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Small-scale industry in black South Africa

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Board could only afford limited prosperity to the rural areas whereas the few major factories proposed would barely touch the problem of unemployment. Moreover, it was pointed out that handicraft activities had to a large extent already been fostered by missions and other societies working in the interest of Africans. A more realistic explanation for not making wider recommendations, it was said, was "that cheap labour in the territories would constitute 'unfair competition' with Union industries employing European labour".[12] Even state officials recognized that the threat of competition was the motivating factor for the Board's cautious recommendations. The Chief Native Commissioner for the Northern Areas, for example, was explicit on this issue, asserting that "the chief difficulty ... is not to establish the industries but to find the market which will induce the flow of money to the Reserves without interfering with any European interests".[13] The Commissioner also added that the object of establishing home industries should not be the fostering of "Bantu" arts and crafts but that of increasing cash incomes in the Reserves, which made it imperative that the goods be marketed countrywide. By limiting marketing outlets to the rural areas the Board's proposals could "scarcely be regarded as little more than palliatives" and would only result in a "redistribution of what little wealth there was in the Reserves". It was emphasized that

> the only direction in which hope lies for achieving the main and the utilitarian object of the schemes is that of the open market and ... any Native industries must be prepared to take their place in competition with goods produced by non-Native industrial interests.[14]

Commensurate with the government's intention to establish large-scale industries in the Reserves in view of their greater employment-creating potential, it was decided to pursue the Board's albeit limited suggestions for large-scale industries. The projects having been carefully assessed, however, prospects for their implementation did not look very bright.

Doubts first raised by the Secretary of Native Affairs as to the costs, availability of technical staff, and regular supply of stock required to maintain the meat-canning factory in operation in the Transkei[15] were substantiated by the technical advisor's negative report on the viability of the three proposed ventures of a meat-canning, tanning, and footwear industry. According to the report, such industries would not be feasible for several reasons, namely, the costs would be disproportionate to the population being catered for, highly specialised knowledge and experience was necessary to run the meat-canning industry, and African-reared stock was not of the required standard and nor would it be in regular supply.[16]

The negative reports on the industrial prospects for the Reserves did not deter all private investors. For example, the Anglo-Transvaal Consolidated Investment Company, one of the large mining houses in Johannesburg,[17] expressed interest in the government's scheme, enquiring whether government would subsidise the company in establishing a meat-canning factory in the Transkei.[18] The government responded that it was prepared to partially subsidise the company in an investigation of the possibilities for a meat-canning industry in the Reserves,[19] provided a tannery and a boot-manufacturing concern as adjunct industries to the meat-canning factory were included in the investigation.[20] The required survey was conducted but "considerable difficulties" such as the existence of similar enterprises in the Union, and the limited potential of the African market, impeded the development of the proposed tannery and footwear factories into viable industries.[21] Likewise with the meat-processing industry which had as drawbacks the requirement of a heavy initial capital outlay, limited absorption of labour, insufficient supply of suitable cattle, and high costs of production.[22] Apart from the interest expressed by the Anglo-Transvaal Consolidated Investment Company, the Board of Trade and Industries also received a proposal and

accompanying request for government financial assistance for a biltong factory in Umtata, but this idea was also still-born.[23]

In view of the difficulties encountered in implementing the BTI's recommendations for large-scale industries in the Reserves, the state by the late 1930s was still "faced with the problem of creating some large-scale industry ... suitable for native needs and ... not affect(ing) European vested interests in European areas" (South Africa, Union of, 1939, p.16). As a possible move towards solving this dilemma, attention turned to cotton-spinning, an industry which was envisaged to employ only Africans at "African rates of pay" and to produce cheap African trade goods for the "whole of Africa" (South Africa, Union of, 1939, p.16). The idea for this type of industry had been raised previously in 1935 but had not been pursued because of the priority consideration accorded to the meat-canning proposition. Interest in cotton-spinning arose from the perception of cotton as a "peculiarly ... peasant crop" (South Africa, Union of, 1939, p.16) which allowed the employment of the whole family during cultivation and picking. It was hoped that the establishment of the cotton-spinning industry would give added impetus to cotton cultivation in the Reserves, although it would be necessary initially to import the raw material.

In 1942, after preliminary investigations by the Department of Native Affairs and the IDC, the first plans for a cotton textile industry were drawn up. The industry was favoured for a number of reasons, *viz.*, it would not encroach upon "European" employment, was "signally suited to the native mentality and physique" because of the low levels of skill required and also because the Africans were perceived to be "particularly adapted to operations of a repetitive nature", was the type of concern which could be located close to the African territories, and was capable of employing large numbers of Africans.[24] The industry's overall purpose, however, and its main competitive feature was to employ African labour

at rates which, while giving African employees a "good" living, would keep down the costs of production.[25] By employing Africans close to their "natural" home, the rhetoric of supporters of this scheme stressed possibilities of raising standards of living.[26] There was therefore a "strong social motive in the scheme aimed at resisting the urbanising and proletarianising of the Natives, while at the same time relieving overcrowding in certain Native areas".[27] This project objective was endorsed by the Minister of Native Affairs who wrote that the industry would not only "relieve the housing problem in the overcrowded town locations, but ... would enable the Native worker to live contentedly with his family under decent rural conditions where he would not feel the constant pinch of charges for rent and other services that make such inroads into his limited means in the towns."[28] Consequently it was required that the industry be located in an area where it could draw on African labour "which had not been severed from the support which it gets from the soil",[29] and which would justify payment of below-normal wage rates. It was on the basis of these conditions that Kingwilliamstown was selected as the most suitable location for the industry. The town, virtually surrounded by Reserve areas, was at the centre of a large African population with "large numbers of natives residing on farms where they are surplus to farming requirements",[30] and was also considered suitable in terms of its good rail and road communications and favourable water and power facilities.[31]

Two principal requirements had to be fulfilled before the cotton-spinning industry could be established. First, it was necessary that the cotton-spinning industry be declared a 'reserved' industry, which meant it could only operate under special licence, and it had to form part and parcel of the land settlement and general African rehabilitation scheme, without which requirement the first condition could not be met.[32] By declaring the industry 'reserved' it was intended to ward off competition from similar private undertakings which could be

established in the Union. It was claimed that if capitalist interests, such as overseas cotton industries, were established in the rest of the country, the immediate effect would be to eliminate the government sponsored textile industry by depriving it of its chief competitive factor, below-normal wage rates.[33] Making the industry part of the rehabilitation scheme was also a means of legitimizing the establishment of a White undertaking in the Reserves which otherwise were closed to White private investment. The basis for the establishment of the industry therefore had to be "the support, advantage or well-being of Natives or purposes connected therewith" (South Africa, Union of, 1948, p.16). Commensurate with classifying the industry as 'reserved', it was agreed not to invite the public to subscribe any of the share capital of such an enterprise.[34] The Union government would provide all the capital required by means of grants to the South African Native Trust operating through a public utility company floated for the purpose.[35] Technical direction of the undertaking would be assumed by the Industrial Development Corporation (IDC) which also was responsible for co-ordinating the industry with any future textile and other developments.[36] By maintaining direct financial control of the industry the government had free reign to institute any future policy changes that it might wish.[37]

From the outset, the private sector took exception to the IDC's application for exemption from wage regulations with regard to African employees. Industrialists protested that they had risked or even lost money to start a textile industry only to find the government stepping in as competitor. Trade unions also objected but on grounds that the lower wage rates would undermine the existing workers' hard-earned standards. These protests were only assuaged on the assurance that the low wage rates would be raised as the African operatives became fully trained and productivity increased, and that marketing of the goods would be restricted to the rural areas (Kahn, 1947).

Although the establishment of the textile industry represented a positive step towards industrialisation in the Reserves, it was described correctly as no more than a "drop in the bucket" in respect of ameliorating the massive problems of local unemployment and poverty (South Africa, Union of, 1937). Aware of this, the Social and Economic Planning Council insisted that the prosperity of the Reserves could not be based solely on an agricultural foundation, needing the development of more advanced economic activities in order to increase the total available income (South Africa, Union of, 1946). In opposition to this view the Fagan Commission of 1946-1948[38] stressed that any industries in the Reserves "must pay their way" (South Africa, Union of, 1948, p.16), and that industrial location should be determined by sound "economic considerations". Furthermore, the Fagan Commission disagreed with the argument that industrialising the Black rural areas would reinforce the policy of segregation, asserting instead that the problem would simply be reversed, because of the progressive settlement of Whites in the Reserves (South Africa, Union of, 1948).

Despite exhortations from government commissions and constant pleas from the UTTGC, no significant industrial development beyond the textile industry, took place in the Reserves. By 1947, besides a sweet factory which already existed in Umtata prior to the BTI investigation, only a furniture and clothing factories had been newly-established in the Transkei. Other factories, such as a billy-can and bucket factory and a tanning and wool-washing concern were contemplated but no plans had been put into effect. The same situation applied with respect to stands which had been surveyed for commercial and industrial purposes in Umtata, but had not been further developed.[39] The few industries which did exist in the area were also not assured of progress in view of the fact that the Wage Board was contemplating extending the Wage Determination Act to the Transkeian Territories.[40] If such a step were taken, authorities in the

area claimed that it would prove detrimental, if not a fatal blow, to the development of existing and future industries in Umtata.[41]

Appointment of the Tomlinson and Eiselen Commissions

To a large extent the post-war problems of poverty in the Reserves were exacerbated by the state's rehabilitation scheme or betterment planning programme which was meant to alleviate some of the regions' economic difficulties. The rehabilitation scheme compelled people in the Reserves to reduce heads of stock according to the grazing land available but provided no alternative income opportunities. Various meetings of the UTTGC highlighted the imperative for industries in the territories as the "great scheme of rehabilitation is taking away from the people their former means of existence".[42] The General Council declared that the government should provide alternative means of subsistence as a compensatory action for depriving the Africans of their main source of livelihood. Nonetheless, appeals to the government were ineffective for the UTTGC was advised that "caution is necessary in the extension of industry in the Native Territories, particularly in view of the great industrial developments outside the Reserves in recent years and the current scarcity of capital for investment in secondary industry".[43] Further, it was added that because industries such as the tanning and boot and shoes already were well catered for in the Union, it was felt necessary first to consolidate the Kingwilliamstown textile industry experiment before proceeding with any more factories in the Transkei.[44] By this, the government showed that its concern for the African territories extended only insofar as the rest of the country benefitted from any schemes initiated there, and that in all ventures the interests of White South Africa came first before African demands were met.

Only as conditions in the Reserves deteriorated under the combined impact of drought and the failure of betterment planning, precipitating

escalating rural-urban migration, was serious consideration given to the suggestion that industrial development in the Reserves would act as the 'practical' side of apartheid.[45] In this regard the UTTGC motion[46] for industrial development in the Reserves as a means of arresting the flow of people to the towns led the government to appoint a Commission of Inquiry into the Socio-Economic Development of the African areas. This Commission was required to survey the agricultural, resource and manpower potential of the Reserves and propose plans for a development programme.[47] The outcome of these preliminary proposals was the appointment of two investigating bodies in the form of the Planning Commission on the Socio-Economic Development of the Native Areas within the Union of South Africa (the Tomlinson Commission), and the Inter-Departmental Committee on the Planning of Industries in and near Native Areas (the Eiselen Commission).[48] Together the two bodies had to inquire into:

- the broad implications of the establishment of industries in and near the rural African areas,
- the agricultural potential of the areas,
- their industrial potential with special reference to: types of industries which might be established and their financing, raw materials, power and water supplies available, the available manpower and the problems of accommodation, transport facilities, wage structure, and the competitive position of the proposed industries,
- the industrial potential of areas around the African territories with special reference to the same factors as noted above,
- the effect of this development upon the economic pattern of White industry, and
- incidental problems such as the establishment of a Native Development Corporation, the strategic location of industries, the establishment of towns in African areas, and administrative issues.[49]

In broad terms, the aim of both the Socio-Economic Commission and the Inter-Departmental Committee was to investigate the possibilities for industrial decentralisation. In this, it was the task of the Tomlinson Commission to determine where and which industries to establish and the means of achieving this aim, whereas the Eiselen Committee was required to survey the possible effects of such industrialisation on existing industries.[50] As the Socio-Economic Commission (Tomlinson Commission) refers directly to the establishment of industries in the rural Reserves whereas the Inter-Departmental Committee reviewed some of the broader implications of decentralisation policy, the former report will be focused upon in this discussion.

The programme for the economic development of the Reserves was generally supported by representatives of government and private enterprise alike, both recognizing that the increased economic welfare of the Reserves would also benefit the Union. Thus, both the Department of Trade and Industries and the Associated Chambers of Commerce (Assocom) agreed with the industrialisation plans for Black areas but made clear that such development should not be artificially induced but should be determined by "sound, economic" factors. Both organisations also supported the role of White investors in developing the Reserves, and advocated the market area for Reserve industries to extend countrywide.[51]

By 1955, no steps had yet been taken to establish industries in the Reserves, and the UTTGC once more appealed to the South African Native Trust to expedite the development of the rehabilitated areas. The Council alleged that "nothing had been done by way of establishing industries in these rehabilitated areas as was promised when these areas were surveyed under the scheme". According to the UTTGC, the government, when it had launched its rehabilitation programme, had mentioned the establishment of dairies, butcheries, and plantations, none of which plans had come to

fruition.[52] Not even the BTI's recommendation for a pottery kiln to be established in Port St Johns had been put into effect.[53] In replying to these requests the Native Affairs Department abrogated all responsibility for industrial development in the Reserves, stating that any moves in this direction had to come from the Africans themselves.[54] The South African Native Trust would render assistance where necessary but would otherwise withdraw from any projects which henceforth had to be run by Africans.[55] In this respect the Secretary for Native Affairs reiterated that "the Native areas are reserved for the Natives and ... they should be developed by and for the Natives".[56]

The Tomlinson Commission's recommendations were not entirely supported by government. In a White Paper issued during 1956 government rejected proposals for White private investment within the Reserves on the grounds that African undertakings should be allowed to develop unhindered by White competition (Marais and Hoogendyk, 1967). The economic influx of Whites would result in settlement which was against segregation policy, and the government did not accept that industrial investments would be temporary (Hirsch, 1984). The state's refusal to accept the Tomlinson proposals may be explained partly in terms of the peculiar 'logic' of apartheid policy, insofar as the government sought to justify the relegation of Blacks to the Reserves by concomitantly denying White claims to residency or ownership of property in those areas, and partly in terms of its financial inability to implement such a programme within the proposed space of time (Hirsch, 1984). Still the major factor determining the government's reaction to the proposals, however, was the perceived competitive threat posed by Black industries to White enterprises. The need to protect White interests motivated the government to reduce considerably the Commission's financial estimates for secondary and tertiary development within Black areas. State assistance in the Reserves "would help kill the White industries now existing in the White areas ... it would be catastrophic for the present economic development of South

Africa to establish subsidised White industries in Native areas in competition with the existing White industries" (Nieuwenhuysen, 1964, p.9). Not surprisingly, this viewpoint was supported by White capital anxious to avoid competiton from Reserve-based industries. Protests also were lodged against the implementation of wage differentiation with regard to Reserve industries.[57] The South African Federated Chambers of Commerce, as the official spokesman for secondary industries in the Union, expressed disapproval of such discriminatory measures in industry, declaring "most unsound ... any policy which might jeopardise the already established industries for the sake of providing employment possibly on an uneconomic basis in other areas" (*The Manufacturer*, 1959, p.12).

Major objections were raised by White capital when the South African Native Trust contemplated establishing a combined sawmill, carpentry training school, and furniture factory near Umtata. Representatives of White commerce alleged that employees in the factories would be paid reduced wages and that the factory goods would be sold cheaply to White traders in the Transkei who would then cease to buy from existing timber companies. It was regarded as unethical that by means of cheaper labour and overhead expenses and better access to materials, the government could operate in direct competition with legitimate industries.[58] In countering these arguments, the South African Native Trust justified its actions, stressing the ready availability of the raw material in the Transkei and claimed that the project would not permanently remain a Trust undertaking but gradually would be transferred to a trained African organisation.[59] Opposition to the opening of factories in Umtata came not only from the part of private enterprise. The former Secretary for Native Affairs, Dr D.L. Smit, also showed himself averse to the implementation of the South African Native Trust scheme when he declared that the "primitive, blanket-clad peasants" of the Transkei were incapable of "running their own economy".[60] In his view, the African's apparent lack of "technical knowledge and economic experience" militated against their ever becoming

a self-supporting, industrialised community. Moreover, the "bad economics" of fostering rural African factories "in direct competition with established industry in the urban areas"[61] was once more reaffirmed.

Despite rejecting the major proposals of the Tomlinson Report, the government nevertheless agreed with the general tenet of the Commission's argument, that decentralisation of industry was necessary in order to arrest the flow of Africans to the country's major centres and to induce them to settle in their own areas.[62] Rather than develop industries *in* the Reserves, however, government was "in favour of decentralisation of industries". Plans were that "enterprises should be sited near the boundaries of, but outside the Native Areas, in European areas".[63] By inducing the establishment of industries "sufficiently close to native areas"[64] the "European areas (would be) kept as free of Natives as possible",[65] whilst African labour from the Reserves would continue to be tapped. Consequently, the decade of the 1960s was devoted to promoting the alternative policy of decentralising industries to the border areas of selected White towns adjoining the Reserves (Rogerson, 1982). The spatial thrust of policy accorded with the central objective of the programme to stem the continuing growth of Black employment and populations in White metropolitan areas (Rogerson, 1982). Although the border industrial programme was introduced with a suite of incentives to steer firms towards the periphery, early results of the scheme proved disappointing. The unfavourable economic climate, diminishing bank finance, and drop in the growth rate of fixed investment effectively cooled the enthusiasm of already struggling industrialists in the metropolitan areas to consider or undertake expansion or re-siting to decentralised areas. As a means of reviving flagging border industrial development, government from 1968 reversed its previous policy of prohibiting White investment in the Black rural areas and sanctioned the participation of White entrepreneurs by promoting industrial growth on an 'agency basis'. According to this policy, White investors were allowed

to develop industries in the Reserves but could not own property or land which had to be leased from the Bantu Investment Corporation. To bolster the programme of establishing industries on the 'agency system' the scheme was accompanied by a new and improved package of incentives which included a wide range of tax benefits, transport rebates, and low interest loans (Hirsch, 1984). Under the 'agency system' Bantustans became highly favoured investment sites attracting a stream of new industries. Such new employment opportunities did not compensate for the lack of an indigenous growth base which still characterised the Bantustans. Moreover, the country's ailing economy showed no signs of improving, casting a bleak outlook on the potential of the Bantustans to lure industrialists into expanding existing or establishing new concerns.

Renewed Promotion of Small-Scale Industrial Development in the Reserves

Consistent with the overall aim of the decentralisation programme to induce African settlement in the rural areas, development in the Reserves was to be attained through the encouragement of Black entrepreneurship and investment under the aegis of the Bantu Investment Corporation (BIC), a parastatal enterprise founded in 1959.[66] The stated objective of the Corporation was to promote and create industrial and other undertakings among Africans in the Reserves, and to act as a development and investment institution. Among the BIC's tasks were the provision of capital and other means for the establishment of industries, the lending of technical and other assistance, and the furnishing of expert and specialised advice, information, and guidance.[67] Despite a rhetorical concern with industrial development, most BIC financing initially was channelled towards retail and wholesale establishments, with little interest accorded to industry. In 1960, applications in respect of small industries and service undertakings amounted to only seven percent of the total, a share which remained stagnant for several years. Illustratively, during 1963 and 1964

only four and three percent respectively of loan applications to the Corporation were for industrial undertakings, and between 1965 - 1974 the proportion of loans granted to industrialists remained below the three percent mark. Indeed, as late as 1973 and 1974 the number of loans granted to small industrialists amounted to less than two percent of total loans. This neglect of industry was attributed by the state to internal constraints such as Africans' perceived lack of entrepreneurial initiative and skills. Typically, the BIC declared "one of the major problems with which the Bantu was faced was an inability to apply more advanced forms of enterprise", (*BIC AR*, 1965) which made them "incapable of handling large-scale industrial development" (*BIC AR*, 1969).

In 1961, the powers of the Corporation were extended to enable it to establish businesses or industries, or purchase undertakings from Whites in the Reserves, for ultimate ownership by Africans. Strikingly, the emphasis in the initial stages of the development was to be on the promotion of *smaller industries* which could gradually be extended as Africans acquired the necessary technical knowledge and experience. Despite the rhetoric which emphasised the development of small industries, however, the corporation's first moves at establishing enterprises in the rural areas were not directed at the small-scale sector. Instead, approval was given for the initiation of a series of large-scale industrial ventures including a handspinning and weaving factory, timber and meat industry, bakery, and a leather goods production concern. Concerted state efforts to promote indigenous enterprises were introduced only in 1966, when the promotional focus turned particularly to rural handicraft manufactures. A thatched rondavel building styled 'Papatso' was erected by the Department of Bantu Administration and Development near Pretoria to serve as a centre for the selling of 'Bantu' handicraft and art craft articles. The success of Papatso led to the planning of further similar ventures in other Bantustans in order to catalyze small-scale rural craft manufactures. The perceived employment

potential of handicraft industries sparked considerable enthusiasm on the part of government officials. During 1966 it was declared that "the problem of Bantu handicraft articles constitutes the industry which can reach the largest proportions in the homelands at this stage without requiring any specialised training or technical supervision" (*BIC AR*, 1966). Under this new wave of interest the BIC devoted special attention to the stimulation of rural production of handicraft articles for handcraft centres.

Not surprisingly, perhaps, the promotion of handcraft production in the Bantustans did not prove the hoped-for panacea for the regions' continuing impoverishment. Although several of the handcraft schemes which were initiated were successful in their own right, they were potentially insufficient to absorb the growing unemployed labour force in the Reserve areas. The problems of rural poverty were augmented by the declining economy the country experienced from 1969, and the concomitant failure of the border industrial programme to attract industry. From the 1970s, therefore, the government redirected its attention to the possibilities within the Bantustans for entrepreneurial development. Government proponents of African enterprise became increasingly aware of the productive capacity of rural Africans, but at the same time regarded this as a new phenomenon, casually dismissing the rural areas' long history of manufacturing activities. Illustratively, in a report of the BIC it was remarked that "*unlike the past*, homelands citizens are also beginning to show an interest in manufacturing. Small industries are developing everywhere, mostly under primitive circumstances" (*BIC AR*, 1975). Accordingly, it became the BIC's objective to identify entrepreneurs, assist them in improving their factories through financial aid, and also furnish general assistance, expertise and know-how. In this regard it is significant to note the kinds of industries envisaged for Black industrialists, none of which were sophisticated enough to pose a serious threat to White concerns. The BIC

stated that "should Black industrialists specialise in the field of foodstuffs and manufacture clothing, simple furniture, tin trunks and other sheet metal products, knitted goods, bricks, concrete blocks and other building materials, there can readily be provided the basic requirements of homeland citizens" (*BIC AR*, 1975). The new concern with the development of Black industries in the rural areas motivated the BIC to start an experimental scheme at Kabokweni in the Eastern Transvaal. It was the BIC's aim to find Black entrepreneurs already in business to settle on small, new industrial estates provided by the Corporation. Services, advice and support would be provided to fledgling industrialists by the BIC (*BIC AR*, 1975).

The new-found focus on promoting small-scale Black industries in the Bantustans was accompanied by a change in the administrative structure of Bantustan development organisations. In line with the government's intention of declaring the Bantustans 'self-governing' and 'independent' states each 'national state' would have its own development corporation, to be responsible for local development within each specific area. The main financing body for the individual corporations would be the Corporation for Economic Development (to supercede the BIC), which would also concentrate on the development of large agricultural projects, industrial development, transport, and financial support. All other functions were to be transferred to the respective Development Corporations (*BIC AR*, 1977). In accordance with these organisational shifts, Development Corporations were established in the various Bantustans. The Xhosa Development Corporation which had been set up in 1965 to administer the Transkei and Ciskei was in 1976 split into two different corporations for each of the relevant areas. Other Development Corporations for Bophuthatswana, QwaQwa, Gazankulu, Venda and KwaZulu emerged after 1975, and in 1977 the BIC, having transferred its functions to the individual corporate bodies, was renamed the Corporation for Economic Development (CED) (Fig. 4.1).

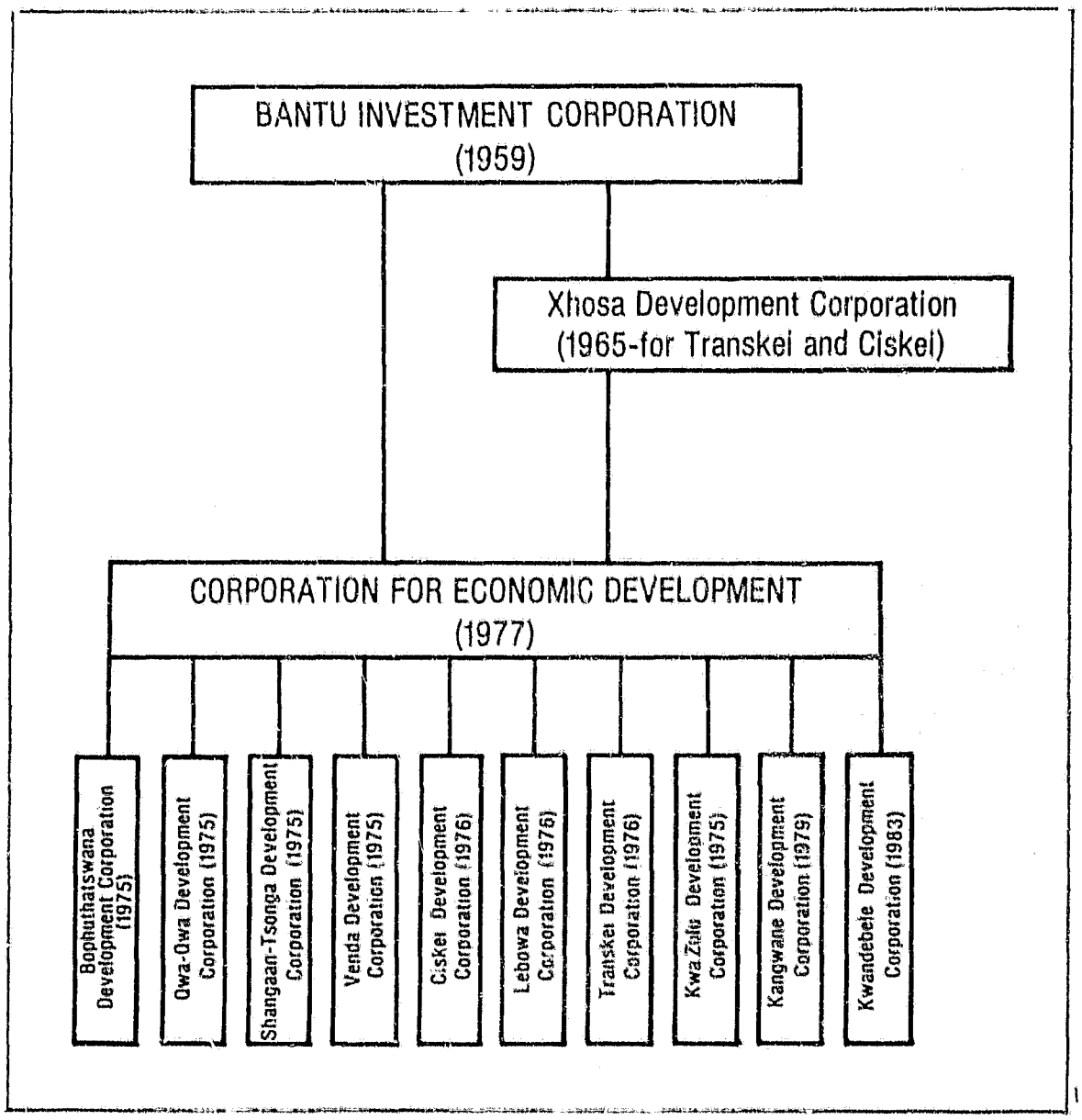


Fig. 4.1: Schematic representation of the government corporations administering industrial parks in the Bantustans.

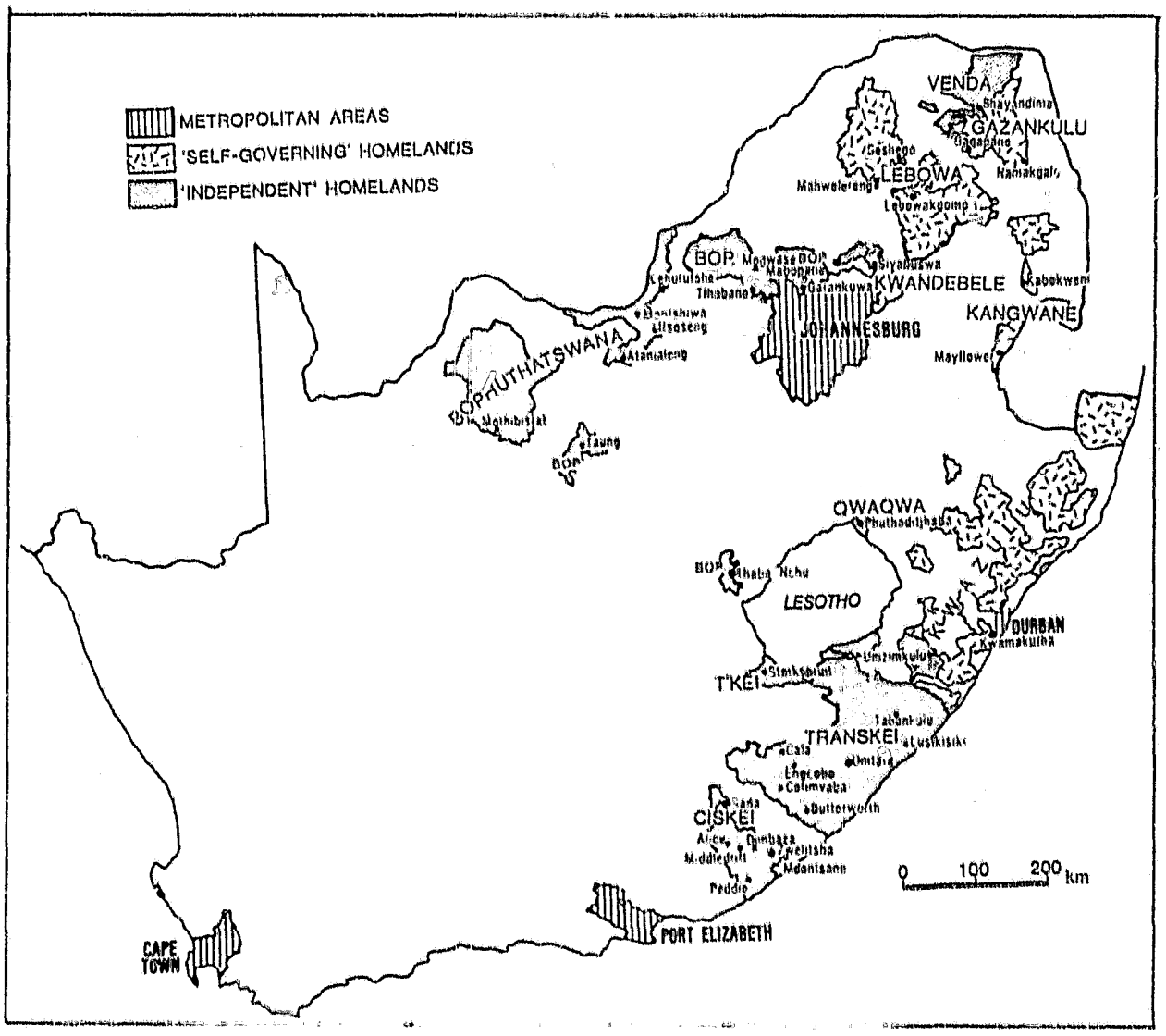


Figure 4.2 Location of industrial parks in the Bantustans.

Under the CED's direction the small industries scheme assumed growing importance. The promotion of small-scale manufacturing activities was optimistically viewed as "the start of a new tradition of industrial entrepreneurship among the Black people" (*CED AR*, 1978). The project which had been planned for Kabokweni was completed in 1977, housing six local industrialists. Following the success of the pilot venture, another, larger scheme was launched at Sibasa in Venda. Plans were also mooted by the CED for factory complexes at Kanyamazane, (Kangwane), and Lebowakgomo. The types of products manufactured at the complexes were clothing, including school uniforms, knitwear, furniture and household fittings, together with sheetmetal, welding, panel-beating and miscellaneous repair services (*CED AR*, 1978). Emphasis on small-scale industrial development has been a notable feature of the various industrial Development Corporations in the Bantustans. This has been evidenced by, for example, the publication of a government White Paper on Industrial Development in Lebowa, focusing particularly on the expansion of small-scale industries, and the establishment of the Ciskei Small Business Development Corporation and the Transkei Small Industries Development Organisation in the respective Bantustans. In particular, however, emphasis on the promotion of small-scale industries in the Reserves has been reflected in the establishment of industrial parks fo.. formal and informal small-scale manufacturers (Fig.4.2). By 1981 the Shangaan-Tsonga Development Corporation, established to administer development in Gazankulu, had assisted in the development of 119 small enterprises, whereas QwaQwa Development Corporation had, by the same period, commenced on the second phase of development of an industrial park. Similarly, the Bophuthatswana Development Corporation had by 1984 completed 150 factory flats, a figure envisaged to be augmented by 33 units the following year (*Informa*, 1981-1982; *BNDC AR*, 1982/83-1984/85).

In some cases private investors have been involved in the erection of industrial complexes and the promotion of small-scale enterprises in

general. Norton Abrasives, for instance, an affiliate of the Norton Group of companies, has been operative in the Ciskei in terms of initiating sewing and knitting home industries in several villages, and also in constructing an industrial complex at Zwelitsha (*Informa*, 1981). Other organisations which, in conjunction with Bantustan Development Corporations, have been involved in the development of small-scale enterprises in the Black rural areas are the Transkei's Department of Commerce, Industry and Tourism which in 1981 joined forces with the Small Business Development Corporation to form TRANSIDO (Transkei Small Industries Development Organisation). The organisation has as its objectives the encouragement and development of viable industries throughout Transkei through the provision of a range of services including financing and the erection of infrastructural premises. TRANSIDO has been operative in the construction of factory flatlets, two complexes already having been completed in 1984 whereas several others were earmarked for development (see Fig 4.2) (TRANSIDO, 1984; *Volkshandel*, 1982). The SBDC, a state-sponsored organization established in 1982 to promote small-scale development in the Black townships of so-called White South Africa, in 1983 broadened its investment horizons to encompass Bantustan operations. The first venture in 1983 was the financing of Ga-Rankuwa industrial park in Bophuthatswana (*BNDC AR*, 1982/83; *Pretoria News*, 31/10/1983). Apart from Ga-Rankuwa the SBDC has also been involved in industrial development in the Ciskei (Mdantsane) and KwaZulu (Kwamakutha).

Factors Constraining the Development of Contemporary Rural Black Entrepreneurs

The new-found focus of cultivating small-scale entrepreneurial ventures in the Bantustans has been given added impetus by the introduction of a package of incentives for small-scale industrialists. Whereas previously regional industrial development incentives were available only to well-established small industries which could comply

with the requirements and procedures demanded by the incentive scheme, in 1984 a simplified package of incentives was offered for less formally organised small enterprises. In essence the modified incentives involve a cash wage subsidy, calculated in terms of the average number of employees in the factory and the wages they receive, plus a factor of 20 percent to compensate small industrialists for the interest and rental concessions they are unable to utilise. To qualify for the facilities a small industrialist must have contributed a minimum of ten percent of capital investment in his enterprise, be registered with the regional development authorities concerned, established on premises approved by the authorities, and practising an activity satisfactory to them. In addition, the factory is expected to be run on a full-time basis, and the industrialist is required to keep an approved wage register. Most importantly, however, except in the case of QwaQwa, the incentive package is effective only to manufacturers who are established in the designated development points of the Bantustan concerned.

It is obvious from the above that the requirements necessary for eligibility of the incentive scheme are still sufficiently rigorous to exclude a large number of industrialists wishing to establish themselves more formally but lacking the means to do so. Unrealistic government regulations are but one example of the difficulties constraining the development of small-scale producers. A study by Benso on the development of small enterprises in Bophuthatswana brought into focus some of the more important obstacles hindering the full-scale development of small manufacturers in the rural areas. The report indicated that general measures to promote industrialisation were not as freely applicable to small-scale as they were to large-scale enterprises, and the small-scale sector was hampered by unsuitable legislation and complicated bureaucratic procedures. The investigation also drew attention to the scant opportunities within the Bantustans for small-scale industrial development, and highlighted the continued problems faced by small

producers of inadequate marketing, financial, technical and infrastructural facilities (Muller, 1980).

Whilst it is important not to underestimate the validity of these factors constraining the successful functioning of small enterprises, it should nevertheless be stressed the cause of these difficulties which also remains the overriding obstacle to small-scale industrial advancement. This refers to government discrimination against small industrialists, and particularly Black industrialists in the rural areas. The measures which have been introduced to encourage indigenous industrial growth in the Bantustans have been scant in proportion to the facilities and funds which have been consistently directed to large-scale industrialists. In order to redress this discrepancy between large and small concerns, the government should devote more concerted attention to two problems in particular which were mentioned in the Benso report, *viz.*, a resolute commitment to instituting small-scale development in the Black rural areas, and cultivating an environment conducive to unrestricted industrial growth (South Africa, Republic of, 1984d).

* * * *

The attempts of the government to institute major industrial concerns in the Reserves as a means of solving the regions' unemployment and agricultural problems, and also as a ploy for legitimizing apartheid has been highlighted. The efforts failed to produce the desired results in part due to the inadequate conditions in the Reserves such as lack of infrastructure, inaccessibility to markets, and poor economic climate. A more important factor in the unsuccessful industrialization of the Reserves is that any propositions for industrial development were restrained by official admonitions that the enterprises should not compete with White concerns. The implementation of the industrial decentralisation programme to induce Black settlement in the rural

Reserves failed as a measure to create rural economic growth. It is evident, therefore, that the factors responsible for the lack of industries in the Reserves were not so much internal as external, deriving from segregationist policy and government reluctance to embark on initiatives for economic upliftment in the rural areas which were likely to jeopardize the rest of the country's economic activities. In this respect the constraints curbing the growth of African rural producers may be related to those of government discrimination which have been identified in the broader literature on small-scale industry.

Recently, a number of industrial estates have been established in the Bantustans under the aegis of individual Development Corporations and the Corporation for Economic Development. Several constraints, however, most notably those associated with strict government regulations, still prevent the formal establishment of large numbers of potential entrepreneurs and assure the growth of only a select few who more often than not already commanded thriving businesses. The discriminatory aspect of government assistance has also been discussed in the wider literature, substantiating claims that excessive bureaucratic stipulations render inaccessible to small-scale entrepreneurs the funds and incentives intended for the promotion of small-scale industrial activities.

The profound effect of government policies on African small-scale activities is limited not only to the rural areas but extends also to the Black townships of the country's metropolitan areas. It remains to be seen whether the factors affecting the evolutionary course of African enterprises have changed not only historically but also geographically. With this aim in mind the discussion which follows shifts the examination of the issues governing the development or suppression of African entrepreneurial activity to the urban areas.

Notes to Chapter Four

[1] CAP, NTS 163/327, Circular No.14 of 1935 by E.G. Lonsdale, 26/6/1935.

[2] CAP, NTS 163/327, letter by the Minister of Commerce and Industries to the chairman of the Board of Trade and Industries, 6/8/1935.

[3] CAP, NTS 163/327, letter by the Secretary of the Board of Trade and Industries to the Secretary for Native Affairs, 18/9/1933.

[4] CAP, HEN 2231, file 433/4, Annexures: Inquiry into the Possibility of Establishing Industries in Native Territories (henceforth Annexures), p.6.

[5] *The Advertiser,* 14/8/1935.

[6] *Daily Dispatch,* 2/12/1935.

[7] CAP, HEN 2231, file 433/4, Annexures, p.1.

[8] *The Star,* 10/9/1935.

[9] CAP, HEN 2231, file 433/4, Annexures, p.4.

[10] *Ibid*, p.8.

[11] *Mercury,* 11/5/1937.

[12] CAP, NTS 163/327, letter by E.W. Lowe, Chief Native Commissioner for the Northern Areas, to the Secretary for Native Affairs, 2/2/1937.

[13] *Cape Argus,* 17/5/1937.

[14] *Ibid*

[15] CAP, HEN 2231, file 433/4, letter by the Secretary of the Board of Trade and Industries to the Acting Secretary for Commerce and Industries, 15/4/1937.

[16] CAP, HEN 2231, file 433/4, Report of the Technical Advisor for the Department of Commerce and Industries, 19/11/1936.

[17] CAP, NTS 163/327 (1), letter by H.J. van der Bijl to D.L. Smit, Secretary for Native Affairs, 10/9/1937.

[18] CAP, NTS 163/327 (1), Note of an interview with Mr Simpson, Commercial Advisor of the Anglo-Transvaal Consolidated Investment Company, (undated).

[19] CAP,HEN 2231, file 433/4, letter addressed to the Secretary for Native Affairs, 12/10/1937.

[20] CAP, NTS 163/327 (1), letter by the Commercial Advisor to D.L. Smit, Secretary for Native Affairs, 6/1/1938.

[21] CAP, NTS 163/327 (1), Chief Magistrate of the Transkeian Territories in reply to a preliminary questionnaire on meat-canning in the Transkeian Territories, 12/8/1937.

[22] University of the Witwatersrand, Historical Papers, Records of SAIRR, Part I, Box AD 175, Arts and Crafts, unsigned and undated memorandum on Industrial education: the establishment of industries and the fostering of native crafts.

[23] CAP, NTS 163/327 (1), Address to Natives' Representative Council by Mr R. Fyfe King, on the meat-canning industry in the Transkeian Territories.

[24] CAP, NTS 163/327, letter by the Acting Secretary for Native Affairs to the Secretary of the Board of Trade and Industries, 12/3/1940; CAP, HEN 2231, file 433/4, letter by the Secretary of the Board of Trade and Industries to the Acting Secretary for Native Affairs, 28/3/1940; CAP, NTS 7347, letter by the Secretary for Native Affairs to the Secretary for the Socio-Economic Commission, 29/8/1952.

[25] CAP, HEN 2231, file 433/4, memorandum by the Industrial Development Corporation of South Africa (IDC) on Cotton Spinning and Weaving, (undated).

[26] CAP, TES 2753, file f11/265, unsigned letter to the Minister, 7/12/1943.

[27] CAP, HEN 2231, file 433/4, memorandum by the IDC on Industrialisation in Native Areas, (undated).

[28] CAP, TES 2753, file f11/265, unsigned letter to the Minister, 7/12/1943.

[29] CAP, NTS 163/327 (1), letter by P. van der Byl to P.S. Waterson, 22/6/1943.

[30] CAP, TES 2753, file f11/265, letter to the Minister, 7/12/1943.

[31] CAP, HEN 2231, file 433/4, memorandum by the IDC on Industrialisation in Native Areas, (undated).

[32] CAP, HEN 2231, file 433/4, memorandum by the Secretary for Native Affairs on Industrial Development in Native Areas, 8/9/1943.

[33] CAP, TES 2753, file f11/265, memorandum by the Department of Commerce and Industries on Industrial Development in Native Areas, (undated).

[34] CAP, TES 2753, file f11/265, letter to the Minister, 7/12/1943.

[35] University of the Witwatersrand, Historical Papers, Records of SAIRR, Box 1, AD 1715, African Reserves and Administration, letter by J.H.Wessels to J. D. Rheinallt Jones, 3/11/1944; The resolution excluding the public from subscribing any of the share capital for the textile industry seems to have been repealed later. A letter by the Secretary of the IDC reveals that in view of the considerable capital invested in the venture, the public would be invited to subscribe.

[36] CAP, HEN 2231, file 433/4, memorandum by the Secretary for Native Affairs on Industrial Development in Native Areas, 8/9/1943.

[37] *Ibid*

[38] Among the Commission's tasks was that of enquiring into the operation of the laws in force in the Union relating to Africans in or near urban areas.

[39] CAP, TES 2753, file f11/265, memorandum by the Department of Commerce and Industries on Industrial Development in Native Areas, (undated).

[40] CAP, NTS 7347, letter by the Chief Magistrate of the Transkeian Territories to the Secretary for Native Affairs, 5/8/1947.

[41] CAP, NTS 7347, letter by the Secretary for Labour to the Secretary for Native Affairs, 29/9/1947.

[42] CAP, NTS 7347, letter by the Chief Magistrate of the Transkeian Territories to the Secretary for Native Affairs, 5/8/1947.

[43] CAP, NTS 7347, United Transkeian Territories General Council (UTTGC), Session 1948, Minute Nos. 42-44; Session 1949, Minute No. 39.

[44] CAP, NTS 7347, letter by the Secretary for the Social and Economic Planning Council to the Secretary for Native Affairs, 10/11/1948.

[45] *Ibid*

[46] University of the Witwatersrand, Historical Papers, Ballinger Collection, Box B2.9.3, Native Industries, Memorandum by A. Tugman on Native Industries, 25/4/1950.

[47] CAP, NTS 7347, UTTGC, Session 1951, Minute No. 21-22.

[48] CAP, HEN 2231, file 433/4, Government Notice No. 2971 of the 14/11/1950, Terms of Reference of the Commission for the Socio-Economic Development of the Native Areas in the Union of South Africa.

[49] CAP, NTS 9789, file 993/400, memorandum of evidence by the Association of Chambers of Commerce of South Africa (Assocomm), 28/3/1952.

[50] *Ibid*

[51] CAP, NTS 9789, file 993/400, Appointment by the Minister of Native Affairs of an Inter-Departmental Committee on the Planning of Industries in and Near Native Areas, (undated).

[52] CAP, NTS 9789, file 993/400, Memorandum of evidence by Assocomm, 28/3/1952.

[53] CAP, NTS 7347, UTTGC, Session 1955, Minute No. 50.

[54] CAP, NTS 7347, UTTGC, Session 1955, Minute No. 91.

[55] CAP, NTS 7347, letter by the Chief Magistrate of the Transkeian Territories to the Secretary for Native Affairs, 14/10/1955.

[56] CAP, NTS 7347, letter by W.W.M. Eiselen to the Chief Magistrate, Umtata, 9/11/1955.

[57] *Die Transvaler*, 28/4/1958.

[58] *The Star*, 30/5/1958.

[59] CAP, NTS 7347, undated and unsigned document (*circa* May 1958)

[60] *The Star*, 30/5/1958.

[61] *Ibid*

[62] Unisa Documentation Centre for South African Studies, Box AAS 282, F.J. de Villiers Collection, letter by J.H. Moolman to Die Voorsitter, R.O.N.R., 9/1/1953.

[63] CAP, NTS 7347, file 163/327, letter by W.W.M. Eiselen to the Chief Magistrate, 3/11/1955.

[64] *Ibid*

[65] CAP, NTS 9789, file 993/400, unsigned memorandum on Industry and the Native, 21/6/1954.

[66] Unisa Documentation Centre for South African Studies, Box AAS 282, F.J. de Villiers Collection, unsigned memorandum to the Minister of Bantu Administration and Development on the Establishment of Industries by the Bantu Investment Corporation of South Africa Ltd., (author's translation), 19/9/1960.

[67] Unisa Documentation Centre for South African Studies, Box AAS 282, F.J. de Villiers Collection, letter addressed to A.W.G. Champion, 5/12/1967.

CHAPTER FIVE

A TRADITION OF ENTREPRENEURSHIP: SMALL-SCALE INDUSTRY ON THE WITWATERSRAND, 1900 - 1950

African entrepreneurial activities have played a major role in the survival strategies of African migrants in White cities. Excluded from participating independently in the mainstream economy, many African artisans used their acquired skills to establish their own small-scale activities in the townships and slumyards. The illegal nature of African entrepreneurial activities severely constrained the development of small-scale entrepreneurs insofar as they were subjected to restrictive government regulations. In detailing the history of African entrepreneurship in the urban areas, specific attention is drawn to the action of the state in combatting the growth of African enterprise. The investigation is based on a case study of the Witwatersrand, within which context the development and demise of the brewing, artisanal, and furniture-making industries is examined.

Beer brewing proliferated as one of the most lucrative industries in the townships and slumyards despite its forceful condemnation by the authorities. Ultimately, the economic potential of the industry was curtailed by the introduction of municipal beer halls towards the end of the 1930s. Beer-brewing as an essentially female-controlled occupation was complemented by an equally high representation of men in the artisanal sector. African artisans featured most prominently in the townships and White areas where their activities incurred the ire of White artisanal workers and government officials resolute on barring African entrepreneurs from the urban areas. White antagonism to African tradesmen was also apparent in the furniture-making industry where formal manufacturers launched a campaign to legally implicate African furniture

manufacturers and prevent them from continuing their operations in White urban areas. Despite continued African resistance to the effects of government laws, the developmental potential of small-scale entrepreneurs and their right to operate in urban areas was gradually eroded, more especially after the introduction of legislation prohibiting any form of African entrepreneurship in the Black townships of White South Africa.

Brewing

One of the oldest forms of industry in the Black townships and slumyards of the Witwatersrand was that of beer-brewing, an activity which originated with the early migration of Africans to the urban areas at the beginning of the twentieth century and by the late 1930s had grown to become what was considered "the foulest cancer in the social life of the Rand".[1] Africans were prevented from obtaining liquor legally in terms of Ordinance No.32 of 1902 which prohibited the supply to or possession by, "Coloured persons" of "Kaffir beer and any liquor containing more than 2 percent of alcohol".[2] The ordinance was based on the racist myth that "the native is constitutionally incapable of being a moderate drinker" or that the Africans themselves favoured prohibition.[3] Prohibition was not total for provision was made for employers of more than 50 Africans to supply their employees with beer, and allowed the use, gift or possession of beer in locations more than twelve miles from Johannesburg (Kagan, 1978).

Beer brewing was introduced to the urban areas primarily by African women who engaged in the activity as a means of augmenting their meagre household income. Economic necessity was the force instrumental in stimulating and maintaining the illicit beer trade, but there were other reasons why brewing was chosen as the principal income-earning activity. Brewing was a skill women brought with them from the rural areas where beer played a vital role in the religious, social and economic life of

the community (Eales, 1987). Traditional beer was a staple food for Africans, and was consumed among them as readily and extensively as coffee by Whites.[4] Beer was therefore associated with relaxation and conviviality and in this sense met a demand in providing entertainment to the resident and migrant workers who congregated in the slumyards over weekends. With the move to urban areas women continued to provide beer for their husbands and friends. Another reason for the popularity of beer-brewing as an economic activity was that it necessitated relatively little outlay in terms of capital and cooking utensils, and it could be performed at home where it did not entail the separation of the mother from her family nor the consequent neglect of children or household duties (Gaitskell, 1978). Still the main reasons women resorted to beer-brewing were the lack of alternative employment opportunities and especially, the profit-making potential of the industry. Women were known to earn as much as £3- £4 a month on liquor sales and, in favourable economic conditions when wages were higher, up to £2 and £3 a weekend (Hellman, 1948).

Profits from brewing were considerable given the cost of producing the beer. An expenditure of about 6s on the basic ingredients of yeast, malt, sugar and oatmeal could yield a profit of 18s.[5] *Shimeyane* was sold at a profit of over 7s per gallon and *gavine* yielded profits of up to eight hundred percent its original cost (Kaim, 1978). Variations in turnover were a function of the number of customers who regularly patronised a brewer, of the quality of her beer, her willingness to extend credit, and the number of her own and her husband's relatives and friends. It was usually the husband's associates who formed the nucleus of a woman's beer-trade, and credit was extended only to regular customers (Hellman, 1948; Longmore, 1959). The high profits derived from beer sales gave *skokiaan* queens the reputation of being the richest women in the townships,[6] but the majority of residents eked out a precarious existence on beer sales. Having an additional means of earning an income was a necessary pre-condition of African urban existence, and almost without

exception the families in the slumyards relied on the sale of beer to cover part, if not all, of the expenses associated with urban living (Hellman, 1934). Real dependence on the beer trade manifested itself most forcefully in times of unemployment, when the family subsisted on the wife's beer earnings, supplemented, when possible, by occasional loans from relatives or friends (Hellman, 1948).

The popularity and commercial importance of beer brewing assured the the growth of the industry as one of the principal income-generating activities on the Reef. Indeed, realisation of this fact prompted the authorities to denounce Johannesburg as one of the "biggest drink and criminal universities in the Union".[7] The beer brewing industry was particularly prevalent in the slumyards and African townships, but was also widely practised even in ostensibly 'respectable' White suburbs (Fig. 5.1) where it was reported that 75 percent of the African women in the districts brewed beer.[8] So extensive was the beer-brewing industry on the Reef, it was reported that "every fifth backyard in the townships has its own kind of amateur brewery",[9] a situation which also earned the yards the apellation of *skokiaan yards* (Hellman, 1934). Of the slumyards, Prospect Township, George Goch and Vrededorp were notorious as centres of illicit liquor traffic,[10] their popularity deriving mainly from the proximity of mine compounds. Compound residents formed the chief customers of liquor queens in the district, not only in terms of attending local beer parties. but also insofar as beer was distributed for sale within compounds. Women were said to to be "the principal delinquents as a medium for the transport of liquor"[11] which was smuggled into the single sex units through broken windows, over walls, and especially, through toilets.[12] Compounds were important to the beer trade not only in terms of the distribution of liquor within them, but also with respect to beer-brewing operations which allegedly took place in every compound room under the auspices of a chief brewer or elderly African.[13]

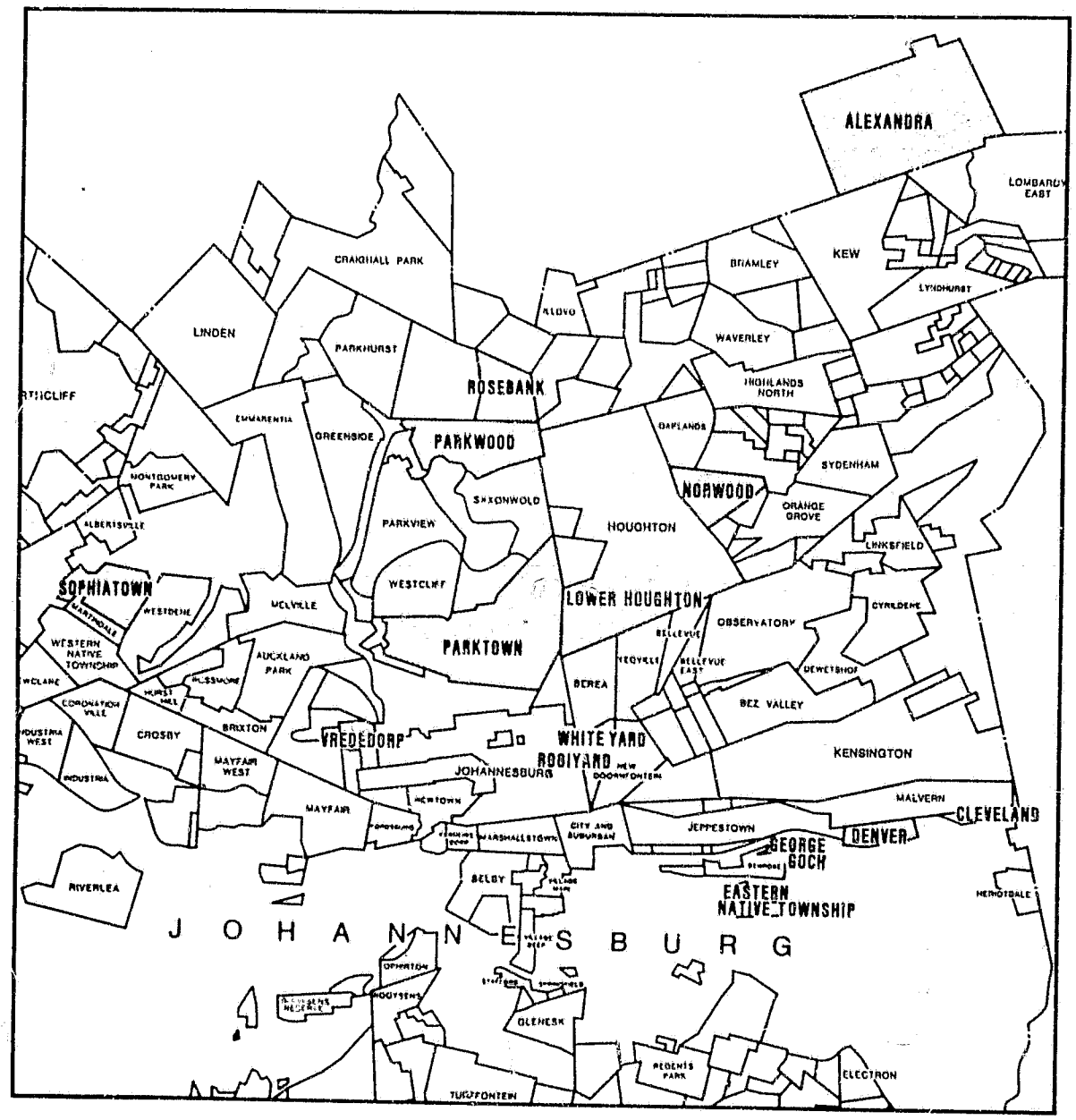


Fig. 5.1: Location of slumyards and African townships in Johannesburg where beer-brewing predominated.

Illustratively, Jubilee and Salisbury compound was referred in the African vernacular as "*Sidakanyana*" or "the little place of drunkenness".[14]

The illegal and therefore risky nature of beer brewing and its prime importance as a commercial activity led brewers to concoct more potent and physically-detrimental mixtures than the traditional kaffir-beer that was originally drunk in the rural areas. Home-made kaffir-beer or *mqombothi* was a nutritious and popular drink with a low percentage of alcohol if made with the correct proportion of ingredients and, more importantly, in the required length of time. It was the lengthy preparation process, however, which was its main drawback. Consisting of sprouted sorghum, mielie meal and water, kaffir-beer involved boiling, drying and grinding the corn before this was mixed with other ingredients and allowed to ferment. The whole process, exclusive of preparing the corn for grinding, could take as long as five days,[15] had a very distinctive smell, and had to be prepared in the open, all of which increased the risk of police detection. Consequently, brewers devised ways of producing other, more quick-brewing and intoxicating mixtures capable of more rapidly satisfying consumer tastes and which would also yield a greater turnover (Eales, 1987). Some of the brews which were concocted included *barberton*, *skokiaan*, *khali*, *isishishimeyane* (a name which derives from the swaying walk of an inebriated person), and *isikilimikwiki* or 'kill-me-quick' (Hellman, 1948). The common ingredient in these varieties of drinks was yeast which was essential for quick fermentation, but brewers used their own discretion and ingenuity in introducing other additives. These ranged from such harmless ingredients as raisins and stale brown bread, to carbide, bluestone and methylated spirits.[16] The more adulterated the drink, the more popular it was likely to be or, in the more expressive terms of the liquor dealers, "the more the kick, the better the bite of the liquor, the more was custom attracted".[17] Other advantages of the self-devised brews were that they

did not emit a strong smell, could be prepared in smaller quantities, and were easier to conceal (Gaitskell, 1978).

The illicit liquor trade was not limited to beer manufacture but also included the production and distribution of 'European' liquor. Brandy, gin and whisky were manufactured and bottled in like manner as the commercial variety, false labels and correctly trade-marked bottles giving all the semblance of authenticity. Illicit distilling was practised in many back-rooms and cellars in Johannesburg and attracted Africans from all over the Witwatersrand who frequented the places to buy, drink and smuggle the spirits. Underground distilleries were discovered by the police on several occasions in slumyards and townships. In one instance in Kliptown, police found a zinc-tunnelled recess with steps leading down to an underground distillery. In it the detectives found "enough vats of raisin wash to produce thousands of bottles of illicit brandy".[18]

Consistent state efforts to eradicate the incidence of beer brewing forced women to implement ingenious methods of safeguarding their beer and thwarting police raids on their property. One of the most common means of protecting the beer was to dig a cylindrical hole into which was lowered a big barrel of liquor. A board serving as a lid to the barrel was covered by a sheet of galvanised iron and a layer of soil on top of which rested paraffin tins filled with liquor. The whole subterranean ensemble was then covered by a final layer of soil arranged so as to camouflage any disturbance of the ground. If the hiding place happened to be discovered by the police, it was very likely that only the tins would be destroyed as the barrels often went undetected (Koch, 1983a). In other instances a piece of iron tubing was inserted into the liquor drum and then connected to the surface where it was attached to a pump used for drawing up the beer. The pump was always cleverly concealed so that it would not be found or stumbled upon by the police.[19] The

underground cellars themselves were dug in the most unlikely places, in the centre of the street, in gardens, along the fences surrounding the townships, in narrow sanitary lanes between the rows of houses standing back to back, or under the communal water taps provided at street corners. Other hide-outs were toilet outhouses in the yards, ash-bins and rubbish bins, or in the houses themselves, beneath flooring boards, in ceilings, or in wardrobes (Longmore, 1959).

During the actual brewing operations and when beer was being hidden or hauled out, brewers evaded the police by posting male and female assistants or children at strategic points to keep a sharp look-out for patrols (Laubscher, 1977). Police often complained that when they visited the townships on bicycles, their approach was noted by Africans scouting for police and consequently the results of the surprise raids were invariably futile.[20] To avoid entrapment when buying ingredients, brewers would either arrange with the trader or store-keeper to set aside the requisite items, or they used subterfuge names. These evasive means of obtaining ingredients were particularly important after legislation which restricted yeast sales to Africans.[21] This regulation had little effect on the brewers, however, who obtained their supply of the ingredient from African pedlars working for White shopkeepers and manufacturers,[22] or on the black market from storekeepers.[23] Similar restrictions concerning the sale of kaffir corn malt to Africans were proposed by police officials who alleged that the malt was almost solely used for making liquor.[24] Difficulty in proving these allegations, however, as well as the nutritive value of kaffir corn, precluded the imposition of these restrictions.

The risky nature of beer manufacture and the costliness of police raids in terms of both the beer and the containers which were destroyed, gave rise to an extensive network of mutual co-operation among the brewers (Laubscher, 1977). In certain townships women brewers established a collective fund which was used to pay fines imposed upon any woman

belonging to the syndicate.[25] Township residents collaborated with each other in the beer brewing process. For example, one woman would keep a look-out for the police while the other mixed and strained the liquor. When arranging an evening's entertainment, the brewers would avoid organising functions for the same night, and contributed to each others' party by serving food or taking entrance fees at the door. During a beer gathering, if a woman's beer was exhausted or if it had been raided by the police it was also not uncommon for her to send her customers to a fellow brewer (Hellman, 1948).

Beer drinking parties to promote beer sales were a common occurrence throughout the Reef areas. Parties were frequently held for relatives and friends, with guests making their own contributions towards costs. Motives for holding these feasts were often traditional ceremonies which were turned into commercial ventures. In this way weddings, initiations and births[26] all provided opportunities for converting traditional celebrations into parties to which guests brought cash contributions or gifts (Laubscher, 1977). Besides celebratory occasions, there were more formally organised shebeen and music parties which were usually convened over weekends and attracted customers from the surrounding townships and compounds. The brewers or shebeen queens who presided at these gatherings, together with the musicians, provided the slum-dwellers with a temporary reprieve from the hardships and suffering of everyday life (Koch, 1983b). To advertise the beer parties and gather as many people as possible, shebeen queens would organise liquor runners, male touts, female servants and others to stand at strategic points and entice customers returning from their daily employment, or looking for diversion.[27] Yet other means of increasing beer trade was for an African medicine man to "charm" the beer or to perform magic in the house where the beer was being brewed.[28] Still the most common means of attracting customers to the beer parties, however, was prostitution. Prostitution formed an almost symbiotic relationship with liquor parties, and, despite

its condemnation by the authorities,[29] formed an integral part of urban existence (Hellman, 1948).

The proliferation of the beer industry was at considerable risk to the brewers who faced various sets of constraints in maintaining their trade. In particular, opposition to the industry came from mining capitalists who complained of workers leaving the work premises on Sundays to attend beer gatherings and were subsequently unfit for work the following day.[30] Even greater cause for concern among mine management was the incidence of beer brewing and liquor dealings within compounds. Compound managers were given the right to search all Africans under their supervision, and to detain anyone found in possession of intoxicating liquor.[31] As a means of curbing the liquor trade in compounds African police informants were introduced into the mining quarters to investigate the extent to which beer was brewed or supplied to other compound residents, and informed the police accordingly.[32] Once the police were notified the place was raided and all beer that was found, destroyed.

In conjunction with the restrictive efforts of mining authorities, police repression constituted the main undermining force to the beer industry. State action against the brewers was most commonly in the form of raids which took place at any time of the day or night, and without forewarning to either compound managers or residents. In some of the more liquor ridden areas, there would be two police raiding squads on continuous duty, both day and night.[33] The raiding parties usually arrived in huge contingencies, sometimes of up to 75 policemen,[34] armed with sharp-pointed crow-bars which were used to probe the earth for hidden containers. Where it was suspected that liquor was buried, the tins were unearthed and the contents poured out (Longmore, 1959). In compounds, police burst into the rooms, often in the early hours of the morning, and dragged into the compound courtyard whatever evidence of liquor they found. After the ravages of a police raid, compounds presented a dismal

scene. Typically, the brewed beer stood in the middle of the compound in tins of all descriptions, paraffin tins and oil drums, all in a filthy state and with the brew covered with a thick coating of dirt from standing outside.[35] The general destruction occasioned during police attacks was such that after a raid a compound could aptly be described as "a scene of desolation reminiscent of an area which has endured heavy shell fire for many hours".[36] In some instances, "the guttering around the square still contained small quantities of beer, and the sand in the compound was still damp, whilst the sickly odour of the kafir beer was still prevalent".[37] On slumyards as well, the attacks were no less destructive, police often ploughing up whole sections of the yards in their zeal to uncover liquor. The effect of this action was to leave these areas resembling "a battlefield where numerous great shells had exploded".[38] The beer destroyed during attacks amounted to thousands of gallons at a time, a fact which is descriptively highlighted in a police account of a raid where "a river of *skokiaan* ran out of the gate whilst the police were engaged in emptying the barrels, drums and other receptacles which contained the same".[39]

Besides the destructive and disrupting effects of police raids, beer brewers convicted by the authorities faced the added hindrance of penalties in the form of fines, or imprisonment with indentured hard labour. Fines ranged from £1 or seven days imprisonment for possession of even half a gallon of beer,[40] to £15 or two and a half months imprisonment for possessing eight or more gallons of *skokiaan*.[41] The amount of the fine imposed for unlawful possession of liquor was not limited by law according to the quantity of liquor found, and the maximum penalty could be imposed for even the smallest quantity of beer discovered, depending on the discretion of the police or official involved in the prosecution.[42] For those offenders who could not pay bail, punishment in the form of detention in jail was not enough as, it was claimed, this simply meant "good food and clothes, a warm bed and regular

hours with not too much work".[43] Imprisonment was usually accompanied by indentured hard labour, with the possible imposition of the penalty of "spare diet", a punishment not provided for by the 1902 regulations but which police were empowered to inflict by virtue of Act No.31 of 1917. In terms of this last-mentioned penalty, its severity was such that on one occasion township residents felt compelled to write to the Minister of Justice concerning the harshness of the sentences passed on African women caught contravening the liquor laws. The sentences were said "to amount to civilized murder and (were) unprecedented in the whole Union of South Africa".[44]

The indiscriminate and ruthless nature of police searches often provoked violent confrontations between the authorities and Africans. Compound raids, in particular, were likely to incite social foment and on more than one occasion "natives in the compound showed fight".[45] Sometimes, merely the presence of the police in the townships was sufficient to trigger antagonistic responses from the residents. At one stage, when police used an upper floor office in Doornfontein as an observation post from which to survey the township, the premises in question were stoned, resulting in considerable damage.[46] The hostile retaliation from the Africans is not surprising in light of the objections to police attacks raised by residents. Police were alleged to enter premises at the most inconvenient times of the day or night, and to force their way into houses without warrants and without proffering any explanations.[47] Raiding squads also showed complete disregard for the status of residents, and were openly disrespectful of family members.[48] In some cases even officials themselves protested against police conduct towards Africans during raids.[49] Township residents, on returning from work, found that their windows or doors had been broken, and that personal belongings were missing. Others found that their yards had been dug up as a result of police prodding the ground for buried liquor. One of the more frequent complaints made of township patrollers was that they mixed

dregs of kaffir beer with water and used it in court as evidence in charges of the illicit possession of liquor.[50] Charges of police misconduct during raids were brought before the governing authorities but with very little effect in terms of halting police repression.

As beer brewing on the Reef continued unabated despite the application of regulatory measures, the state introduced another source of restraint on the beer brewers which proved to have serious consequences for the survival of the brewing industry. This was the provision of legislation in 1937 which gave effect to the establishment of beer halls. The 1923 Act made allowance for the state monopolisation of domestic brewing in areas approved by the Minister of Native Affairs, but only in Natal had the regulation been availed of and municipal beer canteens established (Laubscher, 1977). In the Transvaal, proposals for a municipal beer hall were shelved several times until 1937 when the Johannesburg municipality finally capitulated to the demands of legislation and established the first municipal beer canteen. The introduction of state beer monopoly was couched in the rhetoric that beer hall profits would be used to improve Africans' standard of living in terms of providing for better housing, recreational and medical facilities.[51] Once the beer halls were established however, it was clear that very little of the revenue derived from beer sales was used to benefit the African community from which it was appropriated. The Johannesburg municipality openly acknowledged that its beer profits were used to make up for losses incurred on stand rents (Laubscher, 1977). The high yields from municipal beer sales also allowed the Johannesburg Town Council to cease subsidising its Native Revenue Account from general revenue (la Hausse, 1984). In the case of other municipalities, the kaffir beer business enabled them to relieve White ratepayers from most of the burden of providing municipal services for the Africans in their areas (Koch, 1983b).

The introduction of the state monopoly system in African beer provision had a debilitating effect on the informal brewing industry. It undermined the means of subsistence of large numbers of beer traders who now had to compete with large-scale beer production. Although the majority of Africans still preferred the convivial ambience of shebeens to the cold, sterile atmosphere of beer halls, a proportion of the market previously appropriated by illegal brewers was necessarily diverted to the state. Added to the problem of state competition, informal beer producers were subjected to increased police raids as the municipality had the added incentive of increased capital accumulation in eradicating informal competitors. Ironically, state monopolisation of beer as a measure of controlling the informal brewing industry had little effect in this regard. Organised resistance to beer halls in the form of riots and boycotts was complemented by an increase in the production of quick-fermenting brews to ensure a renewed burgeoning of the illicit beer trade. A Special Native Affairs Commission, established in 1941 to enquire into the problem of the use and supply of kaffir-beer, confirmed the view that beer halls had very little, if any, effect on the suppression of illicit liquor brewing. During the course of its investigation the Commission heard that Africans strongly resented the introduction of municipal beer, and that it led to even greater indulgence in concoctions such as *skokiaan* and *barberton*, as well as to increased trading in 'European' spiritous and malted liquor.[52]

Fuelling controversy surrounding the introduction of beer canteens, the Native Affairs Commission also questioned the tendency of local authorities to exploit beer profits. It was the Commission's opinion that the move for the establishment of beer halls arose largely from interest in the profit-making potential of the venture. Local authorities, it was averred, were motivated more by the thought of large profits accruing to the Native revenue account than any concern for African welfare.[53] In support of this argument, municipalities were reported to have had the

revenue which was expected from beer-sales doubled, trebled and even increased ten-fold (Koch, 1983b). The perseverance of African beer brewers in the face of competition and repression notwithstanding, the economic potential of informal beer production was gradually eroded, marking the demise of the once thriving industry.

Artisanal/Repair Works

Besides the lucrative business of beer production, a second notable industrial activity undertaken by Africans in urban areas concerned a variety of artisanal and repair operators. Africans earned a living by working on their own in the townships, utilising skills that they had either learnt from working for White employees, or for which they had received some kind of formal training. Evidence indicates that there were "many natives working on the West and East Rand as carpenters who have not been trained in any institution ... they have been trained by the Europeans who employed them as labourers." [54] In the Witwatersrand area, estimates for 1939 indicate that close to 3000 African artisans were working on their own account, with about half of these being independent business owners. Of these self-employed workers the majority were concentrated in central and southern Johannesburg, with a more or less even distribution between the eastern and western areas (Fig. 5.2). Very few Africans practised their trades in the northern Johannesburg areas, and those that did were mainly barbers and boot repairers.[55]

The kinds of artisanal occupations pursued was very much a function of demand and geographical location. In the Witwatersrand, barbers and boot-repairers predominated in the northern suburbs, in Sophiatown it was carpenters, tailors in Newclare, and in Newtown boot-repairers and cartage contractors.[56] Among the most popular trades were those of carpentry, tailoring and boot-repairing, which also happened to be some of the more lucrative businesses.

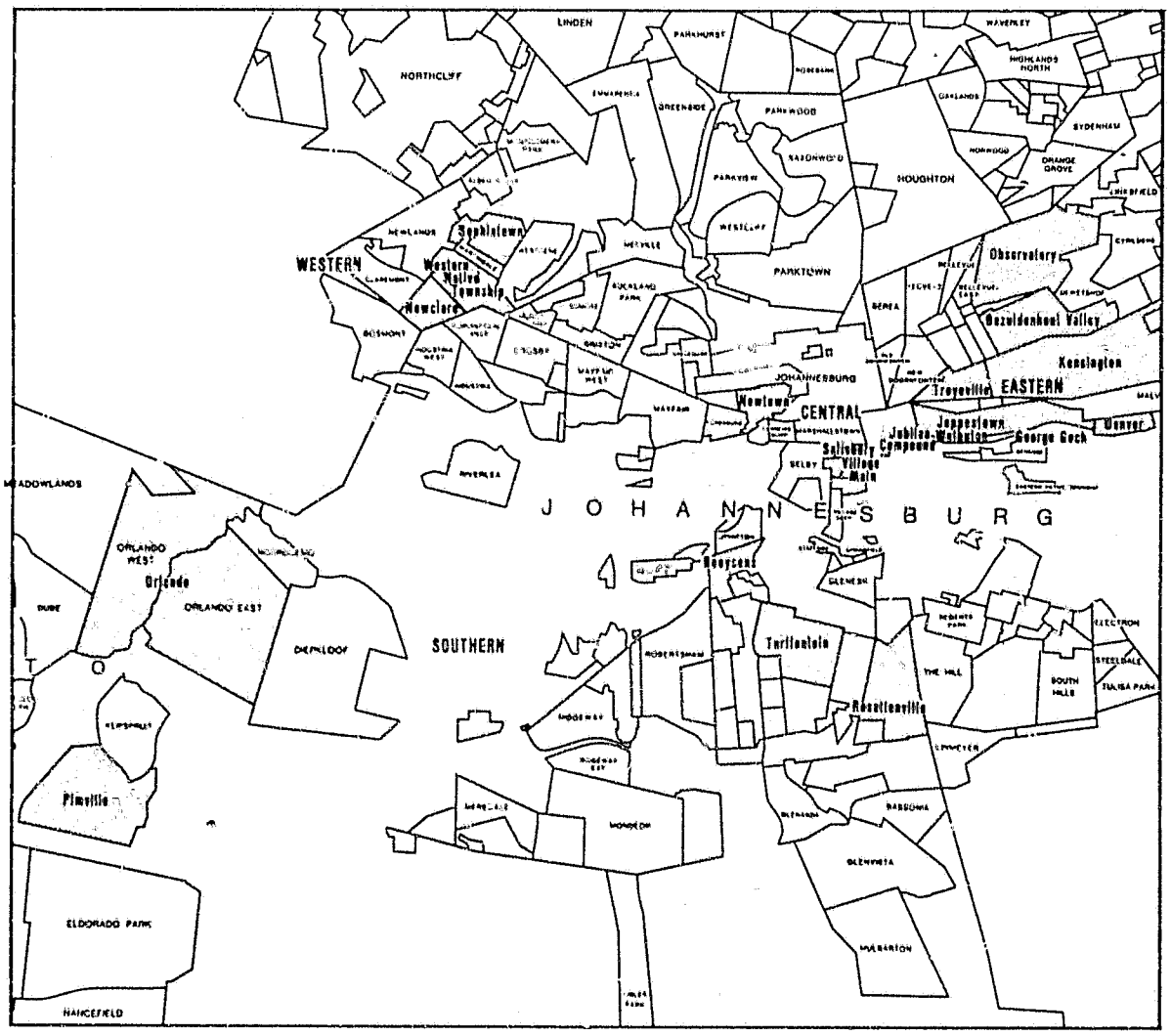


Fig. 5.2: The geogranhical distribution of African artisanal workers in Johannesburg, 1939.

Other productive services in which Africans were engaged on an independent basis were motor-cycle repairing, building, sheet metal working, dressmaking, and gramophone and primus stove repairing. The last two mentioned trades were largely the work of tinsmiths who were in demand because of the abundance of cheap hardware in townships, necessitating constant repair. Tinsmithing work thus centred on mending appliances, principally stoves, and making serviceable trunks out of paraffin tins soldered together. Tailoring and dress-making were other popular occupations, dress-making in particular coming to the fore as a common activity among women wishing to augment the family income (Reader, 1961).

Within the city there were also opportunities for migrant workers to supplement their incomes. A large proportion of the Africans who stayed in the municipal hostels and compounds provided by the city council were able to conduct independent trades within the precincts of Salisbury and Jubilee Compound, more popularly known throughout the Witwatersrand as the Mai-Mai Compound. The trading area or Mai-Mai Bazaar was originally located just off Eloff Street and comprised a small, indigenous craft market with stalls leased to, and operated by, individual hostel dwellers who catered mainly for the mine workers on the Reef.[57] The largest class of manufacturers in the compound were the herb specialists selling a variety of commodities on the stalls which extended the width of the market.[58] Other prominent craftsmen were the tailors who specialised mostly in patching trousers and altering ready-made pants. Over 50 tailors would cluster in one large group, each at his own sewing machine, patching clothes, cutting and sewing shirts, or making coats and trousers. They charged from 6d to 3s 6d for patches,[59] and from 1s 6d for a new seat.[60] Cobblers were another significant group, some soleing and heeling shoes at 3s 6d a pair while others sold sandals made from old motor tyres. Snuff-making was also an established trade at the compound, the product being made from a mixture of tobacco and aloe leaves and then sold in conical paper packets at 1d and 3d per packet.

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Carpenters at the compound, like the tailors, also specialised in a particular line of work. Their expertise lay in making trunks and suit-cases from old packing-cases bought cheaply from garages and stores and then sold to mine workers returning home after the expiration of their contracts. The finished product was sandpapered, varnished, stained and polished, then lined with wall-paper and fitted with locks and handles to retail at 12s 6d for suitcases, and up to 25s and 30s for trunks. Bridal kists produced by the Mai-Mai carpenters found an extensive market in the Black and Indian retail outlets throughout the city and Black townships (Argent, 1981). Bangles, fancy leather belts and sjamboks were other specialities produced at the Bazaar, whereas Mai-Mai furriers supplied war dance performers with their costumes of ornamental tails, and lion and leopard skin robes.[61] The Mai-Mai craftsmen paid an average of 2s 6d per month rent for their piece of ground,[62] and worked from sunrise to sunset, some workers such as the furriers, metal workers and sjambok makers even sleeping on the benches where they had been working during the day.[63]

Urban African tradesmen displayed remarkable tenacity in pursuing their occupations, given the adverse circumstances in which they laboured. Many tradesmen were reported to work in sheds in backyards, with poor light and ventilation, and inadequate sanitary accommodation.[64] The inadequacy of the Africans' working premises often drew the unwelcome attention of health authorities who condemned many of the areas as "unfit for habitation" (Dodd, 1936, p.92). Despite the privations of the living places, rents "out of all proportion to the sites" were demanded in many of the slumyards and were a constant source of complaint by residents in the central areas and Sophiatown in particular.[65] Rents varied according to district, type of stand, and size of the store, if the tradesman did not work at home. £2 5s 0 per month was the average rent for the southern suburbs, £6 0s 0 in Sophiatown, and £6 10s 6 per month in the central areas. A boot-repairer could pay up

to £5 5s 0, for rented premises, but more often than not artisans worked from home, paying an average of £2 5s 0 per month in rent. Carpenters and other artisans who worked in partnership could usually share premises and thus, rental.[66]

In addition to unsuitable working premises, urban artisans catered for a financially constrained market. Township residents were too poverty stricken to provide a decent living to more than a handful of artisans. Among the most profitable skilled workers were the carpenters who earned an average of £12-£15 per month.[67] In the Mai-Mai bazaar, apart from the carpenters whose income approximated that of the other woodworkers in the townships, craftsmen were estimated to earn an average of £5 8s 0 a month. The urban artisan struggling to make a living often had the added encumbrance of providing assistants with a fair wage. The approximate average wage of carpentry assistants varied between £3 and £6 a month. The lowest paid were boot-repairers and the highest, tailors' and dressmakers' assistants. The highest paid employee wages were in Sophiatown and the central areas with workers earning a monthly average of £5 5s and £4 6s respectively. This is not surprising as these areas also supported the longest standing and most profitable African businesses on the Reef.[68]

A further difficulty facing independent manufacturers in the urban areas was that of competition from fellow artisans. Formal tradesmen felt that their businesses could be more successful were it not for self-taught artisans who captured a large part of the market. The formally-trained worker often had insufficient orders to make a profit, and accused the informal artisan of undermining his business. The trained workman also felt justified in expecting profits commensurate with the time and money expended on his training and very seldom did he receive them (Dodd, 1936). These difficulties often induced trained apprentices to seek employment in the rural areas where the effects of competition were less.

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Of the difficulties encountered by apprentices and skilled workers, the most commonly experienced was that of establishing themselves in business for the first time. The capital required to set up an undertaking was normally beyond the reach of the average labourer or apprentice, many of who did not even have the means to purchase the necessary tools for their trade. In these circumstances the prospective industrialist could not turn to lending institutions either, the exclusion of Africans from owning freehold rights over land precluded them from advancing immovable security for overdrafts, loans and mortgages. Shortage of funds forced many apprentices to seek employment in other occupations besides the one for which they had been trained. Of those so employed many continued to practise their trades either in their spare time in the townships or by obtaining casual work from Whites anxious to cut costs to a minimum. Many of the Africans who were formally or casually employed to Whites, however, preferred to work independently or in partnership with other Africans. An important factor in this regard, apart from the more lucrative prospects offered by an independent business, was that of the effects of the Industrial Colour Bar legislation which precluded African tradesmen from attaining professional status in their occupations or from receiving due recognition for their skills.

The difficulties caused by the exigencies of African existence notwithstanding, urban tradesmen persevered in their activities and some were even said to have maintained prospering businesses for several years.[69] The constraining factor most threatening to the survival of African entrepreneurs was that relating to White resentment of any African skilled worker operating in an urban area. Antagonism by Whites was directed particularly to African manufacturers practising in White urban areas and arose from fear that African industrialists, by contenting themselves with lower wages, would oust Whites from their jealously-guarded employment positions. The South African Native Affairs Commission 1903-1905, during its enquiry, alluded to plans amongst White

artisans to "squeeze out" African tradesmen.[70] In the Commission's opinion, to train large numbers of Africans in artisanal trades would be depriving White tradesmen of their livelihood. Similarly it was argued that

> if this is to be a White man's country then I hesitate to teach industries to the Native generally and universally; otherwise you will displace the White man and make it impossible for the White mechanic to live if you train all the Natives in the country in industrial trades.[71]

In many instances, Whites were openly demonstrative of their hostility towards skilled African operatives. A former secretary for Native Affairs stated unequivocally that if large numbers of African carpenters, bootmakers, or saddlemakers were to be employed, there would be strikes among White artisans.[72] Also testifying to the unbridled antagonism displayed by White tradesmen, a missionary observed that "... it is almost as much as their (the Africans') life is worth to go round and seek a situation at the different workshops ... the workmen will take up the nearest thing to them to throw it at them if they find out these Natives are tradesmen, and are able to stand side by side with them and work with them".[73] Opposition to African independent workers was supported by other government commissions who stressed the undesirability of having Africans employed in the urban areas. The Native Economic Commission of 1931 was particularly explicit on this issue and is worth citing at length:

> Dealers and all such trades by Natives, should not be encouraged in urban areas, but all such callings preference should be given to Natives in Native areas, for the following reasons: There are numbers of Europeans in urban areas carrying on the same occupations etc., and struggling for a livelihood and petty competition by Natives, cheap and bad work interfere considerably with the Europeans. It is in our mind quite unnecessary for the Natives to enter into competition in urban areas as in the locations there are openings for Natives for the same callings as they carry on in urban areas. No licences apparently are necessary for Natives to carry on the businesses mentioned. In our mind the only class of Native who should be permitted to stay in an urban area at all is one who is in employment and

> registered, and early steps should be taken for the removal of Natives not in genuine employment, from towns.[74]

Equally averse to the presence of African tradesmen in the urban areas were representatives of industrial unions and employers' associations. The South African Motor Industry Employers' Association, in particular, denounced the so-called 'backyard mechanic' operating informally in the townships, for robbing the established motor industry of its clientele. The informal operators, many of them employees of the motor industry who worked privately at their trade on a part-time basis, were accused of enticing customers away from formal business by offering them the same services at considerably reduced cost. Other private-practising mechanics were allegedly former employees of the industry who had either been dismissed or had chosen to establish themselves independently and now survived solely from their backyard enterprises, often with one or two Africans in their employ. As the work premises of these informal workers were unlicenced and were not affected by the Factories Act which only applied to establishments using mechanical power and employing at least three operators, the backyard workers were difficult to prosecute and thus continued their business undeterred. One way of controlling the informal tradesmen, it was suggested, was through enforcement of the provisions of the Factories Act which could compel workers to have proper premises. These preventative measures could not be put into operation, however, as, it was alleged, inadequate staff in the Department of Labour militated against a full-scale investigation of the number of backyard operators concerned and the problem therefore remained unresolved.[75]

Furniture-Making

One of the most popular branches of industry occupying African artisans in the urban areas was carpentry. Carpentry was not only one of the most commonly taught activities in mission schools where many independent

township residents. Carpenters in the urban areas were particularly active in the furniture-making sector which, under the auspices of White retailers, developed into a thriving industry in the second quarter of this century. White retail owners were key agents in establishing the African informal furniture-manufacturing business. Aware of the advantages of exploiting the skills of African producers only too anxious to obtain a marketing outlet for their goods, White dealers supplied Africans with the necessary materials and paid them on a piece-work basis for the articles produced. In the majority of cases the retailer organised all business transactions with a head carpenter who in turn engaged other African operators and the concern was launched. The artisans thus employed usually had to work unrestrictedly long hours in order to subsist, as prices for goods were invariably calculated down to a margin that left the tradesmen with a mere pittance. The chief artisan distributed wages at the end of each week in proportion to the small margin which accrued after rent and cost of materials had been met. On average, the head carpenter earned form £1 10s to £2 10s per week, and his assistants from 15s to £1 10s.[76]

According to evidence submitted by the Furniture Workers' Industrial Union (FWIU) to the Industrial Legislation Commission of Enquiry 1951, African involvement in furniture manufacturing on an independent basis began in the early 1920s when working proprietors in business made a very rudimentary type of kitchen-dresser from packing-cases and sold it to fellow Africans in the townships. In 1925-1926, a survey of the Furniture Industry on the Witwatersrand and Pretoria revealed eight African establishments, each with one to three employees engaged either as partners or as working proprietors. One of these firms was in Fordsburg, under White management, and employed five Africans. The articles produced were mostly packing-case kitchen-dressers, a situation which prevailed until about 1927.[77]

From 1928 the number of Africans involved in furniture-making increased, and the range of products manufactured extended to include kitchen tables. The market for products also broadened: where trading in the early 1920s was predominantly with Africans, the goods produced now also had a market in second-hand furniture dealers and auction marts. In 1930 the number of African establishments was estimated at 25 and the number of employees at 60, figures which by 1938 had increased to 45 and 160 respectively, and products were retailed throughout Johannesburg and the Reef. The industry had by now become firmly entrenched in the production of kitchen furniture, so much so, in fact, that registered industrialists resigned themselves to the domination of the trade by the informal artisans and abandoned any further efforts at opposing them. In allowing the continued functioning of the backyard operatives it was assumed that production would be confined to packing case articles, leaving the registered factories to command the rest of the furniture trade. Developments in the informal industry took a different turn, however, as retailers came to play an increasingly influential role in backyard production. African artisans, having acquired an elementary knowledge of woodwork, were induced to embark on the manufacture of more simple lines of teak furniture, receiving the necessary financial backing from retailers for the purchase of materials. Some of the tradesmen, if they were not established, were set up in workshops in slum-quarters, paying low rentals, and even being provided with mechanical power and the necessary equipment. The scope of manufacture was widened to include chairs, extension tables, occasional furniture, sideboards, and riempie stools, which articles were subsequently sold to the poorer classes, normally under hire purchase arrangements, at grossly inflated prices compared to production costs. Thus, a set of eight chairs which might have cost from £5 to £6 to produce would be sold at £12 to £14, and tables costing from 15s to £1 to manufacture would retail at £2 to £3.[78]

At the beginning of the 1940s, a survey of African businesses by the Furniture Workers' Union revealed 98 informal establishments, employing 352 Africans, but by the end of the decade these figures had multiplied by almost fifty and a hundred percent respectively. Of these artisans, all but a few were engaged in the production of all types of furniture, teak sideboards, chairs, wardrobes, tables, bedroom-suites and kitchen furniture. Twenty of the firms worked with power-driven machinery, and four were in furniture-related trades: two in mattress-making, one in upholstery and one in general polishing and repairs. These figures were by no means comprehensive, however, as many of the furniture-makers operated in backyard workshops and thus escaped the survey. Of the employees working for these operators, the majority worked on a piece-work basis whereas others received wages ranging from 12s 6d to 40s per week, or were paid a rate of £3 a month. Also of significance in the survey was the extent to which the manufacturing activities had become geographically widespread. From only a few establishments in central Johannesburg in the 1920s, the industry had spread to most of the areas on the Reef and was particularly prevalent in Doornfontein and Sophiatown. Business transactions were not merely confined to the Witwatersrand area as in some cases shopkeepers from places as far afield as Klerksdorp and other outlaying districts obtained their supplies from craftsmen in Johannesburg. Nor did the rate of expansion of the industry show any signs of abating; as employees to African tradesmen acquired a working knowledge of the trade, so they set up in business for themselves, there being no lack of retailers willing to finance a new undertaking.[79]

The unmitigated advancement of the informal manufacturing businesses alarmed the established furniture industry which consequently took steps to restrict the development of informal operators. Of particular importance was the attempt by the Furniture Workers' Union to appoint a committee of investigation to prosecute as many illegal traders as possible in terms of the regulations governing the Factories Act. These

efforts at stemming the advancement of illegal manufacturers resulted in several prosecutions, but this means of halting the industry soon became ineffective. African manufacturers, aware of the danger to their industry posed by the arrests, circumvented the law by working under assumed partnerships. By this means, their premises avoided being classified as a factory, which definition applied only to manufacturing establishments operating with mechanical power and having at least three employees. Under this new strategy it became increasingly difficult to legally implicate any 'backyard' manufacturers, even when retailers went so far as to instal machinery in the workshops. When questioned by the authorities each African artisan asserted that he worked for himself, paying a *pro rata* share of the rent and that the head workman was paid on a commission basis to buy the raw material, dispose of products, and act as agent for all concerned in the establishment.[80]

In response to this new trend of events the National Industrial Council for the Furniture Manufacturing Industry of South Africa appealed to the South African Trades and Labour Council concerning the implementation of a licencing system in addition to the ordinary registration requirements for a factory. Such a system already existed in Natal for the furniture industry, but was not in force in the Transvaal. The Furniture Workers' Union for Natal was consequently approached in this regard,[81] as were the Minister of Labour[82] and the Administrator of the Transvaal, but the attempt to introduce new regulatory measures proved futile. The Provincial Secretary for the Transvaal also considered it impractical to restrict Africans from hawking furniture on public thoroughfares, a new practice adopted by African manufacturers along the Reef and in Pretoria. Some African artisans preferred to hawk their goods directly to the public rather than submit to any more price-squeezing by exploitative retailers.[83]

The opposition manifested with regard to the illegal furniture makers was mainly based on the competitive threat which the latter posed to formal manufacturers. The Furniture Workers' Union claimed that should the demand for furniture decrease, shopkeepers would increasingly resort to obtaining supplies from African manufacturers, to the consequent detriment of the formal section of the industry which would be forced to retrench labour. It was stated further that the registered factories, having to maintain fixed wage rates and working conditions and bear with the costs associated therewith, would be unable to compete with African workers who could be coerced into accepting even less for their products as trade got worse. The war situation was held as yet another disadvantage to the formal industrialists who had to meet the demands of the state before attending to local requirements, thereby providing the African artisan with a better opportunity of penetrating the domestic market. Given these conditions, it was asserted, the latter would so entrench themselves in the furniture industry that it would be virtually impossible to counter their actions once the war was over. An added difficulty, according to the registered manufacturers, was that of re-employing men after the war as a large portion of the work previously accessible to the formal industry would have been appropriated by the African retailer trade. The question of raw material supplies was also a sore point with the Furniture Workers' Union who alleged that the timber control regulations to which licenced firms were subject did not affect the illegal proprietors who continued receiving their normal timber requirements.[84]

More general charges brought against the 'backyard' industrialists were that they avoided paying wages prescribed by law, worked unlimited hours including weekends and holidays, and were not insured under the Workman's Compensation Act. In addition, they were censured for not contributing to Unemployment Insurance, and avoiding tax payments by failing to account for their business transactions. In suggesting means

for preventing the further undermining of the registered furniture industries, the FWIU insisted on the enforcement of the Factories Act regulations,[85] together with the introduction of an effective licencing system compelling any manufacturing outlets to observe the social, economic and industrial codes of the industry.[86]

Government officials, on hearing these representations, were not fully convinced that informal African industrialists should be legally forced to cease their operations as was suggested by the FWIU. Certain officials believed it a negation of human rights to prevent Africans from earning a livelihood by their own endeavours when no laws or regulations were being contravened in the process. Still others were of the opinion that 'backyard' manufacturers provided a very essential service to the poorer classes who could not afford the more expensive articles. This latter argument, however, was counteracted by claims from the Furniture Union that only an insignificant proportion of the products found their way into African households, the rest of the goods being sold by retailers to the public at large. Further arguments advanced by the authorities in defence of the 'backyard' operator were that they had no alternative employment outlets whereby they could practise their trades legally, as the only capacity in which they could be employed in the urban areas was as semi-skilled labourers and operatives. Suggestions for eliminating the problem of competition with formal enterprises while at the same time allowing Africans the opportunity to practise their trades was for the latter to establish themselves in the townships, catering for their own people. Although supporting the option of restricting African production to the Black townships, White manufacturers were still wary of the competitive effects of these producers, stressing that African tradesmen should concentrate production "in a particular off-set field, being not in competition with the same article turned out by the registered factories".[87] Exhibiting similar sentiments towards African manufacturers in the Black urban areas, the Artisans Staff Association declared that

"the Association has no objection to natives artisan work in native areas, producing for themselves, but the *scope of operation should be determined by law*". It was held that Africans, if allowed unrestricted room for movement could, due to their low standard of living, undermine the European worker and create an everlasting 'poor White' problem.[82]

* * * *

The case study of the Witwatersrand is illustrative of the growth potential of Black entrepreneurship in the urban townships and slumyards, and the suppression of this potential by the state in response to objections raised by White enterprise. The specific case of the Witwatersrand is not an isolated example of the growth of Black enterprises in the urban areas. Evidence from other studies confirms the existence of African small-scale activities as a significant feature in the urban environment. The study of East London (Reader, 1961) provides insight into the broad range of African activities existing in the city, and there were also frequent references by missionaries and educationalists to the burgeoning numbers of African artisans plying their trades independently throughout the major areas of South Africa. Studies which testify to the prevalence of urban African entrepreneurship are also illustrative of the tendency for government suppression of Black entrepreneurial activities.

The extent to which productive activities were pursued by Africans in the urban areas is reflective of the internal dynamism of small entrepreneurs and of their perseverance and resistance despite daunting setbacks. The tenacity of African producers in their occupations is indicative that internal difficulties are not the deterrent to the development of small-scale enterprises. Rather, the main constraining forces are externally derived, in the case of South Africa, stemming from the racist objections of White capitalists and repressive state policies

seeking to entrench the apartheid system. Insofar as these extraneous problems restrained the growth of African small-scale producers, they support the claims of informal sector analysts who aver that external constraints constitute the principal barriers to the growth of informal operators.

The effect of legislative strictures on Black urban manufacturers may have restrained the growth and expansion of Black producers but it also inspired them into forming a united front to counteract the government's repressive measures and reinstate their rights in the townships. The development of this African organisation and its role in stimulating industry in the urban areas, can now be investigated.

Notes to Chapter Five

[1] *Rand Daily Mail,* 26/3/1935.

[2] CAP, JUS 279, file 3/892/19, letter by the Secretary for Native Affairs to the Secretary for Justice, 3/12/1919.

[3] *Cape Times,* 12/2/1918.

[4] Ellen Hellman in her study of a Doornfontein slumyard, noted Africans' attitude to beer as "kaffir tea". Similarly, in Paul la Hausse's work on Durban there is reference to the Zulus drinking beer "as much as the English drink coffee" (la Hausse, 1984, p.11).

[5] *The Star,* 15/9/1958.

[6] *Rand Daily Mail,* 26/3/1935.

[7] *Sunday Times,* 19/11/1922.

[8] *Sunday Times,* 10/5/1936.

[9] *The Star,* 26/6/1961.

[10] CAP, GNLB 136, file 2756/13/54, memorandum on Illicit Liquor at Prospect Township, (undated).

[11] CAP, GNLB 136, file 2756/13/54, memorandum on Better Supervision of Native Compounds and Locations Along the Reef for the Purpose of Checking Illicit Liquor Dealers, Inspector South African Police (SAP), (undated).

[12] *Ibid*

[13] CAP, GNLB 136, file 2756/13/54, letter addressed to the District Commandant, SAP, 8/12/1913.

[14] CAP, GNLB 136, file 2756/13/54, letter by the Inspector of Police to the Director of Native Labour, 13/7/1921.

[15] CAP, NTS 7034, file 31/322(6), statement on the process of making home-made Native beer, (undated).

[16] *The Star,* 15/9/1955.

[17] *Ibid*

[18] *Rand Daily Mail,* 26/7/1940.

[19] *Rand Daily Mail,* 1/6/1937.

[20] CAP, GNLB 136, file 2756/13/54, letter by the divisional C.I. Officer, Witwatersrand division to the Deputy Commissioner, SAP, Witwatersrand division, 12/12/1924; letter by R.S. Godley, Deputy Commissioner, Witwatersrand division, to the Secretary, SAP, Pretoria, 15/12/1924.

[21] CAP, GNLB 136, file 2756/13/54, letter by the divisional C.I. Officer, Witwatersrand division to the Deputy Commissioner, SAP, Witwatersrand division, 12/12/1924.

[22] CAP, GNLB 136, file 2756/13/54, statement by Moses Seemela, signed before J.C. Whyte, Commissioner of Oaths, 25/2/1925.

[23] *Sunday Times,* 10/5/1936.

[24] CAP, GNLB 136, file 2756/13/54, extracts from police reports on liquor traffic, Inspector, Roodepoort, 13/10/1920; CAP, GNLB 136, file 2756/13/54, letter by H. Wellbeloved, Inspector, to H.M. Taberer, General Manager, Native Recruiting Corporation, Ltd., 27/10/1921.

[25] CAP, GNLB 136, file 2756/13/54, letter by the Sub-Native Commissioner, Witwatersrand, to the Director of Native Labour, Johannesburg, 24/10/1914.

[26] CAP, SNA 293, NA 3190, letter by D.W. Hook, Sub-Native Commissioner, to the Native Commissioner, Hammanskraal, 31/10/1905.

[27] *The Star,* 15/9/1955.

[28] *Ibid*

[29] CAP, GNLB 136, file 2756/13/54, letter by H.S. Cooke, Director of Native Labour, to the Deputy Commissioner of Police, Witwatersrand, 14/11/1924.

[30] CAP, SNA 293, NA 3190, letter by the Resident Magistrate, Standerton, to the secretary for Native Affairs, Pretoria, 27/10/1905.

[31] CAP, GNLB 136, file 2756/13/54, memorandum by the Inspector for SAP, Boksburg, Better Supervision of Native Compounds and Locations Along the Reef for the Purpose of Checking Illicit Liquor Dealers, 1914.

[32] CAP, JUS 125, file 3/1318/11, letter by the Acting Chief Commissioner, SAP, to the Acting Secretary for Justice, Pretoria, 14/11/1911; *Leader,* 21/11/1907.

[33] City of Johannesburg, Public Health Department, Extract from the Report of the Manager, Non-European Affairs Department, Non-European Affairs Committee Meeting held 29/9/1949.

[34] CAP, GNLB 136, file 2756/13/54, letter by C. Monk, Head Constable, to the District Commandant, SAP, Boksburg, 28/8/1923.

[35] CAP, GNLB 136, file 2756/13/54, letter by Inspector Kirkpatrick, SAP, to the Director of Native Labour, 15/6/1914.

[36] *The Star,* 30/8/1921.

[37] *Ibid*

[38] *Rand Daily Mail,* 1/6/1937.

[39] CAP, GNLB 136, file 2756/13/54, letter by the Sub-Inspector, Benoni, to the District Commandant, SAP, 8/12/1913.

[40] CAP, GNLB 136, file 2756/13/54, letter by J.B. Pienaar to the Officer Commanding, SAP, Roodepoort, 28/3/1916.

[41] CAP, GNLB 136, file 2756/13/54, letter by Lieutenant H.V. Horak, Officer Commanding SAP, Benoni, to the Inspector and Protector, Native Affairs Department, Benoni, 15/8/1922.

[22] CAP, GNLB 136, file 2756/13/54, statement by Moses Seemela, signed before J.C. Whyte, Commissioner of Oaths, 25/2/1925.

[23] *Sunday Times,* 10/5/1936.

[24] CAP, GNLB 136, file 2756/13/54, extracts from police reports on liquor traffic, Inspector, Roodepoort, 13/10/1920; CAP, GNLB 136, file 2756/13/54, letter by H. Wellbeloved, Inspector, to H.M. Taberer, General Manager, Native Recruiting Corporation, Ltd., 27/10/1921.

[25] CAP, GNLB 136, file 2756/13/54, letter by the Sub-Native Commissioner, Witwatersrand, to the Director of Native Labour, Johannesburg, 24/10/1914.

[26] CAP, SNA 293, NA 3190, letter by D.W. Hook, Sub-Native Commissioner, to the Native Commissioner, Hammanskraal, 31/10/1905.

[27] *The Star,* 15/9/1955.

[28] *Ibid*

[29] CAP, GNLB 136, file 2756/13/54, letter by H.S. Cooke, Director of Native Labour, to the Deputy Commissioner of Police, Witwatersrand, 14/11/1924.

[30] CAP, SNA 293, NA 3190, letter by the Resident Magistrate, Standerton, to the secretary for Native Affairs, Pretoria, 27/10/1905.

[31] CAP, GNLB 136, file 2756/13/54, memorandum by the Inspector for SAP, Boksburg, Better Supervision of Native Compounds and Locations Along the Reef for the Purpose of Checking Illicit Liquor Dealers, 1914.

[32] CAP, JUS 125, file 3/1318/11, letter by the Acting Chief Commissioner, SAP, to the Acting Secretary for Justice, Pretoria, 14/11/1911; *Leader,* 21/11/1907.

[33] City of Johannesburg, Public Health Department, Extract from the Report of the Manager, Non-European Affairs Department, Non-European Affairs Committee Meeting held 29/9/1949.

[34] CAP, GNLB 136, file 2756/13/54, letter by C. Monk, Head Constable, to the District Commandant, SAP, Boksburg, 28/8/1923.

[35] CAP, GNLB 136, file 2756/13/54, letter by Inspector Kirkpatrick, SAP, to the Director of Native Labour, 15/6/1914.

[36] *The Star,* 30/8/1921.

[37] *Ibid*

[38] *Rand Daily Mail,* 1/6/1937.

[39] CAP, GNLB 136, file 2756/13/54, letter by the Sub-Inspector, Benoni, to the District Commandant, SAP, 8/12/1913.

[40] CAP, GNLB 136, file 2756/13/54, letter by J.B. Pienaar to the Officer Commanding, SAP, Roodepoort, 28/3/1916.

[41] CAP, GNLB 136, file 2756/13/54, letter by Lieutenant H.V. Horak, Officer Commanding SAP, Benoni, to the Inspector and Protector, Native Affairs Department, Benoni, 15/8/1922.

[42] CAP, JUS 84, file 1/26/11, letter by D.D. Keay, Secretary for Justice, to K.V. Nduba, Acting Secretary, Native Tenants Vigilance League of South Africa, 23/5/1928.

[43] CAP, GNLB 136, file 2756/13/54, memorandum by the Inspector for Boksburg, Better Supervision of Native Compounds and Locations Along the Reef for the Purpose of Checking Illicit Liquor Dealers, 1914.

[44] CAP, JUS 84, file 1/26/11, statement of protest by B.G. Dubu and W.B. Mahona, 21/3/1928.

[45] *The Star*, 29/8/1921.

[46] City of Johannesburg, Public Health Department, Extract from the Report of the Manager, Non-European Affairs Department, Non-European Affairs Committee Meeting held 29/8/1949.

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[48] CAP, GNLB 136, 2756/13/54, Enquiry into Complaints of Natives Residing at Alexandra Township Regarding Methods Adopted by Police in Conducting Liquor Raids.

[49] CAP, GNLB 136, file 2756/13/54, letter by J. Willis to J.M.B. Hertzog, Prime Minister of the Union of South Africa, 7/8/1928.

[50] CAP, JUS 355, file 3/1485/22, Interview in the Magistrates Court, Private Office, Natives as a Deputation from the Native Location, Christiana, 14/10/1922; GNLB 136, file 2756/13/54, statements by John Mphoso and Isreal Mtshazo, before the Sub-Native Commissioner, Witwatersrand, on 16/8/1921 and 15/8/1921 respectively.

[51] *Eastern Province Herald*, 17/10/1941.

[52] *Ibid*

[53] *Ibid*

[54] South African Native Affairs Commission 1903-1905, evidence, Vol III, p.626, Rev. W.A Goodwin, (Missionary), Natal.

[55] Johannesburg (City), 1939: *Survey of the African in Industry Within the Municipal Area of Johannesburg*, Non-European Affairs Department, Johannesburg.

[56] *Ibid*

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[60] *Rand Daily Mail*, 28/5/1936.

[61] *Sunday Times*, 9/7/1939.

[62] *The Star*, 15/2/1937.

[63] *Sunday Times*, 9/7/1939.

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[65] *Ibid*

[66] *Ibid*

[67] *Ibid*, p.vii.

[68] *Ibid*, p.viii.

[69] *Ibid*, p.ix-x.

[70] South African Native Affairs Commission 1903-1905, evidence, Vol I, p.79, Mr H.C. Shepstone, (formerly Secretary for Native Affairs), Natal.

[71] South African Native Affairs Commission 1903-1905, evidence, Vol II, p.707, Rev. J. Harper, Missionary, Cape Colony.

[72] South African Native Affairs Commission 1903-1905, evidence, Vol I, p.79, Mr H.C. Shepstone, Natal.

[73] South African Native Affairs Commission 1903-1905, evidence, Vol III, p. 821, Rev. F. Suter, (Missionary), Natal.

[74] University of the Witwatersrand, Historical Papers Collection, AD 1438, Box 10, general statement by the Native Commissioner and Additional Native Commissioner, Pietersburg, in response to Native Economic Commission questionnaire, 57/1, H.C.M. Jenner, 8/5/1931.

[75] Evidence presented by the South African Motor Industry Employers' Association to the Industrial Legislation Commission of Inquiry (Botha Commission) 1949-1951, p. 8673-8675.

[76] University of the Witwatersrand, Historical Papers Collection, Trade Union Council of South Africa (TUCSA) memos, Ah 646, Dd 1.3, memorandum on Native Establishments in Furniture Industry, A.M. Merkel, 5/8/1942.

[77] University of the Witwatersrand, Historical Papers Collection, TUCSA memos, Ah 646, Dd 1.3, memorandum on Native Establishments in Furniture Industry, A.M. Merkel, 5/8/1942.

[78] Statement by A.M. Merkel, Memo No. 50, Registration and control of factories with special reference to slum and backyard establishments where furniture is made, 27/1/1948. Memorandum submitted as evidence to the Botha Commission 1949-1951.

[79] *Ibid*

[80] University of the Witwatersrand, Historical Papers Collection, TUCSA memos, Ah 646, Dd 1.3, memorandum on Native Establishments in Furniture Industry, A.M. Merkel, 5/8/1942.

[81] University of the Witwatersrand, Historical Papers Collection, TUCSA memos, Ah 646, Dc 16.1, letter by the Secretary of the South African Trades and Labour Council to the Secretary of the Furniture Workers' Industrial Union, Natal, 8/4/1940.

[82] University of the Witwatersrand, Historical Papers Collection, TUCSA memos, Ah 646, Dc 16.1, letter by the Secretary of the South African Trades and Labour Council to the Minister of Labour, 10/4/1940.

[83] University of the Witwatersrand, Historical Papers Collection, TUCSA memos, Ah 646, Dd 1.3, memorandum on Native Establishments in Furniture Industry, A.M. Merkel, 5/8/1942.

[84] Statement by A.M. Merkel, Memo. No.50, Registration and control of factories with special reference to slum and backyard establishments where furniture is made, 27/1/1948. Memorandum submitted as evidence to the Botha Commission 1949-1951.

[85] Evidence presented by the Furniture Workers' Industrial Union to the Botha Commission 1949-1951, p.355-365.

[86] University of the Witwatersrand, Historical Papers Collection, TUCSA memos, Ah 646, Dd 1.3, memorandum on Native Establishments in Furniture Industry, A.M. Merkel, 5/8/1942.

[87] Evidence presented by A.M. Merkel, representing the Furniture Workers' Industrial Council, to the Botha Commission 1949-1951, p.8325-8339.

[88] Evidence presented by the Artisans Staff Association to the Botha Commission 1949-1951, memorandum No.204.

CHAPTER SIX

FROM REPRESSION TO PROMOTION: SMALL-SCALE INDUSTRY IN THE TOWNSHIPS, 1950-1986

A notable feature of urban township development today is the burgeoning number of industrial parks or estates which house a variety of entrepreneurial activities. The new focus on upgrading and formalising township industries marks a dramatic reversal of government policy which initially sought to ban African industrialists from Black urban areas. Official sanctioning of African economic development in the townships was generally acclaimed as opening the doors of free enterprise for urban Blacks. Closer investigation of the operating conditions of small-scale producers and their growth prospects reveals, however, that they are still constrained by factors which arrest their development.

In examining the growth constraints and potential for development of small-scale producers in the contemporary urban areas it is necessary to understand the change in government policy from repression to promotion of urban entrepreneurial activities. In this respect the role of the National African Federated Chambers of Commerce and its unceasing efforts to restore the rights of urban African manufacturers is significant. Consistent with the switch in government attitude, current policy initiatives aim at fostering the growth of township entrepreneurs. In the latter part of this chapter therefore attention will be concentrated on the role of government and private institutions in formalising backyard manufacturers and encouraging the establishment of new entrepreneurial activities. An assessment of the success of development organisations in ameliorating conditions for economic development in the townships will also be made.

The Change in Government Policy Towards Township Industrialists

Despite the hostile attitude of government and the private sector to township industrialists, there existed, prior to 1948, no definitive policy restricting Africans from operating in the townships. The main legislative machinery controlling African enterprises in the urban areas was that embodied in the Native (Urban Areas) Act of 1923 and its subsequent amendments which enabled any urban local authority administering a location or "native village" to let sites and issue licences for trading or business purposes to Africans residing within that area. These controls were in accordance with segregationist policy which allowed Africans certain albeit circumscribed rights in those areas specifically set aside for them (Hart, 1972). In this context it was still possible for Africans to "legally" form companies and partnerships in the townships and they were even encouraged to do so by the provision of training colleges for teaching Africans artisanal skills.[1]

It was in the 1950s, shortly after the Nationalist Party came into power and formed the government, that the *laissez-faire* development of African businesses came to an abrupt halt. A phalanx of laws introduced from 1955 stipulated that thenceforth only trading activities dealing in basic commodities would be tolerated in the townships, and any larger entrepreneurial concerns had to be transferred to the Rural Reserves (Southall, 1980). The justification provided for these restraints was framed within the 'logic' of separate development which held that aspirant industrialists and businessmen should fulfil their entrepreneurial ambitions in their own areas, the rural Reserves (Hart, 1972). Township industrialists, in an effort to restore their dwindling rights in the urban areas, argued that Africans should be allowed to operate in areas set aside for them unmolested by White competitors (Southall, 1980). The medium through which urban African tradesmen have expressed their

interests is the National African Federated Chambers of Commerce (NAFCOC), the official organisation for African entrepreneurs in South Africa as a whole. NAFCOC is a successor movement to the National African Chamber of Commerce (NACOC) which sought to promote African commercial and industrial activity and oppose White capitalist interests in the urban townships (Southall, 1980).

Until 1968 NACOC was organised along provincial lines, local Chamber branches being affiliated to provincial organisations. This arrangement was disapproved of by the Department of Bantu Administration and Development (BAD), which insisted on the fragmentation of the association into ethnic components, commensurate with official apartheid policy. After continued discussions with NACOC delegates, the Minister of BAD submitted, at least partially, to the demands of the organisation, and in 1969 accorded official recognition to an umbrella organisation which linked ethnic chambers. NACOC also compromised with the Department insofar as it agreed to become a federation of regional organisations representing the Bantustans and the Republic's urban areas, and thus NAFCOC was formed (Lesolang, 1974; Southall, 1980). In 1975, at the constant instigation of NAFCOC, the government finally announced its intention of making a number of concessions to urban Blacks. The concessions were initially applicable to trading activities only but the move was indicative of a gradual relaxing of government policy with regard to African entrepreneurs. The concessions were to include the lifting of restrictions imposed in 1963, the authorisation of Africans to own and erect business premises, trade in a broader range of commodities, establish more than one type of business on the same site, and be legally empowered to form partnerships. Nevertheless, hopes raised by the government's apparently conciliatory attitude were dashed by the revised regulations which appeared in May 1976. The only concessions granted were those enabling Africans to form partnerships and to float shareholdings,

albeit still subject to the African licencee qualifying for Section 10 residential rights (Southall, 1980).

The uprising in Soweto in 1976 prevented the actual implementation of the amended restrictions and, ironically, paved the way for meaningful government interaction with NAFCOC. It was shortly after the unrest in the township that the first NAFCOC delegation to meet with the Deputy Minister of Bantu Administration and Development took place, with significant results. Most importantly hopes were raised of allowing African industrialists to practise legally in the urban townships. After a second meeting with NAFCOC in 1977 government increased the number of business activities open to Africans, the size of trading sites, and further reiterated its intention to consider the possibility of industrial activities in the urban areas. In 1978, the problem of loan security which was a major impediment to the broad development of African enterprise was eased by allowing those with Section 10 rights to purchase property under 99 year leasehold. Although steps were taken to boost the position of township trading activities, the ban on industrial activities remained (Southall, 1980).

Underlying the continued enforcement of the ban on industry in the townships was the government's claim that there were no significant Black industrialists in the urban areas. The myth of non-existent 'entrepreneurship' in the townships, exposed in the previous chapter, was further disputed by NAFCOC which drew attention to the first ever Black Manufacturer's Conference in 1978 which had attracted over 150 industrialists from throughout South Africa.[2] In discussions with the Minister of Co-operation and Development during 1978, NAFCOC was assured that the government would consider the establishment of industrial areas in the townships where service industries could be allowed. The following year, the government's consent for such development in the Black areas

was announced in parliament, but there were no subsequent moves to implement the new legislation.[3]

Undaunted by government's uncompromising response to its pleas, NAFCOC, through its Industrial Committee created specifically to promote Black manufacturing and provide assistance to manufacturers, persevered in its attempts to develop the sector and place it on a firmer footing for continued negotiations with the government. In collaboration with the Rutgers Graduate School of Business Administration,[4] NAFCOC drew up a proposal for the creation of a Small Business Development Centre in South Africa.[5] In order to implement the proposal discussions were held with several major South African and foreign concerns but without success.[6]

The watershed event in terms of Black industrial enterprise in the urban areas was the Carlton Conference in November 1979 when the then Prime Minister P.W. Botha, and leading representatives of the private sector convened a meeting to find common ground in their approaches to economic and political development in South Africa. One result of the conference was a commitment to develop the small business sector generally, and specifically to create new industrial areas in the Black townships. Private sector and government initiatives to this end have been the major factors influencing developments in urban Black capitalism in the 1980s.

One of the first moves by the government to put into effect the resolutions adopted at the Carlton Conference was the passing of the Industrial Development Amendment Act in 1980, according to which the sphere of the Industrial Development Corporation's (IDC) activities was broadened to include the establishment of businesses in Black townships. The Act was not welcomed by all government parties, objections were raised in the Senate on the grounds that the Corporation for Economic Development

already had powers to fulfil such a role in most African areas, and that it would be more logical to amend the Economic Development of Black States Act to include all African areas, rather than extend the powers of the IDC. These objections were tempered, however, once it was understood that IDC financing within Black urban areas was only to serve as a temporary measure until a development corporation would be established specifically for the promotion of urban small-scale activities.[7]

The Encouragement of Black Entrepreneurship

In 1981 a state-sponsored undertaking, termed the Small Business Development Corporation (SBDC), was established, to be responsible for stimulating entrepreneurship amongst all racial groups in the South African small business sector, and particularly in the urban areas (SBDC, 1986). The company was formed as a joint venture between the state and the private sector, the latter pledging over R60 million towards the undertaking with the state contributing the remaining share capital. In December 1981 the SBDC became primarily a private sector controlled company.[8]

The main function of the SBDC is that of financial assistance, in terms of granting direct loans or share capital to viable enterprises. The corporation also functions to provide business facilities such as flats and shopping centres in areas where they either do not exist or where private developers are not prepared to risk building; to underwrite or guarantee loans and credit facilities by various financial institutions to small businesses; and to provide training and counselling services, although mainly to SBDC clients.[9] The SBDC will not grant financing facilities to businesses with gross assets exceeding R500 000, and loans of over R150 000 are granted only in exceptional cases. The corporation is therefore aimed specifically at developing the small business sector, both formal and informal.[10] The SBDC is assisted by the Council for the

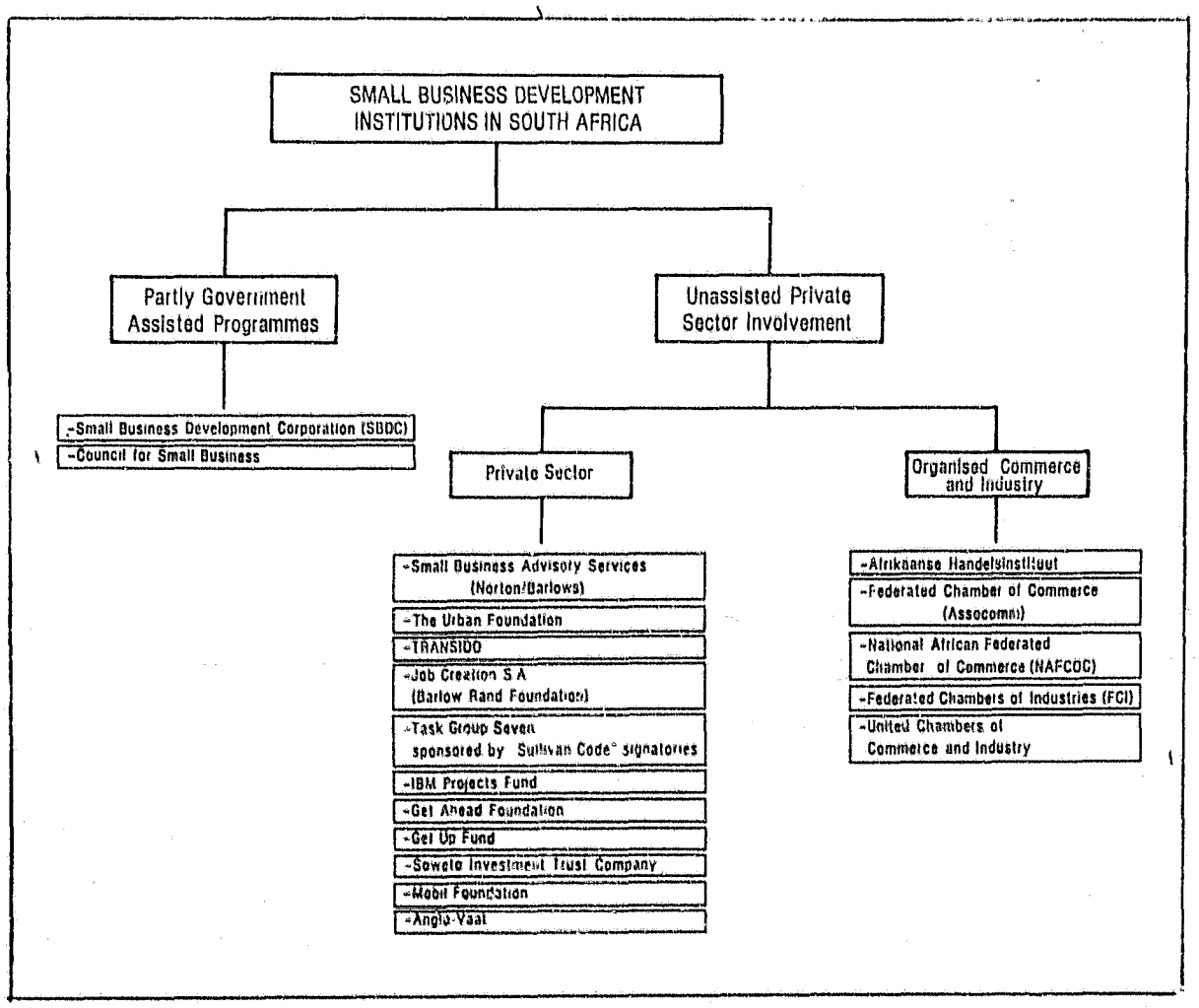


Fig. 6.1: Schematic representation of government and private organisations involved in the industrialisation of townships.

Promotion of Small Business, a state organisation appointed to pin-point legislative and bureaucratic restrictions impeding the growth of small business (Smith, 1983). Beyond the SBDC, several other organisations are currently involved in promoting township industrial development (Fig. 6.1). Most of these are private sector institutions working either independently or in conjunction with state-affiliated bodies.

In the years since its inception the SBDC has attempted to introduce more flexible financial packages with easier accessibility by the small-scale Black manufacturer. Such programmes include mini-loan schemes which allow small-scale operators 24 months to repay loans of up to R2 000, Comprehensive Assistance Programmes (CAP) which can amount to R30 000 for semi-formal businesses, and a supplier's guarantee scheme to establish the credit-worthiness of informal enterprises with their suppliers. Indirect SBDC financial assistance is provided through the bank indemnity scheme where the SBDC will indemnify a bank for up to 80 percent of the loan granted to a small businessman. The most important contribution of the SBDC to the Black business sector has been that of providing industrial parks from which registered manufacturers can operate. An industrial park comprises a number of small factory units set up in co-operation with community councils and other parties concerned, on factory premises approved for the purpose. The factory units, which comply with the requirements of the Factories Act, are leased to industrialists for service, repair and light industry, and are also provided with general managerial counselling services. The main purpose of the parks is to create facilities and opportunities for industrialists who do not have sufficient capital to acquire their own factory buildings, and to enable them to start an enterprise where they can develop their business and managerial skills. Applicants to the parks must be involved in manufacturing or in providing an essential service, 'experienced' in their business, and expected to have the required equipment, machinery and working capital.[11] Monthly rents vary from just over R100 to approximately R300, according to the size of the units.[12] In terms of formalising industries in the townships through the establishment of industrial parks, the SBDC has been supported by a number of private sector initiatives.

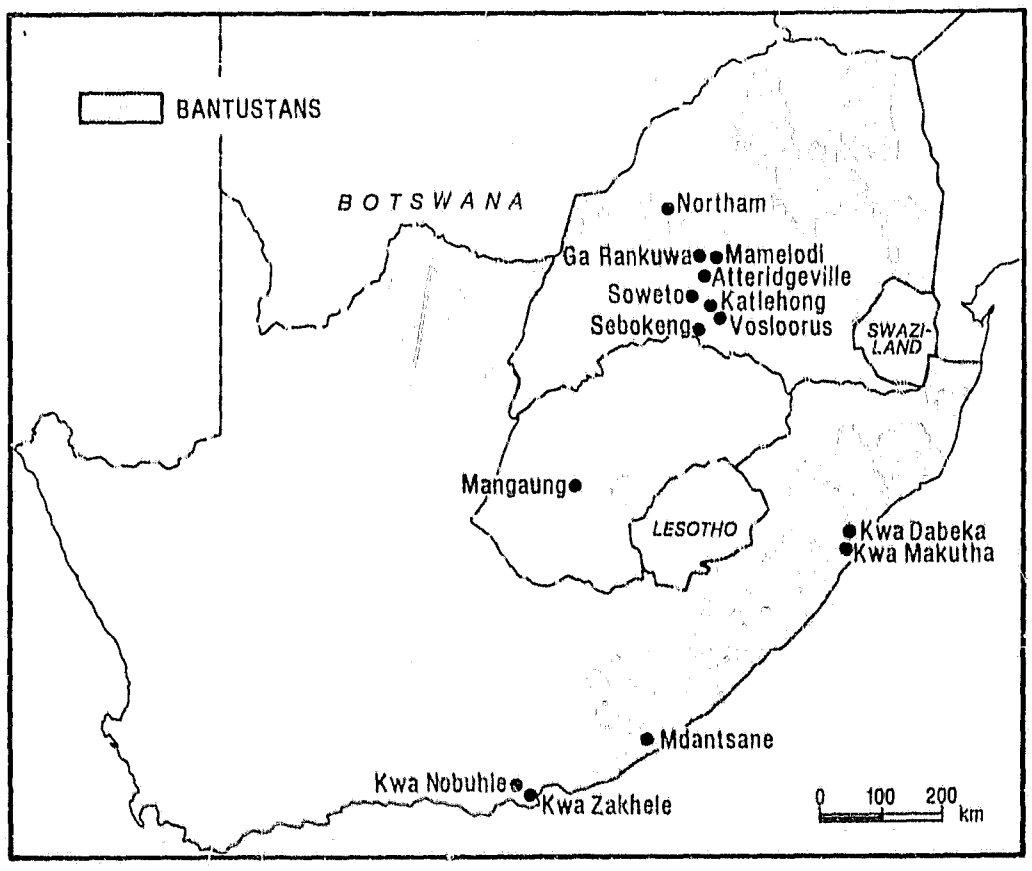


Figure 6.2 The geography of South Africa's township industrial parks.

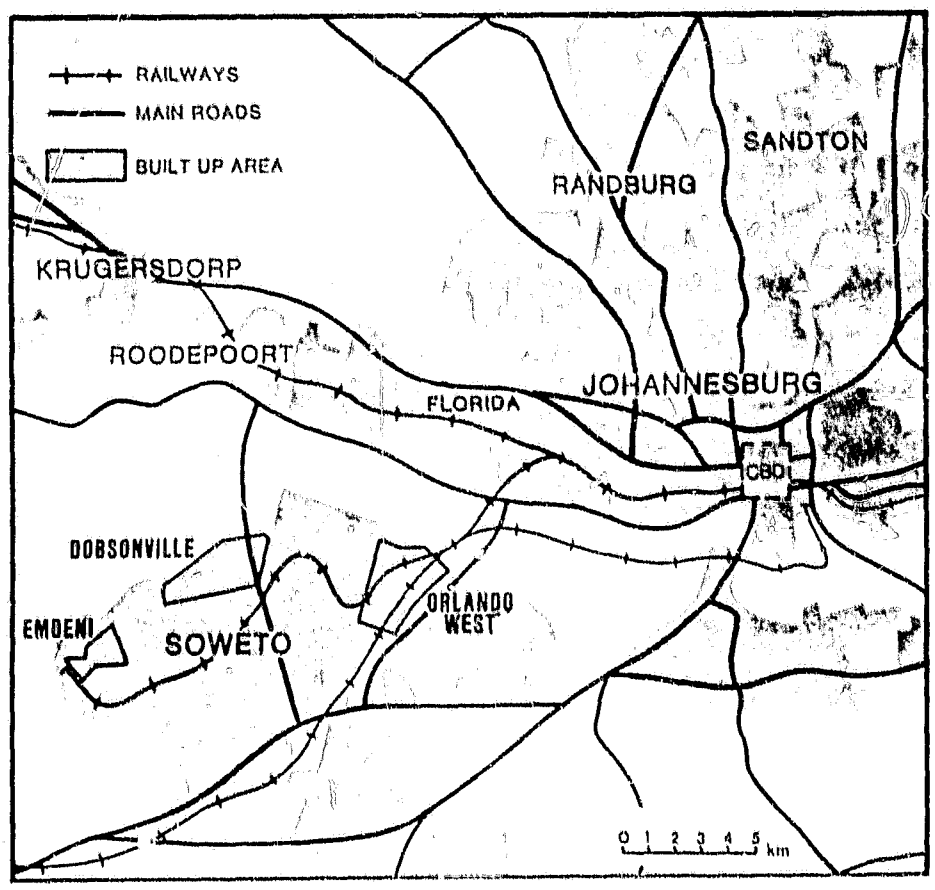


Figure 6.3 The location of industrial parks in Soweto.

Of these the most notable is the Urban Foundation which was established with the stated objective of mobilizing private sector resources to assist the urban Black communities in upgrading their living standards, and to introduce and foster the free enterprise ethic among Blacks.

Over the past five years the SBDC and Urban Foundation have assumed a pivotal role in the formation of pioneer industrial estates in urban townships throughout South Africa. The first industrial park in the Black townships was built in Orlando West, Soweto, at a cost of R1 million. It was initiated in 1980 by the IDC as the first part of a plan for three such centres in Soweto, but the project was taken over by the SBDC whilst still under construction and was subsequently completed in 1981.[13] The industrial park has since been augmented by another two industrial complexes which altogether house a total of 73 units. The Orlando West industrial park formed the model for other township industrial parks which have since been erected in some sixteen township areas throughout South Africa (Fig. 6.2). The industrial parks are predominantly concentrated in the Black urban townships of the Pretoria-Witwatersrand region, South Africa's economic heartland. The range of manufacturing enterprises operating from the industrial parks are concentrated on a narrow line of production including, *inter alia* the manufacture of clothing, knitwear, curtaining, furniture, tombstones and burglar-proofing (Table 6.1). In addition, a range of repair activities, (especially of motor vehicles and electrical goods), and service trades such as upholstery, printing, and welding are accommodated in industrial parks. Overall the number of employment opportunities generated thus far by the parks has been relatively small. At the three industrial parks functioning in Soweto, (Fig. 6.3), a total of 104 varied enterprises provide job opportunities for only just 1000 workers. Such low employment levels are not surprising given that the majority of industries consist only of the entrepreneur and a small handful of employees who are usually relatives (Table 6.2).

Table 6.1: Types of Manufacturing Activities in Township Industrial Parks

Batho Industrial Park, Mangaung	Concrete blocks and bricks; Welding; Construction steel; Dressmaking; Knitwear; Carpentry; Panel-beating; Cold-meat processing
Katlehong Industrial Park	Window-making; Tiling; Car repairs; Tailoring; Pottery-making; Fencing; Clothing; Ice-making; Tombstone-making; Carpentry and furniture; Knitwear; Armature winding; Galvanised baths; Paper-cutting; Schoolbags and handbags; Concrete blocks and bricks; Fencing; Garden furniture
Orlando West Industrial Park, Soweto	Bottling; Printing; Car-repairs; Glassworks; Tombstones; Kitchen furniture; Curtains; Clothing; Knitwear; Textile printing; Welding and fencing; Carpentry; Dress-manufacturing; Tents; School uniforms; Petroleum jelly, vinegar, disinfectants; Leather goods; Candles; Babywear; Upholstery; Glass cutting, Burglar proofing; Panelbeating

The SBDC and Urban Foundation differ from each other with regard to the way they operate industrial schemes. The first Urban Foundation scheme at Katlehong was based exclusively on the ownership of factory premises, a legal situation made possible in terms of 99 year leasehold rights available to urban African residents. At the second Urban Foundation project at Mangaung, the stress is once more on individual ownership of premises but this time producers undertake to construct their own factories or workshops on an incremental self-help basis. By contrast, the SBDC concentrates its efforts on leasing factory flat premises on a rental basis. Since 1982, however, the SBDC has permitted the sale of factory units to its more established small entrepreneurs.[14]

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Katlehong Industrial Park	Window-making; Tiling; Car repairs; Tailoring; Pottery-making; Fencing; Clothing; Ice-making; Tombstone-making; Carpentry and furniture; Knitwear; Armature winding; Galvanised baths; Paper-cutting; Schoolbags and handbags; Concrete blocks and bricks; Fencing; Garden furniture
Orlando West Industrial Park, Soweto	Bottling; Printing; Car-repairs; Glassworks; Tombstones; Kitchen furniture; Curtains; Clothing; Knitwear; Textile printing; Welding and fencing; Carpentry; Dress-manufacturing; Tents; School uniforms; Petroleum jelly, vinegar, disinfectants; Leather goods; Candles; Babywear; Upholstery; Glass cutting, Burglar proofing; Panelbeating

The SBDC and Urban Foundation differ from each other with regard to the way they operate industrial schemes. The first Urban Foundation scheme at Katlehong was based exclusively on the ownership of factory premises, a legal situation made possible in terms of 99 year leasehold rights available to urban African residents. At the second Urban Foundation project at Mangaung, the stress is once more on individual ownership of premises but this time producers undertake to construct their own factories or workshops on an incremental self-help basis. By contrast, the SBDC concentrates its efforts on leasing factory flat premises on a rental basis. Since 1982, however, the SBDC has permitted the sale of factory units to its more established small entrepreneurs.[14]

Table 6.2: Orlando West Industrial Park, Soweto: case studies of Black Manufacturers

Enterprise	Business History	Source of Entrepreneurial Skills	Source of Capital	Labour
Brighthouse Products: bottling of detergents, bleach, vinegar	Began 1982 from home	No relevant experience	Personal savings	4 employees including wife
T.S. Hlatshwayo: tailor	Began 1979 from home	School system	Personal savings	None
M Nkosi: knitwear, curtains, women's hats	Began 1983 from home	Family	Husband's savings	2 family members
Lizzy and Stone Curtain Manufacturers: curtains, cushions, bedspreads	Began 1982 from home	Previous Employment	Personal savings	4 family members
Max Upholsterers: upholstery	Began 1983 in backyard	Previous employment	Formal sector (bank)	7 employees, including family
Phumalanga Electronics: repairs of TV sets, players	Began 1982 at the industrial park	Previous employment and technical training	Personal savings	1 family member
Soweto Printers	Began 1983 at the industrial park	Previous employment	Small Business Development Corporation	1 employee
Virgiline Clothing: curtains, clothing	Began 1983 at the industrial park	Previous employment	Personal savings	3 employees including one family member

Beyond its system of industrial parks a recent SBDC innovation has been the establishment of 'cluster' schemes which allow small industrialists and service manufacturers to share stores and machinery in practising their activities.[15] The first such scheme was established in Port Elizabeth and was followed by a second, larger one, in Pennyville, near Soweto.

Constraints on Contemporary Black Entrepreneurial Activities

The establishment of the SBDC was hailed by many as a major breakthrough in Black business and as signifying "the seriousness with which both government and the business community view the need to create more employment opportunities".[16] The instigator of the venture, Dr Anton Rupert, acclaimed it as "the beautiful face of capitalism", and hailed the first meeting of the corporation as a "momentous day for South African businessmen".[17] The president of NAFCOC, however, accepted the proclaimed virtues of the undertaking with reservation. He pronounced the move "commendable" but did not regard it as representative of real, fundamental change. In his opinion, "government will have to go much further along the road of liberalising to make people believe that the White society is sincere in helping" and he stressed that "the seeds of enterprise can only germinate in a climate of complete freedom".[18]

To examine the conflicting viewpoints on the current programme of 'developing' or promoting township industries is the focus of this section. More especially, an examination is pursued of the existing network of constraints on small-scale urban industries. Necessarily, this task involves, to a large extent, an analysis of the operational activities of the Small Business Development Corporation. Material is derived primarily from previous studies conducted at Orlando West (Tuswa, 1983) and Katlehong (Jagoe, 1984; van der Willigen, 1984). The examination is undertaken in light of the issues discussed in the broader

literature on small-scale industry, according particular attention to the internal or external nature of the growth constraints affecting small entrepreneurs.

Internal Constraints

Small-scale entrepreneurs, as a result of the informal nature of their training, are often hampered from developing their industry by a lack of management and accounting skills. Many African producers are observed to practise a very rudimentary book-keeping system, often consisting only of sales and expenditure entries. It was noted from the Katlehong study that 95 percent of the interviewees were unable to calculate profitability from their recording methods. They did not draw up income systems and could not calculate cash flows. Product-pricing was also said to be on an *ad-hoc* basis, the retail costs frequently being estimates rather than accurate figures, and with manufacturers ignoring the cost inputs of labour, rent and other overheads. Few of the respondents were said to obtain any market information at all relative to their product and only a minority seemed aware of other competitors and of the effect these had on their businesses. (Jagoe, 1984; van der Willigen, 1984). An inadequate knowledge of the market place also occasions poor marketing techniques.

In the majority of cases the manufacturer has to canvass personally for orders, either on a door-to-door basis or through word-of-mouth. Personal advertising entails forsaking the management, administrative and production aspects of the business which the entrepreneur cannot afford to do. Inevitably, this leads to fluctuating turnover caused by an unsustained marketing effort (van der Willigen, 1984).

The difficulties encountered with marketing goods are exacerbated by competition from large White enterprises. A large percentage of the

township residents prefer to purchase from White shopping centres which are more conveniently located in terms of work place, and also because many believe that White-produced goods are superior to township products. Unfortunately, this last assumption is often proved true in that the inadequate machinery and equipment used by township manufacturers results in imperfect merchandise. In many instances, however, township residents prefer to shop in the larger commercial centres in view of the wider range of purchasing facilities offered to clients. Black manufacturers, because of their dependence on sales to finance raw material costs and also in order to avoid bad debts, insist on cash payments for their products, a demand which the financially constrained Black consumer cannot always meet. Of those manufacturers who do extend credit facilities to attract sales, many complain of problems in obtaining payment. (Jagoe, 1984; van der Willigen, 1984). Slow-paying debtors not only withhold much needed working capital but also force the manufacturer to make debt-collection calls which are both costly and time-consuming (Jagoe, 1984).

External Constraints

The internal problems experienced by township manufacturers notwithstanding, the major obstacles inhibiting small producers are of extraneous origin. These relate to structural factors and especially that of government discrimination. It is to this set of constraints that attention now turns.

Subcontracting: The marketing difficulties associated with conducting a business in the townships leads many Black manufacturers to seek sub-contracting arrangements with White enterprises. Sub-contracting allows the small industrialist to concentrate on a specific area of expertise without struggling to find a market (van der Willigen, 1984). Being allied to a parent company can, however, subject manufacturers to

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considerable work pressure as they struggle to meet the huge demands which occasionally arise, whereas conversely, orders may suddenly cease and the small manufacturer is faced with no market for his goods. In the words of one businessman at Orlando West who supplies companies in town, "sometimes some of us have to work day and night...(but) there are times when we have to stay with hungry stomachs because of a scarcity of orders".[19] More importantly, linkages with larger undertakings can develop into exploitative relationships, as has been attested to by various theorists on the informal sector. In this way the aspiration for independence which motivates many of the township industrialists to become independent producers is illusory as the direct exploitation of capitalist wage relationships gives way to forms of indirect exploitation associated with disguised or dependent wage-work. The programme of township industrialisation already shows signs of the formation of new kinds of dependence in the network of relations which bond certain township producers as sub-contractors to larger White-owned enterprises. An illuminating example in this respect is Tekane Enterprises in the Katlehong industrial park. The business was founded by a former employee of 3M South Africa, the local subsidiary of the American multinational, who in 1982 was encouraged to move to the new industrial park and work as a sub-contractor for the company. The business expanded rapidly and has become a success, but it cannot be said to be operating independently (van der Willigen, 1984, pp.84-85). Other township producers cater predominantly, although not exclusively, to a single company. These producers still supply the needs of township residents, but only to a very limited extent, and it is doubtful whether the small-scale entrepreneur would survive should its sub-contracting ties to the larger producer be severed. In the majority of cases businesses in the industrial estates are directed towards the Black community, with businessmen conducting their sales through personal contacts with customers and through orders from schools, hospitals, churches and sports clubs (Tuswa, 1983). Some enterprises cater for the wider South African market as well as to the

more immediate Black residents. These tend to be predominantly service industrialists who normally charge below average rates for their services in a bid to compete with similar White undertakings. Women's crafts co-operative groups also market their goods in White suburbs either through an agent or in periodic fairs arranged by organisations who sponsor some of the groups. Still other industries, such as a candle-making concern in Orlando West, manufacture for overseas orders,[20] but these undertakings are exceptional.

Access to Raw Materials: A persistent problem plaguing informal manufacturers is the shortage of working capital which prevents industrialists from purchasing raw materials in bulk. The industrialists are often forced to make small, frequent purchases of stock and to obtain supplies from wholesale organisations rather than raw material manufacturers who require a minimum number of orders for each purchase. The high cost inputs created thereby for the small manufacturer are exacerbated by the reluctance of wholesale merchants to extend credit facilities to the Black businessman. One half of the industrialists from the Katlehong industrial park study attested to being obliged to pay cash for their raw materials. Thus, it is not surprising that 85 percent of the businessmen interviewed at Katlehong experienced raw material shortages at one stage or another during the year. The inadequate cash resources often lead manufacturers to purchase supplies for specific customer orders and to manufacture likewise. Consequently very few businessmen can accumulate finished goods in their business to ensure sustained sales (Jagoe, 1984). The limited and even obsolete machinery used by many manufacturers contributes to the problem and forces manufacturers to turn down orders when they could be effecting increased sales (van der Willigen, 1984).

One of the more widely recognised obstacles to informal sector development is that of government discrimination. In the South African

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context the implementation of apartheid policy gives particular significance to the effect of government legislation on small-scale producers. It is in light of South Africa's unique governing system that government discrimination, as a constraining factor to Black entrepreneurial growth, will be accorded more detailed discussion than was presented in respect of the constraining factors examined thus far.

Government Discrimination

In many ways the problems surrounding Black businessmen in the townships are directly derivative of government imposed regulations which still constitute the main blockade to the development of Black enterprise in South Africa. The continued existence of legal barriers to Black business is in contradistinction to government promises and predictions that "by 1982 the Black businessman will have arrived in South Africa and taken his rightful place in the economy".[21] In a recent study of the legal impediments and other factors hampering aspirant small businessmen, the National Manpower Commission referred to a starting list of over 70 laws inhibiting the growth of Black small enterprises (South Africa, Republic of, 1984b). At the core of the regulations circumventing small business, and a direct manifestation of the racial discrimination which marks South African enterprise, is the Group Areas Act. The Act prohibits Blacks from working in a different racially demarcated zone and thus prevents them from operating their business according to the most profitable location. In practice, the Act has resulted in excluding Black businessmen from White areas where markets, offices, financial services and other business infrastructure are more readily available, and it is also the reason Black entrepreneurs cannot interface with a large percentage of their customers who work in the major metropolitan areas. The enforcement of the Group Areas Act also limits the availability of land for industrial development. The SBDC, for example, which has as one of its objectives the selection of industrial sites for the development of premises, is often faced with

the problem of obtaining leasehold rights for the site concerned.[22] Even when this hurdle has been overcome the corporation is still hampered from constructing the necessary buildings by inordinate government delays in zoning, proclamation, and measuring of sites, and in the provision of the necessary service facilities such as water, electricity, telephone, and transport.[23] Allied to these difficulties, zoning regulations in the Black townships are commonly inappropriate because transport in the areas is inadequate and the products cannot easily be brought to the consumer. Most commercial areas in the townships are distant from the more densely populated zones which further estranges the Black industrialist from the marketplace (South Africa, Republic of, 1984b).

Licencing regulations are another legal constraint obstructing the establishment and development of Black entrepreneurs. The morass of bureaucratic requirements that have to be fulfilled in this respect make it virtually prohibitive to obtain the document. The procedure for acquiring a licence for a factory premise involves first applying to the local licencing board for the appropriate licence, obtaining a recommendation from the Community Council, and only then may the Administration Board grant the application. The application for the licence has also to be accompanied by a letter in triplicate from the township superintendent and finally, the Department of Manpower must grant permission in the form of a registration certificate, for occupation of the particular factory (Koenderman, 1983). The delays associated with obtaining a licence not only prevent small entrepreneurs from conducting business but also create unreasonable travelling expenses for small-scale producers as they attempt to expedite their applications. Amongst other factors, a licence is refused if the applicant cannot speak, read or write at least one of the official languages, is incapable of keeping records, and if the business premises are unsuitable for the purposes of the business in terms of the legal requirements of health, size, lighting,

ventilation, facilities for personnel, and other stipulations (South Africa, Republic of, 1984b).

Apart from the legal statutes constraining small business activities, registered manufacturers are also burdened with a considerable amount of paper work involving sales tax, the PAYE system, statistical reports, and managerial requirements. The administrative and financial obligations with regard to employees is a particular problem. Detailed records must be kept, contributions paid to a variety of funds *inter alia* the unemployment insurance scheme, workmen's compensation, on-the-job-training schemes, the industrial council, and transport contributions. Added to these difficulties Section 37 of the Black (Urban Areas) Act still prevents a Black businessman from employing someone of another race group in his business (South Africa, Republic of, 1984b).

The legal encumbrances small manufacturers have to contend with are aggravated by the unco-operative attitude of the Industrial Councils which have been described as an "unholy alliance by big business and big labour, supported by big government, to crush small, Black manufacturers and in the process to restrict competition, curb economic development and limit the creation of new job opportunities".[24] The accusation appears justified given the Councils' consistant efforts in reinforcing the observance of government regulations among small manufacturers. Repeated complaints from Black industrialists that Industrial Councils went so far as to sue and fine those businessmen who did not comply with minimum wages determination and other administrative exigencies, compelled NAFCOC to write to the Minister of Manpower persuading him to exempt Black-owned manufacturing activities from all Industrial Council requirements, or alternatively, to exempt those manufacturing businesses employing less than twenty people.[25] The Director General replied that Industrial Councils could not be dispensed with, and that entrepreneurs dissatisfied with their decisions could apply to the Industrial Court.[26] The futility

of this reply was underscored by NAFCOC's retort that some Black manufacturers "could no more cope with formulating an appeal to the Industrial Court than fly to the moon!".[27] In early 1984 NAFCOC renewed its appeals to the Department of Manpower to exempt all urban township manufacturers from Industrial Council provisions.[28] To denote the urgency of the situation with regard to such agreements, NAFCOC suggested a personal meeting with the Director General or the Minister but the request was not observed and the issue remained unsolved.

With the establishment of the SBDC and other state-sponsored institutions the government has demonstrated its support of a new policy geared to promoting the growth of small-scale industries in the urban townships. In accordance with the new incentive programme many of the constraints previously arresting the development of small-scale business activities are progressively being discarded. Of particular importance are the state initiatives which aim at deregulating economic activity, removing certain necessary legislative controls which hindered the expansion of small-scale industry. Also notable are the exemptions granted to small firms with respect to legislation determining minimum wage levels, working hours, industrial safety and other employment conditions. In addition the government continues in its programme of fostering new industries in the urban townships. In many respects, however, the assistance schemes to small entrepreneurs offered by state institutions have proved disappointing. One of the main drawbacks of these schemes is their limited accessibility to new small-scale enterprises due to inordinately strict requirement conditions. By 1985 the total number of loans under the SBDC's mini-loan programme, which had been granted to small businessmen since 1982, was just under 1 500, whereas the Comprehensive Assistance Programme had assisted an average of 260 semi-formal entrepreneurs since 1983. The Small Business Aid Fund had provided bridging finance to 234 businesses, or 17 percent of the requests received for such assistance.[29] The exact proportion of these

figures which are applicable to the Black community is not known but aggregates for 1981 indicate that of 500 applications received by the SBDC from Black entrepreneurs, only 102 were granted, representing a mere twenty percent of businesses assisted.[30]

In explaining its low acceptance figures the SBDC emphasises the time-consuming task of interviewing applicants to obtain their views and ideas on how they intended spending the money,[31] and the high incidence of applications either withdrawn by the applicants themselves or lapsed when the corporation's request for further information was ignored. Highlighting the fact that only a select few concerns are eligible for aid is the claim by the SBDC managing director that about 70 percent of all enquiries dealt with by the SBDC are "no-gos". In his view, the needs of the people making the enquiries are "either ill-defined, preposterous or have no real basis from which ideas can be developed".[32] Nonetheless, given that the majority of Black businessmen engaged in independent manufacturing have had minimal schooling in business skills, it is not surprising that few informal entrepreneurs are able to articulate their needs logically and explicitly.

Before the SBDC approves an application it insists that the business must be viable in terms of profitability and return on investment, and that it have a sound capital structure with a favourable ratio of the applicant's own funds to outside capital. It also requires that the business owner be able to provide reasonable security for the facility requested and that he possess the management talent to make a success of the venture.[33] Thus, it is clear that the Corporation is geared more towards helping already established and prospering businesses which, although unregistered and therefore illegal, do possess the material base to develop their activities, than to promoting *new* enterprise development. The very small-scale operator, handicapped in terms of lacking the necessary assets, capital and expertise to qualify for loans,

is the more in need of assistance but is also for these reasons discriminated against by lending institutions.

Eligibility for tenancy at an industrial park also seems to be the prerogative of the more fortunate entrepreneur. Implicit requirements appear to be particular educational standards and a secure capital base. These assumptions are borne out by studies conducted in Soweto's Orlando West industrial park and in Katlehong industrial estate. Both investigations revealed a high level of education for most of the park tenants. In Orlando West as many as two thirds of the industrialists had an education level beyond primary school and 25 percent had post-matric qualifications (Tuswa, 1983; Jagoe, 1984). In Katlehong about half of the interviewees had been taught up to standard eight and beyond (Jagoe, 1984). It was also found that an important source of educational training was that of vocational instruction in fields such as tailoring, mechanics and dress-making (Tuswa, 1983). At the Katlehong complex, 70 percent of the sample population had had either practical training or experience in previous employment before they had ventured on their own (Jagoe, 1984). The same studies (Tuswa, 1983; Jagoe, 1984) also illustrate the importance of existing assets and capital for tenancy at the industrial parks. At the Orlando West industrial park approximately 66 percent of the businesses existed prior to the establishment of the park, and in Katlehong it was noticed that many of the tenants had been employed, some for as long as eight years, before moving into rented premises (Tuswa, 1983; Jagoe, 1984). The view that the SBDC is more active in encouraging the expansion of already existing businesses than in promoting new small business development appears to be confirmed.

When the source of capital required for the establishment of the businesses is considered, it becomes apparent that the SBDC did not feature very strongly. Abo · percent of the tenants at Orlando West asserted that they had financ.. the venture themselves, or with the help

of friends, whereas in Katlehong as many as 90 percent of the respondents claimed to have provided 50 percent or more of the initial finance from personal savings. Of those who were not solely responsible for establishing their businesses, only 19 percent at the Orlando West complex had been assisted by SBDC capital, and in Katlehong only one respondent had received SBDC funds (Tuswa, 1983; Jagoe, 1984). Studies of industrial park tenants also underline the importance of personal savings for eligibility to rent units at the parks (Table 6.2).

Reasons given for not approaching the SBDC for finances are the high interest rates charged by the corporation, and the risk involved in undertaking high loans. Many of the businessmen feel that the stringent criteria laid down by the SBDC and other lending institutions are beyond their means, whereas others admit to being insufficiently informed about banking procedures, a situation which the banks have done little to ameliorate. The limited financial contribution of the banking sector to the establishment of industries also extends to the provision of working capital. Although banks and lending institutions are claimed to be open to all race groups, the inability of Blacks to provide satisfactory security precludes them fron qualifying for bank loans. This forces Black industrialists to rely on their own meagre resources or those of family and friends, which savings, however, are hardly sufficient to ensure the growth of the undertaking. Illustratively, at Katlehong 79 percent of short term loans were financed from within the Black community (Jagoe, 1984).

There is no denying the fact that in many aspects the SBDC has facilitated the development of informal Black operators, especially with respect to the provision of working premises. For example, before moving to an industrial park backyard operators ran the risk of police prosecution and confiscation of manufacturing equipment should they have been discovered by an inspector. Not being in possession of a licence

also meant that a backyard manufacturer lacked credibility and therefore, often had difficulty attracting customers. In the event of a dispute, such as non-payment by a customer, the informal operator had no legal standing and consequently could not enforce any claims. The poor bargaining position of the unregistered manufacturer also prevented the purchase of wholesale supplies or the receipt of discount and credit facilities for such (van der Willigen, 1984). Even with a licence but no registered working premises, backyard manufacturers were refused raw material by suppliers who suspected the manufacturers of having made up the licences themselves.[34] Apart from these difficulties, backyard operators were hindered in their work by inadequate working and storage space as well as by inclement weather if the nature of their activity forced them to work outdoors. In contrast to the inconvenience of working in a backyard, industrial parks offer suitable working space, the necessary services, counselling training, better security, easier access to loans, the opportunity to obtain a licence, and the possibility of increased production and more customers.

Although an improvement on the backyard system, the industrial estates are not ideal. Judging from complaints by residents it appears that rentals are too high, there is no water provided inside the units, toilets are communal, and the individual units are too small for steel workers.[35] In addition, poor street lighting is said to cause security problems, the communication infrastructure is often inadequate, and space for expansion is limited or non-existent (South Africa, Republic of, 1984b). Furthermore, in addition to the environmental and structural problems of the parks, first-time manufacturers at the premises have to contend with increased overhead costs, a higher product demand, the appointment of new staff, and the purchase of new equipment.[36]

* * * *

The 'reformist' approach of the state to Black entrepreneurial development has been instrumental in stimulating renewed industrial growth in the townships, especially under the auspices of government sponsored organisations. In many respects, however, Black entrepreneurs continue to experience difficulties which have also been evident with respect to informal operators in other developing economies. Although some of these constraints are internal in nature, relating to small producers' lack of training in managerial skills, the bulk of the problems experienced by small-scale manufacturers are externally derived: in particular the limiting effects of subcontracting relationships, lack of access to raw materials, and, most importantly, government discrimination. Insofar as the majority of the obstacles confronting urban Black manufacturers are extraneously induced and not the result of inherent limitations on the part of the small-scale producer, they give credence to the contention that small-scale producers are hampered from developing by external rather than internal constraints. Contemporary government policy with respect to Black enterprise indicates a more positive approach in terms of trying to absorb some of the demands of the rising urban-based Black producers. Black manufacturers nevertheless remain adversely affected by inappropriately strict requirements which exclude many Black operators from institutionalised assistance.

Notes to Chapter Six

[1] *The Star,* 23/10/1948.

[2] Unisa Documentation Centre for South African Studies, Nafcoc Archives, memorandum by M. Maubane on The Perceived Needs of the Black Business Community, 1979.

[3] *Ibid*

[4] An organisation involved in the development of entrepreneurial and managerial skills among Black Americans and other minorities.

[5] Unisa Documentation Centre for South African Studies, Nafcoc Archives, Proposal to Create a Small Business Development Centre in the Republic of South Africa for the Promotion of Entrepreneurship for the Black, Coloured and Indian Sectors, H.J. de Podwin, March 1979.

[6] *Financial Mail,* 28/3/1980.

[7] *South Africa Foundation News,* January 1984.

[8] *Financial Mail,* Supplement, Small Business Development Corporation. A Survey, 27/9/1985.

[9] *Financial Mail,* 23/1/1981.

[10] *Financial Mail,* Supplement, Small Business Development Corporation. A Survey, 27/9/1985.

[11] *Ibid*

[12] *Black Manufacturer,* Aug/Sept 1983.

[13] *Fidelitas,* Sept/Oct 1984.

[14] *Financial Mail,* Supplement, Small Business Development Corporation. A Survey, 27/9/1985.

[15] *Financial Mail,* 16/7/1982.

[16] *Financial Mail,* Supplement, Small Business Development Corporation. A Survey, 27/9/1985.

[17] *Financial Mail,* 6/2/1981.

[18] *Financial Mail,* 20/2/1981.

[19] *Financial Mail,* 23/1/1981.

[20] *The Sowetan,* 30/9/1983.

[21] *The Star,* 13/2/1983.

[22] *Financial Mail,* 13/7/1979.

[23] *Financial Mail,* 27/9/1982.

[24] *Volkshandel,* March, 1984.

[25] Unisa Documentation Centre for South African Studies, Nafcoc Archives, letter by B.O. Sibeko, chairman, Industrial Counselling Committee, to the Director General, Department of Manpower, 24/10/1983.

[26] Unisa Documentation Centre for South African Studies, Nafcoc Archives, letter by B.O. Sibeko, chairman, Industrial Counselling Committee, to S.P. Botha, Minister of Manpower, (undated).

[27] Unisa Documentation Centre for South African Studies, Nafcoc Archives, letter by the Director General, Department of Manpower, to the chairman, Industrial Counselling Committee, 22/9/1983.

[28] Unisa Documentation Centre for South African Studies, Nafcoc Archives, letter by B.O. Sibeko, chairman, Industrial Counselling Committee, to the Director General, Department of Manpower, 24/10/1983.

[29] Unisa Documentation Centre for South African Studies, Nafcoc Archives, letter by B.O. Sibeko, chairman, Industrial Counselling Committee, to Dr v.d.Merwe, Director General of the Department of Manpower, 14/2/1984.

[30] *Financial Mail*, Supplement, Small Business Development Corporation. A Survey, 27/9/1985.

[31] *Soweto News*, 9/10/1981.

[32] *Ibid*

[33] *Finance Week*, April 19-24, 1984.

[34] *South African Industrial Week*, 24/1/1984.

[35] *Sunday Tribune*, 27/9/1981.

[36] Unisa Documentation Centre for South African Studies, Nafcoc Archives, Counselling and Advisory Services Report, 26/1/1982.

[37] *Black Manufacturer*, Aug/Sept 1984.

CHAPTER SEVEN

SUMMARY OF FINDINGS

The potential for small-scale production to generate economic growth and employment has been a much debated issue over the past decade and a half. From being regarded as a transitory phenomenon or a residual occupation, it is now widely acknowledged that small producers are vital for the economic development of a nation. The evolution and expansion of Black small-scale producers in South Africa has been chronicled and constitutes a contribution to the body of literature which seeks to understand the growth potential of informal or backyard producers. The analysis has been conducted from an historical perspective in order to understand the changing nature of the constraints affecting the development of small-scale manufacturers. The major findings of the study are set out in brief below.

1. Issues in Small-Scale Industry Research

1.1 Perspectives on the developmental potential of the small-scale sector differ with respect to the focus of research on either the Third World or the advanced industrial nations.

1.2 Writings on the advanced countries tend to emphasise the impact of small-scale industries on regional economic development. By contrast, the literature on the Third World raises more contentious issues, in particular those associated with the dualist versus the petty commodity production schools of thought.

1.3 A major concern in the debates on the growth potential of small-scale producers is the internal or external nature of the constraints hampering their development.

1.4 South Africa offers a unique setting for the examination of small enterprise development. Whereas the country's Black areas bear close resemblance to the Third World, the White areas are equated more with the developed world.

1.5 Emerging from such a juxtaposed economic environment is a unique set of problems affecting small-scale Black producers.

1.6 The underdeveloped nature of backyard production in South Africa is attributable to the deliberate erection of racial

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