

# SOCIO-ECONOMIC IMPLICATIONS OF COVID-19 PANDEMIC IN SOUTH AFRICA

**Kola Olusola Odeku, University of Limpopo**

## ABSTRACT

*Globally, the coronavirus (COVID-19) pandemic is ravaging human beings at an alarming rate, with an increasing number of COVID-related deaths, and South Africa is no exception. As a matter of fact, on the African Continent, South Africa is the hardest hit with high infections and death rates. With regard to non-living things, all aspects of businesses being relied on by humans for employment and livelihood are also ravaged. The pandemic halted many global activities and restricted human movements and business operations all over the world. In South Africa, to curb the spread of the pandemic, the government swiftly lockdown the country and imposed restrictions through regulations. The problem is that the lockdowns and restrictions had adversely impacted many businesses and socio-economic activities as people have to stay at home, became unemployed, could not earn income and hunger was prevalent amid the pandemic. This article postulates that before the pandemic, South Africa faced severe socio-economic challenges which include inequality, unemployment, and poverty. The pandemic has now entrenched and astronomically intensified socio-economic problems in South Africa as many people who were previously living on the periphery have lost everything including their lives due to the pandemic. Therefore, the key objective of this paper is to examine the impact and effects of COVID-19 pandemic on the businesses of the indigent and poor businesses which have tremendously affected their socio-economic well-beings. Methodically, the paper utilized an in-depth literature review approach sourced mainly from google scholar, analysed and applied for the purposes of addressing the problem. The paper found that the pandemic has ravaged businesses owned by indigents and the poor and there is need for government intervention assistance to ameliorate the impact. Future studies might look at government intervention assistance post COVID-19 pandemic.*

**Keywords:** Coronavirus Disease, Food insecurity, Deprivation, Poverty, Inequality, Livelihood, Unemployment.

## INTRODUCTION

The novel coronavirus disease (COVID-19) pandemic forced the government of many countries, including South Africa to impose stringent public health strategies. These strategies involved strict country lockdowns and mandatory quarantines for those infected with the virus coupled with social distancing in all public and private places (Teachout & Zipfel, 2020). Following these national lockdowns which were adopted by the government, mobility flows were drastically reduced to decrease the transmission rate of the virus (Mofijur et al., 2020).

Before the COVID-19 pandemic, South Africa's black majority faced three major challenges namely: unemployment, inequality and poverty. Now that the country is in the midst of the pandemic (de Villiers et al., 2020), this group is disproportionately affected with severe socio-economic consequences, especially the poor and the indigents (Obaeko et al., 2020). The

lockdown measures have affected several Small Medium & Macro Enterprises (SMMEs) businesses of the people and many have permanently closed down with no hope of reopening. As the SMMEs are sources of livelihoods for the poor South Africa black majority, this has exacerbated their major challenges. To alleviate these challenges (unemployment, inequality and poverty), the government devised different pandemic relief, support and stimulus for all sectors including SMMEs. However, these fiscal interventions of massive monetary measures have been marred by various reports of maladministration and corruption being perpetrated by those saddled with the responsibility to provide supports. To this end, the interventions have been largely unsuccessful and have become part of the impediments instead of solutions, thus endangering socio-economic recovery (Bonaccorsia et al., 2020).

The report of the research conducted on the socio-economic impact of COVID-19 pandemic in South Africa by the United Nations Development Programme (UNDP, 2020) shows that *“COVID-19 will cause South Africa’s overall GDP to decline by 7.9% in 2020 and will recover slowly through 2024, leading to major setbacks in addressing poverty, unemployment and inequality.”* The report also indicates that the *“Economic sectors most disadvantaged by the COVID-19 outbreak is Small and medium enterprises which are most negatively impacted”* (UNDP, 2020). To this end, according to Mybroadband 2020 report, COVID-19 pandemic outbreak had led to *“Closure of many Small, Medium, and Micro Enterprises (SMMEs) sector and this sector experienced severe job bloodbath as a result of the lockdown where 42.7% of SMMEs closed and 60% of full-time jobs lost. 68% of these came from businesses that closed during lockdown, and the remaining 32% from businesses that survived lockdown. Similarly, 76.8% of part-time jobs were lost and 54.4% of casual jobs where poor thrived were lost.”*

## LITERATURE REVIEW

The COVID-19 pandemic is a health disaster that has global health impacts coupled with socio-economic disruptions and losses (Ahmad, 2020). It is trite that the pandemic has caused the loss of jobs. This has deepened the prevalence of unemployment, consequently decreasing purchasing power and impacting the ability to purchase adequate food and other basic needs. Worse still, the restrictions of movements have disrupted the food supply chain and caused localized and imported price hikes in South Africa, impacting on individual and households’ ability to access food. The safety measures imposed by the government have also impacted industries and post-crisis consumption and recovery (Martin et al., 2020). What is concerning is that due to widespread business closures in South Africa, the economies are expected to contract, consequently causing a surge in the already dire high prevalence of unemployment, inequality and poverty.

Social distancing, albeit necessary to limit the spread of the virus, also has grave socio-economic implications for business that requires the gathering of people (Chirisa, 2020). For instance, sports events and concerts that rely on tickets sales for watching the live events have been cancelled due to the restrictions and lockdowns. Furthermore, the majority of people that provide services during these types of events have had their sources of livelihood disrupted, with grave negative socio-economic implications (Qiu et al., 2020).

Even though there have been some studies in the past on pandemic outbreak, the new corona virus is a new pandemic which has never occurred before and as a matter of fact there is now a new variant which is more contagious and very deadly (Barry, 2020). It is against the backdrop of this that the literature sourced to address the problem was generated from Google scholar containing most recent studies, mostly 2020 works on the subject area (Wijdsicks, 2020).

## METHODOLOGY

This study conducted a critical review of existing literature on the COVID-19 pandemic, its ravaging impacts and effects on the socio-economic outlooks in South Africa (MAcar, 2020). The article is purely theoretical and as such used secondary data sourced mainly from the internet through Google scholar search engine with full focus on 2020 scholarly works bearing in mind that the pandemic is essentially contemporary. Keywords such as new coronavirus 19 pandemic, socio-economic implications of the new coronavirus 19 pandemic on the poor and marginalized black majority in South Africa, inequality, unemployment and lack of incomes, lockdowns and restrictions were inserted into the Google search engine and scholarly materials generated from it were analyzed for purposes of finding solutions to the problems identified.

## SOCIO-ECONOMIC IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic have severe consequences such that SMMEs continue to bear the brunt of the pandemic, Black majority-owned businesses hardest hit, massive unemployment, protests and riots etcetera. The COVID-19 pandemic also ravages both living and non-living things (Zizek, 2020). The South African government has responded swiftly to control the pandemic in terms of declaring a national lockdown, mandating quarantine for those infected and enforcing social distancing in the society. While these interventions are commendable, they have serious adverse socio-economic impacts on the people especially the vulnerable poor, the marginalized and the indigents (Ray & Rojas, 2020). Such that COVID-19 pandemic is affecting societies and economies at their core; it also have devastating economic effects such as the decreased business and unemployment, it also increasing poverty and inequalities at a global scale, making achievement of SDGs even more urgent. Undoubtedly, the inequality rate in South Africa, already the most unequal society in the world, will be deepened by the COVID-19 pandemic with poor black majority the hardest hit (Lavalette & Ioakimidis, 2020).

South Africa faces chronic unemployment rate as the COVID-19 pandemic is exacerbating the already high level of unemployment. Unemployment rate has drastically surged during the pandemic because the majority of the people who were employed before the outbreak became unemployed as many businesses were unable to sustain their businesses due to the national lockdown and closed down (van Barneveld et al., 2020). The implication of this is that most of the people lost incomes and were unable to afford basic necessities to keep life going (Nicola et al., 2020). Lack of income led to the inability to buy food and other items for the family hence families continue to live in hunger and children suffered malnutrition (Casale & Posel, 2020).

To date, the human and economic cost of the COVID-19 pandemic is on the increase in South Africa. Due to the COVID-19 pandemic, employees of the government, institutions and private sector have reduced their frequency of going to work (McKibbin & Fernando, 2020). Similarly, COVID-19 pandemic is negatively affecting tourism broadly (Folinas & Metaxas, 2020). And international tourism was halted because South Africa believed the visitors might import COVID-19 and expose South Africans to the risk of infection (Swinnen & McDermott, 2020).

Due to the stringent lockdowns and restrictions in South Africa, many commercial activities in various forms ranging from small businesses to big enterprises have become vulnerable and experienced severe losses (Bhorat et al., 2020). For example, businesses such as restaurants, cinemas, transportations, hotels, sightseeing sites, big markets, and shops were

hardest hit. They all experienced a rapid impact because they were immediately close as soon as government lockdown the whole country and imposed restrictions except for essential services (Fernandes, 2020).

## **FINDINGS AND DISCUSSION**

The study found that the impact of lockdown is widespread and that the black majority were the hardest hit because most of them engage and operate SMMEs within their communities. Against this backdrop, unemployment, inequality, poverty and low standard of living have intensified and have unprecedented impact on them. Meanwhile, the monetary interventions and efforts of the government to alleviate the pandemic problem suffered primarily due to government officials' mismanagement of the funds and corruption. More importantly, it is pertinent to point out that even though the stringent quarantines, lockdowns and social distancing public health measures imposed by the government have adverse implications on the socio-economic activities of South Africans, the other side of the equation is that if the restrictions were not imposed broadly, the virus will rage and kill a lot of people. To this end, the restrictions have the positive side which ensured that the transmission is slowed. On the other side, the restrictions have been perceived as imposing economic hardship on already stressed economic-deprived citizens.

## **CONCLUSION**

COVID-19 pandemic continues to ravage all aspects of human endeavors. South Africa is in a precarious situation because prior to the pandemic, it faced severe socio-economic challenges which the pandemic has now exacerbated. It is against this backdrop that stringent lockdowns and restrictions are being implemented and enforced. However, these measures continue to have severe adverse socio-economic implications, especially the poor black majority, intensifying and increasing inequality, unemployment, poverty, and hunger and food insecurity. These will have devastating and irreparable damages on the health, well-being and livelihoods of the majority blacks in the society.

## **RECOMMENDATIONS**

While it is generally accepted that the lockdowns and restrictions are necessary and valid at the onset of the pandemic, currently at about nine months after the emergence of COVID-19, the world and medical community as a whole should have learnt a lot about surviving in the midst of the pandemic. More importantly, as soon as an effective vaccine is developed, South Africa must ensure that it is distributed freely particularly to the poor and indigents.

## **REFERENCES**

- Acar, M. (2020). Post-Corona World: The Effects of COVID-19 on Economic, Social and Academic Life. Retrieved from [https://www.researchgate.net/profile/Cem\\_Korkut/publication/344396390\\_Reflections\\_on\\_the\\_Pandemic\\_in\\_the\\_Future\\_of\\_the\\_World/links/5f7057da92851c14bc9a5925/Reflections-on-the-Pandemic-in-the-Future-of-the-World.pdf#page=269](https://www.researchgate.net/profile/Cem_Korkut/publication/344396390_Reflections_on_the_Pandemic_in_the_Future_of_the_World/links/5f7057da92851c14bc9a5925/Reflections-on-the-Pandemic-in-the-Future-of-the-World.pdf#page=269)
- Barry, J.M. (2020). *The great influenza: The story of the deadliest pandemic in history*. Penguin Publishers.

- Bhorat, H., Köhler, T., Oosthuizen, M., & Stanwix, B. (2020). The Economics of Covid-19 in South Africa: Early Impressions. Retrieved from <https://www.africaportal.org/publications/economics-covid-19-south-africa-early-impressions/>.
- Bonaccorsia, G., Pierrib, F., Cinellic, M., Floria, A., Galeazzid, A., Porcellie, F., Lucia, A., Carlo Michele, S., Scalac, V.A., Quattrociochif, W., & Pammollia, F. (2020). Economic and social consequences of human mobility restrictions under COVID-19. Retrieved from <https://www.pnas.org/content/117/27/15530.short>
- Casale, D., & Posel, D. (2020). Gender and the early effects of the Covid-19 crisis in the paid and unpaid economies in South Africa. Retrieved from [https://www.researchgate.net/profile/Daniela\\_Casale/publication/343008071\\_Gender\\_and\\_the\\_early\\_effect\\_s\\_of\\_the\\_COVID-19\\_crisis\\_in\\_the\\_paid\\_and\\_unpaid\\_economies\\_in\\_South\\_Africa/links/5f117e5392851c1eff1845ae/Gender-and-the-early-effects-of-the-COVID-19-crisis-in-the-paid-and-unpaid-economies-in-South-Africa.pdf](https://www.researchgate.net/profile/Daniela_Casale/publication/343008071_Gender_and_the_early_effect_s_of_the_COVID-19_crisis_in_the_paid_and_unpaid_economies_in_South_Africa/links/5f117e5392851c1eff1845ae/Gender-and-the-early-effects-of-the-COVID-19-crisis-in-the-paid-and-unpaid-economies-in-South-Africa.pdf)
- Chirisa, I., Mutambisi, T., Chivenge, M., & Mabaso, E. (2020). The urban penalty of COVID-19 lockdowns across the globe: manifestations and lessons for Anglophone sub-Saharan Africa. Retrieved from <https://link.springer.com/article/10.1007/s10708-020-10281-6>
- De Villiers, C., Cerbone, D., & Van Zijl, W. (2020). The South African government's response to COVID-19. Retrieved from <https://www.emerald.com/insight/1096-3367.htm>
- Fernandes, N. (2020). Economic effects of coronavirus outbreak (COVID-19) on the world economy. Retrieved from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3557504](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3557504)
- Folinas, S., & Metaxas, T. (2020). Tourism: The Great Patient of Coronavirus COVID-2019. *International Journal of Advanced Research*, 4(8), 365-375.
- Haroon, A.T., Baig, M., & Hui, J. (2020). Coronavirus Disease 2019 (COVID-19) Pandemic and Economic Impact. Retrieved from <https://doi.org/10.12669/pjms.36.COVID19-S4.2638>
- Lavalette, M., & Ioakimidis, V. (2020). *Social Work and the COVID-19 Pandemic: International Insights*. Bristol University Press.
- Martin, A., Markhvida, M., Hallegatte, S., & Walsh, B. (2020). Socio-Economic Impacts of COVID-19 on Household Consumption and Poverty. Retrieved from <https://link.springer.com/article/10.1007/s41885-020-00070-3>
- McKibbin, W.J., & Fernando, R. (2020). The global macroeconomic impacts of COVID-19: Seven scenarios. Retrieved from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3547729](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3547729)
- Mofijur, M., Fattah, I.M.R., Alam, M.A., Islam, A., Ong, H.C., Rahman, S.A., & Mahlia, T.M.I. (2020). Impact of COVID-19 on the social, economic, environmental and energy domains: Lessons learnt from a global pandemic. *Sustainable Production and Consumption*, 26, 343-359.
- Mybroadband. (2020). Small business jobs bloodbath in South Africa during lockdown. Retrieved from <https://mybroadband.co.za/news/business/379678-small-business-jobs-bloodbath-in-south-africa-during-lockdown.html>
- Nicola, M., Alsafi, Z., Sohrabi, C., Kerwan, A., Al-Jabir, H., Iosifidis, C., Agha, M., & Agha, R. (2020). The socio-economic implications of the coronavirus pandemic (COVID-19): A review. *International Journal of Surgery*, 78, 185-193.
- Obaeko, F., Musvipwa, A.K., & Raselekoane, E.R. (2020). COVID-19 lock-down socio-economic challenges faced by households in rural areas: A perspective from Vhembe district, South Africa. Retrieved from <https://www.ceeol.com/search/article-detail?id=904750>
- Qiu, Y., Chen, X., & Shi, W. (2020). Impacts of social and economic factors on the transmission of coronavirus disease 2019(COVID-19) in China. Retrieved from <https://doi.org/10.1007/s00148-020-00778-2>
- Ray, R., & Rojas, F. (2020). Inequality during the coronavirus pandemic. Retrieved from <https://contexts.org/blog/inequality-during-the-coronavirus-pandemic/>
- Swinnen, J., & McDermott, J. (2020). COVID-19 and global food security. International Food Policy Research Institute.
- Teachout, M., & Zipfel, C. (2020). The economic impact of COVID-19 lockdowns in Sub-Saharan Africa. Retrieved from <https://www.theigc.org/wp-content/uploads/2020/05/Teachout-and-Zipfel-2020-policy-brief.pdf>
- UNDP (2020). United Nations Development Programme, UNDP, 2020, Socio-Economic Impact of COVID-19 in South Africa. Retrieved from [https://www.researchgate.net/publication/343893583\\_Socio-Economic\\_Impact\\_of\\_COVID-19\\_in\\_SOUTH\\_AFRICA](https://www.researchgate.net/publication/343893583_Socio-Economic_Impact_of_COVID-19_in_SOUTH_AFRICA)

- Van Barneveld, K., Quinlan, M., Kriesler., Junor, A., Baum, F., Chowdhury, A., Raja, P.N., Clibborn, S., Flanagan, F., Wright C.F., Friel, S., Halevi, J., & Rainnie, A.I. (2020). The COVID-19 pandemic: Lessons on building more equal and sustainable societies. *The Economic and Labour Relations Review*, 31(2), 133-157.
- Wijdicks, E.F.M. (2020). Historical Lessons from Twentieth-Century Pandemics Due to Respiratory Viruses. *Neurocrit Care*, 33, 591–596
- Zizek, S. (2020). *Pandemic!: Covid-19 Shakes the World*. Polity Press.