Evaluating the confluence of multiple crises and recovery strategies in South Africa

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Abstract

Against the backdrop of the Covid-19 pandemic, the confluence of multiple crises poses a serious threat to the stability of developing economies in the global South. Further, there is a risk that the uneven impacts of the global health and economic crisis will reverse the gains made towards eradicating poverty and reducing inequalities around the world. By reflecting on the impact of the Covid-19 pandemic in South Africa, this paper seeks to position perspectives from the global South in the international policy discourse about an equitable and inclusive recovery. The paper argues that the neoliberal growth model has failed to deliver the economic liberation that many hoped to see in the post-Apartheid period. Instead, for nearly three decades, the South African economy has been characterised by a series of macroeconomic crises and a persistent legacy of racialised and gendered inequalities in society. Going forward, the national government will have to rethink its measures of progress. Moreover, the success of the recovery will depend on progressive macroeconomic policies that are context-specific and targeted to meet the unique needs of the South African economy and its people.

1. Introduction

The coronavirus pandemic has called into question the adequacy of the dominant economic model for addressing the multiple crises that many economies and communities around the world face. In 2020, it was estimated that the global health and economic crisis had resulted in a 4.3 per cent contraction in global GDP, triggering the most severe economic crisis in over 150 years (World Bank, 2021). Estimates from the International Labour Organisation also showed that in the fourth quarter of 2020 an equivalent of 255 million full-time jobs had been lost compared to pre-Covid employment levels (ILO, 2021). There is also a substantive body of literature which illustrates the unevenness of the global health and economic crisis (Bambra et al., 2021a; Casale and Posel, 2020; Ogando et al., 2022). Emerging market and developing economies in particular have been disproportionately impacted by the crisis. Within countries, vulnerability to the crisis has had significant race, class and gender elements. In 2020, it was estimated that in 70% of countries globally, the health and social impacts of the crisis were greatest among women, youth, informal workers and those with lower levels of education (World Bank, 2022). In addition, data from ILOSTAT showed that lower-middle income countries suffered higher working hour losses compared to upper-middle and high income countries (ILO, 2021). As a result, it was estimated that the loss of incomes caused by the crisis would potentially result in an increase in global poverty, particularly in regions such as Sub-Saharan Africa and South Asia, that were already experiencing high cases of extreme poverty (World Bank, 2021).

Like many crises of the past, women have shouldered the majority of the risks related to Covid-19. Early research showed that women made up the majority of the health and social services sectors and were more likely to be employed in low waged and precarious jobs in the informal economy compared to men (Ogando et al., 2022). Data from the World Bank (2023) also showed that women faced a greater incidence of job losses early in the pandemic compared to men. This has been attributed to the concentration of women in certain sectors deemed as “high
risk” during the crisis and the disproportionate burden of unpaid care for children and dependent adults in the family that many women engaged in during the lockdown period (Ogando et al., 2022). In addition, in both advanced and developing countries, racialised and traditionally marginalised groups faced greater risks of exposure to the virus, with black people and ethnic minorities in the global North facing triple the number of covid related deaths compared to their white counterparts (Bambra et al., 2021b). This has been linked to inequalities in the social determinants of health, longer-term exposure to poor living and environmental conditions and greater exposure to the virus as a result of persistent inequalities in employment conditions (Bambra et al., 2021b). It has also been argued that the sudden valorisation of “essential” life sustaining work that has historically been undervalued, has made some workers more disposable than others and perpetuates unequal, gendered and racialised patterns in the provisioning of care and social services (Mezzadri, 2019; Stevano et al., 2021).

Beyond the observed inequalities within countries, the pandemic has exacerbated existing inequalities between countries. Persistent colonial legacies and the unequal inclusion of developing countries in the global financial architecture, has placed significant constraints on emerging market and developing countries’ abilities to respond to the crisis. Prior to the pandemic, developing economies were already experiencing rising debt risks (World Bank, 2020). In addition, as a result of the austerity rhetoric promoted by international financial institutions to facilitate fiscal consolidation in these countries decades prior to the pandemic, governments were not prepared to address the urgent social and structural inequalities that had been compounded by the crisis. As a result, there was a heavy reliance on emergency and concessional debt financing, including from various IMF lending facilities, to mitigate the risks of the crisis. Thus, at the end of 2020, government debt reached 98.6 per cent of global GDP (World Bank, 2020). As a result, there is a concern that the increased debt burden resulting from the crisis will deepen the subordinate position of developing countries in the international financial architecture and will further constrain their ability to respond to existing and future crises.

Hence, there are growing calls to reform the current international development framework to better include developing countries in the global South (Kozul-Wright, 2020; Leach et al., 2021). The understanding is that power asymmetries in the global development architecture have universalised the Euro-American macroeconomic policy agenda at the expense of the development needs of communities and economies in the global South. For example, there is evidence which suggests that macro-structural policies aimed at growth can have adverse distributional effects in developing countries (Fabrizio et al., 2017). The South African economy has not been spared from this paradox. Further, due to longstanding macroeconomic challenges and its subordinate position within the global development architecture, it has shared the worst impacts of the Covid-19 pandemic with many developing countries in the global South. At the same time, its inclusion into the global economy has not delivered the economic and social progress promoted by the international institutions of the global North.

Against this backdrop, this paper seeks to position experiences from the global South in international policy discussions about a post-Covid economic recovery. Based on a case study of the South African economy, the paper reflects on the confluence of multiple crises and examines potential pathways for recovery in a developing country context. As such, the paper illustrates South Africa’s economic trajectory since the fall of the Apartheid regime and examines the extent to which pre-existing macroeconomic challenges are likely to affect recovery from the ongoing global health and economic crisis. The paper is divided into five sections. Following this introduction, the second section maps the pre-pandemic macroeconomic landscape of the South African economy and examines why the government
of the liberation movement has failed to deliver the economic progress that many hoped to see in the post-Apartheid period. Building on this primary analysis, the third section assesses the macro-level impacts of the Covid-19 pandemic in South Africa and examines how Covid-19 has exacerbated longstanding inequalities within the economy. The third section then reviews the *South African Economic Reconstruction and Recovery Plan* and assesses its effectiveness for addressing the unique challenges of the South African economy. The paper concludes with an analysis of South Africa’s prospects for implementing the Third United Nations Decade for the Eradication of Poverty and makes several recommendations for progressive policies that would advance efforts towards an equitable and inclusive post-Covid economic recovery for all.

2. Evaluating the pre-pandemic macroeconomic landscape of the South African economy

Despite the political gains won since the end of the Apartheid regime, significant social and structural problems continue to loom over the South African economy. This section outlines some of the major challenges that have characterised the South African economy over the last three decades. The section argues that while much can be said about the political battles that have stalled the economic progress that many hoped to see in the post-Apartheid period, misaligned macroeconomic policies and state corruption have been the biggest hindrances to the fight against poverty and inequality in South Africa. Further, longstanding macroeconomic crises threaten the stability of the economy and are likely to stall efforts towards a post-Covid recovery.

Throughout the post-Apartheid period the South African economy has been characterised by low growth, rising gross government debt, low investment, rising unemployment, rising precariousness, chronic inequality and a persistent legacy of racialised and gendered poverty. Many scholars have attributed the observed economic challenges to the neoliberal macroeconomic strategy which the national government adopted at the start of the democracy and the failure of the state to effectively implement many of its proposed policies (Francis et al., 2021; Padaychee, 2019). In 1996, the ANC government implemented the Growth, Employment and Redistribution programme (GEAR) (South African Government, 1996). While the policy document at the time, presented a long run vision that sought to achieve: “a competitive and fast growing economy which creates sufficient jobs for all work seekers, a redistribution of income and opportunities in favour of the poor, a society in which sound health, education and other services are available to all, and an environment in which homes are secure and places of work are productive,” (South African Government, 1996, p. 3), it struggled to fulfil much of the social aims of the programme. In line with the global economic agenda at the time, the policy proposed various fiscal and monetary policies to ensure financial stability, reduce inflation, increase investments and enhance economic activity (South African Government, 1996). These included, reductions to government expenditure, public service restructuring, trade liberalisation, the abolition of exchange controls and the privatisation of public assets. The document also emphasised linkages between economic growth, redistribution and the prospects for new policies (South African Government, 1996). While the national government was able to achieve some of its fiscal targets by the turn of the century, such as lowering interest rates, reducing inflation and controlling debt vulnerabilities, this came at the expense of achieving its social targets (Francis et al., 2021; Makgetla, 2004). Further, the proposed policies failed to bring about the sufficient growth on which many of the policies depended. However, there is evidence that between 1997 and 2006, the government was able to make significant gains towards the reduction of poverty, mainly as a result of incomes gained
through the expansion of the social grant system (Rogan, 2013). At the same time, however, the poverty differential between female and male headed households widened (Rogan, 2013).

In subsequent years the national government has promoted several more progressive approaches including the New Growth Path (2010) and the National Development Plan (2011). A common belief held in both of these proposals was the need to prioritise the creation of decent jobs and the reduction of inequalities as critical to any development strategy (Francis et al., 2021). While the economic policies of the New Growth Path drew a close resemblance to its predecessor, GEAR, particularly in regard to economic growth, fiscal restraint and the reprioritisation of public spending, it took a more direct stance on the issue of inequality, asserting the need for employment opportunities that would improve the livelihoods of the majority of the population, whilst also advocating for the containment of wealth at the upper end (Francis et al., 2021; South African Government, 2010). On the other hand, the National Development Plan which was adopted in 2011 was silent on the issue of wealth and continued to promote supply-side and market solutions to the deep structural problems that had been raised by various actors including: labour, civil society and various members of the expert community.

As a result, many of the problems identified earlier have worsened. South Africa continues to be the most unequal country in the world based on a number of indicators. In 2021, the top 10% owned approximately 86% of the wealth of the country while the wealth of the bottom 50% of the population has remained consistently below zero throughout the post-Apartheid period (Chancel et al., 2022). In addition, the inclusion of South Africa into the growth-centred global economic model, has not delivered the economic and social progress it is often claimed to achieve. The growth in decent jobs has not been substantial, even at times when the economy appeared to be growing. Instead, the post-Apartheid labour market has been characterised by consistently high unemployment, rising casualisation and diminished legal and social protections for those lucky enough to find employment. There is a serious risk that the impacts of the Covid-19 pandemic will further entrench pre-existing inequalities and reverse the gains made to reduce poverty throughout the post-Apartheid period. As such, the following section considers the macro-level impacts of the Covid-19 pandemic on the South African economy.


In line with global responses, the South African government instituted a series of measures to address the health and economic impacts of the Covid-19 pandemic. Globally, common measures included school closures, mobility restrictions, the prohibition of public gatherings, and various other public health and economic interventions. However, evidence suggests that these measures were not applied equally between countries, with some countries implementing stricter policies than others based on the severity of the crisis, differentiated national approaches (e.g. elimination vs. reduction strategies), and the status of vaccination among the population (Anania et al., 2022). Data from the Oxford Covid-19 Government Response Tracker showed that South Africa’s Covid response measures were amongst some of the most stringent of the world (Gustafsson, 2020). There is also evidence that countries that implemented stricter restrictions experienced harsher social and economic impacts as a result of the crisis. According to the IMF (2021), stricter measures were associated with sharper GDP contractions and lower consumption, investment and industrial production. In line with these findings, South Africa has experienced severe economic and livelihood impacts as a result of the pandemic. The following sections illustrate some of these impacts based on the following indicators: GDP growth, gross government debt, employment, unemployment and poverty.
Impacts on GDP Growth

As previously outlined, South Africa’s macroeconomic landscape has been characterised by low GDP growth throughout the post-Apartheid period. While growth seemed to pick up following the financial crisis it was slow for about a decade leading up to the pandemic. Covid-19 exacerbated this trend, with the country recording a GDP growth rate of -6.3 per cent at the end of 2020 (World Bank, 2023). While South Africa’s growth recovered to 4.9 per cent in 2021 (World Bank, 2023), it is expected to sharply decline to 0.1 per cent in 2023 due to the persistent energy crisis (IMF, 2023a).

![Diagram 1: Annual GDP Growth (2010-2020)]

Source: Own diagram based on World Bank national accounts data and OECD National Accounts data files (World Bank, 2023)

Impacts on government debt

While government debt has been on a steady rise throughout the post-Apartheid period, the sharp economic contraction combined with significant investments in economic and public health support exacerbated the need for external financing during the crisis. In 2020, South Africa received a total 4.3 billion USD in emergency financial assistance under the IMF Rapid Financing Instrument to support efforts for addressing the impacts of the pandemic (IMF, 2023b). Correspondingly, this resulted in a rise in the country’s debt to GDP ratio with the pandemic raising gross government debt to 69 per cent of GDP at the end of 2020. Historically IMF programmes have been associated with various conditionalities aimed at promoting fiscal consolidation and ensuring debt sustainability in the borrowing countries. The conditions of the recent Covid loans are no different (IMF, 2021). As a result, governments that have accepted emergency Covid financing are already experiencing large cuts to public spending (Government of Ghana, 2023; South African Government, 2023). Hence, there is a serious concern that fiscal consolidation will further constrain the very services that are required to reduce poverty and ensure resilient economies in the long run (Institute for Economic Justice, 2023).
Welfare and livelihood impacts

The Covid-19 pandemic is threatening to reverse the gains made in reducing poverty in the post-Apartheid period. While significant progress was made in the first two decades of the democratic establishment, data from Statistics South Africa indicates that the fight against poverty has been slowing down since 2015. Between 2011 and 2015, the poverty incidence increased from 53.2 per cent to 55.5 per cent of the population. Moreover, for the same period, there was an additional 2.8 million people living below the food poverty line of R441 per person per month (Statistics South Africa, 2017). On the other hand, recent studies investigating the dynamics of poverty in the post-Apartheid period show that 30 per cent of the population is chronically poor and that race, household size and labour market insertion are key determinants of poverty status in the South African economy (Schotte et al., 2022). As such, Covid-19 and the related economic and labour market measures that were implemented by the national government, have deepened poverty vulnerabilities among the South African population.

Diagram 3 below illustrates the impact of the Covid-19 pandemic on active employment in the country. As a result of the global health and economic crisis the employment-to-population ratio fell to 38.2 per cent in the fourth quarter of 2020, compared to 42.4 per cent in the same quarter of the previous year (Statistics South Africa, 2020). Early studies also showed that after a month of the stringent lockdown measures, active employment in the South African labour market had already decreased by nearly 40 per cent. Moreover, almost 50 per cent of workers did not expect to return to their jobs (Jain et al., 2020). As a result, in the fourth quarter of 2020, Statistics South Africa (2020) reported a total of 1.4 million job losses arising from the crisis. The official unemployment rate also rose from 29.1 per cent in the fourth quarter of 2019 to 32.5 per cent at the end of 2020. In line with the global trend, women were disproportionately impacted by job losses related to the global health and economic crisis. Between February and April 2020, women accounted for approximately 66 per cent of jobs lost during the lockdown (Casale and Posel, 2020). Moreover, the race-based and class inequalities of the Apartheid regime have been reproduced under the Covid-19 pandemic, with black people and poorer
households suffering the worst losses from the crisis due to insufficient social protections and no social networks or informal insurance mechanisms to rely on (Schotte and Zizzamia, 2023). Therefore, without significant structural changes, the long run effects of the crisis will be profound for the same groups of people who have suffered all along at various stages of South Africa’s political and economic trajectory.

Diagram 3: Population employed (2010-2020)

Source: Own diagram based on 2010 to 2020 (fourth quarter) Statistics South Africa Quarterly Labour Force Surveys.


In October 2020, the South African government set out an economic reconstruction and recovery plan aimed at stimulating equitable and inclusive growth in light of the devastation caused by the Covid-19 pandemic (South African Government, 2020a). The document outlines a three-phase approach to contain the crisis; restore the economy; and build an inclusive, resilient and sustainable economy. In recognition of the economic challenges which had preceded the global health and economic crisis, the plan identifies five impact targets that will “stabilise, consolidate, expand and improve, the socioeconomic and development trajectory of the South African economy in line with the 2030 vision of the National Development Plan (NDP).” According to the impact statement, for the plan to be considered successful, positive changes will have to occur in the following variables: competitiveness rating, GDP growth rate, investment, employment, inequality and poverty (South African Government, 2020b).

In line with previous national economic frameworks, the Economic Reconstruction and Recovery Plan, shares the notion of economic growth as the ultimate pathway to development. In fact, one of the first assertions made in the plan is that “there should be substantial structural change in the economy that [will] unlock growth and allow for development,” (South African Government, 2020a, p.2) From an extensive list of priorities which included a range of economic, welfare and livelihood related interventions, the implementation strategy identifies three focus areas to be prioritised in the recovery. These include: 1) aggressive infrastructure investment; 2) employment orientated strategic localisation, reindustrialisation and export promotion; and 3) energy security.
In line with market-oriented development strategies, the plan centres the significant role to be played by the private sector to boost employment, expand the economy and increase revenues. For example, a large focus of the infrastructure investment programme is concerned with strengthening efforts to attract private sector investment in the delivery of infrastructure. Likewise, the industrialisation through localisation plan makes provision for Special Economic Zones “to maintain the investment pipeline” and prioritises support for key value chains and the export goods markets (South African Government, 2020a, p.13). The private sector is also expected to play a key role in advancing efforts towards a green economy. The goals outlined in the plan will be supported through the implementation of several structural reforms which include (South African Government, 2020a, 2020b):

1. Modernising and reforming network industries and associated state-owned enterprises;
2. Re-orienting trade policies and pursuing greater regional integration;
3. Lowering barriers to entry for ease of business
4. Supporting labour-intensive sectors;
5. Creating greater levels of economic inclusion;
6. Addressing the weak job-creating capacity of the economy;
7. Boosting education and skills development;
8. Promoting greater beneficiation of raw materials; and
9. Addressing racial, gender and geographical inequalities which hamper deeper economic growth and development

In line with this approach, the plan proposes several fiscal and monetary policies to finance the recovery and ensure its sustainability. As outlined in the plan, recovery will primarily be supported through a concerted effort towards “sound fiscal prudence” and productive public expenditure (South African Government, 2020a). Reforms have also been proposed to strengthen the capacities of the state. Towards this end, government commits to: 1) strengthen partnerships with the private sector, 2) develop public sector skills, and 3) intensify efforts against corruption.

However, beyond the growth and market-focused interventions, very little consideration has been paid towards addressing the deep structural issues discussed in previous sections of this paper. Indeed, it is assumed that growth will resolve the problems that have persisted since the start of the democratic establishment. Moreover, poverty, inequality and unemployment will all be approached by simply improving the quality of the supply of labour in the market. This neglects the reality of how the economy has been experienced by the majority of South Africans throughout the post-Apartheid period and the countless evidence which suggests that neoliberalism has failed to deliver its promises of economic prosperity and social health for all. As such, better targeted policies are required to end the ineffective policy cycle that has captured the South African economy for nearly three decades. Without a more progressive macroeconomic pathway there can be no hope for the South African economy or its people.

5. Conclusion

For nearly three decades the South African economy has been characterised by low GDP growth, rising debt, declining investment, high levels of unemployment and a persistent legacy of poverty and inequality among the most vulnerable members of society. Further, the neoliberal economic frameworks of the post-Apartheid period which have consistently prioritised growth over livelihoods have failed to deliver the economic liberation that many expected from the democratic establishment. This has had significant impacts on experiences and responses to the ongoing global health and economic crisis. Therefore, there is an urgent
need for progressive policies that centre the experiences of South Africans and advance efforts towards an equitable and inclusive recovery.

In order to successfully implement the Third United Nations Decade for the Eradication of poverty, the national government will have to take seriously the problems of the South African economy and the impacts of globalisation and financialisation on the post-Apartheid project. The evidence discussed in this paper suggests that more is required than the trickle-down policies that have been recommended in the recent Economic Reconstruction and Development Plan. In a context where work is increasingly precarious and inequalities are rising, more aggressive measures will have to be taken to ensure that the needs of the South African economy are met. As such, to address the confluence of multiple crises which have sustained inequalities throughout the post-Apartheid period, macroeconomic policies will have to include the areas that have historically been neglected. Further, while recognising the macroeconomic challenges that threaten the stability of the South African economy, government will have to rethink its measures of progress based on the unique needs of the South African economy.

Given the issues discussed in this paper, significant structural reforms will have to be implemented to ensure that the millions of poor and unemployed people in the South African society are not forgotten. Amongst other things fiscal and monetary policies should be expanded to include the legal and economic recognition of the large numbers of workers in informal and precarious work arrangements, increase access to social protections and social services for all, and advance efforts towards gender equality and the better inclusion of women, youth and traditionally marginalised people in the economy. Above all, a better understanding of the problems and the appropriate solutions is required of the national government.

References


