An investigation into the state of affairs and sustainability of the Emfuleni economy

by

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submitted in fulfilment of the requirements for the degree

DOCTOR COMMERCII (ECONOMICS)

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

at the

UNIVERSITY OF PRETORIA

PRETORIA APRIL 2004
To my parents, Frank & Chris Slabbert
Acknowledgements

Firstly, I want to thank my wife and fellow researcher, Gertrude Slabbert, for her valuable discussions, encouragement and proof reading of the thesis.

Secondly, I want to thank my sons Timo and Ivan for their assistance in developing appropriate programs for analysing some of the data and with the technical aspects of the thesis.

Thirdly, I want to thank my supervisor, Professor Tamas I Fényes, for his advice and assistance.

Fourthly, I want to thank my parents, Frank & Chris Slabbert, for the manner in which they have brought me up and for all I could learn from them in life.

Above all I want to thank my God and Jesus Christ, my Lord, who gave me the talents, strength and ability.

VANDERBIJLPARK
APRIL 2004
Declaration

I declare that

AN INVESTIGATION INTO THE STATE OF AFFAIRS AND
SUSTAINABILITY OF THE EMFULENI ECONOMY

is my own work and that all the sources used or quoted have been indicated
and acknowledged by means of complete references, and that the thesis was
not previously submitted by me for a degree at another university

Tielman J. C. Slabbert
Summary

AN INVESTIGATION INTO THE STATE OF AFFAIRS AND SUSTAINABILITY OF THE EMFULENI ECONOMY

by

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Supervisor: Professor T I Fènyes
Department: Department of Economics
Degree: Doctor Commercii (D Com)

In this study, the sustainability of the Emfuleni economy is measured in terms of its ability to reduce the levels of unemployment and poverty over a period of time. An input-output model was used to determine the impact of several proposed projects on the level of household income and employment in Emfuleni. An economic impact assessment model was developed and used to measure the impact of a change in household income on the level of poverty. A sectoral analysis of the economy and a household analysis were used to portray the state of affairs and trends in unemployment and poverty.

Taking into account both the positive impact of proposed projects and some negative impacts (e.g. the collapse of the Krion Financial scheme), projections were made for Emfuleni in terms of GGP growth, population growth, unemployment and poverty until 2015. Assuming that the two proposed projects in Emfuleni, namely, the Vaal Inland Waterfront Project and a 5% expansion of the Manufacturing sector should materialise, the analysis shows that the unemployment rate will be 53.1% in 2015 and the percentage of households below their respective poverty lines 46.6%. Without the projects the unemployment rate will increase from 51.3% in 2000 to 60.6% in 2015 and the percentage of households below their respective poverty lines will increase from 46.1% in 2000 to 60.6% by 2015. The impact of the projects will be that the unemployment and poverty rates are kept at about the same levels as in 2000. However, the analysis shows that the number of unemployed persons is expected to increase from 155,988 in 2000 to 243,660 in 2015 and the number of poor households is expected to increase
from 84,549 in 2000 to 114,227 in 2015. More interventions are therefore required to put the Emfuleni economy on the road towards sustainability.

An Inward Industrialisation Process (IIP) aimed at employment creation and poverty alleviation is proposed for intervention. A preliminary analysis indicates that an IIP, focussed on the townships of Emfuleni, may reduce the unemployment and poverty levels substantially and thus increase the sustainability of the economy over a period of time.

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### Table of Contents

*Acknowledgements* ........................................................................................................... ii  
*Declaration* .................................................................................................................... iii  
*Summary* .......................................................................................................................... iv  
*Table of Contents* ............................................................................................................ vi  
*List of Figures* .................................................................................................................. ix  
*List of Tables* ..................................................................................................................... x  
*Abbreviations* .................................................................................................................. xv  

1 **Introduction** .................................................................................................................. 1  
   1.1 Prologue ................................................................................................................... 1  
   1.2 The research problem ............................................................................................ 1  
   1.3 Objective of the study ............................................................................................ 3  
   1.4 Hypothesis ............................................................................................................... 4  
   1.5 Research methodology ........................................................................................... 4  
   1.6 Geographical area of the study .............................................................................. 8  
   1.7 Historical development of the area ....................................................................... 8  
   1.8 Layout of the study ............................................................................................... 11  

2 **Theoretical background to the study** ................................................................. 13  
   2.1 Introduction .......................................................................................................... 13  
   2.2 A global categorisation of poverty ..................................................................... 14  
   2.3 Theories of poverty used in different parts of the world ..................................... 16  
   2.4 The philosophy of poverty research ................................................................... 19  
   2.5 Towards a micro-analysis of poverty .................................................................... 22  
   2.6 Poverty research in South Africa and its contribution to the alleviation of poverty in South Africa ................................................................. 26  
   2.7 Conclusion ............................................................................................................. 30  

3 **Methodology for measuring the impact of changes in the economy on poverty** ................................................................. 32  
   3.1 Introduction ............................................................................................................ 32  
   3.2 A micro-analysis of poverty .................................................................................. 32  
   3.3 The input-output model ....................................................................................... 46  
   3.4 The poverty impact model .................................................................................... 54  
   3.5 Summary and conclusion ..................................................................................... 58
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Emfuleni population and labour force</td>
<td>61</td>
</tr>
<tr>
<td>4.1</td>
<td>Introduction</td>
<td>61</td>
</tr>
<tr>
<td>4.2</td>
<td>Demographic profile</td>
<td>61</td>
</tr>
<tr>
<td>4.3</td>
<td>The labour force</td>
<td>65</td>
</tr>
<tr>
<td>4.4</td>
<td>Income and expenditure</td>
<td>74</td>
</tr>
<tr>
<td>4.5</td>
<td>Summary and conclusion</td>
<td>80</td>
</tr>
<tr>
<td>5</td>
<td>An analysis of poverty in Emfuleni</td>
<td>83</td>
</tr>
<tr>
<td>5.1</td>
<td>Introduction</td>
<td>83</td>
</tr>
<tr>
<td>5.2</td>
<td>Measurement of poverty in Emfuleni</td>
<td>83</td>
</tr>
<tr>
<td>5.3</td>
<td>Measurement of the depth of poverty in Emfuleni</td>
<td>87</td>
</tr>
<tr>
<td>5.4</td>
<td>Profile of the poor in Emfuleni</td>
<td>88</td>
</tr>
<tr>
<td>5.5</td>
<td>Summary and conclusion</td>
<td>110</td>
</tr>
<tr>
<td>6</td>
<td>The Emfuleni economy</td>
<td>113</td>
</tr>
<tr>
<td>6.1</td>
<td>Introduction</td>
<td>113</td>
</tr>
<tr>
<td>6.2</td>
<td>Structural composition of the economy</td>
<td>113</td>
</tr>
<tr>
<td>6.3</td>
<td>Functional specialisation</td>
<td>117</td>
</tr>
<tr>
<td>6.4</td>
<td>Sub-regional contribution towards the Gauteng province</td>
<td>118</td>
</tr>
<tr>
<td>6.5</td>
<td>Sectoral contribution of the Emfuleni economy to Gauteng</td>
<td>120</td>
</tr>
<tr>
<td>6.6</td>
<td>Potential of developing the Emfuleni economy in a provincial context</td>
<td>122</td>
</tr>
<tr>
<td>6.7</td>
<td>Industrial regeneration</td>
<td>125</td>
</tr>
<tr>
<td>6.8</td>
<td>Summary and conclusion</td>
<td>132</td>
</tr>
<tr>
<td>7</td>
<td>A sectoral analysis of the Emfuleni economy and identification of the key economic sectors</td>
<td>134</td>
</tr>
<tr>
<td>7.1</td>
<td>Introduction</td>
<td>134</td>
</tr>
<tr>
<td>7.2</td>
<td>Input-output model of the Vaal</td>
<td>134</td>
</tr>
<tr>
<td>7.3</td>
<td>Summary and conclusion</td>
<td>160</td>
</tr>
<tr>
<td>8</td>
<td>The impact of changes in the economy on existing trends in terms of employment and unemployment, income, poverty and economic growth in Emfuleni</td>
<td>163</td>
</tr>
<tr>
<td>8.1</td>
<td>Introduction</td>
<td>163</td>
</tr>
<tr>
<td>8.2</td>
<td>Current trends (without the impact of change)</td>
<td>163</td>
</tr>
<tr>
<td>8.3</td>
<td>Impact of proposed projects on Emfuleni</td>
<td>173</td>
</tr>
<tr>
<td>8.4</td>
<td>Negative impacts on the Emfuleni economy</td>
<td>178</td>
</tr>
<tr>
<td>8.5</td>
<td>Summary and conclusion</td>
<td>183</td>
</tr>
</tbody>
</table>
9 An adjustment of Emfuleni’s Local Economic Development strategy towards economic sustainability ..............................186
  9.1 Introduction ........................................................................................................186
  9.2 The importance of LED ....................................................................................186
  9.3 LED in Emfuleni ................................................................................................188
  9.4 Proposal for altering Emfuleni’s LED strategy to enhance economic sustainability ..................................................................................................................202
  9.5 Conclusion ...........................................................................................................206

10 Summary and conclusion .............................................................................................209
  10.1 Introduction ........................................................................................................209
  10.2 Status quo and trends in Emfuleni .................................................................210
  10.3 Impact of change on the future sustainability of Emfuleni.............................216
  10.4 Conclusion ...........................................................................................................219
  10.5 Recommendations ..............................................................................................220

Annexure A: Household Surveys .................................................................................222
Annexure B: Economic activities .................................................................................227

Bibliography ..................................................................................................................231
List of Figures

FIGURE 1.1 MAP OF THE EMFULENI MUNICIPAL AREA ......................... 8
FIGURE 4.1 TRENDS IN THE UNEMPLOYMENT RATE, VAAL, FBT ........ 70
FIGURE 4.2 EMPLOYMENT PROFILE OF EMFULENI (2003) ................. 73
FIGURE 4.3 OCCUPATIONAL PROFILE OF THE ECONOMICALLY
ACTIVE POPULATION (2001) ...................................................... 74
FIGURE 4.4 TOTAL REMUNERATION PER SECTOR FOR EMFULENI
(2000) ................................................................. 75
FIGURE 4.5 SOURCES OF HOUSEHOLD INCOME IN EMFULENI
(2003) ................................................................. 77
FIGURE 4.6 EXPENDITURE PROFILE OF HOUSEHOLDS IN
EMFULENI (2003) ................................................................. 79
FIGURE 5.1 POOR HOUSEHOLDS’ INCOME AS PERCENTAGE OF
THEIR HSL: EMFULENI (2003) ............................................. 86
FIGURE 5.2 PERCENTAGE OF THE POOR POPULATION IN
DIFFERENT AGE CATEGORIES (2003) ....................................... 92
FIGURE 5.3 NUMBERS OF UNEMPLOYED POOR: SKILLS (2003) ...... 108
FIGURE 6.1 ECONOMIC STRUCTURE OF EMFULENI: GGP
CONTRIBUTION, R-MILLION (2000) ....................................... 114
FIGURE 6.2 INDUSTRIAL ACTIVITIES AND THEIR SHARE OF
MANUFACTURING’S GGP CONTRIBUTION (2000) ................. 116
FIGURE 6.3 SUB-REGIONAL PERCENTAGE CONTRIBUTION OF
EMFULENI TOWARDS GGP OF GAUTENG PROVINCE
(2000) .......................... 119
FIGURE 6.4 PERCENTAGE CONTRIBUTION OF THE EMFULENI
ECONOMY TO THE GGP OF GAUTENG (2000) ................. 121
FIGURE 6.5 LOCATION OF BLUE IQ PROJECTS IN GAUTENG ...... 123
FIGURE 8.1 ESTIMATED POPULATION, EMFULENI (2000 - 2015) .... 165
FIGURE 8.2 EMPLOYMENT AND UNEMPLOYMENT IN EMFULENI
(2000 – 2015) ................................................................. 167
FIGURE 8.3 ESTIMATED EMPLOYMENT IN EMFULENI (2000 - 2015)... 168
List of Tables

TABLE 3.1  CALCULATION OF THE MONTHLY HOUSEHOLD SUBSISTENCE LEVEL (HSL) FOR HOUSEHOLDS IN EMFULENI: AUGUST 2003....................................................... 40
TABLE 3.2  FEATURES OF AN INPUT-OUTPUT TABLE........................................... 47
TABLE 3.3  A SKELETAL INPUT-OUTPUT TABLE................................................. 51
TABLE 3.4  DIRECT INPUT COEFFICIENT MATRIX................................................ 52
TABLE 3.5  LEONTIEF INVERSE MATRIX............................................................... 53
TABLE 4.1  THE EMFULENI SUBURBS AND POPULATION (2001)...................... 62
TABLE 4.2  LABOUR FORCE OF EMFULENI .......................................................... 68
TABLE 4.3  TRENDS IN UNEMPLOYMENT (PERCENTAGE OF POPULATION AND UNEMPLOYMENT RATES), VAAL, FORMER BLACK TOWNSHIPS ...................................................... 70
TABLE 4.4  EMPLOYMENT PROFILE OF EMFULENI (2003)................................... 72
TABLE 4.5  OCCUPATIONAL PROFILE OF THE ECONOMICALLY ACTIVE POPULATION (2001) ................................................................. 73
TABLE 4.6  TOTAL REMUNERATION PER SECTOR FOR EMFULENI (2000)......................... 75
TABLE 4.7  SOURCES OF HOUSEHOLD INCOME IN EMFULENI (2003).......................... 76
TABLE 4.8 EXPENDITURE PROFILE OF HOUSEHOLDS IN EMFULENI (2003)................................................................. 80

TABLE 5.1 PERCENTAGE OF HOUSEHOLDS IN DIFFERENT INCOME CATEGORIES EXPRESSED AS PERCENTAGE OF THEIR HSL: EMFULENI (2003)......................................................... 85

TABLE 5.2 PERCENTAGE OF HOUSEHOLDS BELOW THEIR POVERTY LINES IN DIFFERENT INCOME CATEGORIES EXPRESSED AS PERCENTAGE OF THEIR HSL: EMFULENI (2003)........................................... 86

TABLE 5.3 POVERTY GAP ANALYSIS OF POOR HOUSEHOLDS IN EMFULENI (2003)........................................................................................................... 87

TABLE 5.4 HEADS OF POOR HOUSEHOLDS, FBT (1999)................. 89

TABLE 5.5 STATUS OF MEMBERS OF POOR HOUSEHOLDS (2003).......................................................................................... 90

TABLE 5.6 MARITAL STATUS OF MEMBERS OF POOR HOUSEHOLDS (2003).......................................................................................... 90

TABLE 5.7 PERCENTAGE OF THE POOR POPULATION IN DIFFERENT AGE CATEGORIES (2003).............................................................. 92

TABLE 5.8 PERCENTAGE AGE DISTRIBUTION OF HEADS OF POOR HOUSEHOLDS (2001).................................................................................... 93

TABLE 5.9 DISTRIBUTION OF POOR POPULATION BY GENDER (2003).......................................................................................... 94

TABLE 5.10 QUALIFICATIONS OF POOR PUPILS IN SCHOOL (2003).................................................................................... 95

TABLE 5.11 QUALIFICATIONS OF POST-SCHOOL POOR POPULATION (2003).......................................................................................... 96

TABLE 5.12 ECONOMIC STATUS OF THE POOR POPULATION (2003).......................................................................................... 96

TABLE 5.13 ECONOMIC STATUS AND GENDER OF THE POOR POPULATION (2003).......................................................................................... 97

TABLE 5.14 EMPLOYMENT BY SECTOR FOR THE POOR (2003)........... 98


TABLE 5.16 SECTIONS OF POOR HOUSEHOLDS AFFECTED BY POVERTY (2003).......................................................................................... 100
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.17</td>
<td>Sources of Income for Poor Households (2003)</td>
</tr>
<tr>
<td>5.18</td>
<td>Average Monthly Expenditure of Poor Households on Different Items (2003)</td>
</tr>
<tr>
<td>5.19</td>
<td>Employment Status of the Poor (2003)</td>
</tr>
<tr>
<td>5.20</td>
<td>Number of Years Unemployed, Poor (2003)</td>
</tr>
<tr>
<td>5.21</td>
<td>Number of Years in Emfuleni, Unemployed Poor (2003)</td>
</tr>
<tr>
<td>5.22</td>
<td>Place of Origin Before Moving to Emfuleni: Unemployed Poor (2001)</td>
</tr>
<tr>
<td>5.23</td>
<td>Satisfaction Survey Results on Life in Emfuleni: Poor (2001)</td>
</tr>
<tr>
<td>5.24</td>
<td>Skills Possessed and Desired Small Business Opportunities: Unemployed Poor (2001)</td>
</tr>
<tr>
<td>5.25</td>
<td>Formal Sectors of Employment for the Unemployed Poor (2001)</td>
</tr>
<tr>
<td>5.26</td>
<td>Desired Minimum Salary Expected by the Unemployed Poor (2003)</td>
</tr>
<tr>
<td>6.1</td>
<td>Economic Structure of Emfuleni: GGP Contribution (R-Million)</td>
</tr>
<tr>
<td>6.2</td>
<td>Industrial Activities, Emfuleni (2000)</td>
</tr>
<tr>
<td>6.3</td>
<td>Functional Specialisation of Emfuleni's Urban Areas</td>
</tr>
<tr>
<td>6.4</td>
<td>Sub-Regional Percentage Contribution Towards the GGP of Gauteng Province, Vaal (1970-2000)</td>
</tr>
<tr>
<td>6.5</td>
<td>Percentage Contribution of the Emfuleni Economy to the GGP of Gauteng (2000)</td>
</tr>
<tr>
<td>6.6</td>
<td>Ten Mega-projects Spearheaded by Blue IQ (2000)</td>
</tr>
<tr>
<td>7.2</td>
<td>Input-Output Table of the Vaal Economy (2000)</td>
</tr>
</tbody>
</table>
TABLE 7.3  TECHNICAL COEFFICIENTS OF THE VAAL ECONOMY (2000).................................................................................................................................................. 139

TABLE 7.4  LEONTIEF INVERSE MATRIX OF THE VAAL ECONOMY (2000).................................................................................................................................................. 140

TABLE 7.5  INDUSTRIAL ACTIVITIES, EMFULENI (2000).............................................. 145

TABLE 7.6  BACKWARD LINKAGES OF THE DIFFERENT SECTORS OF THE VAAL ECONOMY (PERCENTAGES) (2000).............. 155

TABLE 7.7  FORWARD LINKAGES OF THE DIFFERENT SECTORS OF THE VAAL ECONOMY (PERCENTAGES) (2000).............. 156

TABLE 7.8  SECTORAL MULTIPLIERS OF THE VAAL ECONOMY (2000).................................................................................................................................................. 158

TABLE 8.1  POPULATION ESTIMATES, EMFULENI (2000 - 2015).............. 164

TABLE 8.2  GGP GROWTH PROJECTIONS FOR EMFULENI (2000 – 2015) – CONSTANT PRICES................................................................. 166

TABLE 8.3  ESTIMATED UNEMPLOYMENT RATE, NUMBER OF EMPLOYED AND UNEMPLOYED, EMFULENI (2000 – 2015).................................................................................................................................................. 167

TABLE 8.4  ESTIMATED FORMAL, INFORMAL AND TOTAL EMPLOYMENT, WITH PERCENTAGES OF LABOUR FORCE, EMFULENI (2000 – 2015).................................................................................................................................................. 168

TABLE 8.5  POVERTY RATE, POVERTY GAP RATIO AND UNEMPLOYMENT RATIO FOR FORMER BLACK TOWNSHIPS AND EMFULENI (1991, 1994 AND 2000)............ 169

TABLE 8.6  ESTIMATED UNEMPLOYMENT AND POVERTY RATES, EMFULENI (2000 – 2015).................................................................................................................................................. 171

TABLE 8.7  ESTIMATED NUMBER OF UNEMPLOYED POOR AND NON-POOR, EMFULENI (2000 – 2015)................................................................. 172

TABLE 8.8  IMPACT OF DIFFERENT PROPOSED PROJECTS ON EMFULENI.................................................................................................................. 174

TABLE 8.9  ESTIMATED IMPACT OF TWO PROPOSED PROJECTS ON EMPLOYMENT AND UNEMPLOYMENT IN EMFULENI (2000 – 2015).................................................................................................................. 175
TABLE 8.10  ESTIMATED IMPACT OF KRION SCHEME AND EQUILIBRIUM/FUTURA INTERNATIONAL ON THE GGP GROWTH RATES IN EMFULeni (2002 – 2015) - PERCENTAGE DECREASE OF GGP ........................................... 179

TABLE 8.11  ESTIMATED IMPACT OF KRION SCHEME AND EQUILIBRIUM/FUTURA INTERNATIONAL ON UNEMPLOYMENT IN EMFULeni (2002 – 2015) .............. 180


TABLE 8.13  ESTIMATED IMPACT OF KRION SCHEME AND EQUILIBRIUM/FUTURA INTERNATIONAL ON POVERTY IN EMFULeni (2002, 2015) ........................................ 182


TABLE 8.16  ESTIMATED IMPACT OF TWO PROPOSED PROJECTS AND THE FAILURE OF THE FINANCIAL SCHEMES ON POOR HOUSEHOLDS IN EMFULeni (2000 – 2015) ...... 184

TABLE 9.1  ROLES MUNICIPALITIES CAN PLAY IN LOCAL ECONOMIC DEVELOPMENT ......................................................... 198

TABLE 9.2  IMPACT OF AN INWARD INDUSTRIALISATION PROCESS: EMFULeni FILETS (2003) .............................................................. 204

TABLE 10.1  PROJECTIONS OF UNEMPLOYMENT AND POVERTY IN EMFULeni ....................................................................................... 217

Abbreviations

BAC - Business Advice Centre
CPS - Current Population Survey
CSA - Customs Secured Area
CSIR - Council for Scientific and Industrial Research
DANIDA - Danish International Development Aid
DPLG - Department of Provincial and Local Government
DTI - Department of Trade and Industry
EAP - Economically Active Population
ELM - Emfuleni Local Municipality
ERU - Employment Research Unit
EVMS - Eastern Vaal Metropolitan Substructure
FBT - Former Black Townships
FWT - Former White Towns
GGP - Gross Geographic Product
GNP - Gross National Product
GSEZP - Gauteng Special Economic Zone Programme
HEL - Household Effective Level
HSD - Human Scale Development
HSL - Household Subsistence Level
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Integrated Development Plan</td>
</tr>
<tr>
<td>IDZ</td>
<td>Industrial Development Zone</td>
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<tr>
<td>IIP</td>
<td>Inward Industrialisation Process</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>ISA</td>
<td>Industries and Services Area</td>
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<tr>
<td>ISCOR</td>
<td>Iron and Steel Corporation of South Africa</td>
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<td>Local Business Service Centres</td>
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<td>Local Economic Development</td>
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<td>MAC</td>
<td>Manufacturing Advisory Centre</td>
</tr>
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<td>Minimum Living Level</td>
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</tr>
<tr>
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</tr>
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</tr>
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