



# COVID-19's Impact on the Labour Markets of Middle-income Countries: The Case of South Africa

7th Regulating for Decent Work Conference  
*Sher Verick, ILO*

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## Motivation

COVID-19 crisis has resulted in a devastating impact on labour markets, which has been more severe than the global financial crisis (GFC), especially in middle-income countries

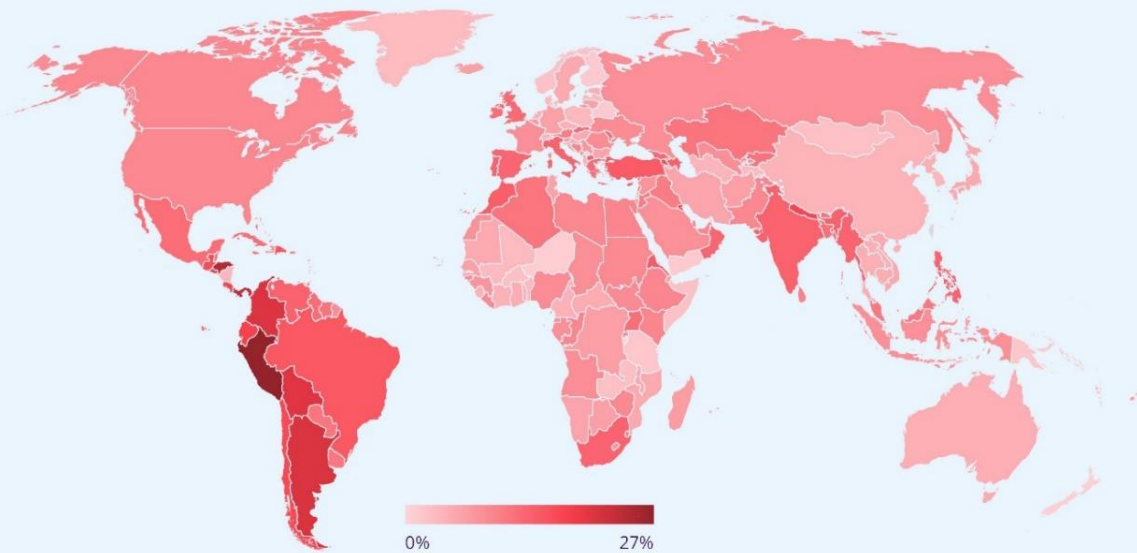
- Global GDP declined by 3.3% in 2020 compared with 0.1% in 2009
- Employment fell by 3.5% last year versus positive growth (0.4%) in 2009 – employment declined in DCs by 3.8% in 2020 compared with +0.9% growth in 2009.

South Africa was badly effected by the GFC – With a GDP decline of 1.5%, employment fell by around 800,000 over 2009 and 2010 (relative to 2008)

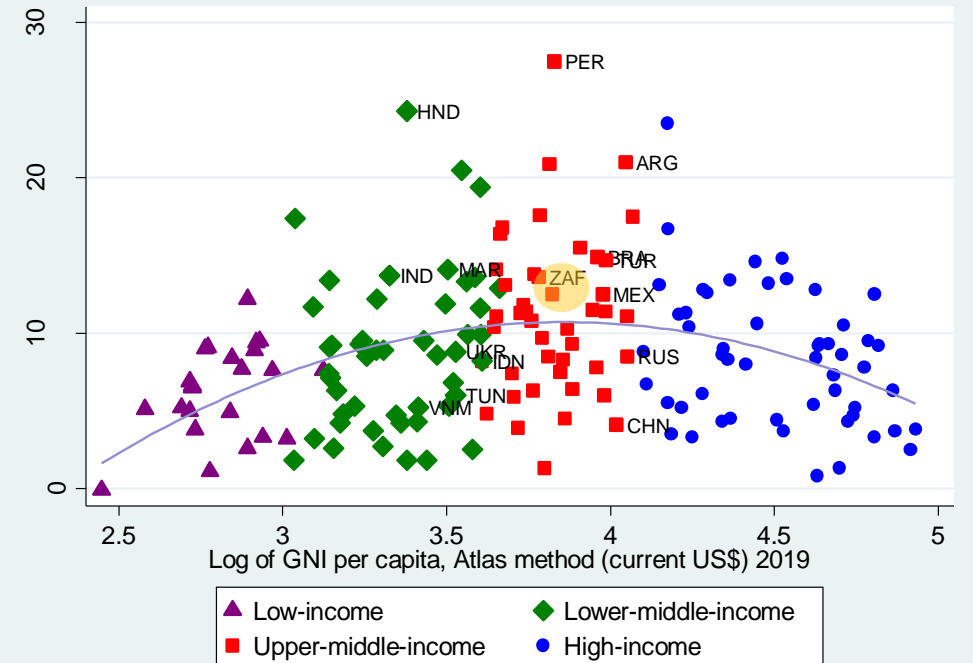
- Employment losses in 2009 -> a much larger increase in discouraged individuals rather than those defined as ‘narrowly’ unemployed; the broader unemployment rate, which includes discouraged workers, increased more among young people, black South Africans and those with low levels of education (Verick 2012)

# COVID-19 has impacted all countries but some worse than other (working-hour loss estimates for 2020)

► Figure 3. Working hours lost around the world in 2020 relative to the fourth quarter of 2019 (percentage)



Source: ILO nowcasting model (see Technical Annex 1).



## Motivation

COVID-19 crisis has hit South Africa hard, coming after a number of years of weak economic growth – contrasts the GFC, which followed a period of stronger growth and improving labour market trends

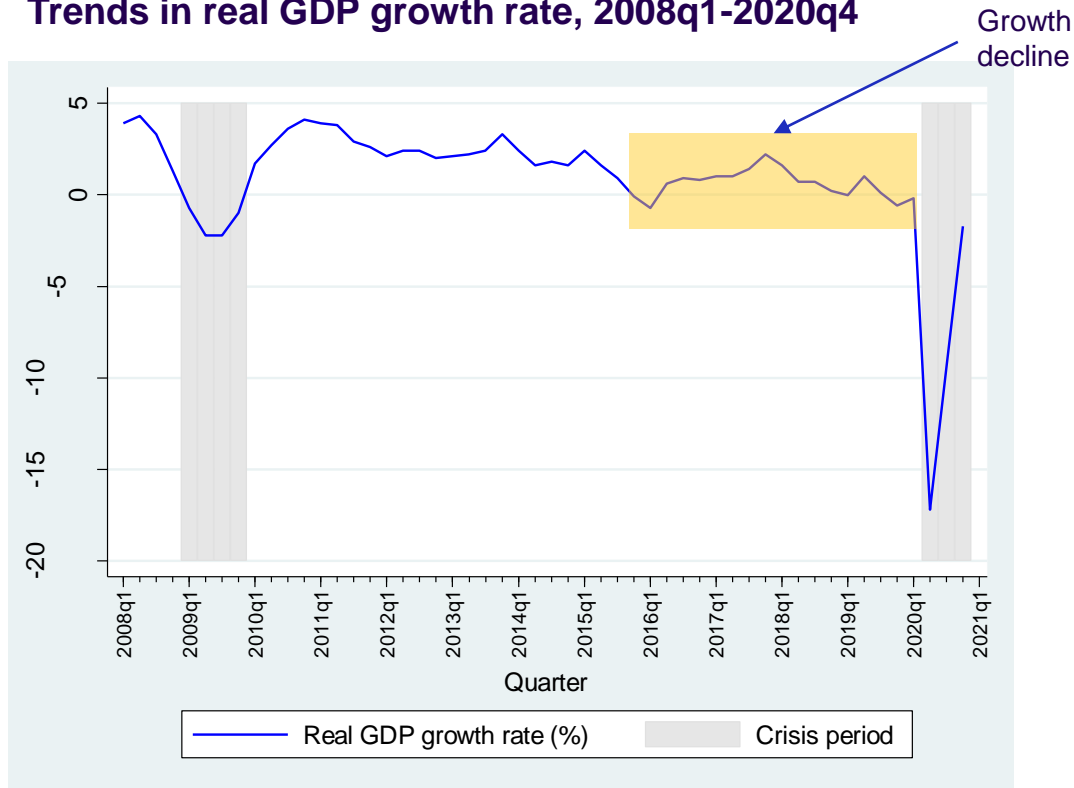
- GDP has declined in 2020 by almost 7%, while working-hour losses are estimated at 13.6% in 2020 (vs. 8.8% losses globally)
- Total employment fell by 2.16 million in 2020Q2 – annual decline reached 1.32 million in 2020
- The effects on employment, unemployment and inactivity have been more widespread

Presentation will cover

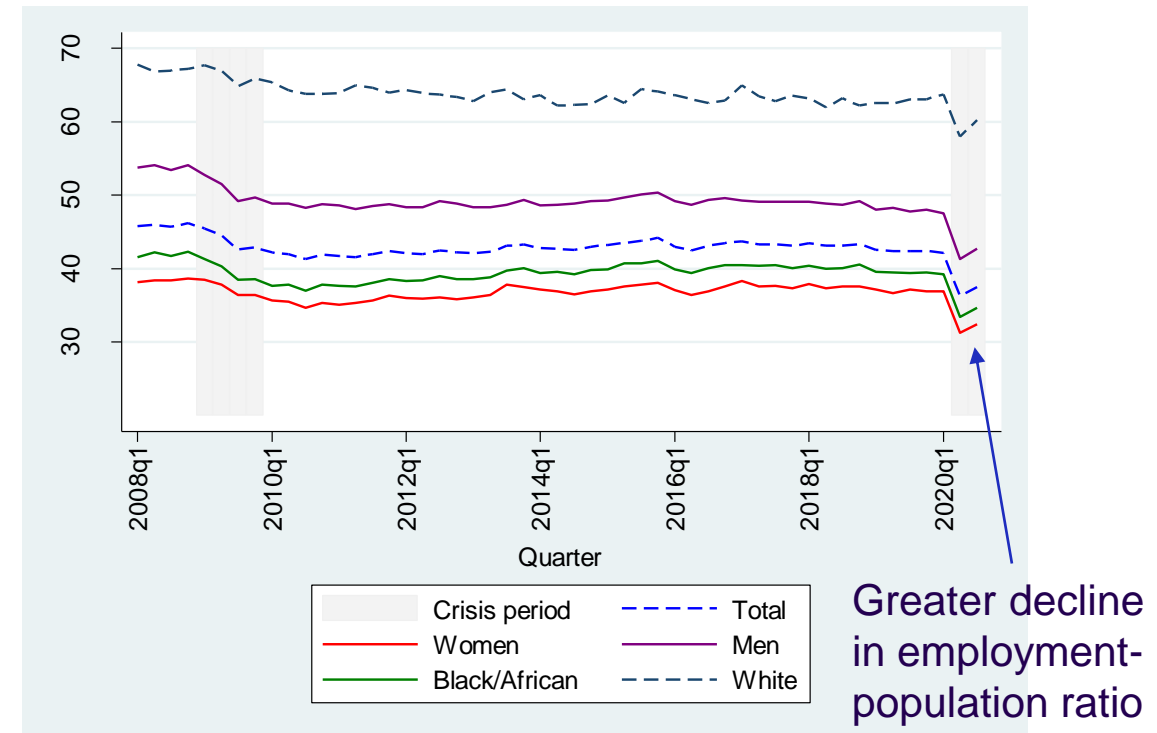
- Economic and labour market trends
- Analysis of labour market outcomes and key determinants
- Implications for policy

## Economic and labour market trends in South Africa, 2008-2020

Trends in real GDP growth rate, 2008q1-2020q4



Trends in employment-to-population ratio, 2008q1-2020q3

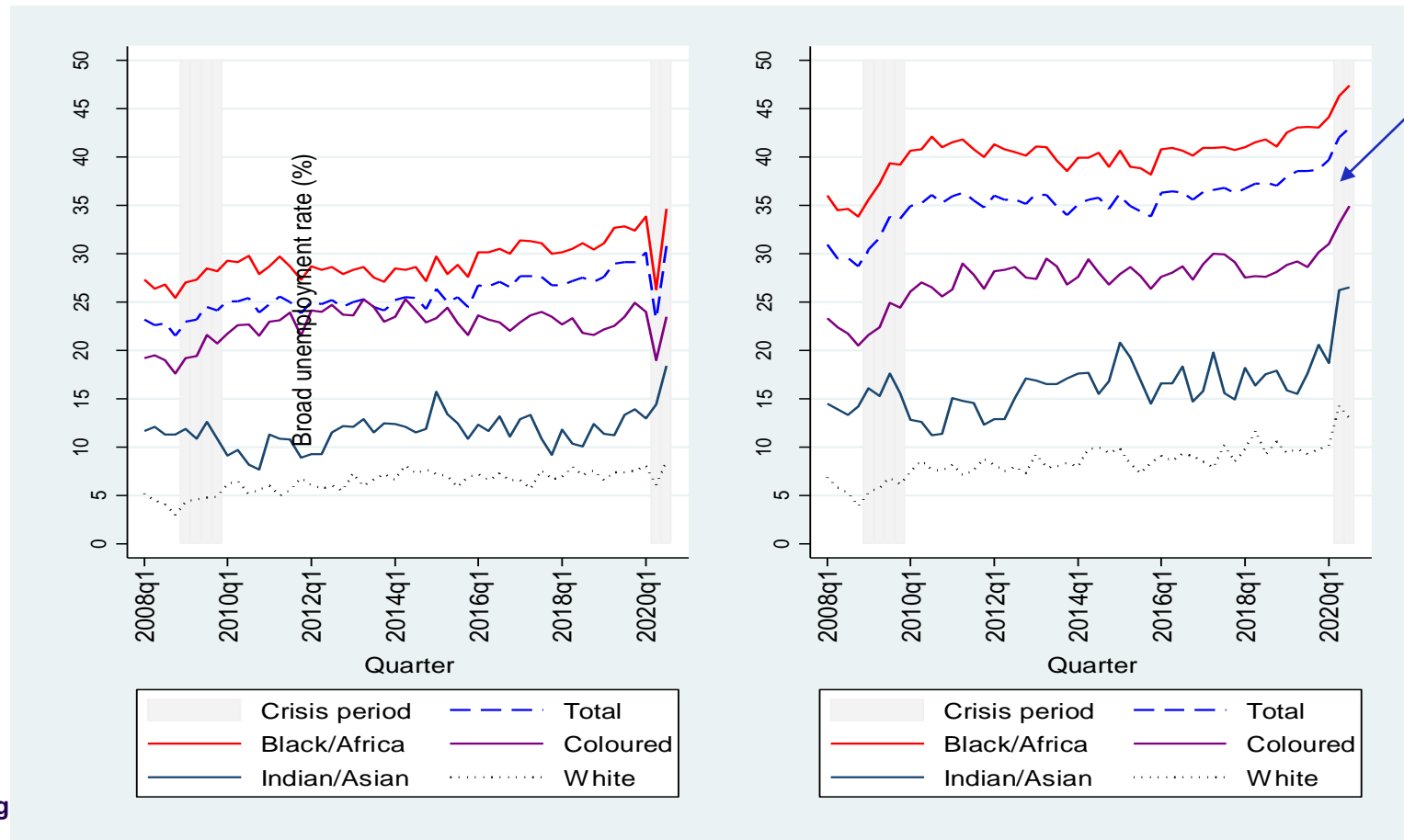


## Trends in the unemployment and broad unemployment rate by demographic group, 2008Q1-2020Q3



Greater increase in broad unemployment rate comparing 2008Q4/2009 Q4 and 2019Q3/2020 Q3

## Trends in the unemployment and broad unemployment rate by population group, 2008Q1-2020Q3



Greater increase in broad unemployment rate

## ► Analysis of labour market outcomes and key determinants

A model of labour market status is estimated separately for before and after the onset of both the global financial and COVID-19 crises using the micro-data files of the Quarterly Labour Force Survey of Statistics South Africa

- Four labour market states: employment; unemployment; discouraged workers; and other forms of inactivity
- Use five time periods: pre-GFC – 2008Q1-Q4; GFC – 2009Q1-Q4; pre-COVID-19 crisis – 2019Q1-Q4; and COVID-19 crisis – 2020Q2 and 2020Q3
- Estimated separately for women and men

Estimate marginal effects but also use the predicted probabilities to highlight changes



## Results – marginal effects

In comparison to black/Africans, coloured, Indian/Asian and white South Africans are more likely to be employed and less likely, in general, to be unemployed and discouraged.

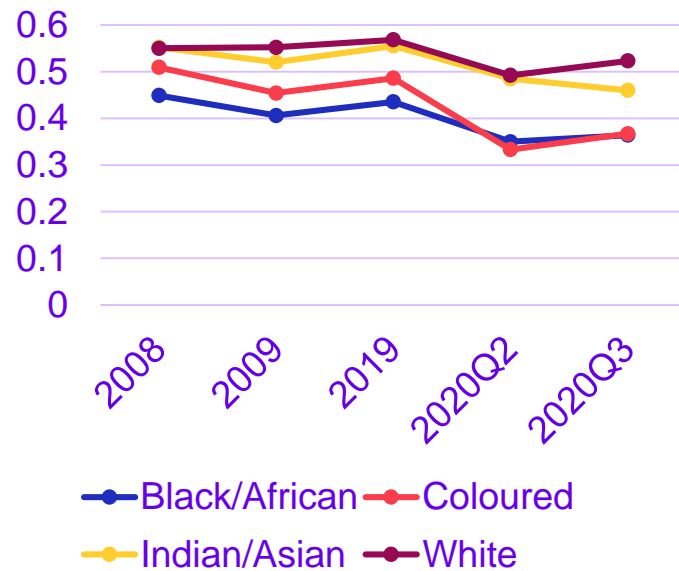
- However, the MEs for coloured South Africans weaken (relative to black/African) for the COVID-19 crisis period, which indicates that the differences between the groups were not as strong during the downturn in 2020 (though not so in 2009).

As also found in Verick (2012), educational attainment has the largest marginal effect on labour market status

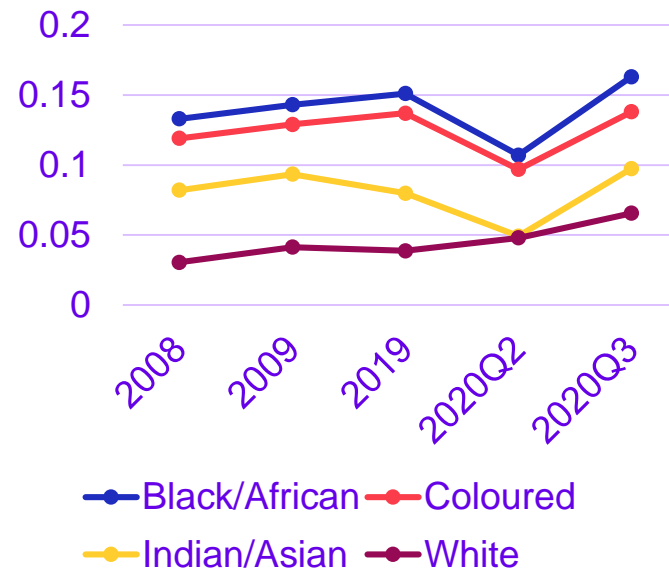
- Tertiary educated males were 25.5 points more likely to be employed in 2008 compared with those with no education, while the difference is 38.4 points for women. Higher educated were less likely to be discouraged.
- During the COVID-19 crisis period, differences between MEs (men and women) have weakened in terms of the relationship between most levels of educational attainment (apart from tertiary educated) and the probability of being unemployed and discouraged -> education is not “protecting” workers as much

## Results - predicted probabilities by population group - men

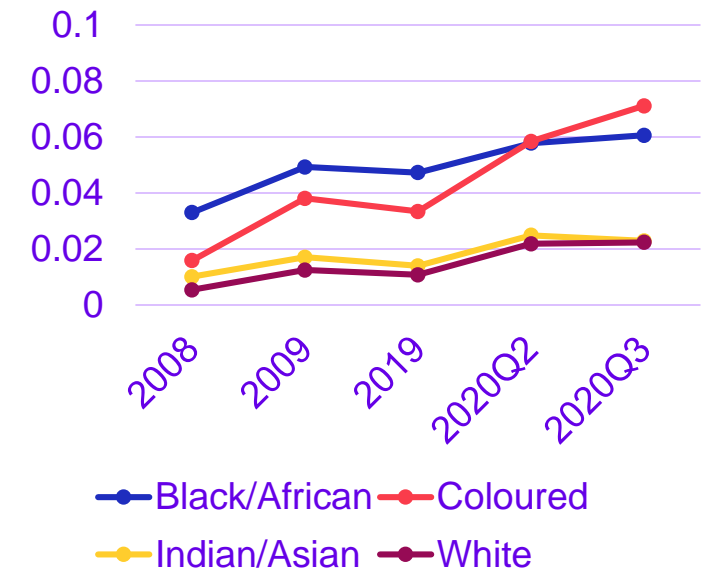
Predicted probability of employment - men



Predicted probability of unemployment - men

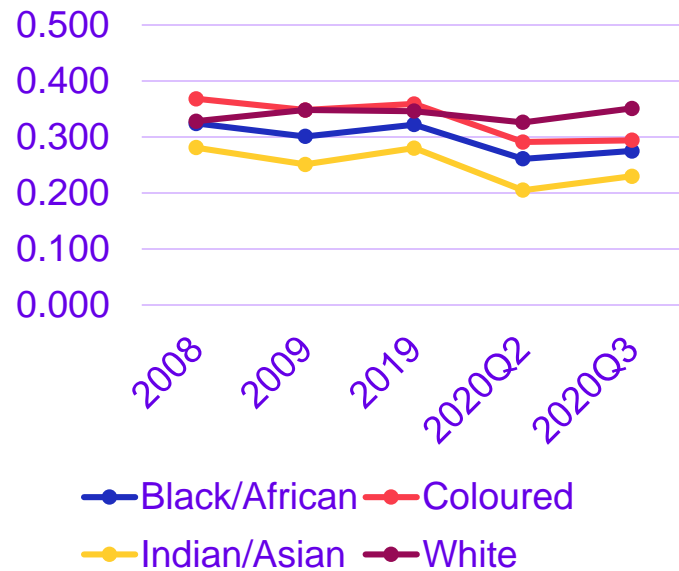


Predicted probability of discouragement - men

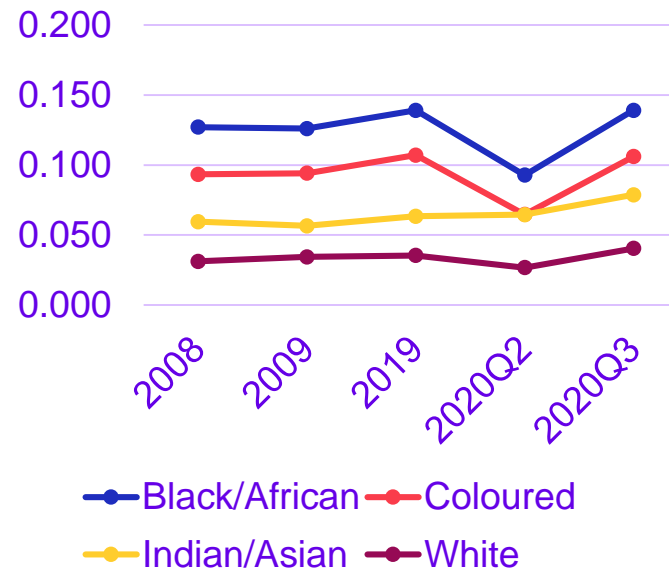


## Results - predicted probabilities by population group - women

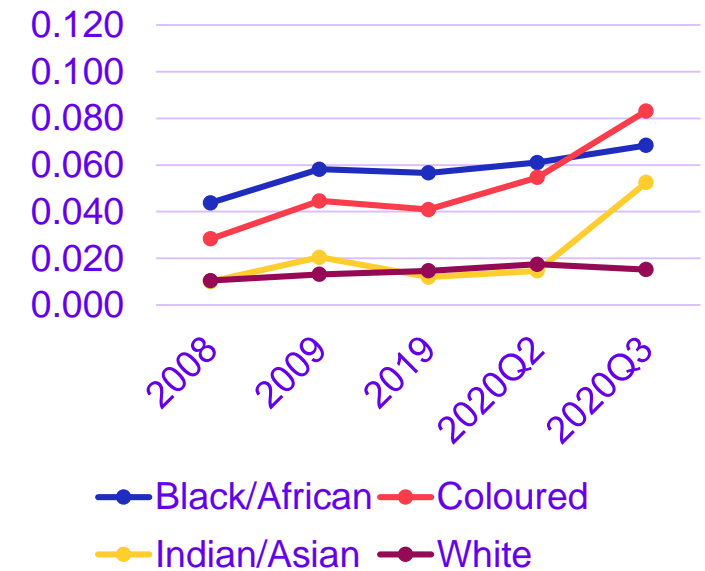
Predicted probability of employment - women



Predicted probability of unemployment - women



Predicted probability of discouragement - women



## ► Policy implications and conclusion

The COVID-19 crisis has had severe and broader effects on the South African labour market in 2020 with a more widespread impact by population/educational group – but the effects are still likely to exacerbate inequality since the effects of the crisis are lower for certain groups (white South Africans, those with tertiary education) -> worse for the most vulnerable (if you combine the effects of race and educational attainment, for example)

There is a strong case for maintaining an accommodative stance to macroeconomic policy

- But the challenge of increasing investment and creating jobs requires other policy responses
- Supporting hard-hit groups, including black and coloured South Africans, through other measures, including ALMPs – discouragement of workers remains a key challenge