COVID GENERATION

What we know about Covid-19 and the South African labour market

RESEARCH NOTE

By Timothy Köhler

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What we know about COVID-19 and the South African labour market

Timothy Köhler[1]

July 2023

ABSTRACT

As a input[2] to the Covid-Generation project, this background research note provides an overview of the South African labour market during the course of the COVID-19 pandemic. Making use of a sample of over 600 000 observations of working-aged[3] individuals from Statistics South Africa's nationally-representative Quarterly Labour Force Survey (QLFS), this note examines trends from 2019 to 2023 in employment, unemployment and labour force participation as well as working hours among the employed. In the analysis of the labour force survey data, a focus is also placed on the youth who face particularly high rates of unemployment and volatile employment. A literature review also sheds light on the varied effects of the pandemic across groups of individuals, as well as the effects of two key labour market-related policies introduced in response to the pandemic.

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3 Working-age is defined here as 15 to 64 years of age.

SUMMARY

Labour market trends during the lockdown period: South Africa's lockdown policy restricted both workers and jobseekers from participating in the labour market. The onset of the pandemic saw net employment contract by 14 percent from quarter 1 (Q1) 2020 to quarter 2 (Q2) 2020 - 2.2 million fewer workers – equivalent to the amount of jobs growth during the prior decade. Among those who remained employed, a large share of individuals (16 percent or 2.3 million workers) became furloughed, working zero hours. This suggests that active employment fell by 27 percent (or 4.3 million workers), nearly double the contraction rate for overall employment (see also Ranchhod and Daniels, 2021). But this development was temporary, with working hours returning to the pre-pandemic pattern after Q2 of 2020.

At the pandemic's onset, many job-losers and jobseekers left the labour force entirely, causing a significant contraction in labour supply. From Q1 2020 to Q2 2020, there was a temporary *contraction* of 39 percent (or 2.8 million fewer unemployed individuals) in unemployment under the narrow (actively searching) definition. This together with the drop in net employment caused labour supply, as measured by the (narrow) labour force participation rate, to shrink by 22 percent. Consequently, the number of "economically inactive" adults rose by 33 percent or 5.2 million individuals.

Labour market recovery post-lockdown: Employment levels gradually recovered and reached their pre-pandemic level by the end of 2022. However, despite notable labour market improvements during 2022 with continued growth in labour force participation and employment and reductions in unemployment, the labour market remained only partially recovered. Accounting for population growth, as of Q1 2023 unemployment rates remain elevated while the absorption rate (the share of the working-age population who are employed) had yet to reach its pre-pandemic level.

Youth (15-24 years) labour market trends: Relative to non-youth (25-64 years), labour market trends show larger employment impacts of the COVID-19 lockdown on youth (15-24 years). Despite already facing extreme rates of unemployment and hence representing the minority of pre-pandemic workers (just 7 percent), at the pandemic's onset the youth were three times more likely to experience job loss relative to their older counterparts. Among those who remained employed, changes in working hours were similar to that experienced by older workers. Like the non-youth, a significant number of youth job-losers and jobseekers exited the labour force entirely between Q1 2020 and Q2 2020, but unlike them, thereafter their return was largely characterised by unsuccessful job search, resulting in a stagnant employment level until the end of 2021. Thereafter, youth employment experienced a rapid rate of recovery and had returned to pre-pandemic levels by early 2022. Unfortunately, the stubbornly high pre-pandemic (Q1 2020) broad youth unemployment rate of 70 percent also characterised the first quarter of 2023.

Inequalities in labour market outcomes: Several studies have highlighted significantly uneven impacts of the pandemic across demographic and labour market groups. Notably, those who could neither work-from-home nor were working in 'essential' jobs and those who faced greater pre-existing economic vulnerability were disproportionately negatively affected, thus reinforcing labour market inequalities. This includes women, African or Black individuals, the less educated, less-skilled workers, informal workers, those residing in urban informal settlements and other poor neighbourhoods, and the youth (Ranchhod and Daniels, 2021; Shifa et al., 2021; 2022; Daniels and Casale, 2022; Espi-Sanchis et al., 2022; Köhler et al., 2022a; 2023a; Turok and Visagie, 2022; Yu et al., 2023). Consequently, the distribution of job loss was regressive and hence translated into significant increases in poverty.

Policy responses: Several policies were introduced in response to the pandemic to support firms, workers, and households. Two which held particular relevance to the labour market were the Temporary Employer-Employee Relief Scheme (TERS) – a wage subsidy which aimed to save jobs – and the Social Relief of Distress (SRD) grant – an unconditional cash transfer which aimed to provide income relief. Together, these policies targeted workers in both the formal and informal sectors as well as the unemployed. The existing empirical literature suggests that both were largely successful in providing relief to varied labour market groups (Köhler and Bhorat, 2020; Barnes et al., 2021; Bassier et al., 2021b; Bhorat and Köhler, 2021; Bhorat et al., 2021; Bassier et al., 2022; Köhler and Hill, 2022; Köhler et al., 2022b; 2023b; Visagie and Turok, 2022; Bhorat et al., 2023), however more research is required to arrive at a comprehensive assessment of their effects.

INTRODUCTION

It is now widely documented that the COVID-19 pandemic created a crisis of a magnitude not experienced for several generations, affecting a wide array of interdependent health, social, and economic domains. In labour markets in particular, measures adopted by governments to curb the spread of the virus disrupted both labour supply, by restricting the activities which individuals could engage in outside the household, as well as labour demand, for instance by regulating which industries could remain operational. As a consequence, in economies of all levels of development, the number of workers and jobseekers contracted sharply while economic inactivity surged in the short-term. Crucially, these effects were not evenly distributed but instead tended to be concentrated on those already in precarious labour market states, widening pre-existing inequalities. Similar dynamics have taken place in South Africa, a country which already faced extreme levels and rates of unemployment of a persistent, structural nature prior to the pandemic.

This note provides an overview of the evolution of the South African labour market during the course of the COVID-19 pandemic. It does so by, first, making use of a sample of over 600 000 observations of working-aged[4] individuals over four years from nationally-representative labour force survey data – Statistics South Africa's Quarterly Labour Force Survey (QLFS) – to examine trends in both extensive- and intensive-margin outcomes from 2019 to 2023.[5] Throughout this examination, a focus is placed on the youth who face particularly high rates of unemployment and volatile employment. Thereafter, a comprehensive but not necessarily exhaustive literature review sheds light on the heterogenous effects of the pandemic across groups of individuals, as well as the effects of two key labour market-related policies introduced in response to the pandemic.

PANDEMIC IMPACTS ON EMPLOYMENT, UNEMPLOYMENT AND LABOUR FORCE PARTICIPATION (EXTENSITVE MARGIN EFFECTS)

a. Labour market trends among the working aged population (15-64 years)

It is immediately clear that the pandemic had significant and persistent effects on the South African labour market. As shown in Figure 1, the onset of the pandemic saw net employment contract by 14 percent quarter-on-quarter (13 percent year-on-year) or 2.2 million workers from the first to the second quarter of 2020, representing approximately a decade's worth of jobs growth lost. Concurrently, there was a temporary *contraction* in unemployment (i.e. fewer people were unemployed) under the narrow (actively searching) definition of 39 percent (or 2.8 million individuals). As such, the narrow unemployment rate *decreased* sharply from 30.1 percent just before the pandemic to 23.3 percent in the second quarter of 2020. This contraction in unemployment did not reflect an improved labour

4 Working-age is defined here as 15 to 64 years of age.

5 While other data sources are available, this note does not aim to be an exercise in data harmonisation but instead focuses on estimates from South Africa's official source of labour market statistics given its larger sample sizes and temporal coverage. The interested reader is referred to Daniels et al. (2022) and Köhler et al. (2023a) for discussions on changes to the QLFS and a comparison to an alternative representative survey conducted during the pandemic.

market over this period but rather reflects changes in the meaning and nature of work and constraints on job search during the lockdown period.[6] With both fewer workers and jobseekers, labour supply contracted significantly, as reflected by the 22 percent lower (narrow) labour force participation rate (LFPR). However, it does not appear that the unemployed simply transitioned from a searching to a non-searching state. Under the broad definition, which additionally includes the non-searching unemployed, unemployment also fell but only by 5 percent (or 540 000 individuals). Rather, a large share of job-losers and jobseekers left the labour force entirely, as reflected by the surge in economic inactivity of 33 percent or 5.2 million individuals. Importantly, this increase in inactivity was not driven by an increase in discouragement, considering that the level of discouraged individuals *reduced* from 2.9 million to 2.5 million, but rather by individuals not being able to participate in the labour market due to lockdown restrictions.[7] Together, these dynamics reflect the nature of South Africa's lockdown policy which restricted both workers and jobseekers from participating in the labour market.

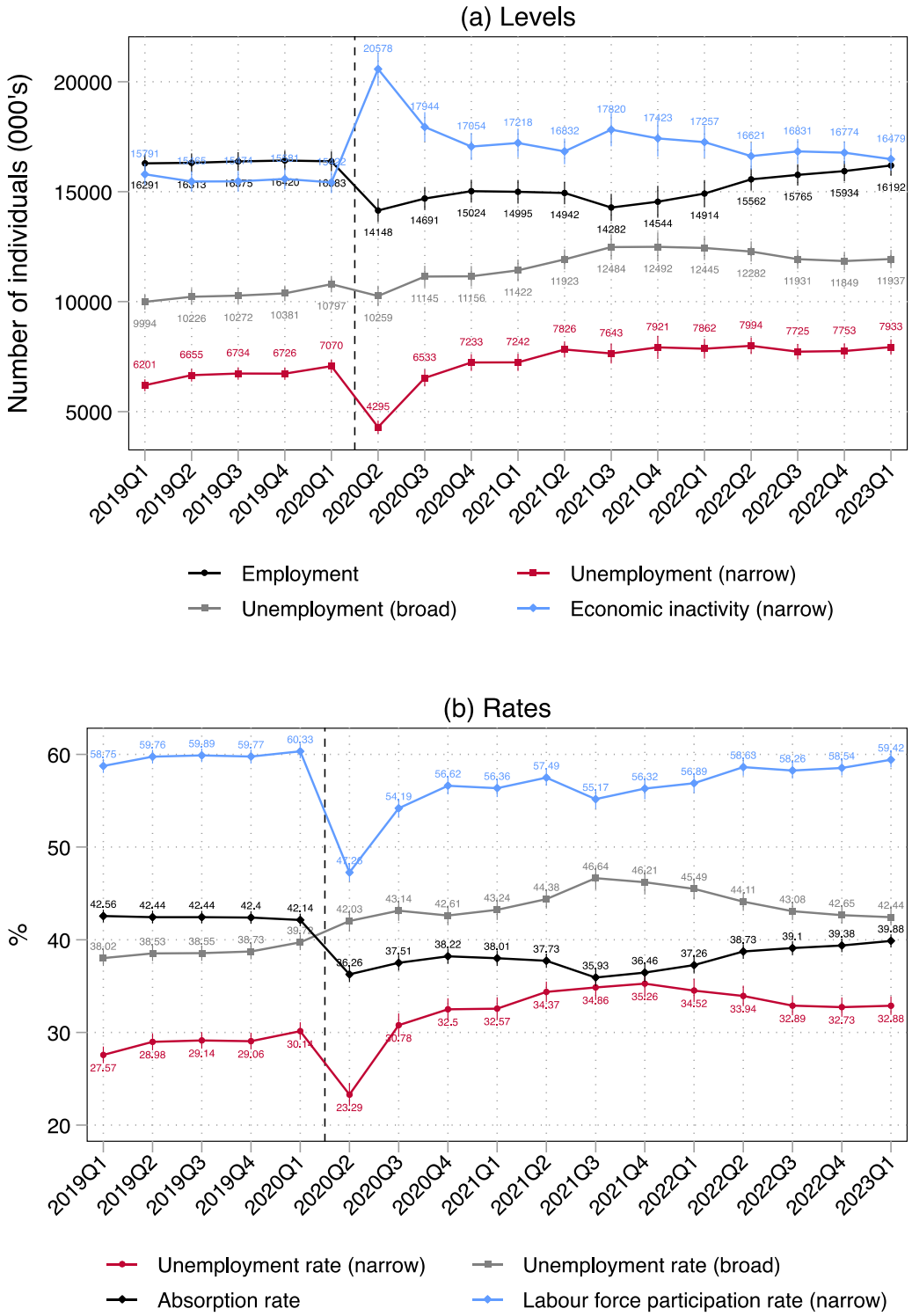
"Despite labour market improvements during 2022…the labour market remains only partially recovered…as of 2023Q1 both unemployment rates remain elevated while the absorption rate had yet to reach its pre-pandemic level. "

As lockdown restrictions were eased and the economy re-opened, the labour market partially recovered. By the end of 2020, employment stood at 8 percent below the pre-pandemic level, reflecting a partial recovery of approximately 40 percent of all jobs lost on net. Concurrently, from the second to the fourth quarter of 2020, both labour force participation and economic inactivity approached their pre-pandemic levels. Thereafter however, the recovery not only stalled with employment levels remaining statistically unchanged for nearly a complete year, but was effectively reversed in 2021Q3 back to a similar level at the pandemic's onset. This latter contraction is expected to be attributable to a combination of another wave of COVID-19 infections, associated lockdown restrictions, as well as a wave of socio-political unrest (Vhumbunu, 2021). Since then, employment levels gradually recovered and, statistically, reached their pre-pandemic level by the end of 2022, exhibiting a weak W-shaped trajectory in contrast to the optimistic V-shaped recovery many governments had hoped for (Mayhew and Anand, 2020). Importantly, despite labour market improvements during 2022 reflected by the continued growth in participation and employment and reduction in unemployment, the labour market remains only partially recovered. Accounting for population growth, as of 2023Q1 both unemployment rates remain elevated while the absorption rate had yet to reach its pre-pandemic level.

6 This contraction in the narrow unemployment rate is simply explained by a larger reduction in the term's denominator (the sum of employment and searching unemployment) relative to the numerator (searching unemployment).

7 When respondents who reported discouragement were asked "What was the main reason you did not want to work last week?", just under 30 percent reported an "Other" reason and specified this as the national COVID-19 lockdown. This represents an increase from just 6 percent in the pre-pandemic period (2020Q1), and accounts for nearly all (98 percent) of the total quarter-on-quarter change in the number of economically inactive individuals.

Figure 1: Trends in labour market levels and rates (extensive-margin) among working aged population (15-64 years), 2019Q1 – 2023Q1



Own calculations. Source: QLFS 2019Q1 – 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). Spikes represent 95 percent confidence intervals. Vertical line represents the onset of the COVID-19 pandemic in South Africa.

b. Impacts on youth and non-youth

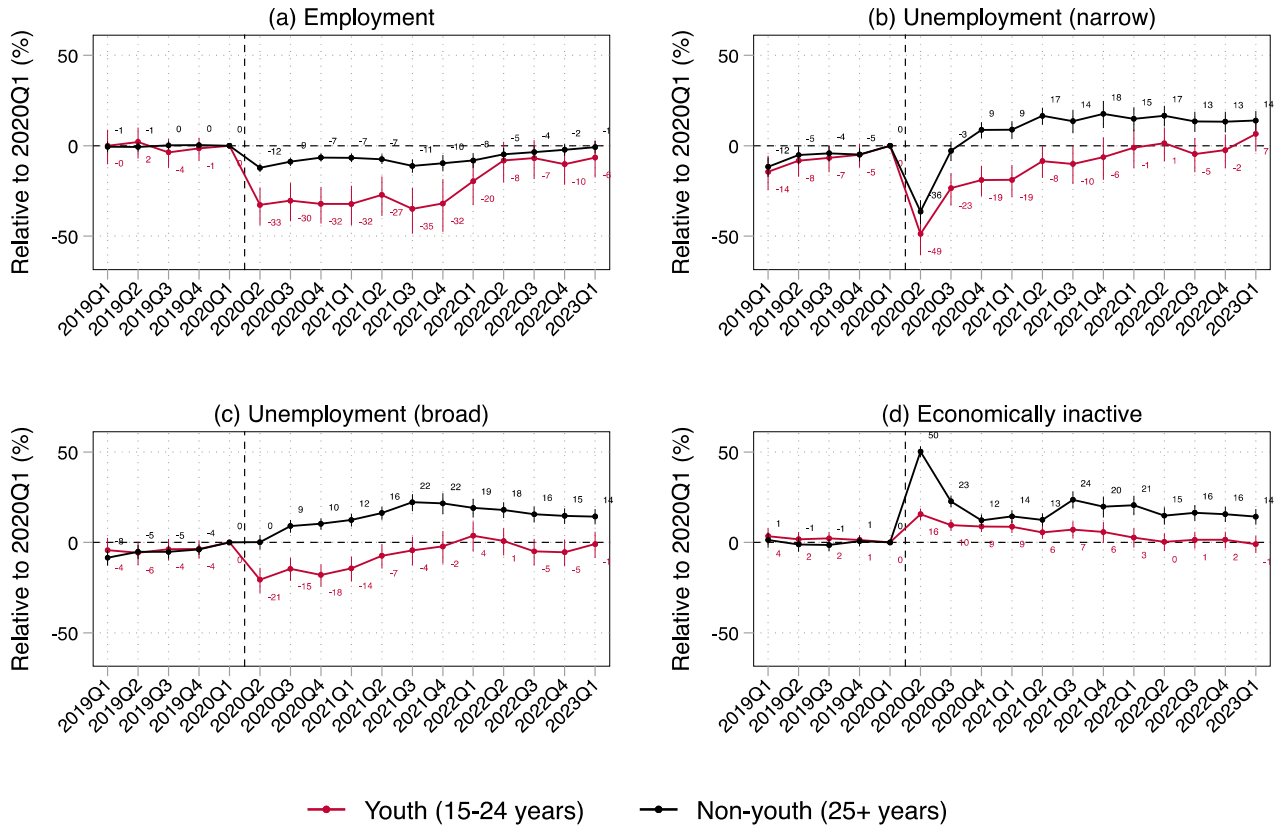
Focusing now on two age cohorts – youth (15-24 years) and non-youth (25-64 years) – as shown in Figure 2 and Table 1, it is clear that the youth were largely more severely affected on the extensive-margin. Despite facing the highest pre-pandemic unemployment rate by age cohort (43 and 70 percent in the first quarter of 2020 by the narrow and broad definitions, respectively) and representing the minority of pre-pandemic workers in the country (1.2 million or 7 percent), in relative terms the year-on-year contraction (comparing the second quarter of 2019 and 2020) in youth employment was nearly three times that of non-youth employment (34 versus 12 percent, respectively), reducing the youth's employment share to 5 percent.[8] This contraction was sticky for youth but not for the non-youth. While non-youth employment partially recovered at a gradual pace during the remainder of 2020, youth employment remained stagnant until the end of 2021. Although delayed, youth employment later experienced a rapid rate of recovery. While non-youth employment had only fully recovered by the end of 2022, youth employment had reached a level statistically similar to their pre-pandemic level (the first quarter of 2020) already in the second quarter of 2022.[9] However, when considering employment rates which account for population growth, both groups remained only partially recovered by the first quarter of 2023.

"Despite already facing extremely high rates of unemployment and representing the minority of workers prior to the pandemic, the youth were three times more likely to experience job loss than their older counterparts at the pandemic's onset."

The data suggests that, at the onset of the pandemic, youth job-losers and jobseekers largely transitioned into a state of inactivity – that is, they exited the labour force entirely. The number of youth jobseekers reduced by nearly half (49 percent quarter-on-quarter, or 800 000 individuals) while simultaneously the number of economically inactive[10] youth increased by as much as 16 percent (or 1.2 million). Similar dynamics are exhibited among the non-youth, albeit at different magnitudes.[11] During the remainder of 2020 and 2021, this trend gradually reversed with many youth having transitioned out of inactivity and into job search but not employment, as indicated by a stagnant employment level and rising level of unemployment by either definition. For most of 2022 and the beginning of 2023, the levels of all extensive-margin outcomes among the youth have remained relatively constant at their pre-pandemic levels.

8 Trends in employment levels by age cohort are presented in Figure A1 in the appendix.
9 This difference may be attributable to the youth- targeted public employment programs available during this period; however, much more analysis is required to make such a conclusion confidently.
10 The economically inactive youth include students, home-makers, and discouraged jobseekers. Students made up the majority of this group - approximately three in every four individuals - both before and during the pandemic.
11 Notably, broad unemployment remained unchanged among the non-youth but contracted among the youth.

Figure 2: Relative trends in extensive-margin labour market levels across youth (15-24) and non-youth (25+ years), 2019Q1 – 2023Q1



Own calculations. Source: QLFS 2019Q1 – 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). Spikes represent 95 percent confidence intervals. Estimates in levels presented in Figure A1 in the appendix. Vertical line represents the onset of the COVID-19 pandemic in South Africa.

Table 1: Levels and changes in net employment by age cohort, 2019 – 2023

	2019		2020		2023		Change (%)		Share of change (%)	
	000's	Share (%)	000's	Share (%)	000's	Share (%)	2019-2020	2019-2023	2019-2020	2019-2023
Total	16 313	100.00	14 148	100.00	16 192	100.00	-13.27***	-0.74	100.00	100.00
	(218)		(268)		(239)					
Youth (15-24 years)	1 168	7.16	769	5.44	1 069	6.60	-34.11***	-8.44*	18.40	81.84
	(43)		(48)		(42)					
Non-youth (25-64 years)	15 145	92.84	13 379	94.56	15 123	93.40	-11.66***	-0.14	81.60	18.16
	(203)		(251)		(222)					

Own calculations. Source: QLFS 2019Q2, 2020Q2, and 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). Standard errors presented in parentheses. Change estimates calculated using adjusted Wald tests. *** p<0.01, ** p<0.05, * p<0.1.

PANDEMIC IMPACTS ON THE WORKING HOURS OF THE EMPLOYED (INTENSIVE-MARGIN EFFECTS)

In addition to impacting levels and rates of employment, unemployment and labour force participation (extensive margin effects), the pandemic also had significant effects on the working hours of the employed (intensive-margin effects). As shown in Figure 3,[12] the pandemic induced a notable short-term change in the shape of the working hours distribution, specifically at the bottom-end. While the distributions for the pre-pandemic (2019) and 2021 - 2023 distributions are all similar, the 2020 quarter 2 distribution exhibits a large density at zero working hours.[13] This indicates that at the onset of the pandemic, a large share of individuals – 16 percent or 2.3 million workers – remained employed but became not "actively" employed or, in other words, "furloughed". This suggests that "active" employment fell by 27 percent (or 4.3 million workers), which is nearly double the contraction rate for overall employment. This aligns with other studies which, despite using an alternative dataset, document a similar reduction of "active" employment (Ranchhod and Daniels, 2021).[14] This development however appears to have only been temporary. After the second quarter of 2020, the working hours distribution quickly returned to its pre-pandemic shape.

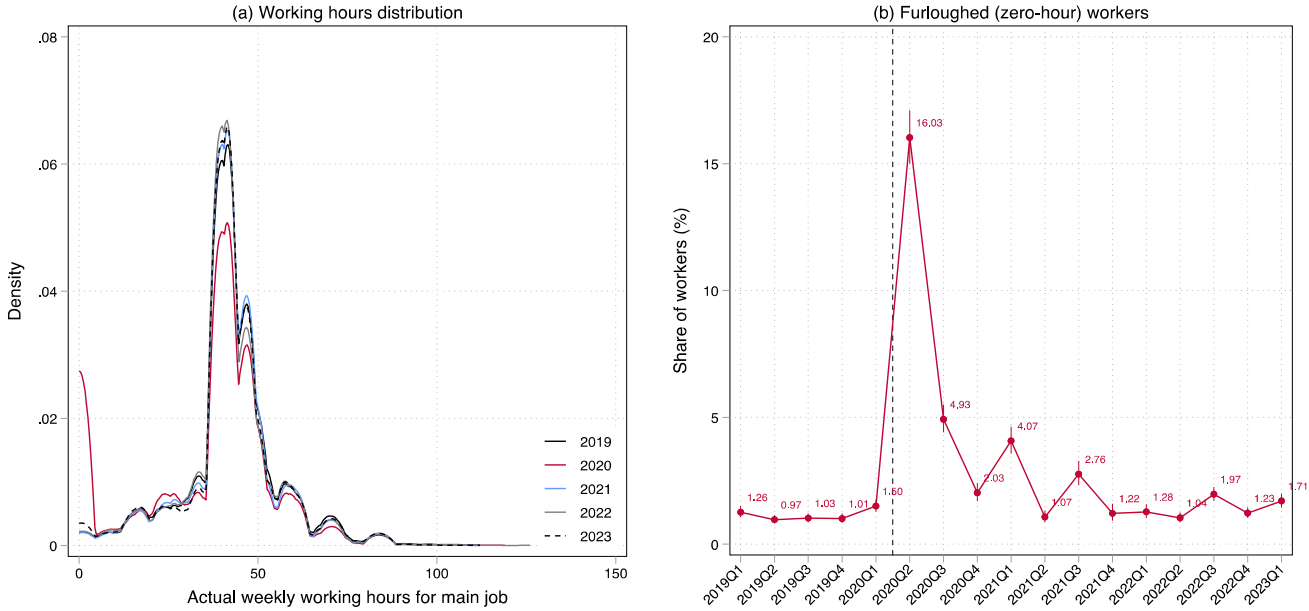
Considering the two age cohorts, it appears that youth and non-youth workers experienced a similar change in working hours. As shown in Figure 4, while the youth worked approximately one additional hour per week than the non-youth prior to the pandemic, at the pandemic's onset both groups' working hours reduced by about 7 hours per week on average, or between 17 – 18 percent. It's clear that this drop in the mean was primarily driven by a surge in non-active or "furloughed" employment among both groups, also of a similar magnitude. Thereafter, the working hours distributions for both the youth and non-youth quickly returned to their pre-pandemic shapes with marginal but statistically insignificant fluctuations throughout 2021 and 2022.

12 There are several items in the QLFS relating to working hours, which vary by a given worker's number of jobs and their "usual" versus "actual" working hours during a reference day or week. Here, data on "actual" weekly working hours for a given worker's main job is used, where main job is defined as the job where a worker usually works the most hours per week. Workers with multiple jobs comprise the minority of workers (less than 0.5 percent in the average wave). "Actual" weekly working hours stem from the question "How many hours did [respondent] actually work on x?" which is repeated for each weekday x (including Saturday and Sunday) and then summed to arrive at a weekly value, and "usual" weekly working hours stem from the question "How many hours does [respondent] usually work each week?". Although "usual" working hours have the advantage of not being affected by special features of the reference week, such as public holidays, arguably "actual" working hours is more appropriate in the context of the pandemic when various lockdown regulations created or affected the disparity between hours usually and actually worked. However, for completeness the relevant distributions using data on "usual" working hours are reported in Figure A2 in the appendix.

13 A set of Kolmogorov-Smirnov equality-of-distributions tests suggest that the 2020 distribution is statistically significantly different from all other year-specific distributions.

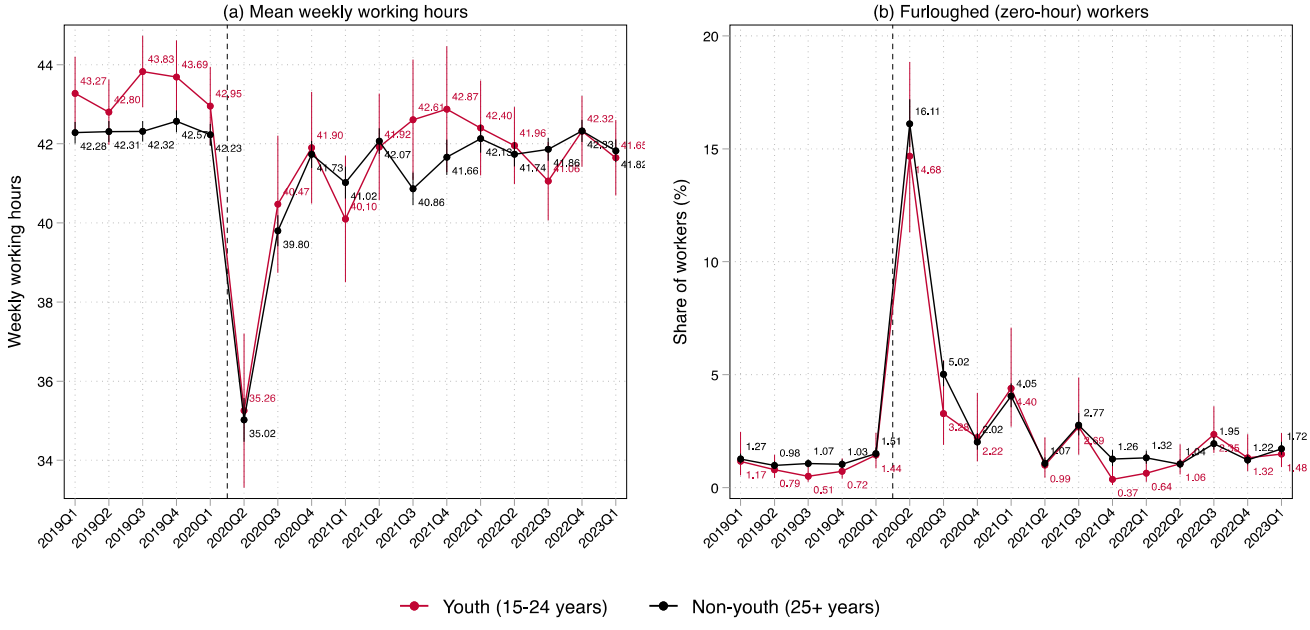
14 If expressed in terms of the employment-to-population (EP) ratio, this is indicative of a 28 percent reduction, which is in line with Ranchhod and Daniels (2021) who, using an alternative dataset, estimate a similar but slightly higher reduction in the EP ratio of 34 percent, which is not surprising considering they estimate a similar rise in the share of "furloughed" workers from 3 percent in February 2020 to 19 percent in April 2020.

Figure 3: Trends in weekly working hours, 2019 – 2023



Own calculations. Source: QLFS 2019Q1 – 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). In panel (a), data from quarter 2 of each year is used with the exception of 2023 due to data availability where quarter 1 is used. In panel (b), spikes represent 95 percent confidence intervals. Working hours data based on actual weekly working hours for workers with one job as well as multi-job workers for their main job. Vertical line represents the onset of the COVID-19 pandemic in South Africa.

Figure 4: Trends in weekly working hours by age cohort, 2019 – 2023



Own calculations. Source: QLFS 2019Q2, 2020Q2, 2021Q2, 2022Q2, and 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). Spikes represent 95 percent confidence intervals. Working hours data based on actual weekly working hours for workers with one job as well as multi-job workers for their main job. Vertical line represents the onset of the COVID-19 pandemic in South Africa.

One additional key intensive-margin outcome to consider would be wages. Unfortunately, such an analysis is excluded here due to issues surrounding the quality of the public release QLFS wage data, which includes problematic imputations by Statistics South Africa to address item non-response. Several studies have highlighted how the use of the public release wage data produces implausible estimates; however, a comprehensive discussion of these issues is out of this note's scope. The interested reader is referred to the relevant literature (Wittenberg, 2017; Kerr and Wittenberg, 2019; Bhorat et al., 2021; Kerr, 2021; Kerr and Wittenberg, 2021; Köhler et al., 2023b). While data exists in alternative sample-based surveys conducted during the pandemic, these data suffer from significantly smaller sample sizes, representivity issues, and limited time periods. As such, until Statistics South Africa makes the underlying, unimputed QLFS wage data – which has been shown to be much more reliable – available to researchers, very limited evidence will exist on wage dynamics during the pandemic in the country.

"Until Statistics South Africa makes the underlying, unimputed QLFS wage data available to researchers, very limited evidence will exist on wage dynamics during the pandemic in the country."

OTHER KEY LABOUR MARKET IMPACTS AND POLICY RESPONSES: A LITERATURE REVIEW

a. Heterogenous effects

As is now well documented, the labour market effects of the pandemic were unevenly distributed across multiple groups. This section presents a brief overview of the empirical literature on this distribution of effects.

On aggregate, the pandemic caused a substantial number of job losses which translated into significant increases in poverty in the short- and medium-term. Using data from the NIDS-CRAM,[15] Ranchhod and Daniels (2021) show that conventional employment rates contracted by approximately 16 percent from February to April 2020 at the pandemic's onset, which is only marginally larger than the QLFS estimate above. On the intensive margin, on aggregate approximately 200 million working hours (or 28 percent) were lost, driven by a surge in many workers becoming "furloughed" (Köhler et al., 2022a). Considering only workers who worked a positive number of days, Bassier et al. (2021a), as an update to Jain et al. (2020a; 2020b), show that active employment contracted by 40 percent from February to April 2020. Half of this contraction comprised job terminations, as opposed to

15 National Income Dynamics Survey – Coronavirus Rapid Mobile Survey.

becoming furloughed. The authors estimate a partial (half) recovery by June 2020 and a return to pre-pandemic level employment rates already by October 2020. While these dynamics are consistent with trends in monthly production data, they are inconsistent with those in the QLFS. Daniels et al. (2022) examine and describe the sources of these differences.[16] Jain et al. (2020a) examine the poverty implications of these job losses, estimating that up to one third of job-losers fell into income poverty at the pandemic's onset. Using an alternative approach, Bassier et al. (2022) use the QLFS to estimate that these job losses translated into the headcount poverty rate increasing by 7 percent, or nearly 2 million people, while concurrently increasing the depth of poverty among the already impoverished by 12 percent.

Job losses were expected to be unevenly distributed and, in particular, concentrated among workers who neither work in 'essential' jobs nor could work-from-home (WFH), who tend to be lower-wage workers. Kerr and Thornton (2020) use pre-pandemic data to estimate that this group comprised the majority of workers – 63 percent – and highlight a concentration at the bottom of the wage distribution, implying greater job loss probabilities among low-wage workers.[17] Indeed, Köhler et al. (2023a) show that this component of the government's lockdown policy – the classification of 'essential' jobs – had a significant, negative causal effect on employment rates at the pandemic's onset. Given the classification of 'essential' jobs was partially a function of COVID-19 transmission risk and hence workplace physical interaction, Bhorat et al. (2020) also use pre-pandemic data to build an index to measure workplace physical interaction across occupations in the South African labour market. In line with Kerr and Thornton (2020), they show that occupations with more physical interaction in the workplace are associated with lower WFH potential, which tend to remunerate lower wages. These findings are in line with studies which use data collected during the pandemic, showing that the 22 – 27 percent of workers who were able to WFH during 2020 and 2021 earned two to three times higher wages than those who were not able to (Benhura and Magejo, 2021; Nwosu et al., 2021).

A large amount of evidence in the global literature shows that the pandemic disproportionately affected women relative to men. This is primarily because men and women tend to perform different roles in both the labour market and the household.[18] Such gendered effects were also evident in South Africa. At the pandemic's onset, according to NIDS-CRAM data, women accounted for two-thirds net job losses despite representing less than half of the pre-pandemic employed population (Casale and Posel, 2021; Casale and Shepherd, 2022).[19] Concerningly, these employment effects persisted over the course of 2020 and 2021 (Casale and Shepherd, 2022; Mosomi and Thornton, 2022). Even among those who remained employed, women experienced a larger reduction in working hours and a concurrent rise in additional childcare in the household (Casale and Posel, 2021; Mosomi and Thornton, 2022). Casale and Shepherd (2022) show that changes in the amount of time women spent on childcare closely tracked the closure and re-opening of schools. These dynamics also had implications for gender wage inequality: Hill and Köhler (2021) estimate that, conditional on several

16 Specifically, Daniels et al. (2022) show that much of the differences in estimates from the QLFS and NIDS-CRAM are due to (i) different initial conditions, (ii) different reference periods, and (iii) the measurement of uncertain job attachment. Importantly, the authors conclude that these differences render the two datasets not strictly comparable but complementary when analysing different aspects of the labour market during the pandemic.

17 For example, the authors estimate that 72 percent of workers in the bottom 50 percent of the wage distribution are neither considered 'essential' nor could WFH, in contrast to 39 percent of workers in the top 10 percent.

18 Women predominate many 'non-essential' occupations which cannot be performed remotely, and concurrently because school and childcare facility closures led to a greater care burden among women with children within the household given entrenched social norms, women were expected to be more adversely affected than men.

19 While this finding contrasts that of the QLFS which suggests men and women experienced a statistically similar magnitude of net job loss at the pandemic's onset, Mosomi and Thornton (2022) note that the QLFS does show that more women dropped out of the labour force than men.

demographic and labour market characteristics, the average gender wage gap widened from 29 percent just prior to the pandemic to 43 percent during June 2020. Together then, it can be said that the pandemic reversed some of the noteworthy gains made in reducing gender inequality during the post-apartheid period.

Another global pattern evident in the South African context is that informal workers suffered greater job losses compared to their formal counterparts. Of the 2.2 million net jobs lost at the pandemic's onset, informal sector workers accounted for half of all net jobs lost despite representing just 25 percent of pre-pandemic employment (Köhler at al., 2022a). More broadly, the informally employed[20] – who operate both inside and outside the informal sector – accounted for 68 percent of all net jobs lost at the pandemic's onset (Rogan and Skinner, 2022). These uneven effects are in line with Köhler et al. (2023a) referenced above who find that the negative employment effects of one of the core components of the government's lockdown policy – the classification of 'essential' jobs – was driven by effects on the informal sector. The authors also show that the more stringent lockdown levels negatively affected informal (but not formal sector) employment, while less stringent levels negatively affected formal (but not informal sector) employment.[21] This higher vulnerability to job loss has broadly been attributed to the characteristics of informal sector jobs, such as a higher likelihood of being in contact-intensive industries, a lower likelihood of being able to WFH, and fewer legal protections such as paid leave and unemployment insurance (Fox and Signe, 2020; ILO, 2020; Ngameni, 2020; Köhler et al., 2023a).

Several other studies highlight uneven effects across other demographic and labour market groups, with the overarching finding that those who faced greater pre-existing economic vulnerability were disproportionately negatively affected. In addition to the above groups, this includes African or Black individuals, the less educated, lower-and semi-skilled workers, those residing in urban informal settlements and other poor neighbourhoods, and the youth (Ranchhod and Daniels, 2021; Shifa et al., 2021; 2022; Daniels and Casale, 2022; Espi-Sanchis et al., 2022; Kohler et al., 2022a; Turok and Visagie, 2022; Yu et al., 2023). Overall, given that South Africa's labour market is the dominant driver of several measures of socio-economic welfare in the country, these outcomes have thus reinforced and widened pre-existing inequalities in the country.

"Studies highlight uneven effects across other demographic and labour market groups, with the overarching finding that those who faced greater pre-existing economic vulnerability were disproportionately negatively affected."

20 Informal employment is broader than informal sector employment in that it includes all workers in the informal sector as well as employees in the formal sector and persons employed in private households who are not entitled to a pension or medical aid and who do not have a written contract of employment.

21 The authors argue that these heterogenous effects may be explained by the differential timing and targeting of two of the government's core economic support policies: a wage subsidy which temporarily targeted only formal sector workers (the Temporary Employer-Employee Relief Scheme) and a new unconditional cash transfer which targeted support to the unemployed but included informal sector workers (the Social Relief of Distress grant).

b. Policy evaluations

The South African government introduced a range of economic support policies at the onset of the pandemic, many of which were extended and revised as the pandemic progressed. These largely comprised tax relief measures, labour market programmes, and an expansion of social protection on both the intensive- and extensive-margins. Collectively, these provided relief to firms, workers, the unemployed, and individuals residing in poor households. Here, focus is placed on two core policies which were particularly relevant to the labour market – the Temporary Employer-Employee Relief Scheme (TERS) and the Social Relief of Distress (SRD) grant – which together targeted workers in both the formal and informal sectors as well as the unemployed.

Introduced at the end of March 2020, the TERS was a wage subsidy scheme which provided relief to workers who suffered income loss due to a full or partial closure of their employer's operations. The policy's primary aim was to mitigate job loss. Considering South Africa's extreme levels of unemployment, the TERS was arguably the country's most important labour market intervention during this period. The interested reader is referred to Köhler and Hill (2022) for a comprehensive description of the policy. Cumulatively, over 5.7 million workers had benefitted during the policy's two years at a cost of R64 billion. Existing evidence suggests that the TERS policy was largely successful in its aim of saving jobs, at least during the beginning of the pandemic. Köhler and Hill (2022) estimate a positive and robust association between TERS receipt and job retention during the beginning of the pandemic. However, their analysis is correlational and not causal in nature. Köhler et al. (2022b; 2023b) overcome this limitation and find that the policy increased the probability of remaining employed by 16 percentage points in the short-term, implying that it saved at least 2 million jobs during April and May 2020 at an average cost of R13 195 per month per job saved.[22] Importantly, Köhler et al. (2023b) estimate that two-thirds of recipients were inframarginal and would have remained employed anyway in the policy's absence, arguably due to the prioritisation of rapid disbursement of relief over accurate targeting at the time.[23] These findings are in line with simulations which suggest that the policy helped mitigate the pandemic's effects on earnings (Barnes et al., 2021).

Introduced in April 2020, the SRD grant is an unconditional cash transfer of R350 per person per month. The grant is distinct from other grants in the country's relatively comprehensive post-apartheid social assistance system in that it is the first to target unemployed adults. Despite this criterion, informal workers also benefited, which was not unexpected given the ability of the verification systems to distinguish these workers from the unemployed (Köhler and Bhorat, 2021).[24] The interested reader is referred to Gronbach et al. (2022) and Bhorat et al. (2023) for comprehensive descriptions of the policy. At its peak, the grant brought over 10 million previously unreached adults into the system (SASSA, 2022) and remained in place at the time of writing, although was scheduled to be terminated in March 2024. Existing evidence suggests that the SRD has been progressively distributed and has had positive effects on welfare and labour market outcomes. Application for and receipt of the grant was pro-poor (Köhler and Bhorat, 2020), which is reflected by the observation that individuals in households in typically poorer areas were significantly more likely to receive the grant relative to their more affluent counterparts (Visagie and Turok, 2022). On welfare, several studies simulate that

22 The authors show that this cost is large relative to the wage costs of jobs supported by the policy, it compares favourably to more developed country contexts.

23 This high share of inframarginal workers is not however unique to South Africa, and need not imply a complete wastage of funds given that the policy still supported these workers' incomes.

24 In fact, the SRD was initially conceptualised to target the informally employed (Bassier et al., 2021b).

poverty would have been notably higher in the absence of the grant (Barnes et al., 2021; Bassier et al., 2021b; Bassier et al., 2022; Bhorat and Köhler, 2021; Bhorat et al., 2021). Bhorat et al. (2023) adopt a quasi-experimental design to estimate the labour market effects of receipt of the SRD during its first year.[25] Despite not being explicitly designed to do so, the authors show that receipt of the grant increased the probability of employment by 3 percentage points – a significant but unsurprisingly small magnitude given the small size of the grant. Importantly, this effect is largest in the short-term but reduces to zero with additional periods of receipt. These results suggest then that, in the short-term, the SRD provides both income relief and enables more favourable labour market outcomes for a large group of vulnerable individuals; however, its longer-term benefits for the labour market are not evident, at least in its current design. At the time of writing, the grant was set to remain in place until March 2024 while its availability beyond then remains unclear.

"The existing literature suggests that two key policies introduced in response to the pandemic – the TERS subsidies and the SRD grants – were largely successful in providing relief to varied labour market groups; however, more research needs to be done to arrive at a comprehensive assessment of their effects."

CONCLUSION

This note provides an overview of the South African labour market during the course of the COVID-19 pandemic by making use of nationally-representative labour force survey data and examining the existing empirical literature. It shows that at the pandemic's onset, employment levels in South Africa contracted substantially – by approximately a decade's worth of net jobs growth – with many job-losers and jobseekers leaving the labour force entirely. Among those who remained employed, a large share became furloughed, however this appears to have been a very temporary event. Job losses were unevenly distributed, and were concentrated on those who neither worked in 'essential' jobs nor could work-from-home, and those who faced greater pre-existing vulnerability, such as the informally employed, women, the youth, and the less educated. Because these groups are concentrated towards the bottom of the wage distribution, the distribution of job loss was regressive and hence translated into significant increases in poverty incidence. Following the reversal of a partial recovery in 2021, noteworthy strides were made during 2022; however, the labour market remained only partially recovered as of the beginning of 2023. Finally, the existing literature suggests that two key policies

25 Importantly, this period excluded unemployed CSG caregivers from being eligible for the SRD, who became eligible for it from the second half of 2021.

introduced in response to the pandemic – the TERS subsidies and the SRD grants – were largely successful in providing relief to varied labour market groups; however, more research needs to be done to arrive at a comprehensive assessment of their effects.

This note also focused on the labour market trajectories of youth aged 15 – 24 years. Despite already facing extremely high rates of unemployment and representing the minority of workers prior to the pandemic, notably the youth were three times more likely to experience job loss than their older counterparts at the pandemic's onset. Like this latter group, many youth job-losers and jobseekers transitioned into a temporary state of inactivity and thereafter returned to the labour force as the economy re-opened. But unlike them, this return was largely characterised by unsuccessful job search, resulting in a persistently lower employment level until 2022 when employment began to recover quite rapidly. Such disparities were not evident on the intensive margin, with youth and non-youth workers having experienced a similar change in working hours. While this aids our understanding of youth labour market dynamics during the pandemic, there exists much scope for further analysis on, for instance, the activities of economically inactive youth during the pandemic, the more rapid recovery of youth employment relative to non-youth employment during 2022, and the impacts of broad (such as the SRD grant) and youth-targeted (such as the Presidential Youth Employment Intervention) policies on the unemployed within this cohort.

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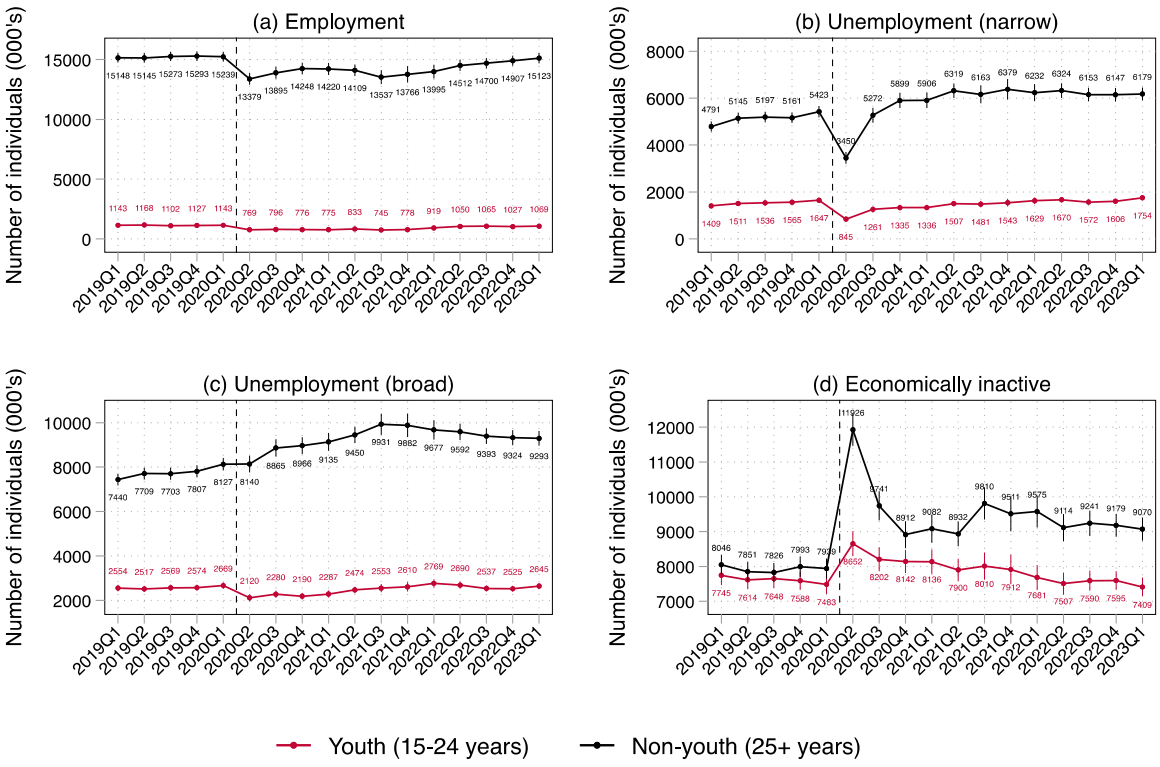
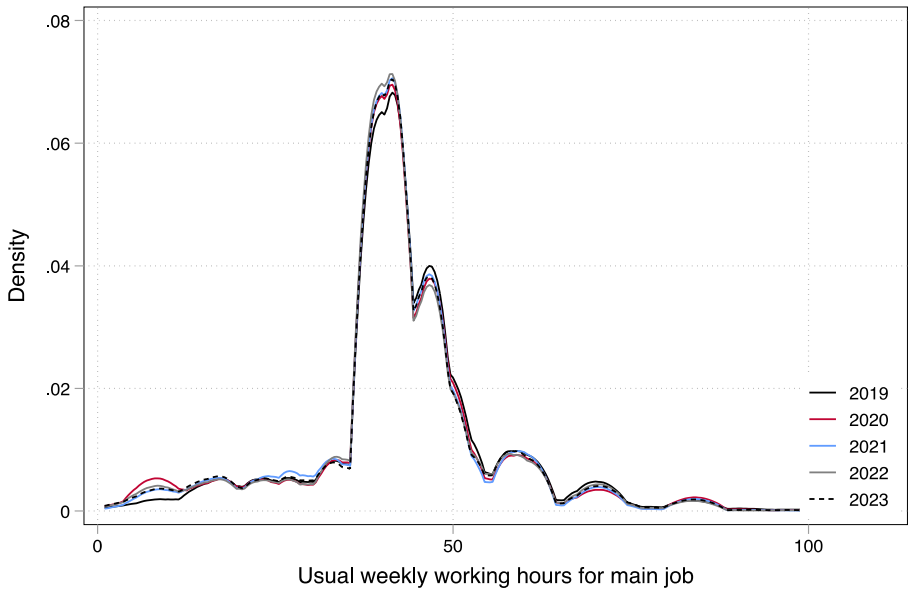
APPENDIX

Figure A1: Trends in extensive-margin labour market levels by age cohort, 2019Q1 – 2023Q1



Own calculations. Source: QLFS 2019Q1 – 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). Spikes represent 95 percent confidence intervals.

Figure A2: Trends in usual weekly working hours, 2019 – 2023



Own calculations. Source: QLFS 2019Q2, 2020Q2, 2021Q2, 2022Q2, and 2023Q1 (Statistics South Africa).
Notes: Estimates are weighted using sampling weights and account for the complex survey design. Sample restricted to the working-aged (15 – 64 years). Data from quarter 2 of each year is used with the exception of 2023 due to data availability where quarter 1 is used. Working hours data based on usual weekly working hours for workers with one job as well as multi-job workers for their main job.

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