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**Cities with Jobs: Confronting the  
Employment Challenge**

**An examination of approaches to employment  
in two South African case study cities**

Glen Robbins and Sarah Hobbs

Employment  
Intensive  
Investment  
Programme



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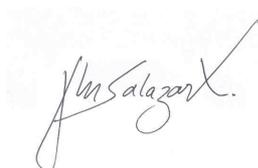
## Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,<sup>1</sup> and which has now been widely adopted by the international community. The integrated approach to do this was further reaffirmed by the 2010 Resolution concerning the recurrent discussion on employment<sup>2</sup>.

In order to support member States and the social partners to reach this goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations and elaborations of this integrated approach and related challenges are contained in a number of key documents: in those explaining the concept of decent work,<sup>3</sup> in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda and, as applied to crisis response, in the Global Jobs Pact adopted by the 2009 ILC in the aftermath of the 2008 global economic crisis.

The Employment Sector is fully engaged in supporting countries placing employment at the centre of their economic and social policies, using these complementary frameworks, and is doing so through a large range of technical support and capacity building activities, policy advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.<sup>4</sup>

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.



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<sup>1</sup> See [http://www.ilo.org/public/english/bureau/dgo/download/dg\\_announce\\_en.pdf](http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf)

<sup>2</sup> See [http://www.ilo.org/public/libdoc/ilo/2010/110B09\\_108\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/2010/110B09_108_engl.pdf)

<sup>3</sup> See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

<sup>4</sup> See <http://www.ilo.org/employment>.

## Foreword

Since the end of the 1990s, the Cities Alliance, and a consortium of several multilateral and bilateral development agencies, has given priority to the strengthening of cities and metropolitan areas through concerted efforts towards the scaling up of slum upgrading policies and the participatory elaboration, implementation and evaluation of City Development Strategies. At the same time, the ILO has triggered a comprehensive and international agenda aimed at the creation and dissemination of decent work. Briefly, the objective of this agenda is to create work and employment with sufficient and fair remuneration, social protection, workers' rights and social dialogue. The ILO has not only stimulated the dissemination of national agendas but has also increasingly made progress in mobilizing local stakeholders from the private and public sectors around the articulation of local agendas for Decent Work.

The underlying research project was aimed at exploring the potential of linking the agenda for Decent Work with the City Development Strategies. In that sense, the ILO produced a research paper looking at employment promotion in cities around the world, a Policy Paper which shows the conclusions of this research and three case studies (from Brazil, the Philippines and South Africa). Three cases studies analyzed in greater depth the limits and potentials of increasing the synergies between City Development Strategies and the agenda for local Decent Work and evaluated the more structural strengths and weaknesses of this approach, considering national regulatory and policy frameworks.

As such, the underlying paper is focused on an evaluation of two South African cities, one large metropolitan city and a secondary city. The case studies are on the eThekweni Metropolitan Municipality, with its administrative center in the city of Durban and the Msunduzi Local Municipality, with its administrative center in Pietermaritzburg.<sup>5</sup>The report draws on the experiences of the two cases to reflect upon the issues that might deserve attention in any effort to bring employment matters to the center of thinking on urban development agendas.

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<sup>5</sup> In both cases, the place name of the major urban settlement, Durban and Pietermaritzburg, as well as the names of the municipal entities, eThekweni and Msunduzi, are used in the discussion. The term 'municipality' generally refers to the local government administrative and political entity. The term 'city' more is used to describe the geographic space.

## **Acknowledgements**

The authors of this report would like to express their gratitude to all those who gave of their valuable time and knowledge by providing documents, data and comments in interviews and through written communication. The authors are also grateful to their colleagues at the School of Development Studies for their various suggestions. Finally, the authors would like to express their thanks to the ILO for providing the funding to support the study and for their advice and feedback in the production of this report. The authors are responsible for the final material.

# Contents

Preface.....	iv
Foreword .....	v
Acknowledgements .....	vi
Contents.....	vii
Abbreviations .....	1
Figures.....	3
Tables .....	3
1. Introduction .....	5
2. Methodological note.....	5
3. The national policy framework with a focus on employment.....	6
4. Locating the case studies in the South African urban context.....	8
4.1. Institutional and policy issues .....	9
4.2. Urban development trends .....	11
5. Case studies: approaches to employment in two South African cities .....	14
5.1. eThekweni Municipality (EM) and the Durban Metropolitan Area (DMA) .....	15
5.1.1. <i>Municipal context and institutional profile</i> .....	16
5.1.2. <i>City strategy and employment creation</i> .....	18
5.1.3. <i>Economic Development programs and employment creation</i> .....	22
5.1.4. <i>Employment creation through other municipal processes</i> .....	30
5.1.5. <i>Some general reflections on the eThekweni case</i> .....	34
5.2. Pietermaritzburg and the Msunduzi Municipality.....	36
5.2.1. <i>Municipal context and institutional profile</i> .....	36
5.2.2. <i>The Employment Situation in Msunduzi</i> .....	38
5.2.3. <i>Municipal Strategy and Employment Creation</i> .....	40
5.2.4. <i>Economic Development Programs &amp; Employment Creation</i> .....	42
5.2.5. <i>Employment Creation through other Municipal Processes</i> .....	45
5.2.6. <i>General reflections on the Msunduzi case study</i> .....	48
6. Broader reflections on South African municipalities and urban employment dynamics .....	50
References .....	54
Interviews .....	56
Appendix: Summary responses to ILO TOR questions .....	57



## Abbreviations

EABBR	Acquired Immune Deficiency Syndrome
AsgiSA	Accelerated Shared Growth Initiative of South Africa
CBPWP	Community Based Public Works Programme
DAC	Durban Automotive Cluster
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
EPWP	Expanded Public Works Programme
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution Programme
GVA	Gross Value Added
HIV	Human Immunodeficiency Virus
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
LED	Local Economic Development
LIC	Labour Intensive Construction
LTDF	Long Term Development Framework
MIG	Municipal Infrastructure Grant
NEC	New Engineering Contract
NEDLAC	National Economic Development and Labour Council
NIPF	National Industrial Policy Framework
NSDP	National Spatial Development Perspective
PCB	Pietermaritzburg Chamber of Business

PGDS	Provincial Growth and Development Strategy
PMU	Project Management Unit
RDP	Reconstruction and Development Programme
RIDS	Regional Industrial Development Strategy
SA	South Africa
SACN	South African Cities Network
SALGA	South African Local Government Association
SEDA	Small Enterprise Development Agency

## Figures

Figure 1. Population estimates for South Africa's largest cities 1996 and 2005	12
Figure 2. Average rates of GVA growth in SA cities	12
Figure 3. Annual employment growth in SA cities	13
Figure 4. 2005 Unemployment rates in SA cities	13
Figure 5. Informal Employment in SA cities	14
Figure 6. Map showing Durban and Pietermaritzburg	15
Figure 7a. eThekweni, KZN, SA share of national employed (2000-2006)	17
Figure 7b. Percentages of SA, KZN and eThekweni economically active populations unemployed (2000-2006) – broad definition	17
Figure 8. Key performance indicators for eThekweni municipal strategies	20
Figure 9. Analysis of performance in key economic development focus areas	24
Figure 10. eThekweni Municipality's local economic development outcomes and targets	25

## Tables

Table 1. Employment related commitments in the eThekweni IDP	21
Table 2. National EPWP categories	32
Table 3. Delivery of EPWP projects in Msunduzi	46



## **1. Introduction**

In recent decades, processes of urbanization in developing countries have generated unprecedented growth in urban settlements; this has been accompanied by the increasing concentration of economic activity in major urban settlements. However, levels of employment in many developing countries remain low, with high concentrations of unemployed, underemployed and informally employed people in the major cities. In the bulk of African countries, formal employment in major cities makes up only a small proportion of total employment, with the bulk of economically active people sourcing income through informal employment. South African cities are characterized by relatively high levels of formal employment—in an African context—but are still facing major challenges, with high levels of unemployment and significant numbers of people earning meager incomes through informal economic activities. This report examines the context in which municipal governments, and other stakeholders, consider their roles with respect to employment matters and also provides some detailed insights into two South African cities, one large metropolitan city and a secondary city. The report draws on the experiences of the two cases to reflect upon the issues that might deserve attention in any effort to bring employment matters to the center of thinking on urban development agendas.

## **2. Methodological note**

The report has, as its core, two case studies. These were selected to profile a large metropolitan city and a secondary city, in order to try and get a sense of different experiences and issues that might face different cities. The research process involved conducting a series of interviews with municipal officials, as well as with a handful of other local information sources (chambers of commerce, NGOs, etc.). In most of the cases face-to-face interviews were conducted, however, in some instances the interaction occurred through telephone conversations or e-mail exchanges. A wide range of documentation was also examined at the local and national levels. This was supported by some limited interaction with staff at the South African Local Government Association (SALGA) and South African Cities Network (SACN).

Limitations included the lack of access to monitoring and evaluation material on initiatives, the lack of availability of relevant municipal officials and some documentation gaps on relevant initiatives.

### **3. The national policy framework with a focus on employment**

Since the country's first democratic elections in 1994, South Africa has experienced a number of policy shifts. In the immediate post-1994 period, the government adopted the Reconstruction and Development Plan (RDP), which had as its focus the mobilization of public resources; in order to meet the basic needs of the majority of citizens denied such access under Apartheid. It was expected that this mobilization of fiscal resources would raise employment both directly and indirectly. Key programs related to the RDP were initiated in fields such as housing, electrification and water provision. However, by 1996, the government had chosen to curtail the scale of some of the commitments and to extend the delivery periods of others in an effort to limit public borrowing and reduce the perceived crowding out of private investment. Alongside the RDP, the Government adopted the Growth, Employment and Redistribution strategy (GEAR), which set out a platform for a monetarist, macro-economic policy system and proposed opening up the economy through exchange rate reforms and trade liberalization. It was envisaged that a private sector response to this would result in growing private investment (including foreign direct investment), rising exports and job creation. During this same period, the government also sought to comprehensively overhaul labor legislation in the country, in order to extend the rights of workers and the system of collective bargaining beyond the patchwork system of the Apartheid government. These processes were aimed at eradicating the exploitation of black workers that had been intrinsic to the Apartheid system. In addition to this, a national policy coordination entity was created in the form of the National Economic Development and Labour Advisory Council (NEDLAC), with representation from private sector groups, as well as labor organizations.

Despite a degree of optimism on the part of the government about the scope to yield employment gains, these were limited as, during this period, the economy grew at rates below three percent and unemployment figures continued to rise despite some limited growth in employment. Factors thought to have contributed to this included global instability related to the Asian financial crisis of 1997, major job losses arising from inability of local producers to survive increasing levels of imported competition and the lack of domestic fixed investment (public and private). In the late 1990s and early 2000s, the economy showed signs of recovery, with economic growth rates breaking through the three percent level and the first tentative signs of a reduction in unemployment figures. This was accompanied by a commitment from government to initiate a major expansion in public investment, primarily in transport infrastructure, and was also driven by the global boom in commodity prices. This period was also one in which a number of economic summits were called through NEDLAC. These were aimed at resolving some of the tensions between stakeholders such as those between labor and government over the GEAR program. The summits also sought, at organized labor's request, to place employment creation at the center of government policy. It was through these processes that a series of national initiatives such as the Community Based Public Works Programme were born. By the year 2000, increasing pressure was being exerted on all national government departments to utilize their influence to support accelerated job creation.

Such initiatives were supported by expanded fiscal commitments in two key areas. The first of these was an expansion of the social grant system, including a partial overhaul of the Unemployment Insurance Fund and the promulgation of minimum wages in a number of employment fields (such as agricultural workers and domestic workers). However, probably the most significant change was the introduction of a Child Support

Grant that was ultimately expanded to qualifying caregivers with children under the age of fourteen. The second key area was increasing allocations to municipalities, in order to fund infrastructure, housing and service expansions at an accelerated rate. As these evolved, a commitment was made to the national Expanded Public Works Programme (EPWP) by which government sought to secure greater levels of public works projects through initiatives driven through a specialized national EPWP office and implemented, to a large degree, at the local level.

In 2004, the Presidency announced the Accelerated Shared Growth Initiative of South Africa (AsgiSA). AsgiSA sought to mobilize coordinated government action and investment to enable the economy to reach growth levels above seven percent, which was seen to be core to the commitments to halve unemployment by 2014. Further public commitments were made towards parastatals to increase transport infrastructure, seen to be critical to the country's ability to access markets for its exports and reduce the costs of doing business. During this time, the Presidency also initiated processes to develop what was called a Second Economy Strategy, with a particular focus on improving the economic prospects of households and individuals who were deemed to be marginalized, in one way or another, from mainstream economic processes. Included in these figures were the millions of informally employed. Critics pointed out that some caution needed to be exercised in defining a significant portion of the labor market as operating in a 'second economy' and suggested that the interconnections between formal and informal economic processes needed to be taken into account. Critics also made the point that in some cases, marginalization was the result of policy failures in the so-called "first economy" such as those related to the market power exercises by dominant firms over production, distribution and the sale of certain products. A draft Second Economy Strategy is being circulated through various channels for consideration after the 2009 national elections alongside an Anti-poverty Strategy.

In 2008, South Africa's ruling party, the African National Congress (ANC), experienced some considerable internal turmoil resulting in the early stepping down of President Mbeki and his replacement, on an interim basis, by President Montlante in the process leading up to the 2009 elections. The ANC's candidate for President in the 2009 elections is Jacob Zuma who has expressed an eagerness for government to yield much larger impacts in its programs to reduce unemployment. Arising from this stronger message, commitments are already being made towards what is being referred to as 'EPWP 2', a doubling in scale and deepening of impact of the existing Expanded Public Works Program. Here, it is hoped that close to three million work opportunities can be generated, the periods of exposure to work increased and forms of training in such work exposure be improved substantially. Alongside the proposed expansion of other areas of social grants it is also proposed that some form of work-seekers' allowance be considered for those unemployed people who do not qualify for the Unemployment Insurance Fund payments. In some areas implementation has already moved to the pilot phase, for example in the testing of a work guarantee scheme as proposed in the Second Economy Strategy Project. However, the precise nature of the full commitments to be made is only likely to be revealed during the course of 2009 and will be concretized only after the 2009 elections. Nonetheless, it is important to note that a number of these intentions have already been captured in the government's Medium Term Budget Policy Statement released in October 2008, which reflects the broad trend of supporting the emerging commitments.

Also worth some consideration are the policy frameworks of the Department of Trade and Industry (DTI). In 2007, the DTI launched a new phase of industrial policy with the publication of the National Industrial Policy Framework (NIPF) and the related

Industrial Policy Action Plan (IPAP) (Department of Trade and Industry, 2007a & 2007c). These documents tended to seek to advance many of the key aspects of the previous Integrated Manufacturing Strategy but identified four sectors of the economy that would receive priority attention for their potential to drive the growth and employment objectives of National Government's Accelerated and Shared Growth Initiative of South Africa (AsgiSA). The NIPF sets out a vision, with the following focus areas: diversification away from traditional commodity and non-tradable services; a move towards knowledge-intensive industrialization; the promotion of labor absorbing productive activities; the promotion of greater levels of empowerment of marginalized groups and marginalized regions; and contributing to the development of the continent. There is little in these frameworks for sub-national spaces to meaningfully hook into, beyond the rare mention of issues related to areas denuded of economic activity.

The Industrial Policy Action Plan (IPAP) does little more than the NIPF in setting out a coherent picture of how effective industrial policy interventions can be crafted in distinct and rooted ways at the sub-national level. However, the DTI has also, of late, proposed the implementation of a Regional Industrial Development Strategy (RIDS) with a distinct sub-national focus (Department of Trade and Industry, 2007b). The RIDS policy is the DTI's attempt to respond to calls for supporting forms of industrial development in impoverished areas of the country. It is expected that, in its first instance, the RIDS program will allow for some measure of infrastructure and institutional support upgrading for a number of the declining industrial estates created under the Apartheid government's decentralization strategy and a handful of medium-scale towns characterized by some level of industrial production. It is also notable that the DTI has begun to display a much greater interest in the issue of local economic development in that it has also begun to explore more innovative forms of localized strategy responses to economic challenges. The DTI sees these activities as contributing to greater levels of responsiveness to social conditions, where other programs might have driving economic competitiveness as their focus.

Beyond the national sphere, each of the nine provinces are also encouraged to produce Provincial Growth and Development Strategies (PGDS) aimed at guiding provincial governments in their actions and ensuring a measure of alignment with national goals and targets. Not all provinces have current PGDS documents but those that are available tend to identify employment challenges as core to the agendas of these provincial governments. It is generally the case that provinces see themselves impacting on employment through supporting local economic development, strategic infrastructure projects, skills development and public-works type programs in areas in which they are involved in commission capital projects or providing various types of services.

#### **4. Locating the case studies in the South African urban context**

Apartheid policies have left a legacy of economic, racial and social scars right across South Africa's urban landscape. By denying rights of citizenship, ownership of fixed assets and through the often violent repression of forms of social and economic organization, these policies sought to marginalize black South Africans from the opportunities that an urban existence might otherwise have offered. The collapse of Apartheid-based controls on urbanization in the late 1980s led to increases in

urbanization and burgeoning informal settlements. This section seeks to provide information pertaining to the urban development context in South Africa. It presents a brief sketch of institutional and policy issues, as well as the key trends that are relevant in understanding the case studies that follows.

#### 4.1. Institutional and policy issues

Two key thrusts have informed government policy with regard to urban development since the 1994 democratic elections. The first of these has been the commitment to providing services to meet the basic needs of people as outlined initially in the RDP. The second key element has been the considerable emphasis placed on the need to transform the structures and systems that were underpinning local government. Not only was there a need to recast the fragmented race-based spaces into new democratic urban spaces but the powers and functions of local government also needed to be reconstituted. The South African Constitution recognized local government as the third sphere of government, with its own powers and functions enshrined in the Constitution. This was followed by Local Government Structures and Systems Acts, which sought to define the types of municipalities and their mode of operation alongside a commitment in policy to 'developmental' local government. By late 1999, the process of recasting local government had entered what was viewed as its final stage, with basic service delivery and housing programs capturing the bulk of local government and national government attention.

The Department of Provincial and Local Government produced Urban and Rural Development Frameworks in 1996, in order to provide policy guidelines for the development of urban and rural areas, especially with regard to infrastructure, housing and local economic development. These frameworks focused on integration, poverty alleviation, redressing past imbalances through participatory planning, and protecting the environment for future generations (du Plessis & Napier, 2001). The frameworks aimed to promote urban reconstruction and development, to guide development policies and to steer them towards the achievement of a collective vision. The intended results of the frameworks were that by 2020, South African urban settlements will be:

- Spatially and socio-economically integrated, non-segregated, free of racial and gender discrimination, enabling people to make residential and employment choices to pursue their ideals.
- Centers of economic, environmental and social opportunity where people can live and work in safety and peace.
- Centers of vibrant urban governance, managed by democratic, efficient, sustainable and accountable metropolitan and local governments in close co-operation with civil society and geared towards innovative community-led development.
- Environmentally sustainable, marked by a balance between a quality built environment and open space; and between consumption needs and renewable and non-renewable resources. Sustainable development meets the needs of the present while not compromising the needs of future generations.
- Planned for in a highly participative fashion that promotes the integration and sustainability of urban environments.
- Marked by housing, infrastructure and effective services for households and business as the basis for an equitable standard of living.
- Integrated industrial, commercial, residential, information and educational centers, which provide easy access to a range of urban resources.
- [Areas which provide much] greater access for rural people to government support and information and to commercial services, with a more logical spatial network of towns, services, roads and transport systems serving both market traders and customers.

- [Areas which provide close] availability of water, sanitation and fuel sources, giving everyone more time for economic productivity and better health.” (Department of Housing, 1997)

However, in the midst of the local government restructuring, the key focus remained the provision of housing and delivering basic services. The provision of national level grants to municipalities prioritized service expansion activities almost to the exclusion of anything else. During this period, municipalities raised national access levels to electricity to over eighty percent and made substantial progress in ensuring that most households had some access to potable water.<sup>6</sup> Policy frameworks that guided these processes, such as the Local Government White Paper and the Housing White Paper, created a platform for the alignment of policies. However, it is notable, with respect to local government, that despite a recognition of the employment challenge in such frameworks, there was little in the way of explicit commitment to engineer major program responses or even to suggest how employment may be enhanced in other programs (Robbins and Aiello, 2005).

Perhaps one area in which such a policy framework was more explicit on employment creation has been the national Department of Provincial and Local Government’s efforts to draw up a local economic development (LED) policy framework. This went through a number of rounds and culminated in the production of a document in 2007. Early versions, at various stages of their development, identified a relatively interventionist role for the local state in facilitating both economic development and job creation (Bond, 2003). However, the “Stimulating and developing sustainable local economies” framework document to guide municipal LED practice produced by the DPLG in 2006, echoes the sentiments of the White Paper on Local Government (DPLG, 1998) in arguing: “Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities” (DPLG, 2006: 9). It is noteworthy in the South African context that section 152.1c of the constitution identifies one of the roles of local governments as to, “*promote* social and economic development” (Republic of South Africa Constitution as quoted in DPLG, 2006).

The DPLG (2006) also makes reference to the National Spatial Development Perspective, updated by the Presidency in 2006. In the NSDP it is suggested that in the past, public investment choices have lacked a degree of focus and it suggests that in future, “government investment across the space economy must be guided by the principles contained in the National Spatial Development Perspective (NSDP). This means that whilst investment in basic infrastructure and services should occur across the board, when it comes to economic fixed capital formation, limited resources should be applied strategically and investment should go into areas that will yield the highest impact in terms of economic output, employment creation and poverty reduction.” (DPLG, 2006: 12). A key motivation behind the NSDP framework is that the major urban areas are offering considerable economic potential even as they are increasingly becoming the sites of major concentrations of poverty and unemployment.

<sup>6</sup> In 1996, 62% of all households had a minimum access to water and this had risen to 88% in 2007. In 1996, 58% of households had access to electricity for lighting and by 2007, this figure has risen to 80%. (The Presidency of South Africa, 2008, 21).

## 4.2. Urban development trends

“South Africa’s urban areas make up sixteen percent of the country’s land area, are hosts to ninety-four percent of economic activity, accommodate seventy percent of the population and are home to sixty percent of South Africa’s poor.”<sup>7</sup>

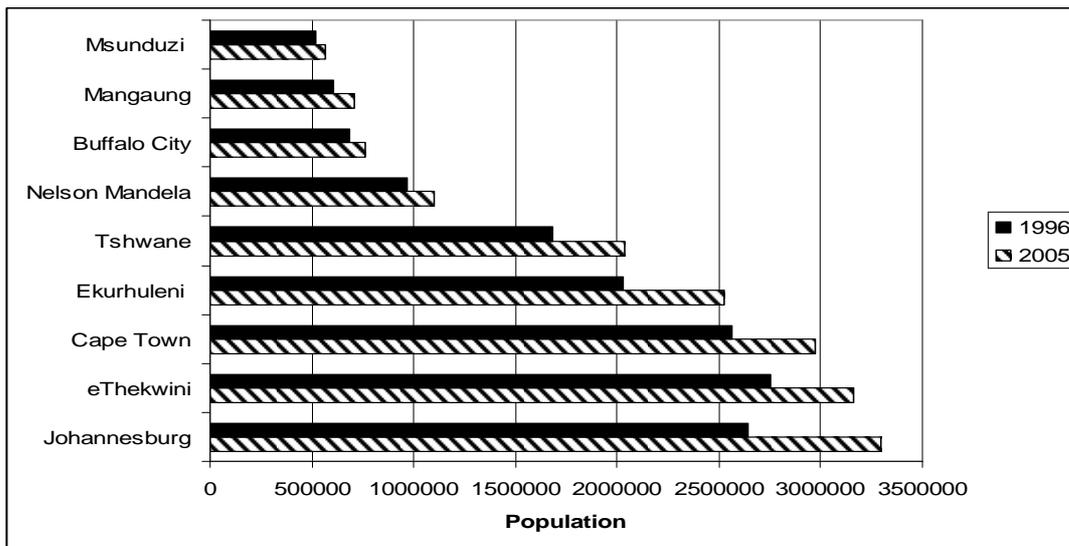
The 2006 State of the Cities Report (South African Cities Network, 2006) provides a comprehensive insight into South Africa’s main urban regions and the challenges they face.<sup>8</sup> All of South Africa’s cities share a common history of Apartheid segregation, structural and spatial inequality and the related service disparities between communities. This can still be seen in figures reflecting conditions in South Africa’s cities today.

South Africa has five cities with a population of more than one million people. Of these, the largest three, Cape Town, Durban and Johannesburg, have populations of more than three million. Official figures put the population growth rate of the nine largest cities at around 1.92% since the mid 1990s, which is higher than the population growth rate for the country as a whole (SACN, 2006: 3-2).

<sup>7</sup> A recent (unpublished) study, conducted by the Council for Scientific and Industrial Research and commissioned by the Presidency of South Africa, reached the following conclusions on urban South Africa. (Own notes of CSIR presentation at South African Cities Network Urban Conference, Durban, 2-3 December 2008.)

<sup>8</sup> For those seeking deeper discussion of these trends, it recommended that the full SACN report be accessed at [www.sacities.net](http://www.sacities.net). This section seeks only to highlight some of these elements to inform the discussion.

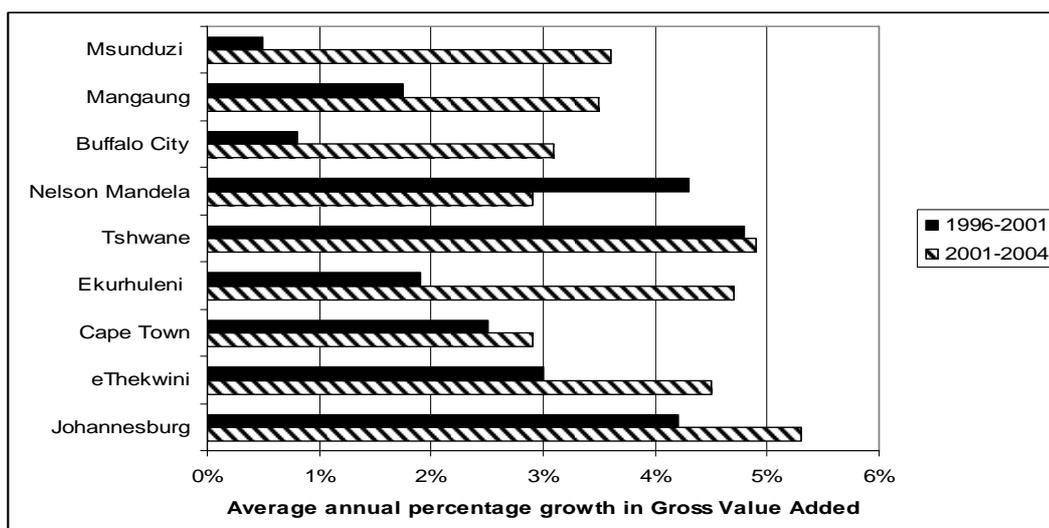
**Figure 1. Population estimates for South Africa's largest cities 1996 and 2005**



Source: Own calculations from 1996 Census and SACN (2006) data.

In order to gain a picture of economic performance of the cities, it is worth taking a look at growth rates for the nine largest cities. The figure below provides a comparison of average growth rates for the two periods 1996-2001 and 2001-2004. It is clear that the more recent period has, for almost all of the cities, been one of improved growth performance, with the bulk of the cities growing at a faster rate than the national economy during the same period. Average growth rates in these cities rose to around five percent for the period 2004-2007. The two case study cities in this report, Msunduzi/Pietermaritzburg and eThekweni/Durban, both showed an increase from one period to the next.

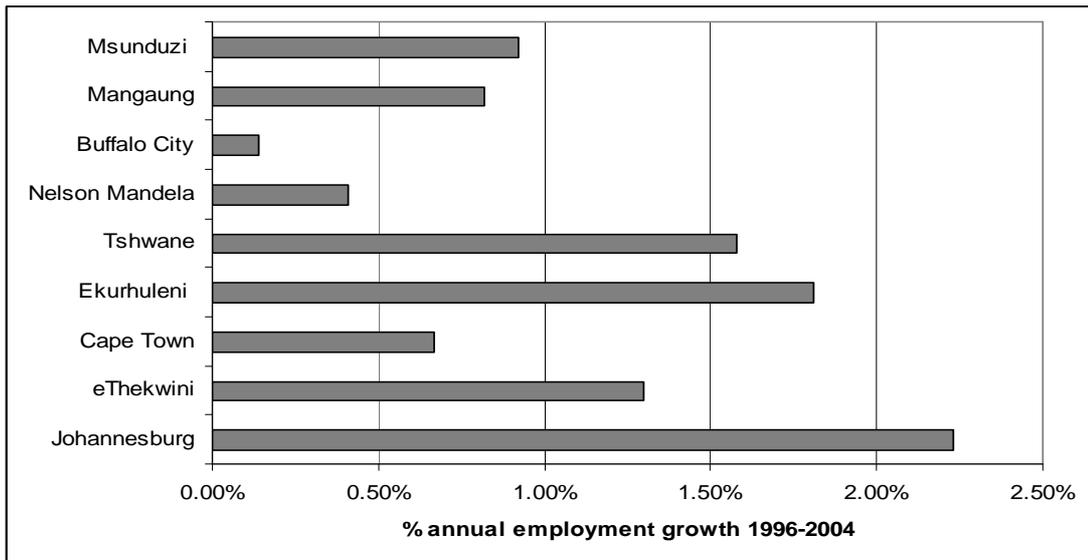
**Figure 2. Average rates of Gross Value Added growth in the periods 1996-2001 and 2001-2004**



Source: Own calculations from SACN data (2006)

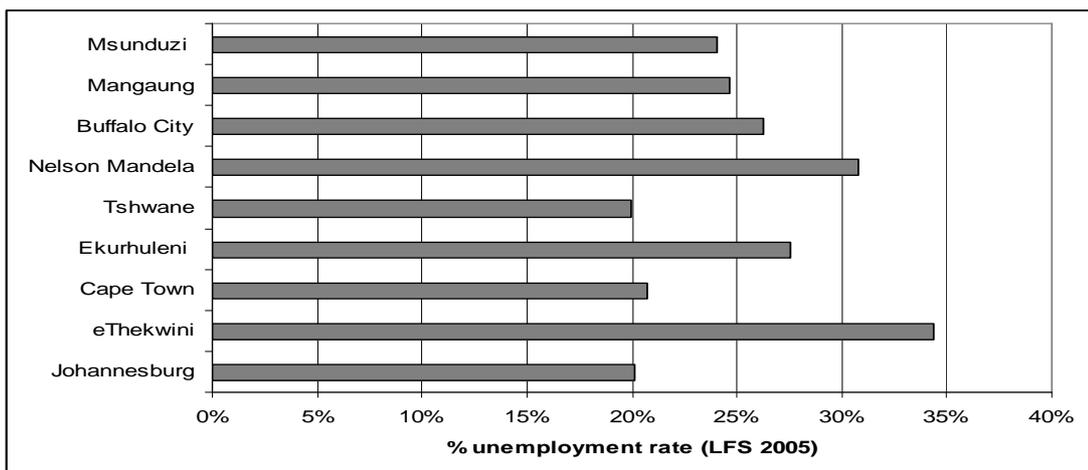
What then has this all meant in terms of performance around employment? During the period 1996-2004, each of the nine cities demonstrated some level of employment growth (see Figure 3). However, these rates of growth have been deemed by most observers to be well below what is required, considering the high levels of unemployment that characterize South Africa as a whole. According to Quantec data cited by the SACN (2006), unemployment rates in the nine cities declined from 28.2 percent in 2001 to 26.7 percent in 2004. In 2005, it was estimated that 44.5 percent of national unemployment was concentrated in the country's nine largest cities (SACN, 2006: 3-17).

**Figure 3. Annual employment growth 1996-2004 in South Africa's nine cities**



Source: own calculations from SACN, 2006.

**Figure 4. 2005 Unemployment rates in South Africa's nine largest cities**

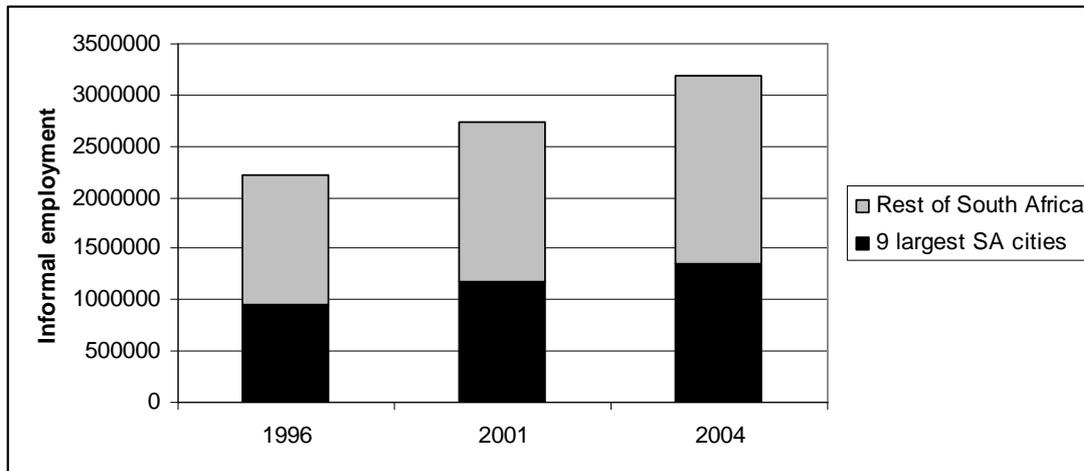


Source: own calculations from LFS 2005 and SACN, 2006.

The combination of weak employment growth and high unemployment has seen relatively high levels of informal economic activity in South African cities. Levels of informal employment are presented in Figure 5 (below) and reflect a steady increase in

total numbers as formal employment is not able to absorb new labor market entrants or offer sustained formal employment for those previously employed.

**Figure 5. Informal employment in South Africa and in nine largest cities 1996, 2001, 2004**



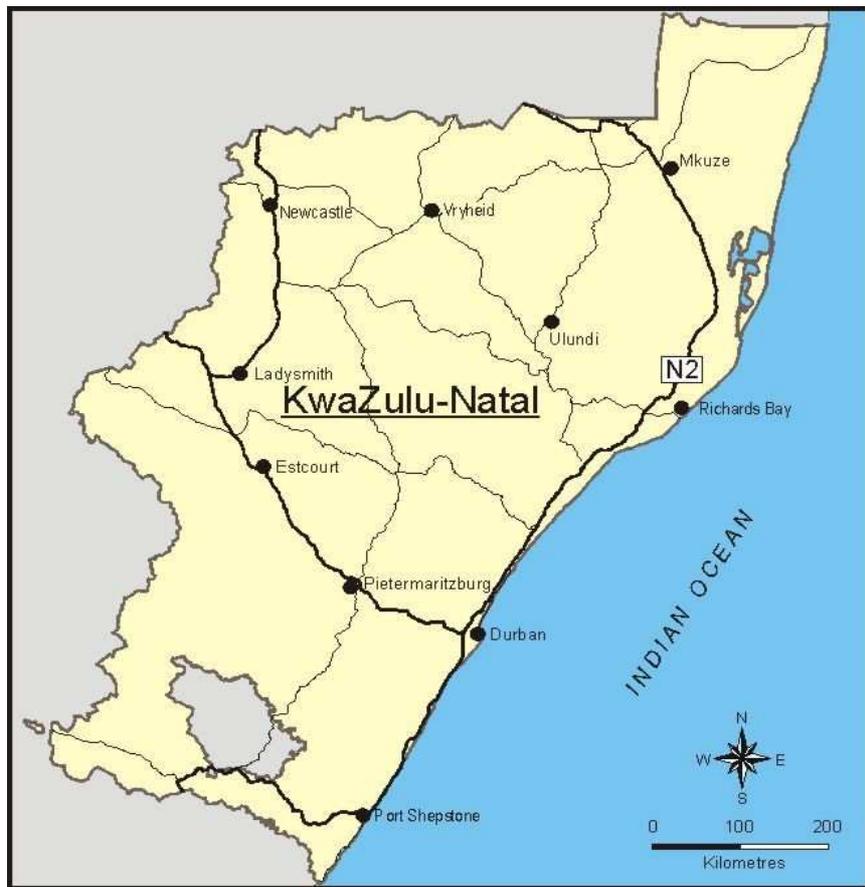
Source: own calculations from Quantec data in SACN, 2006: 3-18.

## **5. Case studies: approaches to employment in two South African cities**

The two case studies that follow provide a contemporary insight into the nature of the municipal response to employment challenges, with a specific focus on activities around local economic development. The case studies are the eThekweni Metropolitan Municipality, with its administrative center in the city of Durban and the Msunduzi Local Municipality, with its administrative center in Pietermaritzburg.<sup>9</sup>

<sup>9</sup> In both cases, the place name of the major urban settlement, Durban and Pietermaritzburg, as well as the names of the municipal entities, eThekweni and Msunduzi, are used in the discussion. The term 'municipality' generally refers to the local government administrative and political entity. The term 'city' more is used to describe the geographic space.

Figure 6. Map showing location of Durban and Pietermaritzburg in KwaZulu-Natal Province



### 5.1. eThekweni Municipality (EM) and the Durban Metropolitan Area (DMA)

The greater Durban area is located on South Africa's east coast, in the province of KwaZulu-Natal (KZN). The city has the second largest population of any of South Africa's cities, while KZN is the country's most populous province. The city, as with South Africa's other major urban centers, is characterized by high levels of poverty and inequality, with unemployment rates, for the bulk of the last decade, being above thirty percent. The formal economy is characterized by a strong focus on traditional manufacturing but has increasingly seen a shift to services. A significant proportion of the population is making a living from the informal activities that have increasingly become a feature of urban life as the process of urbanization has accelerated.

### 5.1.1. Municipal context and institutional profile

The eThekweni Municipality is a metropolitan local council under South African local government legislation (Municipal Structures Act, 2000). This provides the elected council and municipal authority with a considerable degree of autonomy in formulating and initiating development-related interventions. The eThekweni Municipality was formally constituted as a new local government entity after the 2000 local government elections. Its creation was the culmination of a process of local government restructuring that saw in excess of fifty different Apartheid-era local government structures in the Durban Metropolitan Area being brought into a single metropolitan administration with a single elected council. Today, the eThekweni Municipality employs in the region of 20,000 staff and in the 2008/2009 budget year, had a total budget of R23.4 billion<sup>10</sup> comprising R5.9 billion in capital projects and R17.5 billion in operating spend (eThekweni Municipality, 2008).

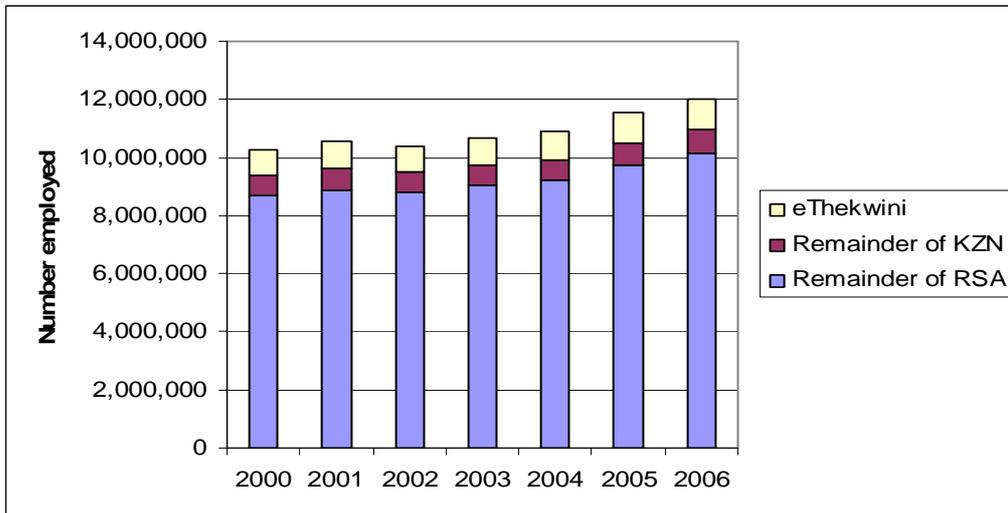
The past decade or more of evolving democratic local government in South Africa's cities has occurred in a context of significant and far-reaching economic change. The impact of these reforms, together with the legacy of Apartheid, on cities such as Durban has been enormous. Not only have democratic local governments inherited local economies with among the highest levels of inequality in the world, in which the bulk of residents still live in conditions of unrelenting poverty, they have also seen the structure of their key economic sectors shift rapidly as a consequence of domestic and global policy adjustments (SACN, 2004). During the 1990s, Durban's economy grew at a relatively meager 2.3 percent compared with 4.5 percent for Johannesburg (SACN, 2004: 50). Only since 2001, has Durban's growth performance caught up and surpassed national GDP growth, growing at 4.2 percent between 2001 and 2002 and rising to 5.3 percent in 2006. This lagged growth performance can be attributed to Durban's relatively high proportion of traditional manufacturing and commodity oriented sectors—such as clothing, textiles, footwear, and the primary processing of pulp and sugar—many of which suffered heavily because of the opening up of the economy, the related increases in competition and the weak commodity prices during this period (Morris *et al*, 2002).

Between 1993 and 1999, the two largest contributors to manufacturing employment, namely textiles and clothing, had negative growth levels of -2.97 percent and -1.39 percent respectively, with employment in these sectors halving during the same period (Durban Metro Economic Development Department, 2000). The changing sectoral character of the Durban economy is particularly noticeable when looking at formal employment. Where absolute growth in formal employment has occurred, it has been most significant in service activities (Robbins, 2005). However, it is the high rate of unemployment that has been the most striking aspect of labor market performance in South Africa over the past few years, and this is also true for Durban, as can be seen in the figures (7a and 7b) below. Although new jobs have been created and the absolute level of the formally employed has increased in recent years, this limited growth has been overshadowed by sustained high levels of unemployment witnessed not only in the

<sup>10</sup> Around US \$2.34 billion at November 2008 exchange rates.

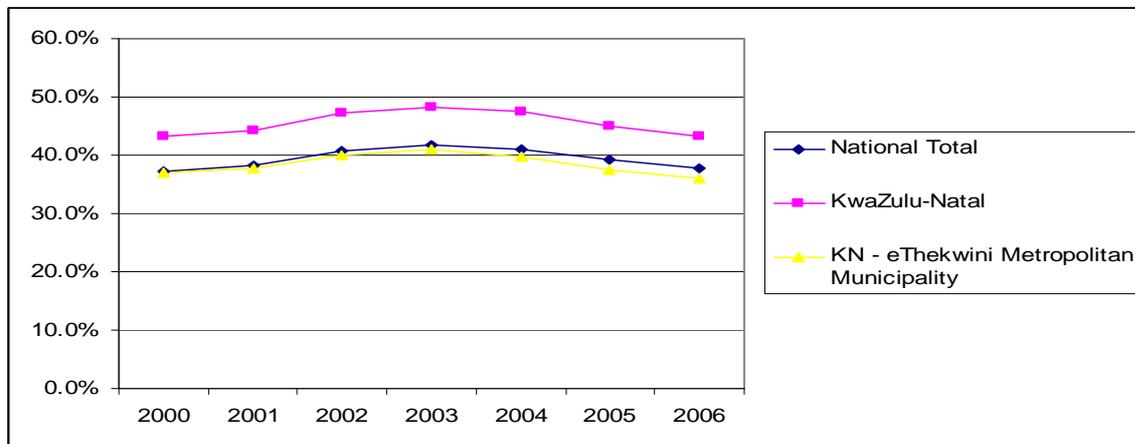
data, but also in the growing number of people resorting to informal activities for survival.

**Figure 7a. eThekweni, KZN, SA share of national employed (2000-2006)**



Source: own calculations from eThekweni Municipality provided data.

**Figure 7b. Percentages of SA, KZN and eThekweni economically active populations unemployed (2000-2006); broad definition**



Source: own calculations from eThekweni Municipality provided data

In looking at Durban’s economy, it is also essential to examine the economic state of households and individuals, as it is at this level that the manner in which the citizens’ experience of the economy is most revealed: “According to the Global Insight Database the number of people living in extreme poverty (people living on less than \$1 a day) in the EMA has increased from 132,297 in 2001 to 169,040 in 2006.” (eThekweni Municipality, 2008a: 8) Alongside this, an analysis of 2001 census figures reveals that the growth in informal settlement households rose from 5.10 percent in 1996 to 13.74 percent of total households in 2001, and also that the number of households registering zero income grew by 152 percent (SACN, 2004). While public interventions have had a

positive impact on the local Human Development Index (HDI), poverty persists and, for the poorest of the poor, is becoming more extreme (Casale & Thurlow, 1999; Robbins, 2005). Related figures, drawn by Global Insight from Stats SA figures, showed that the proportion of eThekweni households living in poverty had increased from 27.2 percent in 1996 to 29.2 percent in 2003 and during the same period, the GINI coefficient (measuring inequality) had increased from 0.56 to 0.59 (Robbins, 2005).

These limited reflections on Durban's economy paint a complex and challenging picture. It is one in which there has been considerable economic upheaval and in which mainstream economic change in a small open economy is likely to continue to be something of a roller coaster ride. In this environment household patterns have changed, urbanization processes continue to put pressure on the city and conditions of poverty remain the daily experience for almost half the citizens. Developing policy in such a context is no easy task, and converting this to meaningful implementation is equally daunting. The following sections seek to give some sense of local government responses in this context and to examine the intent behind selected economic development responses to these circumstances.

### *5.1.2. City strategy and employment creation*

The EM has previously, and continues in its most recent strategy documents, to identify economic development challenges as the core of its strategic approach. This is reflected in core strategic documents such as the Long Term Development Framework (eThekweni Municipality, 2001) and the Integrated Development Plan: 2010 and Beyond (eThekweni Municipality, 2007). The Long Term Development Framework identified three key strategic focus areas for the municipality in contributing to the sustainability of the city: 1) meeting basic needs; 2) strengthening the economy; and 3) building skills and technology. In this document it is stated: "Building increased prosperity of all citizens, sustainable job creation and a better distribution of wealth is central to the [municipal] challenge. To put the city at a level with comparable emerging middle income countries, a job growth rate of 3% per annum is required. A priority will therefore be to strengthen those sectors of the economy with the most growth potential in both jobs and income terms" (eThekweni Municipality, 2001: 10).

In the Integrated Development Plan (eThekweni Municipality, 2007a) eight central challenges are outlined:

- Low economic growth and high rate of unemployment.
- Access to basic household and community services not optimal.
- Relatively high levels of poverty.
- Low levels of literacy and skills development.
- Sick and dying population affected by HIV/AIDS.
- Exposure to unacceptably high levels of crime and risk.
- Many development practices still unsustainable.
- Ineffectiveness and inefficiency of inward-looking local government still prevalent in the municipality.

The municipality's vision states: "By 2020, eThekweni Municipality will be Africa's most caring and livable city." In order to realize the vision, the IDP (eThekweni Municipality, 2007a) states that all citizens, the business community and visitors must:

- Have ease of movement in the city.
- Enjoy a safe environment in all parts of the municipal area.
- Afford what the city offers.

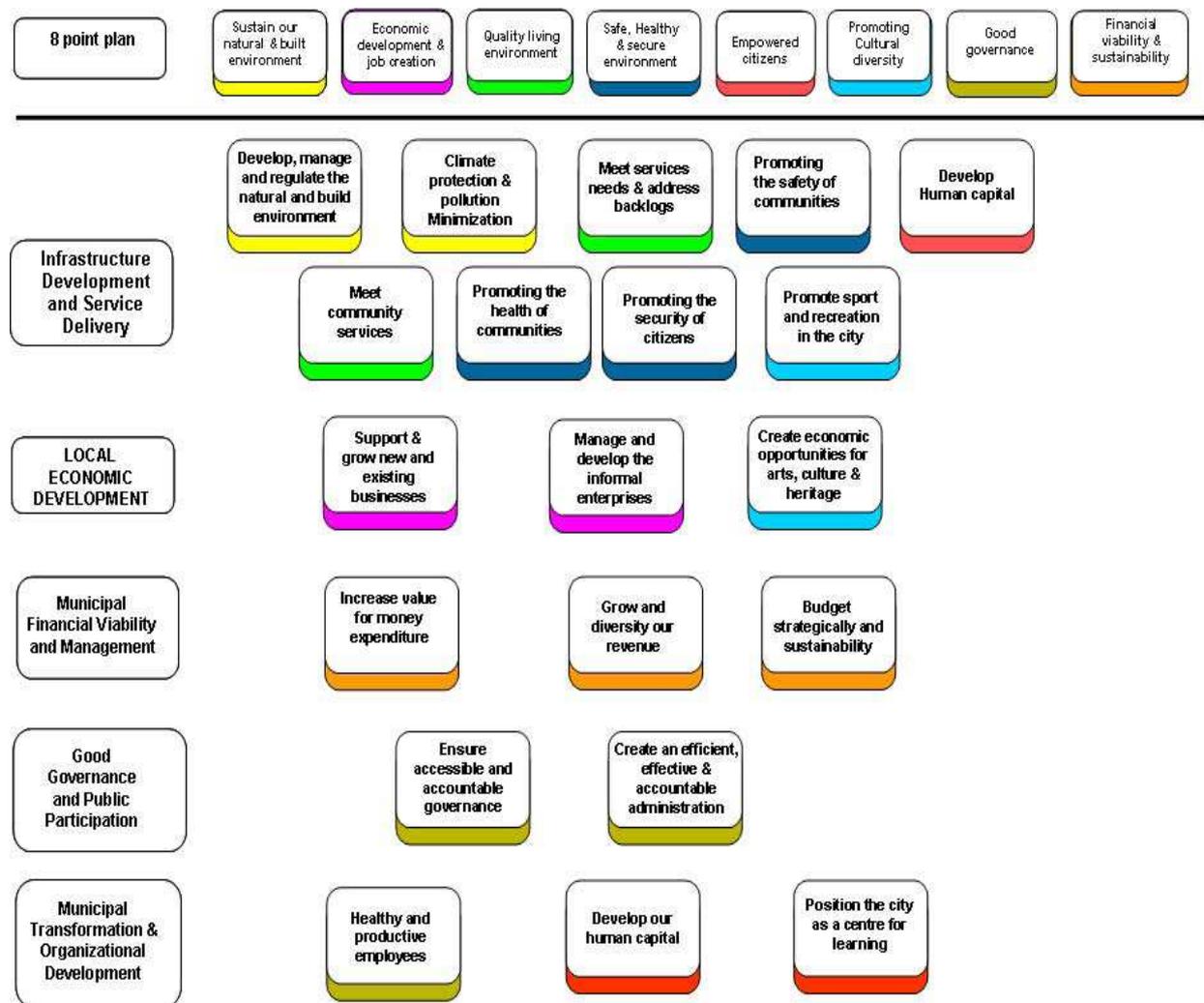
- Enjoy a clean and green city.
- Have access to economic opportunities.
- Enjoy homely neighborhoods
- Have access to services, in particular municipal, health and education services.

The nature of the challenge, as presented in municipal strategies, is one in which the focus is on broader economic challenges. Shortages of employment and skills are raised as items within broader economic development challenges related to poverty or competitiveness. The common message from municipal staff is that employment gains would be seen as an output from a range of city endeavors such as those supporting restructuring sectors or providing training to informal economy workers. As such, these endeavors are seen as the routes through which the municipality can influence labor market outcomes. It is for this reason that officials say the focus of attention in strategic documents is more on the programs that might yield employment gains rather than on employment matters by themselves.

It is notable in the IDP (*ibid*) that a number of other fields of activity lying outside the conventional economic development program areas are also seen to influence employment. Much is made, in the documentation, of intentions to densify the city and avoid urban sprawl, with the case being made that this would ensure a more productive city and one in which the livelihood costs to citizens would be reduced (cheap transport, more accessible services, etc.) and where such densification would generate new opportunities from the higher economic thresholds.

The following figure provides an overview of the key performance indicator (KPI) categories that are used to inform choices made around the municipality's eight point plan. Here there are commitments to grow the region's human capital, support businesses, manage and develop informal enterprises, create a learning city and ensure that employees (of the municipality) are healthy and productive. Attention to the creation of employment is less clear, and even less clear than this are concepts such as promoting decent work.

**Figure 8. Key performance indicators for municipal strategic focus areas**



Source: eThekweni Municipality, 2007a: 10

The IDP has eight plans associated with the eight challenges listed above and represented in the figure above. The following table reflects the proposed commitment to employment-related initiatives within the eight plans.

**Table 1. Employment-related commitments in the eThekwini IDP**

Plan	Response to employment issues
1. Sustain our natural and built environment	
2. Economic development and job creation	<p>The desired outcome here specified: “Strong economic growth and sustainable job creation... Specifically, this strategy aims to contribute towards the achievement of the key national targets, namely to seek an annual growth rate that averages 4.5% or higher between 2005 and 2009 and 6% between 2010 and 2014, as per the Accelerated and Shared Growth-SA Initiative (AsgiSA). The other aim is to halve unemployment and poverty (the number of people earning less than the indigent grant level) by 2014.<sup>11</sup>” The intention is that this is secured through a sustained effort in each of the following program areas (Note: those programs where specific mention is made of a direct employment-related activity are marked with an asterisk):</p> <ul style="list-style-type: none"> <li>Developing a strategic plan and scenarios on the city’s economy.</li> <li>Stimulate key sectors that promote economic growth and create jobs</li> <li>Providing support for prioritized sectors.</li> <li>Support and grow tourism and related industries.</li> <li>Create an integrated procurement management and monitoring system.</li> <li>Investment facilitation and promotion (*including mention of a focus on labor intensive investors).</li> <li>Develop a logistics platform.</li> <li>Drive the 2010 World Cup soccer event for eThekwini.</li> <li>City/Port Partnership.</li> <li>Dube Trade Port Implementation Strategy (*mentioning the job creation impact of the project, which is projected to yield between 150,000 and 240,000 direct and indirect job opportunities.</li> <li>Managing informal trade (*mention of regulation of public space trading areas as well as provision of enterprise development support services).</li> </ul>
3. Quality living environment	
4. Safe, healthy and secure environment	<p>The Zibambele Public Works program is identified as providing income for poor urban and peri-urban households through provision of work opportunities to maintain public infrastructure.</p>
5. Empowering citizens	<p>A role is identified for the municipality to encourage improved human capital formation, improve skills provision and enhance the employability of the unemployed. A further role is identified for the municipality to actively support an enhanced supply of scarce skill categories for municipal employment (e.g. engineers). It is also suggested that the city should work to develop its status as a learning city through its high levels of access and the quality of its educational and training opportunities.</p>
6. Promoting cultural diversity	
7. Good governance	<p>One focus area refers to the need for supporting greater productivity of municipal employees.</p>
8. Financial viability and sustainability	

<sup>11</sup> eThekwini Municipality, 2007a: 20.

### *5.1.3. Economic Development programs and employment creation*

The table above, which specifies the eight main focus areas of the city's plans, gives a clear indication that, in broad strategic terms, there is recognition of the employment challenge faced by the city. This section seeks to provide further details on the nature of the responses of the municipality in the field of its economic development related programs (often referred to as Local Economic Development).

It is important to recognize that one of the institutional forerunners of the eThekweni Municipality, the Durban Metropolitan Council, initiated its first serious economic development strategy process in 1996. This process was matched by the employment of a number of skilled staff, who was able to contribute economic-related skills to the general municipal planning endeavor and also grapple with the development of specific programs to respond to identified economic development programs. These initial programs contributed to sensitizing the municipal bureaucracy to the nature of its economic impacts and to the prospects of it using its influence to leverage economic change. This was supported by elected local government councilors whose constituencies were identifying access to employment and economic opportunities as a key element of community needs. Key pillars of this initial set of programs included:

- Providing access to economic opportunity for previously disadvantaged communities: Focus on small business development, community economic development and tourism.
- Growing the economy: Focus on private sector development, infrastructure provision and sector support (tourism, manufacturing, logistics).
- Information and capacity for effective intervention: Focus on building municipal capacity and awareness and partnerships, as well as on generating research and information.

The focus of the projects that emerged from these early processes was substantially influenced by the economic conditions of the time during which unemployment was rising and economic growth was struggling to rise above two percent. It was also true that despite public commitments to securing a greater municipal focus on economic growth and job creation, the then local government structures were reluctant to reallocate expenditure away from traditional municipal service oriented categories towards specific local economic development endeavors. However, increasing frustration with a lack of new growth generating activity resulted in the emergence of a degree of boosterism, where municipal resources were allocated to urban regeneration projects and waterfront and convention center projects. It was hoped that in the absence of funds from central government for these programs, and in a context of a weak private sector response, the municipality could secure an economic impact by assuming the risks itself. Some, although not all, of these larger scale capital projects, were closely associated with experimental initiatives around labor intensive construction (LIC) and empowerment opportunities for black or women-owned enterprises.

During this same period (1996-2000), the municipality also initiated a wide-ranging review of its approach to the informal economy. This culminated in the Informal Economic Policy adopted by the eThekweni Municipality in 2000 (eThekweni Municipality, 2000). This policy framework was unique in the South African local government context, and perhaps internationally, in that it involved representatives of informal trade organizations and municipal officials workshopping the content of the policy together over an extended period of time. The policy started with a recognition that informal economic activity would, in all likelihood, remain a core element of economic activity in the city for many years to come and that it should be planned and provided for in the same manner as formal business development is accommodated.

Critical aspects included an agreement on the regulation of trading spaces in exchange for a developmental approach by the municipality in terms of supporting the development of representative organizations and the provision of the infrastructure and services attuned to the needs of informal economy workers. Whilst some elements of this policy framework remain in place today—as the policy has not been formally withdrawn—implementation remains patchy and officials claim that there is little political support for the key elements. Nevertheless, a number of the initiatives born out of this process have had a lasting impact, specifically those related to the provision of improved trading facilities and a wider understanding of the economic significance of the informal activities in relation to the economy as a whole.

The period beyond 2000 witnessed a greater resource and institutional commitment to economic development initiatives. Not only were capital projects such as the Point Waterfront<sup>12</sup> and the Riverhorse Valley Industrial Estate<sup>13</sup> at the peak capital expenditures but the municipality also became more ambitious in terms of support investment, tourism and eventing. Considerable sums were allocated to special, arms-length entities with which to drive these activities. These sums were in excess of commitments being made by other cities in the country: this was because the municipality had to work so much harder to attract the attention of investors and tourists because it did not have the profile of a major center.

Another key initiative during this time was the focus on enhancing the economic intelligence available to the municipality and to other stakeholders in the city. Economic development staff had long complained about the lack of any local-level data provision to Statistics South Africa and so a range of local surveys were commissioned to enable a clearer picture to be built of local economic circumstances. The surveys included an informal economic activity survey, as well as tourism surveys, a manufacturing survey and a small business survey. These contributed to a stronger platform for city-wide policy interventions. The major surveys were conducted with support from USAID and the World Bank and allowed for a deeper assessment of trends—including employment related matters—that could, in turn, help to guide strategy.

Since 2005, the municipality has sought to consolidate its economic development programs and to sustain activity in a period of ongoing institutional restructuring. This culminated in the 2008 adoption of an economic development strategy by the municipality, titled, “Hands of Prosperity” (eThekweni Municipality, 2008). In the opening chapter of the document it is stated: “Economic development can be defined as a set of activities undertaken to improve the economic well-being and quality of life for a society. It encompasses the will to create and/or retain jobs and supporting or growing incomes and the tax base. It is about improving the economic wealth base of countries, or regions for the well-being of their inhabitants” (eThekweni Municipality, 2008:1). The following figure outlines the nature of the challenge the municipality faces in terms of meetings its particular objectives through such economic development programs. The

<sup>12</sup> A 55ha waterfront redevelopment at the harbor entrance with both harbor and beach access. Development cost to the Municipality in excess of R600 million.

<sup>13</sup> A 250ha mixed-used industrial and commercial park on the city’s outer-ring road developed in partnership with a private sector land owner. Development cost to the Municipality in the region of R300 million.

figure also gives an indication of the knowledge base to which the municipality has access in terms of identifying a role for itself.

Figure 9. Analysis of performance in key economic development delivery areas: eThekweni Municipality

**An Analysis of the Local, Provincial and National Economic and Social Conditions**

Indicators		SA	KZN	EMA	Analysis	Outlook for EMA
GVA Total	Average growth (2001-2006)	4.34%	4.30%	4.69%	Marginally higher rate than national and provincial	Positive
	2005-2006	4.89%	4.71%	5.04%	Marginally higher rate than national and provincial	Positive
Employment	Average growth (2001-2006)	3.00%	2.62%	3.35%	Marginally higher rate than national and provincial	Positive
	2005-2006	4.29%	3.67%	4.01%	Lagging behind national	Slow to moderate
Poverty (less than \$1 per day)	Average growth (2001-2006)	4.05%	3.72%	5.02%	Poverty growing higher in EMA	Negative
	2005-2006	4.67%	4.40%	5.12%	Poverty levels not reducing in all regions	Negative
Unemployment	Average growth (2001-2006)	2.25%	2.21%	1.61%	Unemployment slowing down faster in the EMA	Slow to moderate
	2005-2006	-2.39%	-2.43%	-2.74%	Reduction of unemployment accelerating since 2005	Positive
Economically active	Average growth (2001-2006)	2.49%	2.63%	2.52%	Marginal growth in economically active compared to national	Slow to moderate
	2005-2006	1.61%	1.75%	1.64%	KZN slowing down considerably	Positive
Number of illiterate	Average growth (2001-2006)	-1.39%	-1.10%	-2.10%	Considerable decline in illiterate	Positive
	2005-2006	-1.28%	-3.12%	-4.84%	EMA signs of accelerating pace of reducing illiterate levels	Positive
Population	Average growth (2001-2006)	1.21%	1.18%	1.14%	Population growth is slowing down	Positive
	2005-2006	1.02%	0.97%	0.93%	Improvements noticeable in all regions	Positive
Inequality (GINI coefficient)	Average growth (2001-2006)	0.33%	0.52%	0.12%	Overall signs of marginal growth in inequality; rising concerns in KZN	Moderate
	2005-2006	0.02%	0.18%	-0.35%	EMA signs of reduced inequality sharper than nationally, with improvements in KZN	Positive

Source: Global Insight 2007

Source: eThekweni Municipality, 2008: 11

It is notable that the core strategic goal identified in the strategy document is the halving of unemployment by 2014 in line with the Millennium Development Goal commitments. Arising from this goal, the municipality identifies a number of economic development outcomes and targets to guide its choices. These are reflected in Figure 10, below.

Figure 10. eThekweni Municipality’s local economic development outcomes and targets

**Local Economic Outcomes and Targets**

STRATEGIC OUTCOME	STRATEGIC TARGET	STRATEGIC CHOICE	CURRENT PERFORMANCE
Economic growth	EMA GDP growth target set at 1% above SA GDP growth target up to 2014	Specialised sector and investment support	1% above national
Reduce inequality	Lowest GINI COEFFICIENT nationally by 2014	Spatial integration and efficiency of priority nodes and corridors	Unacceptably high
Reduced local unemployment	Halve unemployment by 2014 in the EMA	Strategic industry skills development	34.4% unemployed
Improved business confidence	Highest business confidence amongst SA cities by 2014	Strategic economic infrastructure	Not determined to date
Equitable access to opportunities	Highest proportion of BBBEE SMEs nationally by 2014	Specialised enterprise development and innovation support for emerging and informal businesses	21% of SMEs in EMA are BBBEE compliant (ranked 2 <sup>nd</sup> in KZN behind PMB)

Source: eThekweni Municipality, 2008: 15

In order to work towards these strategic targets the municipality has identified a number of strategic choices:

- Specialized investment and sector support.
- Spatial integration and efficiency of priority nodes and corridors.
- Strategic industry skills development.
- Strategic economic infrastructure development.
- Specialized enterprise development and innovation support for emerging and informal businesses.

In order to enable to the municipality to contribute to these programs, the following “levers” are identified in the strategy:

- The reduction of red tape created in municipal regulatory systems.
- The creation of special purpose vehicles (to drive specific projects or programs).
- Incentivizing strategic investments (through creating an attractive and competitive investment environment).
- Partnerships with other key stakeholders such as business, tertiary institutions and civil society.
- Event led development to secure an improved profile and accelerate numbers of visitors.

Municipal officials indicate that as the strategy has been under preparation for a number of years, it has been effectively guiding action around economic development for a considerable period of time. In looking at the actual initiatives of the municipality in this field a number of initiatives stand out. The details of these are presented in the paragraphs that follow.

### **5.1.3.1. Sectoral development partnerships through industry clusters**

In the late 1990s, the then Economic Development Department of the erstwhile Durban Metropolitan Council initiated a series of action-research studies to consider the scope for contributing to inter-firm networking to enhance the competitiveness prospects in important local clusters. These sectors included clothing and textiles, the automotive sector and chemicals. The sectors were identified for differing strategic reasons:

- Clothing and textiles: the dominant manufacturing employer suffering major job losses as a result of rising import competition.
- Automotive sector: A critical local manufacturing sector, with deep local linkages and export potential.
- Chemicals: The fastest growing manufacturing sector, with important supply linkages to other manufacturing sectors and strong investment demand.

All of these processes provided opportunities for municipal engagement with key sector role players and deepened the common understanding of problems. However, it was only the automotive sector that made the transition from a series of research processes to an active initiative with an institutional form that enabled partnership between municipal and business stakeholders around key competitiveness challenges. This initiative ultimately became the Durban Automotive Cluster (DAC) with a membership of over forty firms and programs that delivered meaningful firm performance improvements and were closely associated with major multi-national investments by Toyota and some of its core suppliers, as well as with growing employment in the sector.

The DAC has provided a model for a range of other ongoing cluster initiatives in fields such as film and television, furniture, waste reduction, business process outsourcing and maritime logistics. Today cluster organizations are operating in these sectors with the support of the municipality, and also within the clothing and textile sector. These processes are all relatively new and have, according to municipal officials, enjoyed mixed responses. The contribution of the initiatives has not always focused on employment matters in a direct sense but ultimately, the initiatives must collectively support the halving of unemployment by 2014. For instance, the first priority of the clothing and textile process has been to enable firms to build better relationships with powerful domestic and international retailers to secure orders that can allow jobs to be retained. A key element of securing the confidence of buyers in this sector has involved securing a greater commitment by firms to enhancing the skills and productivity of labor. In other sectors such as film and television, the processes have involved responding to issues such as access to sites, municipal facilitation and training facilities.

### **5.1.3.2. Capital projects in support of economic development**

The late 1990s and early 2000s were characterized by large scale capital projects aimed at supporting economic growth. These included the International Convention Centre, Point Waterfront and a major new industrial estate (Riverhorse Valley Business Estate), which over some years, amounted to one fifth of the capital spending being allocated to these endeavors. The major capital programs provided a boost to construction employment during a period of weak economic growth and generated streams of new visitor categories (e.g. convention visitors) that helped secure growth in

employment and investment in related sectors such as tourism. A further important dimension of these initiatives is that they were undertaken in a such a way as to maximize employment and skills transfer during construction and also involved the first large scale initiatives to support the development of black and women-owned enterprises that had previously had little access to public contracts.

These were also accompanied by a wide-ranging commitment to capital spending in supporting existing business nodes or in support of the development of emerging business nodes. Over 60 discrete projects were funded, covering road upgrades, informal trading facilities, precinct improvements (lighting, paving, etc.) and other requirements that were identified in conjunction with local stakeholders. The sum allocated to these projects tended to be quite small (in the R1m-R2m range). The strong focus on the provision of facilities and infrastructure for informal trade in these projects can be seen today and the projects themselves were generally undertaken by small-scale local contractors in an attempt to boost local enterprise capacity and support local employment.

In present terms, the bulk of economic development related capital expenditure in the city is being allocated to processes surrounding the hosting of the 2010 FIFA World Cup. This has been backed by substantial central government allocations for new stadiums and transport upgrades. This activity has more than doubled total municipal capital spending in the last year and will continue to do so in the next financial year, with total stadium costs amounting to nearly R3 billion. These projects were initiated in a context of expanded national public spending on infrastructure and during a stronger period of economic growth and they have contributed to a doubling in construction employment in the city in recent years. The projects have also sought to provide an environment for skills development—taking on formally unemployed workers—and have been structured to provide opportunities for smaller businesses through contractual commitments around sub-contract arrangements. The actual event itself is seen by municipal official as enabling the city to grow its total employment—particular in tourism and related service activities—witnessed in part in the development of a number of new hotels.

Alongside this endeavor the municipality is continuing to support business center upgrades in established and emerging areas. Interesting profit generated from land sales in the joint venture with a private sector property group related to the Riverhorse Valley Business Estate were earmarked for the expansion of the joint venture activities to a nearby commercial site at the entrance to the city's largest townships—on a site called Bridge City—which is geared to bringing service and employment activity closer to township residents in a context in which such development was not allowed during the Apartheid era.<sup>14</sup> Ongoing allocations to emerging business nodes have seen a number of major private sector investments following the public commitment in areas such as KwaMashu Town Center and Umlazi Mega City, with a strong retail and services character and contributing to employment in proximity to residential areas. However, there has been a declining commitment to the provision of informal trading

<sup>14</sup> It is notable that the Municipality has commissioned a team to work on incorporating facilities for informal economy businesses in this new development. The work of this team is not yet complete but should provide an interesting example of approaches to including infrastructure and spaces for informal economy operatives in greenfield projects.

infrastructure, with municipal officials arguing that greater attention needs to be paid to regulation and forms of support before any further infrastructure expansions.

#### **5.1.3.3. Informal economy support**

The commitment to the provision of infrastructure for public space traders has already been mentioned above. However, there are a range of other activities that have been developed in support of the livelihood prospects of informal economy workers. It is worth noting that more than in other South African cities, space has been set aside for some form of quasi-regulated trading, as can be seen in the inner-city and on the beachfront. Here officials point out that the provision of infrastructure and services is not only geared towards the more effective management of public space trading but also to contributing to improved working conditions for those employed in the sector (shelter, storage, ablutions, etc.). There has been a concerted attempt by the municipality to require public space traders to be licensed and to remove those traders without authorization. This has led to a measure of conflict and has also caused tensions with immigrant and refugee traders who have struggled to obtain permits to trade.

#### **5.1.3.4. Tourism, marketing and eventing**

The municipality continues to invest substantially in tourism marketing and to support events that bring visitors to the city. The total spent in these two categories is the largest single operating budget allocation in the municipality's broader economic development program. In the 1990s, these initiatives were conceived as partnerships with the private sector although today, they operate largely as municipal driven initiatives. One of the original intentions of the eventing and marketing was to reduce the effects of seasonality on the viability of businesses and employment. However, it is not clear that this remains a focus, with the bulk of spending being allocated in support of peak period attractions.

#### **5.1.3.5. Investment facilitation**

During the late 1990s, the municipality initiated a Best Practices City Commission, with a panel of private sector business leaders the aim of which was to find ways to reduce obstacles to business expansion and new investment. One of the key recommendations of this was the creation of a public-private partnership agency to market the city to investors and to facilitate investment projects. This entity is now housed within the municipal structures and continues to work closely with selected investors in providing support but is less geared towards investment marketing. Some successes identified in this field include the doubling of the number of call centers operating in the city over the past five years. Municipal officials indicate that employment creation is one of the key performance indicators of this initiative but is certainly not the only indicator.

The Durban Investment Promotion Agency was also involved in supporting a number of Business Retention and Expansion projects, which entailed the facilitating of local business area forums where business owners and operators would collaborate on resolving local obstacles to growth. In some areas this has secured an improvement in municipal services, and in other areas it has fostered collaboration between businesses on matters such as training and area maintenance.

#### **5.1.3.6. Strategic partnerships**

At the turn of the century, the municipality was working closely with an informal partnership body called the Durban Growth Coalition, which brought together business

and political leaders with the focus on removing obstacles to major economic development projects. This grouping succeeded in a number of cases but was seen by some as having been captured by particular business elites and, despite continuing to function in the background, is not at the heart of guiding key municipal choices. The municipal leadership has chosen to de-emphasize such partnership arrangements with businesses and has sought to demonstrate a greater level of leadership in programs such as those related to the 2010 FIFA World Cup. Once again, employment creation was not seen as the key focus of this body; instead, an attempt was made to secure new investment, which, it was argued, would in turn support growing employment. However, operational partnerships such as those related to the cluster process continue to function and be deemed important by municipal officials.

#### **5.1.3.7. Knowledge and information**

The eThekweni Municipality has, for an extended period of time, placed some emphasis on building its own knowledge base on the local economy, as well as on sharing this with local stakeholders. This has been driven by a number of objectives: to enhance planning and the quality of municipal programs; to provide a common basis for approaching economic challenges with other stakeholders; and to improve the scope for evidence-based policy influence with other spheres of government. This has involved the employment of staff to perform a research and knowledge function, making information on the local economy available to other stakeholders, the production of reports and conducting contracting specific pieces of research. A highlight of this was the commission of a major survey involving small and large firms during the 2002/2003 period, which was sponsored by USAID and the World Bank. This research allowed for a clearer identification of priorities and a more informed decision making process. Notable in this research was the focus on factors influencing employment trends of formal businesses. At the same time, a survey of informal business was undertaken, the first of its kind and scale in South Africa. This helped to identify key challenges that the informal businesses were facing and informed a more targeted response from the municipality. The municipality continues to initiate discrete fields of research (such as that conducted around the Port of Durban) but has not repeated this large scale survey approach, relying instead on modeled data from commercial research agencies. Some work has been initiated on skills demand within the local economy but no specific research has been undertaken and reports have been written on the specific issues related to employment and unemployment in the economy.

#### **5.1.3.8. Small business development**

The municipality has continued to focus heavily on the provision of small business support for small and micro enterprises. This has entailed a range of programs, including:

- Advice and training: Together with the national Department of Trade and Industry a Small Business Development Agency (SEDA) operates to support the formation and development of enterprises by providing training, advisory services and links to finance and other programs.
- Incubation and facilities: A number of small business incubators and managed facilities for small business are provided (such as container parks). These are generally provided at concessional rates and allow for the provision of some support and advisory services.

The SEDAs are established as entities that can provide support to walk-in enquiries. They are also focused on providing outreach services to help deliver information and training to target communities. The SEDAs operate within a national umbrella structure managed by the Department of Trade and Industry but are co-funded locally by the

municipality. According to SEDA reports, the majority of visitors are seeking support in establishing a business and the next largest category are those seeking to expand their business through access to links to public or corporate tenders, or through support in accessing finance.

The SEDAs also work with the Umsobomvu Youth Fund, which was established nationally to assist with support to youth entrepreneurs (aspirant and actual). The Umsobomvu Youth Fund also provides some support programs to youth in informal businesses.

#### *5.1.4. Employment creation through other municipal processes*

Beyond the particular economic development focus areas, the municipality has also sought to use its leverage potential in its core service delivery programs to support various economic development goals and, in some cases, to enable forms of employment support to be enhanced. The overwhelming bulk of municipal capital and operating spend is allocated to these categories (water, electricity, parks, roads, housing, etc.) and, as such, is an important area of focus. In these areas of work the municipality can use its own revenue streams and various grant programs from national and provincial government in support of employment impacts in direct and indirect terms. The main focus areas have been those of procurement reform and labor intensive construction (LIC), in particular the extension of the national Extended Public Works Program to municipal services extension projects.

Procurement agendas have been particularly focused on ensuring that municipal projects are allocated beyond the established firms. This has resulted in these firms changing their ownership and management structures to secure municipal contracts. It has also resulted in greater degrees of sub-contracting between larger firms and emerging businesses. Important innovations in these processes have been the establishment of protocols on training and mentoring in larger projects, as well as the breaking up of larger contracts into different elements, some of which can be allocated to emerging businesses. For much of the past decade, the approach to using procurement to support emerging businesses has been the focus of the Municipality and this has been linked to its affirmative procurement policy framework.

The municipality has also initially encouraged, and later required, businesses taking up municipal contracts in historically disadvantaged areas to increase their proportions of local employment on site. This has generally involved a process of liaising with local elected representatives to identify households in which short term labor would be of benefit to the socio-economic circumstances of those households. Municipal officials admit that this system has its challenges, including a weak process to identify possible laborers, as well as skills and experience mis-matches that might undermine the prospects of contractors actually completing projects. Officials also reflected that some enterprises are unwilling to embrace this approach, although under such circumstances, it is not uncommon for contractors to be subjected to some levels of harassment by community members if they do not demonstrate a commitment to the use of local labor. In some cases, local labor sourcing initiatives have been linked to job-center type databases of unemployed people who have been exposed to a level of upfront training in various fields. The Cato Manor Development Project (funded by the European Union and brought to a close in 2004) provided such a system and worked closely with contractors on matching their requirements and supporting them in providing employment to those with little experience.

The launching of the Extended Public Works Programme at a national level in 2003, heralded a greater level of focus on utilizing municipal service provision in support of employment creation. Whilst no new significant national government funding was allocated to this—apart from that required to set up a national program office—National Treasury did agree to utilize conditional grant programs such as the Municipal Infrastructure Grant Programme to require a level of public works delivery by municipal users of these grants. As the eThekweni Municipality was a major recipient of such application-driven conditional grants it immediately identified a benefit in aligning its delivery strategy in various business plans to meeting these obligations.

After about a year of less than successful implementation experiences in the context of what municipal officials describe a weak and patchy national support, the municipality established a dedicated Project Management Unit (PMU), which was staffed by experienced engineers and supported by some administrative capacity to drive the public works components of infrastructure-led projects such as peri-urban road building, the laying of pipes and the construction of sanitation facilities. The PMU used its dedicated capacity to support application processes and to support line departments in the implementation of public-works oriented projects. PMU staff point out that their specialized knowledge and full-time focus on such initiatives have enabled them to offer useful forms of support to ensure a measure of success. The PMU also initiated activities related to training components of the EPWP and to supporting contractors in working with public works objectives. Furthermore, the PMU also sought to extend the employment impact of public works exposure for some labor by facilitating the creation of local enterprises that might supply goods and services to ongoing development projects. These included block-making, basic plumbing and equipment supply. The PMU sought to play the role of linkage facilitator between a range of different programs that might otherwise have by-passed the areas in which the PMU was operating. The PMU attributes some of its success in these programs to the strong oversight and management they were offering, which guaranteed a high level of delivery against plans, which, in turn, made them an attractive proposition for other entities that wanted to be associated with actual delivery.

In 2006, the PMU tabled a proposed policy framework for public works in eThekweni Municipality. This was confirmed in April 2007 as the eThekweni Expanded Public Works Programme (EPWP) Policy (eThekweni Municipality, 2007b). The aim of the Policy is identified as:

- Guiding the activities of municipal departments in how they can support public works.
- Securing formal municipal support for the program as a project within the broader municipal socio-economic and poverty reduction programs.
- Securing a commitment to public works in the Integrated Development Plan.
- Ensuring integration between municipal programs and re-engineer planning, design and delivery processes.

The policy framework confirms a commitment by the municipality to four key sectors of activity presented in the table below. The policy framework reflects the success of the municipality in some categories such as infrastructure but argues for a more concerted effort in the other categories, noting that municipal departments have not taken up opportunities such as those related to environmental services (e.g. Working for Water), which involves securing funding from national and provincial departments to enable the labor-intensive removal of alien vegetation that has infested many catchments, with a negative effect on water sources and courses.

**Table 2 National EPWP categories and proposed fields of activity**

<b>Infrastructure</b>	<b>Environment/tourism &amp; culture</b>	<b>Social</b>	<b>Economic</b>
Low volume roads	Working for water	Early Childhood Development	Catering
Sidewalks	Working for wetlands	Home/community based care	Security
Storm-water management	Working for the coast	Food security /nutrition	Uniform manufacturing
Trenching	Domestic waste collection		Municipal building cleaning
Materials supply	Agribusiness		Municipal building refurbishment

The policy framework identifies the need for the creation of a Municipal Task Group to coordinate the expanded action and it also sets out the necessity for the effective monitoring of initiatives thus enabling the PMU to report to the national EPWP office on areas such as:

- Job opportunities.
- Person days of employment.
- Demographic targets (e.g. women, youth, people with disabilities).
- Training days.
- Project budgets.
- Project wage rates.

PMU officials report that they are still working on the effective coordination and consolidation of various public works activities as outlined in the framework. It is notable that the policy does not set a common standard for the form of public works employment related to length of the job opportunity, wage rates, training and labor conditions. However, officials reported that, in general, the municipality exceeds the minimum standards of the EPWP national framework but that there are exceptions. The PMU's attention to training and oversight is not necessarily replicated in other municipal public-works type programs such as those involving the cutting and clearing of grass verges, which have been outsourced to newly created cooperatives that have, in turn, been given access to some training, equipment and regular contract work around the city.

Forms of public works employment, or even of labor intensive construction, have been accorded less attention in housing programs and informal settlement upgrades. Municipal officials argue that there are limits to labor intensity in the form of the projects delivered, although there are some projects that have been designed to secure greater involvement of local labor and to encourage and measure skills development and enterprise development. Contractors brought on to deliver public subsidy housing and informal settlement upgrade projects are required to draw on labor from the potential beneficiary pool. It is notable that these have generally been where there is a greater level of project and administrative support that is funded from outside housing related budget costs, such as the experience of the Cato Manor Development Project mentioned earlier. National funding for housing, in addition to the elaborate approval process, tends to place great pressure on the pace of delivery and militates against design and delivery aimed at enhancing labor effects.

In terms of the provision of other services such as waste collection, a mixed picture emerges. The municipality has explored contracting arrangements with small service providers and with labor brokers to enable the services to be made available in more areas of the city. In recent months, the municipality has faced an extended strike by both contract and full-time solid waste workers over the failure to convert contract employees

to municipal staff on permanent employment. The contract workers were being paid substantially below the rates enjoyed by municipal staff and were enjoying little in the way of benefits; they also alleged that they were not being provided with adequate protective clothing and equipment. In resolving the strike the municipality agreed to advertise vacant full-time posts that had not yet been filled, in order to enable some of the contract workers to improve their conditions. Municipal officials pointed out that the experience reflected a major challenge, in that there was pressure on the municipality to extend services to communities with little scope to pay for services and, as such, a format had to be found to avoid the costs of extending such services rising excessively. One municipal official pointed out that many people employed by the municipality on anything less than permanent contracts would probably increasingly agitate for conversion to such a status. Municipal officials reflected on this as a major challenge and suggested that as services were extended and economic conditions improved, it might become much more feasible for the municipality to expand its permanent staff or, at least, raise the terms of employment of those working on some form of contract arrangement.

Over the past eighteen months, PMU officials have been making the case for the municipality to initiate a shift in focus towards a public works approach that is less reliant on capital project-led construction and more geared towards (labor-intensive) maintenance. This is driven by two concerns:

- The projected decline in municipal capital expenditure as 2010 FIFA World Cup expenditure reaches its conclusion and as more and more communities are provided with basic services and infrastructure.
- The increasing requirement for the municipality to allocate resources to maintenance of infrastructure and systems.

As such, the PMU has been working to explore both enterprise development and public-works-type programs where the focus of activities is on maintenance. Officials indicated that there are complexities with such an approach in that it was not as easy to cost these activities in budgeting as it had been with capital projects, because the maintenance expenditure comes largely from internal revenue generation, while capital projects have largely been funded by national government grants.

One example of this shift is the municipality's adoption of the KwaZulu-Natal Province's acclaimed Zibambele road maintenance project. This program has been running in the province for close to a decade and involves households in poverty being allocated a form of contract to maintain a section of road including the clearing of storm water drains, the removal of vegetation and the filling of potholes. Under the scheme, the household is allocated two days work a week and the household can decide which adult member will fulfill the weekly duty. Households are remunerated at above the minimum wage levels and are also supported through the provision of basic training and equipment. By October 2008, there were some 4,500 beneficiaries employed in the scheme in 50 of the city's 100 wards and the intention was to expand this number by a further 2,000 by the end of December 2008. The program has a particular focus on women-headed households because they are seen to make up the bulk of the poorest households. Interestingly, the municipality has provided a range of other support activities to run alongside the scheme, which include facilitating the creation of savings clubs (80 have been developed to date), as well as guidance in obtaining identity documents and opening bank accounts. Recognizing the importance of dedicated management of the program, the municipality has made use of a company called TPA Consulting CC to oversee the day-to-day operations of the program as there is recognition that management of such processes is not something with which the municipal bureaucracy is familiar.

In 2008, the municipality, through the PMU, also initiated a pilot to utilize the New Engineering Contract (NEC) system, in order to meet the objectives of securing contract performance on major work orders while also securing delivery on a range of non-works related goals such as enterprise development, training and enhancing health and safety. The NEC framework has been used internationally for a number of years to allow for major contracts to be packaged in such a manner that they enable performance across a broader range of indicators and adequate risk allocation between parties. Officials also outline how they allow for a more effective monitoring of performance as not only do they specify legal compliance but they also provide for agreement on the management procedures to be utilized in various projects. The NEC also provides, for a range of different cost specification, options ranging from lump sum contracts with specified activities through to target contracts attached to bills of quantities. For officials, this new contract form allows for a more effective interaction with private sector contracting entities to enable them to become deliverers of key priority outputs such as increased training for workers and quality certification of small enterprises. Such contract arrangements are also seen as attractive as they do not require the municipality to bear the transactional costs of administering multiple smaller contracts. This was further underpinned by a concern that in breaking up formerly larger contracts the municipality was caught up in complex tender adjudication processes and multiple oversight activities and that, as a consequence, oversight on actual delivery was lapsing.

The eThekwini NEC pilot involves a major maintenance contract (in excess of R650 million) to replace thousands of kilometers of asbestos water pipes over a number of years. This contract involved the allocation of four regional projects to four larger, established civil companies to carry out the replacement of pipes over a number of years. Each of these four companies was allocated four emerging contractors that had to be progressively enabled and capacitated during the contract process, with all companies being required not only to meet specified delivery targets in pipe replacement but also to deliver on training and enterprise development targets. The four major civil companies are, in turn, managed through a single engineering consultancy, which ultimately reports to municipal officials. The PMU staff identifies the NEC route to handling major maintenance projects as having great potential, not only in terms of enterprise development but also in terms of enhancing labor intensity and labor training. However, the contract approach is not entirely compatible with the existing Supply Chain Management approach governing contracts in local government and, as such, has required exceptional action to enable the pilot to take place.

#### *5.1.5. Some general reflections on the eThekwini case*

Municipality officials identified a range of challenges they would have to overcome to secure an improved employment impact. For officials working in the economic development function there was a concern that demand for rapid results from projects often weakened the prospect of yielding increased employment gains and also potentially curtailed the impact on those actually employed. Delays in contracting, as well as demand for rapid completion, left little space for the design and implementation of employment generating initiatives within other projects. Examples cited included major upgrade work related to the 2010 FIFA World Cup (such as a beachfront redevelopment) in which the requirement to implement projects in a short time frame led to little in the way of design for enhanced employment gains. However, despite these reservations, there remained a strong focus on seeking out EPWP-related opportunities in projects in which there was greater scope to influence the imperatives (helped, in instances, where funding packages such as those related to the municipal Infrastructure Grant specified public works impact in the orientation of projects).

Officials in other service delivery areas indicated that a major obstacle was the excessive bureaucratization of schemes designed to create forms of employment. Concern was expressed that the potential to yield significant numbers of public works jobs in environmental services fields was being held back by the slow granting of approval and by complex application systems at both the national and the provincial department level. Furthermore, there were often excessive delays in granting approval for intended municipal activities by the national EPWP office or the Department of Labor (where either funds or training services or both were concerned). Officials indicated that the models they had developed would enable them to at least double, if not triple, the number of people employed in public works-related jobs if they were awarded some form of accreditation that allowed for lump sum allocation of funds and reporting and business plan targets. Concerns were also raised about the ongoing attachment of many national schemes to labor intensive construction. Officials pointed out that municipal operating budget often exceeded capital budgets by a factor of three or four and could be a source of major service expansion through more effective use of labor intensive methods. By matching these opportunities with commitment spends over multiple years, contracted via the NEC method, large, medium and small companies could operate with a much greater degree of certainty of revenue flows and would, therefore, be more open to municipal requirements pertaining to labor use, as well as training and enterprise development targets. It was suggested that the present contracting system tended to generate considerable degrees of uncertainty and militated companies against expanding their employment and improving the conditions of their staff.

In the dialogue with officials a number of other areas requiring some attention were identified. These included:

- A tendency to focus on the development of new enterprises or the strengthening of emerging ones without the same level of attention being placed on employment goals in the day-to-day administration of programs.
- Difficulties in integrating employment goals with some key areas of municipal activity such as those related to housing; this was driven in part by inflexible policy environments and rigid project specifications.

Officials also emphasized that any initiatives that had demonstrated success were those that had received sustained institutional attention and dedicated oversight for a number of years. Sound interventions required careful conceptualization, design, implementation and post-implementation follow-up. There was also a need to support these with suitably high level specialist skills in the employment field, in order to ensure that the initiatives were backed by adequate knowledge and experience.

A further challenge reported was the lack of an adequate grasp of the dynamics surrounding employment and unemployment in the local economy. Data used were often not sufficiently informative for policy makers and program planners, and limited to a handful of indicators. For instance, information on matters of informal employment and under-employment or low-wage work was not readily available to officials. A case was also made that access to such data was a luxury, and a costly one at that, and so officials had to become used to working somewhat in the dark when it came to developing strategies and programs.

Despite recognition of these shortcomings, there was still only limited experience of partnerships at the strategic level, although at the project level, partnerships were apparent in fields such as the Durban Automotive Cluster and the NEC contract pilot. In such circumstances there was not necessarily a shared set of objectives developed around an employment agenda with potential social partners such as unions, business associations and civil society organizations. One official mentioned that the possibility

of some form of local social compact had been discussed in the early post-1994 period but that this had never been taken further than the creation of the National Economic Development and Labour Council (NEDLAC), with its national platforms.

Nevertheless, despite identifying these limitations, municipal officials in eThekweni, indicated that, in their view, they had done more than most South African cities in initiating programs sensitive to the country's employment challenge. For a number of years, the municipality had been the most effective at applying for, receiving and spending the Municipal Infrastructure Grant, and this was closely associated with public works objectives. Furthermore, the municipality has, on a consistent basis, outspent other cities in allocations to economic development in relative and absolute terms (prior to the 2010 FIFA World Cup allocations from the national fiscus); according to officials, this displayed a strong dual concern with economic growth and employment issues and was more remarkable considering that the city had a lower per capita income than the other major cities (Johannesburg, Cape Town and Pretoria).

City officials also identified the fact that they were known locally and internationally for innovations in programs that had some impact on employment conditions. The creation of the PMU—referred to previously—was one such innovation that placed the municipality at the forefront of municipal public works initiatives. Furthermore, municipal departments were consistently exploring new avenues to support greater levels of employment and improved incomes to poor communities. Examples of initiatives that were still being developed from preliminary pilots included waste buy-back centers, public realm maintenance initiatives and supporting the provision of environmental and social services.

According to the municipality's 2005/2006 Annual Report, "The city's economy is currently growing at a rate of 4 percent per annum. One of the central growth challenges is to double per-capita income over the next decade. In order to achieve this, a growth rate of 7.5 percent is required, and 18 000 new jobs need to be created before 2010, in order to achieve this strategic vision" (eThekweni Municipality, 2006a: pages not numbered). In a context where unemployment was measured at 34.4 percent in 2005 (eThekweni Municipality, 2006b: 18), meaning that 538,610 people were unemployed and 1,029,342 were employed, this suggests that the municipality still has some way to go in embracing the scale of the challenge since halving unemployment by 2014 or 2015 would take something in excess of 50,000 new jobs being created each year in the local economy, taking into account new labor force entrants and exits. The same source identifies that 80 percent of employment in the city is generated in formal employment compared with 15 percent in the informal sector and suggests that the overwhelming focus of the municipality must be on formal employment. However, it is also clear that there are rising levels of informalization in the economy and much of the new formal employment created in recent years has been of a temporary and outsourced nature, with weak or non-existent contracts suggesting that the determination of what is informal and what is formal employment is becoming increasingly difficult to identify. As the municipality conceives of its future plans it will need to get to grips with these challenges in a more substantial manner.

## **5.2. Pietermaritzburg and the Msunduzi Municipality**

### *5.2.1. Municipal context and institutional profile*

Msunduzi Local Municipality is located in the Province of KwaZulu-Natal (KZN) within the Umgungundlovu District Municipality and is the home to Pietermaritzburg,

the capital city of KZN. Msunduzi has a population of 616,730<sup>15</sup>—well over half a million people—with a population growth rate of 2.5 percent per annum (larger than the country’s average of 1 percent per annum). It is the largest municipality in the Umgungundlovu District Municipality, and is the center of the district’s economic activity, accounting for over half the district’s population and more than 70 percent of its turnover and earnings.<sup>16</sup>

The municipality spans an area of over 630 square kilometres<sup>17</sup> and has a population density of approximately 102 people per km<sup>2</sup>. This is symptomatic of a relatively small area with a comparatively high level of urbanization. The municipality lies approximately 80 kilometers north-west of Durban, which is the hub of economic activity in the province and home to one of the major ports of the continent. Msunduzi is situated on the N3 Highway, the major transportation route between Durban and Johannesburg (the center of economic activity in the country) and so is strategically placed from a logistical and industrial or commercial point of view. From Durban, it is also the ‘gateway’ into the beautiful KZN Midlands and the Drakensberg, both important tourism and agricultural assets within the Province.

Msunduzi is the home to a number of significant secondary and tertiary educational centers—hosting a number of the top schools and one of the top five universities in the country, as well as a number of other tertiary institutions—and is also the legislative and governmental hub of the province. For these reasons, it is an important center in the province. Despite this status, the legacy of Apartheid is still very much in evidence in the municipality. The uneven development between city and suburbs, the spatial allocation of land—which still runs along strongly racial lines—and the serious underdevelopment in traditionally ‘black’ townships all serve to reinforce this. Difficulties are also felt between the largely urban local municipality of Msunduzi and the largely rural district municipality of Umgungundlovu—which carries some service delivery functions in Msunduzi—with strong push-pull factors drawing people to the city resulting in an ever growing population, which consequently intensifies the already present social and economic problems.

The socio-economic and living standard profile of Msunduzi is largely informed by these issues. While some areas are socio-economically secure—especially the previously ‘white’ areas of the city and suburbs—others, such as the previously ‘black’ townships and also a number of previously ‘Indian’ areas, which largely lie outside the city limits, are relatively insecure, with low standards of living for their citizens. There is also evidence that living standards within the municipality have decreased in recent years. For example, between 2002 and 2004, the Living Standards Measure (LSM) showed a downward shift from LSMs 5-10 into the lower LSM categories.<sup>18</sup>

The municipality’s budget sits at approximately R1,750 per capita per annum. Being this small, maintaining existing services and simultaneously developing further services in poorly-served areas places it under severe strain. The municipal manager highlighted the fact that one particular strain on local governments is that they need to

<sup>15</sup> Msunduzi Municipality, 2008a, IDP 2008 / 2009 – [http://kzntopbusiness.co.za/dedi134.cpt2.host-h.net/site/user\\_data/files/Msunduzi20IDP202008\\_2012\\_1.pdf](http://kzntopbusiness.co.za/dedi134.cpt2.host-h.net/site/user_data/files/Msunduzi20IDP202008_2012_1.pdf)

<sup>16</sup> Msunduzi Municipality, LED Strategy for Msunduzi (2008b).

<sup>17</sup> Municipal Demarcation Board municipal profiles accessed from <http://www.demarcation.org.za/MunicProfile2006/index.aspx>

<sup>18</sup> [http://www.sacities.net/2006/pdfs/cities\\_2006.pdf](http://www.sacities.net/2006/pdfs/cities_2006.pdf)

raise their own funds and do not get large allocations from the state in the way that other government departments do. This seriously limits the developmental potential of local governments. Despite this strain, Msunduzi has been particularly successful in raising its own income and remaining financially independent; this is evident from its low reliance on grants and subsidies.<sup>19</sup> This allows the municipality some level of freedom to develop programs over and above those funded through the national fiscus and to use these programs to accelerate development impacts.

The economy of the municipality is fairly diverse. At this stage, it is largely service oriented (with highest employment in this sector); however, being the highest turnover sector, the manufacturing sector is also an important contributor and exports to a diverse range of markets, including aluminum products, cut flowers, automotive components and furniture. In terms of turnover, the manufacturing sector holds the largest proportion (36%), followed by wholesale and retail trade (24%) and business services (18%). These proportions differ slightly if employment per sector is looked at. Here the services sector (specifically Community/Social/Personal) holds the largest proportion (27%), which is then followed by Wholesale & Retail, and Manufacturing, which are both at around 15 percent.

### *5.2.2. The Employment Situation in Msunduzi*

The decision to make the city of Pietermaritzburg both the administrative and legislative capital of KZN has boosted employment and, to a greater extent, investment levels, which should increase further once the city is declared a Metro in 2011.<sup>20</sup> Municipal informants suggest that these factors have been central in developing a rapidly growing economy in the municipality over the last five or so years. Becoming a Metro will also increase the city's revenue from the State and give it greater direct control of a wider range of service processes, thus enabling local government to improve its service delivery.

In spite of this economic growth (further aided by local government's pushing of industrial and commercial development through a number of enabling policies and programs) the development has not been adequate or fast enough to provide economic opportunities, employment and livelihoods for Msunduzi's entire population. According to 2001 census statistics, only 32.8 percent of the population is employed, with 30.6% being unemployed and 36.6 percent reported as not currently economically active. Later statistics estimate that unemployment is as high as 35 percent<sup>21</sup> with the 2008 Msunduzi LED strategy 2008b) claiming that by 2004, unemployment was at 48 percent. Of course, differing definitions of employment could explain these differences. According to 2004 data, Msunduzi supported about 120,000 diversified jobs; the major problem is that, at approximately 240,000 people, the economically active population was nearly double the number of jobs available.

Because of the scarcity of jobs, large numbers of people are being pushed into the 'informal economy' in order to survive, although what evidence there is on the informal economy in Msunduzi, suggests that it is relatively small in comparison to other city

<sup>19</sup> <http://www.sacities.net/cities/msunduzi.stm>

<sup>20</sup> Metropolitan status is deemed as important as it means the municipality will have greater powers and will not be dependent on the district municipality for some of its services.

<sup>21</sup> <http://www.sacities.net/cities/msunduzi.stm>

centers. It must be noted, however, that within the municipality there is very little concrete information about those working informally. Officials note that very little coordinated effort has been channeled into investigating, supporting or developing this sector, with efforts over the past decade being inconsistent and contradictory. Moreover, there is no consolidated policy or program to support people working here, despite a few initiatives springing out of various local government departments and non-profit organizations. One such development in the pipeline will result in the construction of ninety shelters for informal workers near a city-center taxi rank.

The limited data that are available about the informal economy in Msunduzi is summarized in the 2008 LED Strategy (Msunduzi Municipality, 2008b). According to this data, 68 percent of businesses in this sector earn less than R1000 per month, with each business supporting approximately 5.68 individuals, who are, by and large, family members and neither part-time nor full-time employees. When we consider that the minimum wage for someone working in the municipality is R5000 per month, for full-time work, the contrast is startling. In addition, the cost of transport can be anything from R250 per month to R1000 per month; a clear problem when related to average monthly income. The money earned by the majority of businesses in the informal economy is barely enough to term the business 'survivalist' and could more accurately be seen as disguised unemployment.

In terms of full-time versus part-time employment, research findings recorded in the LED strategy (Msunduzi Municipality, 2008b) report that despite the high level of contract and part-time work used in building and infrastructure development (which has been noticeable in Msunduzi in recent years), less use is made of it than in other municipalities, (this is possibly because agriculture and such seasonal employment is less important). While the problems of unemployment are not fully solved by short-term, contract work, the relatively small amount of this type of work on offer in this municipality does provide some scope for further employment opportunities for local government to make available.

What research there is on the area suggests that the number of self-employed people is relatively small. This suggests low levels of entrepreneurial spirit and/or SMME opportunities.<sup>22</sup> In fact, the LED strategy (Msunduzi Municipality, 2008b) suggests that the high unemployment rates are indicative a preference for 'employee employment'. These findings support the belief held by municipal managers that an 'entrepreneurial spirit' is not being sufficiently fostered among learners.

This issue of education being a key factor in the employment crises was raised by a number of senior municipal staff. Despite Msunduzi being a center of educational excellence, education is still provided unequally; private schools within the municipality are by and large first-rate, while poorer public schools still provide sub-standard education due to over-sized and under-resourced classes. The result of this has been high drop-out rates and many people failing to complete their education. According to the 2001 census, as many as 56 percent of the population have not completed secondary education, with 11 percent having no education at all. Only a third of the population have a Matriculation or some form of tertiary education. In addition, one municipal worker claimed that in general, the education system is not geared towards skills development and entrepreneurial training. This, along with the low level of education,

<sup>22</sup> Msunduzi Municipality, 2008b, LED Strategy 2008.

impacts significantly on the availability of skills within Msunduzi. This skills shortage is reiterated in Msunduzi's LED Strategy (Msunduzi Municipality, 2008b), which highlights that businesses identified this as one of the major blockages to hiring labor.

The situation in this municipality is, therefore—as one municipal worker said—one of an oversupply of 'general' labor and an under supply of 'skilled' labor. This highlights the large and growing mismatch between the need for work to be done and the availability of decent employment. For example, while there are not enough jobs for people in the municipality, there are simultaneously more than 500 staff vacancies available for different functions in local government alone.<sup>23</sup> In line with this, there are severe service delivery shortages in terms of infrastructure and public works.

The employment challenge in Msunduzi municipality can, therefore, be regarded as significant; however, it must be noted that it is, by and large, similar to the challenge facing the rest of South Africa. Urgent attention needs to be paid to this issue at a national, provincial and, most importantly, at the local government level.

### *5.2.3. Municipal Strategy and Employment Creation*

The issue of unemployment is addressed in a number of key policy papers and planning frameworks. The starting point of these is at the national level, which then informs provincial policy, which in turn informs local government policy. From provincial policy, the District Municipality of uMgungundlovu then draws its own strategies. Four key strategies here are:

- The uMgungundlovu District Policy Framework.
- The uMgungundlovu Integrated Development Plan.
- The uMgungundlovu Spatial Development Framework.
- The uMgungundlovu LED Assets and Status Quo.

From the District municipalities' broader goals, the specific local Municipality of Msunduzi is then able to draw up its own policy framework, in order to respond to its own specific employment challenges, ensuring all the time that it does this in relation to the goals and policies within the broader South African context.

The central policy document that informs development within a municipality in South Africa is the "IDP" or Integrated Development Plan (Msunduzi Municipality, 2008a). This is an approach to planning that attempts to overcome the poor planning of South Africa's Apartheid past and involves all the citizens in a particular municipality in finding solutions to long-term economic and social development.<sup>24</sup> This plan forms the framework within which other municipal projects, planning and programs can function. Although the plan is developed for a five year period, it is also reviewed annually, so that necessary changes can be made.

According to the IDP, there are nine city goals that form the basis for strategic direction and action. Two of these relate in some way to the employment situation or to local economic development. These are:

<sup>23</sup> Msunduzi Municipality, 2008a,

[http://kzntopbusiness.co.za/site/user\\_data/files/Msunduzi20IDP202008\\_2012\\_1.pdf](http://kzntopbusiness.co.za/site/user_data/files/Msunduzi20IDP202008_2012_1.pdf)

<sup>24</sup> <http://www.etu.org.za/toolbox/docs/localgov/webidp.html>

Goal 2:

- To promote sustainable economic growth and equitable development, in order to perform above the national and economic development indicators.

Goal 3:

- To eradicate poverty, through sustainable service delivery and by creating employment opportunities to realize the millennium development goals, with particular focus on addressing gender imbalances and youth disparities

These goals highlight two important aspects of economic development: (1) growth and (2) employment creation as one of the means to eradicating poverty. It must be noted, however, that among these goals, employment creation is not an important goal in its own right. Despite being mentioned here in the city goals, employment creation in the rest of the IDP is, by and large, seen through the dominant lens of ‘growth’ (goal 2 of the city strategy); where the unemployment problem is being addressed is through the creation of an environment that attracts investors, so that through commercial, industrial and economic growth in general, more jobs are created. Municipal officials interpret the municipality’s role as indirect and facilitatory when it comes to job creation. This rationale is given as informing the relatively low profile of specific employment commitments in various strategic documents of the municipality.

Specific LED projects identified in the IDP include:

- The Edendale Development Corridor.
- The Freedom Square Development Project (inner city rejuvenation).
- The Implementation of a Tourism Agency.
- The Production of quarterly economic and business status reports.
- The Airport & Municipal Market (upgrade and improved services via Public Private Partnerships).

Here again, the focus is on investment and development, with employment creation being the consequence of these.

Another important and relatively new document that responds to the economic challenges of the city is the 2008 Msunduzi LED Strategy. This document provides an informed overview of the economy of Msunduzi and sets some valuable LED targets. This document outlines important LED opportunity areas for the municipality, including:

- Agriculture.
- Agri-process.
- Wood and wood products.
- Tourism (especially business tourism).
- Manufacturing & assembly to varying degrees.
- Services especially in health, education, ICT and logistics.

The LED strategy goes on to highlight that growth on its own is not enough and that poverty alleviation strategies must be implemented in parallel. The main area mentioned relates to the building of skills, specifically within the ‘second’ (informal) economy. Here, the “development of small enterprises in the second economy is the key mechanism to ensure that there is shared growth between the first and second economies... people must be identified who are already active in small enterprises and these people in particular should be empowered. Those who are not active need to be encouraged, and opportunities need to be identified and created for such enterprises” (Msunduzi, 2008b: 62).

While factors outside ‘growth’ and ‘investment’ are, therefore, outlined in the LED strategy, this strategy was only put together in 2008 and it is thus too early to identify the fruits of this document. It will be interesting to see how this translates into practical programs and projects within the municipality. When talking to municipal officials, it was clear that the thinking in strategy was not their dominant method of addressing the employment crises.

Overall, it would, therefore seem that while decreasing levels of unemployment always come up in some form, the means of achieving this result are generally through the indirect impacts of other projects.

#### ***5.2.4. Economic Development Programs & Employment Creation***

Five to 10 years ago, the Msunduzi Municipality was in economic decline, with little or no investment coming into the city, a growing level of unemployment and poverty and the effects of trade liberalization and cheap imports taking their toll on the city’s manufacturing sector. The collapse of the shoe industry between 1990 and 2005 was indicative of this process, with approximately 4,500 jobs lost between 1990 and 2003 (PACSA, 2005).

In order to address this serious challenge, the government began to embark on an aggressive Local Economic Development path focused specifically on promoting inward investment. As a result, the municipality’s growth rate increased dramatically to over 3.5 percent during the 2001-2004 period, which is significantly higher than in previous periods.<sup>25</sup> Job creation, it is believed by officials, will be the result of increased investment in the city.

The local government has undertaken a number of key initiatives to facilitate the establishment and growth of businesses. The Municipal Manager describes the success of these as based on “transforming the municipality internally,” in order to completely change the way in which the municipality thinks about investment. Through this “internal transformation” the municipality changed from being “a sleepy hollow” that was, at times, antagonistic towards potential investors, into one that is now absolutely pro-active and investor friendly.

##### **5.2.4.1. The investment strategy**

Within Msunduzi, local government instituted a number of innovative initiatives to promote investment in the city.

##### ***Investment conference***

In March 2000, the first ever Investment Conference was held in the city; international, national and local investors were all invited to participate. At this conference, potential growth sectors were identified, (namely aluminum downstreaming, tourism, wooden furniture and footwear and leather) and key properties were publicized

<sup>25</sup> [http://www.sacities.net/2006/pdfs/cities\\_2006.pdf](http://www.sacities.net/2006/pdfs/cities_2006.pdf)

for development proposals. The results of this conference were significant, with a number of investments being made.

### ***Incentives Package***

In line with this, local government developed an incentives package that was flexible and generous towards investors. Both new and expanding business qualified for these incentives and concessions were extended to both industrial and commercial activities. The incentive package included:

- a discount on rates;
- discounts on electricity;
- free connections for services;
- waivers on plan approval fees.

A major aspect of this incentive package was its flexibility, with the municipality willing to negotiate and talk through issues, in order to find solutions for the potential investor.

### ***Investment Facilitation Committee***

To facilitate discussions with potential investors, an investment facilitation team was established. This involves a multi-disciplinary team comprising every governmental department involved in development, from the city engineer and town planner to the chief water engineer and representatives of the emergency services. The committee meets once a month to facilitate investment discussions with potential investors. It has been described as a “one-stop shop for the developer”. This innovative approach to dealing with potential investors has been effective in ‘smoothing the way’ towards investment and has gained the city wide-spread acclaim.

### ***Business expansion and retention program & survey***

This plan was first put on the agenda in 1999; however, because of a shortage of resources, as well as capacity issues, it had to be tabled. It is planned that in the first quarter of 2009 (i.e. by March/April), this plan should be operational. It is believed that the outcome of the plan will be that over a three-year period, every business in the city will be visited and interviewed by someone from the city. The purpose of this would be:

- To gather valuable data relating to what is happening in the individual business and the wider sector, as well as to gather important information in relation to employment creation or loss.
- To let businesses know that the city takes an interest in, and values, what they do; for example, the fact that they create jobs and pay rates makes them valuable contributors to the city.
- To identify where there are businesses needing help/support (esp. immediate things that the city/council can do to intervene and help).

These data will then be collated, in order to create a valuable database of businesses in the city. In practical terms, this will involve partnering with the University, in order to process these data, as the Unit itself does not have the capacity to do this. It will also involve each of the eight members of the Unit giving a commitment to visiting one business per week, in order to collect these data and build relationships.

This information will be a valuable tool in assessing what is happening across different businesses and sectors to enable better planning and strategising for future actions, and to insure the retention and expansion of businesses within the city.

#### **5.2.4.2. Partnerships**

In Pietermaritzburg, local government is working alongside a number of organizations, in order to deliver on LED and job creation. Not all of these will be mentioned here, although the work of a couple of these will be outlined. One of them is SEDA (The Small Enterprise Development Agency), which is the Department of Trade and Industry's agency for supporting small business in South Africa. Because of capacity problems, local government cannot provide direct support and mentorship to potential businesses. They are, however, strategically placed to play a facilitatory role and so link potential businesses to other groups that do have the capacity to provide this support. For example, when small businesses or cooperatives come to them for help, local government is able to facilitate applications for funding, to help them through the paperwork and other bureaucratic matters and then to link them up with SEDA in Pietermaritzburg.

The Pietermaritzburg Chamber of Business (PCB) is another important organization in the life of business and job creation in Pietermaritzburg. The Chamber came into being in 2002, as a result of the unification of the Midlands Black Business Chamber, the Pietermaritzburg Sakekamer and the Pietermaritzburg Chamber of Commerce & Industries. The process is thought to be unique within the chamber movement in South Africa. While the PCB does not work directly with local government, their core goals (of local economic development and the growth and prosperity of business enterprises) put them directly in the same sphere as the economic development unit within local government. There have been times when these two groups have worked alongside each other, especially in terms of information sharing. There is, however, perhaps an even greater scope for this partnership that could be worth exploring.

#### **5.2.4.3. Results**

The results of this pro-active investment strategy are startling. According to one municipal official, in 2006, forty new businesses had come to Msunduzi, and another forty had decided to expand in response to the strategy; combined, this translates into approximately 4,000 jobs.<sup>26</sup> Investors in the city were in awe of the municipality's response, to the extent that one major investor said: "The Msunduzi Municipality is the most co-operative, knowledgeable and proactive I have ever dealt with." Jim McLean, MD Liberty Properties, Developers of the Liberty Midlands Mall (Interview, December 2008).

Nevertheless, this pro-growth strategy may not be enough to solve the crises in work. According to research, economic growth in the area is, in fact, being accompanied by a slow decline in rates of unemployment and rises in rates of employment.<sup>27</sup> While local government has made ground-breaking headway in increasing investment in the

<sup>26</sup> [http://www.sacities.net/2006/pdfs/cities\\_2006.pdf](http://www.sacities.net/2006/pdfs/cities_2006.pdf)

<sup>27</sup> [http://www.sacities.net/2006/pdfs/cities\\_2006.pdf](http://www.sacities.net/2006/pdfs/cities_2006.pdf)

municipality, such a pro-active, innovative attitude is needed in strategizing how a greater number of permanent, sustainable and decent jobs can be created, and how there can be greater interaction with, and support for, the informal economy. As one senior municipal worker said; “If we are dead serious about creating more jobs, then government needs to be more interventionist, and not just set fancy targets. There needs to be a dramatic re-think of the way we’re currently doing things. The reality is that no one’s **really** focused on it [employment creation]; there’s not enough coordinated effort from national government’s part to make this a significant priority and focus.” (Interview, December 2008).

It has also been found, that although big business and investors have benefited from this policy, most SMMEs in Msunduzi do not view these measures (specifically in relation to business support) as being particularly effective.<sup>28</sup> Furthermore, the friendly, pro-active environment has not been transferred to dealing with the informal economy. This is a matter of concern because, as one NGO pointed out, the majority of jobs come from the SME sector and there is huge potential for the informal sector in terms of generating future entrepreneurs and business owners.

### *5.2.5. Employment Creation through other Municipal Processes*

While the major strategic and operational thrust within local government is towards investment as the ‘high road’ to job creation, there are other programs specifically designed to create jobs. The most important of these is the National Expanded Public Works Program (EPWP). It was identified that: “To address this investment in social infrastructure, the government has decided that we should launch an expanded public works program. This will ensure that we draw significant numbers of the unemployed into productive work, and that these workers gain skills while they work, and thus take an important step to get out of the pool of those who are marginalized.” (President Thabo Mbeki. State of the Nation Address in February 2003, sourced from [www.epwp.gov.za](http://www.epwp.gov.za)).

This program aims to create temporary work opportunities for the unemployed, using public sector expenditure. The work opportunities are then combined with training, education or skills development, with the aim of increasing the ability of people to earn an income once they leave the program.

In relation to this program, the municipality is currently involved in infrastructure development and urban renewal projects that are focussed on using these more labor-intensive methods. These are done under the EPWP banner and use both MIG funding (the Municipal Infrastructure Grant) and money allocated in the municipal budget. These include:

- 13 major road work projects.
- The improvement and installation of further VIP toilets.
- The building of multi-purpose community centers.
- Alien vegetation clearing project.

<sup>28</sup> Msunduzi Municipality, 2008b, LED strategy 2008

To date, there are 23 EPWP projects in Msunduzi, of which 22 have been approved (one is currently overdue). Implementation has been completed in nine of these; one project is overdue and 13 are not yet due for completion.

While the EPWP in Msunduzi has been successful in creating jobs, the number and pace of jobs created is not enough to impact the unemployment problem significantly and speedily. The table below presents the total planned and actual work opportunities created by October 2008:

**Table 3. Delivery on EPWP employment**

N. of Work Opportunities (Oct 2008)	Total	No. Of Men	No. of Women	No. Of Youth	No. of Disabled
Planned (accumulative to date)	14,254	6,665	7,589	7,442	437
Actual (to date)	3,497	2,293	1,204	2,256	13

Source: Personal communication with Msunduzi EPWP consultant report.

It is evident that while a substantial number of jobs were created (3,497 by October 2008), this is a far cry from the more than 14,000 jobs that were planned. The two most disappointing figures in this table are the total number of jobs created for women and the total number of jobs created for the disabled. Only 16 percent and three percent respectively of the planned jobs for these two groups were created by October 2008.

Part of the EPWP is to provide training and skills development for workers. By October 2008, it was planned that 2,333 days of training would have taken place overall (in both accredited and non-accredited training). In reality, the number of days spent on training far exceeded this, at 4,935 days. In addition, although it was planned that overall 353 people would be trained, the municipality was, in fact, able to train as many as 839 people. This shows that, in terms of training, the EPWP was far more successful than planned.

Projects in the municipality have largely been completed within the allocated time and budget (despite more days spent on training) and have also been successful in training and partly successful in the number of jobs created. Other positive effects of the EPWP include the peripheral jobs that are created as a result of the program. The installation of VIP toilets, for example, requires concrete blocks, slabs and toilet pans. Local residents have, therefore, been able to create enterprises around pre-cast concrete manufacturing. Once the VIP toilet project is complete, these enterprises will be sustainable as the local residents will be able to turn their attention to providing concrete blocks for their community. Moreover, being a public works program, the EPWP not only creates jobs, but also improves the standard of living of the community within which it operates. For example, improvements in roads and toilets means improved safety and public health respectively. All of these are important in alleviating poverty in communities.

Despite these positive effects, municipal officers gave mixed reports on the effectiveness of the EPWP. According to one official, the EPWP has not been as

successful as hoped in the municipality because the people and companies on the ground who are responsible for implementing the projects are not always prepared to use the 'labor-intensive' methods that are required; or at least not to the extent that will significantly impact the unemployment problem. Too much reliance is still being placed on machinery. Another official felt that the training had not been as effective as the statistics seem to suggest. He commented that the contract work was usually over a short duration with limited time, therefore, to teach the workers any significant skills. Most workers involved in the program emerge little changed in terms of their skills level. In line with this, it was the experience of one NGO that skills training did translate into jobs for community members. Given this state of affairs, the NGO argued that the sustainability and impact of such a project is, therefore, questionable.

#### **5.2.5.1. The role of outsourcing**

Local government in Msunduzi, like in so many other municipalities across the country, outsources a lot of its services. Very often, they themselves do not have the capacity (or the resources) to do the work, and so outsourcing, which is often cheaper for the municipality, is the best option for service delivery. The process for outsourcing involves advertising the work, for which private companies then tender. According to reports from local government, 70-80 percent of contracts go to local or previously disadvantaged people. And yet, they acknowledge that this figure is not easily quantifiable. One NGO, which works on the ground, reported, for example, that local people do not feel that enough of the work being generated actually goes to them.

#### **5.2.5.2. Challenges**

For the local government, the challenges of capacity and a lack of resources are serious inhibitors in their ability to create jobs, support local entrepreneurs and the informal economy, and even to provide a friendly environment for big business (although they have been extremely successful in doing this). Another significant challenge identified by local government were the legal and legislative restrictions they face, which largely prevent them from any significant intervention and from influencing private business in terms of who is employed, how many are employed and also how they treat their workers. Very often, they feel that they are faced with a limited array of options to deal with these employment issues.

Furthermore, they feel that the role of *local* government is not being given adequate recognition and is, therefore, not as effective as it could be. According to South Africa's constitution, there are "three *spheres* of government," although members of local government highlight that, at times, this feels instead like "three *tiers* of government," with local government right at the bottom and dictated to by provincial and national government. While they are, therefore, "closest to the people" in many respects and know the needs and opportunities of their municipalities much more intimately than someone looking at the country from a more macro perspective, they are very often at "the bottom of the ladder" when it comes to generating and implementing strategies and plans. In addition, the role of the 'city' is often complex. While local government oversees the Msunduzi municipality, it is not directly responsible for the city of Pietermaritzburg. In terms of education, health and police services, for example, provincial government is directly involved and responsible. At times, this can make implementation incredibly difficult.

These restrictions can, however, be used as a mechanism to avoid dealing with the tough issue of employment creation. For example, local government decided that investment was hugely important to the city and so, despite all the odds, they made it possible for this to happen, smoothing the way and cutting corners wherever possible, in

order to aid investors. It would seem that this same tenacious attitude is needed when it comes to employment creation.

#### *5.2.6. General reflections on the Msunduzi case study*

The Msunduzi Local Municipality's current economic development programs are pro-active and innovative, and provide a number of 'best-practice models' for other municipalities to learn from, especially in terms of creating an investor friendly environment that attracts 'big business,' which, in turn, is seen to generate jobs for local people and pump money into the municipality. It should also be noted that the municipality's response to health issues such as HIV/AIDS has been identified as international best practice, specifically in relation to strong partnerships that have been formed with other stakeholders in the community. The lessons learned in these two highly successful areas need to be carried across, in order to inform employment creation practice.

There are, however, a number of areas in which there is room for further work to be done. While an extremely friendly environment has been created for the 'first economy' less focus has been put on creating a similarly enabling environment for the 'second economy' or 'emerging market' specifically in terms of supporting small businesses and the informal economy and boosting entrepreneurship within the community. As the municipality has highlighted, their capacity is limited; however, this does open the door for the generation of important public-private partnerships. Perhaps local government needs to explore this avenue further or at least operationalize plans that have been proposed in the 2008 LED Strategy. Working with other stakeholders (taking lessons from their health strategy) and including private enterprises, trade unions, actors in the informal economy, academic institutions and others to develop a strategic approach to employment generation and local economic development will enable the municipality to carry out its mandate "to promote social and economic development" more effectively.

In addition, the focus on investment—although extremely successful in and of itself—is not enough to halve the level of unemployment by 2015 (as set out in the Millennium Development Goals). More thinking around direct employment creation initiatives is needed, especially given the important impact that this could have on poverty alleviation.

The municipal manager noted that an "internal transformation" was needed to get the whole municipality thinking creatively towards and around investment, especially on how to overcome the obstacles of bureaucracy and, where necessary, the restrictions of national and provincial government. Consequently, the municipality has undergone a radical transformation from a "sleepy hollow" into a place with "one of the most progressive investment strategies". It would seem that for employment creation to really take off, a similar 'internal transformation' needs to happen. If there is to be any significant change, the problem of unemployment needs to become a primary or direct focus, rather than holding the secondary, or indirect, place that it currently enjoys.

In the 2008 LED Strategy, there is a focus on issues outside of growth and investment (more so than in other strategic and policy documents). These did, however, need to be translated into programs and projects. One of the problems with the IDP that a local government official highlighted was that, at times, it becomes merely a 'wish list' or a catalogue of unreachable and idealistic targets with an insufficient basis on reality. They suggested that it may be necessary to identify a more successful method of

planning and mentioned that a city strategy may be more useful. It is important that the LED Strategy does not fall into the same trap.

This same frustration with plans not translating into reality that has been expressed by the officials is also being felt within the community. In talking to local NGOs, one factor that was highlighted has been that when these organizations interact with the community about the issue of employment, most citizens feel that the government is not doing enough to create jobs, especially in terms of pro-poor rather than pro-growth development. It is interesting to note however, that most people do not consider the role of local government in employment creation at all, but rather see this as the responsibility of the provincial government. This seems to point to the fact that local government is not doing enough to promote itself and its vital role in the local community, with the result that the community has little or no confidence in the former's abilities. In support of this theory, people's perceptions of local government are, in general, rather low, with only 41 percent of residents feeling that they trust local government, 37 percent of residents feeling that the municipality was able to respond to complaints, and 39 percent feeling that the municipality would then have the ability to rectify these problems.<sup>29</sup> Further highlighting the low levels of faith that citizens have in local government, only 6 percent of residents felt that local government was successfully able to provide jobs in their area.

Another area for consideration is the perception among NGOs that local government may not be dealing effectively with poorer communities on the periphery; rather than moving in and attempting to import industry, it is suggested that a more effective method could be to assess the assets of the community first, and then build on what is already there. In this way, the approach to job creation and poverty alleviation is context-specific and may meet the needs of a particular locality better. This will require the municipality to really 'get to grips' with the 'on-the-ground' issues being faced by a particular community.

This same NGO raised concern about the skills training that is currently being given in the municipality. This NGO has had significant interaction with local communities and whenever they do workshops in them, they ask the question: "How many of you know someone who has received skills training?" To which most of the participants say that they do. They then ask: "And how many of those people that you know who have received this training now have work?" To which most participants respond in the negative. In other words, the experience on the ground is that skills development is not translating into jobs. The reasons for this could be two-fold:

1. either the current skills development programs are not teaching the *right* skills that are *most needed* by businesses or;
2. there is a 'facilitatory' gap in the market between potential employees and potential employers that needs to be filled, in order to enable these two potential candidates in the working relationship to successfully link up.

This issues need to be thought through if skills training projects, and programs such as the EPWP, are to be effective.

<sup>29</sup> <http://www.sacities.net/cities/msunduzi.stm> - These statistics are based on the 47.8% of registered voters in Msunduzi Municipality who turned out to vote in the local government elections. This low statistic suggests, in itself, a relatively low level of residents' involvement in (local) government.

Another area which will further aid the local government to carry out its mandate of promoting social and economic development is in the area of monitoring and evaluation. In all projects and initiatives undertaken by the municipality, this area was conspicuously absent. This poses a problem in determining just how effective their current programs are in terms of employment creation and wider LED issues. Regular monitoring and evaluation would provide valuable data to aid in strategic planning for the municipality. While it is acknowledged that resources are scarce, this does create another opportunity for partnerships to be forged with other institutions, specifically graduate programs at the university.

Another area that was identified by government officials is that a very small proportion of the budget is allocated to LED. In order for LED to be effective, more resources will need to be allocated to it.

Research presented in the 2008 LED strategy found that while businesses were mostly satisfied with the rate of growth and the business environment in general—feeling that it is conducive to investment and equal opportunities—they were less satisfied with the rate of service delivery, the delivery of an improved quality of life for all and the involvement of all communities in economic growth. The next challenge for local government is to address these issues and consider alternate, more direct methods of job creation.

## **6. Broader reflections on South African municipalities and urban employment dynamics**

It is clear from the discussion in the report that employment does feature as an issue in the planning frameworks of South Africa's urban municipalities. It is also clear that national policy and legislation has played a role in mobilizing local government to respond to some dimensions of the urban employment crisis in the country. In part this is through creating an environment supportive of municipalities taking on commitments around local economic development. However, it has also involved directing municipal governments to utilize national grant funds in support of national public works program objectives. Both case study cities have responded to these imperatives and have rolled out programs in support of economic development and a variety of initiatives in the public works field. The following points have been derived from the discussion in this report and are supported by insights gained by the authors from their knowledge of other South African cities.

What has worked well in directing municipal attention and resources to urban employment challenges?

- A national policy framework, which is explicit in its support of local government taking an active interest in economic development challenges (from the constitution through to policy documents, legislation, support programs and some measure of funding).
- The creation of a level of local capacity to inform local stakeholders about economic challenges and to support locally initiated action on economic challenges.

- The national commitment to rolling out public works programs and their attachment to major municipal grant funding processes forced municipal governments to seek to accommodate enhanced employment goals in a significant area of municipal activity.
- In eThekweni, partnership initiatives around economic clusters, have contributed to effective action, which has support both improved employment effects and progress around decent work goals.
- The eThekweni experience in the recognition of the strategic role played by informal employment in the local economy resulted in substantial investment commitments to improving the working conditions of informal workers.
- The creation of a special unit in eThekweni—initially focusing on public works projects—has allowed for consistent enhancements in project design and innovations that have the potential to yield ongoing employment impacts. The case of exploring innovative contract arrangements in maintenance schemes is worth noting.
- eThekweni has also managed to promote new initiatives in fields such as verge maintenance and solid waste collection; this has been achieved through a combination of political and bureaucratic will to support a more direct role for the municipality in employment creation.
- Msunduzi's innovative support of investment has brought significant employment to the city and demonstrates that a municipality sensitive to economic development matters can yield positive impacts.

What have been some of the shortcomings directing municipal attention and resources to urban employment challenges?

- National frameworks (policy, legislation, etc.) tend to be somewhat limited around specific areas of employment-related focus, with a tendency to not move much beyond the notion that the creation of an environment conducive to business development will help deliver improved employment performance. These policy frameworks tend to avoid suggestions that government could intervene to correct failures and generally tend also not to recognize the scope of major urban centers to contribute meaningfully to national economic objectives through a variety of other programs.
- Beyond support for skills development processes there is only a limited focus on supporting the upgrading of working conditions in support of decent work agendas, although there are notable project-based exceptions such as those involving informal traders in eThekweni.
- Forms of dialogue and engagement with organizations that might represent the interests of the urban poor have tended to be limited to traditional political channels and have not secured an adequate voice for such interests in local decision making.
- National programs developed to support enhanced employment in the country, such as public works programs, have tended to become heavily bureaucratized, resulting in limited scope for local innovation and adaption, as well as a lack of responsiveness to requirements for reduced transaction costs and speedier decision making.
- Larger metropolitan councils have their own resource base and sufficient economies of scale to create organizational capacity to deliver effectively designed and managed programs that have a higher likelihood of meeting broader goals than limited exposure to some short-term work.
- A lack of a medium to longer-term vision of labor market development is a problem, in that municipalities struggle with the management of relationships with people employed in delivering municipal services or working on municipal funded projects on an extended basis.
- Local economic development initiatives tend to have a direct focus on enterprise development, with employment seen as a product of improved enterprise performance. It is not clear that there is an effective link between the two, which is facilitated by

public policy. It is also not clear that the largest employers in the city are securing sufficient attention from the municipalities.

- Procurement systems are highly regulated in South African municipalities. This has positive dimensions but also limits scope for driving improved employment impacts through procurement management.

As regards to the experiences of the two cities and their municipalities, the following specific instruments stand out in terms of their relevance and the usefulness they have demonstrated:

- **Creating a conducive environment:** Although officials in both municipalities indicated that there was much more that they could do within this category, they did feel that this had impacted on creating an environment in which businesses could invest, grow and expand. In both instances, municipal officials paid particular attention to the needs of business, either through a direct communication channel over service quality (Msunduzi) or by responding to local industrial park infrastructure needs. Contributing to such an environment also included some very direct and active steps such as the provision of incentives in Pietermaritzburg and a partnership to develop industrial land in Durban. In this light, it could be said that both entities understood their role as an activist one and paid less attention to matters such as red tape reform and efficiency of processes than might have been deemed equally important in contributing to a conducive environment.
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- **Knowledge and insight:** Over time, both entities have initiated research processes and brought in expertise to assist decision makers and other local stakeholders make informed decisions about the local economy. This has helped to reduce perceived risks with programs and also built up the credibility of government officials as informed participants in local economic development processes.
- **Partnerships:** While both entities had partnership experiences that ebbed and flowed over time, they both identified these as being essential in supporting the capacity and appropriate targeting of interventions.
- **Sector targeting:** Both municipalities, on different scales, made efforts around sectoral initiatives. In Pietermaritzburg this began with planning how to reduce job losses in the footwear sector, while in Durban the initial focus was on supporting the potential growth of the automotive sector.
- **Strategic commitments:** Both entities made strategic commitments concerning employment in their municipal planning documents. Although these were at times not followed up in terms of specific programs, they did reflect a general sensitivity to the issues, as well as an awareness of the challenges.
- **Procurement and public works:** While setting up these initiatives has been complex and, at times, quite costly, they have enabled both municipal entities to contribute to national goals on enterprise development and job creation. The alignment of these initiatives with national funding grants has played a key role in encouraging local municipal action.

The tendency in both cities is to see themselves as becoming more active in employment matters, with greater levels of direct intervention through specific projects and programs (such as EPWP and procurement), through capital programs, as well as by leading other actors in the local economy in joint initiatives. Officials in both cities reflected that they had spent some considerable time exploring different approaches and that they would be in a position to be far more responsive to playing a role around

employment if national policies were to be shifted towards a greater employment focus. However, a key issue that arises from this experience is that actual impact assessments have tended to be limited and successes have, at times, been claimed where results might be less clear. It is also apparent that municipal capacity in both contexts is being severely stretched, which could limit the kinds of impacts that might be achieved in the future. It is also worth noting that many of the gains reflected in recent years took place during a period of solid economic growth. As the country enters an economic downturn, it is not entirely clear that some of the state driven programs can secure the impacts that they were expected to have.

In considering some possible responses to these experiences and the employment challenges that have faced municipalities, some respondents have suggested that there would be benefits in mobilizing South African cities around the concept of an urban employment charter. This would serve the purpose of raising the profile of employment issues attached to a public declaration and could be a point around which to mobilize other stakeholders; it could also help to generate more direct forms of recognition and support from central government. It was also proposed that a more effective system of support could be considered to enable the enhancement of nascent capacity in public and non-public spheres, in order to mobilize action on employment in medium and smaller cities. It was further proposed that greater autonomy needed to be provided, in order to allow municipalities to develop their own locally appropriate responses that could significantly amend national programs, which tend to be overly generic in their design and intent.

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## Interviews

Municipal officials from the following departments were interviewed:

Msunduzi

Msunduzi Municipal Manager

Economic Development

Infrastructure/engineering

Consultant advisors on EPWP

eThekwini

Economic Development

PMU

In addition to these interviews either telephonic or email exchanges were held with officials from:

SALGA

SACN

PCB

Diakonia Council of Churches

## Appendix: Summary responses to ILO TOR questions

Question	Msunduzi	eThekwini
<p>1. Are there national laws and programs directing the local government to consider ways of increasing local employment?</p>	<p>Municipal legislation identifies responsibilities around economic development and poverty reduction for local government.</p> <p>National Local Economic Development guideline document identifies employment creation as an important outcome of LED outputs.</p> <p>National Extended Public Works Programme identifies municipalities as key implementers of the program</p>	<p>Municipal legislation identifies responsibilities around economic development and poverty reduction for local government.</p> <p>National Local Economic Development guideline document identifies employment creation as an important outcome of LED outputs.</p> <p>National Extended Public Works Programme identifies municipalities as key implementers of the program.</p>
<p>2. Does the municipality have its own explicit policy or policies concerning its activities aimed at generating local employment? Does it have related policies implicitly or secondarily aimed at employment generation in general or focused on specific activities?</p>	<p>There are explicit commitments to reducing unemployment and supporting employment in the Municipal Integrated Development Plan (IDP) and in the economic development strategy.</p> <p>A specific policy has been adopted to utilize the National Public Works Programme (EPWP) in infrastructure development related to grants from the Municipal Infrastructure Grant (MIG).</p> <p>Employment creation does appear as one of a number of objectives in a variety of municipal programs but is generally seen as a secondary effect of other interventions.</p> <p>The municipality has recently drawn up its own LED strategy (2008).</p>	<p>There are explicit commitments to reducing unemployment and supporting employment in the Municipal Integrated Development Plan (IDP) and in the economic development strategy.</p> <p>A specific policy has been adopted to utilize the National Public Works Programme (EPWP) in infrastructure development related to grants from the Municipal Infrastructure Grant (MIG) and in a variety of municipal funded service and infrastructure programs.</p> <p>Employment creation does appear as one of a number of objectives in a variety of municipal programs but is generally seen as a secondary effect of other interventions.</p>
<p>3. Does the municipality have local bylaws and/or regulations explicitly or implicitly aimed at employment generation in general or focused on specific activities?</p>	<p>No.</p>	<p>No.</p>
<p>4. What, if any, help has the municipality</p>	<p>Limited support via Provincial Government EU-</p>	<p>Support from the EU where funding was obtained for an</p>

Question	Msunduzi	eThekwini
received from international or national assistance programs to focus on the issues of employment generation or LED and what has been the focus of the content of these Programs?	funded Gijima Local Economic Development Programme.	area management program in five selected areas. One of the five result areas related to economic development and job creation.
5. What is the role of the municipality in developing local infrastructure including roads and paths, water supply, drainage and sanitation and solid waste management?	The municipality does have responsibility for certain areas of infrastructure development, with some being handled by the Umgungundlovu District Council.	The Municipality handles all these categories of infrastructure development.
6. Insofar as it has responsibilities, does the municipality have an orientation or a policy on selecting more employment-intensive methods in infrastructure development and, if so, what are the constraints (e.g. national guidelines on tendering) and what have been the results (evaluation of experience)?	<p>On MIG-funded projects an imperative exists to utilize labor intensive construction methods, especially where EPWP activities are organized.</p> <p>In tendering processes, a primary focus is on black economic empowerment imperatives and the involvement of small businesses (in line with national procurement legislation), unless specific requirements are written into project specifications that require labor intensive processes.</p> <p>Officials identify a lack of influence over district projects as a limitation, as well as the limited scope for contract negotiation in the present procurement framework. They also identify national policy as being restrictive.</p>	<p>The municipality has sought to maximize the receipt of national grant funds for infrastructure and has set up a specific unit to enable it to fulfill the public works and enterprise development objectives written into the conditionality of such grants.</p> <p>The municipality has also urged various service departments to roll out projects that can increase the number of employment opportunities associated with municipal service activities.</p> <p>Municipal officials identify the restrictiveness of procurement policy and excessive bureaucratization of approval processes in national and provincial departments as hindering progress.</p>
7. Where other authorities or the private sector have responsibility for infrastructure provision, what possibilities and restrictions exist for the municipality to influence how these are executed, with respect to employment generation?	<p>Municipality has not had much success in effective collaboration with Umgungundlovu District in partnering on projects in the Msunduzi area with employment impacts. Constraints relate to both political disputes and lack of shared priorities.</p> <p>Where the private sector is involved, the municipality feels that it has limited scope to impact employment generation and conditions.</p>	Massive public investment in transport infrastructure around the port by national parastatal (Transnet) has involved enterprises development commitments but is not geared up as a labor intensive construction project. Municipal engagement with this entity on this matter has not been seen as a priority.

Question	Msunduzi	eThekwini
<p>8. In providing assistance to upgrade living conditions in informal settlements (slum upgrading), does the municipality have policies and programs that specifically encourage more labor-intensive approaches? Does the municipality engage communities to be involved in such upgrading (community contracting) and, if so, with what results (evaluation of experience)?</p>	<p>The municipality has partnered on some People's Housing Process subsidy housing projects where recipient labor resources are used in construction of starter homes. However, employment creation is not a priority on these programs. Contractors are generally required to utilize local labor.</p>	<p>Employment creation is not a priority on such programs, although the extension of infrastructure to such communities has involved some EPWP initiatives. Contractors are generally required to utilize local labor.</p>
<p>9. In other areas of municipal procurement, including supplies, transport and services, does the municipality have an orientation or specific policy aimed at sourcing locally and labor-intensively? If so, have problems been encountered (e.g. national regulations on municipal tendering)? In general, what have been the results (evaluation of experience)?</p>	<p>There is some attempt to support a measure of labor intensity in these programs. Obstacles to this are often due to the lack of affordability of capital equipment.</p> <p>The experience of the municipality in supporting labor intensive construction has not been developed in these other service fields.</p> <p>Officials report struggling to generate operating revenues in support of such initiatives as there is little in the way of national funding for anything other than capital grants.</p>	<p>The municipality has developed pilots in a range of different areas, with either enterprise development or employment generation goals or a combination of the two. Many of these are relatively recent and are still in the test phase.</p> <p>Attempts to extend municipal service coverage through such schemes have been tested in solid waste collection, lifesaving, verge maintenance, road maintenance, other maintenance fields and a handful of other areas. Experience has been mixed but a determination exists to persist and to build appropriate capacity.</p> <p>Officials mention challenges in municipal procurement frameworks as an obstacle, in addition to a lack of specialist knowledge. The municipality has also seen growing levels of labor action over differentiated conditions.</p>
<p>10. Does the municipality have policies and programs to facilitate the establishment and growth of businesses? How have concerns for employment creation influenced these, and with what results (evaluation of experience)?</p>	<p>Measures to attract international or national inward investment (metals, automotive, footwear, furniture, agri-processing).</p> <p>Simplified business registration procedures and other measures to increase administrative efficiency.</p> <p>Tax breaks, subsidies and other incentives aimed at encouraging business development.</p> <p>Advice, training and other programs for entrepreneurs through the SEDA entities.</p>	<p>Measures to attract international or national inward investment.</p> <p>Support for businesses making investment decisions through facilitation services by investment agency.</p> <p>Advice, training and other programs for entrepreneurs through the SEDA.</p> <p>Advice and training and other programs for cooperatives and other forms of social enterprise.</p> <p>Training and other programs aimed specifically at actors in the informal economy, as well as infrastructure provision.</p>

Question	Msunduzi	eThekwini
	<p>Information and assistance in securing finance for new enterprises or enterprise expansion from all sources.</p> <p>Measures aimed at developing specific economic sectors (with a previous focus on declining shoe sector, with some success in avoiding greater job losses).</p> <p>Rehabilitation and/or provision of land and/or buildings for business location, both industrial and commercial;</p> <p>Tourist development (<i>there wasn't much of this, from the people I chatted to</i>)</p> <p>Real-estate development with a focus on facilitating public sector location in inner city</p>	<p>Information and assistance in securing finance for new enterprises or enterprise expansion from all sources, once again through SEDA.</p> <p>Measures aimed at developing specific economic sectors (business process outsourcing, chemicals, automotive, waste reduction, maritime and logistics, film and television; with a focus on contribution to growth and a secondary focus on employment potential).</p> <p>Skills development/vocational training; in particular linked to targeted growth sectors.</p> <p>Rehabilitation and/or provision of land, and/or buildings for business location.</p> <p>Tourist development.</p> <p>Real-estate development.</p>
<p>11. Does the municipality possess information on local employment by industry and/or occupation and on local skills? If so, how is this collected and for what is it used (examples)? Are there related databases such as lists of local enterprises (e.g. are any kept by the municipal business registry or the chamber of commerce)?</p>	<p>At various times, the municipality has commissioned studies by researchers at the local university to gain a deeper insight into the local economy. It has been used in strategic decision making, for example decisions pertaining to the allocation of land for development. The Municipality commissioned the studies with the involvement of the local chambers of business.</p>	<p>The municipality does have access to national statistical data sources and purchases modeled data sets on the local economy. The municipality has also commissioned surveys and research studies to improve evidence-based decision making. These have included a large scale firm survey, as well as specific sector studies. The municipality has worked with the Chamber of Commerce on some of these endeavors or with industry specific associations.</p>
<p>12. Does the municipality collaborate with surrounding (peri-urban) municipalities to obtain metropolitan employment information?</p>	<p>The District municipality of which Msunduzi forms a part has not partnered Msunduzi on any of its information initiatives to date.</p>	<p>The eThekwini Municipality has provided surrounding municipalities with some informal assistance in their data needs but there is no close collaboration.</p>
<p>13. Does the municipality (and its peri-urban partners) have information on the currently exploited and potential natural resource endowment of the sub-region and the employment generation in maintaining this or rehabilitating it where it has been damaged by past developments (rural and urban agriculture, renewable energy, 'waste' recycling, mineral</p>	<p>The municipality has done some work on bio-diversity protection in partnership with the district municipality and there have been some projects aimed at supporting environmental services through, for example, the removal of alien vegetation; however, these have been limited by the lack of appropriate funding sources.</p>	<p>The municipality has carried out considerable work on identifying its most important natural resource assets, both in terms of their potential to provide environmental services and for their services as economic assets in more conventional terms. The most obvious example is that related to the 80km of coastline, which is used extensively for tourism and recreation purposes and contributes to formal and informal employment creation. Other natural</p>

Question	Msunduzi	eThekweni
resources, etc.)?		assets that are too sensitive for high intensity use have been rehabilitated through a variety of programs including some use of Working for Water funds from national and provincial government.
14. What capacities does the municipality possess (or can or does contract in from universities or research organizations) to analyze aspects of economic structure, comparative advantage, competitiveness, labor-intensity of different investment strategies, value chain/multiplier analyses, economic costs of unemployment, etc. What has been done so far and is this a once-off or a continuous exercise?	The municipality has very little in the way of its own economic analysis capacity and is generally forced to draw on consultant skills, the knowledge of researchers at the local university or use resources that exist in the Provincial Department of Economic Development. Nothing has been commissioned with a specific focus on employment issues. The Business Expansion and Retention Programme and research that is due to be initiated in the first quarter of 2009 will partner with the university for the analysis of this data due to capacity issues.	The municipality has some expertise around the conducting of various forms of economic analysis but generally this is combined with capacity at the local university or with that of consultants. Once again, very little has been done with a specific focus on employment. However, a range of commissioned work has provided insights around employment such as the large firm survey, which provided information about constraints on firms expanding employment.
15. Has the municipality developed a coherent or strategic approach to local employment generation or to local economic development? In the latter case, what role has employment generation played in its development? Has the municipality undergone a specific planning procedure and, if so, what were the steps and how has this been documented and disseminated to involve various stakeholders?	The municipality does have an economic development strategic framework, which identifies a number of areas of program focus. The document acknowledges the employment challenge but the focus areas are in enterprise development. The process to developing the strategy did involve a number of consultation steps with stakeholders, including a local economic summit and was, therefore, informed by these processes.	The municipality does have an economic development strategic framework adopted by the full council, which identifies a number of areas of program focus. The document acknowledges the employment challenge and sees this being met through improving skills in the labor market and the development of a number of priority sectors. The process to developing the strategy did involve a number of consultation steps with stakeholders and was, therefore, informed by these processes. Municipal officials have made an effort to present the strategy to a variety of interested stakeholders in the city.
16. If such a strategy has been produced, how have social issues such as poverty alleviation (distribution of benefits) youth and women's employment etc. been taken into consideration?	Reference is made to the social issues, largely in by viewing them as a product of weak economic performance. The strategy does focus on small and micro business formation and black economic empowerment in an effort to address some social challenges. Broader strategic frameworks such as the IDP focus on these social challenges in a more direct manner.	Reference is made to the social issues, largely in by viewing them as a product of weak economic performance. The strategy does focus on small and micro business formation and black economic empowerment in an effort to address some social challenges. Broader strategic frameworks such as the IDP focus on these social challenges in a more direct manner.

Question	Msunduzi	eThekwini
<p>17. With what other actors (e.g. chamber of commerce, trade unions, associations of informal workers, educational institutions, women's and/or minority groups) has the municipality collaborated in developing its employment (or LED) strategy?</p>	<p>There has been limited involvement of organized business, with the Chamber of Commerce largely excluded from bilateral discussions and inconsistently included in the strategy processes. There has been some engagement with the local university but little in the way of consultation with the stakeholders.</p>	<p>The strategy is seen as the product emerging from the experience of the municipality in working together with organized business for a number of years. Other social groupings were not extensively consulted.</p>
<p>18. What are the institutional arrangements for municipal activity in employment generation and LED (e.g. an employment or economic development department, 'economic intelligence unit,' Local Economic Development Agency [LEDA])?</p>	<p>At present, a small unit exists that focuses on economic development. The municipality has been cooperating with the national Department of Trade and Industry in the local operations of the Small Business Development Agency (SEDA), which is part of a national network. In the longer-term, municipal officials see themselves as being able to grow their capacity since greater levels of direct funding will be available and associated with its status as a metropolitan council (Note: budgets at an operating level are around 10% of those of eThekwini).</p>	<p>In 1997, the municipality's predecessor structure was the first in the country to create a dedicated economic development department. This was established alongside a tourism marketing agency and a major events agency set up in partnership with local business interests. Subsequently, a Durban Investment Promotion Agency was established. These entities worked closely with an informal partnership body between local political and business leadership called the Durban Growth Coalition. In recent years, the external agencies have been brought back under municipal control.</p>
<p>19. How are these arrangements structured? Who is involved? How many people does it employ? With what skills and what has it produced by way of outputs and results in terms of generation of employment? Specifically:</p> <p>How is the issue of directed municipal investment and procurement addressed?</p> <p>How is the question of inward investment addressed?</p> <p>To what extent does it coordinate the kinds of activity outlined in question 9 above?</p> <p>What is intended in influencing rural-urban linkages and how do employment-generation considerations enter into this activity?</p> <p>What sectors are targeted and why? To what</p>	<p>Four officials have economic development outputs as a major element of their day-to-day activities but some are also responsible for other fields of work. Officials see as their major successes:</p> <p>The development of a strategy.</p> <p>The commissioning of research and sourcing of data for decision making.</p> <p>A policy to offer incentives to developers and investors.</p> <p>The successful formation of the local SEDA.</p> <p>The close working relationship with the business chambers.</p> <p>Significant year-on-year growth in investment in industrial and commercial development in the</p>	<p>The economic development department in the municipality has in the region of twenty staff working on a range of activities with a focus on policy development, information provision, and analysis and strategic project implementation in key sectors. Officials cite the following major successes:</p> <p>The adoption of an economic development strategy in 2008.</p> <p>Working in partnership with industry on key sector initiatives in automotives, clothing and textiles, maritime and logistics and furniture.</p> <p>The establishment of the local SEDA and the facilitation and funding of a range of partnership projects.</p> <p>The successful delivery of a range of major commercial and industrial infrastructure projects (bridges, services land etc) and key economic assets (beachfront upgrade, convention center, World Cup Soccer Stadium, waterfront development).</p>

Question	Msunduzi	eThekwini
<p>degree has this been determined or influenced by the concern to generate employment?</p> <p>What steps are intended to be taken regarding the problems experienced by actors in the informal economy and by the municipality in regulating informal economic activities?</p> <p>How are economic goals balanced against social goals?</p>	<p>city.</p> <p>Creation of some infrastructure for informal public space traders.</p> <p>Contributing to tourism marketing and major events.</p> <p>Restructuring the footwear sector, allowing for the survival of some companies (heavily influenced by its local employment profile).</p> <p>In these processes, officials argue that:</p> <p>Where budgets and social needs allow, some investment has been allocated to economic projects, primarily related to forgone revenue from incentives and infrastructure to support commercial and industrial investment.</p> <p>Weak coordination and collaboration with district officials and poor demarcation choices have not enabled effective rural-urban linkage formation.</p> <p>However, there are some exceptions such as the benefits that accrue from proximity to peri-urban and rural tourism attractions in the surrounding municipalities.</p> <p>Sectoral targeting has been limited by the lack of resources and capacity necessary to back up initiatives, although the footwear project demonstrated potential, especially in an employment intensive sector.</p> <p>The municipality recognizes the important role the informal sector plays and has sought to create improved facilities for informal public space traders in identified areas and to provide a measure of formal training and support.</p> <p>As the bulk of municipal activities are geared to meeting social goals, the economic development activities are relatively small-scale processes. There is an attempt to provide equal attention to issues relating to formal larger businesses as is</p>	<p>Enabling the city, through strategic advice and information, to influence national investment choices around transport infrastructure.</p> <p>Officials also point out that while budgets are substantial, they are dwarfed by social development budgets in the city.</p> <p>Coordination within a large municipal bureaucracy and with other levels of government remains a challenge.</p> <p>Sectoral targeting remains a key element of the strategy, with the likelihood that the number of initiatives will be expanded along the same partnership model.</p> <p>Despite the adoption of a widely acclaimed informal trade policy in 2000, there has not been effective implementation as the scale of the sector has grown placing major pressure on municipal officials to shift to a regulatory rather than a developmental function.</p>

<b>Question</b>	<b>Msunduzi</b>	<b>eThekwini</b>
	provided for small scale enterprise support.	
20. In the case of all initiatives, please evaluate successes and failures and, in the latter case, state what attempts have been made to rectify or improve performance.		

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