HOME - BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIES IN TOWNSHIP RESIDENTIAL AREAS: BENEFITS AND DISBENEFITS TO NEIGHBOURS AND INDUSTRIALISTS IN LAMONTVILLE.

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# TABLE OF CONTENTS

## LIST OF TABLES

## LIST OF APPENDICES

## CHAPTER 1: RESEARCH FRAMEWORK

1.1 INTRODUCTION .......................... 1
1.2 RESEARCH TOPIC ......................... 1
1.3 RESEARCH PROBLEM ...................... 2
1.4 RESEARCH QUESTIONS .................... 2
   1.4.1 PRIMARY QUESTION .................. 3
   1.4.2 SECONDARY QUESTION ................. 3
   1.4.3 SUBSIDIARY QUESTIONS ............... 4
1.5 LIMITATIONS AND SCOPE ............... 4
1.6 STRUCTURE OF THE STUDY .............. 6

## CHAPTER 2: CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION .......................... 8
2.2 ECONOMIC ACTIVITY IN LAMONTVILLE .... 9
2.3 Deregulation versus Regulation Debate .... 10
2.4 Approaches to the Problem of Externalities ... 21

## CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION ......................... 30
3.2 SAMPLING METHOD ...................... 30
3.3 PRIMARY SOURCES ...................... 33
3.4 SECONDARY SOURCES .................... 36
LIST OF TABLES

TABLE 1: THE NUMBER OF HOME-BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIES IN LAMONTVILLE 39

TABLE 2: CATEGORIES OF HOME-BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIES IN LAMONTVILLE 40
LIST OF APPENDICES

APPENDIX 1 : QUESTIONNAIRE ADMINISTERED TO HOME - BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIALISTS IN LAMONTVILLE

APPENDIX 2 : QUESTIONNAIRE ADMINISTERED TO NEIGHBOURS OF HOME - BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIALISTS IN LAMONTVILLE

APPENDIX 3 : INTERVIEW WITH GOVERNMENT OFFICIALS

APPENDIX 4 : MAP INDICATING DISTRIBUTION OF HOME - BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIES IN LAMONTVILLE
CHAPTER 1: RESEARCH FRAMEWORK

1.1 INTRODUCTION

The focus of this dissertation is on assessing the impact of home-based small and medium scale service industries on the communities of township residential areas and the problems and benefits experienced by home-based small and medium scale service industrialists due to operating from home. The case study area is Lamontville. It has been noted that governments throughout the Third World are beginning to notice the contribution that small medium scale industries can make towards alleviating poverty. Some of these governments (South Africa included) are currently busy with the formulation of policies tailored towards fostering this contribution. Preston-Whyte and Rogerson (1991) also note that in developing countries, home based activity fits into development strategies adopted by some international aid agencies. It is seen, amongst other things, as a means of enabling women to develop small businesses, and of thereby facilitating both their integration into the wider economy and their active participation in the development process.

Whilst I am convinced of the virtues of home-based activities I believe that, in the formulation of planning approaches and policies directed towards home-based industries, the concerns of residents amongst which these industries operate and of the industrialists themselves, should be taken into account. The concerns of residents, for example, might include negative externalities such as air pollution and noise brought about by the operations of these industries while concerns of industrialists might
include poor accessibility to clients and customers. Preston-Whyte and Rogerson (1991) note that South African research on the informal sector has neglected to take up issues of home-based enterprise. They also argue for a more positive policy approach to South African home-based enterprises, especially those functioning in low income urban settlements.

1.2 RESEARCH TOPIC

The impact of home-based small and medium scale service industries in Lamontville, with special reference to the benefits and disbenefits to neighbours and the industrialists involved.

1.3 RESEARCH PROBLEM

This study sought to investigate the kinds of problems experienced by small and medium scale service industrialists due to operating from home in Lamontville; the nature of the externalities experienced by both Lamontville residents and small and medium scale service industrialists due to the operations of the latter from home and, finally, the solutions to these. The assumption underlying the research problem is that home-based small and medium scale service industries imply benefits and costs to the residential community amongst which they are operating and that operating from home also imposes benefits and costs on these industries. For example, some of the costs imposed by these industries on the community could be air pollution and noise while benefits could be cheaper goods and services, convenience to obtain such goods and
services etc. Some of the benefits that might be experienced by these industries could be less competition from other similar industries as they are scattered throughout the residential area as opposed to being concentrated in one space while costs could be theft and robbery.

1.4 RESEARCH QUESTIONS

To provide answers to the research problem highlighted above, the research question had to be formulated. The research question was subdivided into Primary and Secondary questions on the basis of the assumption that the type and nature of externalities experienced by both home-based small and medium scale service industrialists and the residents due to the operations of the former from home and the problems experienced by home-based small and medium scale service industrialists due to operating from home differ according to the type of each industry which then might necessitate that some or all small and medium scale service industrialists in Lamontville be prohibited or allowed to operate from home. These Primary and Secondary questions are as follows:

1.4.1 Primary question

Should small and medium scale service industries be allowed to operate from home in Lamontville residential area?
1.4.2 Secondary questions

What type of small and medium scale service industries should be allowed to operate from home in Lamontville residential area, given the impact that they have? What planning interventions are possible either to better accommodate or remove small and medium scale service industries already operating from home?

1.4.3 Subsidiary questions

The Primary and Secondary questions have been broken down into the following subsidiary questions due to the realisation that the presence of a diversity of home-based small and medium scale service industries in Lamontville would mean different problems; different externalities and different attitudes from both Lamontville residents and the government. It is, therefore, the need to find out these differences that necessitated the breaking down of the Primary and Secondary questions into the following subsidiary questions:

- What is the number and nature of the existing small and medium scale service industries in Lamontville residential area? Can these industries be arranged into different categories? If yes, what criteria can be used? Are there any differences on the nature and extent of externalities that each group imposes on the residential community of Lamontville? If yes, what are these differences?
- What are the problems and gains experienced by residents because of the operations of home-based small and medium scale service industries in Lamontville?
- What are the advantages and disadvantages experienced by different home-based small medium scale service industries, due to their operation in Lamontville residential area?

- What is the attitude of government towards home-based small and medium scale service industries operating in township residential areas? What are the government regulations/controls pertaining or applicable to these industries?

- What possible planning responses can be formulated on the basis of the impacts of the operations of home-based small medium scale service industries as expressed by residents and on the basis of problems and benefits experienced by home-based small and medium scale service industrialists (which are due to operating from home) in Lamontville residential area?

- What lessons can be learnt from the research that has been undertaken which might be useful for development in low income settlements?

The problems experienced by small and medium scale service industrialists due to operating from home; the externalities experienced by the residents and home-based small and medium scale service industrialists due to the operations of the latter from home and the solutions to these were found out through these research questions, some of which were incorporated into questionnaires that were administered to both the home-based small and medium scale service industrialists and their neighbours in Lamontville. The findings were interpreted with the purpose of providing answers to these research questions.
1.5 LIMITATIONS AND SCOPE

The focus of this study was only on home-based small and medium scale service industries. This study was not focusing on locational issues per se but on problems experienced by small and medium scale service industrialists due to operating from home and on the externality problem between home-based small and medium scale service industries and the residents in Lamontville. This study, therefore, sought to find out the problems experienced by small and medium scale service industrialists due to operating from home; the nature of externalities experienced by both the home-based small and medium scale service industrialists and Lamontville residents due to the operations of the former from home and, finally, solutions to these. Even though shebeens and tuckshops could be classified as service industries, they were not considered in this study simply because a thesis looking on more or less the same aspects has been written on these.

1.6 STRUCTURE OF THE STUDY

This dissertation is divided into five separate but inextricably linked chapters. An attempt was made to organise these chapters sequentially in terms of structuring all the elements that were necessary for the completion of this dissertation to ensure a better understanding of the text by the reader.

The first chapter which comprises the research framework, provided an introduction of the content of this dissertation. It outlined the main focus of the study in the form of
a research problem, research questions, subsidiary questions and limitations and scope of the study.

The second chapter comprises a conceptual framework and provided a theoretical background for undertaking this research study. It also provided guidance to the formulation of the research questions and helped in the interpretation of findings.

The third chapter comprises research methodology. The data required for research purposes; the sources of this data and the ways in which it was utilised are all explained in this chapter.

The fourth chapter comprises the data findings and interpretation. The interpretation and analysis of these findings was linked to the ideas that emerged in the conceptual framework. Tables showing the number, type and distribution of home-based small and medium scale service industries in the Lamontville residential area were used to maximise clarity and understanding for the reader.

The fifth chapter comprises of conclusions and recommendations. The conclusions assess whether the aims of the research study, as spelt out in the research framework, were achieved or not. The recommendations were largely informed by ideas from the conceptual framework and data collected. Suggestions of focus of a further research study are also outlined in this chapter.
CHAPTER 2: CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

The conceptual framework provided the context within which I explored the impact of these industries on the residential community of Lamontville. It, therefore, provided guidance to the formulation of research questions and also helped in the interpretation of findings.

The first element of the framework is a brief outline of the economic activity in Lamontville. Secondly, a debate between those who argue that the informal sector should operate under the ambit of state regulations and those who argue that informal sector activities should be deregulated is put forward. The stance that I have adopted on the basis of this debate is that the informal sector activities should be controlled and regulated. Finally, approaches put forward by several authors in an attempt to deal with the problem of externalities imposed on residential communities by industries are discussed. From these approaches, it is a state driven approach that I have advocated for dealing with the externality problem in the Lamontville residential area. It is by combining these insights that I develop a conceptual framework for the proposed investigation into home-based industry.
2.2 ECONOMIC ACTIVITY IN LAMONTVILLE

Lamontville is one of the African townships that were developed under the Group Areas Act. Approximately 4 km\(^2\) in extent, Lamontville is located approximately 13 km from the centre of Durban, in relatively close proximity of the N2, between Chatsworth in the north, Mobeni in the east and Umlazi in the south and west (see Locality map attached). Besides for the provision of a basic level of local facilities, Lamontville depends on the metropolitan area for most of the required opportunities and for anything above the cornershop type of commercial development. This is also applicable to education, health, recreational amenities as well as infrastructure services. The relative isolation of the township from Durban CBD together with high transportation costs implies that Lamontville residents have to feel the economic impact of high transportation costs.

In broad terms, Lamontville contains the average type of township development, with mostly overcrowded standard township houses, substantial deficiencies and comparatively low standards of supporting facilities and inadequate services. In the Lamontville residential area there are three sets of formal cluster shops (consisting of small grocer shops and butcheries) and two small formal grocer shops (see Appendix 4). In addition, there is also a diverse range of informal business activity. The informal activity in Lamontville includes fruit and vegetable traders, shebeens, taverns, spaza shops, dressmaking, panel beaters and small contractors. The support of these industries comes mainly from the Lamontville residential community. Lamontville is a relatively low income area which has a significant number of unemployed.
Locality Map of Lamontville

Legend
- Lamontville
- Durban Metropolitan Area
- Roads

Scale (km)

W E N S
The people engaged in small and medium scale economic activity in Lamontville are mainly the unemployed young (aged 18-35) and the middle-aged (aged 35-55) who acquired their business skills informally. Some of them accumulate savings while others utilise profits to supplement household incomes.

2.3 DEREGULATION VERSUS REGULATION DEBATE

The realisation that the informal sector has a lot to contribute towards development triggered a world-wide change in attitudes of several governments towards this sector, from disapproval and harassment to approval and admiration. Currently, some governments and world institutions hail the informal sector as an integral part of the urban environment which has an important and a positive role to play in the solution to Third World development problems. This point of view is championed by the reformist school, represented by the I.L.O and the World Bank which see the informal sector as a nursery wherein entrepreneurial skills are fostered (May and Stavrou, 1989).

Even though there is this acknowledgement of the informal sector contribution to development issues, there is a debate as to whether this role should be fostered within the ambit of state regulations or not. The proponents of deregulation argue that measures at any government level that might restrict the development of the formal and informal small business sector should, where at all possible, be relaxed. They also see the informal sector as comprising a group of incipient or infant capitalists, whose growth has been limited by a number of constraints such as lack of capital, lack of
access to existing marketing structures and unrealistic licensing requirements (Meagher, 1995).

The I.L.O position recognises a potential for dynamism in the informal sector, but it locates the obstacles to its realisation not simply in the state but in the weaknesses inherent in the informal sector itself. Low incomes, low productivity, and limited skills and technology are seen as limitations to informal sector development that will not simply disappear with the deregulation of the informal economy. The ambivalent attitude of the state, and its ‘failure to promote’ the informal sector are identified by the I.L.O as a central impediment to informal sector development (I.L.O, 1985 : 11) cited in Meagher (1995). State ambivalence toward informal sector, however, is rooted in something more complex than ignorance or lack of policy co-ordination. Ambiguous or inconsistent policy, and policy that is difficult to enforce, represent an implicit encouragement of informalisation. It creates a climate suitable for the expansion of exploitative structures of informality, since it fails to provide active protection and support for informal actors, and provides gaps in the legal structure permitting stronger economic actors to make use of informal labour (Fernandez - Kelly and Garcia, 1989: 248; Standing) in Meagher (1995).

The advocates of deregulation also argue that the provision of formalised park premises did not foster any development of small entrepreneurs. The precarious financial base of most businesses functioning at the industrial parks is understood by continuing complaints of high rentals which forced many entrepreneurs to close operations and retreat into backyard manufacture (Sowetan, 8 February 1990) cited in
Rogerson (1991). This argument implies that amongst the small entrepreneurs there will always be those who cannot afford to pay rentals that are required in formalised sites.

Rogerson (1991) also argues that deregulation may offer opportunities for limited advancement through the pathway of formalisation. In particular, deregulation may hold out prospects if embodied within the context of suggestions for planning ‘deregulated activity corridors’ as components of a more compact and South African urban spatial form (Smit and Todes, 1990) in Rogerson (1991). However, Rogerson cautions that sight must not be lost of the real attendant dangers which attach to deregulation in the guise of possible informalisation of existing formal industrial enterprise precipitating degraded sweatshop work environments. In this scenario, the benefits of deregulation would be hijacked by formal enterprise to the detriment, once again, of small enterprise, and especially of the workers in such establishments.

According to Maasdorp (1983), the real point is that restrictions and licensing make it difficult for people in the informal sector to earn incomes. Relaxation of these and deregulation may stimulate some employment and enhance income - earning potential of the black community in South Africa. Money would circulate more rapidly in the townships and informal settlements, the economy of these areas would be stimulated and the income distribution impact would probably be favourable. Maasdorp (1983) also argues that if the use of simpler, more appropriate technology is important in an employment creation programme in the small scale sector, so too is the adoption of lower standards in the informal sector. Because the standards are not based on local
perceptions of needs, they militate against the emergence of indigenous entrepreneurial skills. One of the functions of government, according to Maasdorp, is to increase the welfare of the population and one way of doing this is to expand the range of choices open to individuals, and allowing a wider range of standards to co-exist alongside one another would seem to promote this welfare function. We cannot afford to be overly fastidious in a complex society with differences in cultural outlooks, social mores and incomes (Maasdorp, 1983).

Watson (1993), argues that the prime focus of urban management must be the promotion of survival opportunities for all city dwellers. One implication of this is that authorities will not only have to accept the prevalence of the informal sector, but will also have to seek ways of promoting it. Ways must be found, which may lie outside the realm of laws and regulations, to achieve the goals of creating maximum economic opportunity with minimum negative externalities (Watson, 1993).

Formalisation of what is presently ‘illegal’, according to Dewar and Watson (1981), is an incorrect approach. The inevitable result of this process of legalisation is that many smaller, less regular informal sector activities will be unable to afford the licence fees, taxes and other official requirements and will be forced to close. The answer is not to attempt to legalise what is illegal, or formalise what is informal, but rather to remove unnecessary restrictions entirely so as to allow for greater flexibility and freedom of operation (Dewar and Watson, 1981).
Sethuraman (1981) also argues that the recognition of the informal sector explicitly in the development plans could automatically ensure the distribution of benefits resulting from development in favour of the disadvantaged groups and thus from the trickle down philosophy followed hitherto in many developing countries. If one takes into account the human capital generated in the informal sector through apprenticeship training and the like, the case for promoting this sector becomes even stronger (Sethuraman, 1981).

On the other side, there are those who oppose the whole argument for deregulation and argue for the formalisation of the informal sector. They argue that the informal economy may expand at the expense of formalised work through the ‘informalisation’ of formal enterprises. This may occur as different informal work arrangements are reconstituted as mechanisms to help retard or bypass wage gains and state-enforced labour legislation.

Mosdell in Preston - Whyte and Rogerson (1991), exposes the ambiguities attached to deregulation initiatives. In the case of Pietermaritzburg, he reveals that despite the creation of a more relaxed legislative atmosphere, the city’s street traders still find their operations constrained. Through an intricate web of patronage, the formal business community and municipal authority retain and exercise substantial indirect means of control over Pietermaritzburg hawkers.

The critics of the I.L.O standpoint also argue that it is unlikely that many developing countries have sufficient resources, administrative infrastructure and personnel to be
able to provide extensive aid to informal operators while continuing to perform normal government tasks and to implement other aspects of development plans.

As highlighted in the beginning of this chapter, my standpoint is that informal sector businesses should be state-controlled and regulated. Some of the arguments put forward by the proponents of deregulation and highlighted in the debate above refer to the issue of regulations and controls inhibiting the growth of industries and restrictions and regulations making it difficult for people to earn incomes. To counter this argument, it is possible to adjust state regulations and controls towards fostering the growth of businesses rather than inhibiting it. Controls and regulations are necessary to, amongst other things, deal with the issue of externalities and to safeguard the health of the communities and the industrialists themselves but, even in this instance, they can be made less stringent and flexible. An example of a flexible control system is the licencing system put forward by Dewar (1987) and discussed below.

Other arguments put forward by the proponents of deregulation relate to high rentals applicable in formalised parks which tend to force many entrepreneurs to close operations and retreat into backyard manufacture. Again, it can be argued that the problem of high rentals does not necessitate deregulation and can be dealt with within the ambit of state regulations. A lower standard of service utilities in formalised parks can contribute a lot to the lowering of rental charges. For example, concerning space for operations, a wide range of shelter forms can be allowed as long as the type of shelter provided is able to withstand extreme climate and weather conditions and contribute positively to environmental quality. Determination of acceptable shelter
forms can remain the responsibility of the state but with the participation of the representatives of the industrialists. Direct state intervention in terms of shelter provision may be necessary when there are income constraints (when a significant proportion of industrialists cannot provide shelter for themselves); environmental considerations (when particular treatments suggest themselves as a means of benefitting the group as a whole); technical considerations (for example, when structural work is required); and urban design considerations (when a cohesive standard approach is necessary to maintain environmental quality of an area) (Dewar and Watson, 1990).

In addition to these proposals for lowering rental charges within the ambit of state regulations, a principle of user charges put forward by Dewar and Watson can also be introduced with regards to the provision of certain services. For example, water can be provided from metered taps and electricity be taken from coin-operated electricity stands. Those services which benefit all (rubbish collection, toilet facilities etc.) can be funded on a pro rata basis from a stand rental fee (Dewar and Watson, 1981). However, toilet facilities, when shared with the public, can be provided as part of urban social infrastructure and costs thereof be recovered from general city taxes. The systems proposed here for infrastructure and service provision can be upgraded as the industrialists accumulate enough profits to afford higher rental charges and they can decide for themselves which forms of services are cheaper. In addition, Dewar and Watson (1981) suggest that since proposed sites must be owned by the authority, as envisaged here, rentals must not escalate with demand and should be low - the intention must not be for the local authority to make profits out of the deal. Rents on
these areas, however, should be standardised and kept as low as possible. Should demand for sites exceed supply, allocation should occur on the basis of a lottery system (Dewar, 1981).

The following ways of handling the need for industrial incubators (hives) and commercial premises at rentals affordable for emergent enterprises put forward in The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995), can also be applicable in this context:

- The incubator (or industrial start-up premises), if not established through private enterprise, can be viewed as a variation of Local Service Centres (definition explained below), for which structured support programmes can be developed.

- Existing supplies of such accommodation, like the SBDC and the regional development corporations, have to consider the need for justification of rental subsidies and the feasibility of such subsidisation within their own funding as well as other possible support programmes.

- The DTI and/or provincial governments could investigate the scope for an affordable system of a start-up rental subsidies with sliding scales of subsidisation for specific categories of emergent enterprises (e.g., small manufacturers and rural hives). Such a scheme might also motivate the private sector to construct more incubators and other small business premises (White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995). Ways and means, therefore, can be devised under the auspices of the state to make rentals affordable to some of the small and medium scale industries.
Within the ambit of state regulations the government can also set up structures to assist small and medium scale industries. For example, the Local Service Centres proposed in the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) can contribute a lot towards giving direction to these industrialists as to where and how they can obtain not only financial assistance but assistance to a number of business related problems. The White Paper proposes Local Service Centres as one of the instruments for the establishment of support policies and programmes for small, medium and micro enterprises. These are a network of centres within communities and in close proximity to them. Their role will be to provide a wide range of support services to small businesses in the areas where they are located. These services include training, mentoring, business plan preparation, marketing and subcontracting support; provision of accurate and timely information on business opportunities, available resources and current and likely competition in the local community. The White Paper states that "ideally, LSCs should be located within easy access to SMMEs in every province and district" (White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995: p.46). This would enable these Centres to clearly understand the needs of local businesses and provide them with appropriate services. It would also cut down on costs of travelling to and from the Centres and other support institutions.

These LSCs can also equip the industrialists with financial management skills thereby making them a better risk for institutional credit. They can facilitate the establishment of special local lending programmes as a form of joint action between financial institutions, parastatals, NGOs and local authorities or community groups. However,
the information provided by these LSCs should be made as accessible as possible to the grassroots level and be presented in such a way that it is easily understood and readily available to them. The dissemination of this information can be enhanced by means of publications of newsletters carrying news about the established LSCs and available assistance to SMMEs and through mass media such as newspapers, radio or television.

The above examples indicate that state regulation can be to the benefit of small and medium scale industries but for this to be effective, the government needs a database so that it is known who is doing what and where. This might necessitate the creation of a ministry that will be responsible for the issues pertaining to this sector. The formulation of policies pertaining to small and medium scale industries; the creation of government structures for the development of these industries and the provision of necessary guidance, all necessitate that the role of the activities of small and medium scale industries be fostered within the ambit of state regulations.

The government can also facilitate exposure of these industries to world markets. For example, in Europe there might be a huge demand for cultural goods of African origin. If the government has the knowledge of who is doing what and where, it can assist some of these industries, like dressmakers, to gain exposure to European markets. This will further help these industries to gain exposure to modern technology and be competitive.
However, it can happen that some industries are pushed out of the residential area because of government regulations that might, for example, impose limits on a number of home based industries that should be allowed per township. Taking into consideration the fact that most governments have accepted the need for low income population to be as close as possible to jobs, goods and services, such limits might be to the advantage of both the residents and the industrialists. Firstly, such limits might have the effect of minimising competition between industries providing the same goods and services, thereby maximising their profits. Secondly, the residents will be assured of access to such goods and services at a convenient distance because with the imposition of such limits, closure of small and medium scale industries which, amongst other things, is usually due to high competition between them will have been curtailed.

Most governments, having realised the inability of formal employment to absorb the bulk of the unemployed, recognise that stringent rules and regulations directed towards the informal sector are not to their advantage. These governments, therefore, are likely to relax any rules and regulations that might hinder the growth of small and medium scale industries within this sector and their capacity to employ. For example, some economic activities that were previously not allowed in dwelling units might be allowed.

The governments also have the duty to enhance the development of the whole population and to make sure that the employed population earn a living wage under safe and healthy conditions. In other words, a situation whereby a few individuals (in
this case small and medium scale service industrialists) prosper at the expense of the poorest cannot be allowed. The government has to make sure that the labour that might be employed in these industries is not exploited. There is therefore no option but to subject the operations of these industries to controls and regulations.

2.4 APPROACHES TO THE PROBLEM OF EXTERNALITIES

It should be acknowledged that by their operations, home-based small and medium scale service industrialists might be imposing costs and benefits on the communities amongst which they operate thereby necessitating some mechanisms to either alleviate these costs or increase these benefits. There are several approaches as to how the externalities imposed by industries on residential communities can be dealt with.

Firstly, it is argued that there are mechanisms that can be classified under the general heading of decentralised approaches to the externality problem. One wing of this school is the 'private bargaining approach' advanced by Coase in Staaf and Tannian (1973) and endorsed by Buchanan in Staaf and Tannian (1973). This argument maintains that the affected parties can negotiate a settlement on their own. The shortcoming put forward by the opponents of this approach is that the transaction costs of bargaining can be very great and information about people's preferences is quite difficult to obtain, hence very costly.

Another difficulty in reaching socially, optimal solutions by bargaining where externalities exist can be traced to the fact that a party may choose some particular
status quo which he deems to be to his advantage in his effort to negotiate an agreement with other parties, or to achieve certain legal rights in the courts or the legislature. For example, if the degree of pollution caused by a panel beater in Lamontville will affect the ultimate outcome of the bargaining, the panel beater may prefer to begin at a very high level of pollution in order to make his “concessions” appear greater than if he started with a lower level of pollution. Thus, a choice of the extent of externality as a bargaining strategy may lead to different negotiated settlements, hence to a different distribution of incomes and different solutions of the allocation problem - even different efficient solutions - rather than the unique solution.

Another alternative approach is the “merger”. For example, suppose the occupants of a boarding house next door bother residents with loud noises. Residents may “merge” by buying the house next door, thus “internalising” the externality because the newly formed “organisation” would take all costs into account. But merger is not always an option. No single party owns a river, or, as a practical matter can acquire all the property rights by buying the land on both sides of the river.

Coase in Staaf and Tannian (1973) has also brought to the analysis of externalities an emphasis on opportunity costs which prevail in the price theory. In addition to considering the social product (i.e the impact on the residential community) of the firms as the amount of externality varies, he insists that we must also take into account the social product that would be forthcoming if some of the firms move into another line of business.
An alternative approach contrary to all the above mentioned approaches would be state-driven. State intervention can be by means of regulation, auctions of rights to pollute, taxes and subsidies, and outright prohibition. Governmentally imposed tax or subsidy schemes may be useful for achieving efficient resource allocation, especially if bargaining is expensive or impossible (Buchanan in Staaf and Tannian, 1973). There are some difficult problems involved in the imposition of such schemes. In the imposition of taxes there is a need to know enough about individual's preferences. Nevertheless, taxes or subsidies, occasionally readjusted may accomplish a great deal in controlling pollution and other external effects. Taxes on externalities can be a feasible means of control when outright prohibition would result in excessive reduction of desirable activities.

The proponents of state intervention also argue that the state can facilitate the coordination of decisions having external effects. In the absence of co-ordination the affected parties can make inefficient decisions or decisions that do not maximise joint profits. This view implies that government intervention in the form of regulation and control to solve the externalities problem, can also lead to solutions that benefit both the residents and the industrialists involved. According to this argument, if the externalities problem can be handed over to the residents and the industrialists to solve, solutions that will be to the advantage of both the residents and the industrialists might be impossible or difficult to achieve.

Concerning state regulations to control externalities, Dewar (1987) also proposes a licencing system to deal with the issue of environmental pollution by small and medium
scale industries. In terms of this system, a person wishing to undertake any activity on a parcel of land applies for a licence. Scrutiny simply revolves around the issue of negative impact and thus can occur rapidly. If the authority is satisfied that the impact is within reasonable bounds, the licence is granted, subject to the condition that impact cannot be increased without re-application. If the owner in question, or a new owner, wishes to change to use of land, or even modify the existing use in a manner which will increase its impact, application for a new licence must be made. Again, however, assessment occurs purely on the basis of the impact. Since this system requires the use of judgement, it would be necessary to establish a board of appeal to arbitrate in cases of conflict. Overall, however, the system would be more just, more realistic and more streamlined and responsive to change than are in operation at present (Dewar, 1987). With the adoption of this system, legal control would still exist, but the legal sanction would be imposed post hoc and not ad hoc as occurs at present. Secondly, use as opposed to exchange value, would be emphasised as each applicant would have to prove bona fide intention of conducting the activity for which the permit is granted. It must be emphasised that introduction of this system would not result in a non-controlled, random, or chaotic situation. Most businesses would locate in a predictable manner in relation to most flows and the pattern of accessibility: it is the manipulation of elements affecting these factors which offers the most powerful tool of land use control (Dewar and Watson, 1981).

Another related approach which can also be applied in regulating these industries is that put forward by Watson (1993) and is based on the principle of “minimum critical action”. According to this principle, the most serious externalities of mixed land use
activities which could and should be controlled, for example, noise and air pollution should be identified. A management control such as the performance criteria should be devised to control negative impacts of such externalities. The performance criteria for different land uses should be clearly specified, for example, noise level and safety hazards of home businesses. This would create standards and consistency in application throughout the city. The underlying fundamental of performance control is that, criteria should be enforced if and when externalities arise and not on the control of the type of business or land use (Watson, 1993).

These two licencing systems in conjunction with a complaints system would be appropriate for the regulation and control of the operations of small and medium scale industries in particular. The implementation of the system proposed by Watson, for example, would not require the relocation of such industries from home, instead it would seek to regulate their impacts on the residential community.

In taking my position amongst these approaches, firstly, I will assess the suitability of each in the Lamontville context and other low income settlements in South Africa. The two of the above-mentioned approaches: the ‘private bargaining approach’ and the ‘merger’ approach necessitate negotiation between the affected parties. These approaches do not take into account a situation whereby the neighbours or the affected residents might be having personal problems against the industrialist concerned. Personal problems in some communities have sometimes meant that neighbours do not talk to each other. The people or parties involved in the externality problem in townships are not an exception to such problems. The imposition of externalities can
also transcend boundaries of ethnicity, race and political differences, thereby necessitating government intervention especially if such transcendence has the capacity to trigger violence. The extent to which some of these differences have caused conflicts in South Africa is well documented.

In addition, low income settlements are also characterised by a high level of illiteracy. This means that a high number of people or affected communities might not even be aware of legal avenues through which they can channel their complaints when adversely affected by the negative externalities imposed by a local industrialist. Similarly, the bulk of low income population might not be aware that there are controls and regulations governing economic activity in the residential areas. The high illiteracy rate, therefore, means that the low income population is susceptible to exploitation by those few who have been lucky enough to achieve a higher standard of education, some of which happen to be these small and medium scale industrialists. The higher level of education puts the industrialist at a greater advantage in negotiations with those who happen to be illiterate and who experience problems with the negative externalities that he imposes on them.

The approach put forward by Coase in Staaf and Tannian (1973), also does not seem to take into account low level of skills in low income communities such as Lamontville. Most people in such communities are not skilled, let alone being multi-skilled. They, therefore, cannot easily change from one form of economic activity to another e.g. from panel beating to tailoring. In addition to this, most of the home-based small
medium scale industrialists did not acquire their skills through any form of formal schooling.

As stated in the introduction to this section, my position is for government intervention in the operations of small and medium scale industries. Out of the government forms of intervention mentioned in this debate, the one that I advocate is state intervention by means of regulations. However, the kinds of small and medium scale industries existing in low income settlements such as Lamontville would require regulations that are flexible. In other words the regulations appropriate for such industries would not seek to close or restrict their operations but to boost their role in the alleviation of poverty while alleviating negative externalities these industries impose on the residential community. In addition, the regulations will have to take into account the role of these industries in the communities amongst which they are operating. For example, some of the residents in low income settlements might be dependent on these industries for cheaper goods and services.

The two licencing systems proposed by Dewar and Watson would seem appropriate for the regulation and control of home-based industries in particular. The implementation of these systems would not require the relocation of such industries from home, instead it would seek to regulate their impacts on the residential community. However, there are limitations to the applicability of these systems in the Third World context and in low income settlements. Firstly, their implementation would require the availability of funds and professional staff skilled in environmental impact assessment and this poses as a shortcoming in their effectiveness in most cities.
of South Africa. The complaints system might also prove ineffective in some low income areas for fear of being victimised. Therefore, there might be a need for government officials to patrol the communities and this, according to Watson (1993), might be feasible if done in conjunction with lobby groups representing communities’ interests.

In conclusion, this chapter started with a brief description of the nature of economic activity in the Lamontville residential area. This was an attempt to relate the debates that followed to the existing situation in the study area. Secondly, arguments put forward by those who advocate deregulation and those who advocate regulation were brought forward. In adopting a stance out of these arguments, it was argued that the issues identified by the proponents of deregulation to justify it, could also be addressed within the ambit of state regulations and examples of how some of these issues can be addressed were put forward. Other benefits that could be obtained by small and medium industries from being regulated and controlled were also put forward. On the basis of this whole debate, it was concluded that small and medium scale industries should be subject to state regulations and controls.

The final part of this chapter comprised approaches put forward by several authors to solve the externality problems resulting from industrial activity in residential areas. These approaches were assessed as to whether they are suitable in the context of low income settlements such as Lamontville or not. Out of this assessment, it was state regulation that was deemed appropriate for small and medium scale industries in low income settlements such as Lamontville. However, it was emphasised that such
regulation will have to be underpinned by flexibility. Overall, from the discussion put forward in this chapter, state regulation of small and medium scale industries has been advocated. Relating this stance to the research questions, some or all small and medium scale service industrialists in Lamontville (depending on the impact that they have) would be allowed to operate from home but their operations would be subjected to state controls and regulations.
CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

In an attempt to seek responses to the above mentioned research questions, this section outlines the means by which the required information was obtained and the sources of such information. Methods that were used to obtain this information and the way in which it was handled for the purpose of this study are also detailed in this section.

3.2 SAMPLING METHOD

Firstly, it should be noted that home-based service industries operating from the informal areas of Lamontville (i.e. shacks) were not considered in this study. This is due to the difficulty of getting into such areas to obtain the necessary information pertaining to these industries e.g. difficulty in counting the actual number of these industries in shack areas.

A total of 33 home-based small and medium scale service industries in Lamontville was found. The kinds and numbers of these industries are as follows: 17 panel beaters, 7 barbers, 3 shoemakers, 2 welders, 2 dressmakers, 1 stove repairer and 1 hairdresser (see Appendix 4). Out of these industries, panel beaters and barbers operate from three kinds of dwelling units each: a semi-detached unit, a detached unit and a walk-up flat (consisting of 2 units on the ground and 2 units on top, with
the industrialist occupying one of these units). Welders and dressmakers operate from
two kinds of dwelling units each: a detached and a semi-detached dwelling units. The
stove repairer and a hairdresser operate from one unit in a walk-up flat each.

In selecting a representative sample from all these industries, the basic assumption was
that the externalities imposed by an industry in one part of Lamontville residential area
are the same as the externalities imposed by the same kind of industry in another part
of the Lamontville residential area. For example, the externalities imposed by a panel
beater in one part of the Lamontville residential area are the same as the externalities
imposed by another panel beater in any part of the Lamontville residential area.

However, these industries were selected from different kinds of dwelling units, the
concern being that the type of dwelling unit from which the industrialist operates might
have an effect on the extent of externalities experienced by the residents. Consequently,
only three out of seventeen panel beaters were selected for the sample. These three
panel beaters operate from different kinds of three dwelling units each: a detached, a
semi-detached and a unit in a walk-up flat. Only three of the seven barbers were
selected, also from these different kinds of dwelling units. Because two of the three
shoemakers operate from the same kind of dwelling units, one of them was excluded
from the sample and only the remaining two were incorporated into the sample. All of
the two welders were included in the sample because they operate from different kinds
of dwelling units and the same applied to the two dressmakers. All the remaining ones:
The stove repairer and the hairdresser were included because there is only one of each.
Overall, the sample, therefore, consisted of 14 home based small and medium scale
service industries.
These industries were further stratified into high and low nuisance activities on the basis of the assumption that different home-based small and medium scale service industries in Lamontville imply different sorts of externalities on the residential community of Lamontville. For example, an externality implied by a dressmaker on the residential community is not the same as that implied by a panel beater. The sampling method that has been used, therefore, is stratified sampling.

As regards the impact of these industries on the residential community of Lamontville, only the immediate neighbours were interviewed. The basic principle underlying the selection of neighbours to be considered was that the extent of externalities experienced by neighbours of an industrialist operating from one kind of a dwelling unit differs from the extent of externalities experienced by neighbours of the same industrialist operating from another kind of a dwelling unit. For example, the extent of externalities experienced by neighbours of a stove repairer operating from a unit in a walk-up flat differs from the extent of externalities experienced by neighbours of a stove repairer operating from a semi-detached dwelling unit. As detailed above, in Lamontville residential area there are three different kinds of dwelling units from which these industrialists operate: a detached house occupied by a single family, a member of which is the industrialist him/herself; a walk-up flat consisting of four units (two units on the ground and two units on top, one of which is occupied by the industrialist and his/her family) and a semi-detached dwelling unit belonging to the industrialist and his family. In the case of the industrialist occupying a detached house and operating from this house or on the erf on which this house is located, only the neighbours on the neighbouring erven were interviewed. In the case of an industrialist
occupying a unit in a walk-up flat and operating from such a unit or on the portion of the erf on which the whole flat is located, only the occupants of the remaining three units were interviewed. Finally, in the case of the industrialist occupying a semi-detached dwelling unit and operating from such a unit or on the erf on which this semi-detached dwelling unit is located, only the occupants of the neighbouring semi-detached dwelling units were interviewed.

3.3 PRIMARY SOURCES

The following are the sources from which data for this study was obtained: home-based small and medium scale service industrialists, the neighbours or people affected by the operations of these industries and the appropriate government officials.

The methods by which this data was obtained are: Questionnaires, interviews and observation.

Questionnaires:

Two types of questionnaires were drafted: one for the industrialists and the other for the neighbours (see Appendices 1 and 2).

This method helped the researcher find out the impacts of the operation of home-based small and medium scale service-industries on the residential community of
Lamontville. The problems and benefits experienced by the small and medium scale service industrialists were revealed through these questionnaires.

From the industrialists the questionnaires strove to obtain information about the kinds of problems and benefits they experienced due to operating from home; preferable working environment; attitude towards state regulation of small and medium scale industries etc.

On the community side, the questionnaires strove to find out the problems and benefits encountered due to the operations of home-based small and medium scale service industries in Lamontville. The questionnaires also strove to find out the attitude of the community towards these industries: Is the community against the operations of certain kinds of industries or against the operations of all home-based small and medium scale service industries and why?

Questions on both kinds of the questionnaires were both open ended where respondents had to reveal much information and close ended where direct responses were desirable.

Interviews:

Selective interviews were used as a supportive technique to back up the questionnaires. It was found that some of the respondents are unable to read and/or write. This helped in the clarification of questions and in guiding the respondents. In
the case where the respondents were able to read and write the questions in the questionnaire were clarified and explained before they were given to them for completion. In a case where the respondent was unable to read and write, the questionnaire took a form of an interview schedule i.e. I asked the questions and recorded the answers.

An interview was held with Mrs Soobs Moonsamy, a Divisional Planner in the Forward Planning Division of the Durban Municipality, to find out about existing controls and regulations concerning home business operations in townships like Lamontville and also to find out about the criteria that is currently used in assessing applications for such businesses from these townships.

In spite of the absence of controls and regulations for townships such as Lamontville, the most recent ones that have been used were desirable, as from them it would have been possible to detect the effect these have had on small and medium scale industries in Lamontville and, on this basis, suggestions as to how they could have been improved to suit the research results would be put forward. Therefore, a subsequent interview was held with Mr Solomon Mqiti, who was a Senior Administration Officer in the Ningizimu Town Council (Lamontville and Chesterville fell under the jurisdiction of this Council) and is currently holding the same position in the Ningizimu Administrative Entity, to find out about home business controls and regulations under the former Ningizimu Town Council.
Observation:

This method was used to detect the number, distribution and nature of these industries and the externalities they imposed on the residential community. Observation was also used to inspect some of the externalities e.g. air pollution, noise, pollution of the physical environment etc. This helped to vindicate some of the externalities that were said to be prevailing by the respondents.

3.4 SECONDARY SOURCES

A copy of the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, dated 20 March 1995 and obtained from the Centre for Social and Development Studies at Natal University, was utilised mainly in the conceptual framework thereby contributing to data interpretation and analysis in this study.

The literature on the informal sector provided the basis of arguments incorporated in the conceptual framework and helped in the interpretation of findings and the formulation of recommendations. Much of this literature also presented findings on empirical research and practical experience by authors on issues that were found relevant for the purpose of this study.
The literature on externalities was utilised mainly for approaches to the problem of externalities which formed part of the conceptual framework and also contributed to the interpretation of findings and data analysis.
CHAPTER 4 : DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This chapter attempts to unpack the findings from the research as well as attach their relevance to the purpose of the study. Two tables and a subdivision plan (Appendix 4) have been used to clarify the existing number, nature and distribution of home-based small and medium scale service industries in Lamontville. This form of data is, therefore, quantitative in nature. The data obtained from the government officials, its interpretation and implications are also included in this chapter. The interpretation of findings from the research has been largely influenced by comparing suggestions from the conceptual framework with the responses obtained from both the industrialists and the residents in Lamontville.

This chapter, therefore, will firstly discuss the characteristics of home-based small and medium scale service industries in Lamontville. Secondly, the problems and gains experienced by industrialists due to operating from home will be discussed. Thirdly, the problems and gains experienced by neighbours of home-based small and medium scale service industrialists in Lamontville will also be discussed. Finally, a discussion of government controls and regulations as impacting on these industries will be made. A conclusion to this chapter will be a synthesis of data findings and interpretation which will also guide the introduction to recommendations that will be formulated at the end of this study.
4.2 CHARACTERISTICS OF HOME - BASED SMALL AND MEDIUM SCALE SERVICE INDUSTRIES IN LAMONTVILLE.

The kinds and numbers of home-based small and medium scale service industries in Lamontville are shown in Table 1 below. From this table it is clear that the dominant home-based small and medium scale service industrial activity in Lamontville is panel beating and it constitutes 52% of all home-based small and medium scale service industries in the Lamontville residential area.

Table 1: The number of home-based small and medium scale service industries in Lamontville.

<table>
<thead>
<tr>
<th>TYPE OF INDUSTRY</th>
<th>NUMBER</th>
<th>% TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panel beating</td>
<td>17</td>
<td>52</td>
</tr>
<tr>
<td>Barbering</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Shoe repairing</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Welding</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Dressmaking</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Stove repairing</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Hair dressing</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

It has also been observed that these industries are randomly distributed throughout the Lamontville residential area and do not follow any logic in terms of location advantages or economic opportunities. For example, one would have expected a
majority of home-based small and medium scale industrialists to be the people located along the route used by taxis and buses indicated on the map (see Appendix 4).

Probably it is because there is little or no difference in terms of spatial economic opportunities for the people located along this bus and taxi route and for those located away from it. For example, there is no taxi rank and not even a small business centre along this route. The lack of a well developed infrastructure, commercial activity and community facilities, therefore, might have contributed to the random distribution of these industries.

As explained in the research methodology above, it has been found necessary to categorise these industries into high and low activities as shown in Table 2 below.

Table 2: Categories of home-based small and medium scale service industries in Lamontville.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TYPE OF INDUSTRY</th>
<th>NUMBER</th>
<th>% CATEGORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH NUISANCE ACTIVITIES</td>
<td>Panel beating</td>
<td>17</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td>Welding</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>19</td>
<td>100</td>
</tr>
<tr>
<td>LOW NUISANCE ACTIVITIES</td>
<td>Barbering</td>
<td>7</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Shoe repairing</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Dressmaking</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Stove repairing</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Hair Dressing</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>14</td>
<td>100</td>
</tr>
</tbody>
</table>
From this table it is clear that there are more high nuisance industries than low nuisance industries in Lamontville with the difference between them being 16% i.e high nuisance industries constitute 58% of the total of all home-based small and medium scale service industries in Lamontville while low nuisance industries constitute 42% of this total. Panel beating constitutes 89% of high nuisance activities while welding constitutes 11%. On the other side, barbers constitute half of all the industries in the low nuisance category with others ranging between 7% and 21% each.

Through the research process it has been found that even though problems experienced by industrialists due to operating from home slightly differ according to each category, the gains experienced by industrialists in both categories are the same. The former might be due to the fact that these industries are different in nature, apply different methods of operation and, therefore, have different needs in terms of working space. The latter might be due to the fact that all these industries, regardless of categories to which they belong, operate from similar premises (i.e. residential erven) and are serving the population of similar economic characteristics i.e. a low income population. The implication of these findings is that, as the gains experienced by all of them are the same, all of them might either want to relocate from home or keep operating therefrom.

On the other side, even though problems experienced by residents vary according to each category, the gains from industries in both categories are the same. This might be due to the fact that, by virtue of serving the population of the same economic
characteristics and of experiencing lesser competition, standards of goods and services provided by industries in both categories and costs of these are generally the same.

The implication of these findings is that even if Lamontville residents might want some of these industrialists to relocate from home, they might still want them in close proximity to the Lamontville residential area.

4.3 PROBLEMS AND GAINS EXPERIENCED BY INDUSTRIALISTS

As highlighted above, the problems experienced by industrialists due to operating from home in the Lamontville residential area differ according to each category while gains experienced by industrialists in both categories are the same. This section starts by a discussion of problems and gains experienced by industrialists in the high nuisance category followed by a discussion of problems and gains experienced by industrialists in the low nuisance category.

The first problem expressed by industrialists in the high nuisance category is the shortage of space in which to operate and to build a storage unit for equipment. This problem is due to the fact that these industrialists, by the nature of their operations, need a lot of space to operate on like, for example in the case of a panel beater, a space for car parking. Based on this problem, one would have expected them not to operate from home. Having been asked why they operate from home, their response was that they do not have money to pay rentals required on formalised sites. They argue that this rental payment, added to their other financial commitments at home will increase the burden on their small profits. However, they mention that they would
like to move out of their homes and operate from big commercial sites in order to gain exposure to more clients. These findings indicate, firstly, that the residential erven in Lamontville are not big enough to accommodate high nuisance service industrial activity. These findings also indicate that rental charges applicable in formalised sites are too high for some of the small and medium scale industrialists to afford. The solution to the problem of externalities in Lamontville, therefore, will have to take into account these constraints. For example, a solution that requires these industries to relocate might be problematic if the issue of rentals is not taken into account. The government might therefore decide to allow some of these industrialists to operate from home.

Another problem expressed by these industrialists is that due to the negative externalities they impose by their operations on their neighbours, they are not living in harmony with them. They receive complaints from their neighbours towards which they are unable to respond. The neighbours revealed these complaints in the questionnaires administered to them and these are discussed below. The industrialists cannot even change to other forms of industrial activity acceptable to their neighbours because, as revealed through the questionnaire, they do not have any other skills and the skills they are currently using have been acquired informally. The problem of negative externalities imposed by these industries can be attributed to the nature of their operations. For example, they have to operate outside dwelling units because they need more space. These findings imply that in Lamontville the problem of externalities cannot be resolved by residents and industrialists and this necessitates government intervention. These findings also imply that Lamontville residents might
not be aware of existing legal avenues to channel their complaints about externalities and there might, therefore, be a need to educate them about the complaints system and other environmental issues.

These industrialists also point out that due to operating from home, they do not get as many clients as those operating on commercial sites. Citing money owed by some of the residents to them in credits, they argue that their clients have less buying power than those of the industrialists in formalised parks and centres. The reason for this is that the Lamontville residential area from which their support comes, is a low income residential area. This situation is exacerbated by the fact that these industries have limited access to major traffic flows and the infrastructure in Lamontville is not conducive to business activity. Therefore, if the infrastructure in Lamontville was well developed and vacant sites accessible to major traffic flows were available it is likely that these industrialists would not be operating from home.

The other problem mentioned by these industrialists is stealing of their equipment. Because some of them leave their equipment outside due to the lack of space inside the house, their equipment is stolen. A panel beater, for example, pointed out that the cars that are brought to him by his clients are sometimes stripped by thieves during the night and he has to bear the consequences. The small size of residential sites in Lamontville, therefore, imposes constraints on the operations of these industrialists from home.
The benefits experienced by these industrialists due to operating from home are non-payment of rentals and lesser competition. They argue that because they are operating from home, there are no rental charges incurred due to their operations. They also state that because they are scattered randomly in the Lamontville residential area they do not experience much competition from other similar kinds of industries. These findings imply that the authorities might have to allow these industries to operate from home especially if their developmental role is recognised and there are limited ways of helping them financially. However, their operations will have to be controlled to minimise negative externalities. These findings also imply that a solution that might require these industries to relocate, in addition to the issue of rentals, will also have to take into account the resultant competition with other industries.

Industrialists in the low nuisance category also experience problems and gains due to operating from home in the Lamontville residential area. The first problem put forward by these industrialists is also the shortage of space for equipment, goods and clients. For example, space for safekeeping of the stoves, space for hairdresser’s clients, space for safekeeping of the shoes etc. As a reason why they are operating from home, they also cited the rental issue applicable in formalised sites. If no rentals would be required, they would like to operate in places like shopping malls, in town, the Pavilion etc.

As it is the case with industrialists in the high nuisance category these industrialists also acknowledge support from the community but they also argue that the number of their clients is far less and has lesser buying power than those of the similar industries.
operating in formalised sites. They also cite money owed to them in credits as proof that the community they serve does not have enough buying power to support them.

As the major driving force behind the willingness of industrialists (in both categories) to move to commercial sites seems to be the desire to get exposure to more clients with sufficient buying power, it can be argued that if there were vacant sites accessible to major flows of people in the Lamontville residential area the industrialists in both categories would move to them. The willingness of these industrialists to move, therefore, is not based on the externality problem but on the need to accumulate profits.

Asked whether small and medium scale industries should be taxed or not, some industrialists in both categories responded that industries should get taxed and licenced because revenues from tax and licence fees can be used in development programmes for other sections of the population. They also argue that if they can be taxed and licenced, they will have access to wholesalers and the credit facilities that these offer. These findings indicate that by operating from home some of these industrialists are not running away from controls and regulations, instead they are forced by poverty to operate from home. These findings also indicate that there are some benefits lost by industrialists in the informal sector which they would obtain had they been operating under the ambit of state regulation and control. On the basis of these findings, it is highly probable that some industrialists might not resist attempts by the state to regulate and control them especially if such attempts are likely to bring some benefits for them.
The benefits experienced by industrialists in the low nuisance category due to operating from home are also the non-payment of rentals and lesser competition from other similar industries. These benefits can be attributed to the same factors as those mentioned for industrialists in the high nuisance category.

4.4 PROBLEMS AND GAINS EXPERIENCED BY NEIGHBOURS

The neighbours of home-based small and medium scale service industrialists involved in high nuisance activities in Lamontville experience problems from their industrial activities. The first problem is noise. They complain of noise resulting from the operations of these industries. They say, for example, that they are unable to listen to their radios due to high noise levels and the situation becomes worse when there is somebody sick at home. The high noise levels also cause them sleepless nights as some of these industries operate until late in the evening. Their children are also unable to study well under these conditions. The industrialists also confirmed working late sometimes. For example, panel beaters say they sometimes work until or during evening hours when they receive emergency cases. As mentioned above, high nuisance industries, by the nature of their operations, are bound to impose noise on the residents amongst which they are operating. It is, therefore, necessary to regulate their operations to alleviate this externality, for example in terms of working hours or methods of operation, to accommodate the concerns of residents in Lamontville.

Another complaint highlighted by neighbours against these industries is littering. They point out, for example, that panel beaters throw unusable car oil and car parts
everywhere. When asked how they think these problems can be solved, they say that as these industrialists do not listen to their complaints, the government should intervene and relocate these industries away from homes. On the basis of these findings it can be argued that due to the absence of controls and regulations for the operations of these industries, industrialists do not feel obliged to alleviate the negative externalities they are imposing on the residents of Lamontville. If these controls were in place panel beaters, for example, would use dustbins to throw dirt such as oil cans, unusable equipment etc. These findings also necessitate a need for government intervention not only to regulate operations of these industries but also to handle complaints that might be brought forward by the residents.

Another complaint put forward by the neighbours and which is directed towards panel beaters, in particular, is vehicle congestion on the roads along which these industries operate. Roads in Lamontville are not as wide as those in middle and higher income areas and, consequently, when clients of these industries park their vehicles along the road, traffic flow becomes affected. For the neighbours this situation is worse because entrance and exit to their erven becomes obstructed. The industrialists involved in high nuisance activities confirmed all these complaints but defended themselves by putting forward the above mentioned constraints. To solve the problem of externalities between the industrialists and the residents, therefore, the government will also have to deal with the constraints put forward by the industrialists such as the shortage of space for working and storage of equipment.
The above-mentioned findings about problems experienced by neighbours due to the operations of high nuisance industries from home indicate that Lamontville residents are against the operations of these industries from home and this necessitates government intervention to control them.

The neighbours do not seem to have problems with industries in the low nuisance category. They argue that these industries are preferable than those in the low nuisance category. They point out, for example, that these industries do not cause noise, do not work at night, operate within their houses, do not cause as much litter and children study well without noise interference. These can be attributed to the nature of these industries, their methods of operation and the equipment used. For example, the equipment used by a barber does not need a large storage unit as it is the case with the equipment used by a panel beater. These findings indicate that the Lamontville residents cannot object to low nuisance industries being allowed to operate from home.

The benefits experienced by neighbours from industrialists in both categories are cheaper goods and services which are sometimes offered on credit. This implies that even though high nuisance industries impose negative externalities on Lamontville residents, there is a need for them to be accessible to the Lamontville residential community. These findings also imply that instead of high nuisance industries being prohibited to operate from home, they might just be regulated to control their operations.
4.5 GOVERNMENT CONTROLS AND REGULATIONS FOR HOME-BASED INDUSTRIES

From the interview I held with Mrs Soobs Moonsamy, a Divisional Planner in the Forward Planning Division of the Durban Municipality on the 5th November 1997, it emerged that controls and regulations incorporating townships that were formerly under the jurisdiction of Black Local Authorities and those that were under the KwaZulu government are not yet in place. Home-business controls and regulations together with a zoning scheme that incorporates these townships are still in a process of being formulated and, according to Mrs Soobs, this is likely to take a very long time due to the need for community participation in the process. The only existing controls and regulations concerning home business operations are those pertaining to previously whites only areas and these were formulated during the apartheid era.

Asked about the system they are currently using to assess applications for such operations in these townships, Mrs Moonsamy responded by saying that for thorough assessment of such applications they currently depend solely on the experience of planners who have been doing this job for some time. These existing conditions can be attributed to the transformation process that has been going on very slowly in this region.

As Lamontville fell under the Ningizimu Town Council which operated under the guidelines of the Black Local Authorities Act, No. 102 of 1982, a subsequent interview was held with Mr Solomon Mqiti, who was a Senior Administration Officer
in this Council and is currently holding the same position in the Ningizimu Administrative Entity, to find out about home business controls and regulations that were applicable then. It emerged that for all townships that were under the jurisdiction of the Ningizimu Town Council, home-business controls and regulations were not applied. He states that he is not aware of any official document or Act that existed requiring that home-businesses be controlled and regulated.

The fact that the South African government allowed regulations and controls for these industries to be applied in “white areas” whilst they were not applied in “Black townships” implies that the South African government might have recognised the need for different standards to co-exist in a situation where some communities are poorer than others. On the basis of these implications, it can be argued that the regulations that might be applied for these industries should not seek to equate standards of previously white areas to those of previously Black areas. For example, if standards of living in the Lamontville residential area will be lower if regulations and controls accommodate the needs of both the industrialists and the residents, let it be so.

On the other side, the fact that these industries were not controlled and regulated in townships such as Lamontville indicates that these industries were encouraged to operate informally. It also indicates that due to high levels of unemployment, the government might have noticed a contribution of these industries in poverty alleviation.
4.6 CONCLUSION

This chapter started by a discussion of the characteristics of home-based small and medium scale service industries in the Lamontville residential area which were categorised into high and low nuisance industries, as explained in the research methodology. From this discussion it became evident that the majority of home-based small and medium scale service industries in the Lamontville residential area are high nuisance industries of which panel beating constitutes the highest number. It was also revealed that these industries are randomly distributed and this was attributed to the lack of economic opportunities in the Lamontville residential area. The lack of infrastructure and community facilities together with poor transport routes in Lamontville are factors not conducive to business activity.

The above discussion was followed by a discussion of problems and gains experienced by small and medium scale service industrialists due to operating from home in the Lamontville residential area. From this discussion, it became evident that whilst the problems experienced by these industrialists slightly differ according to each category, the gains experienced by these industrialists in both categories are the same. The problems experienced by industrialists in the high nuisance category were outlined as being the shortage of space in which to operate and build a storage unit for equipment; inharmonious relationship with neighbours due to the negative externalities these industries impose on them; shortage of clients with sufficient purchasing power to support the industries and stealing of equipment. The benefits experienced by these industrialists were outlined as being the non-payment of rentals and lesser
competition between industries. Out of this discussion, it emerged that the major issue on the side of the industrialists is not the externality problem as such but a desire for more clients with sufficient buying power to support these industries and the need for a bigger site to accommodate industrial operations.

The problems experienced by industrialists in the low nuisance category were outlined as being the shortage of space for equipment, goods and clients; shortage of clients with sufficient buying power to support these industries. The benefits experienced by these industrialists were also the non-payment of rentals and lesser competition between industries. From this discussion, it also became evident that the major issue is not externalities as such but a need to generate more profits.

A provision of community facilities and upgrading of existing infrastructure in terms of, for example, the provision of taxi ranks and upgrading of transport routes can contribute towards attracting traffic flows to Lamontville thereby increasing the support of these industries. The need for a bigger site to accommodate the operations of high nuisance industries might imply relocation to bigger sites within or outside the Lamontville residential area which in turn brings forward the issue of rental charges that might be applicable in those sites. However, a lower standard of service utilities in formalised premises can contribute a lot towards lowering rental charges. For example, a wide range of units for storage of equipment and industrial operations can be provided as long as these can withstand extreme climate and weather conditions and contribute positively to environmental quality. Determination of acceptable units can take place with the participation of industrialists concerned. A principle of user charges
put forward by Dewar and Watson (1990), can also be introduced with regards to the provision of certain services. For example, water can be provided from metered taps and electricity can be taken from coin-operated electricity stands. Those services which benefit all (rubbish collection, toilet facilities etc.) can be funded on a pro rata basis from a stand rental fee (Dewar and Watson, 1981). However, toilet facilities, when shared with the public, can be provided as part of urban social infrastructure and costs of these be recovered from general city taxes. These systems can be upgraded as the industrialists accumulate enough profits to afford rental charges and they can decide for themselves which forms of services are cheaper. If the sites are owned by the state, rentals must not escalate with demand and should be low - the intention must not be for the local authority to make profits out of the deal. Rents on these areas, however, should be standardised and kept as low as possible. Should demand for sites exceed supply, allocation should occur on the basis of a lottery system (Dewar and Watson, 1981).

The industrial start-up premises, if not established through private enterprise, can be viewed as a variation of Local Service Centres, for which structured programmes can be developed (National Strategy for the Development and Promotion of Small Business in South Africa, 1995). The Department of Trade and Industry and/or provincial governments could investigate the scope for an affordable system of a start-up rental subsidies with sliding scales of subsidisation for specific categories of emergent enterprises (e.g. small manufacturers and rural hives). Such a scheme might also motivate the private sector to construct more incubators and other small business
Another part of this chapter was a discussion of problems and gains experienced by neighbours. In this discussion, the problems experienced by neighbours of home-based small and medium scale service industrialists involved in high nuisance activities were outlined as being noise from industrial operations; littering and traffic congestion. The benefits experienced from these industries were outlined as being cheaper goods and services which are sometimes offered on credit.

It emerged that there were no problems experienced by neighbours of industrialists involved in low nuisance activities while the benefits were found to be the same as those experienced by neighbours of industrialists involved in high nuisance activities i.e. cheaper goods and services sometimes offered on credit. From this discussion, it emerged that even though neighbours are against the operations of high nuisance industries from home, they would like these industries to remain accessible to them. It was argued that this might necessitate government intervention to control the operations of these industries while allowing them to operate from home. From this discussion, it also became evident that neighbours of industrialists involved in low nuisance activities cannot resist low nuisance industries being allowed to operate from home.

Even though government intervention in terms of controls and regulations might mean allowing some of these industries to operate from home, it might also imply the
relocation of some of these industries from home. The government, for example, can regulate that there should be a minimum number of home-based industries per township. However, limits to the number of industries per township might be to the benefit of these industrialists. Firstly, such limits might have the effect of minimising competition between industries providing the same goods and services, thereby maximising their profits. Secondly, the residents will be assured of access to such goods and services at convenient distances because, with the imposition of such limits, closure of industries which, amongst other things, is usually due to high competition between them will have been curtailed. For those industries that might be allowed to operate from home, a suitable approach to control their operations would be that put forward by Watson (1993) which is based on the principle of “minimum critical action”. According to this principle, the most serious externalities of mixed land use activities which could and should be controlled, for example, noise and air pollution should be identified. A management control such as the performance criteria should be devised to control negative impacts of such externalities. The performance criteria for different land uses should be clearly specified, for example, noise level and safety hazards of home businesses. This could create standards and consistency in application throughout the city. The underlying fundamental of performance control is that, criteria should be enforced if and when externalities arise and not on the control of the type of business or land use (Watson, 1993). This approach can be more effective if applied in conjunction with a complaints system.

The final part of this chapter was a discussion of government controls and regulations for home-based industries. On the basis of the findings that home business controls
were not applied in townships like Lamontville whilst they were applied in “white areas”, it was argued that regulations that might be applied for home-based small and medium scale industries in the Lamontville residential area should not seek to equate standards of Lamontville to standards of the previously white areas. One of the functions of government, according to Maasdorp (1983), is to increase the welfare of the population and one way of doing this is to expand the range of choices open to individuals and allowing a wider range of standards to co-exist alongside one another would seem to promote this welfare function. We cannot afford to be overly fastidious in a complex society with differences in cultural outlooks, social mores and incomes (Maasdorp, 1983).

On the basis of the finding that controls and regulations were not applied for home-based industries in Lamontville, it was argued that these industries were encouraged to operate informally and that the government, due to high unemployment rate, might have noticed a contribution of these industries in poverty alleviation. However, the fact that these industries were not regulated might have been due to the adherence of the government to some of the arguments put forward by the proponents of deregulation.
5.1 INTRODUCTION

This concluding chapter will, firstly, determine whether the purpose of this study as spelt out in the research framework has been achieved or not. Secondly, planning recommendations will be put forward and their effectiveness in low income areas such as Lamontville be examined. Finally, future directions for research are suggested.

5.2 CONCLUSION

The major focus of this study was to investigate the kinds of problems experienced by small and medium scale service industrialists due to operating from home in Lamontville; the nature of externalities experienced by both Lamontville residents and small and medium scale service industrialists due to the operations of the latter from home and, finally, the solutions to these.

The kinds of problems experienced by small and medium scale service industrialists due to operating from home were found, interpreted and analysed. From the interpretation and analysis of these findings it became evident that the problems relate mainly to the need for bigger sites to accommodate industrial operations and the need to gain access to many clients with sufficient buying power to support these industries.
The externalities experienced by both Lamontville residents and small and medium scale service industrialists due to the operations of the latter from home were also found, interpreted and analysed. From the interpretation and analysis of these findings, it became clear that even though Lamontville residents are against the operations of high nuisance industries from home, they would like that all these industries remain accessible to them. The externalities on the side of the industrialists did not emerge as the main issue, the main issue was the need to accumulate more profits.

Therefore, the following recommendations will have to address two main issues: firstly, solutions to the problems experienced by small and medium scale service industrialists due to operating from home, taking into account the fact that the need to generate more profits emerged as the main issue; secondly, the recommendations will have to come up with solutions to the problem of externalities, taking into account the fact that although Lamontville residents experience negative externalities from high nuisance industries operating from home, they want all these industries (in both categories) to remain accessible to them.

5.3 RECOMMENDATIONS

The fact that even though Lamontville residents experience negative externalities from some of these industries, want these to remain accessible to them, brings forward the need to regulate these industries while allowing them to operate from home. Small and medium scale service industries in both categories should, therefore, be allowed to operate from home subject to their operations being controlled and regulated. The
approach put forward by Watson (1993) and based on the principle of “minimum
critical action” seems to be appropriate in this regard. According to this principle, the
most serious externalities of mixed land use activities which could and should be
controlled, for example noise and air pollution, should be identified. A management
control such as the performance criteria should be devised to control negative impacts
of such externalities. The performance criteria for different land uses should be clearly
specified, for example, noise level and safety hazards of home businesses. This would
create standards and consistency in application throughout the city. The underlying
fundamental of performance control is that, criteria should be enforced if and when
externalities arise and not on the control of the type of business or land use (Watson,
1993). This approach can be most effective if applied in conjunction with the
complaints system. However, in low income areas such as Lamontville, the complaints
system might not be effective for fear of being victimised. The government might have
to enforce the efficiency of this system through constant patrolling within the areas.
This might be feasible if done in conjunction with lobby groups representing
communities interests (Watson, 1993).

Both the residents and industrialists, through their representatives, should be involved
in the decision making about the acceptable performance criteria. This should go hand
in hand with community education on environmental and planning issues to equip the
low income communities for participatory planning. Through education programmes,
the communities can be made aware of planning procedures such as the complaints
system in order to maintain acceptable environmental standards. Participatory planning
therefore can enhance the effective enforcement of the principle of “minimum critical action”.

The need to generate profits which emerged as the main issue from the interpretation and analysis of findings on the problems experienced by small and medium scale service industrialists due to operating from home, demands relocation to strategically located sites where access to traffic flow and consumers with sufficient buying power is maximised. However, the location aspect was not the focus of this study.

5.4 AREAS OF FURTHER RESEARCH

This study has raised a very important issue which concerns the location of small and medium scale industries in relation to low income communities. A further research on the identification of sites for the location of small and medium scale industries taking into account their role in low income communities would contribute a lot to the development programmes designed to assist them and the low income population in peripheral settlements. It became evident from this study that the issue of location of these industries cannot be dealt in isolation to the needs of the communities amongst which they operate. For example, it has emerged that Lamontville residents would like these industries to remain accessible to them because these provide them with cheaper goods and services at convenient distances. The need for the industrialists to gain access to many clients with sufficient purchasing power to support them versus the desire of the low income population that these industries locate in close proximity to them, justifies the need to undertake a research of this nature. A way of
accommodating both the needs of the residents and the needs of the industrialists in the location of these industries, therefore, has to be found.
APPENDIX 1
A QUESTIONNAIRE FOR THE SMALL AND MEDIUM SCALE SERVICE INDUSTRIALIST

1. Why did you choose to embark on this type of industry and not on another kind?

2. a) Do you think that small and medium scale industries in Lamontville should be required to pay tax and obtain licences for their operations?

   [ ] YES  [ ] NO

   b) Why do you think so?

3. Why did you choose to work from home and not from somewhere else?
4. Do you experience any problems because of working from home?

   YES  NO

   If yes, what are these problems?

5. Are there any complaints that you receive from your neighbours because of your operations?

   YES  NO

   If yes, what sort of complaints are these?

6. What kind of other location would you like to work from?

7. Do you receive any government assistance?

   YES  NO

   If yes, what is the nature of this assistance?
8. How do you think that grievances between neighbours and industrialists should be dealt with?
A QUESTIONNAIRE FOR THE NEIGHBOURS

1. Do you experience any problems from your neighbouring industry?

   YES    NO

If yes, what are these problems?

2. Do you experience any benefits from your neighbouring industry?

   YES    NO

If yes, what are these benefits?

3. a) What kind of industries do you think should not be allowed to operate from home?

   ..........................................................
   ..........................................................
   ..........................................................

b) Why?

   ..........................................................
   ..........................................................
   ..........................................................
   ..........................................................
   ..........................................................
c) Where do you think such industries should locate, within the residential area or outside it?

4. a) What kind of industries do you think should be allowed to operate from home?

b) Why?

5. How do you think that grievances between neighbours and industrialists should be dealt with?
INTERVIEW WITH GOVERNMENT OFFICIALS

Question 1. Are there any government controls and regulations in place that are currently used to control the operations of home-based industries in Lamontville or in other townships that were previously under the authority of the Ningizimu Town Council? If no, why are these not available and what is the system currently used to assess applications for home-based industries in these townships?

Question 2. Are there any proposals in place on how home-based industries should be controlled and regulated? If no, why are these not available?

Question 3. What government regulations and controls were applied for home-based industries in Lamontville or in townships that were under the authority of the Ningizimu Town Council prior to the 1994 elections for a democratic South Africa? If these were not applied, why were they not applied and what system was used to control home-based industrial activity?
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