

NEVA MAKGETLA: It is no time to be cutting the Covid-19 safety net

Numbers on the economic recovery from lockdown show many people still desperately need support

BL PREMIUM

03 OCTOBER 2023 - 05:00



The social relief of distress grant continues to play a critical role in cushioning people from the long-lasting effects of the pandemic downturn, the writer says. Picture: ANTONIO MUCHAVE

In mid-2023, GDP and employment essentially returned to prepandemic levels. In response, the government has begun to cut the safety net measures introduced to deal with the catastrophic downturn brought by Covid-19.

However, focusing on the recovery in GDP and employment in absolute terms ignores the fact that the population is now almost 5% higher than it was before the pandemic.

As a result, average incomes are lower and joblessness is higher than before 2020. By extension, many people still desperately need basic support programmes such as the social relief of distress (SRD) grant, which provides R350 a month to those who have no other income.

It's hard to overstate the negative socioeconomic effect of the pandemic. In the second quarter of 2020, GDP plummeted 17% and employment fell 14%. For comparison, in the global financial crisis of 2008-09 GDP shrank only 2.5% and employment 6.5%. Two years after the crash, in mid-2022, the economy had returned to 2019 levels. Since then, growth has been slow and volatile. The standard deviation, which measures volatility, increased 10-fold for quarter-on-quarter GDP growth in the year to mid-2023 compared with 2019.

Trends in employment largely matched those in GDP. By mid-2023 the number of jobs in SA was only marginally lower than before the pandemic. Formal work was back at prepandemic levels and informal work was actually up by 100,000, but domestic work had lost almost 200,000 jobs.

The lost jobs mostly affected lower-level production workers as well as domestic workers. Managers and professionals saw virtually no net job losses during the pandemic, and clerical and sales jobs had recovered fully by mid-2023.

A focus on the total GDP and employment risks understating the lingering effects of the pandemic because the population did not stand still during the recovery. Stats SA estimates that the population expanded just 1% a year in 2021 and 2022, down from 1.5% before then. By extension, GDP per person in the year to mid-2023 was 3% lower than in 2019, and there were about 5.5% fewer jobs per person. As a result, for many people livelihoods still lag far behind prepandemic days.

The employment ratio, the share of working-aged people who say they are employed, is the standard measure of whether job creation is keeping up with population growth. In the second quarter of 2019 the ratio was 42%; in the second quarter of 2020, at the height of the lockdowns, it was 36%; by mid-2023, it had only risen to 40% – still significantly lower than before the pandemic.

Unusually slow growth in the late 2010s as well as SA's long-standing and unusually deep inequality increased the urgency of social programmes to mitigate the effect of the pandemic. GDP per person peaked in 2015, four years before the pandemic. It had already fallen 2% by 2019 and was 5% below 2015 levels in mid-2023. The employment ratio was 44% in 2015, or 4% higher than in 2023. The international norm is about 60%.

As long as livelihoods and employment remain well below prepandemic levels, SA still needs the programmes that were introduced in 2020 to ensure the extraordinary contraction in the economy and employment do not lead to a social disaster. In particular, the government introduced the SRD grant for working-aged adults as well as strengthening its public employment programmes. It also made payments from the surplus at the Unemployment Insurance Fund (UIF) to encourage employers to retain formal workers.

The UIF transfers were phased out in 2022 as the economy stabilised. But the SRD grant continues to play a critical role in cushioning people from the long-lasting effects of the pandemic downturn. As long as economic growth and job creation have not caught up with population growth, this kind of safety net will remain crucial in SA.

• *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*

BDTV

[Read more →](#)



Stock Watch - 05 Oct 2023 | The Close

14 hours ago

26:07

Next video

5:39

Watch: The state of the mining sector

 15 hours ago


8:01

Market Report - 05 Oct 2023 | The Close


 15 hours ago

8:19

Watch: Transport month - Sasol bets on green...

 18 hours ago

Market Report 2023 | Busine

 19 hour