Industrial Decentralisation in South Africa: Tool of Apartheid or Spontaneous Restructuring?

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Abstract: Industrial decentralisation (ID) has been a central component of South Africa's regional strategy for over twenty years. Until recently, though, the programme has evinced little interest amongst industrialists. The fact that ID policy has been premised upon political rather than economic considerations has been thought to lie at the root of this failure. Following recent developments, however, this view is being reassessed. The reorganisation of ID policy in 1982 and the dramatic acceleration in the rate of industrial relocations that this reorganisation appears to have induced, has led theorists to revise their thinking on both the economic and political imperatives underpinning the programme. The purpose of this paper is to review the debates that are now developing concerning ID in South Africa, and to suggest where further research and analysis might be most profitably directed.

Industrial decentralisation (ID) has been a central feature of South Africa's regional strategy for over twenty years. Since the late 1960's, ID policy has been primarily aimed at dispersing industry towards the bantustans. Whilst there have been attempts to rationalise this policy on legitimate economic grounds, it has been clear from the outset that '... the genuine economic cause for decentralisation was subordinated to the requirements of separate development' (Ratcliffe 1979: 399). Specifically, ID was conceived as a means of shoring up the bantustan programme by providing their populations with alternatives to metropolitan employment, and by providing their political masters with a viable economic base. Simultaneously, ID would work against the process of black urbanisation, thereby reinforcing the state's system of influx control. The record indicates only too clearly, though, that the policy has evinced little support from industrialists precisely because it has been premised upon political rather than economic considerations.

Recent developments, however, have rekindled interest in ID policy amongst theorists from a variety of positions along the political spectrum. What has particularly drawn their attention is the dramatic increase in the number of applications for decentralisation assistance since the policy was substantially revised in 1982. But it has not escaped notice that the proportion of manufacturing industry located in decentralised areas has been rising steadily since the late 1970's. The conventional view that ID policy has no economic basis is therefore being reassessed. Undoubtedly the most challenging of the theories that has emerged out of the recent literature proposes that ID is not entirely the product of restrictions on metropolitan growth and the provision of incentives in decentralised areas. Instead, "... there is evidence of a tendency for industrialists spontaneously wishing to move to cheap labour areas in order to maintain their profitability" (Bell, Padayachee 1984: 435). This suggests that South Africa is in the early stages of a re-organisation of industrial production towards a regional division of labour — specifically, the relocation of labour-intensive processes to peripheral cheap labour areas. The purpose of restructuring along these lines is to improve South Africa's competitiveness with respect to both imported manufactures and its own exports to international markets. From this
perspective, the process of decentralisation is not seen as entirely artificial nor as permanently contingent upon government intervention.

The re-organisation of ID policy and its record since 1982 has also led theorists to reassess their thinking on the political imperatives underpinning the programme. One view is that the revised policy is more sensitive to the interests of capital, and that the government has recognised the need to pursue decentralisation on a more rational economic basis. Conversely, it is argued that ID policy has been restructured to better serve the original political objectives (Hyslop, Tomlinson 1984). From this perspective, there have been no significant concessions to economic rationality and ID remains more than ever a central component of the state’s bantustan strategy. On the other hand, the creation, in 1982, of eight development regions’ which cut across bantustan boundaries is seen as evidence that the state now intends to promote ID using these regions to provide the spatial and material basis for a future federalist dispensation in South Africa (Cobbett et al. 1985). This prospectus implies that the bantustan system — as originally formulated — is destined to disappear.

The re-opening of debate in these directions has generated a considerable volume of literature in the past couple of years, as well as a series of surveys of both metropolitan and decentralised industries (Dewar et al. 1984; Tomlinson et al. 1985; Wellings, Black 1984; 1986). The purpose of the present paper is to review this literature, and to suggest where further research might be most profitably directed. The evolution and impact of ID policy is briefly described in the first section of the paper, paying particular attention to developments since 1982. The political imperatives that have conventionally been thought to underlie ID policy are then discussed. The third section examines the proposition that a powerful economic rationale for decentralisation has now emerged. Evidence for and against this thesis is reviewed. This is followed by a discussion of literature reassessing the political objectives of ID policy since 1982. The concluding section then attempts to identify research terrains which have received insufficient attention to date, and which therefore require further analysis.

Decentralisation Policy: Origins and Amendments

Although the origins of ID policy date from the 1930’s, it was not until the late 1950’s that the government established a system of decentralisation to ‘growth points’ in ‘border areas’ abutting the then ‘Native Reserves’. According to the Viljoen Commission (1958) the function of the growth points was to provide employment opportunities to Africans commuting from the Reserves and to diffuse benefits throughout the Reserves via an income multiplier mechanism. However, the border areas were never more than marginally successful in attracting investment, and their impact upon development within the bantustans proved negligible (Bell 1973).

Accordingly, a decision was taken in 1968 to permit ‘white’ capital into the bantustans. Although this had been recommended by the Tomlinson Commission (1952) over fifteen years earlier, it had been thought inconsistent with the ideology of ‘separate development’. Simultaneously, the Physical (later Environment) Planning Act was introduced in 1967 to provide for stricter control over industrial expansion in the metropolitan centres of Pretoria — Witwatersrand — Vereeniging (PWV), Port Elizabeth — Uitenhage, Bloemfontein and Cape Town (Fig 1). In terms of the Act, restrictions were placed on both the proclamation of industrial land (Section 2) and extensions to existing factories (Section 3), both pieces of legislation being specifically designed to regulate the employment of Africans.

The exact impact of this policy is difficult to gauge with precision. But it is clear that while it had important implications for job creation in the ‘controlled’ metropolitan centres, it had very little effect on industrial development in the bantustans (Bell 1973: 100 and 228–229; Ratcliffe 1979: 399–405). On the one hand, most metropolitan employers reacted by closing down, expanding in an ‘uncontrolled’ urban area, employing non-Africans, or by substituting capital for labour, rather than decentralising (Rogerson 1982a). On the other hand, figures published by Bell (1973) and Maasdorp (1982) suggest that while 192 910 jobs were ‘generated’ at growth points between 1960 and 1981 (Decentralisation Board 1983: 4), perhaps less than 50,000 were products of ID policy. Gottschalk (1977: 54) estimates that between 1968 and 1973, an average of 9,2 jobs were lost in the ‘controlled’ areas for every one created in the growth points.

Throughout the 1970’s, periodic revisions of the incentive packages obtaining at the growth points had little effect upon the rate of decentralisation, and this led to the introduction of a new programme on 1 April 1982. Unlike previous amendments to the system this contains some significant modifications. In the first place, whilst industrialisation within the bantustans still appears to be the major priority (and this is reflected in the relative value of incentives offered at bantustan growth points), the level of assistance is also structured in accordance with the ‘development’ needs of (eight) ‘functional regions’ which cut across bantustan borders. Second, while the number of growth points has been increased, the intention is allegedly to focus assistance upon a more limited number of points. To this extent there appears to be greater recognition of the need for concentration of resources on economically sensible growth points, not necessarily located within the bantustans. Third, the incentive packages have been upgraded and reorganised to place greater emphasis on longer term assistance and the payment of