Current trends in spatial-economic restructuring in urban South Africa

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Abstract

Significant economic changes have occurred in urban South Africa since the first democratic election was held in 1994. The changing local political scene has partially caused these changes, but global economic forces also had an effect. This paper starts off by looking at how changes in globalisation trends have affected the economies of the peripheral South since the 1970s. It highlights Africa’s geographical isolation in the process of global regionalization and shows how it is affecting South Africa in its quest to meaningfully reconnect with the global economy. Moving its focus to urban development in South Africa in general, the paper shows what the urban economic profile looked like soon after the political take-over and discusses the different reactions to changing local economic conditions. The paper ends with an assessment of how the current urban development trends fit into Haughton’s outline of approaches to sustainable cities.

1 Introduction

Entrepreneurship essentially deals with the way in which business is conducted by a person or a group of persons, i.e. they way in which an entrepreneur goes about conducting, expanding and improving her or his business. Innovation is a central theme in entrepreneurship. For many years not all the population groups enjoyed equal opportunities in the development of their business skills in South Africa [3, 4, 5, 8]. For many years the Black population were only allowed to participate fully in all layers of activities in the Bantustans. Conducting businesses by Blacks in White controlled areas was prohibited and they were only allowed to conduct businesses under very constricting conditions in
designated Black residential areas. As a result the levels of entrepreneurship amongst the population groups became severely skewed over the years.

In addition to these negative local conditions, global forces also impeded the development of entrepreneurship in South Africa

2 Africa and the global division of labour

During the colonial era manufacturing occurred mostly in First World states while Third World states largely served as sources of raw material, expanding markets for produced goods, and receptor areas for excess labour. During this period production and trade in the Third World revolved around the primary sector. This led to the first international division of labour of the twentieth century.

Increasing labour costs in the First World and comparatively low labour costs and high levels of productivity in certain peripheral countries triggered post-Fordism and led to global industrial sprawl – the second international division of labour. Due to their willingness to embrace the new spatial trend in industrialization, their innovative approach to industrialization in general, the high quality of their work forces, and their relatively high work ethics, the newly industrialized countries of the Pacific Rim soared ahead economically while many countries in Africa and South America started lagging behind.

Global political changes in the 1980s but particularly during the 1990s when Second World economies in Europe were liberated, gradually led to the formation of global super power blocks [16]. Western Europe started concentrating on their own human and market potential and those of the liberated Central European nations, North America on its Latin American neighbours and Japan on its neighbours in the Pacific Rim, while global peripheral regions such as sub-Saharan Africa began to lag behind even further [1, 15, 17]. This brought about the current third international division of labour.

The developing countries in East and South East Asia that responded early to the potential advantages that the second phase of international division of labour held, benefited the most from the global industrial sprawl. Africa did not. Although South Africa had the ability to keep pace with the developed world in almost all respects, and for most part did, especially amongst the Whites, the rest of sub-Saharan Africa has increasingly been lagging behind. Several factors played an important part in this growing backlog. Locational disadvantages, negative human development conditions, a lack of infrastructure to engage in the New Economy, unacceptable levels of violence, crime, and human rights violations, inward-looking economic policies with negligible attachments to the global economy, extreme levels of poverty, and scepticism amongst developed countries about the capacity of Africa to perform are the most important factors that impede development in Africa [11]. It is against this political-economic backdrop that entrepreneurship has to be nurtured in South Africa at present.
3 Current trends in the redistribution of businesses in urban South Africa

3.1 The changing business environment during the transitional period

A number of notable changes have occurred in the business sector in South Africa from just after the Second World War, when apartheid was introduced, until 1994 when a democratic government came into power. Protectionism throughout the period, assisted by the UN-led economic boycott from the 1960s to the early 1990s caused the blossoming of especially the White local business sector.

However, a decline was experienced in employment opportunities in both urban areas and the commercial farming sector during the early 1990s. New tenure models for farm labourers, thrust upon farm owners, undermined the viability of the sector [10]. This, together with the lifting of influx control measures and the un-banning of Black political parties in 1990 caused a rural-urban migration explosion from commercial farming areas and Bantustans to cities of all sizes. This soon resulted in extreme conditions of over-urbanization in virtually all urban areas in the country.

The decline in employment opportunities in the cities can be linked to two main factors. First, there was a marked negative growth in foreign direct investment in the country after 1994 [11]. Second, the rapid deterioration of the traditional shopping atmosphere in city centres negatively influenced the established local business’ clientele base. The increase in unemployment forced a growing percentage of Black people into the informal business sector. Initially, many of these traders were concentrated in Black residential areas, as they were during the years of apartheid. However, the relaxation of trading regulations and the scrapping of trade restrictions in areas that were previously prohibited for Blacks subsequently caused this sector to spill over into the central city areas. Soon, large parts of central city districts of towns and cities in South Africa started showing signs of the acceleration of urban decay. Urban features that are generally associated with the condition of over-urbanization [13], such as severe unemployment, underemployment and misemployment started to become commonplace and resulted in an increase in crime in these areas.

By the mid-1990s the economic profile of urban economies had already changed significantly. First, the number of entry-level informal activities became a dominant feature in urban areas (Table 1). The more sophisticated the types of business, the higher the percentage that occurred in larger urban areas. Most businesses at the entry level – i.e. survivalist businesses, micro and very small businesses that normally only provide employment for the entrepreneur and his or her family – were located in the informal settlements. However, large and medium-sized firms are still the most significant provider of employment opportunities to the masses, especially in the primary and secondary urban sectors (Table 2).
Table 1: Percentage distribution of types of businesses in urban SA, 1995 [20].

<table>
<thead>
<tr>
<th>Sector</th>
<th>Survivalist</th>
<th>Micro</th>
<th>Very small</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>17.4</td>
<td>60.3</td>
<td>13.4</td>
<td>2.7</td>
<td>2.7</td>
<td>3.5</td>
<td>10.8</td>
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<tr>
<td>Secondary</td>
<td>24.8</td>
<td>43.1</td>
<td>24.8</td>
<td>3.9</td>
<td>2.5</td>
<td>0.9</td>
<td>39.0</td>
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<tr>
<td>Tertiary</td>
<td>29.9</td>
<td>50.7</td>
<td>13.4</td>
<td>5.1</td>
<td>0.6</td>
<td>0.4</td>
<td>32.8</td>
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<tr>
<td>Quaternary</td>
<td>14.7</td>
<td>49.9</td>
<td>28.9</td>
<td>5.6</td>
<td>0.5</td>
<td>0.4</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Table 2: Percentage distribution of employment opportunities per business type in urban SA, 1995 [20].

<table>
<thead>
<tr>
<th>Sector</th>
<th>Survivalist</th>
<th>Micro</th>
<th>Very small</th>
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<th>Medium</th>
<th>Large</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0.1</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>2.9</td>
<td>94.4</td>
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<tr>
<td>Secondary</td>
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<td>23.1</td>
<td>16.4</td>
<td>19.6</td>
<td>9.3</td>
<td>25.4</td>
<td>53.9</td>
</tr>
<tr>
<td>Quaternary</td>
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<td>13.0</td>
<td>26.1</td>
<td>17.3</td>
<td>6.0</td>
<td>35.3</td>
<td>19.6</td>
</tr>
</tbody>
</table>

3.2 Effects of over-urbanization in urban areas since the 1990s

Several prominent effects of over-urbanization on the business structure in central urban areas have become evident in South Africa since the beginning of the post-apartheid era.

3.2.1 Premature economic deterioration in central city areas

Since the political transformation started many CBDs started to deteriorate relatively quickly. The premature deterioration can be ascribed to factors such as (i) large scale infiltration of informal businesses into the CBD, (ii) the deterioration of the built environment, physically and socially, (iii) an increase in crime, (iv) a decline in the range of shops and, consequently, (v) a decline in the number of higher income shoppers.

3.2.2 Economic concentration within CBDs and suburbs

More sophisticated formal businesses that target the higher income groups start leaving the general areas of CBDs of large cities and are moving to inwardly designed secured shopping centres inside the CBDs or move to such complexes in the suburbs. In smaller cities where demand in suburbs are not sufficient, secured shopping complexes develop inside the CBD. Reasons for the relocation of businesses to the shopping centres include: (i) a lack of security in the CBD in general, (ii) sufficient safe parking close by the shopping centres, (iii) shopping safety, (iv) protection against the elements, (v) one-stop shopping, and (vi) the entertainment value of such centres.
3.2.3 Economic sprawl along the CBD fringe
Specialized commercial and service functions tend to move towards the fringes of CBDs. Business sprawl towards the surrounding residential areas is often limited to the one or two blocks around the CBD at first. Many of these businesses tend to move to refurbished residential buildings. Reasons for the relocation of these businesses from locations in the CBD to home conversions in nearby residential areas are: (i) the general lack of security in CBDs, (ii) a decline in higher income customers in CBDs, (iii) the availability of low cost residential buildings in the zone of urban decay along the fringes of CBDs, (iv) lower rents, (v) financial security, (vi) the possibility of creating a more appropriate professional, cosy, intimate, or international atmosphere that suits the business, (vii) the possibility of providing more personal attention to customers, and (viii) safe parking close-by.

3.2.4 Economic corridor development
Certain specialized commercial and service functions tend to relocate from inside the CBD to the locations along major traffic arterials. Intra-urban axial forces play an important role in the linear development along major corridors in cities [2, 7]. Most of the factors that cause economic sprawl also apply to businesses that relocate to transport corridors. Additional factors that cause this phenomenon are (i) the visibility of the sites, and (ii) their need for greater access to a larger number of vehicles. Corridor development often occur along major collector roads that connect large residential areas and existing business areas or shopping centres.

3.2.5 Decentralized business concentration
Certain previously deteriorating suburban shopping centres are now showing new signs of life and several new centres have sprung up in suburban areas in recent years. Apart from the positive impact that the deterioration of CBDs have in the revival of many suburban shopping centres, factors such as (i) their greater accessibility from people’s homes in suburbs, (ii) greater security, (iii) greater financial security for the tenant and the property owner, and (iv) the maintaining of a First World shopping atmosphere, also play a role.

3.2.6 Mixed land uses in residential areas
Certain highly specialized economic activities such as art galleries, specialized clock repair services, specialized jewellery sales, and professional services tend to relocate to higher income residential areas. These are mostly formal businesses located in houses. Their relocation from central business areas are possible because (i) such activities often target a relatively small but lucrative market, and (ii) security is a priority, but (iii) accessibility is not.

However, large numbers of informal businesses now also occur in medium and low-income residential areas. Most of these businesses are survivalist oriented, one-person concerns, operating at the entry level. This development is in line with the government’s current urban development policy, i.e. allowing mixed land uses in order to move away from the mono-functional residential areas of the past.
4 Longer term consequences of these trends

4.1 The new evolving business structure

Initially, the distribution of informal businesses in Black neighbourhoods in the country seemed to have had an amorphous structure displaying a haphazard distribution. A number of business actors and activities, focusing on the small business sector, have been established at all levels of decision-making in recent years, however. These include the current National and Provincial Small Business Councils as well as economic and business centres of various kinds at the local government level. As a consequence (and also because of the dramatic increase in the number of informal businesses) early indications are that the informal business sector is beginning to develop a more orderly structure.

Figure 1: The evolving structure of the informal business sector of urban South Africa [6, 12].

Three distinct layers of informal businesses that structurally tie into the formal urban economic sector (see fig. 1) are now discernable [6, 12]. At the bottom there are traditional economic activities. These activities are more or less associated with traditional ways of preparing food, producing goods, and providing social, health and financial services. Transitional activities are still traditionally oriented but they have undergone significant changes to accommodate Western ideas, customs and needs. At the top there are semi-
formal activities. By and large these are more sophisticated goods and services that are put on offer in the informal economic environment. Many of the latter are goods and services that are also available in the formal sector, but at much reduced prices since overhead costs are lower. These goods also include cheap manufactured goods that originate mostly from the Pacific Rim, an indication of how the process of globalisation have penetrated even grass-roots urban economic activities.

Fig. 2 is a schematic representation of the anatomy of the business sector in South Africa. It refers to the sizes of businesses, types of business, their sectoral reach, classes of businesses, levels of sophistication, locational preferences, reach, and preferred ways of communication. This figure shows how shifts in emphasis in political policy in the country have caused a shift in focus from middle and larger businesses in commerce and industry in the formal sector during the years of apartheid to smaller businesses mainly in the informal sector in recent years. The decline in the volume of foreign direct investments (FDI) in South Africa since the early 1990s [11] and the visible shift in the focus of foreign investors towards real estate rather than business in recent years, are perhaps two of consequences the South African government have to face when it reflects back on the outcome of its policies towards business development during its first decade of administration.

Figure 2: The anatomy of the business sector [12].

4.2 How the evolving urban development trends in South Africa fit into current models of urban sustainability

Haughton [14] identified four different approaches to urban sustainability. In his deep-green ‘self-reliant city’ approach, cities intensify their internalisation of economic and environmental activities and focus on circular metabolism within existing natural bioregions. The ‘fair shares city’ approach, which is also dark-green, balances needs and rights equitably by regulating flows of environmental value through upstream compensation of externalities. The darkish-green
‘redesign city’ approach focuses on greater levels of efficiency of energy use by compacting and mixing land uses. The light-green, market-oriented ‘externally dependent city’ emphasises the benefits of reforming market mechanisms to work more effectively towards environmental goals by addressing environmental externalities.

The South Africa government currently follows what can be regarded as a redesign city approach. It is an approach that is aimed at ‘changing the environmentally damaging practices of the past’ by amongst others, compacting the cities and allowing mixed land-uses [19, 21]. Although these policy lines may initially bring about some social overhead capital savings, significant savings in transport costs are ultimately unlikely in the long run, since mixing land-uses rarely results in the juxta-positioning of home and work place. What can be expected though are more businesses dispersed throughout the cities in the fashion described in the previous section. From an environmental sustainable point of view this will defeat the objective of creating more liveable urban space. Compacting the cities would necessarily result in increased person-land ratios. It will definitely make the cities more ‘urban’, is unlikely to cause significant savings in transport (in fact, transport expenditure might even rise in the long run!) and ultimately increase pressure on social overhead capital. Mixing and densifying land uses will also put pressure on personal and social space, making it more difficult for people to recuperate psychologically at home [9].

5 Conclusions

A significant proportion of the South African population never had sufficient opportunities to properly develop their abilities as entrepreneurs during the years of apartheid. Since a new democratic government came into power significant changes have occurred in the spatial-economic structure of the cities, however. Large numbers of Blacks have been migrating to urban areas. A large percentage of these new arrivals originates from the Bantustans. Since these people have arrived, an upsurge in informal economic activities has been experienced in urban areas of all sizes. Numerically, survivalist, micro and small businesses in the informal sector are currently dominating parts of the central business districts of towns and cities in South Africa. This invasion of central city areas by the informal sector has caused significant changes in the urban economic structure of cities of all sizes.

While the informal sector has gained ground in the central business districts of cities over the past decade, a significant percentage of businesses that were formally located in CBDs have since moved to secure shopping centres inside the CBD, or to more decentralised locations along main roads leading away from the CBDs, home conversions along the CBD fringe, or security shopping centres deep inside the suburbs. In the process the economic profiles of city centres of almost all sizes have undergone significant changes. Most businesses that are currently located in CBDs are now aiming for the Black market, while new businesses that are springing up around the CBD-fringes and in middle and
upper middle-class suburbs are aiming for the higher income market and are thriving. Meanwhile, increasing numbers of informal businesses are also found in lower-income residential areas which is in line with the government’s version of Haughton’s [14] ‘redesign’ approach to urban sustainability.

References


