

Addressing Economic Exclusion in South Africa in the Face of COVID-19

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Economic exclusion has long been a serious problem in South Africa as the country has struggled with inequalities of different sorts and high unemployment. CoVID-19 has worsened these problems by causing a significant loss of jobs and (small scale) businesses. Although the South African government has put in place measures to minimize the negative impact of the pandemic, more needs to be done to address the issues not only in the short term, but also in the post-COVID era.

What is the status of economic exclusion in South Africa?

Economic exclusion refers to a situation where some individuals or groups of people within an economy have limited or no participation in the activities and benefits of that economy. In South Africa, economic exclusion has long been a key challenge due to its high incidence of poverty and inequality. As of 2019, the country was ranked the most unequal country in the world with 65 percent of its income shared by its top earning 10 percent (World Inequality Database, 2019). The country has a consistently high unemployment rate (28.74 percent in 2020) with the lowest unemployment rate achieved since the 90s being 22.41 percent (in 2008). This signals the high labour market exclusion that has come to characterise the country. And despite being the wealthiest country in Africa in terms of total private wealth (Statista, 2020), poverty remains high with more than 55 percent (30.3 million people) estimated to have been in poverty as of 2014 (World bank, 2020).² In 2020, up to 13.8 million people (25 percent of the population) had inadequate access to food.

Table 1: Indicators of economic exclusion in South Africa

Welfare and inequality measure as of 2014	Number of poor (million)	%
National Poverty Line	30.3	55.5
International Poverty Line - US\$1.90 (2011 PPP) per day per capita	10.3	18.9
Lower Middle Income Class Poverty Line - US\$3.20 (2011 PPP) per day per capita	20.5	37.6
Upper Middle Income Class Poverty Line - US\$5.50 (2011 PPP) per day per capita	31.1	57.1
Multidimensional Poverty Measure		19.3
Gini index		63.0

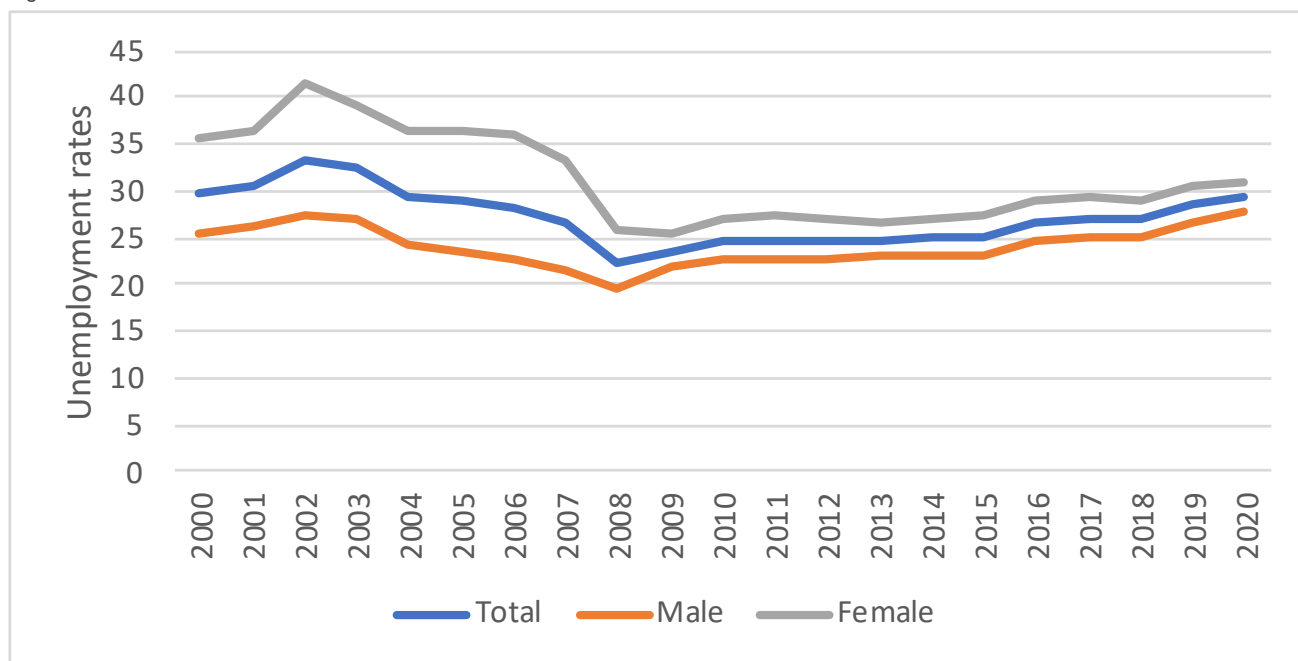
Source: World Bank

Economic exclusion in South Africa is gendered, with women being more economically excluded than men (Figure 1). In the labour market, unemployment is higher among women than men (29,5% versus 25.3% as

1 The South African Institute of International Affairs (SAIIA) is an independent public policy think tank advancing a well-governed, peaceful, economically sustainable and globally engaged Africa.
 2 https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_ZAF.pdf

of second quarter of 2018) (Labour Force Survey). According to the Statistics South Africa (Stats SA), women were also poorer than their male counterparts with nearly half (49.9 percent) of female headed households living below the Upper Bound Poverty Line (UBPL) compared to 33 percent of male headed households.

Figure 1: Labour Market Exclusion in South Africa



How has economic exclusion been exacerbated with COVID-19?

The COVID-19 pandemic has exacerbated historical challenges of economic inclusion, inequality, and poverty. Between February and April 2020, South Africa experienced a 40% net decline in active employment following the country's first COVID-19 lockdown (Budlender J.R et.al. (2020)). Of the 40 percent, nearly half lost their jobs permanently with most job losses occurring for manual labourers (24 percent) compared to service providers/operators (12 percent) and professionals (5 percent). Furthermore, 15 to 30 percent of the people that lost their jobs fell into poverty. Nevertheless, following the suspension of the lockdown and a partial recovery of economic activities, employment levels have recovered to pre-lockdown levels, but we are yet to see the permanent effects on poverty, quality of jobs, food accessibility, health, education, and other facets of economic exclusion.

Employment effects of COVID-19 were worse for demographic groups that are traditionally disadvantaged. Following the first lockdown, the probability of losing employment was higher among women (30.38%) than men (21.34%), among black people (27.85%) than white people (10.90%), among the youth (31.24%) than those in their prime (23.20%), and for the less educated (30.03 percent if no matric) than the more educated (16.18 percent if with post-matric education) (Ranchhod, V. & Daniels, R. C (2020)). Thus COVID-19 has increased economic exclusion in the traditionally marginalized groups by increasing inequalities in employment and therefore income.

Table 2: Probability of Job Loss Across Different Demographics

By gender	By race				By age		By education				
	All	Men	Women	Black	Coloured	Asian	White	18-29	30-49	>matric	<matric
Pr(job loss)	25.55	21.34	30.38	27.85	23.11	26.63	10.9	31.24	23.2	30.03	16.18

Labour market exclusion is often a direct cause of exclusion from the goods and services market. This is because paid work is the biggest source of income among vulnerable populations and without it, acquisition of goods and services becomes more challenging.³ COVID-19 caused a significant decline to the accessibility of goods and services by many households. The pandemic had a negative impact on access to food, education, and health services (Figure 1) among other essential goods and services. The

³ According to GHS 2018, wages made up 70 percent of incomes of non-grant receiving households in South Africa.

NDIS-CRAM survey shows that in April 2020, 47 percent of households ran out of money to buy food and 24 percent experienced hunger. This prevalence of food insecurity was much higher compared to the pre-pandemic period. Data from the 2018 GHS for instance shows that 21 percent of households run out of money to buy food in the 12 months prior to the survey, while the number of families that experienced hunger in those 12 months was 14 percent.

The pandemic also caused an increase in education inequalities among children thus increasing exclusion of pupils from families of lower social economic status. During first lockdown and school closures, more pupils from richer families continued to learn compared to those from poorer families. Mohohlwane, N. et.al. (2020). Specifically, it was found that 49 percent of pupils from the top 10 percent richest households continued to learn during the COVID-19 induced school closures while less than 19 percent of pupils from the bottom 80 percent continued to learn during that period. These differences across social economic classes reflect differences in accessibility of remote learning and the fact that some schools, mostly private schools, had applied for some of their pupils in certain grades to continue learning.

Another service that saw increased exclusion due to the pandemic was health. The pandemic saw a reduced access to health services particularly among poorer households. Burger, R. et.al. (2020) found that while attitudes towards and fears of contracting the coronavirus was the main reason for this, transport and money problems were also important reasons for not seeking health care especially among the uninsured. Other factors that explained income-related health inequalities in the COVID-era included household experience of hunger and employment status (Nwosu, C. & Oyenubi, A (2020)). Furthermore, as priorities in the public health sector were shifted from other health services towards the COVID-19 pandemic including the turning of some facilities into full-fledged COVID-19 centres, options for the other services were automatically reduced and this disproportionately affected the poor people who depend on public health facilities more than their rich counterparts.

The high economic exclusion in South Africa correlates with negative social economic outcomes including crime and violence. Evidence from some qualitative studies have pointed at factors such as high unemployment, poverty, and lack of education opportunities as causes of crimes, particularly youth crime (Ward 2006, World Bank 2010). Bruce (2015) also proposed that a spike in violence against women perpetrated by men following the Community Work Program (CWP) on crime and violence implemented in Cape Town, was a result of unequal distribution of the jobs created by the program between men and women. This further supports that exclusion can be a source of crime. More recently, the looting of businesses following the jailing of former president Jacob Zuma has also been partly attributed (by some analyst including Professor Mcebisi Ndletyana of the University of Johannesburg) to social economic struggles facing most people in the country especially in the wake of the pandemic.

Addressing economic exclusion in South Africa

With the COVID-19 pandemic worsening economic exclusion of vulnerable households, the South African government adopted some measures as a way of minimizing the economic hardships faced by these communities. The government allocated an extra ZAR 50 billion for social support to vulnerable households (including the Social Relief of Distress (SRD) grants), ZAR 40 billion in wage support through the Unemployment Insurance Fund (UIF), ZAR 100 billion of support for small and medium enterprises (SMEs) and informal businesses, and ZAR 200 billion in credit guarantees to small SMEs. However, these and other social protection measures previously implemented are short term measures whose benefits with regards to economic exclusion may not be long lasting. In the short to medium term, the government should consider prolonging the SRD grants and possibly turn it into the building block of a basic income grant accessible to the informally employed and food poor. In the longer term, addressing the structural social economic problems such as education will be key. In this regard, government should invest more in education by targeting poor students with the aim of facilitating intergenerational educational mobility so that new generations are included in the labour market and by extension the goods and services market.

Government should also put more efforts in addressing all inequalities along racial and gender lines as evidence has shown that gender and racial inclusivity has many advantages that accrue to society. To achieve this, government should ensure that issues of economic and social inequalities are mainstreamed in all economic policy and strategy documents in the country and that these are fully implemented. Evidence show that South Africa's policy and strategy documents are generally sensitive to issues of poverty, inequality, and social exclusion, but not so much in terms of legislation (Plagerson, S. and Mthembu, S. (2019)). It is therefore important that amendments to some legislations be made to incorporate issues relating to economic exclusion so that such issues are fully adhered to by all stakeholders in the country.

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