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**THE IMPACT OF COMMUNITY DEVELOPMENT PROJECTS ON UNEMPLOYMENT IN
MDANTSANE**

By

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Research presented in partial fulfillment of the requirements for the degree master in
Development studies. In the department development studies, faculty of business &
economic sciences at the

Nelson Mandela Metropolitan University

Supervised by

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NOVEMBER 2013

DECLARATION

I declare that the entirety of the work contained herein is my own, original work, and that I have not previously submitted it for any qualification of any other higher educational institution.

F.N NGAMLANA

DATE: 29 NOVEMBER 2013

ACKNOWLEDGEMENTS

I would like to express my gratitude and appreciation to the following:

- To God who is the pillar of my strength who made me to make through this study.
- Prof I.W.Ferreira my supervisor who guided, encouraged and criticised me constructively which now led to the success of this research.
- Prof H.H Kanyane for his special insight for assisting me with editing the study.
- A special thanks and dedication to my aunt, Nokwanda Ngamlana for supporting and always encouraging me to reach beyond my abilities and never to give up.
- I would also like to acknowledge my Principal, Mr Sobandla who allowed me to attend my studies without remorse.
- Lumka Tile, my colleague who always been eager to allow me to use her laptop.
- I also dedicate this study to my sister Kanyisa and her husband Sibongile Gobile who always assisted me through this study.

ABSTRACT

Unemployment in South Africa has been escalating over the past few years. Unemployment is the most serious economic problem facing South African society. It is not only partly responsible for the widespread poverty, continuing violence and an unacceptably high incidence of crime, but it deprives many South Africans of the privilege of fulfilling their vocation. There is no single satisfactory answer of unemployment and its impact on the economy of South Africa.

The aim of the research report is to evaluate unemployment-curbing projects in the Mdantsane community in order to improve the living conditions of the inhabitants. In order to formulate a conceptual and theoretical framework of the study, a theoretical foundation of the study, unemployment frameworks, theories of development particularly local economic development, the meaning of Local Economic, development and theories underpinning Local economic development and related literature on unemployment.

The research methodology for the study is descriptive, sourced from available literature. Due to the restricted extent of the research, no empirical survey will be conducted. A number of normative criteria to deal with the research problem will be identified from the available literature, from which conclusions will be drawn and recommendations made.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Unemployment is the most serious economic problem facing South African society. It is not only partly responsible for the widespread poverty, violence and crime, but it deprives many South Africans of the privilege of fulfilling their aspirations. It threatens the harmonious existence of the family and has a depressing effect on the entire economy.

According to Daily Dispatch (2013) South Africa's unemployment rate between October and December last year was 24.9%, equating to about 4.5-million unemployed people searching for work. Retrenchments continue to occur as businesses reduce costs. Both young and old are affected, sometimes in a case of last in, first out and sometimes because their jobs have been outsourced to cheaper global service hubs.

“Here in the Eastern Cape, the crisis is even worse than the country as a whole. Unemployment in the province is 27.1% according to the narrow definition and over 40% according to the expanded definition. In some municipalities, such as where I come from, it is higher than 70%. Youth unemployment is in most extreme; more than 60% of young people in the province between 15-19 years are neither working nor studying” (Vavi, 2012).

The Eastern Cape has suffered severely from the impact of the colonial and apartheid regimes that left it paralysed economically, socially and emotionally. It is regarded as one of the poorest provinces in South Africa. It has inherited an extremely skewed and under-development economy created by the apartheid system in South Africa. Eastern Cape has inherited two former homelands i.e. Transkei and Ciskei which were left underdeveloped. This resulted in adults and youth being the ones who bear the brunt of unemployment.

Mdantsane lies about 15 kilometres Northwest of East London Central Business District. The township is situated between East London and King William's Town. It has its roots in the apartheid era and is the second largest township in South Africa after Soweto. It is a big densely populated township and the majority of people are Xhosa speakers (Mabindla: 2006). It is a previously disadvantaged urban community in the Buffalo City Municipality. This chapter contains elements such as the problem statement, key questions pertaining to the research, the objectives, brief explanation of the research methodology amongst others.

1.2 PROBLEM STATEMENT

Projects to alleviate unemployment are currently not improving the living conditions of the Mdantsane community.

1.2.1 Sub-problems

From the main problem statement above, a number of sub-problems emanate. Those are presented here under as follows:

- **Sub-Problem 1**

Mdantsane is a township of East London. East London is one of the high contributors to the Gross Domestic Product (GDP) in producing cars. It also has vast number of factories that are regarded as the contributor of economic growth in South Africa but the unemployment rate remains very high in Mdantsane. People live under poor conditions due to unemployment which leads to poverty. Those who are working earn low wages and they cannot meet their basic necessities of life. Most of the households depend on social grants which are not sustainable stimulant against rising inflation. Poverty levels increase as most of the economically active people especially the youth are unemployed.

- **Sub-Problem 2**

Community development projects in place but the desired outcomes are not met to curb unemployment in this area.

- **Sub-Problem 3**

- Households do not benefit from unemployment alleviations platforms due to their bureaucratic tendencies.

1.3 RESEARCH QUESTIONS

The study seeks to provide answers to the following questions:

- What is the current status of unemployment in Mdantsane?
- What are the government interventions to reduce unemployment rate in Mdantsane?
- How can unemployment- curbing projects be improved in Mdantsane?
- What are the challenges that hinder effective running of the projects?

- What can be done to improve unemployment situation?

1.4 RESEARCH OBJECTIVE

Based on the research questions posed the objective of the study is to evaluate the impact of unemployment curbing projects in the Mdantsane community and thereby suggest possible ways and means to attempt to improve the living conditions of the inhabitants of Mdantsane.

1.5 DEMARCATION OF THE STUDY

Buffalo City is a metropolitan municipality situated on the east coast of Eastern Cape Province of South Africa. It includes the towns of east London, Bhisho and King William's town, as well as the large townships of Mdantsane and Zwelitsha. It is part of the Amatole District Municipality (ADM). Mdantsane is one of the townships that fall under Buffalo City Municipality which is under this study.

1.6 RESEARCH METHODOLOGY

The research methodology for the study is descriptive, sourced from available literature. Due to the restricted extent of the research; no empirical survey will be conducted. A number of normative criteria to deal with the research problem will be identified from the available literature, from which conclusions will be drawn and recommendations made.

1.7 SUMMARY

In this study, the researcher seeks to illustrate the impact of selected community development projects on alleviating unemployment. A focus will be in Buffalo Municipality especially in Mdantsane where the level of poverty and unemployment is high. Funds have been injected by the government to curb unemployment to these communities but there has been no feedback on the impact of the programme to the beneficiaries. The next chapter reflects conceptual framework underpinning the study.

CHAPTER TWO

CONCEPTUAL FRAMEWORK FOR THE STUDY

2.1 INTRODUCTION

This chapter presents a theoretical foundation of the study.

Sub-Saharan Africa is a poverty stricken region hence there is no surprise to see South Africa not an exception. For example, the socio-economic inequalities had a negative impact on the development of townships. Not only are developing nations affected but also the developed nations hence the issue of poverty, illiteracy, health, unemployment has been given profound interest by both the developed and developing nations (Bantjes, 2011). When the new democratic government came into power in 1994, it inherited an economy with 30% unemployment and a declining per capita Gross Domestic Product (GDP). Understanding the inequalities of the past, specifically issues relating to wealth, unemployment and poverty help in deciding on what to do to improve the standards of living in South Africa, especially in Mdantsane. There is a need of continuous reconstruction, growth and development in the South African economy. What domestic actions, processes and structures lead to sustainable growth and development? At the same time, the study takes into account the effects of the global economy, the need to remain globally competitive and the importance of increasing productivity.

In South Africa, when it comes to rural people, women, disabled persons, older people and school leavers are mostly marginalized. These groups find it difficult to access employment hence Ramukumba (2012:9) assertion that the objectives of LED are employment creation, poverty alleviation, economic growth and sustainability. The local municipalities thus have a role in creating sustainable employment which should lead to reduction of unemployment. It is with this background that there is a need to define unemployment, explain variations in unemployment and tabulate kinds and effects of unemployment.

2.2 DEFINITIONS OF UNEMPLOYMENT

Levin and Bantjes (2012:191) say that unemployment are those people within the EAP (economically active population) who did not work during seven days prior to the interview, who want to work and are available to start work within a week of the interview, and who have taken active steps to look for work or to start some form of self –employment in four

weeks prior to the interview. There seems to be a consensus on the definition of unemployment. The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 2006).

2.2.1 Variations in unemployment

Unemployment according to Levin and Bantjes (2012:194) may vary from time to time for no obvious reason.

- **Involuntary and voluntary unemployment:** - The unemployed people that are included in the measurements of unemployment rates are involuntarily unemployed. Those who are voluntarily unemployed, such as learners, students and housewives or househusbands are not part of the EAP.
- **Oscillations:** - People oscillate between the economically active element and the economically non-active element of the population. Some people who are involuntarily unemployed become voluntarily unemployed. For example, a person may stop looking for work and decide to study at a higher education institution or enroll for an apprenticeship; an unemployed woman may decide to look for work; or an unemployed person of 55 years of age may decide to retire early. The opposite also holds. People may change their status from voluntarily to involuntarily unemployed for similar reasons.
- **Decreases and increases:** - When unemployment increases, it does not necessarily mean that employment will decrease at similar rate, and vice versa. For instance if unemployment decreases by 30 000 people, it is possible that employment increases by only 20 000 people over the same period.
- **Underemployment:** - Underemployment occurs when people are working fewer hours than they would like to work or they are working for less time than other workers in similar jobs.

2.2.2 Kinds of unemployment

There are four kinds of unemployment according to Levin and Bantjes (2012:195).

- (i) **Frictional unemployment:** - This is a result of normal worker turnover, which occurs in any dynamic economy and due to the time lags involved in the re-employment of workers.

- (ii) **Seasonal unemployment:** - This is caused by normal and expected economic changes during the course of a single year. Employment and unemployment depend on the coming and going of seasons.
- (iii) **Cyclical unemployment:** - This is when unemployment occurs as a result of a lack of demand for labour during the downswing of the business cycle
- (iv) **Structural unemployment:** - This refers to the overall inability of the economy to provide employment for its total labour force.

2.2.3 Effects of unemployment

According to Levin and Bantjes (2012:196) unemployment has grave consequences for the economy and citizens of a country.

- (i) Impact on the economy
- (ii) Impact on individuals
- (iii) Political impact

2.3. GOVERNMENT AND SERVICE DELIVERY PRINCIPLES FOR DEPARTMENT OF SOCIAL DEVELOPMENT

2.3.1 South African Constitution Act, 1996

The Republic of South Africa Constitution Act 1996 protects human rights, enshrines democratic principles such as equality and freedom, and guarantees all citizens the right to access to basic needs, goods and services such as health care, water, food, and social security, as well as the right to access land on an equitable basis. Another component of the Constitution is the determination of national and provincial government's legislative competencies, and how provincial policies relate to national frameworks, policies and norms and standards (Section 104 and 146, and Schedule 4). Schedule 4 of the Constitution determines that rural development is regarded as a functional area of provincial rural development policies, provided they are in line with national frameworks. Responsibility for implementation lies with provincial and local government.

Public Administration

The study needs to address the frameworks and policies that were put in place by government for service delivery.

From 1994 South Africa has been attempting to develop frameworks to realize transformation. The Batho Pele (People First) government service delivery framework. Governments throughout the world have developed policies and programme to address and accommodate the role and impact of information technology. Batho Pele has its roots in a series of policies and legislative frameworks. These policies and legislative frameworks have been categorized into three themes.

2.3.2 Batho Pele

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- **The constitution of the Republic of South Africa of 1996** (as amended).

Section of the Constitution provides for the universal right of access to information held by the State to facilitate the exercise or protection of any right by citizens: the right to access public services in an equitable, convenient and cost effective manner.

- **The white paper on Social Welfare**

The white paper on Social Welfare was published in early 1997. There has been shift to developmental social welfare as opposed to welfare as hand-outs.

Developmental social welfare emphasizes on people to help themselves so that they can be self-reliant Debbie Buhlender (2000). Other critics view this shift as premature, given the current extreme levels of poverty in South Africa.

- **The Public Service of 1999 and 2001**

Batho Pele remains government leading campaign to achieve the desired crucial transformation of the hearts and minds of public servants. This is a public service culture reorientation programme aimed at aligning the behaviour and attitudes of public servants with the practice of the Batho Pele ethos.

The principles of Batho Pele are:

- Consultation
- Service Standards¹⁶
- Equal access of services to all citizens
- Courtesy and consideration of citizens
- Information should be given in full to citizens about public services they are entitled to receive
- Openness and transparency to citizens about how national and provincial departments are run
- Redress should be offered if the promised standard of service is not delivered
- Value for money
- Encouraging innovation and rewarding excellence
- Customer impact
- Leadership and strategic direction

2.4 POVERTY AND UNEMPLOYMENT LEGAL FRAMEWORK IN SOUTH AFRICA

From the aforesaid service delivery policies, legislations for poverty and unemployment alleviation are outlined.

Since 1994, several pieces of legislation have been passed to provide an environment conducive for poverty alleviation.

2.4.1 Free Basic Services Policy

Ensuring clean water, adequate sanitation, light and heat as well as decent housing are critical in overcoming poverty.

2.4.2 Municipal Structures Act

According to Lisa Bornstein (2000) the South African Constitution states that municipalities have responsibility to make sure that all citizens are provided with services to satisfy their basic needs. Organisations can participate in many consultation and decision-making processes at local level for example ward committees, budget consultations, ward meetings, Integrated Development Planning Forums. Local government is the sphere of government amongst the people. It is accountable to the responsible to ensure that services are effectively delivered to the communities.

Local government is the sphere of government which is developmental. This is because municipalities interact with communities more closely and frequently than provincial and national sphere of government including line government departments. Municipal Structures Act (Act 117 of 1998) enables the establishment of municipalities in accordance with the requirements relating to categories and types of municipalities. The legislation also provides for an appropriate division of functions and powers between categories of municipality. The Municipal Systems Act (Act 32 of 2000) provides the framework for local government functioning like integrated development plan (IDP), service delivery and community participation. The white Paper on Local Government concludes that national government will need to support municipal transformation. Van Der Walt *et al* (1995) says in terms of section 175(4) of the Constitution, a local Government shall have the power to make by-laws and should not conflict with the Constitution of the Republic of South Africa.

2.4.3 Business Development and Job Creation

There are quite some number of poverty alleviation programmes in South Africa such as welfare provision, social security and pensions. The country cannot support all of the people who are living below poverty line with social grants. However there are legislations which were passed to provide communities with entrepreneurial opportunities, like Broad Based Black Economic Empowerment Act (53/2003). Subsequent institutions were formed like Small Enterprise and Development Agency and Khula Enterprise Limited.

2.4.4 Land Redistribution Act

Hunter *et al* (2003) argues that for most people, particularly those who reside in rural areas, when landless is combined with joblessness, limitation in terms of income – generating alternatives is the result. Government implemented the Land Reform Programme in 1994, which paid particular attention to the interests of the rural poor, especially women. Land redistribution was largely done in two parts. First, there was the Land Restitution Programme. The programme dealt with claims lodged in terms of the Restitution of Land Rights Act, 22 Of 1994, under which a person or community dispossessed of property after 19 June 1913 as a result of racially discriminatory laws, is entitled to lodge a claim for restitution of that property . The second programme was the Land Tenure reform Programme, this programme aimed to provide people with secure tenure where they live, to prevent arbitrary evictions and fulfill the constitutional requirement that all South Africans have access to land. The land reform act, 1996 (Act no.3 of 1996) provides for the protection of the rights of labour tenants and gives them the right to claim.

Land is the most basic need for rural dwellers. Apartheid policies pushed millions of black South Africans into overcrowded and impoverished reserves and these are homelands and townships. Also capital intensive agricultural policies led to the large scale eviction of farm dwellers from their land and homes. A land reform programme is the central and driving force of a programme of rural development. The aim of the programme was to address effectively the injustices of forced removals and the historical denial of access to land.

2.4.5 The National Small Business Act

Act 102 of national small business was passed in 1996 and has helped to establish many of the structures that are now in place to support small businesses. The Act has promoted small business development by:

- Providing a mechanism to review the impact of proposed legislation on small businesses.
- Promoting the establishment of Ntsika Enterprise Promoting Agency, and
- Facilitating the formation of the National Business Council.

2.4.6 The Department of Trade and Industry (DTI)

The DTI has been active in promoting small business development government initiatives, facilitated by the DTI in partnership with other organizations.

2.5 MACRO-ECONOMIC DEVELOPMENT POLICIES AFTER 1994

The study seeks to understand which development policies were proposed by the government after 1994 to curb unemployment and how they are evaluated.

It is therefore no surprise that the government proposed these macro-economic policies to tackle these problems. The policies include RDP, GEAR, ASGISA, Black Economic Empowerment, JIPSA, EPWP's; NGP (Rogerson, 2000:397).

2.5.1 Reconstruction and Development Program (RDP)

Our history has been dominated by colonialism, racism, apartheid, sexism and repressive labour policies. Income distribution was racially distorted. The economy was built on systematically enforced racial division in every sphere of our society. Rural areas were divided into underdeveloped "*buntustans*" and well developed white owned farming areas. The injustices inflicted by apartheid had left most South Africans around the poverty line

and with limited access to adequate education, resulting in their effective exclusion from higher employment opportunities, and facing poor health care and housing conditions. The RDP was meant to reverse these inequalities. It is thus not surprising that within RDP policy references were made to LED. RDP focused more on local based initiative and community based development. In order to achieve development, this policy pushed for empowerment and active involvement of communities in their own development (ANC: 1994). According to Julian May (2000), the anti-poverty strategy of the first democratic government is embodied in the Reconstruction and Development Programme, which sees poverty as multi-dimensional issue. According to him poverty and inequality have to be addressed based on four pillars, namely, building of economy, meeting basic needs, developing human resources and democratizing the state. The Reconstruction and Development Programme (RDP) was launched in 1994, it had the primary objective of removing racial biases from the economic and social structure of South Africa, to address poverty and socio- economic inequalities. The RDP can be defined as a programme based on people, it provides peace and security for all and builds the nations, links reconstruction and development and deepens democracy (ANC, 1994). It is an integrated, coherent socio-policy framework. It seeks to mobilize all the people and country's resources in the eradication of apartheid laws and the building of a democratic, non-racial and non-sexist future.

However, RDP faced many challenges especially in achieving social objective but made much progress towards reconstructing the public finances. Its failure was largely due to insufficient growth. Consequently, robust change and enhancement of major macro-economic variable had to be adopted (Faulkner & Loewald 2009).

2.5.2 Growth, Employment and Redistribution (GEAR)

“The need to create employment and a better life for our people is the central objective of the economic policy in this government. The Reconstruction and Development Programme (RDP) remains the basis policy framework to achieve this objective. The Growth, Employment and Redistribution (GEAR) program is the associated macroeconomic strategy used. At the beginning the President announced an Action Plan to Accelerate Growth. This action plan marked an increase emphasis on macroeconomic reform to further increase investment (Minister of Trade and Industry, May 2001).

In 1996, the South African government announced the Growth Employment and Redistribution (GEAR) macroeconomic and social development policy framework. The

goals of GEAR are economic growth, Job creation and provision of basic services to all South Africans. GEAR intends to improve fiscal discipline and reducing the budget deficit by reducing the growth of public debt and decreasing the state's interest burden. GEAR was a policy designed to provide the foundation and basis for which development initiatives can take place and all this tied to fiscal policy. GEAR was aimed at strengthening economic development, broadening of employment, and redistribution of income and socioeconomic opportunities in favour of the poor. COSATU argue in contrary that GEAR has failed to deliver the promised economic and job growth or significant redistribution of income and socio – economic opportunities in favour of the poor.

“In contrast to this political progress, in socio-economic terms the legacy of apartheid remains entrenched and, with the massive loss of jobs in the past decade, even appears to be worsening. Wealth is still concentrated in a white minority. The nature of capital remains largely the same concentrating in the mining-finance complex, which continues to dominate the commanding heights of the South African economy. Serious inequalities persist, with signs of worsening particularly among the formerly oppressed. The number of people living in poverty is staggering. Almost half of the population lives in poverty, including many of the employed-the “working poor.” Unemployment and underdevelopment are on the rise as more jobs are shed and people rely on survivalist activities to make ends meet. The complex nature of the transition emerged in deeply contradictory government policies.” COSATU policy statement, July 2001.

The goals of GEAR are ambitious and some of these have not been met. Economic growth rates have not been as high as was hoped and the pace of economic development has been slow. Certainly South East Asian Economic crisis did not make it easy for GEAR to realise its goals shortly after it was introduced. Among the criticism leveled at GEAR is that it is too capitalistic in its orientation and relies too heavily on the market forces of demand and supply. GEAR was more focused on GDP growth through competitive market models but it failed to really tackle Social and environmental development. Thus growth that became imminent was short lived (Nel & Binns 2001: 356).

2.5.3 Expanded Public Works Programme (EPWP)

According Julian May (2000) National Public Works Programme was established as an initiative to contribute to the alleviation of unemployment particularly in the previously disadvantaged communities. In the Eastern Cape the Expanded Public Works Programme is one of government arrays of programmes aimed at providing poverty and income relief through temporary work for the unemployed to carry out socially useful activities. It was launched in April 2004 to promote economic growth and create sustainable development. The immediate goal of the EPWP phase 1 was to help alleviate unemployment by creating

at least 1 million work opportunities, of which at least 40% of beneficiaries will be women, 30% youth and 2% people with disabilities. The Business Trust of South Africa committed R100 million for management support at all levels of government over the period March 2005 to March 2010. The EPWP had created more than 1 million job opportunities by 2008. Ideally the use of public works as a strategy for alleviation of poverty should be done within a wider framework of support for agricultural and rural growth hence the Department of Public Works to be responsible for the implementation of this programme.

The EPWP is a nationwide government intervention to create employment. However, this vehicle may be more expensive than contracting out the same work to business enterprise. Enterprises have to employ people to do the work in any case. The cost per job maybe lower, less labour intensive and to give people the skills they can use to find jobs when their work in the EPWP is done. Public works was criticized as a programme that can play only a temporary cyclical role (Bantjies & Levin: 2011). South Africans structural unemployment problem can therefore not be addressed effectively through public programme.

2.5.4 Accelerated and Shared Growth Initiative for South Africa (ASGISA)

The objectives of RDP and GEAR could not be met fully. In response to that ASGISA was launched in 2006 with the aim of accelerating economic growth to an average of at least 4.5% between 2005 and 2009 and further to a sustainable 6% average annual rate between 2010 and 2014. It focuses mainly on infrastructure development, export stimulation and human resources development and would operate within the parameters of GEAR. It responds to constraints such as deficiencies in government capacity, low level of investment of infrastructure and its services, shortage of skilled graduates, technicians and artisans inequality and marginalisation (Mlambo Ngcuka 2006:1).

Such acceleration was deemed necessary to halve the incidence of poverty and unemployment. ASGISA was meant to be a coordinating framework for different policy and strategic endeavours, including several elements that were integral to GEAR and the core objectives underpinning the RDP vision. However just like the other two policies, ASGISA seems to have died a silent death.

2.5.5 The National Growth Path (N.G.P)

An introduction of New Growth Path was introduced in 2010; aiming at accelerated job creation. Despite improved growth, the economy remained one of the most unstable in the World. Subsequently, there was an increased rate of joblessness. The New Growth Path

strategy has prioritised robust job creation. Therefore it has aimed at reducing unemployment levels in the country by 10 percentage points by 2020, down from the current rate of 25 per cent (New growth policy 2010:8). It focuses on six fixed priority areas to job creation: infrastructure development, agriculture, mining, manufacturing, the "green" economy and tourism.

President Zuma announced a bold initiative and strategy that New Growth Path will accelerate job creation and investment attraction. This policy seeks to have 5million jobs by the year 2020 (New growth policy, 2010:8). Stiglitz has mentioned that this path speaks to the ILO decent work agenda in terms of its four strategies (ILO, 2011). Besides, according to Adam Habib it seeks to reduce economic inequalities because the current economic inequalities put South Africa at risk (Habib, 2010).

The New Growth Path has been criticised of failing to take role of public sector seriously (ILO, 2011). Critics of this new strategy by the South African government, is seen as absolute apathy. The critics argue that the state has no capacity to initiate and administer large-scale structural changes in the economy (Archer, 2011). Others have criticized the government of living a life of developed nations instead of living and realising the economic and employment crisis with African eyes (Power, 2011).

2.5.6 Evaluation of Macro-Economic Policies

The Macro-economic policies were strategies that were all meant to deliver economic relief. However from RDP, GEAR, ASGISA, JIPSA policies have failed in achieving economic freedom (Rogerson, 2000: 397). The high level of youth unemployment results in a high dependency rate, while high infant mortality rates and low life expectancy at birth is evidence of social needs that have to be addressed urgently.

According to the Human Development Index (HDI) of the United Nations, South Africa ranks low in terms of important social indicators. For example, its life expectancy at birth is lower and infant mortality higher than Comparator Countries, even in terms of countries with low income per capita. Education has increased in terms of access but not in quality. The high level of income inequality is being accentuated by an increasing intra race inequality. There are however, growing concerns as the economy well-endowed with natural resources continues to perform below its potential in certain areas. The economy is unable to generate enough employment, resulting in the continuation of poverty and widespread inequality.

The main reason for this disappointing outcome is as follows:-

For the large part since 1994 the economy has grown consistently. The Growth in GDP varied between 4.9% and 5.3% from 2004-2007, but has slowed down to an average of 3% over the last years up to 2011. Although 3% growth is acceptable for developing countries, it has left South Africa's trailing behind the most dynamic emerging economies. Although several policies and programs have been designed and implemented to develop human resources, the skills development system as a whole has not yet achieved its aims. The economy remains constrained by a lack of skills. The size of Small Medium and Micro Enterprise (SMME) has grown but the sector remains small for an economy of the size of South Africa.

2.6 THEORIES OF UNEMPLOYMENT

In understanding the development policies the study also needs to seek which theories of unemployment are relevant for the study.

Many countries whether advanced capitalist economies or developing countries have experienced high rates of unemployment since the Great Recession of December 2007. This problem is very costly economically and politically. Economically, unemployment represents a loss in the GDP. Politically, the world witnesses a revolt that is caused by unemployment, poverty, inequality, and dictatorship. Economic literature provides many explanations for the unemployment problem. Some cast blame to the economic systems, and others blame the unemployed workers. Still, other theories shift the problem to external sources and shocks, or unpredictable events, and others argue that technology and labour market institutions are the causes of the unemployment problem. Other theories think the deficiency in aggregate spending and innovations are the essential factors for explaining the problem (Barkan, 2006:27).

Some of the theories are used to develop a set of public policies capable of reducing the rate of unemployment. Theorists often consider elements of social disorganization which are present where poverty is found, such as low quality schools, poor housing, unemployment, single family homes, lack of discipline, or the absence of other social and community controls. The following sub section presents a brief overview of theories relating to unemployment.

2.6.1 Classical Economic Theory

The classical theory, as analyzed by Pigou (1933) and Solow (1981), argues that the labour market consists of demand and supply of labour. Demand for labour is a derived demand, obtained from the declining portion of the marginal product of labour. The demand curve is a negative function of real wage in that if wages increase the quantity demand for labour will decline and the opposite is correct. The supply of labour is derived from worker's choice whether to spend part of time working or not working (leisure). Supply of hours worked is a positive function of the real wage, because if the real wage rises, workers supply more hours of work. In equilibrium, demand and supply of labour are intersected at a clearing point that determines the equilibrium real wage rate and full employment.

Wicksell thinks that if wages are sufficiently flexible downward, then this decline can maintain full employment Jonung (1989: 28-35). Cheaper credit to business executives is the most effective measure to fight unemployment. Wicksell even thought that the government should support private investment in housing and soils. Government can support the introduction of various inventions as well. Government support should be financed by taxation. Wicksell analyses technical unemployment due to technological change as well. The introduction of machinery would cause unemployment but the unemployed will search for new jobs, a search that will push wages downward. Hence, full employment is restored again. For the normal (frictional) unemployment, Wicksell thinks that advertisements and employment agencies can reduce the normal rate of unemployment. The cyclical unemployment, as another type of unemployment, is due to the lack of effective demand. According to Wikcsell wages must be raised in order for workers to buy more. However, this action may cause workers to lose their jobs as a result of higher wages.

Essentially, for Wicksell the cyclical unemployment was due to the wrong investment of capital. Capital was invested in areas where rates of return were low. To this end public works is the best measure to fight cyclical unemployment.

2.6.1.1 Criticism of Classical Theory

- Supply may not create its own demand when a part of the income is saved. Aggregate demand is not always equal to aggregate supply.
- Employment in a country cannot be increased by cutting general wages.
- There is no direct relationship between wages and employment.
- Interest rate adjustments cannot solve savings-investment problem.
- Classical economists have made the economy completely self-adjusting and self-reliant. An economy is not so self-adjusting and government intervention is unobvious.
- Classical economists have made the wages and prices so much flexible. In practical, wages and prices are not so flexible. It will create chaos in the economy.
- Money is not a mere medium of exchange. It has an essential role in the economy.

2.6.2 Theory of Innovations

Originally, this theory was developed by the German economist Von Mangoldt (Ekelund and Hebert 2007) who wrote a book about entrepreneurial profits in 1855 and connected profits to risk. He provided several ways by which the entrepreneur can make profits. These ways are (1) finding particular markets, (2) acquisition of productive agents, (3) skillful combination of factors of production, (4) successful sales policy, and (5) innovations. It is well understood proposition that entrepreneurial profits will increase employment (Mouhammed, 2010). Schumpeter (1934) does not provide explicitly a theory of unemployment but his theory of the business cycle does demonstrate clearly how unemployment can be reduced. Innovation (see also Vecchi, 1995) which creates more jobs relative to job destruction is the basic force beyond the increases in employment and the decreases in unemployment. Schumpeter started his analysis by explaining economic development. In development, which is the essential part of his endogenous dynamic economics, Schumpeter (1934: 83) means the “changes in economic life as are not forced upon it from without but arise by its own initiative, from within. Should it turns out that there are no such changes arising in the economic sphere itself, and that the phenomenon that we call economic development is in practice simply founded upon the fact that the data change and that the economy continuously adapts itself to them, then we should say that there is no economic development.” Economic development which reflects new changes is not a phenomenon that can be explained by economic forces only, but it has to be explained by other forces that are external to the ones analysed by economic theory.

Schumpeter's theories of economic development and the business cycle are based on the entrepreneur and her creative leadership and responses. Schumpeter emphasizes the fact that innovation means creative destruction, destroying old products, firms, markets, creating new products, and technologies that generate secondary waves. Innovation is a matter of entrepreneurial leadership and individual initiative (Schumpeter 1928: 384). The entrepreneurial creative responses, Schumpeter (1947: 150) argues, are not predictable but are generating significant changes for a long period of time. Hence, entrepreneurship according to Schumpeter (1947: 151) is the mechanism of economic change, and the entrepreneur is the one who gets things done and controls the resistance and difficulties facing her business operations. In fact, the entrepreneur is the force behind economic and institutional changes such as technologies, products, contracts, property, labour relations, regulations, security, and freedom.

2.6.3 Theory of Effective Demand

As Veblen (1904: 195) explains that in part by actual increase of demand and in part through a lively anticipation of an advanced demand, aggressive business enterprise extends its venture". And the 'venture', of course, means extending production and operations, assuming the existence of a reasonable level of profits. The level of aggregate demand will provide the necessary increases in total revenues. On the other side, the cost of production has to decline. If revenue rises and cost declines, then the reasonable level of profits can be found. There are various forces in Veblen's work that reduces the cost of production. Technology increases production and reduce the cost of inputs used in the production process, and enterprises cut wages and increase productivity in order to cut cost per unit of output. Better technology can reduce the prices of capital goods, and government can cut taxes. Banks can reduce the interest rates as well. Administrative and insurance cost can be declined in order to stimulate business enterprises. The decline in costs, given rising revenues, will increase the profit level for Veblen. Consequently, higher profits will force the business enterprises to expand and employ more workers. Thus, employment will increase and the rate of unemployment will decline.

Keynes (1936) considers unemployment as an involuntary phenomenon. He thinks that employment is cyclical, generated by the deficiency of aggregate demand (Mouhammed 2010). Capitalists hire workers and invest to produce output when the expectations about the economy and profits are favourable. If expectations about the future are supported by reality, investments and employment continue rising until equilibrium is reached. This equilibrium is attained by the intersection of the aggregate demand and supply--the point

of the effective demand—which may be less than the full employment equilibrium. If expectations about the future of the economy are not favourable, capitalists invest less and employ less number of workers. Hence, the equilibrium is achieved where cyclical unemployment exists. This unemployment is due to the deficiency of the aggregate demand, particularly investment expenditures.

Consistent with Keynes's teaching, Davidson (1998), a representative of Post Keynesian economics, argues that involuntary unemployment is explained by insufficiency of effective demand, instability of exchange rates, and international mobility of finances which create uncertainty that weakens entrepreneurial confidence to make investments to reduce unemployment.

2.6.4 The Real Business Cycle Theory

It is argued in this theory Chatterjee (1995 and 1999) that the growth of productivity of input which revolutionizes technology is the main source of employment and unemployment. If the growth of output increases more than the growth of inputs then total factor productivity or the residual, has increased. If total factor productivity is not growing, then firms and the economy become inefficient. It follows that reallocation of labour and capital cannot be achieved and labour and capital will be used in less profitable opportunities. For example, consumption expenditures will not increase above the trend, nor will investment spending. GDP and total hours worked will not be above the trend either. When consumption, investment, GDP, and hours of work decline, the Solow's residual, which represents the growth in labour productivity and is measured by the difference between actual and predicted productivity growth (or shocks), will decline. That is if there is no improvement in technology and productivity under this condition, unemployment will increase.

2.6.4.1 Unemployment and Productivity

Lewis (1954) develops what was called the Lewis model in which he assumes that if there was a surplus of labour and a given demand for labour, then the wage rate is fixed. Lewis points out that under this condition capitalists do make a certain level of profit. The capitalists will reinvest part of the profits in new capitals. This investment will raise labour productivity. Hence, the demand for labour will increase, and these new employed workers can come from low productivity sectors or the rural areas. This increase in employment will provide more profits for the capitalists, and more profits will increase investment,

employment, and income. In short, demand for labour will shift to the right when labour productivity rises, indicating an increase in employment and income.

2.6.4.2 Market Structure and Unemployment

Microeconomic theory contends that market structure does affect the level of unemployment. Under the perfect competitive market the demand for labour and the supply of labour intersects to determine the wage rate and employment. Under this market condition, the demand for labour reflects labour productivity. Employers will hire workers up to the point where the value of marginal product is equal to the wage rate.

2.6.4.3 Globalization and Unemployment

Recently, the unemployment problem has been attributed to the globalization process. For example, shifting production and outsourcing to other countries have generated a high rate of structural unemployment in the U.S. economy, which has contributed for the increase in the rate of unemployment. Appreciated dollar during the 1980s made American exports expensive in the world market, which reduced the export level, causing unemployment to increase in the exporting industries. But an appreciated dollar increased the imports from foreign countries, which raised the American rate of unemployment.

2.6.5 Friedsman's Policy- Invariance Principle

Milton Friedman's (1968) famous presidential address at these meetings in this city 35years ago laid out a view of unemployment and stabilization policy that retains a firm grip today on the profession and policymakers. Friedman saw the unemployment rate as a stable natural rate plus a component that responded to macro-economic determinants, including monetary policy. His contribution was the principle that the second component was inevitably transitory .This conclusion became enormously influential among academic and practical macro economists and among policymakers. Stated in modern form, his conclusion was that the average level of unemployment was invariant to the monetary-policy rule. The average level was the same natural rate, no matter how much monetary policy tried to stimulate the economy. In particular, a regime of chronic inflation could not achieve a permanently lower unemployment rate.

2.6.6 General Theory

Keynes (1936) considers unemployment as an involuntary phenomenon. He thinks that employment is cyclical, generated by the deficiency of aggregate demand (Mouhammed 2010). Capitalists hire workers and invest to produce output when the expectations about

the economy and profits are favourable. If expectations about the future are supported by reality, investments and employment continue rising until equilibrium is reached. This equilibrium is attained by the intersection of the aggregate demand and supply--the point of the effective demand—which may be less than the full employment equilibrium. If expectations about the future of the economy are not favourable, capitalists invest less and employ less number of workers. Hence, the equilibrium is achieved where cyclical unemployment exists. This unemployment is due to the deficiency of the aggregate demand, particularly investment expenditures.

2.6.7 The assessment of Theoretical Literature Review

The important theories of unemployment suggest that there are very important variables for increasing the level of employment and reducing the rate of unemployment. These variables are expectations of high sales (demand) and growth, the provision of cheap loans to business enterprises, the increases in domestic real private and public investments, the improved skills of workers, the reduction in 108 Journal of Applied Business and Economics vol. 12(5) 2011 economic and financial uncertainty such as regulations and labour costs, the improvement in technological progress and innovations, the transition toward competitive market economy, the reduction in taxes, the availability of competitive entrepreneurs and credits, the continuous increases in productivity and the provision of job information. Having outlined the various the various theories of unemployment, the next section presents a literature review on Local Economic Development (LED).

LED is a strategy applied by the local government with a view to alleviate poverty and create jobs.

2.7 LOCAL ECONOMIC DEVELOPMENT

The study also needs to understand the definition, role and objectives of Local Economic Development in improving the quality of the communities in South Africa.

Since local municipalities had been segregated on racial lines before 1994, it thus became necessary to realign the new dispensation of economic development policies. LED aims to grow local economy and create and retain employment. Local Economic Development (LED) is one of the strategies that have been sought by the South African government. Thus, local government has a mandate to respond to economic challenges and improvement of quality of life in South Africa. Ramukumba (2012:9) states that the

objectives of LED are employment creation, poverty alleviation, economic growth and sustainability. The local municipalities thus have a role in creating sustainable employment which leads to economic growth and subsequently poverty alleviation.

2.7.1 Definitions of LED

According to the World Bank the purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. This is supported by Swirburn (2006: 3) that LED is a process by which public business, and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. Foster (1991:15) cited in Abrahams (2003: 188) states that LED refers to the process of creating wealth through the, organised mobilisation of human, physical, financial, capital and natural resources in a locality. The aim of local economic development ultimately is to produce higher standard of living, improve the quality of life, alleviate poverty, create more and better jobs, advance skills and build capacity for sustained development in the future. It enforces public private partnership to generate employment opportunities and investment (DPLG, 2006:11). Considering the aforesaid LED definitions, it is clear that LED involves a process by local governments, private sector business, NGOs, using local existing resources in creating jobs, boosting the economy subsequently alleviating poverty.

2.7.2 LED in South Africa

The emergence of LED in South has been that of a development strategy as was in the North. The continued slow economic growth and constantly rising poverty rates have thus led to investment in locally based initiatives. Nel (2000: 1004) reported that other factors that further exacerbated the situation are “debt crisis, the inability of states to intervene at local level, massive currency devaluation and the series of natural and political shocks”. South Africa is somehow spearheading the process of LED within the Southern Africa region and the Africa continent at large Rogerson (2000: 397). In South Africa, government uses municipalities to drive LED and therefore focus primarily on growing local economies, thus local people to steer and create sustainable economic growth.

2.7.3 LED in Mdantsane

Mdantsane is the urban complex of the Amatole District Municipality, which is proposed to function as the primary urban settlement area of the district. Mdantsane Township has

high unemployment rate, poor infrastructure and housing backlog (IDP 2002). Mdantsane under Buffalo municipality occupies 12 out of the 44 wards and represents approximately a quarter of the municipality's population. Although Mdantsane has been designated a poverty node, the municipality does not focus specifically on that area of the city for development, since its infrastructure and service provisioning compares favourably with that of other poor areas in Buffalo City.

The nodal overview of Mdantsane highlights the following development challenges:

- The expansion of Mdantsane has been in the opposite direction to East London and is overextending the existing bulk infrastructure.
- Transport networks have not been properly managed and the local people have started to rely on an underdeveloped taxi industry.
- The emergence of informal dwellings has affected certain development areas targeted for housing development.
- The removal of subsidised industrial zones (IDZs) (e.g. the textile industry) has led to the closure of most factories and resulting high unemployment rates in the area.
- Local education is insufficient in quality to ensure access to jobs.
- There are weak local markets and hence, significant capital outflows for the purchase of basic goods and services.
- There are low investor and consumer confidence in Mdantsane; small businesses tend to be survivalist with limited labour absorptive capacity.
- Poverty and unemployment have resulted in a high crime rate.
- Although Mdantsane is designated a poverty node, the municipality is not focusing on that area of the city for development, since its infrastructure and services provisioning compares favourably with that of other poor areas in Buffalo City.
- The Mdantsane Urban Renewal Programme focuses strongly on social and economic issues, rather than on infrastructure provisioning.
- Local economic growth will benefit from a R200 million regional shopping centre development in the node, while the IDZ promises employment creation in nearby East London.

2.7.3.1 Selected Projects in Mdantsane

- **The secure livelihood programme**

This is a project funded by the European Union aimed at cultivating self-valiant and sustainable social and economic activity in Mdantsane. This is an on-going programme that has budgeted 12, 4 million rands over a 3 year period. Two major programmes have been identified, these are: enabling poor households to climb the economic ladder by migrating from the second to the first economy, and establishing a fund with support capacity that can encourage local initiative and support demand-driven activities. The secure livelihood programme constitutes of 30 members. Their highest levels of education vary from grade 9-12. All the members of this programme are black and females. According to the respondents they were unemployed before being on the project. The only other source of income includes those of their husbands. They have dependants to look after so this project was a way out.

This project is sewing and cultivating crops; then sells their products the community of Mdantsane, Churches, schools and government departments. They used to do school uniforms mostly and tracksuits. According to the respondent, this project started in 2006. It was started by many members and some dropped out however because of challenges; they are only 30 left. According to the respondents this project has not really changed their livelihood because it is not making any profit. This project is not making profit because of challenges it has. The challenges include equipment that they bought through funding from ECDC but they are not using that equipment. They indicated that they are not using the equipment because they have not been trained to use it. Another challenge that they pointed out was the space of work; accommodation they do not have an adequate space. Besides, according to the respondents it is not safe and does not meet the agricultural standards.

The respondents believe that their project could be sustainable if their challenges were fixed; especially that of accommodation and equipment. They believe that growing vegies is more sustainable than sewing. The project went as far as winning a tender to supply veg but because they had no transport they had to hire transport in order to cope with the demand. Thus, it was not sustainable. The respondents argue that sewing lost its sustainability because they had competitors. However, they hope that if they can get better accommodation they can be sustainable because they will use their equipment effectively. According to the participants, they were assisted by the Agriculture manager in registering

their project from the ECDC. The respondents indicated that monitoring and evaluation is done by them, the project manager from ECDC and the Agriculture manager. The respondents indicated they have not received any funding from the LED office.

- **Bamboo Project**

The Bamboo Project was launched and started in 2012. It consists of 5 members of which they were registered. Their highest levels of education vary from grade 6-12. All the members of this project are black women. It is mostly a youth project (ages range between 21 and 35 years) with only two older persons (ages above 40 years). These people were unemployed before being on the project. The only other source of income was just the social grants. They have dependents to look after so this project was a way out. The members make products from bamboo plant which is harvested from a neighbouring farm. The farm contributed the bamboo free for development of the project and the community. The project was funded by ECDC. ECDC bought machinery, did workshop on how to use the machines and out of the machines they were able to make different products like ladders for climbing plants, blinds, bird feeders, cellphone holders etc. They sell the products to local communities around Mdantsane and East London. The members got a stipend for 9 months which was R250 a week. According to the respondents this project has changed their livelihood through employment opportunities. They acknowledge that they have income every month now due to the project even though its small but it makes a difference in their cupboards. The project became to have challenges. The machines or tools continue to break and the members have no skills to repair them. The stipend came to an end after 9 months and the earning now is through sales that made 3 members to drop out of the project. The farm owner saw that the project is marketable and decided to sell the bamboo and not to donate it for free. Also the members have to hire their own transport when they go to buy the bamboo. The project was now not marketed effectively because only 2 members left to run the project and that made discontinuity of business. The members also don't have their own property to harvest bamboo.

- **Mdantsane Urban Renewal Projects**

Mdantsane is a historically poor area with most household earning less than subsistence level (breadline) (Buffalo City IDP). The Billion group has ideas to cater for middle class by investing in a R200 million Greenfields shopping complex in the area, luring national brands to Mdantsane coupled with Mdantsane Urban Renewal Programme (MURP) initiatives to remap the central business district and the development of Mouth Ruth.

Mdantsane can become a regional centre of commercial activity in this rejuvenated commercial.

Urban Renewal office has a vision to ensure that Mdantsane in the year 2020 will be an integrated socio-economic hub for Buffalo city. The office has advanced urban planning of Mdantsane and has endeavored to ensure that efforts by stakeholders can be channeled effectively. The plan now lacks strong support, resulting in delays in project implementation. Additionally, the office struggle with a lack of human resources since the mayor's policy forbids employment of non-Mdantsane citizens. The Mdantsane Urban Renewal Programme still does not form part of the Intergrated Development Planning (IDP). Despite all these projects unemployment is still very high in Mdantsane.

2.7.4 LED in International Context

Elsewhere in the world it started being practiced in 1950's, when local governments recognized that they had a role to play in enhancing the economic viability of their communities. LED has received much attention in the countries of the North; however, the South countries have also been largely impacted Mitchneck (1995:151). It is now estimated that there are 300 dedicated LED agencies worldwide. In many developed countries LED is based on regeneration of decaying urban areas. In developed countries such as Europe, North America and Australia are likewise employing LED strategies to target areas of slow economic growth and rising unemployment. In North America for instance; LED has focused on entrepreneurial activities Nel (2000:1007). Both the North America and Europe have emphasized much of what Rogerson (2000:399) calls market-led approach. This new approach emphasizes localism, empowerment, sustainability and self-reliance (DPLG 2006: 4) also states that LED was associated with inner locality competition, attraction mainly industrialization. However, there has been a noticeable change in their approach to a bottom up, development from below decentralization and endogenous approach. This means that LED can only be achieved if local people engage in initiatives that foster economic development with other relevant stakeholders and local authorities through active participation and understanding of their roles Nel (2000; 1006). In the U.S.A, Canada, Australia and New Zealand LED has been used as a strategy to create economic growth and employment opportunities for indigenous groups. LED has not been accommodated by the overall growth of national economies. LED has also been employed to turn around the economies of countries in Eastern Europe and the Balkan Region that previously were in the sphere of influence of the former Soviet Union. They were characterised by centrally planned economies and known as the draft manual for

pilot programme. In developing countries, for example Asia, Africa and Latin America, LED is employed to alleviate poverty and to generate economic growth and development in both urban and rural areas. Although poverty and unemployment affect millions of people in towns and cities, these challenges are frequently even more prevalent in the rural areas. Considering LED in an international context, LED means more than just economic growth. It is promoting participation and local dialogue, connecting people and their resource for better employment and a higher quality of life for both men and women. For local economic development to occur, municipalities should improve processes and procedures that the business world is subjected to. In having processes in place, it will allow for both external and internal investors to engage and invest in local development. This therefore means that local municipalities should encourage local businesses through SMME's, business development enterprise where advice, support and resources are encouraged (World Bank, 2005: 5).

2.8 SUMMARY

Despite the discussion of frameworks, policies, legislations, theories, LED and selected projects to curb unemployment in Mdantsane in this chapter, unemployment rate is a cross cutting phenomenon. Irrespective of fundamental theoretical assumptions, the effect of unemployment is assumed to be negative in all instances. Accordingly, all the theories discussed in this chapter are relevant to the study. The funding of LED projects is somewhat a challenge in that the members of the project still depend on Organisations outside the municipality for funding of projects. For example the Bamboo project received funding from ECDC but the project is not yielding any profits. It is against this background that the LED unit should continue seeking for LED funds from both local and overseas donors.

In addition to the theoretical framework, relevant literature was presented in this chapter. The relevant literature provided an exposition of various methods of research applicable to unemployment rate on socio-economic development. The majority of the literature presents similar and consistent results. Nevertheless much of the literature analysis has been done using data in overseas countries. Very little research of this nature has been done in South Africa.

Having outlined the theoretical foundation of this study, the next chapter presents the methodology of the research.

CHAPTER THREE

RESEARCH METHODOLOGY FOR THIS GUIDED RESEARCH REPORT

3.1 INTRODUCTION

This chapter describes how the design and method, scope of the study underpinning the research were employed. In light of the foregoing, the research methodology employed is descriptive or historical nature. Undertaking research work on unemployment in Mdantsane and the impact of community development projects in curbing the situation is both appropriate and critical. It adds value to the review of policies and implementation strategies of the programme. In order to achieve the desired objectives, it is absolutely critical for the applied research design to provide a balanced and scientific methodological approach to the study.

3.2 RESEARCH DESIGN

A research design is the basic plan which guides the data collection and analysis phase of the research project. It is a framework which specifies the type of information to be collected, the sources of data, and the data collection procedure. The information gathered is consistent with the study objective which is to:-

- Evaluate unemployment-curbing projects in the Mdantsane community in order to improve the living conditions of the inhabitants.

Salkind (2000) writes that the research design outlines the framework for how the study will be conducted, including the research goals and questions that will be answered through the study.

3.3 RESEARCH METHODOLOGY

This study seeks to explain which type of research methodology the study needs to focus on. According to Creswell (2003) research methodology references the procedural rules for the evaluation of research claims and validation of the knowledge gathered. (Babbie &

Mouton, 2001) state that research methodology focuses on research process and the kinds of tools that will be used.

According to Salkind (2000), non-experimental research includes a variety of different methods that describe relationships between variables. Included in such methods is the descriptive / historical research method, which describes the characteristics of existing and past phenomena. Historical research, according to Salkind (2000), relates past events to each other and/or to current events. Historical research answers a question regarding the nature and extent of events that took place in the past. Researchers often accomplish historical research through the use of primary sources such as original documents and first-hand information as well as secondary sources that may originate from second-hand sources. Salkind (2000) stresses that not only can descriptive and historical research stand on their own, but it can serve as bases for other types of research in that a group of characteristics often can be described from a descriptive / historical point of view in order to arrive at acceptable theoretical perspectives.

Leedy, (1980) is critical of those academics who display a prejudice for a given research methodology:

“It is difficult to defend the position of those who claim that unless research fits an arbitrary prejudice for a given methodology, it fails to be research. All highways are of equal excellence; each, however, traverses a different terrain, but they all converge on the same destination. In other words, when research is viewed as an offensive against ignorance of the truth, then the four principal research methodologies are merely separate avenues leading in the direction of enlightenment. No one methodology is superior to any other and they all converge at one coveted point: the point from which we are able to discern that of which we were hitherto unaware.” Leedy (1980).

According to Salkind (2000), the descriptive / historical researcher proceeds in terms of six different steps, which correspond closely to those of other types of research. The six steps are explained in the paragraphs that follow.

- First, the historical researchers define a topic or a problem that they wish to investigate, in this instance, the ethical foundations of service quality in tourism and hospitality management: a theoretical perspective.
- Second, the researcher formulates a hypothesis (es), which is expressed as a question, or questions.
- Third, the researcher sets out to utilize a variety of sources to gather data. Salkind

(2000) emphasizes that while these sources may differ markedly from those in other research methodologies, the analysis of written documents are usually the domain of the historical researcher.

- Fourth, the evidence gathered needs to be evaluated both for its authenticity as well as for its accuracy. The researcher therefore needs to establish the value of the data from primary as well as secondary sources that underlie the salient arguments of the research. This requirement is concomitant to the researcher developing a critical and evaluative attitude towards the collected information. Salkind (2000) holds that the evaluation of primary and secondary data is accomplished through the application of two separate criteria: authenticity (external criticism) and accuracy (internal criticism).

3.4 REASONS FOR USING DESCRIPTIVE STUDY

It is important for this study to explain the reasons of using descriptive study. Leedy (1980) states that it is difficult to defend the position of those who claim that unless research fits an arbitrary prejudice for a given methodology, it fails to be researched. No one methodology is superior to any other and they all converge at one point. According to Salkind (2000) the descriptive research cannot only stand on their own, it can also serve as bases for other types of research. Characteristics of it can be described from a descriptive point of view in order to arrive at acceptable theoretical perspective. Descriptive researcher defines a topic or a problem that they wish to investigate. Salkind adds that the descriptive researcher sets out to utilize a variety of sources to gather data. The researcher needs to establish the value of the data from primary as well as secondary sources that underlie the salient arguments of the research.

3.5 LITERATURE SEARCH

This study seeks to discuss in depth literature search. This research work involves substantial use of published literature. The researcher carries out several surveys of relevant published literature in greater depth. Scanning the literature from chosen fields as well as related ones as it is necessary to familiarize yourself with literature dealing with research tools appropriate to the topic. Due to the restricted extent of the research, only sources of a secondary nature, particularly descriptive and literature- based are used. Secondary data may be defined according to Rossouw (1996) as already published data

collected for purposes other than the specific research at hand. According to Neuman (2011, 480) secondary sources are “the writings studying the subject of specialist historians who have spent years studying the subject”. Selection of the different books, journals, newspaper articles and government documents ensure that they attempt to provide answers to the questions posed by the study and that they give a comprehensive information about unemployment in Mdantsane

3.6 SUMMARY

The summary of the study needs to be addressed. The researcher applied descriptive study. It is the appropriate method for researching specific subjects as it describes and explain the characteristics of existing and past phenomena. The researcher identifies descriptive study through books, academic journals, scientific reports, unpublished theses treatises and dissertation.

The following chapter presents the findings, summary of chapters, recommendations and concluding remarks.

CHAPTER FOUR

RECOMMENDATIONS AND CONCLUSION

4.1 INTRODUCTION

This chapter provides findings, summary of chapters which is then followed by recommendations and conclusions

4.2 FINDINGS

The fight against poverty and unemployment cannot be seen as entirely the responsibility of the government. It is the responsibility of the entire society.

Frameworks and policies have been developed and implemented to address poverty and unemployment but there are challenges in achieving social objectives and failure to deliver promised economic and job growth and significant redistribution of income and socio-economic opportunities in favour of the poor.

Government is living a life of developed nations instead of living and realising the economic and unemployment crisis.

Globalization has attributed to unemployment problem.

The urban Renewal office lacks strong support resulting in delays in project implementation.

LED officials lack adequate training that may further lead to breakdown in service delivery. Although these officials have been exposed to formal education, things are changing and there is therefore a need for a continuous updating of the skills. Training and re-training is important otherwise skills may be eroded. It is clear from these officials that they became discouraged after experiencing no significant changes in their scope of work after having received several training. A motivation to ignite a desire for more training amongst the officials is recommended.

Municipality does not focus specifically in Mdantsane for development.

LED has not been accommodated by the overall growth of national economies.

Local education is insufficient in quality to ensure access to jobs.

The projects lack effective marketing skills and that forbids sustainability of projects.

The project members had no formal education which is critical in ensuring project sustainability.

4.3 RECOMMENDATIONS

In the light of the findings derived from the study, the researcher makes the following recommendations:

Frameworks and policies that are developed and implemented need to be monitored and evaluated to make sure whether they are still in line with the objectives.

- It is recommended that the LED office provide support in projects as they have a huge potential in boosting the economic growth and development of the region. Besides, with projects, more people are employed as such projects serve as a poverty and unemployment alleviation strategy. Lastly, it is recommended that a projects movement is formed in order to learn from each other, support and teach each other. Besides, if they have a movement as project members it will be easier to meet their challenges and demands.
- It is recommended that the LED office provide support to the Bamboo initiative in terms of rigorous marketing. It is recommended that the Buffalo City Municipality provide or develop all year round activities in the local townships in order to attract tourists into the township. With such interest, tourists can be attracted and boost the economic growth and economic development in townships.
- The LED office should be clear about their role to the communities and their walk-ins so that the community will be able to know which door they must come to in terms of support and funding.
- Government to cut taxes on domestic investors and increase employment level.
- To promote sustainability assessment of the projects.
- To promote youth involvement in the projects
- Effective and efficient unemployment prevention in townships can serve as a catalyst for entrepreneurship by instilling and supporting a culture of entrepreneurship among young people. Initiatives such as the International Conference on Entrepreneurship and Small Business Development in Marginalized Communities, organised and hosted by the University of Johannesburg in Soweto, must be recommended. Furthermore, Umsobomvu Youth fund is a development funding institution that has been established by the South African government as a direct response to the high youth unemployment in the country.

4.4 CONCLUSION

Undertaking research work on unemployment in Mdantsane and the impact of community development projects in curbing the situation is both appropriate and critical. This study also revealed that Buffalo City Municipality LED's approach is less on direct unemployment alleviation projects. Their focus is mainly in creating and enabling environment for business investment. It is also indicated that poverty and unemployment is still endemic in South Africa. It has strong dimensions that have its origin largely in the labour market and the political sector emanating from past political dispensations. It will undoubtedly add value to the review of policies and implementation strategies of the programme.

Although several policies and programs have been designed and implemented to develop human resources, the skills development system as a whole has not yet achieved its aims. The economy remains constrained by a lack of skills. The size of Small Medium and Micro Enterprise (SMME) has grown but the sector remains small for an economy of the size of South Africa. Therefore by developing SMMEs, developing projects and providing training will have a positive outlook in their quest to achieve economic development.

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