

Press

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For immediate release

8 April 2020



IRR

South African Institute of Race Relations

The power of ideas

Looming jobs catastrophe calls for urgent reforms – IRR

Mounting strain on South African businesses – underlined by the South African Reserve Bank’s estimate that the 21-day lockdown could cost at least 370 000 jobs and lead to 1 600 businesses going under – requires urgent government action aimed at mitigating the devastating economic impact of the Covid-19 crisis, says the Institute of Race Relations (IRR)

Anxiety among employers and employees across the country is heightened by speculation that the lockdown could be extended, at potentially much greater economic cost. Growing desperation among the jobless and the hungry poses a heightened risk of non-compliance with isolation measures, and of exposing greater numbers of vulnerable South Africans to infection.

Last week’s spike in United States unemployment claims to a staggering 6.6 million should serve as a warning to South Africa, which entered the pandemic on a much worse economic footing.

To save lives and livelihoods, the government must urgently:

- Do away with the concept of “essential services” and allow any business to trade if doing so poses no serious public health risk;
- Reform labour regulations to price workers into jobs; and

- Cut wasteful public sector spending to enable the state to help businesses survive.

Under the expanded definition, South Africa's unemployment rate is already close to 40%. For every 100 South Africans with jobs, 260 are not working. The number of unemployed people has quadrupled since 1994.

Says IRR analyst and researcher Nicholas Babaya: "South Africa entered the pandemic in a far weaker condition than most other countries. Even without the 21-day lockdown, the country would be in a precarious economic position. But the lockdown has sharply intensified the strain, and there is a risk that if economic pressures are not addressed, non-compliance with isolation measures will grow as people, driven by desperation, ignore or disobey them.

"For South Africa to ensure the longer-term success of isolation measures that protect the most vulnerable, steps must be taken urgently to make it possible for more people to resume or take up productive economic activity. Both lives and livelihoods are at stake."

Babaya adds: "If measures intended to prevent the spread of the virus end up tipping South Africa into an economic depression, with millions thrown out of work, such measures will likely prove to be no solution at all."

The IRR argues that a key step to saving lives and livelihoods is to allow businesses that can continue operating in a way that does not pose a significant risk to public health to continue functioning. Government should also introduce sweeping labour reform to allow workers to be priced into jobs at a time when the need for income is pressing. In addition, bailouts to failing State-Owned Enterprises (SOEs) should be halted immediately, and the funds put to better use in helping struggling businesses and productive employers to stay open and keep paying wages and salaries.

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