

AN EXAMINATION OF FACTORS THREATENING (THE FUNCTION OF SMALL
TOWNS IN AN ATTEMPT TO ASSESS THEIR FUTURE POTENTIAL: THE CASE
OF THE FOOTWEAR SECTOR IN PIETERMARITZBURG.

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ABSTRACT

Some urban centres in KwaZulu -Natal are threatened with loss of function due to economic restructuring. Many studies argue that the problem of declining centres can be mediated by programmes of Local Economic Development. However it is important to note that economic restructuring is a complex process that needs an understanding of broader economic processes as most of the problems are created by global forces that are outside the control of localities. The research aims to investigate the factors that underpin the threat of function in an attempt to establish whether centres have a future potential. Directly linked to this is the level of awareness and readiness of development institutions to these changes, as this is important if they are going to make appropriate and strategic responses.

Using the case of the manufacturing sector in Pietermaritzburg a twofold approach to the study was adopted. The first part examines the impact of restructuring on localities. This is used as a framework to interpret the threatened status of the manufacturing sector in Pietermaritzburg. The conclusion reached is that the footwear sector is threatened by global competition. The second part of the dissertation attempts to investigate how Pietermaritzburg-Msunduzi Transitional Local Council is responding to the challenge posed by economic restructuring. In this regard it is concluded that Pietermaritzburg's ability to respond appropriately is hampered by the problems within the local government.

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 THE RESEARCH CHALLENGE

'The cities that were formerly great have most of them become insignificant and such as at present powerful were weak in older time. Therefore human happiness never continues long in one stay' (Storper and Walker 1989 :i)

The 1980's witnessed a major transformation of the economic and social structure of all the advanced capitalist societies. In essence the major transformation was in the nature of trade. Industrial nations became much more integrated with each other's economic activities directly producing in each other's markets and establishing highly complex patterns of import and export manufactured goods. In Britain and the United States of America the transformation of the economy was marked by significant losses in manufacturing employment and has affected the development path of numerous towns.

Similarly South Africa is experiencing a major economic crisis that has developed over the past fifteen years. In the past the South African economy was characterised by 'Racial Fordism'. The growth model focused on extending industrialization by means of the production of sophisticated consumer goods primarily for the White South African market. With the global economic crisis of the 1970's and the 1980's the model became threatened. This was further exacerbated by isolation of the South African economy from the international markets. Under this regime of accumulation the state directly intervened in directing the economy by introducing numerous policies and mechanisms as sought to enforce the political, geographical and economic aims of apartheid.

However, these interventions were not that successful, by the 1980's it was clear that major economic sectors such as the manufacturing and extraction industries were experiencing stagnation (threatened with decline) in output and growth (Black 1991).

These interventions played themselves in a variety of ways and caused different levels of economic restructuring, in the face of a failing racial fordist model to cope with and respond to these changing dynamics (Gelb 1991). The process of restructuring has induced changes in government policies and a changing set of relations between the state, labour and capital.

Economic restructuring is a process of reorganisation of relation of production and distribution by the ruling or dominant classes in an attempt to make existing social systems more functional and more efficient. Economic restructuring does not alter the essential relations of the existing social system. Instead it reorganises them. It is a process which occurs at many levels and at each of these levels, the restructuring process has both general and specific features which influence, and are influenced by changes at the same or other levels (Marcuss 1989)

International experience shows that, the result of economic restructuring has transformed the patterns of uneven urban and regional development that have been built over the decades. In some areas patterns of uneven growth have been entrenched, while in other areas new patterns of uneven development have emerged. Regional role reversal occurred has also with weak regions becoming economically strong and regions that were once strong becoming weak.

The process of economic restructuring is threatening the economies of several towns in KwaZulu-Natal. Escourt is affected by capital intensification within industry (Seddon 1987).

The decline of agricultural centres such as Paulpietersburg is attributed to capital intensification in agriculture (Meth 1994). The weakening economy of Ezakheni and other decentralisation points is partly attributed to the loss of incentives. Vryheid is affected by the declining demand for coal and steel. Newcastle is threatened by the decline in the clothing sector. Economic restructuring in the manufacturing sector, (particularly footwear) is threatening the economic base of Pietermaritzburg.

Most of the urban centres that are experiencing difficulties have economies that are mainly dependent on the agricultural and manufacturing sectors. This is a cause for concern as the manufacturing sector is the dominant sector in KwaZulu-Natal and it accounts for a third of the Gross Domestic Product (Economic and Development Strategy for KwaZulu-Natal 1996).

Poverty indicators indicate that KwaZulu-Natal has a high incidence of poverty, due to the fact that the province has a large population accompanied with a weak level of economic development (The Economic and Development Strategy for KwaZulu-Natal 1996). Hence restructuring of the economy is likely to aggravate an already precarious development situation.

The case of Pietermaritzburg is even more alarming in the province, because Pietermaritzburg is the second largest urban centre. The importance of urban centres is measured in terms of their overall contribution to the provincial GDP and their importance as regional centres.

Against this background, concerns are raised as to how development institutions particularly local government are currently responding to economic restructuring and the decline of towns. In South Africa planning has traditionally been conservative and has performed largely regulatory roles.

The changes at the global level demand that Local Authorities have to define a new role for themselves as economic development has ceased to be the function of national government only. Localities have to bear the responsibility of developing their local economies. They have to compete for investment to locate in their areas and are required to become proactive, strategic and innovative.

The local authorities that are able to make the most appropriate responses, are those that have an understanding of these processes and can respond quickly, and can best mediate the otherwise detrimental effects of economic restructuring. Thereby, they are able to prevent their inevitable decline or attempt to reverse the process.

'Pietermaritzburg 2000' was an economic forum which was initiated in the mid-1980's in response to economic decline. The forum was the first unified and strategic institutional response in Pietermaritzburg. It brought business and the community into the planning process. However it has become lost within the political transition. d the community into the planning process. It however, provides a useful framework for formulating a response.

1.2 THE RESEARCH QUESTION

The research focuses on the future of declining centres, and examines whether their decline is inevitable, or whether it can be reversed. As the most important agents of development local authorities have to recognise the impact and implications of economic restructuring. They then should develop a response to it in order to facilitate an improved development path by stemming the decline or reverse it. The research question that arises is whether there are alternative futures for Pietermaritzburg and what form of planning interventions by local government can assist in developing such futures.

A number of sub-questions are asked in order to systematically analyze the and address problem.

- * What processes are threatening the loss of function and why ?
- * How do these processes relate to changes in manufacturing in Pietermaritzburg, specifically the footwear sector ?
- * What are the likely effects of these threats on the livelihood of the people of Pietermaritzburg?
- * What has been Pietermaritzburg's response to these threats (i.e institutional response).
- * Are there useful international examples of similar cases and what has been the planning response ?
- * What recommendations can be made for Pietermaritzburg ?

1.3 THE HYPOTHESIS

It is argued that Pietermaritzburg has the potential to reverse the current economic decline and thereby address the challenge of economic restructuring. However its (development) institutions are not yet appropriately responding to these processes.

1.4 THE SCOPE OF THE STUDY

Although the study acknowledges that centres are threatened for different reasons, however, a case study has been adopted in an effort to understand these factors. Pietermaritzburg is seen as a relevant, viable and challenging case study because important industrial sectors have experienced substantial declines in employment. Secondly the City has a high representation (60%) of industries that are declining nationally (Futter 1996). The case study will particularly focus on economic restructuring in the footwear sector, the largest industrial employer in Pietermaritzburg.

The dissertation does not attempt to prove universality of the causes of the loss of function and possible solutions through the use of a case study but aims to add to the limited data on the causes of decline in the South African context and advance a planned response to the negative impacts of economic restructuring.

1.5 THE STRUCTURE OF THE DISSERTATION

The dissertation is made up of six chapters including the introductory chapter. Each chapter has a unique contribution to the study but they remain linked together by the argument of the dissertation.

Chapter 1 has given the background to the study. It has introduced the research problem, defined the parameters of the study and explained the reason for the choice of the study area. Finally it outlines how the argument is going to be presented.

Chapter 2 theorises urban decline. The chapter provides a theoretical framework for interpreting the changes that are occurring in the manufacturing sector particularly footwear. It begins by outlining the changes at global level and further examine how the global changes induce economic restructuring and the consequences therefore. It also theorises growth and decline using the different elements that are changing globally. This chapter provides a basis for answering some of the research questions posed in **Chapter 1** as well as establishing a focused context for the study. ✓

Chapter 3 introduces the case study and also gives an account of the attributes of the manufacturing sector in Pietermaritzburg by specifically examining the footwear sector, demonstrating its threatened economic status.

Chapter 4 conceptualises a planned response to the problems that are imposed by economic restructuring. Internationally, the Local Economic Development approach has received popularity as a policy strategy by local authorities resulting from the weakening ability of the national states to direct their economies. This chapter argues that through an LED approach Local Authorities can begin to systematically address the problem of decline.

Chapter 5 the chapter looks at the institutional response of Pietermaritzburg to threatened economic sectors. This is also important in determining the level of awareness and readiness to respond to the challenge posed by economic restructuring. This will be done against the background of Pietermaritzburg 2000 forum and attempt to determine what has happened subsequently. The forum forms a basis of analysis.

Chapter 6: is the concluding chapter. It synthesizes the findings of the dissertation and further makes recommendations for Pietermaritzburg.

CHAPTER 2: CONCEPTUALISING DECLINE

2.1. INTRODUCTION

This chapter aims to understand the ^① factors threatening the economic function of towns and in particular leading to their decline. This understanding will assist in providing a conceptual framework for analyzing and interpreting the changes in the manufacturing sector in Pietermaritzburg. The chapter comprises of six parts. Because economic restructuring is induced by global processes the chapter begins by outlining these processes. ② Secondly the chapter attempts to understand economic restructuring in relation to global changes and explores the various theoretical explanations of the geography of restructuring. The third section looks at the case of America and Britain to understand how the process of restructuring affects localities. ✓ Fourthly, the section draws in the works of a number of theorists from disciplines such as political economy, industrial geography, economics and sociology in an attempt to formulate a framework for interpreting why economic restructuring result may lead to growth or decline of localities.

2.2. GLOBAL CHANGES

There have been significant changes in the global economy since the 1970's which have induce the process of economic restructuring. At the core of the economic crisis were organic problems that eroded the post War economic certainty. This economic period came to be known as the age of austerity, characterised by economic problems such as the saturation of the markets, declining profitability, intensified international competition. No longer was consumption and market behaviour determined by producers and instead production systems had to be subordinated to the market trends.

In addition, the strong bargaining power which had been gained by the workers under the 'fordist' social relations of production, was not conducive to capitalist growth during the age of austerity. The nature of these problems that demanded regions and localities to restructure their economies. (Soglia 1992). These changes have occurred in the face of global that increased in impetus since the 1970's. Castells (1994) describes these changes as the third major epoch of the process of capitalism, representing the formation of the global economy.

The most documented explanation of global changes is the shift from modern forms of production used after the second world war up to the 1960's to the post-modern forms of production (flexible accumulation). The process of accumulation could no longer continue along old social relations. For capitalism to progress new social relations of production had to emerge. The most highly developed industrial nations have become much more integrated with each other's economic activities, directly producing in each others markets and establishing highly complex patterns of import and export manufactured goods.

The changes in the global economy can be classified into five categories: globalisation of economic relations and transactions, technological change, shift in the organisation of production, changes in the role and organisation of labour and changes in the nature of competition (Harrison 1994). It is important to examine the five categories in order to locate the South African experience within an appropriate context and to be aware of the global forces which shape the future of localities in a significant way, but are outside their control.

2.2.1. GLOBALISATION OF ECONOMIC RELATIONS AND TRANSACTIONS

The globalisation of economic relations is characterised by a process whereby the national systems are being subsumed into a system dominated by international processes and transactions.

For years economists, politicians and corporate spokespersons have been advocating the benefits of the global economy. They have called for the support of trade agreements such as General Agreement on Tariffs and Trade (Gatt) to remove the constraints of national borders and open to everyone the opportunities of growth and prosperity in the global economy (Korten 1996). As a result thereof regulation is increasingly taking place at a supra-national level such, as the European community, and the sub-national regional level.

Apart from multi-national co-ordination, regional economic support is an increasingly important factor in building competitiveness by promoting industry, provision of education, training and infrastructure (Amin and Thrift 1993). They argue that successful regional regeneration has occurred in countries which have given strong autonomy to regional governments. But they warn that the increasing importance of regions and economic trading blocks should not obscure the reality, that real power increasingly reside within corporate structures (Amin and Thrift 1993).

These processes are weakening the ability of the nation states to direct their economies. Even Gatt's managing director, Claude Smadja has announced that economic globalisation is producing disastrous consequences that threaten the political stability of the western democracies (Korten 1996). It is seen by some as an admission by the proponents of the global economy that it has serious shortcomings especially for the regions that are left out.

✓ 2.2.2. TECHNOLOGICAL CHANGES

Castells (1989, 1993) argues that a scientific revolution in the developed world has brought about a new technological paradigm focused on information processing and that the informational society is replacing the industrial society as the basic framework of social organisation. The introduction of computers

and advancement in telecommunication was the main catalyst to technological change manifested by computer aided designing (CAD) and Computer Aided Manufacturing (CAM).

Capital spending on information technologies has already overtaken industrial spending. The revolution in technology has led to the emergence of the superhighway and the cyberspace which are a technological advancement towards the globalisation of the economy (Harrison 1994).

2.2.3. CHANGES IN THE ORGANISATION OF PRODUCTION

Piore and Sabel (1984) note that the technological changes have also led to a shift from mass production of standardised products to a system where markets are diversified and rapidly increasing and where products were customised to different needs of the consumer. It should be noted that this is not a universal trend, for example the fastest economic growth in the 1980s was experienced by the highly Fordist economies of the Newly Industrialised Countries.

Piore and Sabel (1984) popularised the notion of flexible specialisation which they contrasted with the fordist system associated with mass production, mass consumption and hierarchial structures of control. This new form of production is also characterised by flexible use of labour, deregulation, decentralisation, entrepreneurship and individualised consumption.

2.2.4. CHANGE IN THE ROLE AND ORGANISATION OF LABOUR

The restructuring process has been marked by change in the organisation of work characterised by sub-contracting, casual employment and other flexible forms of labour management. The decline of the levels of secure formal employment has resulted in informalisation and change in the structure of the workforce. A large number of women are entering the labour market.

There has also been income polarisation denoted by a professional class that is capable of operating at a global level. The middle strata work force is shrinking as middle-level managerial jobs and traditional blue-collar jobs are disappearing. Coupled with this there has been significant growth of the informal sector propelled by rising unemployment.

The 'new' regional and international division of labour that has been taking place over the past twenty years should not be interpreted as a replacement on the old division which remains not only alive but kicking. For him, what we are witnessing is an evolving sequence of a partial and selective restructuring which does not erase the past or destroy the deep structural conditions of capitalist social and spatial relations.

2.2.5. CHANGES IN THE NATURE OF COMPETITION ✓

It is argued by Best 1990 in Harrison (1994) that old forms of competition based on comparative advantage as pioneered by (Porter 1990) associated with low input costs and economies of scale are being replaced by a new and dynamic form of competition. Competitive advantage is based on innovative skills. Various features of this competition and entrepreneurial style of development include massive marketing and promotional efforts to attract investment to specific localities. Therefore, the quality of place has become increasingly important (Harrison 1994).

The attraction of place becomes increasingly important as the corporations are increasingly freed from the constraints of their home nation or region. This has intensified competition between regions in an attempt to attract investment.

Closely associated with the heightened competition between localities and the new politics has been the shift in focus, planning style and development (Harrison 1994). Local authorities are not only required to perform their traditional role of

infrastructure and service provision, but have to facilitate economic and social development of their localities.

Korten (1996) argues that local communities everywhere are on the forefront of what might be characterized as the Third World War. For him this is a violent struggle for control of physical resources and territory that is destroying lives and communities that are trying to reclaim control of their economic lives. It is a competition for the control of markets and resources between global corporations and financial markets on the one hand and locally owned business serving local markets on the other.

2.2.6 IMPLICATIONS OF GLOBAL CHANGES

Drawing from the discussion on the changes in the global economy one can conclude that economic globalisation is causing severe economic dislocation and instability, the technological changes of the past few years have eliminated more jobs than they have created, the global competition " that is part and parcel of globalisation leads to winner-take-all situations: those who come out on top win big, and the losers lose even bigger. Higher profits no longer mean more job security and better wages. "Globalisation tends to delink the fate of corporation from the fate of employees" (Korten 1996). However it is important to note that this is how the global economy functions, it does not leave individual economies with any much choice , but be part of this economy and respond appropriately.

This raises questions as to whether people and communities have any influence over their resources and economies and whether localities are able to set their own goals and priorities based on their own values and aspirations, or will these decisions be left to global financial markets and corporations that are blind to all values except instant financial returns.

The changes of the past two decades in the global economy have significantly changed all sectors of the economy, from the nature of production, manifested by adoption of flexible modes of production to the nature of global relations. But, interpreting these changes as decisive shift from the past is an overstatement of the changes. This interpretation overlooks continuity and regional specificity. The past has not been completely eroded and the global changes have not been uniformly applied over regions. What we are witnessing is a selective changes (Harrison 1995).

2.3 ECONOMIC AND SPATIAL RESTRUCTURING

The section looks at the nature of economic and spatial restructuring. This is important in understanding how the manner in which global processes manifest themselves. To be able to respond to the changes in the global economy it is important to clearly understand them.

2.3.1 ECONOMIC RESTRUCTURING

Restructuring in its broadest sense, conveys the notion of a shift towards a significantly different order of social, economic and political life due to crisis. Therefore it is a combined process of falling apart and building up again. The old order is put under pressure to selectively restructure in response to the new changes in the economy (Soja 1989). As such, restructuring implies a complex mix of continuity and change which should not be interpreted as a shift from one economic era to another. It is not a mechanical or, automatic process, nor are its potential results and possibilities pre-determined. The process of restructuring must be seen as originating in and responding to the problems in pre-existing social conditions and practices.

Economic restructuring triggers competition from the nations, firms and regions to become economically viable and in so doing often upset established spatial patterns and in turn, it is significantly modifying how uneven development is produced in space . Very complex patterns of growth emerge. Some established regions are plunged into deep economic crisis. While, there are cases where old patterns of uneven development have been entrenched, marked by widening spatial socio-economic inequalities (Martin 1989).

Massey (1984) understands the spatial differentiation in terms of the relations between capital and labour in the process of accumulation. She argues that the process of accumulation is controlled by capitalists through their decision making power. They decide where to direct investment, how the physical means of production are to be used and control the authority-structure within the labour process. While the working class cannot influence the decisions of the company because they are excluded from the decision making process.

Economic ownership therefore means the power to allocate investment where it will maximise profit, a function undertaken by the corporate or individual owners of firms. In contrast, possession, the control of the production process including both the control of the physical process and the supervision of labour, may be centralised with the economic owners or delegated to managers.

This 'inconstant' geography renders the economic status of cities and regions ~~is~~ unstable over time. These new patterns of spatial development have weakened Regional planning at national level and have undermined plans intended to guide spatial development at a regional or metropolitan scale (Massey 1984: Todes 1993).

2.3.2 SPATIAL RESTRUCTURING

Economic restructuring manifests itself in space. The study explores the relationship between economic restructuring and spatial restructuring because it has uneven impact on space. As such it is useful towards understanding why other regions grow while others decline.

Debates around the relationship between economic change and its impacts on the spatial environment have occupied academic thinking in the past decades. The crisis of accumulation school of thought, the French Regulation School and the localities debate have developed explanations and formulations of this relationship.

Bradbury (1985) reflects the thinking of the crisis of the accumulation school of thought around spatial restructuring. He argues that "restructuring of the industrial space economy is the result of spatial organisation of the process of production, labour, power and consumption". They see production as the most "fundamental determinant of the structure of the geographical space (Bradbury 1985:39).

Bradbury works within a framework which interprets crisis within capital accumulation as promoting economic restructuring, which then results in uneven urban and regional development built over previous decades. He argues that the moments in which the crisis occur their evidence on the landscape are difficult to directly translate.

This perspective has come under strong criticism in the late 1980's and early 1990's. Martin (1989) criticises the theory for being overly concerned with capital and regarding the regions as analytically irrelevant.

A second body of theory was formulated by Scott (1988) and Harvey (1989) who draw from the French Regulation School of thought. They explain uneven development in terms of restructuring, particularly industrial restructuring. They attempt to infer spatial processes from these forms i.e change from fordism to post-fordism. The theory argues that the requirement of the new form of production will be limited to certain areas such as metropolises and those with comparative advantage. Hence from the regional planning perspective prospects for areas outside the path of accumulation are limited (Todes 1993).

Most of the work developed by these theorists concentrate on industrialised countries and hence the formulation of the concepts of post-fordism and flexible accumulation reflect a biased interpretation of the restructuring process, which is unlikely to be currently relevant to the scenarios of many developing countries. Nevertheless, the phenomenon of restructuring from one regime of accumulation to another has taken hold in developing countries in a more locally specific fashion.

Storper (1990) explores the concepts of fordism and post-fordism in the Third World. He argues that in analyzing the development of a particular regime of accumulation one must not overlook the diversity of local responses, the wide differences in resulting development outcomes, and the roles of domestic class relations, politics and policies in the developing countries and regions themselves (Storper 1990:424).

It is at this level of discussion that a third school of thought emerges. This body of literature is concerned with the relationship between economic restructuring and spatial transformation. This is the school of thought which has come to be known as the 'British Localities School'. The school of thought support the empirical investigation of restructuring and change in specific individual localities (Martin 1989:189).

They go beyond narrow economic and capitalist laws and take into account human agency, context, contingency, institutional, cultural, political and social characteristics of places (Martin 1989:190). Essentially these theorists argue that 'there is a great deal of variability in how different areas have responded and coped with change (Todes 1993:25). The emphasis on local specificity by the British School of thought is a reflection of post-modern thinking which marks a significant shift from the top-down modern planning approaches.

2.4.INTERNATIONAL EXPERIENCE

Most of the literature on declining regions has been documented in the First World Context in both European and American countries. This is due to the fact that they were the strongest global economies and amongst the first to experience the negative effects of economic restructuring. Through their experience the study will shed a more practical view of the causes of economic restructuring, and its impact on localities.

2.4.1 THE AMERICAN EXPERIENCE

By the 1970's it was apparent that the American economy was in distress. Entire segments of American mass production industry declined. Cities and entire regions bore the brunt of devastating deindustrialization and millions of workers lost their livelihoods and homes.

The economy was performing badly. The America economy was rapidly being pushed to the sidelines as its share of exports fell rapidly. America's ability to compete in the global market has waned away. Japan's bold entry into the global market stage was strongly felt. Japan was becoming the major exporter of manufactured goods while America was gradually being reduced to an agricultural nation trying desperately to compete with the manufacturer of world's sophisticated capital and consumer goods.

The American's lacked a clear understanding of the processes that were at play which is important in formulating a response. Blame was cast in all directions, from the moral fibre of society by theologian and sociologists. Economists on the other hand blamed 'big government'. Those who did not blame the average worker or the government for the crisis blamed the Japanese (Bluestone and Harrison 1982).

But, these explanations are far from being true of the American experience. During the boom years the U.S economic expansion abroad generated enormous short-run profits, but in the course of doing this it helped to establish excess productive capacity in one basic industry after another. Through their multinational subsidiaries and the profitable sale of patents and licences to foreign enterprises, the leading American firms even helped to generate their own future competition. (Bluestone and Harrison 1982).

In the 1970's this competition came back to haunt them in virtually every major industry: steel, automobiles, shipbuilding and electronics. Japanese and European competitors arose to challenge U.S supremacy. With no rational way to divide up the international market, U.S firms found themselves subject to intense world competition and as a consequence, shrinking profits. The American share of world fell dramatically (Bluestone and Harrison 1982).

Adding to the misfortunes of the United States of America, labour was already highly unionised. Industrial management found that it could no longer afford the social contract and maintain its accustomed level of profit. Management had to find some mechanisms to disarm organised labour of its standard weapons. The solution was capital mobility.

Technological innovations allowed production to be 'footloose' than ever before. The linking of the communication system to computers permits central management to co-ordinate worldwide operations at lightning speed. The ability of capital to move has created interregional rivalry to attract capital (Bluestone and Harrison 1982).

Underlying the high rates of unemployment, the sluggish growth in the domestic economy, and the failure to successfully compete in the international market is the deindustrialization of America (widespread systematic disinvestment in the nation's basic productive capacity). This does not necessarily mean that corporate managers were refusing to invest but only that they were refusing to invest in the basic industries of the country. This could be attributed to factors such as costly forms of production, productive equipment was put in place when oil prices were much lower. As a consequence, much of the capital stock was energy inefficient and outmoded

In America, decline generally occurred within the old fordist regions. Capital disinvestment in older plants, industries, or regions and reinvestment in other regions took many forms. For example General electric built a new steam iron factory at Singapore where labour is less unionised, local governments provided the good business climate that corporate managers dream about (Bluestone and Harrison 1982:25). Subsequently an older plant was sold outside of Los Angeles, eliminating a thousand jobs in the process.

It is apparent at this point that the deindustrialization of America is explained in terms of the ability to relocate capital. At one level it can also be attributed to the absolute losses on production. While a closer analysis, concludes that America increasingly failed to compete in the global market.

The economic restructuring of America at the least recorded its own casualties. If one has to count a number of firms that are physically moved from one place to another the problem appears trivial. But once all the plants and the number of employees are counted the problem is indeed significant. The dramatic relocations that occurred during the 1970's led to a loss of approximately thirty two million jobs (Bluestone and Harrison 1982).

It would be convenient if there is some simple way to define, let alone measure, the optimal amount of disinvestment. Then there would be a standard against which to test the actual amounts of creation and destruction. At best what the process of creative destruction is supposed to do, for the economy can be compared with its actual consequences. But this points to the fact that economic reincarnation process is not working according to the book. Disinvestment is supposed to free labour and capital from relatively unproductive uses in order to put them to work in more productive ones. But very often this is not the case. Studies reveal that workers who loose their jobs as a result of plant closing show that a large proportion of the unemployed take years to recover their lost earnings and many never find comparable work at all (Bluestone and Harrison 1982).

The costs of economic restructuring go well beyond lost wages and foregone productivity. Workers and their families suffer serious physical and emotional health problems when their employees suddenly shut down operations, and the community as a whole experiences a loss of revenue needed for supporting community services. Entire cities and towns can be brought to the brink of bankruptcy as has happened in Detroit and Cleveland (Bluestone and Harrison 1982).

With industry moving so rapidly, those who lose their jobs in the older sectors of the economy rarely have a chance at employment in the new ones, even within the same region.

As a result, the creative destruction process has become synonymous with what Bluestone and Harrison (1982) term the throwaway culture. People and communities are not recycled through the development process. The pace of capital mobility has become so fast, that people and communities are carelessly discarded to make room for new ones.

2.4.2. THE BRITISH EXPERIENCE

Accounts of industrial decline begin by recognising that Britain's industrial and imperial dominance during the nineteenth century was the mainspring of it's weakness during the twentieth century. Britain forcibly imposed free trade, which specified a role for Britain in the pattern of international trade. As the world's first industrial nation' Britain became the major centre of industrial manufacturing, exporting both capital goods and consumer products and importing necessary raw materials and cheap food for its industrial population (Newby 1985).

For a time Britain's imperial power protected manufacturing industry from the threat of competition from subsequently industrializing nations by providing a captive market for British goods. As the British power waned away the country's source of strength transformed to a source of weakness (Newby 1985).

The most highly developed industrial nations therefore became much more highly integrated with each other's economic activities directly producing in each other's markets and establishing highly complex patterns of both import and export manufactured goods. (Newby 1985).

Denis Smith (1987) illustrate how restructuring in the manufacturing sector has led to a significant loss of employment in South Birmingham. South-West Birmingham suffered a great percentage (23%) loss of jobs in motor vehicle production.

Restructuring was precipitated by the fact that the British car industry didn't have competitors in the international markets. As international competition increased British contribution to total output by the major car producing nations decreased.

Secondly, innovations in technology with new production lines led to redundancy of the labour force consequently labour had to be retrenched. Thirdly, attempts to achieve more flexible and continuous use of labour on the shop-floor. There was an attack on union right, especially the 'mutuality' arrangements which have allowed individual shop stuart to bargain over labour issues.

The loss of manufacturing employment was offset by an increase in service sector employment but this growth did not compensate for all the losses in manufacturing. The is an example of how capital organisation within a multi-national framework fashion the lives of people at a local level (Beyon and Hudson et al 1987).

Over the years the economy of Teesside was dependent on iron and steel industry and the chemical industry. As the demand for bulk chemicals slumped as ICI found itself facing a new, intensified set of international competitive pressures. The ICI plant at Teesside claimed that it suffered from unfair tax concessions granted to its U.K competitors. However, competition pressures remained from the companies and countries with access to still cheaper feedstock.

The ICI has increasingly located production overseas which led to a loss of 31 500 jobs in 1970. Adding to this, is the change in production method. Priority has shifted away from bulk commodity chemicals, putting emphasis on high value added, low-volume production which requires few employees.

What the ICI initially failed to understand its problem were a result of global other than local causes.

From the two cases it is obvious that regions that were prone to decline were those that were labour intensive for reasons ranging from the decision of capital to relocate where production is more economic.

Secondly, competition in the global markets intensified forcing industrialist to produce cheaper quality goods. The decisions of industrialists were based on external forces, but largely affecting localities. Therefore decline is the result of the change in the economy as a result of substitution of products, saturation of the markets, rationalisation of production, new technologies etc.

2.4.3 IMPLICATIONS OF ECONOMIC AND SPATIAL RESTRUCTURING

From the above discussion it is clear that while other firms, economic sectors and regions will thrive due to economic restructuring others will decline. What economic restructuring ignores is that people want to improve their community, not to abdicate from it. Regional decline has implications for spatial co-ordination. Economic restructuring may destroys communities and personal assets while it creates an industrial 'refugee' crisis of serious proportion.

Therefore it is important is the indepth understanding of the nature of the processes for regions to be able to formulate strategies in response to the challenge.

2.5. THEORISING DECLINE

The 1980's have seen much debate and work on extending theory to explain concrete processes that result in economic growth or decline of regions. Using classical theorists, borrowing from behavioursim, systems theories, and going beyond the spatial division of labour and restructuring approaches there has been

a concerted attempt to synthesis industrial regional development theories and to explain uneven or inconstant growth.

Theorising growth and decline is central to this chapter as it illustrates how the restructuring of capital and industrial production may lead to growth or decline of a locality. This understanding informs the strategy to redress decline or even to strengthen thriving regions. Technological changes, change in the social relations surrounding production (capital vs labour), patterns of investment, change in the nature of competition have been identified in this study as determinants of growth and decline. These changes need not be all in place for an economic crisis to occur. But those that do occur are generally interrelated and mutually reinforcing.

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These determinants of growth and decline do not operate in isolation of global forces, yet they are locally specific. The interplay of these global or national forces together with the local conditions determine growth and decline. Present conditions, means of production and social relations of production determine to an extent the way in which future production is likely to be organised. For instance, a militant labour force might have resulted from particular past employment practices, but in turn new investors might avoid that area.

In the drive to maintain, or to increase competitiveness and profitability, capital restructures and reorganises itself by changing the nature and relationship of both the forces and the means of production to expand productivity and markets and to reduce costs of production and transaction. The changes may be internal to management structures and investment decisions of individual firms, or externally generated innovations, such as technologically advanced production or communication methods.

Changes in technology for example, will raise the level of productivity, reduce the production cost and improve the quality of the product and disseminate information across the global

communication networks resulting in the most appealing transformation that can nurture growth (Storper and Walker 1989) *

Development is further generated from the evolution of the resulting social relations. As much as it is important to invest in technology, but investment in human resources is necessary to keep the stream of innovation moving and to improve the quality of life. Eventually the fast growing sectors attract related sectors and suppliers, such that, territorial clustering is generated.

But on the other hand these organisational and technical innovations have a significant effect on the division of labour and its location, and also on the opening and closing of firms which affects the growth of a region. Some sections of capital are more able and/or willing to negotiate over the process of production than others.

Massey analyses the cause of growth and decline using labour. She argues that growth is not only determined by characteristics of the labour process, by accumulation requirements, by technology and demand, but by the history and struggles between managers, workers and political representatives. This has implications both for location choices of future industries and for the long term growth and decline of the regions. Although, a factor of production labour cannot be manipulated quite simply as machinery or building. It comprises of human beings who bargain for their wages, who also choose to work faster or slower. Thus, most of the time labour operate in their narrow interest.

Building up on Massey's work Markusen adapted the profit cycle model into a 'profit cycle theory', to account for the creation of new enterprises, their subsequent decline and growth. She argues that disinvestment is a result of absolute losses on production. She further argues that profit motivates the firms locational choice. Entrepreneurs and capitalist are motivated by profit to change the location of their industries.

Although the profit cycle theory is spatially deterministic, it highlights the power of oligopolies to determine investment. Drawing from Massey's work Markusen argues that the militancy trade unions tends to reinforce collusion and discourage new sectors.

The sectoral nature of investment affect the rate of growth of a particular region. In the quest to maximise profits entrepreneurs tend to invest in profitable ventures and places, thereby lowering perceived risk. Localities in which new high profit industries or sectors invest according to their own particular demands, patterns of labour organisation, culture and entrepreneurship have factor-creating and factor attracting power. Eventually the fast growing sectors attract related sectors and suppliers, such that, territorial clustering is generated. In time, with increasing returns, enhanced technological capacity, productivity increases through external economies (Platzky 1995)

Global competition is the major force that determines growth or decline. Porter argues that the kind of competition which is essential for growth goes well beyond cost. driving co
In his theory of investment and innovation, Porter argued that certain sectors in certain geographical areas - nations, regions or cities-account for higher or lower than average rates of economic growth. Porter argued that four mutually reinforcing elements factors determined the national competitive advantage of certain sectors over others.

While 'factor' and 'demand' conditions on each end of the horizontal axis influenced the system, along with a particular role of government and 'chance' fed in from the sides, the 'strategy, structure and rivalry' of the enterprise and the 'related and supporting industries' in the territory, at the top and bottom of the vertical axis, were more crucial determinants.

The French 'regulation school' argues that the state is to the production of the economy, in providing the legal framework, the institutions and policies, the extent of its role depends upon the mode of production of an economy characteristic of that society. The nature of the state, and how autonomously it operates under capitalism is critical in terms of attracting investment. Here it is argued that though the state has no legitimate role in the production process it is required to nurture and maintain a favourable climate for production. This will include making policies to ensure international competitiveness and at the local level to ensure, for example low crime environment in which both corporate and working class crime is controlled.

The discussion of theory highlights that various related factors such as labour, the cost of production, change in technology lead to the decline of regions and localities. Writing from the experience and observation of different factors in different regions the interpretation of the theorist is bound to differ. But it can be safely inferred that all the processes from the capitalist perspective are driven by one central factor, that is the ability to compete in the markets. ✓

2.6 CONCLUSION

The global changes that are emerging from the global context require a more efficient and competitive economic growth. This involves adoption of competitive technology, use of highly skilled labour force that is flexible and can derive innovation. These emerging trends have changed the nature of competition in a very significant way. Producers for example will adopt new technology not only to reduce the price of the product, but also to improve its quality. If these processes are taken advantage of they offer an appealing and conducive environment for economic growth.

Similarly economic sectors that do not respond immediately and restructure are likely to be to be negatively affected. The case America illustrates how firms, people and regions are affected by economic restructuring, firms had to close down, people lost employment, localities went into decline as they lost revenue, and were therefore unable to maintain their social services.

Therefore this chapter has provided an appropriate conceptual framework to analyze the processes that are affecting the footwear sector in Pietermaritzburg and their possibly impacts. Therefore understanding the nature of these processes and how they affect localities is important if localities are ever going to rise to the challenge of economic restructuring. ✓

CHAPTER 3: DECLINE IN PIETERMARITZBURG

3.1 INTRODUCTION

The aim of this chapter is to analyse the situation in Pietermaritzburg to demonstrate decline in the footwear manufacturing sector, which requires a planned response. The case study provides evidence of some the processes that threaten economic function of the footwear sector. It will be discussed in the light of the theoretical and practical issues discussed in **Chapter 2**. The discussion of the processes of economic restructuring in the footwear sector in Pietermaritzburg indicate that the processes are as complex as the theory formulated to explain them.

To a large extent this Chapter reports on the findings of the study on the Pietermaritzburg Footwear Sector. The study was commissioned to Philip Harrison (working under the auspices of the University of Natal's Industrial Restructuring project) by the Pietermaritzburg-Umsunzduzi Transitional Local Council. The Council was responding to the media reports which suggested that the sector was in deep distress in line with the national trends.

The Chapter is made up of twelve sections including the introduction. It begins by tracing the historical development of the footwear sector in Pietermaritzburg. The section reveals that over years the manufacturing sector has been the major contributor to employment in Pietermaritzburg, but it is quickly loosing this status. The second section, presents the general profile of the manufacturing sector in Pietermaritburg which brings to the fore the importance of the footwear sector in the economy of Pietermaritzburg.

From the third section onwards factors that are threatening the economic viability of the footwear sector affecting discussed, ranging from access to raw material, competition in the international markets, technology and organisation of

production. The section ends by looking at the institutional support that the industry receives.

3.2 HISTORICAL DEVELOPMENT

Industrial growth in Pietermaritzburg has been stimulated by a series of wars, the Anglo-Boer war between the British and the Zulu, World War 1 and World War 2. Footwear manufacturing has been in existence in Pietermaritzburg since 1904 with the establishment of Eddels Ltd in Buchan Street as a boot repair shop. Eddels developed into the largest manufacture in the City employing approximately 1500 workers. Until the boom of the Second World War, this was the only footwear factory in the city employing highly skilled and technical staff from England (Harrison 1996)

There has been overall decline in manufacturing employment in Pietermaritzburg. Pietermaritzburg has recoderd growth in the manufacturing sector between 1982 and 1991. Since then there has been a perception of decline evidenced by loss in manufacturing manufacturing jobs, and closures. Other firms have retrenched their workers in an effort to survive. It is assumed that the decline of the footwear sector had a large contribution to the job losses (Harrison 1996). Industrialists argue that this is due to the decrease in the demand and volume of sales of the products of some manufacturing sectors such as paper and packaging and the footwear (Futter 1996). This can be explained in terms of unemployment and limited disposable incomes change in buying patterns, and an influx of legal and illegal imports.

Pietermaritzburg developed into a major footwear production centre in South Africa. The availability of a skilled but cheap workforce and the supply of leather contributed to the growth of the footwear sector. The growth of the sector was sustained until the 1980's with 18 firms being located in the city.

The period between 1982 and 1988 was marked by the establishment of many small factories while the number of established firms was declining. By 1988 there were 32 small firms which increased to 37 in 1991. Because small firms employ a small percentage of labour in relation to large firms, the establishment of small firms did not compensate the number of job losses in the large firms.

The footwear sector is of major importance to the economy of the region. Although, there has been a significant loss of employment since the 1980's it remains the single largest employer. The output in production has declined by over a third. Much of this decline has occurred over the past two years. All these factors point to the fact that the industry is experiencing serious problems.

3.3 EMPLOYMENT IN THE MANUFACTURING SECTOR

The general profile of the manufacturing sector validates the importance of the footwear sector in the economy of Pietermaritzburg. In 1991 there were 426 formal sector establishments in the city employing 25197 workers (Oldham and Hickson 1991). Since then the city has suffered major job losses as a firms such as Prestige Kitchenware and Jaguar Shoes closed down (The Natal Witness 4/11/1996). There is no precise measure to the extent of the losses, but it is safely assumed that the decline of the footwear has contributed significantly to the job losses. (Harrison et al 1996).

Though there is significant decline in labour intensive sectors growth is occurring in capital intensive sectors such as metal and metal products. Although this growth is welcome it has minimal contribution to employment creation and does not compensate the losses that are occurring in the industry.

Table 1. Profile of manufacturing in Pietermaritzburg

Industrial Sector	No of Firms	Labour Force	% of Total Employment
Food	33	3 747	15
Textile/Apparel	22	1 540	6
Wood Products	25	1 493	6
Furniture	31	877	3
Paper/Paper Products	9	1404	6
Printing/Publishing	17	1489	4
Chemicals/Rubber/Plastics	6	471	6
Non-Metal Minerals	112	1732	2
Basic Steel	21	3448	7
Metal Products	16	346	14
Machinery excl.electrical	16	662	1
Electrical Appliances	1	337	3
Motor Vehicle /Parts	1	23	1
Other Transport Equipment	1	12	0
Control/Measuring Equipment	1	12	0
Other Manufacturing	11	677	3
Shoes/Leather Goods	35	5 845	23
Total	426	25 197	100

Source: Harrison et al (1996 :34) as adapted from Oldham and (Hickson 1992:5)

Although the table is not up to date but the following conclusions can be drawn. Firstly the industrial structure in Pietermaritzburg is not highly specialised (Futter 1996). The largest branch of manufacturing is metal products. It has the highest number of firms but is the third largest employer in the area. This is followed by the chemical factories, while footwear is recorded the third biggest it is the largest employer, taking up 23% of all the manufacturing employment. This is a problematic as there are considerable few industrial sectors that are performing well. As a result the City is more vulnerable to decline than growth, unless its competitive industries are established.

Secondly, many of the firms in Pietermaritzburg are labour intensive hence, they are significantly affected by wage rates and union activities. Thirdly, Pietermaritzburg's has a high representation of industries that are declining nationally (furniture, food and footwear) due to international competition in relation to the small number of fast growing sectors that are capital intensive such as Hullet Aluminium. It means that the number of jobs losses is unlikely to be compensated.

3.4 STRUCTURE OF THE FOOTWEAR SECTOR

The structure of the footwear industry in Pietermaritzburg is similar to that of the industry nationally. There are few large firms producing over 2000 shoes per day. But they account for about 70% in employment. Medium sized firms producing between 500 and 1999 shoes employ about 24% of the workers. Whilst the relatively large number of small firms account for only about 6% of employment and produces fewer than 500 shoes. As firms get smaller the trend towards local ownership increases. This suggest that sustainable industrial development is dependent on the growth and support of small to medium-size firm. It is therefore, important to devise various means to support the local enterprises.

Most of the firms are independent and have no formal links with national or international companies with an exception of Eddels, Richleigh and Dick Whittington, who account for about 66% of Pietermaritzburg's footwear employment and which are all members of the large Conshu Group. There is a high level of control and autonomy as the majority of service functions such as machinery repair, accounting are done in-house at the individual plant. Other service functions functions such as legal services and computer support, as well as additional maintainance are carried out by local firms (Futter 1996). As a result thereof, there is a high level of local entrepreneurialism which, may suggest that the development of the locality is sustainable if this entrepreneurialism is can be supported and promoted.

Pietermaritzburg specialises in the Men's shoes relative to other localities and South Africa as a whole . Therefore the performance of Pietermaritzburg,s footwear industry will strongly be influenced by changes in this market segment. The decline-of the in the production of the Men's shoes nationally (-12.7%) has equalled the decline in footwear production overall.

In terms of the footwear produced in Pietermaritzburg the city produces specifically shoes with leather uppers. Hence, the sector's focus is on the middle and upper market segments than footwear nationally. Although,import competition is in the lower market segment, production continues to decline in the middle segment. This is attributable to the closure of Jaguar shoes and the Sutherland Tannery, the supplier of raw material.

3.5 LOCATIONAL ISSUES

Over the years industrial location in South Africa has largely been influenced by access to suitable labour and raw materials. In the past and recent years the important factors influencing the choice of Pietermaritzburg as a location for footwear manufactures are that the area is the centre of the footwear

industry, is the hometown of many of the industrialist, adequate infrastructure proximity to the supplier but more importantly is the supply of skilled labour and availability of raw material. Over the years these factors have contributed to the success of the footwear sector. These factors suggest that Pietermaritzburg has an advantage over localities. Because raw material is one of the main factors of production the closure of Sutherland Tannery the supplier of raw material is likely to have significant effects in terms of attracting new industry. It will also be a setback to local industries as they have seek for alternative suppliers.

3.6 EMPLOYMENT AND LABOUR

It is estimated that about 4800 workers are currently employed in Pietermaritzburg's footwear sector. The figure is 2 900 less than the 1988 figure excluding the unrecorded informal sector productive enterprises. This is partly, due to the fact that many factories had to rentrench their staff to remain viable.

The major setback in the footwear employment and production is the extreme seasonal variation. Production peaks up in November with the onset of summer and in preparation for Christmas. Industrialist use various strategies at their disposal to cope with the variation and uncertainty. Industrialist have been forced to rentrench redundant employees, reduce the cost of production by sub-contracting labour.

In terms of gender , the proportion of workers is more or less equal. But, there is no equal representation of men and women at all the levels of the factory. Women are found at the unskilled, semi-skilled and skilled levels, while men are found at all levels including the supervisory, technician and managerial level. The administrative field is dominated by women. There is a clear racial divide in terms of employment positions, with Indians and Whites exclusively holding managerial positions.

The cost of labour is perceived by manufactures as the second largest contributor to production cost after raw materials. Though there is no significant labour unrest, production time is lost during the annual wage negotiation period. As localities also compete in terms of cheap labour Pietermaritzburg might find it increasingly difficult to attract investment when there are the Chinese countries with a low wage structure.

Pietermaritzburg has a large number of skilled crafts-people who have an invaluable contribution to the industry. But there is also a large number of workers who are inadequately or not trained in crucial production areas. In addition the knowledge that they acquire through training and work experience is usually unacknowledged by officials.

A very small percentage of the firms annual budget is spent on training. This is attributable to the fact that manufactures do not see the need to train workers intensively. This has an impact on the productivity of workers and their ability to derive innovation.

3.7 MARKETS AND COMPETITION

Pietermaritzburg is competing in the men's and women's footwear markets (34% and 31% respectively) with some penetration into the children's and infants market. The firms are competing in the middle bracket market, with some movement towards the upper-middle and the upper income bracket. But the niche markets such as golf and bowling shoe markets have not been penetrated as yet. The major focus is on the black market in both formal and semi-formal shoes. Focus on the middle segment offers some hope as competition is very stiff in the lower end of the market.

But, competition from the Far East, Malaysia, Korea, and Zimbabwe is the greatest threat for producers. They have to compete in the South African market with imports from Newly Industrialised countries. This problem is likely to be further compounded by the

phasing out of import tariffs which will result in an increase in imports and thus greater competition.

Producers are less and less able to compete in terms of price, and are having to focus increasingly in the other dimensions of competition such as quality and service efficiency in which they are still less than adequate. In order to increase competitiveness and profitability capital reorganise itself or face the brunt of closure. This may be achieved by, introducing sophisticated technology, continually train their labour force such that it is highly productive and able to operate the most sophisticated equipment. The problem is compounded by the fact that the export market is still limited to Southern Africa. This is due to the lack of competitiveness and the lack of knowledge of the international market and limited support for accessing this market.

3.8 BACKWARD AND FORWARD LINKAGES

There is a general problem with obtaining high quality leather in South Africa. Hence, the closure of Sutherland Tannery has dealt a blow to the footwear sector in Pietermaritzburg. Many firms have turned to importing raw materials from India, Pakistan, Italy and South America. The problem with imports is that producers have to compound the cost of transport and tariff cost imposed on the imports of leather, and the problems of delivery. Also the quality of leather cannot always be guaranteed due to tick bites and variation in colour. This is likely to be a deterrent to new investment.

The quality of the hide has also been affected by the deregulation of the meat scheme in 1993 as there is less control of where cows are slaughtered. All the factors illustrate that the quality of the raw material cannot be guaranteed. This does affect the production process.

The majority of the firms market their lines through the retail chains (41%) and independent footwear retailers (24%) which are their forward linkages. The main problem experienced by manufactures is the crippling cash flow due to prevailing terms of credit from retailers. They have to pay for their raw materials C.O.D or within 30 days.

3.9 TECHNOLOGY AND ORGANISATION OF PRODUCTION

Although new technology has been introduced in half the firms that were interviewed however, it is average in terms of the national and international standards. New technology requires a certain level of skill to operate it, which might be a disincentive to purchase. The other disincentive is the rising cost of imported machinery in the face of the deteriorating exchange rate. This is a serious disadvantage to Pietermaritzburg considering the fact that technological improvements have become the major industrial in the 21st century. Many authors including Storper and Walker (1989) argue that technological improvements in many industries have raised the level of productivity, reduced the cost of production cost and have improved the quality of the product. It therefore, means that Pietermaritzburg is not competitive in relation to footwear manufactures that have adopted technologically advanced production equipment.

3.10 INSTITUTIONAL AND OTHER SUPPORT

Success in economic restructuring depends not only on the technology itself but also on the support provided by financial, industrial support and financial institutions. Footwear manufactures in Pietermaritzburg claim that they have received very limited financial assistance. The manufactures have also not benefited from the government's various industrial support incentive schemes. Harrison (1996) reports that only three factories have enjoyed the benefits of the 1985 and older Regional Industrial Development Programme. Only two factories are

enjoying the benefits of the 1991 RIDP programme. The factories that received incentives are the large manufactures in Pietermaritzburg. Coincidentally, none of the smaller manufactures applications were approved. They have to rely on personal funds and assistance from friends and relatives. Therefore benefits of incentives did not have any significance for the footwear producers.

Secondly, industrialists also perceive the Department of Trade and Industry as doing very little. They could not project any role for them in the future. The same perception applies to the SBDC, The KwaZulu-Natal Marketing Initiative (KMI) and KwaZulu-Natal Finance and Investment Corporation (KFC).

International experience shows that increasingly national governments role in local development is decreasing as local governments are forced facilitate development in their own localities. The importance of the Local Authority in the development of localities will be emphasized in Chapter 4. The role of this tier of government is important in the development of Pietermaritzburg. Other than the provision of infrastructure, electricity and water the Local Authority is seen not doing much for the industry. Industrialist see the Local Authority as having a central role to the support of local economic development. The industrialist see the following as the support measures that the Local Authority could implement: that is offer rebates on rates and service charges, assist in erecting a technological centre, offer input subsidies/rebates, provision of social infrastructure, provision of local service centre, support for hiring consultants, provision of industrial infrastructure, establishing public/private sector partnerships.

The Pietermaritzburg-Msunduzi TLC is currently actively involved in one area, that is the promotion and marketing of industrial land. The Industrial Promotions has links with with the KMI, the SBDC and the IDC and the Chamber of Commerce and Industry. It is obvious that this response is not enough if, Pietermaritzburg

intends to take up the development challenge. The following chapter will attempt to point out where the problem is in the Local Authority.

Within the city there are a number of non-statutory business association that have an existing or potential role in supporting the industry :

*The Pietermaritzburg Chamber of Commerce and Industry (PCCI), an affiliate member of SACOB which encourages and facilitates networking between industrialists offers premises for training programmes, as well as holding seminars which aim at bringing the members up to date with the latest development in the manufacturing sector, access to local and international business network, and to a specialised data base and library. The Chamber also provides vocational skills, entrepreneurial skills and assistance to manufactures.

The Chamber of commerce see the formation of partnership as the single most important step in the development of Pietermaritzburg and South Africa generally. The president of the PCCI argues that what is needed is a common purpose that binds people together (Sunday Tribune /10 Novmber 1996). The Chamber is willing to extend its support to all other business bodies. It has also started developing links with the Councillors and Officials, which are belived to be of enormous value to the growth of business in town.

* The Inyanda Chamber of Business offers similar services to its members as the (PCCI).

* Pietermaritzburg Skakemer there are no affiliate footwear manufacturers.

* Msunduzi Business Forum, there are no affiliate footwear manufactures.

- * Black Management Forum , the aim of the Forum is to develop managerial leadership. It places emphasis on the disadvantaged groups, but, does not have affiliate footwear manufactures. The Forum could be of use to the Footwear sector through the provision of support to new entrepreneurs.

- * The local Business Service Centre: was established at the beginning of 1995 under the wing of the PCCI. The mission of the centre is to offer access to skills training and business skills. Presently, the centre is not engaged in assisting any footwear manufactures, but has the capacity to service the industry.

Various forms of local support are offered by different organisations at national level.

The Leather Industries Research Institute: is located in Grahamstown. It offers a number of support measures to the Footwear Industry. It provides training courses in conjunction with Rhodes University (including distance learning). a range of technological services, which includes testing of materials for quality and durability. It is one of the few support institutions, but, its location is not suitable as 60% of the Footwear manufacturing is done in KwaZulu-Natal.

The Footwear Manufactures Federation (FMF) was founded in 1944 in Port Elizabeth. It provides members with special industrial relations services and information regarding production, imports, exports and employment in the sector. It also monitors footwear exports and lobby the government in an attempt to to receive tariff protection which has been successful as tariffs are now imposed on imports. The federation also negotiates with the Trade Unions on behalf of all manufactures on matters that include working conditions, sick benefit funds and working conditions. But its location is not ideal.

* The Footwear Institute of South Africa (FISA), based in Pinetown is currently involved in a training programme which involves a series of "tech talks given monthly at Eddels in Pietermaritzburg. The talks are attended by any interested parties, including workers from the various factories. The FISA office in Pietermaritzburg was closed down due to the lack of support.

3.11 PERFORMANCE AND TRENDS

Harrison et al (1996) measured production in terms of a number of dimensions, that is employment, profitability, productivity and the number of firms. In terms of production it has been established that there has been a significant decline between 1990 and 1995 (28.9%). Even more alarming is the fact that in the year between April 1995 and April 1996 footwear production in Pietermaritzburg declined by 14.9%. If this rate of decline persist throughout 1996, production might only be 60% of that for 1990.

Many manufactures refer to 1990 as the year which marked decline in the footwear manufacturing sector. While 1995/1996 marked a significant drop. This fall off is more noticeable in the larger middle-sized firms, although some firms have maintained and even, increased production. A number of smaller firms have maintained and incresesd production levels although their production and employment potential is far much lower than the large factories.

Employment has also declined during the 1990's. The statistics indicate that the current levels are 66% of what they were in 1988. The second half of 1995 witnessed a sharp decline in footwear and leather employment with an estimated job loss loss of 1 200, partly due to the closure of Jaguar Shoes and Sutherland Tannery.

The number of footwear factories in the City (formal sector) have declined from 37 in 1991 (Oldham and Hickson 1992) to 26 in 1996. It has been recorded that 8 factories have been set up since 1991, suggesting that 19 firms have shut down. The newly established firms are small and operating in niche markets.

3.12 CONCLUSION

Pietermaritzburg is undergoing similar problems with all other footwear producers in the country. The many years of isolation from the global economy have come back to haunt South African producers as they are unable to compete not only in terms of price, but also quality and efficiency. The chapter has illustrated that the manufacturing sector particularly the footwear sector in Pietermaritzburg is threatened with decline. A number of related factors are compounded together to threaten the economic function of this sector. Central to the problems of the footwear sector is the international competition that is placing Pietermaritzburg in a tight corner. This competition is occurring in the face of highly unionised labour (high labour cost), incompetent production technology, high cost of raw materials. Its problems are exacerbated by lack of institutional support and bad terms of credit.

Like many regions in the world Pietermaritzburg is affected by global competition which is making it increasingly necessary to understand the complex underlying mechanism and the potential for innovation offered by new technology. It is important to note that economic restructuring depends not only on the technology itself, but the professional and entrepreneurial skills available and the support provided by institutions and information networks.

CHAPTER 4: A PLANNED RESPONSE

4.1 INTRODUCTION

The aim of this chapter is to conceptualise a planning response to the challenge posed by economic restructuring discussed in the last two chapters. Just as the restructuring process has not been applied evenly to all regions, localities, and sectors so in turn there is no one typical region or locality which can be investigated in detail to offer the single most appropriate example of how localities should respond to economic threats. This becomes particularly important when one wishes to investigate political, ideological and sub-cultural responses to the current restructuring processes which are therefore likely to vary considerably according to their different social and geographical impacts.

4.2 PLANNED RESPONSES

Recent policy approaches to declining urban centres, regions and economic sectors have stressed local economic development strategies. In an attempt to conceptualise a planning response by development institutions (particularly the Local Authorities) elements of this approach are explored. It provides a useful framework because it is broad enough to encompass a range of general principles such as an efficient urban form, while it can be tailored according to the specificity of the community. But the chapter will further look at other planned responses such as the Welfarist and Innovation Milieu approaches which have useful lessons for development institutions in lagging regions.

4.2.1 LED AS A RESPONSE TO THREATENED CENTRES

As the main approach discussed in this study it is important to examine the backdrop against which concerns over Local Economic Development have emerged. Over the past two decades issues of

Local Economic Development (LED) have come to dominate development agendas in many countries around the world. Local Economic Development is one of the bottom up approaches to development. The whole notion of bottom-up development argues for a form of development which widens opportunities for individuals, social groups and territorially organised communities, by mobilising the full range of their capabilities and resources for the common benefit in social economic and political terms (Stohr 1981). Its main objective is to develop the region's natural resources and human skills in the process of satisfying the needs of the regional population. This is a clear departure from the top-down economic concept of the 1950's and 60's.

In an attempt to discuss and understand local economic development as a planning approach, it is important to examine the backgrounds and concerns against which local economic development has emerged. Similar to other bottom up-development strategies LED is a result of a strong critique of state directed (top-down) development strategy. This was in line with the dominant intellectual view of the period: the modernisation paradigm which assumed that development is equivalent to economic growth. The criticism result from the failure of top-down policy measures, such as the traditional regional industrial policy, to arrest or alleviate the economic decline of many local communities (Roberts 1989).

This criticism led to the rise of neoclassical economic thought, which has encouraged the retreat of direct state involvement from the economy, to the creation of a facilitating environment in which local initiatives can emerge (Nel 1994). A number of authors have identified the economic turmoil of the 1970's as the major impetus to the emergence of LED strategies. These pressures have been compounded by a market shift from traditional sectors of the economy, that is from fordism to flexible accumulation. Decline of old fordist regions in European countries revealed the extent to which regional economic programmes were inappropriate to cope with economic restructuring problems.

The global economic restructuring manifested by the globalisation of investment and production as well as internationalisation of business and finance has made it more difficult for national governments or 'national' firms to protect their firms.

Massey (1984) argues that once national policies neglect or fail to mediate local problems, the localities are usually left with no options but to take the initiative themselves. Hence concerned citizens begin to mobilise and insist that local authority councils adopt local economic development strategies. Organised labour, organised capital, elements of the local and regional state plus community activists co-operate to design innovative common strategies to address their particular problems in their unique places. Therefore the strategy formulated will reflect the nature of the region's problem. They acknowledge the power of macro processes and forces but, they strongly believe that there was room for local action to improve the quality of life for local people (Bennett 1990).

The weakening ability of the national state policies to intervene, guide economic development and the increasing recognition that in recent years it has become difficult to attract investment, has strengthened the roles for local urban management structures in restructuring their local economies. The new roles required of city management structure under changing global economic conditions is to attempt to 'sell' their regions. development of their economies Increasingly each business and each locality has to compete on a global scale while economic policy is increasingly becoming rooted to the need of the specific community. Hence, local authorities and development agencies have a significant role to play in the restructuring of their local economies (Roberts 1990).

Local economic initiatives have generally been carried out through the formation joint ventures/partnerships between private sector, business, labour and civil society. This formation of partnership arrangements between public and private sector groupings often leads to employment strategies that tap the local skills and resources and retain newly generated wealth within the community. The policies aim to encourage local development and frequently encompass social as well as economic objectives (Bennett 1990).

For the purposes of this study a twofold approach is adopted to view Local Economic Development (LED). At a grand scale it can be seen in terms of elements, should be considered when formulating an LED strategy, such as an understanding of national/international and local dynamics. Because these are broad they can be generally adopted by all localities. At a micro scale the isolated examples of locally-based LED, such as industrial districts/ flexible specialisation will be looked. These approaches are specific and depend on the nature of the locality. Such examples provide an examples of how particular localities have responded to development challenges. More specifically, it will highlight possible role that stakeholders can play including the local government.

The macro LED approach advocated by the World Bank is commonly known as the traditional approach. It is based on the idea that well functioning regions are of central importance in attracting investment and in supporting the economy (Smit 1992)

Smit (1992) discusses the macro elements that need to be incorporated in the development of an LED strategy. The approach understands that restructuring may favour or harm the local economies depending on a variety of contingencies including the ability to respond quickly and positively to opportunities offered or to threats posed to it. He then argues that an LED strategy has an important role in the development of a capacity to facilitate creative responses to changing circumstances.

Therefore it is important to establish "local intelligence units" to monitor world and national trends, consider their implications for localities, and feed information into decision making and planning of local enterprises (Harris 1991). As such an LED strategy should be informed by an understanding of the relationship between local/national and international economy. Nel (1994) argues that developing an LED strategy in isolation from the broader development context is fatal as attempts which focus solely on the local centre and ignore changes in the external markets, the economy and production are fraught with problems.

Because macro-economic planning is usually organised on a sectoral basis such as mining, agriculture, manufacturing etc., there has been little reference to or concern with the role played by cities and other urban centres in economic development. Cohen argues that "the city" (regional centre) should be treated as an integrated economic sectors on its own right (the urban sector) because of the role that it plays in economic development. The LED approach therefore assumes that the fate of the sector can partly be determined by the fate of the entire urban economy. Hence, a well functioning urban sector positively contributes to the development of the entire economy. However, this does not guarantee the improved performance of the sector, but rather aims at the improved economic performance of the whole town. Using the case of Lagos (Nigeria) he illustrates how an incompetent infrastructure raises the cost of production. Hence, the role of the urban sector within a region needs to be clearly acknowledged, understood and incorporated into macro-economic policy.

This argument is in line with the World Bank (1991) approach, they argue that in most developing countries there are several categories of urban intervention which can improve the productivity of urban economies and enhance macro-economies. The World Bank argues for an improved urban management which will

ensure effective provision of services to promote economic development. Urban productivity benefits from the existence of scale and agglomeration economies and from the proximity of labour capital and technology. According to the World Bank (1991:5) the challenge of urban management, is to maximise the agglomeration economies and their positive externalities while minimising the diseconomies and negative externalities. ✓

Secondly, they argue for a competitive and autonomous local government that will have capacity to play the entrepreneurial and facilitative role that development requires. They suggest therefore that institutional reform and capacity building may often be a key component of development policy. Fourthly, it is suggested that appropriate regulation of the urban land remains a priority in LED strategy. Finally, the World Bank argues for an adequate financial sector, as poorly developed financial sector can pose a major constraint to urban investment.

This approach is related to the South African situation because South African cities have been identified as the most economically inefficient cities in the world. If economic growth and efficiency is to be achieved constraints to productivity should be removed. The public sector should create a favourable environment for business and industry by making cities or localities more attractive for private investment. ✓

Although the macro approach is useful a more proactive intervention which will target specific areas of need is also required. This section will look at more locality based Local economic development initiatives. These approaches to LED involve an emphasis on 'pro-actively making things happen' at a local level (Tomlison 1992). The emphasis is on opportunism and exploitation of local comparative advantage. Furthermore, attempts are made to promote growth by identifying, creating, developing or expanding markets for goods and services produced locally. ✓

They have generally been carried out through joint ventures between the public and private sector through growth coalitions. The importance of partnerships is seen by Harris (1991:14) in terms of the role that each partner can play. The role of the private sector, for example is crucial, since local authorities can never be in a position to best guess what market opportunities exist or what the emerging weaknesses are. Whilst the local authority should be to increase awareness, to provide city-wide leadership and to facilitate appropriate action.

Very often local authorities (or other state bodies) will either assume equity positions in high risk enterprises together with private investors, or facilitate the activities of the private sector through the provision of low-interest loans, information, or through marketing support. Waterfront developments, convention centres, exhibition centres, the hosting of major international events and so on are examples of opportunistic interventions typical of entrepreneurial approach. In South Africa such there is a strong evidence of entrepreneurial competition between metropolitan areas such as Cape Town, Durban and Johannesburg's bid for the olympics (Harrison 1994)

Also joint ventures are strongly emerging in the metropolitan areas. In Durban for example Operation Jumpstart was born in 1990 through the formation of a broad coalition of public and private interest groups. The initiative aimed to exploit Durban's tourism potential. It was an effort to redress the local political and economic decline of the metropole, but has since fizzled out.

The expansion of markets for local goods and services is often achieved by strategies such as holding seminars and conferences on local activities, disseminating trade leads, studying foreign markets, referral to local export services, publishing newsletters and handbooks, financing exports and creating export trading companies (Tomlison 1992).

Internationally the application of LED approaches to localities has amounted to several success stories. It is therefore useful to consider a number of successful Local Economic Development initiatives to be able to draw implications from them. In 1983 a public-private partnership was formed in the Canadian town of Chemanius to restore vitality following market changes that induced co-operate restructuring. The single most important industry in the area, the town's timber mill was closed down. Timber is once again processed, but more important a programme to rejuvenate the town led to a rapidly growing tourist industry through the painting of a series of huge murals, depicting local history, on building facades and through the development of the hotel craft and curio industries (Barnes and Hayter 1992). In this case the public and private sector saw themselves as having an important role in restoring the economy of the town. Therefore government assumed an equal position with private sector.

Similarly, universities are increasingly considered as a distinctive resource for LED. In the 1970's Warwick University in the Southern Edge of Birmingham was faced with financial crisis due cuts in government spending on university sectors. The university was then forced to find alternative ways of raising finance. This was facilitated by university management committed to academic excellence as well as to meaningful role in the local economy. The university became involved in building up the local economy which was seriously affected by the closure of the vehicle industry as a result of international competition. It used its recognised strength in advanced manufacturing, biotechnology and business studies. The companies were impressed by speed and flexibility with which the university responded to their needs Thus proximity to the university became useful and therefore attracted new companies seeking for location (Hilpert 1991)

The flec-spec is one of the most cited examples of an LED approach. It was originally put forward by the Italian Economist Becattin and later brought to the United States by (Piore and Sabel 1984). They argue that the flec-spec school has its origin from the 1970's dual labour markets theory formulated to explain black riots in the United States ghettos as a consequence of deprivation.

Industrial districts are a developmental model associated with flexible specialisation. The districts first grew outside the traditionally industrialised regions of Italy during the period of national and international economic crisis. Industrial districts are a set of companies located in a relatively small geographical area. These companies work either directly or indirectly for the same end market. They share the same set of values and body of knowledge and are linked to one another by specific relations in a complex mix of competition and co-operation.

In Third Italy a unique number of factors led to the emergence of these districts. Firstly, there was institutional support for small business at local level. Secondly, an alliance developed between the small business sector and the Communist Party. Thirdly the local state facilitated development of co-operative inter-firm institutions that have linked many specialised firms. Finally the Third Italy provided support infrastructure such as collective service centres and the industrial parks, while the local government played a strategic and catalytic role.

In the United states of America industrial districts grew out of the university communities and have played a continuing role in the technical development of industry as a source of both professional employees and innovation through research. More importantly however the universities have served as an organising centre of intellectual communities for employees in the industries (Piore and Sabel 1984).

Based on this the South Birmingham example important insights are shed as to the role that universities can play in local development. They can assume a partnership position in an LED strategy within which their expertise can be shared. Secondly they can be utilised as centres of intellectual training. Because they are research centres they are useful in updating the LED forum on the current trends.

The case of Stutterheim reflects a recent example of a relatively successful LED initiative in South Africa. Stutterheim is located in the Eastern Cape province. It is historically a centre of much friction and disagreement. In 1990 a forum was established (initiated by community leaders and members of the municipality) which aimed to bring all the people of Stutterheim together. The forum focused its efforts on resolving and redressing complaints and problems. The Development Bank of Southern Africa assisted with strategic policy formulation and the provision of a consultant (Nel 1994).

This set ground for the development of a foundation in 1992 which began to address the social and economic needs of the town. Training programmes and support for emerging entrepreneurs have encouraged the growth of enterprises in the town. The economic growth rate reached 15.5% in 1993 (Nel 1994).

4.2.1.1 DEVELOPMENT IMPLICATIONS

From the discussion of the macro and micro LED approaches to economic crisis the following implications can be drawn. Firstly though the macro approach is significantly important in creating a conducive environment for investment its elements require more state directed intervention. But, within this environment all the role players can be drawn to target specific areas of intervention.

But efforts to regenerate the local economy through locally regulated ventures should be realistic as they may run the risk of legitimising a false belief in the possibility of achieving solutions for global problems that are beyond local control.

The formation of partnerships and joint ventures offers important institutional structures within which specific problems can be targeted. Therefore they are structures within which problems of economic restructuring can be addressed. The formation of partnership has an advantage of drawing in the expertise of the different role players. Within this approach non-economic dimensions such as trust, religious values, political networks and social ties are incorporated (Harrison 1995).

The importance of local leadership underscores local economic development. It is critical for leadership to think developmentally, innovative, be committed and be good problem solvers. The case of Stutterheim illustrates that LED can be successful if localities can resolve their differences and strive for a common vision.

From a planning perspective, LED suggest that problems of underdevelopment might be transcended by the potential for locally interlinked autonomous development. However, this would be too idealistic as such because the physical attributes and human resource capability to a large extent determine the nature of the local initiative. Based on this analysis Martin's criticism of the Regulation School can similarly be rallied against those who are vehemently advocating Local Economic Development as a solution to problems of economic growth. Martin describes the Regulation Schools' reference to the geographic implications of particular organisations of production and claims that they are idealistic based on speculation' (Martin 1989:196). He points to the Third Italy as an example of an alluring trap which LED protagonists could fall prey to by lifting it as a banner of LED success.

The above example of LED success illustrate that unique set of circumstances led to the development of the initiative and therefore cannot be mimicked elsewhere. As McCarthy argues, prospects for local comparative advantage are highly place specific and it would hence be wise to assess a towns strengths and weaknesses. Todes (1993) stresses the importance of a strategic planning intervention based upon an integrated understanding of the whole context. Thus LED can be adopted as a strategy for regions, but interpreted at practical level, according to the specifics of each locality. Therefore certain towns are more likely to respond to LED approaches than others.

4.2.3 THE WELFARE APPROACH

This leads the argument into the concerns of the 'alternative approach' characterised by the Todes' Welfarist approach to regional issues. This approach attempts to strike a balance between the rational comprehensive planning of regions through national planning-devoid of local understanding, and a local economic development approach which ignores local welfare related needs. Although described as a Welfarist approach, Todes does not concentrate her discussion on welfare needs alone, but also points to them and emphasises their importance, particularly in cases where development prospects are dim. In line with this argument Nel (1994:371) asserts that in poorer towns which do not have much potential for local development initiatives, the focus of national regional state on social priorities such as education is particularly important.

The welfare approach is based on the fact that certain groups of people and sections of capital may be less mobile than assumed. Todes (1993:23) argues that the issue is more addressing the needs of the poor than of evening out averages. She argues that certain groups of people and sections of capital may be less mobile than assumed. Therefore from this perspective planning can be seen as a way of responding to decline by securing

reproduction, survival strategies and social networks of particular communities. As a planning response the approach provides the developmental and spatial frameworks and policies to allow or accommodate change in developing and declining areas. discipline provides the developmental and spatial frameworks

4.3.4 INNOVATION MILIEU

The concept of innovative milieu was developed in Italy by the GREMI-Groupe de Recherche Europeen sur les Milleieu to explain the success of newly developed areas. But from research evidence, it has been found out that it has relevance for lagging regions (Camagni 1995). It is in this context that it is explored in this study .

The concept is a counterpart to similar concepts developed in the 1970's within the framework of the endogenous growth approach such as the concept of industrial districts, the concept of local context, the concept of local production systems. Hence it is inclusive to the concepts that put emphasis on development from below indigenous potential and flexible specialisation. However, it is important to note that attention focuses on the areas where there are strong elements of local entrepreneurship, close interaction and co-operation among firms and relevant externalities associated with specialized labour markets enhance the competitiveness of the local production (Camagni 1995).

The approach directs attention towards innovative processes rather than only to factors affecting the efficiency of local economies. Such processes are reflected in the capability to imitate and create technology, fast reaction capability, capacities for shifting resources from declining spheres of production to new production while utilizing the same fundamental knowledge and the capability to generate and restructure a local economy hit by external turbulence.

The capability for innovation may also derive from decisions that are external to the local economy. However, even the experience where extensive economic considerations were at the basis of the decision without true involvement of the local socio-economic fabric, externally driven growth seldom generates a sustained development process in the long term. Therefore local involvement becomes particularly important.

Camagni (1995:338) argues that in the case of lagging and problem regions innovation milieu should be looked at as mainly a normative issue. It may be the guide to policy interventions, suggesting four main strategies, firstly an integration of policy interventions addressed to different aspects of the local environment (entrepreneurship, infrastructure, training etc.) Secondly, a selective pattern of choosing sites. Thirdly it should aim at enhancing the local knowledge, though weak, and to local productive "vocation". Finally, establishment of cooperation agreements with external firms or public institutions will help to capture a flow of external energy mainly in the form of technological and organisational know how to the benefit of the local production system.

Innovation Milieux do exist in lagging regions, but Camagni warns that they are both rare and not fully developed, due to the specifics of the general economic environment. When they are found in lagging regions, they are located in regions that generally displayed relatively good performance in recent years.

4.4 CONCLUSION

The chapter began by examining the suitability of the LED approach as a response to declining regions. It has been established that beyond some common features, different cultural areas will need to construct their own development strategies as there is no structured theory or a possible answer offered by the Local economic development approach. Because LED is highly

determined by local circumstances it is open-ended and only provides a general approach.

The traditional approach is useful in the sense that the local or regional government look beyond concerns with infrastructure provision and begins to understand general economic issues. This information is important for the public sector to understand where the problem is as it is the first step towards conceptualisation of a response. Realisation by the government that on its own it cannot fully address economic development issues such as economic development can lead to the emergence of local partnerships.

The formation of partnerships is appealing as an approach, but requires the different role players to be organised, and focused to the problem otherwise it is relatively easy to lose sight of the issues at hand. The appeal of partnerships lies in the fact that it draws the expertise and experiences of a number of role players. The examples of Birmingham and Chemanius illustrate the how universities and business can contribute into the development of an area. While in the third Italy the importance of local authorities as development facilitators is in accordance with neo-classical thinking which discourages direct involvement of the state in economic development. Therefore this chapter argues that such structures provide an institutional framework within which problems of economic restructuring can be addressed. Such forums can also identify and develop the innovation milieu that exist in the region utilising the expertise of the business.

But a concise assessment of the strengths and weaknesses of the town will ensure that a more informed approach is developed. This supports the welfare approach argument which warns against developing an LED strategy that overlooks the welfare needs of the society.

CHAPTER 5: PIETERMARITZBURG'S RESPONSE

5.1 INTRODUCTION

This chapter examines the institutional response of Pietermaritzburg (particularly the Local Authority) to the economic threat posed by economic restructuring. Recent development approaches see Local Authorities as having an important role to play. The LED strategy suggest that, the Local Authority needs to respond effectively and efficiently to external mechanisms and changes. Therefore, it is against this background that the local authority's role in economic development is examined.

In order to examine the institutional response to sectoral decline in Pietermaritzburg, and possible planning intervention, a series of interviews were personally and also telephonically conducted with different role players in Pietermaritzburg : business representative, the Pietermaritzburg Chamber of Commerce (PCCI), representative from labour and officials within the Local Authority. In addition information has been collected from secondary sources. A particular problem experienced in this regard was obtaining an interview with the Deputy Town Clarke. While it has been fairly easy to secure interviews with other role players, but was given different interview dates which meant that the researcher had to travel to Pietermaritzburg for each interview. As a result thereof other interviews were conducted telephonically. It has been noted that there were differing responses to the same questions between local officials. This reflects the different opinions of individuals within the same organisation on the subject.

The institutional response to Pietermaritzburg is traced against the background of Pietermaritzburg 2000. Pietermaritzburg 2000 was a participatory forum, involving the public in providing a pool of expertise and knowledge for the Pietermaritzburg city

council to draw upon at its own discretion (Bhamjee 1988).

Although it is recognised that the initiative was not representative of all population groups but, it provides useful a framework for formulating a planning response based on the theoretical recommendations presented in **Chapter 4**, that a LED strategy draws in all the role players in the City into the planning process. In addition such forums provide an institutional framework within which economic restructuring problem can be addressed. The local authority plays a central role in facilitating development. Hence it provides the basis for conceptualising a planning response.

5.2 PIETERMARITZBURG 2000

The exercise was initiated by the Pietermaritzburg City Council at a time when the prospects of power devolution from Pretoria to the regions appeared good. The logic for devolving power could be explained in terms of the former governments strategy of avoiding political consequences of the urban fiscal crisis of the time. The transfer of some of the central government's functions to the Regional Councils had more to do with reducing its expenditure than any commitment to redistribution of wealth. But this happened at a time when the ability of the national state to direct the economy was weakening. Global pressures were being manifested in major economic sectors such as manufacturing.

The forum also came together at the time for various reasons. Firstly Pietermaritzburg was experiencing the main industries such as footwear manufacturing were experiencing decline. Secondly, the housing crisis in Pietermaritzburg has been reflected in increasing pressure from civic organisations for rent reduction and the provision of more housing. Thirdly, the city council was running on deficit. Finally, the local authority had pressure to provide facilities in non-white areas (Bhamjee 1988).

Pietermaritzburg 2000 (PMB 2000) was a strategic planning exercise introducing public involvement in local government. The forum centred on the joint working relations between the public and private sectors through Action Groups. Each group had a specified task, such as dealing with city finance (Bhamjee 1988). The involvement of the private sector's expertise and economic muscle, inputs from the academic community and encouragement of community participation suggested a change in planning style from autocratic approach to an inclusive approach that represents a locality taking the initiative rather than following regional and national plans.

Originally five action groups were set up, that is housing, employment, city finances, quality of life, human relations and political change. In 1987 they were reconstituted into physical development, economic development and social development (Bhamjee 1988). The 1987 structure could be a reflection of the forums maturity as it began to broaden its working scope. This could have been a realisation for example that employment problems are a result of broader economic and social problems which were seriously considered in the initial working groups. Although the forum didn't directly address economic restructuring it was as appropriate structure within which role players could begin to discuss the issue, and attempt to formulate a solution thereof.

Because of its usefulness as a framework it important to explore why Pietermaritzburg 2000 was not carried out. Responses are divided on this issue. There is an opinion that the main reason that the forum was not implemented is attributable to political change. Because the forum was the idea of the old local government, when the transitional local council came in, the initiative was not considered (Spearman 1996, Chamber of Commerce: Key Informants.) One argument is that the new council did not endorse the initiative because council drives popular development at the cost of development control which guides

development plans. Therefore initiatives that are not politically correct do not receive the council's favour. Pietermaritzburg ends up with development that works well on paper but never gets implemented (Meyer 1996: Key Informant). The forum's focus on the inner city problems may be contradictory to the council's perception of the key development issues to be targeted, considering that they have a mandate from their constituency.

The present council perceives PMB 2000 as a right initiative which was set in the wrong political context (Hasswell: Key Informant). They argue that the forum was not completely cast aside, the finance section for example was carried over into the recent initiatives such as the central business plan. More importantly the forum gave insight into how development issues could be approached. The forum stimulated interest on development issues amongst the people of Pietermaritzburg.

5.2.1 SHORTCOMINGS OF THE FORUM

The main shortcoming of the forum is that it focused on the central core excluding the areas with serious social and economic problems (Meyer 1996: Key Informant) The forum could not include all areas and race groups because of the political situation of the time, hence it was not representative of the Pietermaritzburg civil society (Shangase, Hasswell 1996 pers com and Bhamjee 1988). It's attempt to remain apolitical was seen by those who are excluded in the process as way of avoiding the reality of what planning should address, that is the needs of all residents of Pietermaritzburg (Bhamjee 1988). Unfortunately there was little at that time that the local government could do to address this because of the apartheid laws. Secondly, there is a view that the forum rushed into public participation before formulating a framework to guide discussion as a result discussion lacked focus (Meyer 1996 pers comm).

From the discussion it can be concluded that the forum's spatial focus was , its major shortcoming and it made it difficult for the new council to continue with an initiative that was obviously exclusive. Secondly with the political transition council had to focus on transitional issues.

5.3 THE CURRENT DEVELOPMENT CONTEXT

There has not been any initiative that has been well publicised like PMB 2000 let alone one that embraces its participatory nature of planning. There is general consensus amongst officials and councillors that planning has been an ad hoc response to crisis. The present and previous Council's focus has been on housing, in response to urbanisation issue (Meyer 1996: Key Informant)

The central business plan is the only documented initiative that came up after Pietermaritzburg 2000. It aimed to keep the Central Business District healthy. This was also part of the strategy to attract investment in the city. The PMB Urban Renewal, was initiated just before elections, it was never completed because of change of focus. But central business plan did not embrace the elements of an LED approach. All officials interviewed except (Mulapo 1996: Key Informant) said that there was no initiative after PMB 2000. One can make a number of assumptions as to why the initiative has not been popular amongst officials. The omission could mean that the initiative had no significance for them or it could be that because attempts to implement the business plan were not carried out for a long time because there was a need to come up with a strategy to secure RDP. Most officials were involved in the Pietermaritzburg 2000 forum and it is likely that they were discouraged when the forum was cast aside.

Departments in the local authority are continuing with their traditional duties, with housing still receiving preference. The planning process is very much ad hoc. Council itself admits that there hasn't been any Local Economic Development initiative that was fully implemented. Council is in the process of conceptualising where Local Economic Development should fit (Hasswell 1996: pes comm). The deputy town clerk also indicated that they are in the process of looking for competent people to sit in the economic development desk unit to co-ordinate all the economic activities. Other than the work done in the estates department the deputy town clarke is the only person responsible for matters pertaining to RDP and economic development. According to council the new development thinking should put emphasis on local initiative as Pietermaritzburg economic development cannot depend on overseas investment only.

Economic development continues to be the responsibility of the development co-ordinator in the estates department. Traditionally, the estate department was responsible for the sale of land. When Pietermaritzburg began to offer incentives to industrialists, their responsibility was extended to deal with the marketing of the city overseas (Hasswell 1996, Findlay 1996:Key Informant). They also aim to give a guide as to who/where industrialist can receive help (Findlay 1996: Key Informant). Evidence from recent published documents suggest that industrialists do not know about this (see Futter 1996: Harrison 1996). Therefore Pietermaritzburg TLC is currently actively involved one area, that is promotion and marketing of industrial land. The industrial promotion and marketing of industrial land. The industrial promotions has links with the KwaZulu-Natal marketing initiative, the SBDC and the Chamber of Commerce and Industry. It is apparent that this response is not if, Pietermaritzburg intends to take up the development challenge.

The estates department is not in a position to understand economic dynamics. For instance the marketing initiative has only relied on attracting overseas. There have been any good returns on their initiative, other than investment Hullet aluminium, which has not created many jobs. This is just one component which is also questionable as to whether it should continue as it is. Hence their role needs to be reviewed (Hasswell 1996:Key Informant).

A new document the Integrated development has just been drawn up to guide development in Pietermaritzburg. The framework intends to be a policy document which should indicate where RDP, local authority and other development funding should be spent, provides a guide for private sector investment and also provide a basis for the production of business plans which can be used to access RDP funding. The document identifies eight strategic goals and prioritise them: meeting basic needs, building the local economy, creating a more compact and efficient settlement pattern, developing human resources, creating a sustainable quality environment, transforming local government, ensuring financial sustainability and creating capacity to achieve implementation. The framework argues that the eight goals are mutually reinforcing and collectively sketch a vision for Pietermaritzburg (Pietermaritzburg-Msunduzi TLC 1996).

In many respects the document requires that the Local Government bear the brunt of reconstructing and developing their areas and more importantly of building the new South Africa. The TLC has to transform itself into a development facilitator as well as service providers The documents has listed and discussed all the problems of Pietermaritzburg which should be targeted by development (Pietermaritzburg - Msunduzi TLC). The strength of the document lies in the fact that it states what each strategy aims to do and how these aims are to be achieved. The document identifies the need to set up a Local Economic Development Focus Group which will draw together all the key stakeholders in the city. The group will have terms of reference, such as developing

an economic vision for the city, clarify roles and responsibilities and identify measures to be taken to build the local economy. The focus group is also tasked with the responsibility to identify the key sectors that have a competitive advantage and also investigate measures that can be adopted to assist Pietermaritzburg to cope with the changing world trading conditions. This is a reflection of the fact that it is recognised that some of Pietermaritzburg's problems are determined by global factors beyond Pietermaritzburg. It can therefore be safely assumed that the forum will also discuss the problem of the footwear sector. This forum provides Pietermaritzburg with a framework within which economic restructuring problems can systematically be addressed.

5.4 LOCAL GOVERNMENT PROBLEMS

There are interestingly different views as to why development is generally ad hoc in Pietermaritzburg. To a large extent the responses reflected the line of thinking of the various officials. One view is that council makes popular decisions for political reasons at the expense of development control (Meyer 1996: Key Informant). It is not surprising then that this respondent sees the 1949 zoning document as being relevant. This might arise from the fact that change is accompanied by uncertainty and it is therefore normal to seek comfort in the known. But on the other hand, holding dearly to the old could be interpreted as an unwillingness to change.

For many years local economic development didn't fall under the jurisdiction of the local council, it was the responsibility of the national and provincial government to a lesser extent. Local government officials are under pressure to transform themselves from their traditional roles of being development administrators and regulators into development facilitators. Officials in Pietermaritzburg were not prepared for change. All the Transitional Local Councils in the Province except Pietermaritzburg advertised their posts in preparation for the

transition (Hasswell 1996: Key Informant). Officials might have interpreted this as the continuation of the old order. The new council which is predominantly ANC came in as a surprise, conflict of interest was inevitable (Hasswell 1996: Key Informant).

Two levels of tension were established in Pietermaritzburg: amongst officials and between officials and council. There is a conflict of interest between officials and councillors. Old officials have their own interest, new council with a mandate from their different communities. One official shares the same views with labour, she argues that, although the council has its own teething problems, in terms of understanding development the problem is aggravated by the fact that officials are not willing to co-operate (Molapo 1996: pers comm). Hence, council cannot rely on the officials for good advice. Secondly, this means that council does not have the vehicle to drive and implement development. Molapo (1996: pers comm) argues that there is a critical need to transform local government, and tailor it according to the needs of the city.

The department managers who are responsible for the implementation of plans are not in a position to translate government thinking as they are fighting new policies (they come from the old school of thought). Hasswell (1996: Key Informant) briefly summarises the situation in the Pietermaritzburg TLC as characterised by stubborn officials and outspoken councillors.

The study also established that the level of co-operation amongst officials themselves is quite weak. According to Meyer (1996: Key Informant) the working style within local government is highly individualised. She also makes mention of the fact that departments hardly share their experiences, therefore they hardly know what other departments are doing. She further states that young people are not utilised, they are generally seen as a threat, hence it is has become increasingly difficult for them to make any suggestions because they fall on deaf ears.

When asked why the 'progressive' planners are not feeding into the planning process, Molapo (1996) stated that the only communication channel with the council is through department managers who are seen as not ready to translate the new line of thinking. There are plans to set up an officials pressure group. This group wants to see development taking place. They realise that the existing structure is not ready to articulate development (Molapo 1996: pers comm).

According to business representative the problem with council is in the nature of their decision making structure. There are 50 task teams within council which reflects how long the process of decision making is. The perception of business is that this structure results from the fact that council does not have the ability to make decisions. For example it took council a year to decide on who should get a tender for a shopping centre. "There are more meetings to make less decisions" (PCCI Director : key informant). This is explained by the deputy town clerk in terms of lack of experience and human resource capacity, therefore it affects council's ability to make decisions.

5.5 OPPORTUNITIES FOR SUCCESSFUL LED

The Pietermaritburg economic focus group can be mirrored against the KwaZulu Natal Regional and Economic Forum. The Regional Forum aims to assist the Provincial Government with economic development and building up of partnerships. Key policy issues are identified and therefore targeted. Organised role players are brought into the policy planning process. For example the forum identified key industries such as the textiles and woods that needed to be restructured in order to be internationally competitive. The forum targeted industries that are organised and willing to participate in the forum.

5.7 PROPOSALS

All respondents were asked to suggest how development issues should be approached (specifically economic restructuring) . To a large extent the response reflected the concerns of the respondents.

Business for example is concerned with maintaining their industrial base, creating employment. They understand that traditional jobs are not coming into the market because of the intense international competition. But what is generally happening is that there is inflow of capital which has led to change to capital intensive production and downsizing of the labour force. Therefore they argue that job creation should focus on small and macro business instead of traditional employment.

Business envisages a situation whereby Pietermaritzburg gets a footing in terms of its competitive advantage, using its entrepreneurship excellence and educational centres (developing its human resources) and focus on technical position. They suggest that Pietermaritzburg should concentrate on aluminium, food and beverages because it is the centre of an agricultural area. It will be supported by the university- entrepreneurial skills and expertise. Pietermaritzburg also has an engineering skill base which came about because of import substitution.

This justifies why business should be part of an economic development strategy. Business illustrates a good understanding of the economic trends. They argue that the local authority needs an understanding of how markets work. For example business is not easy to regulate, hence natural forces should be allowed to make their way- create a free flow environment.

Business suggest that an economic development strategy is needed to sell the vision of the city (create a Forum). Within the forum ideas and expertise will be shared creating an environment within

which economic development issues will be addressed. The PCCI wants to develop a closer relationship with councillors, officials and the provincial government. They believe that these are of enormous value to the growth of business and the expansion of the city's local economy (Sunday Tribune 10/11/96). Business also suggested that the media should be called in to publicise the initiative. It is argued that what is critical is to give people hope, change of attitudes, share knowledge and to build trust. Though business communicates with council there is no formalised communication channel. But what makes things better is that PMB is small , therefore networks are easily established, but there is no overall economic development strategy.

Meyer (1996: pers comm) envisages a situation where council receives input from planning, other than waiting for a mandate from council. The main cause for the lack of an initiative from the side of the planners is that, there is no framework within which they operate.

Labour suggested that there is a need for an economic desk to analyze the trends. One of the interesting issues that was raised by Shangase (1996: Pers Comm) is that the council should also focus in transforming the urban form by integrating the Pietermaritzburg. The development of Pietermaritzburg should not be seen in terms of the inner city area but should incorporate the whole TLC. He argues that an integrated city is more efficient and more likely to attract investment. What is encouraging is that labour is willing to work with Council. It came out that there is a good communication network between the two organisations. These could be nurtured.

5.7 CONCLUSION

Pietermaritzburg's response to the challenge of economic restructuring has been viewed against the background of Pietermaritzburg 2000. The experience of Pietermaritzburg 2000 partly illustrates that setting up a Local Economic Development

initiative is not a solution to city problems including economic restructuring unless it focusses to specific problems. But a Local Economic Development Forum provides a framework within which localities can begin to address the problems that are induced by global processes.

Though the Integrated Development Framework and most of the respondents have stated the need to for a Local Economic Development Forum. However it should be noted that its possibility to come within the local government is doubted because officials are not dynamic enough to pick up new economic initiative, while the councillors are do not have the capacity to drive development on their own. Therefore there is a need to set up a structure that will bring outside players such as academics and business into the development process. Therefore the most practical solution is to form partnerships with business, labour, and other interested role players.

But it would be too idealistic to assume that once this structure is set up, problems in the local government will be resolved. The forum can only provide the civil service with a common purpose to strive for. There is a need to find a mechanism to resolve internal problems within the local government. Because the local government is a major role player in the partnership its problems will be reflected in the forum (if it is not fulfilling its role).

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

The dissertation set out to investigate the factors that threaten the economic function of towns in KwaZulu-Natal. But the footwear sector in Pietermaritzburg was used to establish that global processes though outside the control of localities shape their economies. Economic restructuring favours or harms localities. Localities that are negatively affected by the process are always left with no choice but to restructure their economies to respond to these changes. Motivated by international literature on Local Economic Development which has presented cases of localities that have responded positively to the challenge posed by economic restructuring the dissertation further investigated how localities can begin to respond to global pressures. Emphasis is placed on the role of the local authority as a development facilitator with other role players feeding into the process. The dissertation argued that it is possible for localities to mediate their problems through Local Economic Development, however, development institutions, business and civil society needs to be appropriately organised and committed to working together to find solutions for local problems.

The dissertation established that the footwear sector has been experiencing decline in terms of employment and levels of production. A number of factors are compounded to reinforce the declining status of the footwear sector. Firstly the sector is unable to compete with imports from Malaysia, Korea etc. Secondly, Pietermaritzburg has a relatively high wage structure compared to its competitors. Thirdly, the technology that is used for production is not internationally competitive. Where technology is advanced it lacks human capacity to operate it capacity. The closure of Sutherland Tannery the supplier of raw materials is likely to further aggravate a volatile situation. Over the years this has been the major locational advantage for footwear producers. As an important and primary factor in production the increasing cost of leather due to import cost will

have implications for the cost of the end product.

A number of authors have analyzed how these factors contribute to the growth or decline of sectors. Storper and Walker (1989) argue that competitiveness may be enhanced by adopting new technology, which will not only improve the quality of the product, but will also reduce the production cost. In the case of Pietermaritzburg this argument is confirmed. Massey (1984) argues that the behaviour of labour does not only affect present production patterns but a high wage structure and militant labour force is likely to deter future investment. Central to the growth and viability of firms is profit maximisation.

The change in the nature of competition is seriously affecting Pietermaritzburg. Price the traditional source of competition is increasingly being determined by factors of production such as labour and technology. As the need to be competitive tightens localities, will be left with no option but to restructure their economies. Poter (1990) puts it this way "in the drive to maintain or increase competitiveness and profitability capital restructures and reorganises itself by changing the nature and relationship of both the forces and means of production primarily to expand productivity and markets and to reduce the cost of production.

On investigating Pietermaritzburg's response to the problem of declining sectors the following conclusions were reached. Firstly currently there is no coherent strategy in place formulated to address the problems of economic restructuring.

Pietermaritzburg's ability to respond to economic restructuring is hampered by internal problems within the local government. As such it is unlikely that an initiative can be driven by the local government hence there is a crucial need to call in other role players. However, the willingness of business and labour to work with the local council, raises hope on the possibilities of forming partnerships.

In recent years Pietermaritzburg formulated an initiative which offers an example of how a development forum. Such institutions offer a framework within which economic restructuring problems can be targeted and or addressed. Or more specifically, such a forum can be formulated to address economic restructuring problems.

PLANNING RECOMMENDATIONS

Explicitly the dissertation see planning as going beyond its traditional fields, that are mainly concerned with development control. The pressures of global competition are affecting regions throughout the world and making it increasingly necessary to understand the complex underlying mechanisms and the potential for innovation. But success in economic restructuring depends not only on the technology itself, but by the professional and entrepreneurial skills available and the support provided by institutions. Pietermaritzburg requires alternative strategies to respond to sectoral decline including the footwear sector, as the city has very real employment needs, and the need to be empowered to promote its growth. The study seeks out to establish a new role for local authorities other than the provision of infrastructure and services as the new economic trends brought about by global changes demand planners not to be only recipients of national and provincial policies, but to formulate their own policies.

1. In this regard it is recommended that the local government plays facilitative role in addressing economic restructuring problems.

2. Smit (1992) has stressed the need to set up an institutional body, that will develop, promote and co-ordinate local economic development policies for regions and localities. It is recommended that an economic desk within the local government be set up to co-ordinate local economic development. But more

importantly there a need to establish an economic development forum within which economic restructuring problems similar to those of the footwear sector can be systematically addressed.

4. The study has revealed that there are internal problems within the Pietermaritzburg-Umsunduzi Transitional Local Government itself. There is a conflict of interest between officials and councillors, hence they are pulling towards different directions. Although it is acknowledged that transition upsets existing patterns, stirring uncertainty as the old order is transformed. This cannot be left unabated for a long time as this might have detrimental effects for the city.

a). Other than the code of conduct provided by the TLC Act Pietermaritzburg must set its own framework which outlines the responsibility of each member within the TRLC.

b). There is a need to undertake organisational restructuring such that local government will become more development oriented.

c). Structures need to be created to ensure inter-departmental co-ordination as well as co-ordination between TLC's own departments, and different role players in the city.

4. Decision making is the very critical in any planning process. The decision making process in Pietermaritzburg is also seriously affected by the lack of capacity by both officials (capacity to derive innovation) and councillors. It is therefore it is suggested that capacity building and management programmes for the new councillors and officials be implemented.

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