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POLICY BRIEF

National Income Dynamics Study (NIDS) – Coronavirus Rapid Mobile Survey (CRAM)

The labour market and poverty impacts of COVID-19 in South Africa

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15 July 2020

The policy brief draws from the full paper:
Jain, R., Budlender, J., Zizzamia, R., & Bassier, I. (2020) The labour market and poverty impacts of COVID-19 in South Africa.

N.i.D.S. NATIONAL INCOME DYNAMICS STUDY

CRAM CORONAVIRUS RAPID MOBILE SURVEY 2020

Employment and poverty

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Active employment decreased by 40% during lockdown: Half of this job-loss was permanent terminations, suggesting that the increase in unemployment will persist beyond the immediate public health crisis.

Rising joblessness will deepen existing inequalities: The data shows that women, those with lower levels of education, those in manual occupations, informal workers, and the poor in general face the greatest employment losses.

Government relief – too little, too late to prevent a dramatic rise in poverty: We estimate that approximately one million job-losers have fallen into poverty as a direct result of the COVID-19 shock. This number would likely have been smaller if government relief was more effective: only one in five workers who were idle because of COVID-19 report receiving TERS. Poverty associated with lockdown-related job-loss in April was exacerbated by grant top-ups only being implemented from May. Persisting poor implementation of the R350 SRDG remains a major area of concern.

1. What were the poverty and unemployment rates in South Africa before COVID-19?

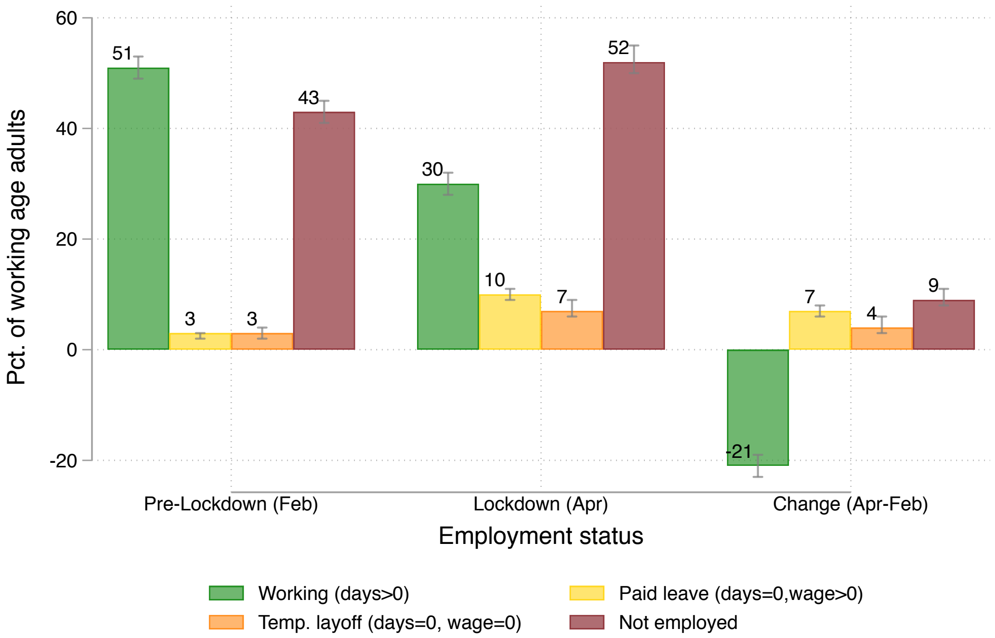
While it is difficult to compare our surveys to others in South Africa, all surveys show that poverty and unemployment was extremely high before COVID-19. The Quarterly Labour Force Survey (QLFS) estimates that the unemployment rate in South Africa was 30,1% in the first quarter of 2020 (Stats SA, 2020). Poverty estimates vary between approximately 40-60% of the population when using 2017 data from the National Income Dynamics Study (NIDS) (Bassier et al., 2020; Zizzamia et al., 2019).

2. What is the best estimate for how this has changed since COVID-19?

We cannot calculate a post-lockdown national unemployment rate using NIDS-CRAM data only. However, we estimate that the number of actively employed adults in South Africa decreased by approximately 40% between February and April 2020. This loss can be accounted for by shifts into three distinct categories: "paid leave" (those with positive wages but no days worked), "temporary lay-offs" (those attached to an employer but without wages or days worked), and terminated employment relationships. Of the 40% net loss in employment, almost half is accounted for by terminated employment relationships, indicating a dramatic change in the labour market structure and suggesting longer term effects on unemployment.

The data also does not allow direct calculation of national poverty rates pre- and post-lockdown. However, comparing job-losers to observably similar job-keepers, we estimate that approximately 15 to 30 percent of job losers fell into poverty as a result of the COVID-19 shock. On average, these job losers support two dependents who would also be affected by this poverty shock.

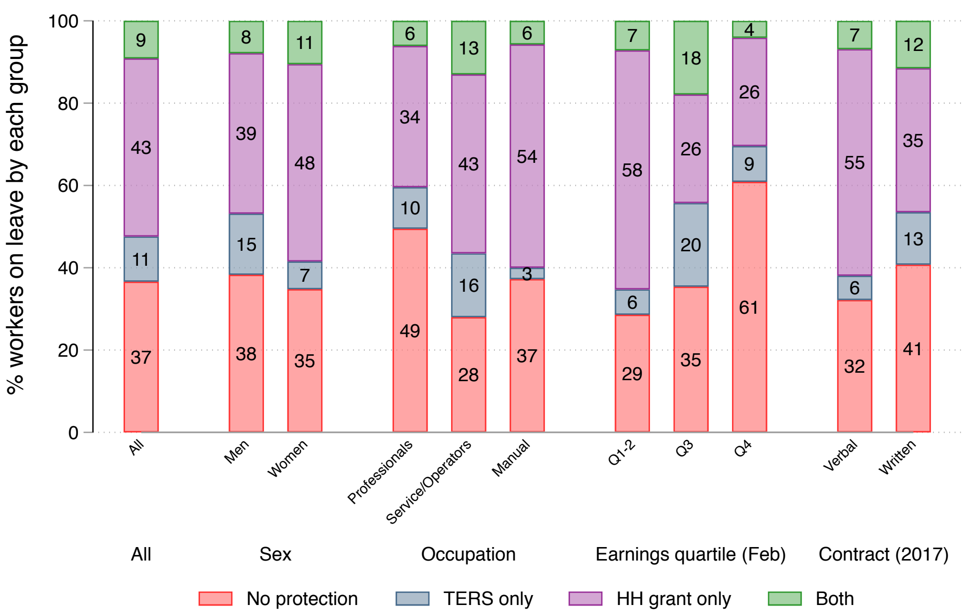
Figure 1: Employment Status Change Over Lockdown



3. COVID-19 is exacerbating existing inequalities

We find that the labour market shock has exacerbated existing inequalities. Women, those with lower levels of education, those in manual occupations, informal workers, and poorer and disadvantaged workers in general face the greatest employment losses. Employment losses for these groups are also disproportionately likely to be attributed to terminated employment relationships. These differential impacts threaten to translate into an enduring deepening of inequality.

Figure 2: What happened to those who were not actively employed during lockdown?



4. Estimating poverty in NIDS-CRAM

Because we only observe household income for April (lockdown) and not February (pre-lockdown), we cannot directly calculate the change in poverty over this period. However by comparing the April incomes of job-losers and job-keepers, and "re-weighting" our sample to make sure we're comparing observably similar job-losers and job-keepers, we estimate that 15 to 30 percent of job losers fell into poverty. Given that around 5 million people lose their jobs, this translates into approximately 1 million job-losers falling into poverty. Roughly accounting for the dependents of these job-losers, the total impact of job-loss is an increase in poverty of about 3 million people.

5. Policy options: What can policymakers do about this?

Policy options for the next 1-3 months

Prioritise fixing grant delivery systems: Implementation of the R350 SRDG has been dismal and should be improved as a matter of priority. Our estimates suggest that the poverty impact of the COVID-19 shock between February and April has been large. This poverty impact would have been mitigated had government introduced it's COVID-19 basic package of support earlier: the first topped-up payments to existing grants were only made in May, while the SRDG has taken longer to implement. Per SASSA's own public communications, 30% of SRDG applicants have had their applications erroneously rejected and millions more are awaiting decisions on their applications (SASSA, 2020). Getting implementation systems right ought to be a first order priority.

Policy options for the next 3-6 months

While there will be some labour market recovery in the following months, the data suggest that this recovery is likely to be slow. South Africa was already dealing with a worsening unemployment crisis prior to COVID-19. However, it is unclear if or when the South African labour market will return to its pre-COVID state. A new, even more unequal labour market may emerge. Three policy responses follow from our main findings:

1. **Improve social protection for workers.** Only one in five workers who were idle because of COVID-19 report receiving TERS. With stronger worker-targeted social protections, fewer workers affected by COVID-19 restrictions will be left without income. Additionally, firms can be incentivised to temporarily lay off rather than terminate employment relationships.
2. **Extend social grant relief.** The scale of job loss and poverty associated with lockdown has devastated households, especially the most disadvantaged. Given that COVID-19 restrictions are likely to continue over the next 3-6 months, extending the social grant response beyond the original 6 months would help mitigate these effects.
3. **Create a large jobs and poverty recovery plan.** Of the 40% decrease in active employment, half were terminated employment relationships. This employment loss is unlikely to recover quickly, as employer-employee matches can be difficult to replace even if firms want to hire again. The increase in poverty for job losers and their dependents is therefore likely to be persistent, and in response the state needs to develop a longer term jobs and social protection plan.

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