 1985: 2) and RIDP 1991 (RSA 1991: 7), clearly stating regional development policy should consist of a multi-sectoral approach, were not heeded. This structural shortcoming is also evident from the President's Council Report on urbanisation, which stated that the RIDP is not "linked to a viable economic policy framework, and, in effect, undermines the potential for small business and the informal sector" (RSA 1992: 39).

This begs the question of whether a regional development policy should thus not consist of a multi-sectoral development approach (which has been talked about for the past decade-and-a-half but not yet implemented) and be implemented by means of a strategy which anticipates the specific spatial implication of long-term development trends? (Drewes and Bos 1995: 265).

In Western Europe a multi-sector approach to development, especially the service sector, seems to have been met with more success than the traditional development of the industrial sector (Martin 1993: 797, Begg 1993: 817).

In fact, a prerequisite for a successful regional development strategy seems to be the multi-sector application. The application of a multi-sectoral incentive scheme at a limited number of viable growth centres would probably produce better results than its application to the entire non-metropolitan South Africa, under the uniform approach.

### 3.2.2 The Reconstruction and Development Programme (RDP)

The Reconstruction and Development Programme (RDP) is described as an integrated, coherent socio-economic policy framework which seeks to mobilise all our people and our country's resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future.

An integrated and sustainable programme, based on, and driven by, the people, that provides peace and security for all and builds the nation, links reconstruction and development and deepens democracy - these are the basic principles of the RDP. To this end, meeting basic needs, developing our human resources, building the economy, democratising the state and society and implementing the RDP are the key policy programmes contained in the RDP (ANC 1994).

The RDP is however not a blueprint for development, providing detailed development programmes, but a framework which provides guidelines to guide socio-economic development in South Africa. It offers the basic building blocks but not the basic details, or implementational procedures, for programmes required to meet the objectives as set out in the RDP.

In order to ensure effective, efficient programmes, extensive area-specific primary research is necessary across the country. The more that is known about the particular problems, the better, more fine-tuned the solutions can be.

It is, for example, not sufficient to simply build housing settlements, it is also necessary that these be located near current or future job opportunities. Likewise, merely providing training is not enough, it is also necessary that such training be structured to offer skills required by current or future local employers.

Bearing in mind the required area-specific primary research-necessitating RDP, it is thus necessary to differentiate significant factors which need concentrating on in a particular area, in order to hang the RDP's socio-economic processes upon these. What spurs the RDP is essentially local economic development.

### **3.3 THE WESTERN CAPE**

In light of the RDP, the practical regional development considerations presenting the pertinent practical dimensions in the Western Cape, must be examined.

What is happening here? What are the issues and concerns?  
Where are we going? What are the constraints and opportunities?  
What do we need? What are we going to do?

For a description of the current development situation in the Western Cape, an outline of the kind of development strategy envisioned for the Western Cape as well as the latest practical policy, providing a framework for Local Economic Development (LED), in addition to consulting current literature, policy-makers and development agencies, involved in the practical implementation of development programmes, were personally approached for a cross-section of representative opinions in the Western Cape.



### 3.3.1 The Western Cape - Characteristics and Challenges

In economic terms, the Western Cape province's performance over the past decade has been good, particularly when compared with the national track record. Perusal of the Human Development Index (HDI) by province, for 1980 and 1991, shows the Western Cape falls into the high human development range, topping all other provinces. The level of the Western Cape HDI ranks with the likes of Brazil and the United Arab Emirates, whilst the Eastern Cape and Northern Province are compatible with Lesotho and Zimbabwe.

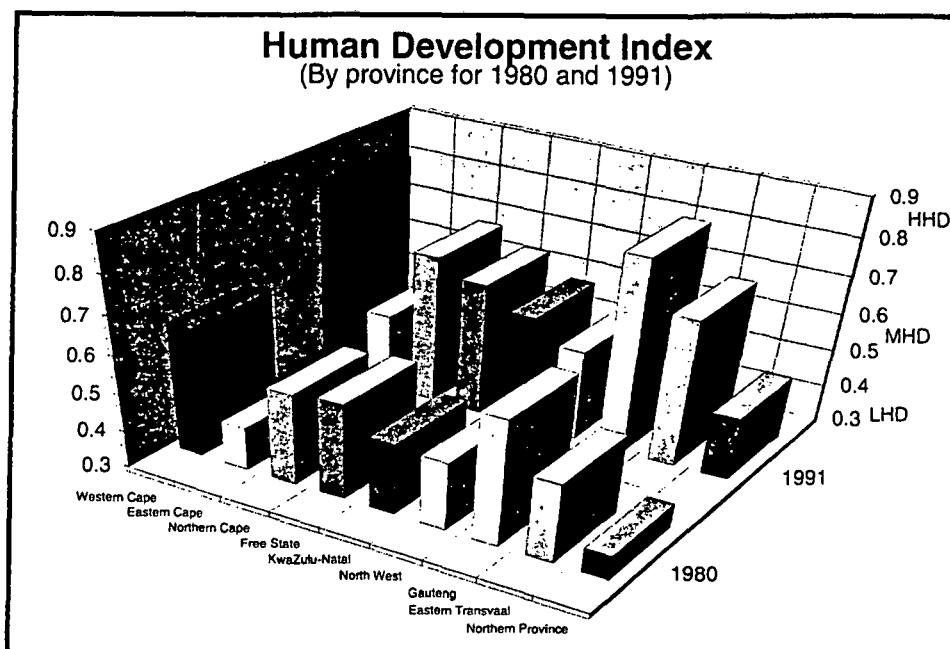
Figure 3.1 Human Development Indices

#### LEVELS OF HUMAN DEVELOPMENT

HHD - High human development = 0,8 - 1,0

MHD - Medium human development = 0,5 - 0,8

LHD - Low human development = 0,0 - 0,5



Source: Central Statistical Services (1995) The Socio-Economic State of South Africa as reflected by October Household Survey and the HDI.

Howard Gabriels, Special Adviser to Minister Naidoo, in the RDP Central Office - Ministry in the Office of the President, explains that in light of the Western Cape's performance and considering how far behind certain other provinces are, the Western Cape, let alone the Helderberg Basin, may not be prioritised in terms of practical allocations or incentives offered.

When viewed within the country as a whole, the province reveals high scores on most socio-economic and welfare indicators. As South Africa integrates into the changing global economy, the Western Cape's future appears to be on a high road (Bekker 1995: 58). Unfortunately however this could mean the province will be the last or one of the last to which development incentives and national resources are channelled.

The provincial government's challenge is to keep the Western Cape on the "high road", on its successful path involving agribusiness, appropriate local industry, export, commerce, tourism and the development of panoramic Cape Town and its environs. Linked with the unfortunate fact that the province will probably not be prioritised for national resources considering the dearth elsewhere, makes this goal even more of a challenge.

The Western Cape's relatively high per capita income level, its comparatively lower unemployment level and better scores on most social development indicators put the region at a disadvantage with respect to claims towards the national resource allocation for social development - a fact which would seem to impede local development momentum (Thomas 1995: 63).

According to Tony Ruiters, Deputy Director General and Head of Economic Affairs and RDP in the Western Cape Provincial Government Department of Economic Affairs and RDP - Regional Ministry of Economic Affairs, the Western Cape is more developed than most other provinces, being better off in terms of comparative and competitive advantage, infrastructure, industry, human resources and industrial and labour relations. But, having pointed out that the province will not be the focus of national resource allocation, in view of prevalent provincial disparities, as Eckert (1995) indicates, the coming decade will decide whether it will continue to be better off.

The demographics of population growth and movement - migration, urbanisation, consumer demand, the extent and nature of development programmes and land reform, patterns of growth and decline - trends in agriculture, changes in race and labour relations, sector linkages, foreign trade and small enterprise orientation, past, present and future, are all contributing factors to shaping the future of the Western Cape.

#### 3.3.1.1 Migration

The abolition of influx control and the Coloured Labour Preference Policy, coupled with the fact that information regarding the Western Cape's economic performance and relatively high living standards became generally available in the past decade, has led to significant migration streams of Blacks, particularly Xhosa-speakers hailing from the Eastern Cape, being drawn toward the Western Cape, with the result that the Black population has swelled from 285 000 in 1980 to approximately 1.2 million (Thomas 1995: 61) in 1995. This is reflected in the Helderberg Basin where case study respondents generally indicated there was no shortage of labour required.

Although the provincial HDI disparities motivated this large in-migration, the short-term consequence is a fall in the aggregate quality of life indices in the Western Cape. Cape Town's recent demographic growth reveals more rapid increases among its poorer Black and Coloured communities. Poverty, the negative concomitant, is thus a rising challenge in the Western Cape and is squarely located in the metropolitan area and increasingly in smaller urban places.

Most of the Western Cape province's smaller towns and rural farming areas are effectively linked to the urban infrastructure and rural-urban development gaps are narrowing (Thomas 1995: 62).

Since it is more likely that the RDP will target points of greatest need, spending will be concentrated elsewhere, consequently normal migration could slow.

#### **3.3.1.2 Consumer demand**

A positive concomitant of rapid population growth is the relatively buoyant consumer demand for locally produced goods, fuelled by increased household consumption spending and a well developed retail sector.

To date however, far from generating local consumption linkages, agricultural growth in South Africa has, on the whole, relied on largely impoverished farm workers and labour tenants. Rather than being invested in local circuits, the bulk of profits from agriculture have often flowed out of the generating regions (Hart 1995: 10), evidence of which is found in the Helderberg Basin.

If the RDP succeeds in redistributing income to the poor, and if electrification proceeds as planned, consumer demand could however increase markedly for meat, milk, fruit, vegetables and other perishables. These are exactly the commodities poised for growth in the next decade (Eckert 1995: 66). Vegetables are already being focused on by certain Helderberg Basin case study farmers who indicated they plan to supplement Philippi, the vegetable basket of the Western Cape, which, they believe is going to become too small to support the area's needs in future.

#### **3.3.1.3 Land reform**

Labour land ownership is becoming increasingly important. Growing demand for the above-mentioned products could support land reform focused on small-scale farming. Recent research suggests land reform success in the Western Cape may be with deciduous fruit and table grapes (Conradie 1995). Asian path theory indicates redistributive land reform is a prerequisite for successful rural industrialisation (Hart 1995: 1-10).

Commercial farmers' associations are becoming proactive in implementing these ideas, with their own farm workers as beneficiaries. This is already happening, to a small degree, in the Helderberg Basin.

However, the future of land reform in the province is undefined and unclear. What Eckert (1995) makes clear is that land reform must be designed and implemented in an environment in which commercial agriculture is the driving force behind rural employment and rural family welfare, which it would appear certain respondents in the Basin are attempting to improve.

#### **3.3.1.4 Race and labour relations**

On the one hand Coloured communities in the Western Cape provide evidence of growing anxiety and suspicion regarding affirmative action strategies and urban residential developments addressing the needs of poor Black communities.

On the other hand, in Black communities there are indications that the consequences of Coloured Labour Preference remain squarely in residents' minds and that some form of redress is expected (Bekker 1995: 60).

The future of labour and race relations, especially on farms and in rural, agri-business-dependent towns, is unknown.

Generally, a key source of instability is conflict between workers and employers, partly engendered by low wages - which Wolfgang Thomas, Economic Development Co-ordinator in the Regional Economic Development Department at WESGRO - Association for the Promotion of Economic Growth in the Western Cape, indicates are lower still in the peripheral Helderberg Basin than in metropolitan Cape Town, lack of training and problematic labour management practices, but also reflecting broader conditions of impoverishment.

An industrial development strategy based on low wages and exploitative labour practices has little chance of succeeding and will only perpetuate any conflict. The most immediate issue that will determine the future of production is whether or not employers and workers can arrive at a workable compromise.

Although the large majority of employers, including those in the Helderberg Basin, complain bitterly about low labour productivity and union activity, a few, including some in the Helderberg Basin, have constructed labour practices that are somewhat less conflictual, achieving what they regard as acceptable productivity levels.

In principal, the locally embedded character of Western Cape production, likewise Helderberg Basin production, would seem to offer some space for new local government to help mediate labour conflict and work with employers and unions to press for better wages, training and working conditions.

However specifically, for example, extending labour law to farms means farm labour will be managed more by economic than by social considerations. The number and employment of, as well as the relationships with, farm workers will be intensively scrutinised by management (Eckert 1995: 66). This could lead, and has possibly already, to some extent, led, to increased unemployment in the Helderberg Basin case studies.

Meanwhile in the face of rapidly growing numbers of semi-skilled Black in-migrants, a new co-operative coalition is emerging between Coloured farm workers and farm owners (Ewert and Hamman 1995).

In fact, certain Helderberg Basin respondents spoke of the reasonability of Coloured unions and the militancy of Black unions!

In certain Helderberg Basin cases where the labour is historically Black, the prevalent coalition is between Black farm workers and farm owners. In other cases however, historically Coloured labour was the reason cited for co-operative coalitions emerging between Coloured farm workers and farm owners. Of course this historic Coloured factor could be due to the Coloured Labour Preference laws. Eckert (1995) maintains that whilst these laws are long gone, a *de facto* Coloured labour preference remains in rural and urban Western Cape.

The joint effects of attempts to unionise farm workers and the continued arrival of new migrants who are still considered "outsiders", may politicise the situation (Eckert 1995: 66). The former has almost already happened in the Helderberg Basin.

#### 3.3.1.5 Sector linkages

The dominant economic sectors in the Western Cape - agriculture, food processing, fishing, clothing and textiles and tourism - are well integrated with strong forward and backward linkages which augur well for a regional growth momentum, once core sectors start taking off (Thomas 1995: 61).

However, in terms of local agri-industry linkages, the Helderberg Basin case study revealed little in the way of processing of agricultural products occurring, with some farmers actually sending unprocessed products for processing overseas where it is actually cheaper than doing so in the Helderberg Basin. In such instances industry is almost totally delinked from agriculture, in terms of both production and consumption linkages (Hart 1995: 10)

### 3.3.1.6 Foreign trade

The Western Cape's export location is optimal, with good road and rail links to both the port and the international airport. Some observers also argue that the existence of large numbers of people possibly willing to accept low wages, could provide an opportunity for labour-intensive, export-oriented industrialisation in the province (Hart 1995: 7).

Eckert (1995) expects another decade of strongly expansive, export-led growth in deciduous fruit, along with continued strength in wines. As a result, he anticipates that together these products will sustain further expansion of commercial agriculture's employment in the province (Eckert 1995: 65). But, the surveyed farmers in the Basin indicate that although production may be expanding, the labour-intensive work has already been done.

Although generally constrained in its exports by sanctions in the past, the Western Cape has, over the past decade, gradually developed its export capacity particularly in the agricultural sector - deciduous fruit, grapes and juices - and in certain industrial niches.

Thomas (1995) believes that the experience gained during this time should enable the region to advance much faster now that foreign markets are open and local export awareness is experiencing a quantum leap (Thomas 1995: 62).

With the abolition of apartheid and the lifting of sanctions heralding the opening of the South African economy to global economic competition, there is the danger that a lack of strong competitiveness with foreign goods abroad, export products of Less Developed Countries (LDCs) receiving preferential treatment (accorded by LOME), to which South Africa only has partial access, as well as with cheap profit-stripping imports locally, may put a dampener on activities.



Like many other countries in Asia, Africa and Latin America, in the post World War Two period, South Africa adopted a policy of import substitution to protect domestic industries. In most other countries these protectionist policies had been abandoned by the early 1980's. In contrast, for historical reasons, South Africa remained relatively isolated from international trade and competition for longer than any other relatively industrialised market economy (Hart 1995: 2).

Political changes since 1990 have resulted in South Africa becoming far more tightly enmeshed in the increasingly global economy. The icy winds of global competition are blowing at full force into South Africa and will play a key role in shaping the future. Already, some Helderberg Basin respondents have been affected by intensified global competition, consequently these forces will shape and constrain the possibilities for local economic development in the Basin's future.

On the one hand, global market liberalisation and General Agreement on Tariffs and Trade (GATT) acceptance brings competitive world prices more directly to the farm gate and factory door - a phenomenon which the Helderberg Basin has not escaped the impact of either. According to Thomas, GATT-induced tariff reductions place the Western Cape under strong attack from liberalised international markets. The recent phenomena of cheap profit-stripping goods flooding into the domestic market from abroad is likely to gather force in future and is already threatening the more locally rooted producers, surveyed in the Helderberg Basin, with extinction.

On the other hand, new opportunities for export have suddenly appeared and where these are not already being taken advantage of by the Helderberg Basin respondents, plans are afoot.

### 3.3.1.7 Small enterprise orientation

Thomas questions the lack of informal, small, micro sector incorporation in regional economic development literature - conventionally focused on industry and the First World sectors of regional economic development, considering that the bulk of job creation is in derived demand, and caring for the informal, small, micro sector leads to derived demand. An environment conducive to Small, Medium and Micro Enterprises (SMMEs), facilitating high value small-scale production, can be one of the locomotives that can drive regional economic development.

Kevin Hosking, Economist in the Economic Development Department at WESGRO - Association for the Promotion of Economic Growth in the Western Cape, indicates that in terms of their development objectives, both the Ministry of Trade and Industry and the RDP, place focus on the SMME sector.

The Western Cape economy seems well placed to participate in the major New South African thrust from big business dominance to a greater small enterprise orientation, given that the province has a less dominant corporate sector and relatively more small, medium and micro enterprises in its present economic structure (Thomas 1995: 62), witness the Helderberg Basin.

### 3.3.2 The Western Cape - Development Strategy and Policy

Thomas does not believe that in the Western Cape we have a strategy other than an adaptive angle on Porter's (1990) theory - an angle which indicates the province link on what seems to be already existing strengths - niche markets can play a significant role, focusing on those where reasonable chance of success exists, (such as those Helderberg Basin case studies with a positive outlook).

The locomotives to drive regional economic development in the Western Cape could originate from a wide range of sectors - agriculture, industry, services and education, therefore the province can focus on areas where its comparative advantage fits in the local economy and facilitates export internationally as well as to other regions.

Ruiters also indicates that development of the Western Cape, in the context of the RDP, requires getting leading local sectors and companies competitive internationally. The province is not competing with Johannesburg, but Malaysia, China and Eastern Europe are the real competition as are certain cities and towns in Germany and the United States of America. He too emphasizes the need to move toward export orientation, however adding that this alone will not necessarily create development, needed in the Western Cape, which will allow for the majority of people to benefit.

With this vision, the Department of Economic Affairs and RDP believes it necessary to look at the capacity/problem of human resources. Proper training of "hard and soft skills" is required - a need, expressed in the Helderberg Basin case study and, in certain cases there, catered to by the likes of in-house training. This approach distinctly follows one of the basic tenets of flexible specialisation (Walker 1989a) which focuses a great deal of attention on multi/highly skilled labour.

It is also necessary to look at technology, access to design and innovation from advanced countries and then ensure we understand it and are educationally equipped to utilise it in order to spread the benefits.

South Africa is, according to Ruiters, approximately fifteen years behind technologically leading countries such as the East Asian tigers, however it is not the plan to build the economy on cheap labour as the tigers did, as our model looks instead at the West German and Australian examples of business, labour and government co-operation, in the mould of the Porter (1990) paradigm, such that the National Industrial Policy is one of high wages and high technology leading to maximum growth - an approach already in place in certain Helderberg Basin case study examples.

Business-labour-government co-operation will put in place what is needed for human resource development and appropriate technology, accepting the necessary institutions that need to be built around. Ruiters emphasizes we must utilise the resources at our disposal and continually question how we can maximise what we have, such as the comparative and competitive advantage inherent in our three universities and technikons, in order to support Western Cape business.

Echoing Thomas' approach of building on strengths, Ruiters reiterates that the objective-achieving strategy in the Western Cape must be concerned with, and give maximum support to, leading industry/sectors/sub-sectors, but not at the general expense of others.

This support encompasses technological and other problems such as the ability to be competitive and obey stringent GATT conditions - applicable to certain sectors, whereby assistance in terms of competitiveness means increasing human resources or retooling, offering flexibility in production methods and examining how to help tariff obedience where necessary.

In addition, the National Government is looking at non-monetary, possibly resource-provision or tax-break, human resource development and technological incentives for firms involved in training, allocating a percentage of turnover to research and development or accessing the latest technology - incentives for which certain Helderberg Basin respondents appear to qualify.

This government involvement supports one of the basic tenets in Porter's (1990) analysis of the competitive advantage of nations, namely that of institutional support.

Parallel to economic growth, with the emphasis on parallel not separate, must be the ability to provide basic needs to the disadvantaged. However the "trickle down" approach will not change mainly White ownership patterns in the Western Cape. In Asia the government intervened in the economy to achieve desired economic growth. To this end, the Department of Economic Affairs and RDP would like to see Black and White, as well as international, Black and White, companies interacting in the Western Cape.

For practical achievement of all its goals the RDP's focus of development is at the local level, being a perspective that needs to drive the economy through the people, for which the vehicle is local economic development. Practically, if the local RDP Forum represents all organisations, business, labour, church, civic and other various local interest groups with their own development vision for the area, the Forum will be accredited as representative of the region such that if it agrees that sector X is the main driver of local economic development, the accrediting Provincial Government Executive Council will provide assistance to improve and maximise the benefits of the driving sector.

Thus significant sectors, that need focusing on, are differentiated and the RDP socio-economic processes hung upon them.

Ruiters describes the above as a fair model of Asian indicative planning and Australian social democracy.

There is an argument, supporting both the "fair model" above and the unbalanced growth theory (Hirschman 1958), that development moves along through specific projects. A process Thomas agrees is "humpy", not smooth, and begs the question of how to get a good project going. Again Porter (1990) thinking is prescribed, requiring entrepreneurship and luck. Luck is described as a combination of circumstance and good planning, in other words, the interaction of the right time, systematic preparation and good management in a relatively short time span.

Gabriels appreciates, as per Porter (1990), Thomas and Ruiters, that it is necessary to understand what one has and then to build upon it.

It is necessary to focus on the enhancement of competitiveness and joint efficiency of current firms, in order that they may function better, instead of attempting to attract others. The same applies to the Helderberg Basin, where Gabriels' personal opinion is that the key economic activities comprise a relatively small manufacturing base, textiles, lots of fruit farming, fishing, food and tourism.

In terms of what the government is working on, firstly, in general, tourism may be an area for investment, not directly, but via various incentives offered to promote tourism-enhancing activities. The main motivating reasons are tourism's speedy job creation capacity and ability to generate foreign currency. The Western Cape, as well as the Helderberg Basin, could stand to benefit from such investment, albeit indirect, considering the abundance of natural advantages, attracting tourism, located in the region. The second area, in general policy framework, that will gain momentum, again albeit through indirect investment, is the issue of commercial beneficiation.

Gabriels believes that direct investment by government will not be found in industry, since investment will focus on infrastructure, housing, schools and social backlog issues. However he is not sure whether the Western Cape, and the Helderberg Basin in particular, will attract massive government investment even in these areas, since there are other parts of the Western Cape and, as previously mentioned, other provinces where needs are greater and thus require substantial investment. It is noted however that sometimes, in areas already well-invested in, only small investment is required for expansion.

As regards local government, transitional local authorities are postponing difficult decisions prior to the community elections and, according to Gabriels, many local authorities are "sitting on" development plans which, implemented, could cause conflict politicians cannot afford pre-elections. Postponing the elections is thus tantamount to postponing development.

The sooner the elections are held, the better, especially for the Western Cape, because otherwise the politics of the Western Cape will polarise the city and it will be too late to get into the running to compete for scarce national resources, if elections are postponed.

Hosking explained that in practice there is, in the Ministry of Trade and Industry, a framework document setting out policy for the future. In terms of a development path and local framework for local development, it sets policy but the practicalities are not specified. Thus the Department of Trade and Industry's focus is more on facilitation than practical intervention, the focus of the Department of Regional Economic Affairs and RDP.

Hosking also highlights that data manipulation enabling forecasting is an untapped area in South Africa because regional input-output tables do not exist. Thus no system reports on a regular basis as to what would happen, for example in the next five years, if all practical suggestions/programmes were implemented.

If such a five-year-forecast-facilitating system were available in the Western Cape, it could lay the foundation for a feasible framework for local economic development strategy, in terms of local government programmes planned, their outcomes forecast.

Since South Africa does not have regional input/output tables, extensive area-specific primary research is crucial in order to ensure effective, efficient programmes. The more that is known about the particular problems, the better, more fine-tuned the solutions can be.



## CHAPTER FOUR

### THE HELDERBERG BASIN - A CASE STUDY

#### 4.1 INTRODUCTION

This chapter focuses on the Helderberg Basin, in the Western Cape, an area comprising Somerset West, Gordons Bay, Strand, Van der Stel, Garden Village, Macassar, Faure, Firgrove, Rusthof, Casablanca, Blikkiesdorp/Erijaville, Kersiedorp, Lwandle, Nomzamo, Sun City and Sir Lowry's Pass Village.

On average 50% of the inhabitants of this area are unemployed and face bleak employment prospects. Many residents will not be able to afford formal housing, even with the help of the new Regional Housing Board subsidy, without some form of income.

Consequently developing local enterprises and initiating a Local Economic Development (LED) strategy in the Basin are key to addressing some of these infrastructural development problems.

This chapter presents the findings of a small sample survey, conducted in November and December 1994, for use in directing a LED strategy within the broader ambit of the RDP.

#### 4.2 SURVEY METHODOLOGY

In order to determine a sample representative of the employment profile and sectors, based on economic classification, discussions were held with the following :

Gisela Jespersen, Co-Chairperson of the Local Government Negotiation Forum - Helderberg, chairperson of both the Winelands Regional Development Association and the Rural and Agricultural Commission and member of the Steering Committee of the Western Cape Economic Development Forum,

Franco Inches, Executive Director of the Helderberg Chamber of Commerce and Industry,

David Shandler, Development and Public Policy Consultants' Public Facilitation Structure Group.

These informative background interviews provided a comprehensive profile of firms small, medium, large, growing and declining in the Helderberg Basin, from which the required size- and sector variant sample of ten firms was selected to facilitate research of the economic situation regarding employment opportunities in the Helderberg Basin.

The sample thus determined, the survey was conducted through personal interviews, guided by a list of questions (Appendix A), but probably more appropriately described as unstructured interviews, with the following :

Table 4.1 Sample Survey

FIRM	RESPONDENT	RESPONDENT'S TITLE
Faure Engineering (Pty) Ltd	Nils Hinrichsen	Co-owner
	Chris Hattingh	Administrative Manager
Teplov ballet shoes	Diana Teplitsky	Co-owner
	Bjorn Kessler	Co-owner
Steriworld (Pty) Ltd	Chris Smit	Spokesman
Asla Civil Contractors	Charl Baard	Administrative Director
Handi-Pak (Pty) Ltd	John Middleton	Chairman/Managing Director
Lourensford Estates (Pty) Ltd	Mr Birch	Human Resources
Somchem - Denel	Paul Jacobs	Divisional Manager of Personnel
Vergelegen Estate (Pty) Ltd - Anglo	Stuart Vermeulen	Commercial Manager
Kynoch Fertilizer Ltd - AECI	Wikus van Schalkwyk	Regional Personnel Manager
AECI Operations Services (Pty) Ltd	John Russell	Factory Personnel Manager

Source : Teixeira (1995)

For ease of analysis, the following classifications will be used:

**Chemical industry**

AECI Operations Services (Pty) Ltd

Kynoch Fertilizer Ltd - AECI

Somchem - Denel

**Construction and engineering industry**

Asla Civil Contractors

Faure Engineering (Pty) Ltd

**Agricultural sector**

Lourensford Estates (Pty) Ltd

Vergelegen Estate (Pty) Ltd - Anglo

**Small business sector**

Teplov ballet shoes

Steriworld (Pty) Ltd

Handi-Pak (Pty) Ltd

### 4.3 RESULTS OF THE SURVEY

#### 4.3.1 Demographic breakdown of labour employed

The employees of the firms surveyed are segmented according to gender in Table 4.2. The gender imbalance of employment evident in this table is striking in that only 20% of jobs surveyed are held by females.

Table 4.2 Employee Gender Segmentation

FIRM	NUMBER OF EMPLOYEES	MALE	FEMALE
Faure Engineering	32	30	2 <sup>a</sup>
Teplov ballet shoes	20	2	18
Steriworld	17 <sup>b</sup>	4	13
Asla Civil Contractors	673	658	15
Handi-Pak	15	10	5
Lourensford Estates	970 <sup>c</sup>	674	296
Somchem	813 <sup>d</sup>	N/A	N/A
Vergelegen Estate	322 <sup>e</sup>	210	112
Kynoch Fertilizer	154 <sup>f</sup>	140	14
AECI Operations Services	g	329	36
Explosives	175		
Industrial Chemicals	100		
Engineering Cape	40		
Engineering Cape	50		
<b>TOTAL<sup>h</sup></b>	<b>3381</b>	<b>2057</b>	<b>511</b>

**Notes :**

N/A = Not available

a) "Like 10 people when they get going!"

b) Excludes 16 part-time reps - gender N/A

c) Expands by 230 to 1200 in peak season Jan-March

Excludes 90 short-term job temps - gender N/A

d) Excludes 100 1-6 month contract basis temps

e) Includes 108 seasonal contract labourers

f) Excludes 60 Feb-June contract temps - gender N/A

g) Excludes 9 temps - gender N/A

h) Total includes Somchem total - gender N/A

Source : Teixeira (1995)

The employees of the firms surveyed are segmented according to race in Table 4.3. These racial classifications emerged from the sample survey. These classification tend to be used consistently in the Helderberg Basin and are therefore used throughout this thesis.

Table 4.3 Employee Race Segmentation

FIRM	NUMBER OF EMPLOYEES	BLACK	COLOURED	WHITE
Faure Engineering	32	9	12	11
Teplov ballet shoes	20	2	18	- <sup>a</sup>
Steriworld	17	3	9	5
Asla Civil Contractors	673	463	125	85
Handi-Pak	15	-	9	6
Lourensford Estates	970	354	616	- <sup>b</sup>
Somchem	813	3	N/A	N/A
Vergelegen Estate	322	58	238	26
Kynoch Fertilizer	154	76	44 <sup>c</sup>	34
AECI	365	80	201	84
TOTAL <sup>d</sup>	3381	1048	1272	251

Notes :

N/A = Not available

a) Co-owners interviewed are white

b) Human Resources interviewee and assistants are white

c) Includes 1 Asian

d) Total includes Somchem total - race N/A

Source : Teixeira (1995)

A gender and race segmentation, of the employees of the firms surveyed, is as follows in Table 4.4.

Table 4.4 **Employee Gender/Race Segmentation**  
(B=Black, C=Coloured, W=White)

FIRM	MALE			FEMALE		
	B	C	W	B	C	W
Faure Engineering	9	12	9	-	-	2
Teplov ballet shoes	1	1	-	1	17	-
Steriworld	-	1	3	3	8	2
Asla Civil Contractors	463	122	73	-	3	12
Handi-Pak	-	7	3	-	2	3
Lourensford Estates	349	325	-	21	275	-
Somchem	N/A	N/A	N/A	N/A	N/A	N/A
Vergelegen Estate	N/A	N/A	N/A	N/A	N/A	N/A
Kynoch Fertilizer	76	39	25	-	5	9
AECI	80	183	66	-	18	18
<b>TOTAL</b>	<b>978</b>	<b>690</b>	<b>179</b>	<b>25</b>	<b>328</b>	<b>46</b>

Source : Teixeira (1995)

This table provides a measure of empirical support for the claim that it is Black females who have historically been the most unrepresented group in the South African job market, thus highlighting why, from an affirmative action point of view, Black females in the New South Africa are considered a priority in terms of redressing imbalances in income distribution and equality. In order to make a visible impact on, for example, income distribution, in terms of intervention, this group needs to be focused on in programmes involving job creation and the like.

#### 4.3.2 How the statistics have changed in the recent past

A review of what has happened in the last five years gives an indication of recent developments in the Helderberg Basin. This reveals areas which have been contracting, stagnating or expanding, for a variety of reasons related to the size of the firms, market demand, labour, the nature of products and production, export, innovation, finance, unbundling and takeovers in the past.

Due to changes in market demand, the **construction and engineering industry** has experienced growth and concomitantly increased employment levels. The **agricultural sector's** expansion, also providing additional employment, has been driven by bulk export and sanction-induced diversification activities, in the mould of the flexible specialisation paradigm (Walker 1989a).

Unfortunately stagnation and declining employment characterises the **small business sector**. In terms of the Maintenance and Promotion of Competition Act, No.96, 1979, the Competition Board is supposed to monitor and limit the effects of concentration, but it has not really been effective - the dairy industry is a case in point. The **Handi-Pak** respondent explained how for twenty years the industry was run on a profitable co-operative zoning basis of gentlemen's agreements. Unfortunately this was put to an end when the Act was "brought in to defend the small guy but it actually served to his detriment" as breakneck competition saw the dairy industry "end up in the hands of the big boys". The nature of the industry had changed and **Handi-Pak's** market share was too small, resulting in employment contraction. However, the Act is currently under review and changes to the legislation are expected shortly.

In the **chemical industry**, rationalisation - due to national overproduction, locational competitive disadvantage and loss of monopoly position, and commercialisation - due to the peace effort, have eroded employment substantially.

**Somchem** was part of Armscor for fifteen years during which time, because of import restrictions created by the legislation of overseas countries which identified Armscor and South Africa, under the apartheid regime, as a company and country not to export to, the South African government, in the quest for defence no matter what the cost, provided heavy subsidisation.

Then the 1992 peace initiatives created Denel, **Somchem's** new commercialised holding company. Commercialisation has brought with it financial constraints because without subsidisation, now cost matters.

Along with this commercialisation and a decline in demand for military ammunition produced, has come dramatic labour downscaling. For every job lost at the company it has been estimated that three are lost in general South African industry, because of linkages with other industries in the broader South African manufacturing sector.

As the respondent explained, the "main reason for the downscaling has been the peace effort. Armscor survived in the old days because of war. Now there is no longer involvement in the total onslaught, internal and Angolan wars or fighting on the borders" and thus unemployment is the concomitant of peace!



With the Anglo-Boer War looming at the turn of the century and the dynamite factory in Modderfontein under Kruger's control, Rhodes, who did not trust Kruger, established the Cape Explosives Works in the Helderberg Basin to ensure the Cape would not be jeopardised without dynamite in the event of war.

Being basically the first real industry in the as-yet-unserved area, it was an entirely self-sufficient operation, with its own power station, water reticulation and the like. This is the origin of **AECI** in the Basin, which eventually merged with Modderfontein in the Transvaal.

In the early 1980's the question of the Cape factory's viability was queried by **AECI** directors because its clients, the mines, are essentially all in the Transvaal, which made expanding Modderfontein, at the expense of the Helderberg Basin, the economically sensible thing to do. For the Cape the transport element had thus "become a bit of a disadvantage".

This competitive disadvantage of operating with increasingly expensive transport costs, coupled with the 1980's emergence of competitive, state-subsidised SASOL in the explosives market where private **AECI** had held the monopoly, has increasingly taken its toll. The combination of these factors has proved the death-knell for **AECI** which was employing 3000 people in the Basin in the early 1980's. The workforce at **AECI** has since shrunk to only 365.

#### 4.3.3 The source of labour employed

Table 4.5 below, segments the employees of the firms surveyed according to race and indicates their source. Sources not within the Helderberg Basin are distinguished by bold type, revealing a history of large-scale in-migration.

Table 4.5 Employee Source - Race Segmented

FIRM	BLACK	COLOURED	WHITE
Faure <sup>1</sup> Engineering	9 Blue Downs Khayelitsha Mfuleni	12 Eerste Rivier Macassar	11 Stellenbosch Somerset West Kraaifontein
Teplov ballet shoes	2 Lwandle <sup>2</sup>	18 Rusthof <sup>3</sup> Macassar, Paarl	-
Steriworld	3 Strand	9 Strand Khayelitsha	5 Strand Gordons Bay
Asla Civil Contractors	463 Khayelitsha <sup>4</sup> Lwandle Mfuleni <sup>5</sup>	125 Strand, Grabouw Firgrove Macassar, Rusthof	N/A 85
Handi-Pak	-	9 Macassar Mitchells Plain	6 Van der Stel <sup>6</sup> Somerset West Strand
Lourensford Estates <sup>7</sup>	354 <sup>8</sup> Matatiele Nomzamo <sup>9</sup> Lwandle <sup>9</sup> Khayelitsha Langa Guguletu	616 Wupperthal <sup>10</sup> Zoar <sup>10</sup> Amaliensfontein <sup>10</sup> Calitzdorp <sup>10</sup> Genadendal <sup>10</sup> Slangrivier <sup>10</sup> Oudtshoorn Ladysmith Strand <sup>9</sup> Casablanca <sup>9</sup> Kersiedorp <sup>9</sup>	-
Somchem	3 N/A	N/A Macassar	N/A Strand Somerset West Bellville
Vergelegen Estate <sup>11</sup>	58 N/A	238 Casablanca <sup>12</sup> Wupperthal <sup>13</sup>	26 N/A
Kynoch <sup>14</sup> Fertilizer	76 <sup>15</sup> Transkei Ciskei	44 Rusthof Macassar	34 Strand Somerset West
AECI	80 <sup>16</sup> Butterworth Idutshwa Khayelitsha Mfuleni	201 Macassar <sup>17</sup> Rusthof <sup>18</sup> Somerset West Elsies River	84 Strand Somerset West Gordons Bay GardenVillage
TOTAL <sup>19</sup>	1048	1272	251

N/A = Not available

Notes :

- 1) Whites reside within a radius of 35 kilometres, whilst Coloureds and Blacks come from closer - "on our stoep"
- 2) Actually a new development outside Lwandle, as they were moved from the squatters' area by the municipality
- 3) Near the Strand
- 4) Employees residing here are picked up "en route to the job"
- 5) Near Kuils River
- 6) Between Somerset West and the Strand
- 7) On the estate there are 200 houses provided for employees, free firewood and water, subsidised electricity, a creche, a school with 200 pupils Sub A-Std 5, a full time nurse, a clinic, three farm doctors, registration with whom is at preferential rates below normal tariffs, and medicines, subsidised from the clinic.
- 8) Blacks are "strictly from the Matatiele district in the Transkei, near the Lesotho border". This was "traditionally decided and labour has been obtained from that area since the beginning of the century". Of these, 329 males currently live in the farm hostel. They used to come on annual contracts signed in the Transkei, but for continuity and security's sake the estate has broken from that. "Some, on the strength of their status, move from the hostel to the housing on the estate. But finances cannot support the building of houses for all and the trend in the future will be for labour to live off the farm - the paternalistic farmer father concept will be eroded. Already, a lot of Blacks have established themselves, using surplus building materials from the estate, in the remaining areas mentioned in the table, namely Nomzamo, Lwandle, Khayelitsha, Langa and Guguletu, from whence they commute on a weekly basis to the farms, where they stay in the hostel during the week. This state of affairs has arisen since, as a result of demands for wives to be permitted to live at the hostels too, negotiation occurred on the point of converting the hostel into family dwelling units, however out of 329 men, such changes would only be able to accommodate 50 families and would thus not be a feasible solution and so the hostel remains", but after eighteen years at the estate the respondent firmly believes "the hostel situation is not a healthy one" and the "aim is to close it and keep only a core of people, for fire-fighting, on the farm".

9) These areas are the source of 90 temporary/short-term job employees recruited, not by telephone, but by driving through with a landrover to spread the word - followed by one or more of the two large 60-seater or three 8-ton buses. Some are merely "rough and ready" recruits, whilst others, such as those from the informal housing at the Strand are selected for their "tongue in Afrikaans" as they are "quicker to pick up skills" and there is "already an agricultural lean to them".

10) The sourcing of Coloured seasonal/contract labour, who now live in hostels or farm houses, from these, mainly North-Western Cape areas, originates from the ex-influence of the Moravian Church settlement, and the fact that "people from these areas have go and physical stamina". The Liebenberg, Johannes, Smits, Claassens and Esau families have traditionally lived, and been employed, in the area on this and adjacent farms. The respondent would "take somebody with a rural background like these families, before someone from Macassar as farm work is hard, physically arduous and repetitive and the urban employee wants to stop and have tea and does not have the stamina nor the inclination".

11) 69 weekly and 30 monthly employees "live off the estate". "The predominance of Coloured folk", the respondent thinks, "is almost cultural" as he gets the "feeling that the type of work done is more attractive to Coloureds than Blacks".

12) The estate helped buy 48 houses here for predominantly Coloured employees who were historically all on the farm.

13) The source of seasonal/contract workers on a semi-permanent basis - "because the season is quite long some will join the permanent force".

14) No problem is experienced in finding seasonal labour, no advert is required. Simply by word-of-mouth, the next day 100 are at the gate, the majority of whom are from the area, although Blacks may even come from the Transkei. There is an understanding with the trade unions that when employing seasonal workers, those used the previous year will be employed first as they know the job and are trained - unemployed sons of permanent employees are also employed. The other objective is to try to get a harmonious mix of Blacks and Coloureds - there were also Whites in 1994.

15) As **Kynoch** is a wholly owned subsidiary of **AECI**, the **AECI** hostel on site also houses **Kynoch's** Black employees, generations of migrants, with sons following their fathers, from the Transkei and Ciskei. They do "not consider themselves to be non-permanent" but return home once a year - "a deep-seated tradition which makes it difficult to encourage self-owned houses". Also, negotiations and consultations to close the hostels are futile as they do not want to move from the hostels where they are not paying much to stay, whilst weekends are spent in **Khayelitsha**.

16) The Blacks were originally brought from areas around **Butterworth** and **Idutshwa** in the Transkei. All bar four, one or two of whom have bought in **Khayelitsha**, live in the **AECI** hostel shared with **Kynoch**. One change the **AECI** respondent would particularly like to see in future is that of the Black labour-force moving out of the hostel, followed by closure thereof. It is expected there will be a gradual balancing of "who lives where". To this end **AECI** is trying to interest them in home ownership and hostel closure, but they are "really rather happy in the hostel". The hostel is "self-cooking", there are "single person rooms, a democratic committee and wives visit all the time - there are 50-60 wives in there at any one time". "We are entangling ourselves in history", this hostel preference "goes back to the turn of the century, their burial grounds are there as they came in the days of old for accommodation facilities which are now seen as a much safer option, for their families, than living in **Khayelitsha**", besides which the hostel costs R80 per month whilst home ownership would set them back R800-R1000 per month. "They say, 'If you want us to live outside the hostel, we want houses built to rent not to buy'".

17) **AECI** was involved in the **Malvern Park** project here when the company "had to look at group housing facilities". They are "looking to adjacent, low-cost RDP schemes in the future because, besides the Blacks' situation discussed above, only approximately half of their Coloured employees are on some form of home ownership as there is a dramatic shortage of affordable accommodation. The biggest problem is the total lack of sub-economic housing schemes in villages. **AECI** has looked at **Lwandle** and tried to get involved in developing a residential area there but have found it very insular, the community is not wanting outsiders to come there. **AECI** has spent quality of life money there on schools and creches in social responsibility programmes"

18) The "little migration away from **Macassar** has been by those affording to move to **Rusthof**".

19) Total includes **Somchem** total - race N/A

Source : **Teixeira** (1995)

#### 4.3.4 Employment classification breakdown of labour employed

In the case of those surveyed firms where the relevant information was available, the employees of the firms are segmented according to employment classification and race as follows :

**Table 4.6 Employee Classification/Race Segmentation**  
(B=Black, C=Coloured, W=White)

FIRM	MONTHLY			WEEKLY			HOURLY		
	B	C	W	B	C	W	B	C	W
Asla Civil Contractors	3	25	85	-	-	-	460	100	-
Vergelegen Estate	-	11	26	58	227	-	-	-	-
Kynoch Fertilizer	3	4	29	-	-	-	73	40	5
<b>TOTAL</b>	<b>6</b>	<b>40</b>	<b>140</b>	<b>58</b>	<b>227</b>	<b>-</b>	<b>533</b>	<b>140</b>	<b>5</b>

Source : Teixeira (1995)

This table effectively illuminates racial distinctions evident in employment classifications. Considering the totals, the contrast, particularly between Black and White, monthly and hourly wage-earners, is stark. Blacks are the most unrepresented monthly employees, whilst Whites are mostly monthly employed. At the other end of the scale most Blacks are hourly employees, whereas very few hourly Whites occur.

For those firms where the monthly/hourly distinction was made, it seemed to be the general case that the most skilled were monthly employed, whilst those employed hourly were unskilled, mostly.

#### 4.3.5 Skills requirements

In order to get a sense of the levels of training and education required and available in the Helderberg Basin, respondents were questioned, as to the skills that were, are and will be required of their employees, as well as to the availability of such skills in the Helderberg Basin.

Economic activity in the Basin incorporates the full range of skills from the unskilled through to graduates, with which skills the Basin is adequately endowed, unless indicated otherwise.

The **construction and engineering industry** offers much in-service/in-house/on-the-job training, but no apprenticeships. However, **Faure Engineering** is registered with the Department of Labour as a training centre and, as they have the land, they are willing to establish such a centre offering apprenticeships for fitters and turners, welders and boiler makers, with Standard 8 the minimum qualification required for entry.

At **Asla Civil Contractors**, if it is believed possible to train a worker beyond the "pick and shovel stage", he is sent to the Building Industries Federation of South Africa (BIFSA) Training Centre for bricklayers, kerblayers and foremen where **Asla** contributes to the Training Centre Fund for Civil Engineering.

Although it was indicated that relatively higher levels of skills are available in the Western Cape, the levels of training and education and consequently expertise are still considered low, thus more vocational training is required in the more needed areas such as engineering. It was also stated that "one cannot get surveyors, general foremen or site agents in the Basin. Skills are more European and are coming to the Helderberg Basin from far afield - Nelspruit, Umtata and Kraaifontein". There are however lots of unskilled unemployed available in the Basin.

On-the-job training is offered in the **small business sector** which also provides relevant preparatory training to equip the "off the street" unskilled or low-skilled. In addition, **Teplov ballet shoes** offers a clicking apprenticeship.

In the mould of the flexible specialisation paradigm (Walker 1989a) the **agricultural sector** provides basic, multi-skilled training in-house, whilst, for more specialised or certificated licensing needs, instances of outside training are used. These are, Boskop at the Grabouw Co-operative, the Timber Industry Training Centre in Natal, Kromme Rhea in Stellenbosch, affiliated to the Elsenberg Agricultural College, in turn affiliated to the Universities of Cape Town and Stellenbosch, the Deciduous Fruit Industry, Elsenberg, Sarsveld and Sedara.

**Lourensford Estates** is an "accredited training facility with the Department of Labour" thus enabling them to offer apprenticeships. **Vergelegen Estate**, on the other hand, is not registered for apprenticeships, nor are they sure if it is wise to send employees to a farm that is, because this presents a structured learning environment not specifically geared towards the estate's own specific needs.

With the aim of increasing labour productivity, the main thrust at **Lourensford** is in education and training as it is felt the issue can be ameliorated through the development of human resources. In 1993 the estate was heavily involved in literacy training, particularly with Xhosa- and Sotho-speakers, who were also offered Standard 5-10, supported by farm funds. In 1994 the estate started their own "bursary scheme to solicit, select and train future productive affirmative action candidates. This is not window dressing, **Lourensford** is in its sixth year of affirmative action and has Black and Coloured artisans, trained mechanics and administrative managers".



In the **chemical industry** it is critical that employees be properly trained, consequently in-house training and training of "raw entries" is provided. Cross-training ensures multi-skilled, flexible labour able to move from one job to another, "one step more than the lean production system as they lose in hierarchy". Again, evidence of the application of the flexible specialisation approach to local development (Walker 1989a). However there is definitely room for further education, to which end resource allocation is planned within the industry.

**Somchem's** processes are labour-intensive, but it is believed that these processes will perhaps become more sophisticated and more mechanised, in which case **Somchem** will re-skill and retrain their production workers in order to enable them to deal with mechanisation.

**Kynoch** may computerise production, necessitating extra skills for current manual labour. To this end, considering the extremely low literacy levels amongst the Black rural employees, **Kynoch** is running voluntary literacy classes.

A lot of Xhosa-speakers with the basics, or unskilled, were employed and with the way the industry is moving, **AECI** tried to do a lot more in literacy and numeracy, but now actually needs people who can come in and add value, in other words **AECI** would prefer literacy at entry point.

**AECI** also used to have its own apprenticeship training for artisans, of whom there used to be a few hundred, but due to high costs, and as **AECI** "shrunk", training was one of the first casualties. Requisite apprenticeships are also not offered at **Kynoch** in the Basin, but are at the Milnerton Head Office - evidence supporting geography of enterprise theory (Hamilton 1974).

Where there are areas of expertise outside of the **chemical industry**, in particular **AECI**, the work is contracted out to sub-contractors, establishing links between big business and SMMEs.

#### 4.3.6 Industrial relations and union presence<sup>1</sup>

The labour theory of regional development lays particular emphasis on the role of labour as an active agent, rather than as a locational factor, in the process of industrialisation, in order better to understand the concrete changes in fortunes of regions and places (Massey and Meegan 1982, Storper and Walker 1983, Scott and Storper 1986 and Cooke 1989).

The capital restructuring theory, wherein restructuring refers to qualitative changes in relations between the constituent parts, labour and capital, of a capitalist economy, in the process of accumulation, also indicates that history and struggles between managers, workers and political representatives, have implications both for locational choices of future industry and for long-term growth or decline of regions (Massey 1979 and 1984).

The levels of unionisation are an important indicator of the nature of the labour market. The attitude of employers towards unions and labour law is equally important, serving as an indicator of the level of industrial co-operation as well as assimilation of workers into the structures of the formal economy.

Almost without fail, before the opportunity arose to question the level of industrial relations, the presence of recognised unions and the nature of the relations with these, the respondents introduced the issues, indicating how current they are in the changing South Africa.

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<sup>1</sup>. At the time of the survey the new Labour Relations Act did not yet feature in serious discussion with any of the firms surveyed and for this reason it is not dealt with here.

In the **construction and engineering industry** the relationship is good with both NUMSA, the National Union of Metalworkers of South Africa, and CAWU, the Construction and Allied Workers' Union. Although only 30% of **Asla Civil Contractors'** employees belong to CAWU, they have a big influence on the total workforce.

In the **small business sector**, although unionisation is not prevalent, industrial relations comment is vociferous. The employees at **Steriworld** are "not unionised, therefore no problems", but the respondent is "sure it will come". "These people know of unions" because many hail from Belgatex where, when they were "previously laid off, even if it was as fair as possible, they went to the Department of Labour as they knew their rights, and as far as awareness of these is concerned they are a bit militant, which is not only the case in the Strand, but all over South Africa. Tenuous ground, but a healthy relationship is possible via good, open, honest communication". **Steriworld** considers the relationship with staff to be very personal right now as the firm is small.

At **Handi-Pak** "unions are not a problem now" as workers are no longer unionised. The respondent maintains "what has happened in South Africa is very sad, the trade unions have been too successful, well done - they made a brilliant job of pushing up wages magnificently. It is one thing to get a job and another to keep it. Somerset West is a story of collapse, look at the closure or downscaling of the Helderberg butchery, the Gants factory and AECI - the whole area is a wreck".

It was added that it was not all because of labour but also because of certain conditions that the decline took root, "demoralising the labour force in the dairy, who were 100% unionised, to the extent that FAWU, the Food and Allied Workers' Union, actions became oppressive and workers uncooperative".

It must be remembered that "certain conditions were created to break apartheid, now it has been done, it is no longer political, now what? It will be a hell of a job to introduce the RDP as management and worker wages must fall. The most important task is to make wages and the willingness of workers such that people will set up" business in the Basin.

By nature of their activity, the law places **Teplov ballet shoes** within the ambit of the Industrial Council for Leather Industries, the body governing agreements between employers' organisations and unions. All **Teplov** employees were unionised with the National Union of Leather Workers, but half of them have since resigned in favour of a provident fund.

Nevertheless, by law the Industrial Council has extensive powers and prescribes minimum wages, holiday pay guarantees and non-productivity-based bonuses, amongst other rules.

**Teplov** believes this system represents an "unfair structure to the unemployed as it protects an elite group of workers, discourages expansion due to the high wage bill, at **Teplov** 40% of annual turnover, as well as adversely affecting production due to the protection offered to existing employees".

It is not that **Teplov** wants to "exploit" its labour, but the laws of supply and demand dictate that they cannot employ more people as they would have to pay too much. "The firm could offer more jobs for a reasonable wage, albeit lower than the prescribed minimum wage it would mean **Teplov** could employ people out of less developed areas like Lwandle, but such expansion is being curtailed by the Industrial Council."

**Teplov's** activities are more those of a specialised craft industry with all work done by hand, and not mechanised like their counterparts in the leather industry. They are small, one of only two ballet shoe manufacturers in South Africa and by the nature of their production, face a limited demand locally.

However **Teplov** believes that if the Industrial Council gave them "a break" they could expand, employ more people and, with the wage money saved, more easily promote and market their product overseas, which is necessary because of the limited market in South Africa. Export would take the gap of the receding local market and there is scope for export as **Teplov's** price compares favourably overseas in the United States of America and Canada. If such international market export took off then **Teplov** could double their factory size. However if their expansion continues to be restricted by the Industrial Council, lack of funds would curtail export and cut employment. It is felt that the Industrial Council works against achieving lower levels of unemployment.

Within the National Industrial Council of Leather Industries of South Africa, the footwear section agreement, adopted in 1939, was created to protect White artisans in a mechanised industry. This antiquated bureaucracy is consequently not sympathetic to the problems faced by a "made by hand" concern such as **Teplov**. The business has appealed to the Minister for exemption from certain regulations, which has subsequently placed them in *sub judice*.

In the environment outlined **Teplov's** frustrated answer to the question of levels of industrial relations is that there is "no relationship". If permitted to leave the Industrial Council, **Teplov** sees a big future of increased productivity translating, in real terms, into more money becoming available to increase employment as described.

The unions operating in the **agricultural sector** are PPAPWAWU, the Paper, Pulp and Printing, Wood and Allied Workers' Union, FFRWSA, the Farms, Food and Rural Workers' Support Association, FAWU, the Food and Allied Workers' Union, and AGU, the Agricultural General Union.

PPAPWAWU "came in through the back door, with ample bloody noses for their trouble, to recruit sawmill and forestry employees. This Cosatu-aligned union is predominantly Black, has enormous expectations and is aggressive and militant". At the time of the survey **Lourensford Estates** was "expecting a bit of hassle with the union" and a strike was in the offing, in which case subcontracting a labour broker, for labour needed to keep the sawmill going, was an option being considered.

"A lot of bad blood can develop necessitating starting again, but it must be taken into account that this is the first exposure of both labour and management to unions - January 1994 ushered in the first union at **Lourensford**. However, labour productivity versus labour cost is a dicey situation in farming and with unions 'getting their backs up' the estate would like to reduce labour".

On the other hand, FFRWSA, local to the Western Cape and targeting agricultural employees, is non-Cosatu-aligned, "much more understanding and conservative". FFRWSA, with whom the sector has a good, mature relationship, came through the front door, is predominantly Coloured and represents 59% of **Lourensford's** farm population and 60-70% of **Vergelegen's** employees. The arrangement is such that farm labour cannot strike and management cannot lock them out.

This union "feels the last wage negotiation at **Vergelegen** was a significant victory and **Vergelegen** is very happy because it is a win-win situation. The estate would like the union to be seen as good because then negotiation is with a strong union. As unions go, they are fairly intelligent, discussions are rational, there are no abusive slogans, they are quite happy. The problems from time to time are only ones of internal politics. Recognition agreements and codes of conduct apply at **Vergelegen** so if labour does not fit the bill he will not be here forever and he knows it. Provided the company is not trying to short-change labour, a union is a good thing".

There is also a predominantly Coloured, informal, non-aligned group, only at **Lourensford**, who are "more accommodating and understanding" too.

Finally, mention was made too of plans afoot for a major agricultural workers union to be launched in February 1995, by Cosatu, for production farmers countrywide.

SACWU, the South African Chemical Workers' Union, permeates the **chemical industry**. SACWU caters mainly for the Black employees at **Kynoch Fertilizer**, 100% of whom, all on the **AECI** site, belong to SACWU. Some Coloured employees and 20% of White employees are also members of SACWU. "Thank God they are not all on the bandwagon yet", although they started in 1993. However, only 17% of those eligible in the Cape are unionised, which led to the formation of a Non-Union Union with representatives for Non-SACWU workers.

**Kynoch** labels its union relations in Somerset West excellent. The respondent remarked that they have come a long way, shop stewards are stable, people know the procedures and will fight about issues not procedures, rendering the industrial relations good.

Besides a small percentage who are not involved, **Somchem's** employees are all unionised, 50% in-house and 50% with SACWU. At the time of the survey **Somchem** was involved in a labour dispute regarding salary increases. It was maintained that there are active industrial relations powered by **Somchem's** belief in involving people. There are also plans afoot to "redesign and empower to get the people more involved in 1995".

Eight unions are represented at **AECI**. SACWU, Black in the majority with an increasingly strong Coloured presence, and the Cape Explosives Industrial Workers' Union, are both Cosatu-aligned unions which have been joined by the majority of the workers.

The remaining six unions, which tend to be Coloured and White, are the Amalgamated Engineering Union of South Africa, the Amalgamated Society of Woodworkers of South Africa, the Amalgamated Union of Building Trade Workers of South Africa, the South African Boilermakers', Iron and Steel Workers', Shipbuilders', and Welders' Society, the *Wes-Kaapse Plofstof-en Chemiese Operateursvakbond* and the South African Electrical Workers' Association, which is more limited and only White at AECI in the Basin.

(The Cape Explosives Industrial Workers' Union and the *Wes-Kaapse Plofstof-en Chemiese Operateursvakbond* originated, and are only found, at AECI in the Helderberg Basin.)

Previously a joint committee and relatively more recent, SACWU wish to have their own separate employment contract, as their scope is all traditionally within the AECI camp.

A national agreement exists between all the other unions mentioned and the Industrial Council for the Explosives and Allied Industries, which dates back to the 1940's. Payroll staff are all covered by this central Industrial Council agreement, so all are unionised on a collective employment contract.

"Unfortunately" a closed shop agreement exists whereby each employee must join one of the unions - the unions are keen. More recently industrial relations have been on the increase, however the negotiated wage pay, service allowances and bonuses for the chemical industry, when compared with salaries in the Basin, are "way over the top". This is affecting employment as AECI considers employment opportunities restricted by the national wage agreement.



Furthermore AECI considers one of the main problems faced is that of the lack of productivity, as opposed to wages paid, citing the example of SACWU which "does not display maturity, has high expectations and does not see that increased productivity leads to increased wages.

Unless this can be addressed in a more controlled, mature way there will be more job loss. In other words, retrenchment for some with increased wages for others, as opposed to all keeping their jobs at lower wages, which is preferable".

#### **4.3.7 The Future - Problems and Prospects**

Considering that every region experiences structural change along its development journey, Thomas explains the growth and decline of prospering and suffering Helderberg Basin case study firms as the normal transformation of a region, where sectors, sub-sectors and niches are waxing and waning.

Certain problems, difficulties, and conflicts, experienced by the firms surveyed, have already been detailed above where pertinent. In addition to these, which came to the fore within the ambit of the discussion of the specific topics already presented, respondents were requested to indicate the nature of other problems encountered.

Coupled with an awareness of these problems, the developmental impact and implications for labour of general business prospects, plans and predicted future changes in the tabled statistics, are crucial to planning a development strategy for the Helderberg Basin. Consequently in order to identify, and examine the local implications of, potential growth areas as well as declining sectors, respondents were also asked to outline the future plans and predictions of the firms they represented.

Since the **construction and engineering industry** is closely linked to fluctuations in the economy, the main problems currently are, an excess labour capacity which could be productively employed if demand expanded, and instability in the country, which renders planning difficult too.

Apparently the requisite productivity-enhancing demand is already beginning to pick up slowly, however respondents indicated there is a healthy size growth ceiling - aspired to by **Faure Engineering** and already attained by **Asla Civil Contractors** - beyond which efficiency will be jeopardised.

**Faure Engineering** also has a big piece of land, not using all of its twenty hectares. It is land that could be used more effectively, pending growth in the economy, for which time they are "trying to prepare it in terms of zoning" as its application can have consequences in the Basin. It is also taken into account that Old Mutual and Sanlam concentrate exclusively on industrial land.

There is interest in this land, which could have a major impact in the future. The respondents do not envision little factories on it as they are not sure the market is ready for this, but the possibility of a "container client" using the land, conveniently bordered by a railway line and main road, does exist.

In the **small business sector**, problems encountered include, resource access difficulty in terms of availability, delivery and cost of raw materials; some single suppliers facilitating price hikes; thirty-day payment stipulations; distance to market; poor South African packaging technology; saturated product markets; cheaper imported Italian and Eastern competition where the weak Rand previously provided protection required in light of uncompetitively high production costs due to the expense of labour; a dearth of enough skilled technical labour inflating charges for such services; time; money and government red tape.

The National Strategy for the Development and Promotion of Small Business in South Africa (RSA 1995), and in particular, the Strategy's establishment of Local Business Service Centres from the end of 1995, aims to assist small business with problems such as those outlined above.

A lot of effort has gone into the development of **Steriworld's** innovative Chempunge product but there has not been enough initial response to the time-consuming marketing to launch this medical product, nor are there finances within **Steriworld** to market it further at a cost of R600 000-R1 000 000. To this end, the Industrial Development Corporation (IDC) has been approached for funds and a lot of interest has been shown, by the public and large concerns, in investing in **Steriworld**.

Communications have taken place between **Steriworld** and the Minister of Health as one cannot simply make a medical product and put it on the market. Fortunately the government is sympathetic to the product as it is a "Third World product and can create jobs", but the Cape Provincial Administration (CPA) is "dragging its feet" regarding tenders and getting the product into the stores. Time is **Steriworld's** biggest problem and red tape takes time.

**Steriworld's** plans involved increasing personnel by 60-80 people in March 1995, once the innovative business was off the ground. Much was in place to predict this as **Steriworld** went on tender with the CPA and a small tender was already official. The expectation was that this would lead to bigger tenders in January 1995 and then other provincial administrations might follow suit.

Abroad, distribution rights have been sold to the newly created **Steriworld USA** on the condition that they buy all supplies from **Steriworld** in South Africa. At the time of the survey it was simply a matter of waiting four months for the United States Food and Drug Association to approve **Steriworld** products for medical use. Orders were also expected within two months from a contact involved with the United Nations.

Another three countries are also all very impressed with the product because it is produced for the Third World. No sterilisation or additional dressings are needed, the product is very good in terms of high humidity countries' requirements, it is also cheap, labour-intensive if done by hand, and if manufacturing rights can be obtained it can be made in a garage because by the nature of the product it sterilises itself.

**Steriworld** knows its products are good as they have been "bought again", for them it is just a case of getting onto the market. To this end a large pharmaceutical company has signed a contract with **Steriworld** for sale and distribution rights as they have the marketing facilities, personnel and distribution channels needed to get onto the market. This, **Steriworld** believes, will mean getting orders beyond the capacity of the Strand factory where it is anticipated 120 people will be employed within the year. The Strand factory will however stay as a development-type business finally employing 80-120 people.

With the prospect of outgrowing the Strand factory, **Steriworld** envisages new factories, no bigger than the first, in Gauteng because the "big market is there in government hospitals, old-age homes, Blacks and lower class people". Sole manufacturer **Steriworld** thus foresees a big future due to market demand serviced in the face of no competition.

Problematic in the **agricultural sector** are, recent crop declines; commodities at the mercy of free markets which determine and control prices; falling prices in a competitive industry; being in production, which is short-term, and not in processing, which products last; by the nature of agricultural products they must get onto the market within days; escalating production costs; accommodation-expectant labour; high labour costs; low productivity of that labour; an unfavourable exchange rate and lack of productivity in world terms erodes competitiveness; increased packaging materials prices; profit losses; tight finance; high overhead burdens; lengthy return delays on financial outlays; the weather and water constraints.

Water is a constraint fourteen strategically placed, interlinked dams fortunately aim to cater for on the **Lourensford Estate**. There is also a valley on the estate which could be dammed and provide income from Somerset West. However at **Vergelegen Estate**, desired storage capacity is prohibitively priced at a cost of R30-40 million to build a dam, thus the estate is looking to the local municipality for conglomeration.

The future of the agricultural sector also harbours the possibilities of, establishing a nature/river reserve; exploiting kaolin found at **Lourensford**; lucrative *fynbos* farming; nursery growth and new product lines; natural labour attrition being replaced by sub-contracting certain activities - "only paying for what is used"; a large **Vergelegen** wine-marketing drive; commodity branding because as a business **Vergelegen Estate** cannot afford to be in commodity products which do not bear their name and are just in a mass; basic vegetable production because Philippi, the traditional vegetable basket in the Western Cape will be "gobbled up" by residential growth and **Lourensford** has the capacity to take over the Western Cape's needs - in so doing demand for labour will grow in this area; and finally, mechanisation to cut costs because machines, not people, can be expected to work efficiently for twenty-four hours - the respondent philosophises that **Vergelegen** "has got to be strong and take its medicine"

because the increase in unemployment that follows mechanisation is a short-term phenomenon that will lead to full employment in the long term, as has been proven in Japan and Germany.

As a supplier in the international fruit and wine market **Vergelegen** is a "blip on the screen", which could get much bigger, but the viability of such growth is questioned as farming is a delicate weather-dependent business. Land is available to double the vineyards and orchards, but this would double the risk. A personal philosophy that no more than 25% of business should be concentrated in one area was expressed by the respondent. There are however no infrastructural constraints on **Vergelegen** increasing in size, the extent of development and diversification is purely an economic decision. But, innovations-wise, Anglo cannot react too quickly, "like a supertanker, one cannot do with it certain things one can with a yacht".

Prospects-wise Unifruco has got to do something or else the industry will "go bust". Anglo can weather the storm and may retrench, but will not close the farm. They have made a commitment from which they will not back out. **Vergelegen** was bought to develop and R80 million pumped into it so far. If the estate is capable of full production by the year 2000 all will be well. Until then the high overhead burden must be carried by little revenue, fortunately, whether a good thing or not, Anglo can handle it. However, the **Lourensford** respondents parting comment was, prospects aside, "if I had the money I would not go into farming"!

Unlike in the **construction and engineering, small business and agricultural sectors**, where mostly common problems are experienced within each sector, in the **chemical industry**, problems are mostly firm-specific, indicating diversification within the industry, and are consequently outlined separately below, coupled with the future prospects and plans.

The biggest problem at **Somchem** is adjusting to the new paradigm switch from being a government-subsidised organisation to a commercial organisation. Money is now a scarce resource, the making of which requires a new money-making mindset. Where the government once constituted 100% of the client base, the figure is now only 30%. For the 70% balance **Somchem** will have to rely, for needed money, on commercial products and export. To expand the former there might be a change in variety of products as they will also move into fine chemicals. However the people more suited to deal with this are those that are at the Kranskop site and so **Somchem** will rather expand there to the detriment of the factory in the Basin - an example of the theory of geography of enterprise which maintains that the way in which industries organise, as well as the technology they use, affects regional growth and change (Hamilton 1974 and 1978).

Idle capacity is another of the biggest problems at **Somchem** as they have infrastructure to run which used to manufacture vast quantities of material, but now only manufactures on a smaller scale, which translates into less return for equal cost. Thus economies of scale experienced in the past are no longer.

In terms of the RDP and affirmative action **Somchem** believes they need to do a lot more and do have plans to this end. As regards the latter, within the next three to four years, the company intends 30% of management to be "people from other races, other than white and male".

Finally, the wish that unbundling occur, so that **Somchem** can function as a separate company from its mother company Denel, was expressed. Regardless, in future, **Somchem** will continue to strive for the Super Safety grading it has been awarded by the National Organisation Safety Association for the past eighteen years.

Especially in view of commercialisation, **Somchem** must prove its safety as not only is the client dependent on their delivery of safe goods, but the firm will not get the best applicants and will lose those skilled, as well as concomitant productivity, not to mention lives, if **Somchem** does not strive for 5-Star grading.

Economic stability is the biggest of the main problems faced by **Kynoch Fertilizer** as the economic strength of their clients, the farmers, is crucial to the continuation of the firm. Farmers are subjected to product prices and weather out of their control and if they are weakened **Kynoch** has a problem, being so closely linked to agricultural circumstances in the region. However the positive implication for labour of **Kynoch** being a wholly-owned subsidiary of **AECI** is that being big, they can "weather the storms" of the likes of drought and losses.

The traditional client-base was the White farmer, but the respondent believes the composition and profile of this base may change in the future, particularly in view of small-scale farming drives which may affect the product, packaging and services required, probably to **Kynoch's** benefit. **Kynoch** will also change the profile of marketing as the customer profile changes, "for example, Black customers will signal the need for Black salespersons, who would otherwise be shot if sent to White customers". **Kynoch** also has no female salespersons, and the respondent added that they would "sell fertilizer like anything if female salespersons were sent out to play on the farmers' egos!".

To exacerbate **Kynoch's** problems it is thought the site will, in years to come, become a problem in light of development in the Helderberg Basin. Considering this, just as **Kynoch** is very locked into its customers, the firm tries to provide services to lock the customer into **Kynoch**, not only for increased production purposes, but to try to cater to the total needs of the farmer too.



Growth in the demand for scientifically applied, pumped liquid fertilizer may have negative implications for labour at **Kynoch** in the Basin if it takes the place of solid fertilizer in the market. Although easier and no more expensive to produce, it is not labour-intensive, employing fewer people than solid fertilizer production. Fortunately for labour it is costly to set up.

Another problem faced by **Kynoch** is the threat of imports and dumping, at non-sustainable prices, by countries such as Russia. (In one instance Minister Dawie de Villiers, bartering internationally, actually accepted another country's fertilizer as their condition for trade, and "buggered up" the industry here.)

In the midst of the gloom there is however a glimmer of hope in the form of an innovation of which **Kynoch** is very proud. They are the first company in the world that has enriched chicken manure and granulated it. A patented process - they cannot keep up with the demand. There is definitely scope for labour, from plant operators to baggers, in this innovation. The pilot plant of twenty temporary employees is at **Kynoch** in Somerset West. (Whether its permanency is there, is questionable as it may be better to site such a plant closer to the chicken manure-providing farmer and the client vegetable farmer.) There is also export demand for this product - recently an Indian concern wanted the equivalent of two years' worth of production, but **Kynoch** cannot even meet local demand. Analysis of this development fits the description of the initial innovative stage, of super-profits and agglomeration, outlined in Markusen's (1985) four-stage profit cycle theory.

Finance is also not a problem "because **Kynoch** has big brother" **AECI**. However on the downside, "if big brother decided to close/scale down the Somerset West factory, albeit profitable, labour stands no chance. The possibility of a merger of **SASOL** and **AECI**, due to the capacity for overproduction in South Africa, may prompt such rationalisations beyond the control of the Basin site management.

The first of **AECI**'s main problems is the downphase experienced internationally by the general chemical industry. Secondly, a lot of **AECI** development serving the chemical industry was historically overprotected, in the apartheid sanctions phase, and now they are facing international competition. The previously-mentioned lack of productivity in view of wages paid, was the third problem cited, and fourthly, **AECI**'s new products lack viability. Geographically, distance to customers is certainly a disadvantage too as **AECI** is seen as outside the Cape Town metropole.

**AECI** needs to look at what they are producing, where the customer is and how to get it there. Products with a growing customer base need to be manufactured, but the expertise at **AECI** has been in riskier high-tech chemicals, where there is not a lot of expansion now as the mining explosives market is in a mature phase of worldwide over-capitalization.

Really major competition in the market, the fact that the market is not growing, a decline in demand causing more price competition, and the dropping of sanctions leading to an increase in major competitors faced, have all contributed to the **AECI** cycle of losing market share where once **AECI** constituted 90% of the South African explosives market - these are the problematic reasons behind **AECI** downscaling.

The characteristics of **AECI**'s decline emulate elements of the final stage of the profit cycle theory, described as the obsolescence stage of market decline, profit squeeze and plant closings, resulting in relocation or abandonment (Markusen 1985).

The infrastructure is still there for a large factory, but the income-generating capability thereof has declined. Consequently, as regards total employment, unfortunately further decreases are on the cards.

It is anticipated that beyond mid-1995 approximately seventy employees will be lost per year, the first loss affecting mainly engineering and services, whilst a small increase in explosives may occur.

Prospects are limited unless a major new, environmentally acceptable, multi-national operation comes onto the site and takes over with a viable project. Big industry is needed because if the power station's capacity exceeds that used on site, the operation will be sub-optimal.

**AECI** has looked at "lots of little people" desperate for accommodation, but cannot put them on a site of such security. When they did have lots of suitable peripheral accommodation, through the Small Business Development Corporation (SBDC) and WESGRO (Association for the Promotion of Economic Growth in the Western Cape) business hives, **AECI** offered accommodation "nearly free" to fifteen businesses of which only one, a plant propagation concern employing twenty people, has survived, and been bought out by **Kynoch**.

Finally, the **AECI** downscaling is being done in the most responsible way. They are going to set up community committees to whom **AECI** will have to answer regarding their impact on the environment. A smaller operation, no longer profitable, might simply have shut down, covered up and locked the gates behind them as has happened with Imperial Chemical Industries' sites in Mexico and Scotland. On the other hand, **AECI** is picking up huge costs of R3-4 million in terms of their cleaning up efforts in the Helderberg Basin - a world first.

The government made it clear that all communities would be involved in the Helderberg Structure Plan (BCD 1994a) presented to the Regional Services Council. Leaving their site in pristine condition is **AECI's** contribution in view of increasing property development planned in the Helderberg Basin in the long-run.

## CHAPTER FIVE

### CONCLUSION

The RDP has provided a new general vision for socio-economic development in South Africa and has also highlighted old and new issues of regional development which feed through to impact at a more local level.

This thesis has examined, in particular, regional economic development issues in the Western Cape and focused on the Helderberg Basin as a case study.

These development issues have been examined with the assistance of regional economic development theory. The following theories were particularly useful to explaining development in the Basin. Flexible specialisation theory was of use in terms of commenting on cross-training to ensure highly/multi-skilled, flexible labour, and product innovation and diversification activities, as well as flexibility of response to changes in consumer demand.

Porter's theory of investment and innovation, with particular emphasis on the two basic tenets of institutional support and competitive advantage, assisted in discussion of, the role of government and the business-labour-government relationship, as well as the necessity of focusing and building upon already existing strengths, where reasonable chance of success exists, in order to promote long-run competitiveness.

Characteristics of the rise and fall of certain firms emulated elements of the first and final stages of the profit cycle theory. The former is the innovative stage of super-profits and agglomeration and the latter, the obsolescence stage of market decline, profit squeeze and plant closings, resulting in relocation or abandonment.

The geography of enterprise theory was of use in analyzing how firm organisation and technology utilised affect regional growth and change.

The capital restructuring and labour theories of regional development proved useful in examining how history and struggles between managers, workers and political representatives have implications both for locational choices of future industry and for long-term growth or decline of regions.

Labour market issues predominated amongst the economic development issues raised by respondents. Looking at regional development issues and their specific impact on the Helderberg Basin, it was found that migration to the region is one of the issues which needs to be addressed, impacting as it does on levels of unemployment and the absorptive capacity of the economy.

If the RDP works effectively towards achieving balanced development it is more likely that areas of greatest need will be targeted, and considering the comparatively high level of Western Cape development, funding will be concentrated elsewhere, consequently in-migration could slow.

If however the RDP fails to achieve developmental balance, there is a positive concomitant to migration into the region in the form of expanding markets and increased consumer demand, which encourage increased employment-generating production.

The wage debate is an additional labour market issue eliciting vociferous comment in light of current economic conditions. On the one hand, according to the unions the increased cost of living legitimises their increased wage demands, whilst on the other hand, employers are cautioning about the potential negative employment effect of higher wages - a leviathan dilemma!

Finally, commitment to affirmative action is a very topical New South African labour market issue which has also raised ardent mixed responses.

Given the RDP and Regional Development Strategy, there are general development considerations, but within the LED context one will always find specific problems. In the Helderberg Basin the labour market issues have been particularly important to participants in that local economy.

However other important national issues raised, also impacting on LED in the Basin, include increased small business development, growing concern with agricultural land reform and the lack of international competitiveness.

## APPENDIX A

INTERVIEW GUIDE : HELDERBERG BASIN

The questions below were used as a guide to the interviews conducted in the Helderberg Basin, although other issues were obviously raised, reflecting flexibility in interview approach, depending on specific circumstances, experience and industry.

1. Type of firm?
2. Number of employees?
  - a) Permanent/Casual/Sub-contractual
  - b) Seasonal/Contractual
  - c) Daily/Weekly/Monthly paid
  - d) Male/Female
  - e) Colour breakdown
  - f) Sourced from ?
3. How have these statistics changed in the last five years?
4. Predicted future change in these statistics?
5. What skills were/are/will be required?
6. Would you be employing more labour if you could get needed skills in the area or at all?
7. Hypothetically, were you to expand, would you take on more labour across the board, only more skilled, both, or feed current labour up the internal ladder?  
What would be the job creation impact of such expansion?
8. What are the levels of training and education offered and desired? Is the latter available?
9. Does labour get on-the-job training?
10. Are apprenticeships offered?
11. What is the level of industrial relations?
12. Do you have a recognised union and if so what are the relations with the union like?

13. Do you have any relationship to a holding, subsidiary or associate company or foreign directors?

What are the implications thereof for labour?

14. What are the main problems faced by the firm?

(Unions, distance to market, resource access, training, venture capital etc.)

15. What are the future prospects?

The above are all those questions directed at big, small, growing and declining firms. Below are the status-specific questions.

Why are you big?

(i) Market demand serviced

(ii) Nature of product/production

(Economies of scale/Bulk inputs)

(iii) Export

(iv) Have you "eaten others up"?

Why are you small?

Are you new/have you been "eaten up by others"

Lack of finance

(i) and (ii) above?

Why are you growing?

(i), (ii), (iii) and (iv) above

Innovation

Financing available?

Why are you downscaling?

(i) above

Financing problems

Have you been "eaten up by others"?

Unbundling

Labour problems?



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