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Neva Makgetla

NEVA MAKGETLA: Pandemic deepens inequalities in economic and health terms

About 13% of informal workers lost their livelihoods as well as 10% of domestic workers

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by NEVA MAKGETLA

In any disaster, whether war, storm or pestilence, the rich have always been able to protect themselves better than the poor. Unsurprisingly then, the Covid-19 pandemic is aggravating inequality in both economic and health terms.

Job losses disproportionately affect lower-level workers, while the roaring bubble in asset prices benefits the rich. The available evidence also shows that working-class households have borne the brunt of Covid-19 infections. Meanwhile, in the past month the government systematically cut disaster relief for low-income families and the newly jobless.

SA has long ranked among the most unequal countries in the world. Just 4% of adults get over half of all taxable income; 700 companies earn two-thirds of company profits; and company directors, who make up 0.3% of the working-age population, end up with 3% of all taxable personal income. The pandemic has systematically deepened these inequalities in both economic and health terms.

The most obvious economic impact has been through job losses. In the fourth quarter of 2020 formal managers and professionals had lost just 1% of their total employment compared with the pre-pandemic first quarter. In contrast, other formal employment was still down 9%, with private sector job losses at 11%. About 13% of informal workers had lost their livelihoods, as well as 10% of domestic workers. Outside of entertainment services, GDP had largely recovered by the fourth quarter, but hiring was still painfully slow.

Similarly, Covid-19 deepened inequalities in asset ownership. Official surveys find that the number of people who owned formal businesses dropped from almost 800,000 in the fourth quarter of 2019 to just over 700,000 a year later. It appears that nearly one formal business in eight shut down during the pandemic. Deeper losses emerged in industries at high risk of contagion. In particular, according to the survey, a third of formal employers with restaurants, bars or accommodation disappeared during the pandemic.

If you own financial assets, however, the value of your holdings has probably increased. Globally, governments have reduced interest rates to bolster economic growth. The result has been an unprecedented run-up in stock market prices. The JSE lost a quarter of its value in the first quarter of 2020 but is now 50% above its April lows. Less than 1% of households own shares directly, however, though half the adult population belongs to a retirement fund.

Housing prices also climbed sharply from 2019, but again the benefits are concentrated. Most families own their homes but just 6% have houses worth over R1m. Most of the rest are worth less than R250,000 and many are in communities without a functioning housing market.

In terms of Covid-19 infections, the available data suggests working-class households have also taken the hardest hit. In Cape Town, a study found that during the first wave, designated essential workers were five times as likely to have had Covid-19 as managers, while people living in informal housing were twice as likely to have been ill than those in formal settlements.

In short, the pandemic not only laid bare the extent of inequalities but also worsened them in economic and health terms. SA is likely to contain Covid-19 only by the end of the year as the government struggles to obtain vaccines on the required scale. Nonetheless, the government has eliminated the Covid-19 special grant, restricted Unemployment Insurance Fund (UIF) support for laid-off workers and held the annual increase in old-age pensions below inflation.

Even before Covid-19, SA's exclusionary economic and social systems slowed GDP growth and fuelled political conflict. Now, much greater solidarity is critical to manage the harm from the pandemic. Otherwise, deepening inequalities will make it far harder to achieve either short-run recovery or sustained long-run growth.

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

People waiting for grants at Govan Mbeki Post Office. Picture: FREDLIN ADRIAAN

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No comment on the contribution the policies/regulations of government made to the unemployment situation.

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