



LABOUR MARKET IMPLICATIONS OF COVID-19

DISCLAIMER: Due to both the dynamic nature of COVID 19 economic performance, as well as delays in national statistic releases; all statistics quoted are preliminary figures and are subject to further revision.

1. INTRODUCTION

The negative effect of Covid19 lockdown on the livelihoods of the families throughout the City, has arguably been the biggest impact of the pandemic. The main channel for this is undeniably through the City's workforce; which is estimated to have shed 207 000 employed members; or 17% of its employed. This data story discusses sectors which have been most affected by job losses, while looking at StatsSA's recent Q2 QLFS release, and the potential impact of the new normal on the City's labour market.

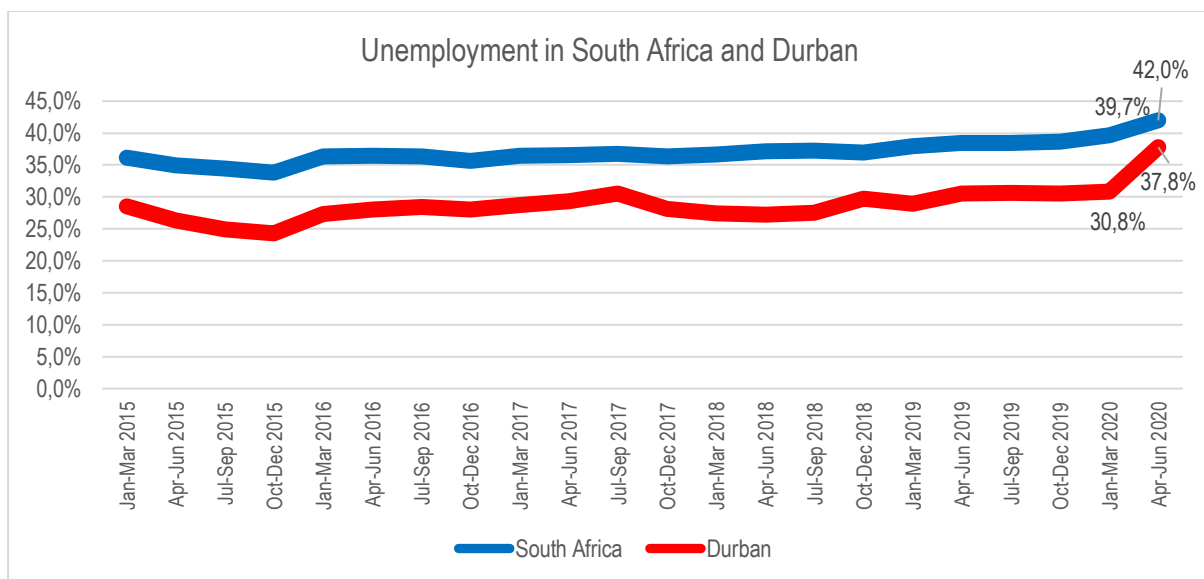
2. A SPIKE IN DURBAN'S UNEMPLOYMENT RATE

Durban's unemployment rate is typically lower than its other metro counterparts. This is not due to higher employment levels in the City, but rather more economically inactive people, as well as more discouraged work seekers¹. Given the spike in unemployed people not being able to seek jobs, and the reduced availability in employment opportunities, there is more reward in assessing the City's expanded², than its strict unemployment rate³. This is a more accurate reflection of the state of the labour market. According to [StatsSA's 2020 Q2 Quarterly Labour Force Survey](#), Durban's expanded unemployment rate increased significantly by 7%, or 69 000 more people unemployed than in the previous quarter. In total, 207 000 less people were employed than the previous quarter, including those who are either actively looking for jobs, discouraged, or who are not available to work anymore.

¹ Discouraged work seekers are unemployed people who are not actively looking for work due to losing hope of finding any.

² Expanded unemployment rate includes the discouraged work seekers.

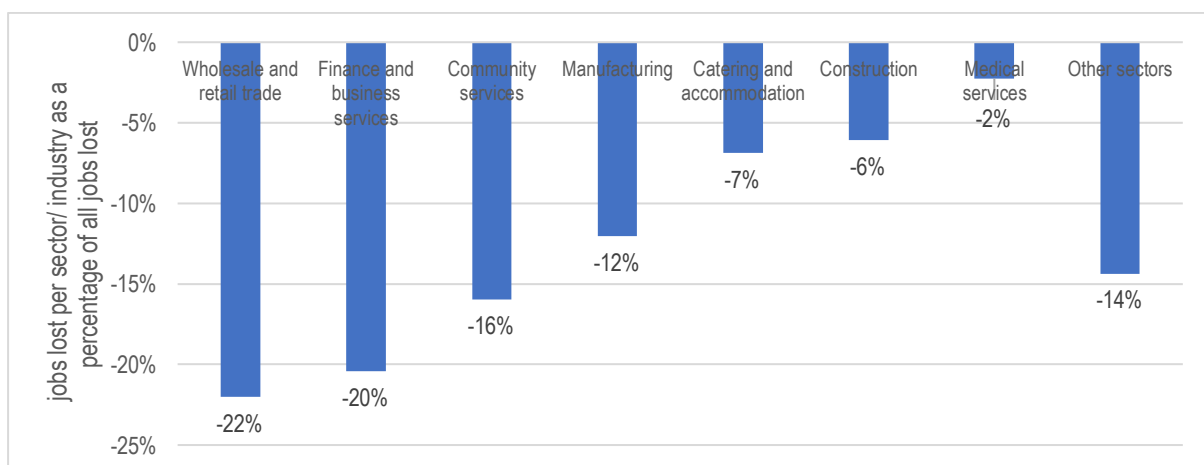
³ The strict unemployment rate is the official definition of unemployment. It does not count discouraged work seekers as unemployed; but only counts active job seekers. It is therefore typically lower than the expanded definition and often misinterpreted. Conversely, the expanded unemployment rate counts those who have given up hope of finding work, as also unemployed and is typically higher.



Source: StatsSA, 2020

3. WHICH SECTORS HAVE SHED THE MOST JOBS?

The City's Economic Development Unit conducted an Economic Activity Outlook Survey ([EAOS](#)) during lockdown, in order to ascertain the impacts of COVID19 on business, as well as forecasted revenue and labour trends. The survey found that the biggest job losses were seen in the tertiary sector. This is a concern as this sector accounts the most for Durban's workforce. Wholesale and Retail trade (including tourism) accounted for 22% of all jobs estimated to have been lost during lockdown, while Finance and Business Services accounted for 20% of all jobs lost. During the hard lockdown the Wholesale Trade sector (responsible for 16,4% of Durban's GVA) also had the highest number of companies at risk of closure. The good news is that these sectors are also able to absorb labour relatively quickly compared to other sectors, if economic conditions are right.



Source: EAOS, 2020

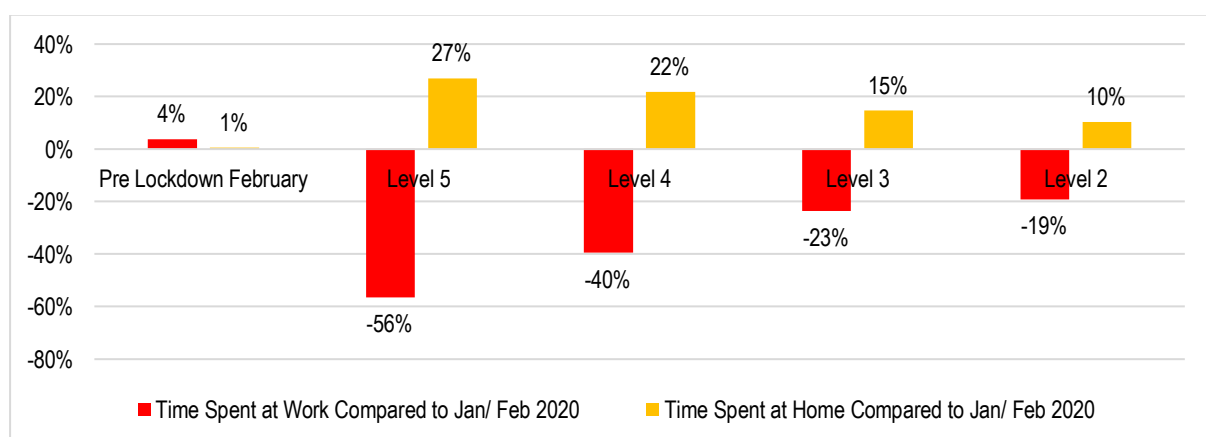
4. ETHEKWINI MUNICIPALITY'S RESPONSE: THE ECONOMIC RECOVERY PLAN

In April, the City developed an [Economic Recovery Plan](#) as a response for, among, other priorities; accelerating job creation through public employment. The City is working with National Treasury to identify projects for this planned public employment stimulus. The national target for job creation with stimulus packages is 2, 5 million and Durban's target is 200 000 jobs. The ERP was commended by both National Treasury and the World Bank, with the World Bank saying this about the plan: "The City (Durban) was able to ... move quickly to understand the impact of the crisis and to design and implement rapid responses where needed most." ([The World Bank Group](#), 2020). The [Recovery Plan](#) must strike the right balance between providing continuous support to workers and companies still affected by restrictions and encouraging business activity.



5. THE NEW NORMAL AND THE LABOUR MARKET IN DURBAN

Lockdown has resulted in a higher number of people working from home than ever before. There is also an increased demand in the labour market for people able to work from home, according to a study conducted by [Global Workplace Analytics](#), and although the study is based in the USA, it is reflective of Durban's urban labour market. The implication is that there is a demand for those who have the skills and resources to do so. The expectation is that employees would have the technological know-how, and in some cases the infrastructure. Typically, this means a person with the knowledge of how to work on a computer, access to a stable and efficient internet connection and someone well versed in digital trade, analytics, and management is more employable than someone without. While this is admittedly more common amongst white collar workers, the same applies to companies and SMMEs. A surge in the number of people shopping online means that companies who do not have an online presence, are increasingly be less competitive and eventually redundant. Continuous efforts by the City and Innovate Durban to move township businesses online, while developing innovation centres in township areas are important because it means that people that are marginalised in the City will gradually become more competitive in the labour market.



Source: Google Mobility Trends, KZN, 2020

6. CONCLUSION

In summary, Durban's labour market; particularly the tertiary sector has been severely affected by the pandemic. The sectors which shed the most jobs were the wholesale and retail trade sectors, as well as business services and community services. These sectors absorb jobs relatively quickly if economic conditions are favourable. The implementation of the City's ERP may assist in achieving this, but it is also important that companies and different tiers of government invest in digital and innovative skills and infrastructure, so as to make Durban's populace more employable.

Produced by **The Durban EDGE** Team of the
Policy, Strategy Innovation and Research Department of
The Economic Development Unit of
eThekweni Municipality
For more information, contact edge@durban.gov.za

