



POLICY BRIEF

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

The relationship between employment history and COVID-19 employment outcomes in South Africa

Gabriel Espi - University of Cape Town

Murray Leibbrandt - University of Cape Town

Vimal Ranchhod - University of Cape Town

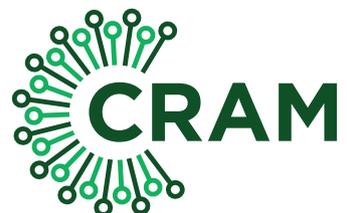
30 September 2020

This policy brief draws from the full paper:

Espi, G., Murray, L. & Ranchhod, V. (2020) The relationship between employment history and COVID-19 employment outcomes in South Africa



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



CORONAVIRUS RAPID MOBILE SURVEY 2020

The relationship between employment history and COVID-19 employment outcomes in South Africa

Authors: Gabriel Espi¹, Murray Leibbrandt², Vimal Ranchhod³

Substantial differences in employment history underlie pre-lockdown employment status:

41.5% of prime-age individuals in our balanced panel had a history of persistent non-employment between 2008 and 2017, compared to 32% who were transient employed, moving in and out of employment frequently, and 27.5% who were stably employed in the period. Those with a more stable history of employment up to 2017 were far more likely to be employed in February 2020. However, among those who were employed going into the lockdown there was also a substantial number of people with little work experience up to 2017.

Job loss and job gain under lockdown correlated strongly with employment history:

86% of the historically stable employed retained employment between February and April, compared with only 72% of the transient employed and 67% of the persistent non-employed who were employed in February. Among the stable employed and persistent non-employed who retained employment in this period, the chance of job loss between April and June remained at a similar, high level. Job finding rates also correlated strongly with employment history, particularly between February and April.

Clear demographic differences exist between groups with different employment histories and outcomes during lockdown:

Those with the least recorded employment were mostly younger, rural African women, while among the stable employed (who were all much more likely to be male), those who lost work in the lockdown were more likely to be African and have a rural background relative to those who retained work. Interesting to note, though, is that a group of mostly young, African males with rural backgrounds and negligible employment histories found work during the lockdown.

Introduction

The COVID-19 pandemic and ensuing lockdown have shaken the South African economy, leading to unprecedented closures of large portions of the economy and dramatic increases in unemployment, income loss and temporary lay-offs. Africans, women, the young, and low-income workers have been disproportionately likely to bear the burden of job and income loss, leading to an entrenching and deepening of existing inequalities (Jain et al., 2020; Ranchhod & Daniels, 2020; Casale & Posel, 2020).

Future employment outcomes are believed to be strongly determined by an individual's past employment experience (or lack thereof). In this research we seek to make an additional contribution to the understanding of who has been affected by the lockdown. Among a balanced panel of individuals who were prime-age (25 to 50) in 2020, we investigate the relationship between

1 SALDRU Researcher, School of Economics, University of Cape Town. Gabriel.espi-sanchis@uct.ac.za.

2 SALDRU Researcher and Professor, School of Economics, University of Cape Town. Murray.leibbrandt@uct.ac.za

3 SALDRU Researcher and Professor, School of Economics, University of Cape Town. Vimal.ranchhod@uct.ac.za.

individuals' labour market experience over the decade covered by NIDS (2008-2017) and their contemporary employment outcomes under the COVID-19 pandemic and lockdown as captured by NIDS-CRAM waves 1 and 2.

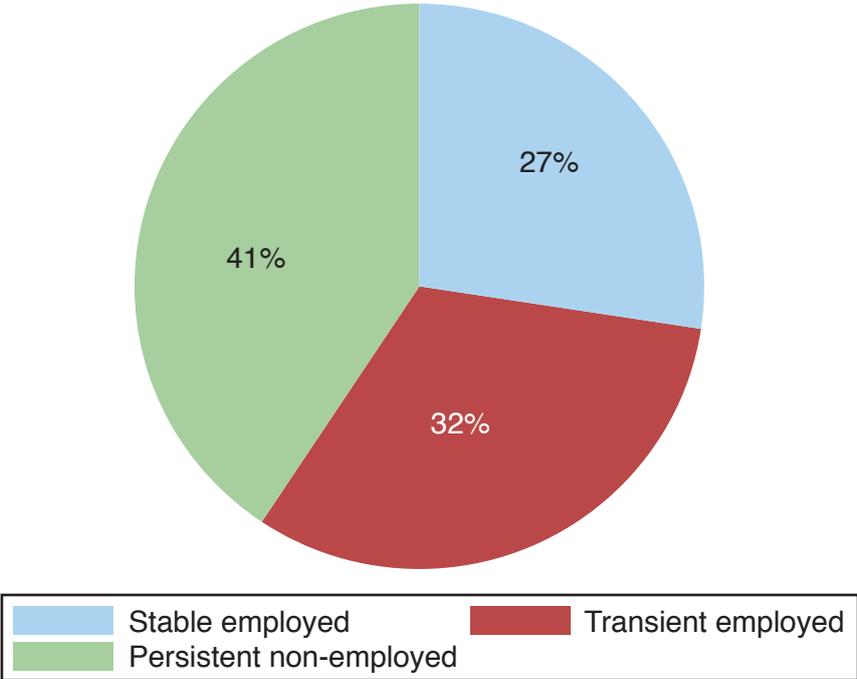
To explore this question, we first examine people's employment histories and how this correlated with pre-lockdown employment status before looking at the relationship between these employment histories and employment transitions in the time of COVID-19. Finally, we profile some of the groups with different employment histories who were affected by the lockdown in particular ways.

What were people's employment histories up to February 2020?

To capture long-term employment history over the entire period of NIDS (2008-2017) we follow Zizzamia and Ranchhod (2019) in distinguishing between three groups:

- the **'stable employed'** who were employed in 4 or 5 waves,
- the **'transient employed'** who were employed in 2 or 3 waves, and
- the **'persistent non-employed'** who were employed in 0 or 1 of the 5 waves of NIDS.

Figure 1: Distribution of employment history from five waves of NIDS among the prime-age balanced panel



Substantial differences in employment history underlie individuals' pre-lockdown employment status. 41.5% of individuals in our balanced panel had a history of persistent non-employment between 2008 and 2017 (NIDS), compared to 32% who were transient employed, moving in and out of employment frequently, and 27.5% who were stably employed in the period. Employment status immediately preceding lockdown, as captured by the February 2020 information in NIDS-CRAM, was highly correlated with this employment history. In our balanced panel 83% of the stably employed were employed in February; the respective figures for the transient employed and the persistent non-employed were 66% and 45% respectively.

What is the relationship between employment history and employment transitions in the time of COVID-19?

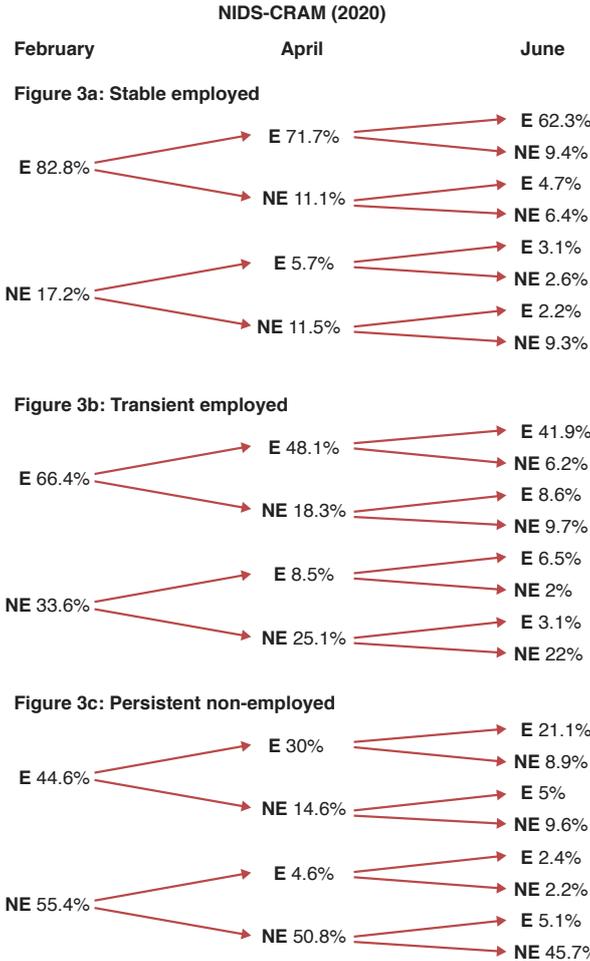
Job loss under lockdown correlated strongly with employment history. Dividing individuals into the historically stable employed, transient employed and persistent non-employed on the basis of their employment between 2008 and 2017, we find that 86% of the historically stable employed retained employment between February and April, compared with only 72% of the transient employed and 67% of the persistent non-employed who were employed in February.

The risk of job loss remained persistently high for many workers in the later stage of the lockdown. 87% of the historically stable employed who had retained their employment between February and April remained employed in June, compared to 87% and 70% of the transient employed and persistent non-employed, respectively.

Job finding rates reflected employment history, particularly in April. In both April and June there was substantial churning underlying overall employment rates, including some movement into employment. The historically stable employed were more likely to move into employment between February and April, with 34% finding work, relative to the transient employed, 25% of whom found work, and the persistent non-employed, 8% of whom found work. Job finding rates between April and June were not as clearly correlated with employment history.

Figure 2 shows the percentage of individuals that were employed (E) or non-employed (NE), and that had followed a particular previous employment path, for the stable employed, transient employed and persistent non-employed in February, April and June 2020.

Figure 2: Employment transition trees for 2020 among prime-aged individuals with differing employment histories



Notes: E = employed. NE = non-employed. Based on the prime-age balanced panel of individuals between the ages of 25 and 50 with employment status information across all periods (N = 1,530). Estimates are weighted using balanced panel weights created by the authors. For each figure all numbers show the percentage of individuals in that state (summing to 100 by column). Later columns show the percentage of individuals in an employed or non-employed state and that have followed the path showed in previous columns.

What do we know about the stable employed and the persistent non-employed?

We conduct an exploratory description of four groups, two each from opposite ends of the labour market: those with a stable employment history who remained employed in February, April and June; those with a stable employment history who were employed in February but lost work during the lockdown; those with a persistent non-employed history who remained non-employed in February, April and June; and those with a persistent non-employed history who were not employed in February but found work during the lockdown. This revealed that those with the least recorded employment were mostly younger, rural African women, while among the stable employed (who were all much more likely to be male), those who lost work in the lockdown were more likely to be African and have a rural background relative to those who retained work. Interesting to note, though, is that a group of mostly young, African males with rural backgrounds and negligible employment histories found work during the lockdown.

Table 1: Characteristics of groups following particular paths through the lockdown

Historical employment record in NIDS	Contemporaneous employment path	Mean age	Female (%)	African (%)	Long-term rural (%)	Proportion of prime-age adults in this group	N
Stable employed	Employed in February, April and June	42.55 (.59)	44.74 (4.85)	81.48 (4.73)	18.46 (4.44)	17.1	246
Stable employed	Employed in February but lost employment in April and/or June	41.65 (.94)	34.51 (6.53)	89.95 (6.37)	32.63 (6.83)	5.7	90
Persistent non-employed	Non-employed in February but found employment in April and/or June	34.64 (1.13)	57.4 (9.91)	100 (0)	58.85 (8.89)	3.8	59
Persistent non-employed	Non-employed in February, April and June	35.24 (.65)	71.48 (4.43)	93.48 (3.38)	46.91 (5.21)	18.8	280
Total sample of prime-age (25-50) adults		36.81 (.31)	54.23 (1.95)	89.02 (2.08)	33.65 (2.75)		1530

Notes:

1. Estimates are weighted using balanced panel weights created by the authors.
2. Standard errors in parentheses.
3. The four groups profiled are not exhaustive of the prime-age balanced panel used for analysis.

Conclusion

Those in the labour market have carried into the COVID-19 pandemic and lockdown their long-term labour market experience and have had to draw on their associated capacities to withstand employment shocks or gain employment. This research has shown that these historical factors have mediated labour market outcomes under lockdown, albeit within a very unstable labour market. Past inequalities in the attainment of employment have been exacerbated by the lockdown; those with more stable employment were less likely to have been adversely affected and those with inconsistent or negligible histories of employment were more likely to have lost work or have been excluded from employment opportunities.

As more waves of NIDS-CRAM become available, spanning the easing of lockdown (including the move to level 2 in mid-August) and the return to more 'regular' economic activity, it will become possible to study the extent to which different measures return to the baseline level. However, what the baseline level is can only be properly understood by looking at pre-lockdown trends. We have made the case for a lens that focusses on whether people return to their pre-lockdown labour

market state (in terms of historical stability or mobility) by reference to their long-term labour market experience as reflected in NIDS.

This work has significant implications for the framing of other research based on NIDS-CRAM, which has generally framed lockdown-era labour market statistics relative to February 2020, implicitly assigning immediate pre-lockdown employment status a dominant role in representing what economic participation was like for people before the pandemic struck. This is appropriate for assessing aggregate labour market changes due to the pandemic and the lockdown. However, it is limited in ascertaining which individuals made these transitions and understanding why. The extensive heterogeneity in employment history that we found among both the employed and non-employed in February 2020, and the significance of this heterogeneity for the way that individuals were affected by the lockdown, suggests that this understanding can be enriched by incorporating employment histories.

Policy implications

Until there is more information from later waves of NIDS-CRAM about unfolding post-lockdown labour market dynamics, these findings are indicative. However, we make the case that considering employment histories holds significant implications for understanding whose employment has been jeopardised by the COVID-19 pandemic. If even those who have shown the capacities to respond positively to the very lethargic post-2008 economy and labour market were found to be unable to adapt and cope with the COVID-19 shock this would be very daunting but important policy information. We have shown that the situation is not as dire as this and that it is useful to use the panel data to understand who has the capacities to respond to this situation and who does not. This maps onto understanding who needs temporary employment or earnings policy support and who requires more structured labour market interventions that acknowledge that the COVID-19 pandemic and the lockdown policy have made an already hostile labour market even more hostile.

Job loss rates were nearly unchanged in the later period between April and June for both the stable employed and the persistent non-employed, suggesting that the destabilising employment effect of the lockdown remained a prominent force even as it began to ease (to level 3). The particularly high rate of job loss among those with little to no employment experience means that this enduring effect of the lockdown must be urgently arrested and reversed to prevent a widespread aggravation of precariousness and joblessness among this group. Increasing the efficiency of the rollout of TERS and expanding its coverage to include workers beyond more formal workers (who are also likely to have a more stable history of employment) would contribute towards this. More needs to be done to figure out exactly who these workers are and to devise specialised and targeted programs to assist them.

Our findings indicate that while there has been some movement into employment during the lockdown, this has generally been restricted to individuals who already have long histories of employment. This suggests that those without significant work experience who have lost work in the lockdown will be the most in need of assistance in the form of grants (to help protect them against poverty over what is likely to be a longer period without employment) and direct employment creation, since they are highly unlikely to find employment without assistance. Improving the efficiency of the distribution of the SRD grant and extending the top-ups to existing grants are imperatives in the face of evidence for the high likelihood of enduring job loss and the low attainment of employment among vulnerable groups with inconsistent or limited employment experience.

Preliminary profiles of people with a history of persistent non-employment and who were not employed during the lockdown revealed that they were predominantly young African women with rural backgrounds. This combination of information about historical and contemporary employment outcomes could be used to provide more specific descriptions of these groups and to inform the targeting of interventions by determining in greater detail who it is that is most in need of this kind of assistance.

The presence of a decade of historical information means that policy planning based on findings from NIDS-CRAM does not need to, and should not, occur in a vacuum. By examining a person's long-term history one can see how that person responded to previous shocks and, significantly, previous interventions (such as the receipt of a grant or a grant increase). Researchers can also potentially investigate the extent to which someone's outcomes changed in response to the rollout of past government programs and interventions, and in some cases determine whether that person was reached by a particular program, such as the Child Support Grant. This means that this data both identifies those who have lost work and been affected by the COVID-19 crisis (in NIDS-CRAM) and provides a wealth of historical information (in NIDS) that can be used to evaluate how these same people have responded to previous interventions. This provides a unique means with which to evaluate the effectiveness of potential policy responses to the COVID-19 pandemic.

REFERENCES

Casale, D. & Posel, D. 2020. Gender and the early effects of the Covid-19 crisis in the paid and unpaid economies in South Africa. (NIDS-CRAM Reports and Publications).

Jain, R., Budlender, J., Zizzamia, R. & Bassier, I. 2020. The labor market and poverty impacts of covid-19 in South Africa. (NIDS-CRAM Reports and Publications).

Ranchhod, V. & Daniels, R.C. 2020. Labour market dynamics in South Africa in the time of COVID-19: Evidence from wave 1 of the NIDS-CRAM survey. (NIDS-CRAM Reports and Publications).

Zizzamia, R.M.A. & Ranchhod, V. 2019. Measuring employment volatility in South Africa using NIDS: 2008 – 2017. Cape Town: SALDRU. Available: <https://search.datacite.org/works/10.13140/rg.2.2.27956.50561>.

For further information please see cramsurvey.org