

CHAPTER 1 THE PROBLEM AND ITS SETTING

1.1 INTRODUCTION

South Africa's status as a pariah nation and its isolation from the global market place through financial sanctions and disinvestment in the 80's led to the tightening of exchange controls, creating a hothouse as the country's conglomerates were forced to reinvest their profits in South Africa. Following the country's political freedom, the South African government inherited a context in which no real economic growth per capita had occurred: no real job growth had taken place, an unhealthy level of national indebtedness existed, and a crime wave threatening to destroy the hopes of a prosperous future (Ginsberg, 1998:24).

News24 (2008) reported that a considerable number of the South African population live in and work in urban areas, which has been growing at approximately 5% per annum. Up to 5.5 million people moved to urban areas in South Africa between 1996 and 2001; a rate of more than a million a year. This resulted in the mushrooming of almost 3 000 informal settlements. The dysfunctional structure of South Africa's urban areas is an outcome of the apartheid policy. This included the associated planning approaches and the economic forces which have influenced city, town and township development for many years. Aliber (2001:5) states that South Africa's historical circumstances have shaped the present configuration of poverty and opportunities along racial lines. Disadvantaged groups were systematically left with relatively little in the way of land and other resources, were also not afforded education of a quality comparable to that of whites, and were compelled to adopt coping strategies.

According to Larsson (2006:6) after more than a decade of democracy, South Africa is still a country with high levels of poverty and income inequality. The agricultural sector, which provided employment for a large number of South Africans, saw a decline in employment figures over the past decade. Stats SA (2005:10) shows that national agricultural employment has been subject to large fluctuations. In September 2000, 15.8% of all employed persons worked in agriculture, while in 2005 the figure amounted to less than 10%.

The statistics further reveal that employment in the mining sector declined from 5% in 2001 to 3.6% in 2005. The first quarter 2009 unemployment rate stands at 23.5% (Stats SA, 2009a:1). The South African government in its quest to address the problems of poverty and inequality has sought to provide a policy framework, regulations, policies and laws for integrated and coherent socio-economic development in urban areas (ANC, 1994:25). These policies have been geared towards ensuring macroeconomic stability and raising access to basic services, with some successes. However, some of the nation's social indicators are comparable to those of the poorest countries of the world (Bhorat & Kanbur, 2008:19). This brings to mind the question of what the constraints to employment creation and poverty alleviation have been.

1.2 THE RESEARCH PROBLEM

The fall of apartheid was accompanied by high hopes – the poor were to be enfranchised, and there was to be an equal access to opportunities by all citizens. The Reconstruction and Development Programme (RDP) of the new government promised a better life for all. Reducing poverty and deprivation were to be the main priorities (ANC, 1994:15). De Swardt (2002:2) writes that post-apartheid South Africa has achieved significant political gains, incremental improvements in basic social services, and continuous macro-economic growth. In contrast to the said improvements, indicators of poverty and inequality have continued to increase. The challenge has been in understanding the extent and multifaceted nature of urban poverty and its associated social challenges.

The typical face of poverty in South Africa is no longer that of rural women engaged in subsistence agricultural production. Poverty today also refers to a large number of unemployed men who wait daily in vain on street corners for casual jobs, women suffering from among the highest HIV/Aids infection in the world, large numbers of children living in areas with the highest crime and murder rates in the world, and poor black communities who continue to be excluded from the economic riches of the country (De Swardt, 2004:2).

The effects of pollution have been noted for centuries, but increased significantly after the industrial revolution when the problem assumed greater proportions (Fuggle & Rabbie, 1999:596). Brocklesby and Hinshelwood (2001:25) write that poor people's coping strategies are intricately tied to their environmental context. While these links are location specific, the impact is not only biophysical but social and political as well; wellbeing is related to the environment in terms of health, security, hygienic physical surroundings, safe and clean energy supplies, and decent housing.

According to Larsson (2006:4), unemployment has significant economic and social costs for individuals and households, as well as for the larger society. The assertion is that unemployment and the inability to earn regular income is closely related to why people end up in poverty and also why it becomes difficult to move out of poverty. Aliber (2001:10) indicates that transition in and out of poverty relate to changes in employment status, particularly wage labour. Poverty in South Africa is mainly rooted in unemployment. According to Seekings (2007:19), South Africa's poor are not land-holding peasants, supplementing subsistence production with occasional sales of agricultural produce, casual employment or remittance from migrant labour. South Africa's peasantry was slowly destroyed in the course of the twentieth century. Forced removals from large commercial farms, overcrowding in the homelands, low quality schooling and industrial labour markets resulted in the growth of unemployment among unskilled workers.

Throughout the post-apartheid transition period, spanning the implementation of the Reconstruction and Development Programme (RDP), Gear (Growth, Employment and Redistribution) and now ASGISA (Accelerated and Shared Growth Initiative for South Africa), a consistent policy priority was to reduce poverty and inequality. This necessitates measuring and monitoring trends in policy making so as to understand the role and effect of different policies and also to indicate further directions and actions for policy intervention (Van der Berg *et al.*, 2007:9).

Frye (2006:1) asserts that the extent of marginalization of poor people from the formal mainstream economy as well as from the opportunities for income generation is at a level that demands that successful interventions must address issues of distribution of resources in South Africa. For policy decisions to achieve the desired impact, they need to be informed by the historical causes of poverty and inequality as well as the ongoing impact of intergenerational poverty and dispossession.

In South Africa, poverty alleviation is in most cases addressed through local economic development projects and programmes (Van Wyk, 2004:73). The national government in its quest to address problems of the past has sought to use local governments as key stakeholders. Local governments, according to the Constitution of South Africa, are required to serve a political representative function with active community participation in order to achieve improved service delivery, social and economic development (RSA, 1996a:153).

Local governments, also known as municipalities, need to introduce sustainable poverty alleviation programmes. A municipality is however only one of the role players. Other players include local businesses, investors, politicians, provincial departments, non-governmental organisations and the community in general (Mogale, 2002:140). The problem of poverty and unemployment has serious consequences for economic development particularly in urban areas, and has to be examined at community level; more so at the people-based level in order to encourage viable projects for eradicating the scourges of unemployment and poverty.

Although the challenges of economic development and poverty are resonant in major parts of South Africa, Kwakwatsi will be the focus area of the study. The perusal of the current IDP (Integrated Developmental Plan) of the Ngwathe Municipality, of which Kwakwatsi is a subset of, shows little in the form of envisaged developmental or community development programmes for Kwakwatsi. This municipality is composed of 5 towns, namely: Parys, Vredefort, Heilbron, Koppies and Edenville town areas each with its own Manager. The distance between the area and other major towns makes the place an ideal study area as movement of labour and resources is not easy, due to transportation/distance costs.

The population size of Kwakwatsi is estimated at 15 500 inhabitants. The estimates are based on an average household size of 5.8 members. The area is a former black residential township for the town of Koppies. Koppies is located approximately 70km south of Sasolburg and 280km north of Bloemfontein. The strategic national railway line from the Cape provinces to Gauteng province passes through Koppies. A large number of the employed are working outside the area, mainly Sasolburg. The area is part of the Ngwathe Municipality, with its head office in Parys. The municipality has an estimated 63% unemployment rate. Of the employed, 34% earn less than R6 000 per annum, and a mere 1.5% of the population earn an income of more than R72 000 per annum (Ngwathe Municipality, 2007:13).

In respect of the above overview of the challenges facing many households in South Africa, including Kwakwatsi, the following research questions come to light:

- What is the economic sustainability of Kwakwatsi?
- What is the nature of the poverty the area is faced with?
- What is the nature of developmental challenges facing the municipality?
- What is the profile of Kwakwatsi?
- What is the current poverty and unemployment profile of Kwakwatsi?
- What are the views of the community of Kwakwatsi regarding their socio-economic conditions?
- What are the sources of income and the expenditure patterns of the community of Kwakwatsi?
- What would be the possibility and multiplier effect of producing locally consumed basic products within the area of Kwakwatsi?

1.3 THE AIM OF THE STUDY

The aim of the study is to investigate and at the end provide findings and policy recommendations on how to improve the unemployment and poverty situation, and the quality of life within the area. The primary aim of the study is to investigate the

economic sustainability of Kwakwatsi. The sustainability of the township's economy will be measured by the depth of poverty and unemployment in the area. This will be done by:

- Identifying the state of affairs in terms of unemployment and poverty.
- Investigating the sources of income and expenditure patterns for the township.
- Determining the manner in which the unemployed and poor households maintain their livelihoods.
- Identifying opportunities for job creation, income generation and poverty alleviation.
- Analysing the data collected and providing findings on the economic sustainability of the township.

1.4 IMPORTANCE OF THE STUDY

The inability of many people to satisfy their needs while a minority enjoys extreme prosperity stems from many sources. The disparities between the rich and the poor, even in the wealthiest of nations are well documented. The same goes for the employed and the unemployed. However there is a need to understand the dynamics of township residents in a South African context. The perseverance of poverty and unemployment in South Africa, despite substantial interracial economic redistribution in the past two decades, necessitate an investigation into its intricacies.

In this context, the importance of research in influencing policies cannot be ignored. The analysis of unemployment, poverty and its social ills in a community will provide valuable tools for identifying opportunities for local economic development. The current problems could be alleviated by explicitly pro-poor developmental programmes. This requires an in-depth study of the township as it is known and the socio-economic issues underpinning it. The study will provide a breakdown of the structure of households and their circumstances, and may therefore serve as a reference point for further analyses as well as serve as an information source when setting community development programmes.

1.5 RESEARCH METHODOLOGY

The research has followed qualitative and quantitative strategies, including a literature review, field surveys, and in- depth interviews.

1.5.1 Literature study

A wide variety of literature sources, namely books, journals, theses and dissertations, internet sources, and government sources were consulted in order to compile a theoretical foundation for the study.

1.5.2 Empirical study

The community of Kwakwatsi is analysed comprehensively in terms of demographics, unemployment, poverty, income and expenditure patterns, and the flows of money, goods and services. The sustainability of the township was measured by the depth of poverty and unemployment in the area. An analysis of the impact of development projects on the level of poverty and employment in Kwakwatsi was undertaken. The change in household income was related to the extent and depth of poverty using a model developed by Slabbert (Slabbert, 1997). Furthermore, an analysis of unemployment for the area is undertaken. An analysis of the impact of unemployment on the area is also undertaken. The analysis of households is done in order to present a true picture of the community. The most important aspect of the study is to find solutions to socio-economic problems experienced by residents of the area.

An in-depth household survey consisting of a sample of 180 households within the community of Kwakwatsi was conducted to obtain data for the determination and analysis of:

- Poverty;
- Unemployment;
- Sources of income;
- Expenditure patterns; and
- The views of the community regarding socio-economic issues within the area.

1.5.3 The measurement of poverty and unemployment

For the purpose of the study a poverty line is individually calculated for each household, and the household's own income compared to its own individual poverty line. Using the method developed by Slabbert (1997:7), the poverty line for each household is calculated by allocating a monetary amount for each member of the household. This method takes age and gender into account. With these calculations, not only the number of poor households, but also the distribution of households below and above the poverty line is calculated.

Poverty can also be measured by certain non-income indicators (Parnell & Mosdell, 1999:4). Examples of these are the unemployment rate, education levels, shortages of housing, the provision of services, and the provision of education, health and recreational facilities. Some of these measures are employed in the study in order to highlight the plight of the inhabitants of Kwakwatsi. Special emphasis is placed on unemployment in this study. This is due to the fact that, as indicated by Mokoena (2001:47-48), unemployment is regarded as an important indicator of poverty. For this reason, an analysis of unemployment in Kwakwatsi is conducted to determine the unemployment profile of the area.

Stats SA (2000) uses the following definition of unemployment as its official one: The unemployed are those people within the economically active population who:-

- a) did not work during the seven days prior to the interview;
- b) want to work and are available to start within a week of the interview; and
- c) have taken active steps to look for work or to start some form of self employment in the four weeks prior to the interview.

The unemployment rate (U_r) for the area is calculated using the standard equation:-

$$U_r = \frac{\text{number of unemployed}}{\text{economically active population}} \times 100 \dots\dots\dots (1.1)$$

In developed countries, this definition is relatively simple to apply. The criterion for measuring unemployment is straight and definite, i.e. a person is out of work, and is actively looking for a job by means of a listing at a placement agency or other government office. However, in developing countries circumstances are very different and it is not always clear whether or not a person is seeking employment. In South Africa some employed persons become discouraged and therefore refrain from active steps to seek employment (Stats SA, 2000: xv).

For the study, the expanded definition of unemployment is used. The definition includes (a) and (b) but not (c) as given above. For this reason one criterion is used as an indication of seeking work, namely, if a person has the desire to work and to take up employment or self employment.

1.6 THE GEOGRAPHICAL LOCATION OF THE STUDY AREA

The area for the study is Kwakwatsi; the area is a former black residential township for the town of Koppies. Koppies is located approximately 70km south of Sasolburg and 280km north of Bloemfontein. The township is part of Ngwathe Municipality with its head office in Parys, and within the northern region of the Free State province of South Africa. The area is indicated by a red dot in Figure 1.1 below.

FIGURE 1.1: GEOGRAPHICAL LOCATION OF KWAKWATSI



Source: Routes, 2010.

1.7 OUTLINE OF CHAPTERS

Chapter 1 (*The problem and its setting*) will be the introduction to the study, the problem statement, and the methodology to be followed in the study. The research proposal will be used as the base for the chapter.

Chapter 2 (*Approaches to economic development*) gives an overview of international literature on approaches to economic development.

Chapter 3 (*Local Economic Development in South Africa*) gives an overview of local economic development in a South African context. The historical background of local economic development, the importance of local economic development, role players, strategies and their implementation in South Africa will be discussed in this chapter.

Chapter 4 (*Measurement of poverty and unemployment*) describes the methodologies used for measuring unemployment and poverty. This chapter will also provide guidelines as to the definition of unemployment and poverty used in the study.

Chapter 5 (*An economic profile of Kwakwatsi*) will present the results of the empirical research. The demographics of the area will be presented in this chapter.

Chapter 6 (*The poverty profile of Kwakwatsi*) will present a poverty profile of Kwakwatsi. The extent of poverty will be highlighted through a presentation of the survey results from different angles. This will include an analysis of the socio-economic conditions of the poor.

Chapter 7 (*An analysis of the economic sustainability of Kwakwatsi*). This chapter will analyse the economic base of Kwakwatsi and its town of Koppies to determine its economic sustainability. This will also include an analysis of the envisaged employment creating projects by the municipality through the IDP process.

Chapter 8 (*Summary and conclusion*) will be the summary to the study, conclusions drawn and recommendations made, where necessary.