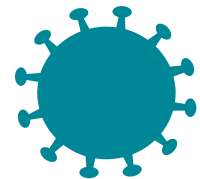


COVID-19 POLICY BRIEF #5

TEN MEASURES TO PROTECT THE ECONOMY FROM THE FOURTH WAVE



As South Africa enters its fourth wave of COVID-19, the economic deterioration can be sharply seen — unemployment has reached an all-time high and GDP contracted. The extension of relief measures through wage support, the extension and expansion of the SRD grant for the unemployed, and targeted support to hard-hit sectors, is once again essential. As opposed to proposed cuts in government spending in the Medium Term Expenditure Framework (MTEF), we must direct resources to support the most vulnerable and stimulate demand.¹ Without continued relief, hunger, unemployment, and poverty become ingredients for social instability akin to that observed in July.



2.1
MILLION
fewer people employed
since 2020

THE ECONOMY

The South African economy contracted by 1.5% in the third quarter (Q3) of 2021 and is 3.1% smaller than it was pre-COVID-19.² The unemployment rate continues to break records with 660 000 people losing jobs in Q3 2021, resulting in an unemployment rate of 34.9%, narrowly defined, and more accurately 46.6% by the expanded definition.³ Compared to the first quarter of 2020, there were 2.1 million fewer people employed. At the same time investment, which is measured by Gross Fixed Capital Formation (GFCF), was stagnant.

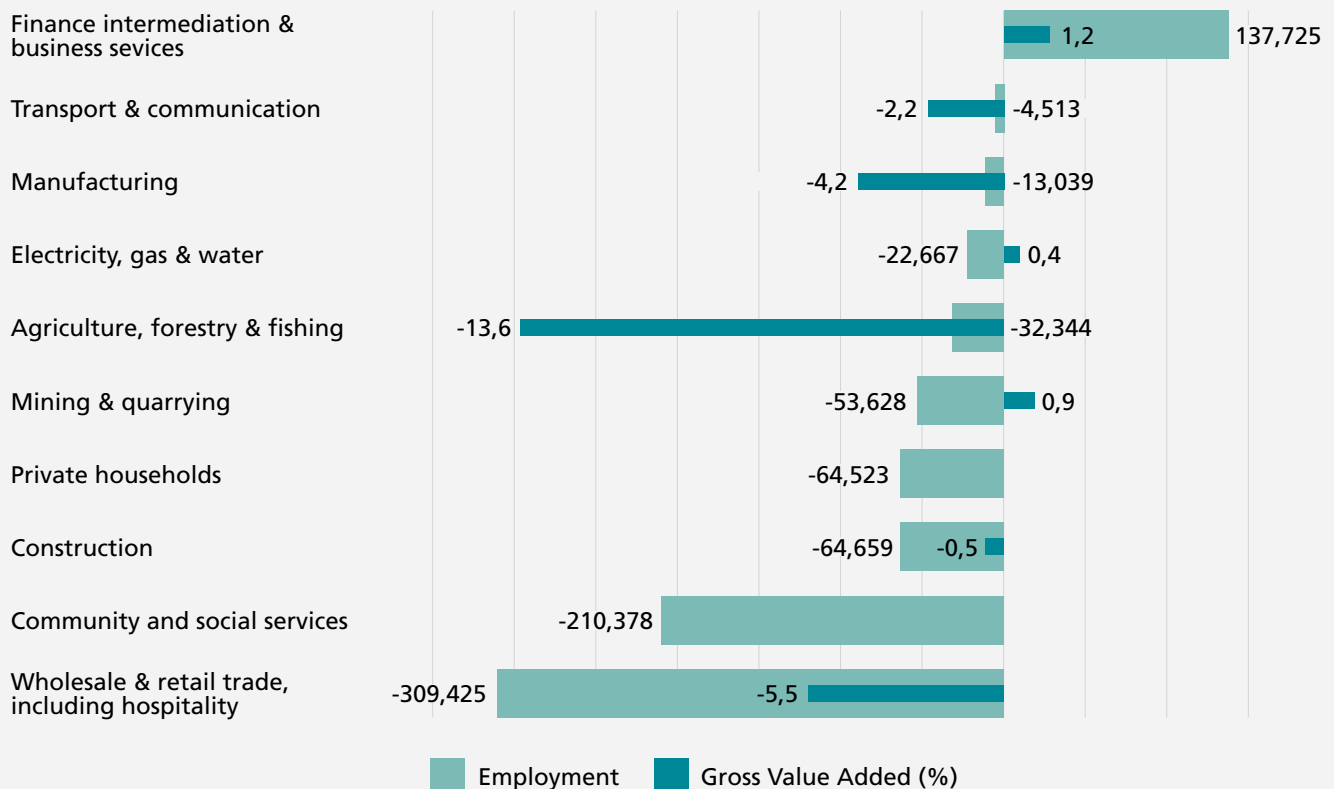
Young people, Black African women, and informal workers are still among the most vulnerable in the economy:

- Youth (aged 15 to 24) have the highest unemployment rate at 66.5% whilst for those aged 24 to 34 the rate is 43.8%.
- Black African women face an unemployment rate of 51.1% compared to just 11.5% for white women, with Black women overrepresented in informal jobs such as domestic work. These occupations are among the most vulnerable.

- Despite an increase in the number of informal workers in Q2 2021 compared to Q3 2021, these workers remain vulnerable to lockdown regulations, and without any form of social security or unionisation their employment is precarious. The increase in the informal sector may also result from the decrease in formal employment.

Figure 1 below shows changes between the second and third quarters of 2021 for employment and economic activity ("value-added").

Figure 1: Employment and gross value added (%) by industry





A NUMBER OF RED FLAGS STAND OUT

WHOLESALE AND RETAIL TRADE, INCLUDING HOSPITALITY

The largest number of the jobs lost, over 300 000, was in retail and trade, including the hospitality industry, with a 5.5% fall in economic activity in the sector. This is likely a result of the third wave restrictions and the July social unrest, leading to the permanent closure of some businesses in this sector. Current travel bans, together with potentially stricter lockdown measures, will wreck further devastation on the tourism sector, over the critical festive season. In September 2021, Europe and the United States accounted for three-quarters of all tourists from overseas.⁴ Government intervention through extended wage support and grants to businesses in this sector is essential to save businesses and livelihoods.

COMMUNITY AND SOCIAL SERVICES

The 210 000 jobs lost – in a sector that is focused on government services and social care, with a large number of women workers – is very worrying. With the proposed contraction in government spending in the medium term, one can expect more job losses in this sector. The government's fiscal consolidation directly contributes to entrenching gender inequality. Austerity cuts must be reversed.

AGRICULTURE

Agriculture saw a large drop in economic activity but a much more muted fall in employment. This may be due to the fact that most harvests and economic activity occur in the second quarter with the third quarter relatively quiet, however, the 13.6%

contraction still shocked many economists.⁵ According to Stats SA, the July unrest affected poultry, citrus, and maize production.⁶ The fourth quarter is expected to produce better results.⁷

MANUFACTURING

The negative growth of -4.2% in manufacturing, with the loss of over 13 000 jobs, is very worrying. This reflects ongoing deindustrialisation in South Africa. As the Minister of Finance noted manufacturing has “backward and forward linkages to the rest of the economy, making it [manufacturing] a significant driver of demand across the economy”,⁸ and essential for structural transformation and labour-intensive employment. Its decline should spur greater investment in industrial policy.

MINING

The fall in mining employment – by over 50 000 workers – despite positive growth and a minerals boom indicates that we cannot rely on this capital-intensive sector to drive employment growth in South Africa.

FINANCE, INTERMEDIATION, AND BUSINESS SERVICES

The declines above coincide with increased employment in ‘finance and business services’ sector. However, approximately 45% of employment in this sector is labour brokerage, or outsourced cleaning and security, potentially indicating a further shift towards low-paid and precarious employment.

These devastating job losses are compounded by a rise in the cost of living, as seen through food prices increases of 10% between September 2020 and August 2021. The cost of a household food basket increased from R3 856 to R4 241 over this period.⁹ This will lead to increased hunger, including amongst children. Without adequate social security and wage support, poverty and inequality will worsen. This poses a threat to social stability, human development and wellbeing, and economic growth in the long run.



TEN RECOMMENDATIONS

These dire economic circumstances will worsen as the fourth wave takes hold. It is clear that workers, businesses in hard-hit sectors, and the unemployed must receive further support. The key policy priorities should be to:

1. Support business, particularly in tourism-related sectors, through sector-specific loan and grant programmes and tax relief;
2. Maintain employment through reinstating wage support via the Temporary Employment Relief Scheme (TERS);
3. Sustain livelihoods by extending and improving social relief measures, specifically through the COVID-19 SRD grant and committing to a Universal Basic Income Guarantee (UBIG);
4. Increase support to informal sector workers through cash transfers and expanded business grants;
5. Continue campaigning for an intellectual property rights waiver, including patents related to medicine and technology for the prevention and treatment of COVID-19;
6. Offer greater support to workers who have lost employment through expanded UIF benefits;
7. Reduce unpaid care work through ensuring the Early Childhood Development (ECD) sector is adequately supported;
8. Increase allocation towards the Presidential Employment Stimulus (PES) Programme and direct workers towards labour-intensive and hard-hit sectors;
9. Increase funding to industrial policy and sector-specific Masterplans to ensure recovery; and
10. Encourage vaccination by introducing public and private vaccine incentives and restrictions, especially in high-risk settings, including restaurants, bars, clubs, and stadiums.

NOTES

- 1 National Treasury. 2021. Medium Term Budget Policy Statement. Available at www.treasury.gov.za/documents/mtbps/2021/mtbps/FullMTBPS.pdf
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