How to add five million new jobs to the South African economy over the next five years

WORKING PAPER NO 4

Realistic strategies for a million jobs: the case of KwaZulu-Natal

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THIS STUDY ANALYSES growth trends and projects in South Africa generally, and in KwaZulu-Natal (KZN) in particular, with a view to highlighting those that could generate the most jobs. It is a case study in one province of how to approach the jobs challenge nationally. It seeks to contribute to national policy debates by putting on the table a limited, yet focused set of strategies that could bring KZN into the forefront of a national effort to create – in a non-artificial manner – 5 million jobs.

South Africa's levels of unemployment are among the worst in the world. The extent of the challenges of poverty and unemployment, moreover, deepen when viewed from a rural perspective, where it is not uncommon to find that there are areas in which well over half of potentially economically active people are unemployed. (Two examples – by no means KZN's worst – would be the Maphumulo district, just inland of Stanger/KwaDukuza, in which the last census recorded 4 221 people employed, 13 259 unemployed, and 43 011 not economically active; and the Ntambanana district, just inland of Empangeni, where the last census recorded 7 398 people employed, 10 414 unemployed and 28 080 not economically active.)[1]

Since the last census, in 2001, unemployment, statistically defined, in such areas would probably have worsened. This is because most of the 'not economically actives' in these areas in 2001 were school children, almost half of whom would since, hypothetically, have become job-seekers. It is recognised that strategies need to be put in place in small towns and rural areas, and this aspect is addressed later in this paper. However, this analysis also suggests that the best hope for many such unemployed people is to migrate to towns and cities, bringing with them marketable skills. Yet, at least in the short term (2009/2010), their work prospects, even in the cities, are unfortunately not auspicious. Jobs are being shed, for example, in manufacturing in Durban and Pietermaritzburg, among other KZN towns, as we write.

What can be done in the medium term? Many analysts believe South Africa is on a trend towards losing possibly hundreds of thousands of jobs during the course of 2009.[2] This is an ominous prognosis in the context of figures already cited on unemployment, and the widely announced global economic recession.

Yet, an expert group assembled by CDE in November 2008 felt that, when viewed in the medium-to-longer-term national and international context, the current dramatic changes to the global economy may also bring new opportunities.[3] These could include:

- more favourable terms for exporters as the relative price of manufactures declines; and
- the possibility that investment in emerging markets may be considered more attractive in future, relative, say, to the implications of negative economic growth and risky investments in developed economies.

KZN is a good place for commenting practically upon development strategies that could be of use in the country as a whole

The CDE group concluded that fresh thinking on policy and development strategy will be needed to bring such opportunities to fruition, together with major increases in job numbers. One school of thought is that the government and the public service may be entering a period of less defensiveness and greater confidence, and that officials and organised labour may be more willing to discuss regulatory and administrative changes, so long as it is clear that constitutional rights are not being challenged. If this school of thought is correct, then it is to such a government and public service, and to their potentially interested partners in civil society, that the following analysis of the prospects for job growth in KZN is addressed.

KZN in the national context

KZN is a good place for commenting practically upon development strategies that could be of use in the country as a whole. The province is hardly small or atypical – it has a fifth of South Africa's population, roughly equally divided between urban and rural communities.[4] If, nationally, one wants 5 million jobs, then KZN needs a million (as, indeed, will Gauteng, which also has roughly a fifth of the national population). With regard to KZN, in order to get closer to what this million jobs might mean in reality, it is useful to start by seeking to determine realistically which proportions of that million will most likely emerge in what sectors, and in which urban and rural economic contexts.

Seeking to create a million jobs while being battered by a global recession is not something that is best based upon untested, high-flown theory or ideology. The stakes are too high for that. Rather, what is needed is a new boldness, but one that is built around proven strengths and successful practices. In other words, successful strategy will mean, at least partly, building on long-proven strengths, and avoiding unrealistic efforts to construct initiatives based on historical weaknesses.

But what are such strengths and weaknesses? Experience has shown that KZN as a province would hardly have a reason for existence, in economic terms, without its coast and related natural endowments (for example, good rainfall and soils). Its entire economic history is based on the transportation and logistical needs of Southern Africa for its ports (and subsequent industrialisation around them); the recreational needs of people from Gauteng for relatively short-distance trips to the sun, sea, and mountains; and the national need for milk from KZN's Midlands dairy herds, sweetness from its sugar, paper from its forests and pulp mills, and so forth. These transportation and land-based activities are what mainly supports its some 10 million people today.[5]

What is needed is a new boldness, but one built around proven strengths and successful practices

Even KZN's relatively large manufacturing sector (Durban, for example, actually having more industrial jobs than the East Rand) has been built on locational advantages. Prime examples of this today can be found on the massive ships in Durban harbour, still laden with new Toyotas for global export, despite the global economic downturn. (The fact that Toyota is here rather than, say, in Bloemfontein, has mainly to do with the port.) The extensive aluminium exports out of Richards Bay provide another case in point. The global downturn has also hurt output here in 2009; but Richards Bay has actually led the country in terms of gross geographic product (GGP) growth rates on several occasions in the past two decades, and this in turn has been based largely on its aluminium-cluster exports, which are likely to prove robust in the longer term.[6] Several government studies have also predicted that, at least in the case of higher-mass and less time-sensitive manufactured exports, South Africa's coastal port cities should enjoy continued manufacturing growth.[7]

Yet, at the same time, manufacturing generally has been hardest hit by the effects of global recession; and the products and processes underlying the exploitation of the province's particular comparative advantages are under challenge in KZN in 2009. This much is evident especially in Durban, historically the host to over half of the province's economy. Durban's industrial and tourism economies, in particular, often subsist in tired, jaded, and congested formats.

The World Bank team concluded that the leading causes of constrained investment in both tourism and industrial expansion was exposure to crime

Considering Durban, CDE noted in its 1996 'Durban – South Africa's global competitor?' research document that, in essence, the city had sustainable competitive advantages in tourism and industry; but CDE also observed, even then, that these activities were somewhat tired in their current formats, and were in need of reinvention:

> The new Fodor's guide to South Africa describes Durban's central beachfront as 'tacky' . . . . If Durban wants to attract international tourists, it might have to promote areas such as Umhlanga and others on the north coast (for example Fodor's commends the Hluhluwe game reserve) . . . . Industry provides a second illustration . . . . In the past, the location of industry was partly influenced by the government's inward-looking decentralisation and de-concentration policies, with places like Hammarsdale being established to lure industry . . . yet these areas have been stagnant, and even lost business. In essence the challenge is to make business and industry comfortable wherever it wants to be.[8]

In 2003 the World Bank co-sponsored a series of studies on 'constraints to investment in Durban', which reinforced the conclusions above.[9] The team concluded, on the basis of very detailed financial and other research on a very large sample of firms, that, among other considerations, the leading causes of constrained investment in both tourism and industrial expansion was exposure to crime.[10]

The legacies of past-generation physical layouts (inadvertently, many of them the getaway-robber's dream plan) have partly contributed to such susceptibilities to crime. It is therefore unsurprising that tenants of more modern industrial parks in the province often cite diminished exposure to crime as one of the key attractive features.[11] However, the need for renewal is not just (or even mainly) about flight from crime.

Both contemporary tourism and manufacturing/warehousing have required enhanced access systems (port, airport, freeways), and new environmental and infrastructural conditions and contexts in which to renew themselves. These conditions and contexts are not very different from successful formats being developed elsewhere in the world, including designs that pay close attention to economies achieved through enhanced customer and workforce satisfaction levels.

In tourism, research during the early 2000s revealed that the historical Durban beachfront was then performing well below par, just like downtown Rio has been for decades, or Coney Island in New York.[12] These are tourism-product environments constructed largely around 1950s and 1960s aspirations and associated infrastructures.[13] Likewise, in manufacturing, Durban's old southern industrial basin (still host to more than half of its industry) has passed its sell-by date and, although rents have risen there due to a lack of alternatives, it is gridlocked in traffic, collapsing infrastructure, and crime.[14]

Part of the problem here is that much of city management seemingly cannot think out of its restrictive 'Old Durban box'

On the infrastructure and logistics front, while, with strong provincial government effort (and despite often strong resistance from the municipality), Durban did get a new airport and harbour widening, it has not got much else.[15] A sterling effort was made by a public-private partnership to 'do a V&A' at the Point, but the main beachfront continues to deteriorate and infect the Point's redevelopment prospects, which are nowhere near a competitor to Cape Town's equivalent.[16]

Part of the problem here is that much of city management seemingly cannot think out of its restrictive 'Old Durban box.' By way of illustration, there are tens of kilometres of undeveloped coastal bush and beach along the eThekwini municipal coastline, some stretches 10 kilometres long, to which few have applied their minds. Outside of eThekwini there are also 50 kilometres of mostly unspoilt tropical coast from Umhlanga to Blythdale which – if properly developed – could rival the areas in Rio from Copacabana to Leblon (these are suburban beaches beyond and in Rio). Already, the most internationally recognised tourism and second-home node in KZN is just north of Durban on this coast, at Zimbali.

The provincial partnership perspective

Many in provincial government are fortunately able to think beyond 'the old Durban box.'

Provincial government – in policy terms – is much more alive than its major municipal counterparts. For example, the February 2007 provincial cabinet endorsed a provincial spatial economic development strategy, which is market-friendly, and emphasises the renewal of traditional economic strengths around the N2 and N3 corridors to and from Durban. However, provincial government often lacks the skills and capacity to act, and to operationalise its preferred projects on scale. Hence the most immediately available way forward to create a million jobs in the province, based upon a reasonable spread between the urban and the rural, would be to develop more public-private partnerships with provincial government.

> *Many in provincial government are able to think beyond 'the old Durban box'*

This has recently materialised, for example, around the new airport, where the provincial government initiated and funded the Dube Tradeport Company Ltd. This was mandated to facilitate growth of the trade and logistics functions adjacent to the new airport. Dube Tradeport, as a public entity, has in turn struck up partnerships with major corporations in the province in connection with development of the N2 corridor, northwards of Durban around the new airport, and in the direction of Richards Bay (see box: 'Dube Tradeport and its surrounds'). Independent estimates of the numbers of jobs that will be realised through this run into hundreds of thousands.[17]

Dube Tradeport and its surrounds: a provincial partnership with the private sector ready for expansion?

For some time, its relatively weak air platform has curtailed the KZN economy's potential to interact directly with global markets. Runway length restrictions at the current Durban airport have precluded fully laden intercontinental flights, but the new airport now being established at La Mercy will redress this, and Emirates Airlines will now be flying directly to Durban as of October 2009, with others expected to follow.

One of the spinoffs of such enhanced global air connectivity is a superior base for time-sensitive manufacturing, including, for example, in the motor components and information technology (IT) hardware-assembly businesses. Dube Tradeport Ltd was set up by the KZN provincial government to promote and implement this. Not only has it been successful in accelerating the construction of the new airport, but it has successfully promoted the joint planning of land development for new enterprises around the airport, together with the main adjacent landowner and major KZN company, the Tongaat-Hulett Group.

What this means is that major 'multipliers' are anticipated from the airport. Already, in early 2009, there are some 5 000 workers on site building the airport, but multiples of this number will soon be employed in building adjacent factories and warehouses, among other uses. Rates income to an (otherwise historically reluctant) municipality will thereby escalate rapidly, and the value-added taxes (VAT) and other taxes derived from construction in adjacent areas alone will effectively compensate for the total capital cost of the airport. Tens of thousands of new, permanent jobs are expected.

The key to such successful public-private partnerships are realistic recognition of the interests, constraints, and resource potentials of the collaborating partners by the other side; the recognition of areas of mutual and diverging interests at the outset (and the design of projects to focus on the former); and genuine commitment of the partners to work together in the long term on assumptions of mutual respect.

The prospects for further such collaboration between major KZN companies and provincial government during 2009 are auspicious if they are framed as a collective, practical response to global recession, spread across the rural–urban spectrum. What such an extended KZN partnership could do now is to move rapidly to implement other projects in its 'provincial priority corridors 1 and 2'. This could entail joint funding and construction of new road and other infrastructures in these corridors, and the establishment of new industrial, warehousing, and services areas. Such initiatives may require project superimposition on parts of Durban or the eThekwini Municipality, but more often will operate more quickly outside of it. New 'de-bureaucratising' structures such as large industrial development zones (IDZs) may therefore be necessary to implement the practical projects suggested below.

Why are government and the private sector not giving tourists more of what they want, and reaping the jobs rewards?

Policy principles for a million jobs in KZN

Strategies that will achieve impact via a limited array of companies, in coalition with a limited set of provincial government resources, need to be focused. They cannot be allowed, thorough excessive consultation and committee review, to multiply simply to 'accommodate interests'. It therefore is proposed here that in policy terms, from a sectoral perspective, the likelihood of job impacts in the short to medium term in KZN, spread throughout urban and rural contexts, will be strongest in the four focus areas discussed below.

- **Reinvent tourism on non-ideological and market-attuned terms**

Tourism is one of the most labour-intensive sectors in South Africa, and surveys of tourists who come to South Africa and KZN show that the leading reasons for such visits relate overwhelmingly to natural endowments – particularly the flora, fauna, coasts and mountains.[18] Why, then, are government and the private sector not giving tourists more of what they want, and reaping the jobs rewards?

Early report backs, for example, from the European Union funded Gijima KZN, the 'Making markets work for the poor' studies funded by the Department for International Development (DFID), and the World Bank funded 'constraints to investment' studies of Durban, all add up to one conclusion.[19] Success in launching new tourism projects will require ignoring the seemingly do-good intentions of any non-market attuned perspectives on tourism maintained by non-governmental organisations (NGOs) and local authority officials, getting out of Durban, and moving up the KZN north coast and into the Drakensberg.

Recent market signals also suggest that – rather than chasing after generally nervous European investors over the next few years – short-to-medium-term success will mean working with Dubai and India based investors who are already 'sniffing' strongly here, but often put off by the bureaucracy and lengthy timeframes.[20]

A key factor necessary to expedite several new tourism developments in KZN will be the rapid and fair settlement of land claims

Indeed, it must be emphasised that a key factor necessary to expedite several new tourism developments in KZN will be the rapid and fair settlement of land claims. Land claims and tenure issues have been bedevilling many of the more promising major new tourism investments in the province. Examples include the 1 000-hectare Blythdale resort on the north coast (the claim has now been resolved), and the very ambitious Zulu-theme park backed by an Emirates consortium just north of the Tugela River mouth.

- **Create a hugely more development-friendly environment for new or expanded manufacturing**

KZN currently derives over a quarter of its GGP from manufacturing, making it the most industrial of all provinces (including Gauteng, which is increasingly headed in the direction of specialisation in finance and services). Not all manufacturing in the province is labour intensive, but much of it is. In 2003, KZN manufacturing employees earned R21 billion, which is equivalent to the combined totals of trade, finance, and construction in the province.[21]

Expanding upon those aspects of existing industry that are capable of expansion, and attracting in new industries that want to be in the province, should, in quantitative terms, consequently yield comparatively high levels of jobs.

However, vacant industrial land is now almost non-existent in Durban, largely due to planning-induced shortages, and land prices at newer industrial parks are in excess of R10 million a hectare.[22] Richards Bay is more developer-friendly as a city, and its IDZ has proven relatively successful.[23] However, research among national commercial and industrial real-estate agents shows that the absence of land and planning permission in the province is the single most important reason holding up further industrialisation.[24]

If KZN is to be successful in manufacturing in the future, something radical needs to be done, using existing provincial and national powers. Specifically, to be provocative, it could be proposed that the whole area adjacent to the N2 and N3 freeways, or the 'provincial priority corridors 1 and 2' (from Howick to Durban, and Durban to Richards Bay), will likely need to be committed to relatively deregulated IDZ status, and provided with a priori planning approval, facilitated by a blanket Development Facilitation Act (DFA) approval.

Will KZN find itself with a massive after-2010-party debt hangover, in much the way Greece found itself after its Olympics?

UN Habitat's most recent report on urbanisation and economic growth world-wide shows that, out of a sample of 245 cities studied, 'designation of economic zones' and 'investment in transportation infrastructure' alone accounted for 62 per cent of all the reasons for differential growth.[25] So one poses the rhetorical question to policy-makers in KZN whether now is not the time to apply blanket DFA approvals and IDZ status to the whole of their 'provincial priority corridors 1 and 2'; and if not, why not?

- **Emphasise public expenditures on productive infrastructure**

Durban's multi-billion-rand new soccer stadium is now a fait accompli, and is likely justified on something other than economic grounds; and progress on Durban's multi-billion-rand airport is well advanced, in that case more justifiable on economic grounds. But what after that? Will KZN find itself with a massive after-2010-party debt hangover, in much the way Greece found itself after its Olympics? Or will there be a sustained infrastructure momentum?

Research shows that the most important state interventions of all, as far as contributing to economic growth is concerned, are roads and telecommunications infrastructure. Professor Johann Fedderke's analysis of data on this shows that, over the past three decades, investment in infrastructure in South Africa has fallen from 8,1 per cent to 2,4 per cent of GDP, so that until a few years ago we lay well below (actually at about half) the international benchmark of some 4,5 per cent of GDP. This partly accounts for the slowing of GDP growth during the 1980s and early 1990s. Professor Fedderke's research, however, also shows that, nationally, a 1 per cent increase in the paved-road network between major metros is associated with a 4,9 per cent increase in productivity growth.[26]

In this context, provincial government must be urged to continue with its existing policies for emphasising the 'crowding in' of investment in 'provincial priority corridors 1 and 2', by providing back-up roads and interchange infrastructure on roads there, and if necessary moving forward and ramping up the planned increased road infrastructure spend, as already announced in the excellent 2008/2009 Budget Speech of the MEC for Finance and Economic Development, Zweli Mkhize.[27] Construction in KZN yields some 18 direct and indirect jobs for each million of capex spend.[28] Thus, if the MEC's projected virtual doubling of the provincial spending on roads for 2009/2010 is judiciously allocated, for example, there should be thousands of new jobs in 2009 from road construction alone. Moreover, again if the funds are judiciously allocated, such jobs will be in areas in which the private sector might otherwise defer investment due to a lack of road connections (see box: 'Developers speak').

Developers speak: letting slip the prospect of jobs

It is surprising how much potential private investment, and associated jobs and taxes, can depend on decisions on relatively modest amounts of public investment in – for instance – upgrading a freeway interchange. South Africa's relatively undersized construction sector has been at the forefront of keeping gross domestic product (GDP) and job numbers afloat in the context of the recession. But this is now often at risk due to overly parsimonious local officials.

In most parts of the world, and in South Africa too until very recently, the assumption has been that the public sector (usually provincial and/or local government) will fund basic off-site road, sewer and electrical infrastructure in order for developers to erect new industrial estates.

However, a pattern has emerged in recent years in many KZN municipalities in which such costs are effectively passed onto developers. In a buoyant credit market it may be relatively easy for developers to pass these costs on to end users (factory owners), or even the consumers of their products via price hikes. However, when – as in 2009 – credit is tight, this new responsibility often places impossible additional working-capital costs on developers. As a result, otherwise meritorious projects (in public-interest terms) are either shelved or abandoned.

A recent Standard Bank/Mercury forum in KZN highlighted this challenge in multiple cases, with most major developers and civil-engineering firms identifying it as a major deal-breaker during 2009 (Mercury Network, 29 April 2009). Ironically, this is happening despite Minister Manuel's announcement in February 2009 that he did not expect to be able to spend the national budget on infrastructure.

If a portion of such unspent budget were allocated during 2009 to a local manufacturing-infrastructure fund, jointly managed by the provincial and private sectors, many good projects could be retained and possibly implemented by year end, as opposed to being abandoned.

- **In education and training the emphasis must be on public-private projects and marketable skills**

Probably the most important reason for high unemployment among young people is that employers view them – in business economic terms – as unemployable. The cost of their management and supervision is perceived to exceed the value of any additional contributions to the operation of businesses.[29] The reasons for this are complex, but an important factor among them is the lack of marketable skills present among many, perhaps most, of the unemployed.

Education may be good in its own right, but it is hardly leading to enterprise and employment; whereas private-sector-led vocational training is leading to people getting jobs.[30] From the perspective of employment promotion, then, there is thus a need for emphasis on re-skilling in partnerships with the private sector, rather than 'black holes' of expenditure on schooling and tertiary education that, for the most part, do not get young people very far either with independent entrepreneurship or employment.

The Human Sciences Research Council (HSRC) some time ago identified vocationally oriented training as one of the most important areas of need for skills upgrading in South Africa; but, their conclusions nothwithstanding, there is no need to reinvent the wheel based upon 'international best practice'. There are practical examples on the ground of this already in KZN, on which to build.

Richards Bay's 'Richtek' model is an example led by industry that works, and is admired by employers (see box: 'The curricula needed by industry').[31]

The curricula needed by industry: the Richtek case

Richtek, based in Richard's Bay, uses many teachers drawn part-time from the ranks of those in local industry. It emphasises employment-oriented skills, and those receiving diplomas have a reputation for easily finding jobs. The list below, detailing the set of courses currently available at Richtek, provides a sense of what might be needed elsewhere.

The curricula at Richtek appear designed to cater to needs of local industries, and include accounting, business studies, electrical and electro-mechanical studies, human-resources management, management assistance, mechanical engineering, national senior certificate – secretarial, production management, and tourism, among others. This makes for an almost perfect fit with local firms' skills needs, the latter consideration being the driving force behind subject choice, curriculum design and staffing.

In some ways Ricktek fits the mode of South Africa's 'old techs', well prior to their debatable elevation to 'Universities of Technology'. The 'old techs' had very strong relationships to senior managers on factory floors, and of course strong functional links to apprenticeship systems. In the international comparative context, Richtek would also seem to have strong similarities to so-called Vocational Education and Training (VET) institutions, one of the more successful examples of which in the African context can be found in Mauritius, where the emphasis is upon IT skills training.

In KZN at present the co-incidence of interest between tertiary education and training and industry needs appear to be very weak. Major multi-nationals such as Toyota or Unilever, for example, are sending large numbers of their employees outside of the province (often to Cape Town) for vocational and tertiary training, and a fear could be that there may be growing estrangement between the needs of industry and public institutions in the province.

Projects for a million jobs in KZN

Under optimal circumstances, it should be possible to generate a million new jobs in KZN, and this section explores where they might emerge under such conditions. Although almost half of KZN's people are in rural areas, and need is often greatest there, the generation of economic opportunities is usually easier in the cities and less costly to encourage. However, it is also important not to oversimplify, in that we have seen that there are some tired and jaded options in cities; and in the countryside there are sometimes nodes that offer prospects that are auspicious, often especially for public investment. Moreover, the fortunes of urban and rural areas are often integrated through second-home-and-commuting relationships,[32] and longer-term rural-to-urban migration.

The rural/urban divide is thus primarily an explanatory device. Having said this, the four policy principles outlined above can then be applied to the balance of projects between rural and urban areas outlined below.

In the rural areas, create about a quarter of all opportunities. The following projects would contribute to this target.

About 100 000 new rural/small-town jobs should be created in construction and the construction sector, and/or by developing marketable skills:

- by replacing post-primary schooling with secondary-level programmes aimed at enhancing marketable skills and apprenticeship schemes (for those who want to exchange this for conventional schooling), this being done in partnership with private-sector firms in selected smaller centres where they have a significant presence (see below); and
- by elaborating and extending upon the already successful labour-intensive rural road construction and maintenance programmes in KZN (the so-called Zibambele and Vukuzakhe programmes), to include similar programmes, in selected smaller towns (those with identified longer-term economic potential), for labour-intensive building of new schools, clinics, dams, lower-cost housing, and enterprise zones. That is to say, focus and expand upon labour-intensive public works in these towns.[33] There are at least ten such towns or local authorities aligned within or close to provincial priority corridors 1 and 2. These towns, with significant growth potential, but with high unemployment levels, include Ladysmith, KwaDukuza/Stanger, Hibiscus Coast/Port Shepstone, uMngeni/Howick/Hilton, Mandeni/eNdondakazuka, Jozini, uPhongolo, Okhahlamba, Mthonjaneni, uMtshezi, and Ntambanana. The aim should be to create about 5 000 labour-intensive public-works construction jobs in each by 2010, and 5 000 young high-school people with highly marketable skills.[34]

> *About 100 000 new rural / small-town jobs should be created in construction and the construction sector*

About 10 000 new small-scale commercial farmers, or farm workers on such farms, could be created by elaborating and expanding upon the existing South

African Sugar Association's Inkezo Land Company model for the incubation and support of successful black farmers. This means placing at the centre of agricultural black economic empowerment (BEE) the incubation of potentially successful black farmers, and not (as currently is often the case) conflict over land claims and redistribution. The successful Inkezo experience could be built on by infusions of public and/or development-aid funds and further expertise into Inkezo, so as to project it into other areas of small-scale commercial farming, probably by linking it up with the Kwanalu agricultural union (covering all agricultural sectors in the province). The last-mentioned has expressed a desire to become involved in Inkezo-style land reform. There are substantial unspent funds, for example, in the coffers of the Provincial Growth Fund and/or Ithala development agency, the KZN Department of Agriculture, and the national Land Affairs Department, which would be more than adequate for this purpose.[35]

Another approximately 100 000 jobs could be retained or expanded in established lead sectors of agri-business in the province over the next two to three years by keeping forestry and sugar alive and healthy by outsourcing restitution and settling all land claims in one year. These two sectors currently employ hundreds of thousands of people. Presently, most commercial sugar land and much commercial timber land are under long-unresolved land claim constraints, which in turn is leading to disinvestment, and which will shortly reflect in major job losses. The necessary funds are already available through budgeted Departments of Land Affairs and Department of Trade and Industries resources to settle claims at market prices, and then move on to support and ensure proper post-claim maintenance. The private sector could then create secure markets for the derived products, and also create pricing and sales environments for new revenue streams to these industries, for example, from electricity co-generation from the mills.[36]

Most commercial sugar land and much commercial timber land are under long-unresolved land claim constraints

In the cities, back the existing comparative advantage and momentum of tourism and manufacturing, especially in the L-shape N3/N2 corridor from Pietermaritzburg to Durban to Richards Bay, as already agreed by provincial cabinet in respect of provincial priority corridors 1 and 2, by doing at least three things.

The first is to generate some 250 000 jobs[37] by establishing new IDZs, including the relaxation of currently onerous development controls (and other controls if necessary, but done properly in terms of existing legislation such as, for example, the Development Facilitation Act) in three 10 000-hectare zones. These zones should focus on exports, and each should have short road/rail links to Africa's two busiest ports and/or its newest cargo-oriented airport. They would be situated in:

- areas astride the N3 between Howick and Durban (at selected about 1 000-hectare nodes in Hilton, Pietermaritzburg/Msunduzi, Lynfield Park, Camperdown, Cato Ridge, Inchanga and Shongweni, among other locations);
- areas along the road between Empangeni and Richards Bay harbour; and
- areas around the new KZN airport at La Mercy.

Here KZN could restart and expand upon its already massive industrial and logistics engine-rooms, by getting out of its historically straitjacketed formats in the old apartheid-era nodes, and into 21st century global best-practice formats.

IDZs and special economic zones: together with transport infrastructure, now the twin pillars of global urban growth

At the most recent (December 2008) South African Cities Network Conference, the UN-Habitat contribution noted, inter alia, how highways and interchanges facilitated both inter- and intra-metropolitan economic efficiencies, which were seen as key bases for overall economic growth in city regions. It was observed that – among a sample of 245 cities worldwide – 78 per cent of the 'main drivers' for their growth were economic in nature, and, of these, about two thirds of the growth was stimulated by investments in either transportation infrastructure or special economic zone designation (see table below from their presentation).

NEW DRIVERS OF CITY GROWTH
(sample of 245 cities %)

Drivers	Africa	LAC	Asia	Total
1. Economic reasons	78	86	74	78
Designation of economic zones	11	21	23	21
Invest in transport infrastructure	51	25	44	41
Investments in communication	16	39	7	16
2. Quality of life	22	9	8	10
3. Change of city status	0	5	18	12

The current collaboration between Dube Tradeport Ltd and major private-sector partners could be used as practical and institutional role-models of co-operation between provincial government and the private sector in this regard. Much of the land referred to in the nodes already alluded to belongs to companies such as Mondi, Sappi, or Tongaat-Hulett.

Secondly, generate nearly a quarter of a million jobs through three new 'must-see' tourism-destination resorts, probably in co-operation with Indian and Middle Eastern partners (which, as we have already suggested, are the new sources of tourists and capital currently scouting strongly in KZN); and market their tourism products strongly in the midst of the 2010 soccer world cup. Do this largely (but not necessarily exclusively) in 'greenfields' environments where one can act fast, but also capitalise on the region's acknowledged natural comparative advantages (warm-water coast and nature). Three suggested localities for this would be:

These zones should focus on exports and each should have short road/rail links to Africa's two busiest ports and/or its newest cargo-oriented airport

- an intra-metropolitan game reserve and marine resort with hotels/resorts at the Bluff Headlands (currently owned by the South African Navy, but not now necessary to its military needs, and for which there are already notional tourism plans) (see box: 'Thinking out of the box');
- at least one suitable north coast beach/nature site within less than an hour's drive of the new La Mercy airport (several possibilities exist which are already well known); and
- the Drakensberg regions that are within easy metropolitan reach (probably southern/Sani area).

Thinking out of the box: A metro game/marine reserve on a defunct naval facility

Durban's main beachfront is often the source of overcrowding and policy controversy (a 'mental box' within which local politicians often like to fight); but across the bay from the Point is the so-called 'Bluff Headlands', belonging to the navy, with 10 kilometres of unutilised coastline. This area is militarily useless to the navy, but could become a globally unique metropolitan game reserve/marine reserve resort on the Durban coast. Research by Tourism KZN shows that the main reasons for higher-income and domestic tourism are the beaches and nature reserves. A report to Tourism KZN also noted that the main international competitors of South Africa's eastern seaboard for market share of global beach tourists were Mauritius and Kenya, and comments:

'Typically the main weaknesses of the province as a tourism destination have been perceived on the basis of research results to be a combination of perceptions of crime, grime and personal safety and 'tired' products, while the strengths have been perceived as its natural environmental attributes and its unique cultural qualities . . . Going to the beach has consolidated its position as the leading activity undertaken by foreign tourists, and visiting a nature reserve remains firmly in second place . . . [there is thus] growing potential for long haul beach tourism, particularly where it is possible to combine traditional beach tourism with other growth areas such as eco-tourism' (41–2).

The Bluff contains the ingredients for a good mix of both of these, in a several-kilometre-long stretch of natural coastal bush and beaches. Indeed, the Bluff, where it is close to the harbour entrance (and not in its southern settled areas), is a paradox. It is (as the crow flies) close to Durban's centre (which would suggest high-density urban use). Yet in reality it is cut off by poor road access as a 'wild island'; and has been sterilised for urban development for over a century by a military that once wanted it for housing its harbour-guarding cannons (a function now rendered obsolescent by modern radar and missile technology). When viewed in global comparative context, it is interesting that the 'rich and famous' often have a penchant for 'wild-islands/bluffs' near big cities; some of which later become 'resort-ified'. A case in point is Elephant Island near Mumbai. In greater Durban this role is currently being played de facto, even though it is not an island or bluff, by Zimbali (attracting hotels from Sun International, Fairmont, and others into 'coastal jungle', along with the R20 million beach houses of Gautengers).

Indeed, the time has come for KZN to become aggressively pro-active on the tourism front. As is the case elsewhere in the Southern African Development Community (SADC) region, active collaboration between government and the private sector is required. An island like Mauritius (population 1,2 million), for example, already has more than 100 international-grade hotels, yet Durban (population 3,4 million) has less than 30. It may reasonably be inferred that – if it went out of its way to attract investors – KZN could attract a further at least 20 such hotels/resorts in a fairly short period of time, at a capital expenditure, say, of R200 million each. The construction sector impact of this alone would be of the order of 72 000 jobs.[38] Moreover – in the present author's conservative estimates – assuming 150 rooms a hotel, predominantly non-KZN occupation, and occupancy rates of 75 per cent, this should lead to an additional provincial tourism spend of R3 million a day, or over R1 billion a year. Most of that would be devoted to salaries and wages in retail, catering, and entertainment, and therefore be likely to yield tens of thousands more jobs. There have been some even more ambitious plans than this recently on the table in KZN, which the present author would support; but even if these fail or are delayed for some reasons, the general principles are what need emphasising here. Since tourism has one of the highest-known job multipliers,[39] it is probable that – especially if the more ambitious plans were realised – a quarter of a million new jobs could materialise in this way (see box: 'Jobs through tourism in KZN').

Jobs through tourism in KZN

Jobs are gained through new tourism projects in at least three ways: (i) through the construction of new tourism plant such as hotels; (ii) through the permanent jobs of employees in hotels and resorts; and (iii) through the spend of, especially, higher-income tourists outside these hotels/resorts. Research on actual cases in KZN suggests that a small resort will typically generate 5 000 construction jobs, about 1 000 permanent jobs on-site; and a similar number off-site, for example, through expanded retail sales. But these numbers can be multiplied in strong regional initiatives. There have been, and are, a number of mega-resorts in planning in KZN, for example, that draw upon the marketing synergies of international tourism and entertainment/leisure brands, and international airlines, to create 'destination locations'. Here there are multiple, interconnected attractions that encourage visitors to stay a week or more in one place, as opposed to the few days – if any – that characterise international visitors' exposures to KZN at present. Dr Richard George, convener of tourism management at the University of Cape Town's School of Management, writes in his book Marketing South African Tourism (OUP, 2007): 'A destination is a place, including a physical and perceived location, consisting of primary and secondary attractions and supporting amenities that entice people to visit.' At present KZN, and indeed South Africa as a whole, has few, if any, of these.

Finally, create a quarter of a million new, highly marketable self-employment skills leading to employment, or self-employment, among the 'ambitious unemployed' in the major cities and eThekwini metropolitan area. This can be done by provincial government, business, and international development agencies funding intensive training programmes similar to Richards Bay's Richtek, but now on an expanded scale, and especially in Durban, Pietermaritzburg, and Newcastle. This is a twin skills programme that suggested for smaller towns in relation to rural opportunities, with an underlying philosophy of – at least for those who want it – 'throwing textbooks and traditional teachers out the window', and with very strong input from leading firms about what they need from independent service providers in the training domain (see box: 'Vocational training revived?').[40]

Vocational training revived?

South Africa's Joint Initiative on Priority Skills Acquisition (JIPSA) attempted to combine public and private resources towards more effective skills development. However, recent feedback from those involved in JIPSA, and from private practitioners in the training field, suggests that there is growing recognition that the most effective skills training is often undertaken independently of the public sector. This happens 'in-house' within companies, though often outsourced to carefully briefed private providers (see report in the Standard Bank's Network supplement to the Mercury newspaper, 8 April 2009). For those currently outside of corporate employment, what this means is that job experience and on-the-job training is often more valued than, say, post-school education at publicly funded tertiary institutions. Unfortunately there is little in the current high-school or university environment that prepares young people for the rigorous demands of multinational corporations, or of the South African companies that supply inputs to such firms or compete with them. The globally based knowledge systems that inform product development in these companies are often decades ahead of what school or university teachers can be familiar with. There is thus little substitute for importing recent, company-derived knowledge into training programmes that are relevant to the world of work; and what was once known as 'vocational training', led by people with practical experience in companies, is thus likely to undergo revival in KZN and elsewhere. Bureaucratic impediments to this process, where they exist, should be removed.

Conclusions

In 2009, given the very difficult global economic environment, and given also political splintering, competition, and sometimes growing desperation at the apparently declining abilities of the state to deliver, there could be rising rhetoric – much of it impractical – about the way forward.

Many unrealistic promises are likely to be made which could result in an even more profound sense of alienation, especially of the youth, post 2010. If we are looking for an emulation of the turbulence associated with failed promises and repression à la Athens December 2008, or even worse, Zimbabwe in December 2008, concerned sectors of the public service and civil society (including business) need only to 'stick to their knitting'.

KZN faces the prospect of economic atrophy if large sectors of it allow the lack of imagination and foresight of old-fashioned bureaucrats in its major cities, and tired private-sector product offerings in the market-place, to be continually served up. The metaphorical equivalent of cold plates of chips in a global-investor gourmet's market place is not appropriate, especially now that these gourmets have thinner wallets.

In order to achieve these goals, KZN will need to lead the country by thinking out of the box and applying 'Yes-We-Can' vision and will to practical projects

This would not matter if many ordinary people in KZN were not hungry. If it does matter, we need to be pragmatic and practical, and build around what works in the province, but also be bold about getting bureaucracy out of our way, and pulling the national and regional public and private sectors together in the face of global adversity. The policies and projects for KZN as listed above are hopefully a focused menu for action to steer our way out of trouble together, and – under optimal conditions – ramp up a million jobs as a role model for the country as a whole.

But, in order to achieve this, KZN will need to lead the country by 'thinking out of the box', and applying 'Yes-We-Can' vision and will to practical projects. Sometimes, as in the Bluff case, all that is required is a new perspective on assets within the state itself (as in the Bluff land). At other times, it may require building upon and extending practical partnerships between provincial government and the private sector, as in the Dube Tradeport/airport example, but now applied to wider IDZs. The important point is to translate, imaginatively yet practically, new, national job-creating priorities into the local and the real.

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Endnotes

1 SA Demarcation Board, www.demarcation.org.za, accessed 11 December 2008.

2 See, for example, the views expressed in G Steyn, Optimism fades, Finweek, 11 December 2008, 45–6.

3 Notes from a panel discussion at CDE, Johannesburg, 16 October 2008.

4 SA Demarcation Board.

5 The proportion of those employed directly in agriculture and transport in KZN is some 15 per cent, which is higher than the national average; but, just as importantly, most trade, finance, and manufacturing aggregates near to the ports and coast due to logistical (port) reasons and the tourism and residential attractions of the coast.

6 See, for example, the report on Richards Bay in CDE's 'Making markets work for the poor' series: Syd Kelly and John Boughey, Making Markets Work for the Poor: a case study of uMhlatuze municipality, Johannesburg: CDE, June 2005.

7 An example of this was Department of Transport, Moving South Africa, Pretoria: 2000.

8 CDE, Durban – South Africa's global competitor?, Johannesburg: October 1996, 22–3.

9 See, for example, R Devey, I Valodia, and M Velia, Constraints to Growth and Employment: evidence from the Greater Durban Metropolitan Area, School for Development Studies research report 64, Durban: University of KwaZulu-Natal (UKZN), 2005.

10 Ibid; J McCarthy and M Raidoo, Constraints to Growth and Employment in South Africa – evidence from large tourism firms in Durban, Department of Sociology unpublished research report, Durban: UKZN, 2003.

11 This was revealed in a survey of occupants of Durban's new Riverhorse Valley industrial estate in: Fakisandla Consulting, Riverhorse Valley Business Estate – an updated baseline study, unpublished report, February 2007.

12 McCarthy and Raidoo, Constraints to Growth.

13 Ibid.

14 The Ethekwini municipality and the European Union have recently recognised this point in a joint venture on 'area-based management' in the southern industrial basin. However, as Viruly Consulting has noted, 'The South Durban Basin (SDB) is characterised by relatively heavy, older industrial areas if compared to prime nodes in the western and northern areas of the municipal area.' Viruly Consulting, Property Market Review – The Durban Metropolitan Region, Durban: eThekwini Municipality, February 2007, 32.

15 As was pointed out at the Afrikaanse Handelsinstituut KZN Conference of 24–26 August 2007, the biggest problem in getting the new Durban airport approved was lack of alignment between government structures, and in particular opposition by eThekwini municipality to approval of the environmental impact assessment (EIA).

16 The Durban Point Development Company, which facilitates development at the Point, has encountered numerous obstacles, including cumbersome EIA processes. But studies for that company by international consultancies have reportedly observed that the wider South Beach area social environs are a major constraint upon its redevelopment.

17 This is according to the report of the EIA of the new airport, the senior authorship of which was done by the Institute for Natural Resources (INR), UKZN, Pietermaritzburg in 2007.

18 See J Schroenn, Tourism: Status Quo Report, Economic Unit unpublished report, Durban: Durban Metropolitan Council, 1996; Tourism KZN, KwaZulu-Natal's Domestic Tourism Market and KwaZulu-Natal's International Tourism Market, various reports between 2001 and 2008, Durban.

19 See the report by L Marais, 'Are consultants delivering poor plans?', referred to in Gigima Learning Monitoring and Research Facility, Newsletter, November 2008, www.lmrf.org.za, accessed 16 December 2008.

20 Examples here would be the Blythedale coastal resort, a multi-billion-rand project planned on the coast near Stanger, which has been held up by stalled land-claims procedures; and the conflicts surrounding various Dubai-based investor proposals for coastal resort developments just eastwards of Mandeni/ eNdondakazuka and north of the Tugela, where planning issues and land rights appear to be at stake.

21 Figures from Global Insight, based upon census data.

22 Viruly Consulting, Property Market Review, and information supplied to the author in personal communications with Tongaat-Hulett Developments, December 2008.

23 At least, until 2005 the relative success of the Richards Bay IDZ was evident (see Kelly and Boughey, Making Markets Work for the Poor), though indications are that such success has diminished in recent years.

24 This was reported by John Barton of KwaZulu-Natal Growth Coalition in July 2008, and supported by evidence in a research report to the KwaZulu-Natal Department of Economic Development by the present author: J McCarthy, Draft strategy for firm relocations to KZN, revised draft, August 2007.

25 UN-Habitat, State of the World's Cities 2008/9 – Harmonious Cities, Nairobi: 2008.

26 J W Fedderke, P Perkins, and J M Luiz, Infrastructural investment in long-run economic growth: South Africa 1875-2001, World Development 34(6), 2006, 1037–59.

27 Province of KwaZulu-Natal, Budget Speech 2009/9, presented to the Provincial Legislature, Pietermaritzburg, 28 February 2008.

28 This estimate is based upon field research in the province by the present author, and a variety of secondary sources. There are different ways of making calculations of the employment consequences of capital expenditures in construction, based upon different empirically informed measures of the labour-intensity of the construction industry, and different methods of assessing the magnitudes of multiplier effects associated with construction activity. Usually, the volumes of labour employed in so-called 'higher-tech' construction (including, for example, freeways, airports, or office towers) are lower, but the average wages paid are higher. The reverse is true of lower-technology construction. Net wage bills, therefore, as a percentage of total project costs, do not vary very significantly from project to project. A number of estimates derived from various national building-industry sources do show slightly different labour-intensity and multiplier indicators by region, and so on. The variance between the estimates is, however, not particularly large. At present (2008) we estimate that for every R1 million spent on construction, six jobs (of an average length of one to two years) are directly created in construction; and in addition, a further 12 jobs are created 'off-site' indirectly (the latter partly outside the construction sector, both in the building-supplies related industry, and in the wider local economy, as a result of increased wage expenditure by construction employees).

29 For an elaboration on the reasons for youth unemployment see CDE, South Africa's 'Door Knockers': young people and unemployment in metropolitan South Africa, Johannesburg: 2008.

30 See ibid.

31 Richtek reference material is derived from their website; and the HSRC material referred to includes several of their reports, but most notably their 2004 broad overall analysis of human-resources development, starting with a discussion of the youth labour market, and the concentrations of unemployment especially in certain (younger) age categories of African youth, through to an assessment of broad solutions ranging across a wide spectrum. The analysts point out that the employers' experiences of skills shortages were especially pronounced in the technical and managerial categories of employment, and this finding was consistent with CDE's 2008 finding that those youth with tertiary qualifications in business and technical fields were many times more likely than others to find jobs. The 2004 HSRC study, however, also emphasised the importance of what it called 'intermediate'-level skills in the South African labour market, and the growing significance of further education and training (FET) colleges. Here the emphasis is on career- and vocationally oriented training at NQF level 5. The HSRC 2004 overview study

noted a steep decline in graduates from technikons with B Tech and technical diplomas, as well as steep declines in apprenticeship and entrepreneurship training from the 1980s to the early 2000s, all of which prefigured the nature of the 'skills crisis' of the current period. At the same time, the poor image of FET colleges in the market place, as well as their lack of sensitivity to labour-market needs, were diagnosed as reasons for the low employment of their graduates. The Accelerated and Shared Growth Initiative of South Africa (ASGISA) strategy's emphasis upon skills development was partially a response to the types of challenges outlined in the 2004 HSRC report, in which much emphasis was placed upon the upgrading of skills-enhancement programmes, particularly in FET colleges, ostensibly in alliance with private-sector partners.

32 There are still many people in the province who keep either a small dwelling in the cities and larger place in the countryside, or vice versa, and undertake (usually) weekly commuting between the two. This largely underlies the business of long-distance taxis and some private bus companies.

33 For a discussion of labour-intensive public works see CDE, Labour-Intensive Public Works: towards providing employment for all South Africans willing to work, CDE In Depth 1, Johannesburg: April 2003.

34 These areas topped a list of smaller centres with growth potential as identified in a UKZN study of areas in need of new schools for the KZN Department of Education, finalised in 2008. This unpublished report is available from Professor P Robinson of UKZN's Department of Town and Regional Planning.

35 See discussion of Inkezo and its prospects in CDE, Land Reform in South Africa: getting back on track, CDE Research 16, Johannesburg: 2008, 40–1.

36 See discussion of the major sugar-industry players in this field reflected in the Mercury Network supplement of 15 November 2008.

37 The inferences about 250 000 jobs are made as follows: if there are initial private and public capital expenditures in these zones of R1 billion each – a fairly conservative estimate, since it would involve only about 30 medium to large factories/warehouses each, plus infrastructure for them and for sites to cater for more in the future – 100 000 jobs would be created directly and indirectly in construction. If we opted to promote youth- and female-worker factory enterprises, much of it outsourced into smaller enterprises throughout the province, another approximately 50 000 permanent jobs would likely emerge through such factories and their suppliers. Then we can apply a conservative multiplier for jobs created through expanded jobs in retail, and so forth (created via enhanced consumer spend), and we should begin to reach 250 000 jobs in total.

38 An excellent study of the potential for the expansion of beach tourism on the east coast of South Africa was done by Grant Thornton Kessel Feinstein in 2001. They concluded that since Mauritius and Kenya attracted between 430 000 and 830 000 beach tourists a year respectively, South Africa could attract similar numbers. Much of this could be accommodated in KZN, in which case – if properly organised – scores of new hotels/resorts would be needed.

39 See Schroenn, Tourism: Status Quo Report.

40 The present author is currently engaged in researching the prospects for skills-enhancement programmes for the Department of Economic Development in KZN, and does not wish to pre-empt those findings. However, the author has learnt over several years from several informal contacts with industry leaders in the province that in-service training is now really the only type of training that is of interest to them, and that tertiary institutions are unfortunately now of little relevance to their needs. If we are to achieve greater developmental impact, however, clearly we need to break out of the current business self-help-only cycle, by achieving greater synergy in the resource allocations between the public and private sectors in this field.

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