



COVID-19 ECONOMIC SURVEY

FINAL REPORT

03 August 2020

Research and Innovation Unit

W&R SETA COVID19 Economic Response

In an effort to limit the spread of COVID-19 and protect the economy, the South African government introduced a phased approach of lockdown. The lockdown approach involves 5 levels of lockdown, all of which have a different intensity of restrictions, with level 1 having the lowest intensity and level 5 having the highest. Lockdown restrictions affect all sectors of life including business. The W&R SETA conducted a survey to see how businesses within the sector have been affected by COVID-19 and its accompanying disruptions.

Below are the survey questions, data charts and an analysis of the survey responses.

Question 1: Which sub-sector(s) are you representing?

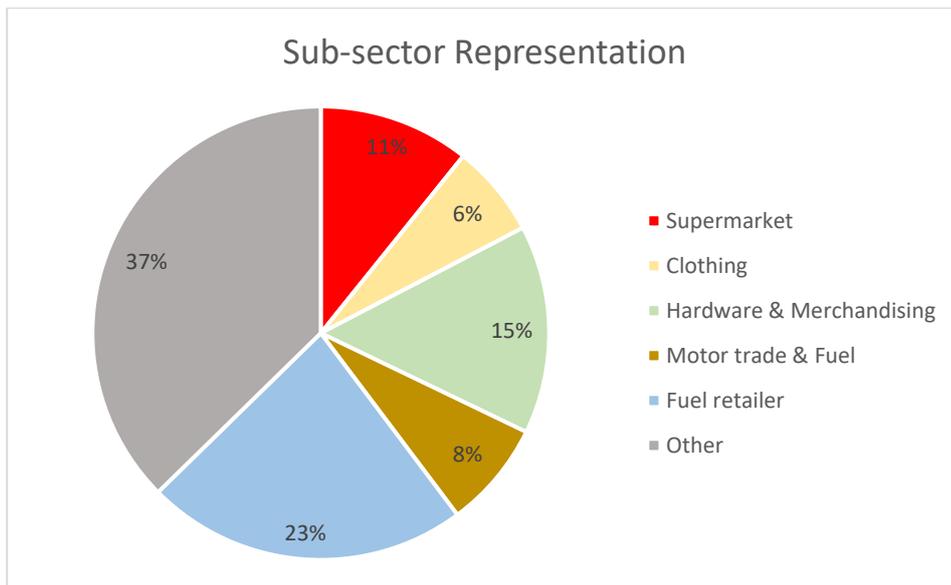


Figure 1: Sub-sectors represented by survey respondents

The above chart shows an indication of the sectors represented by the respondents in the survey.

Question 2: What is the provincial location of your company?

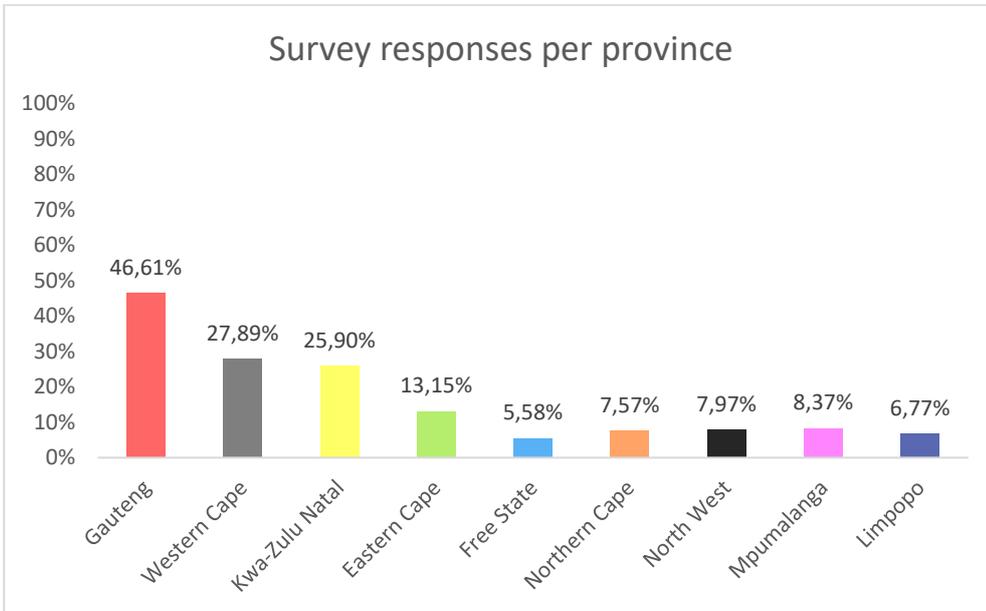


Figure 2: Provincial location

The above shows the distribution of respondents by province.

Question 3: What is the employee size of your company?

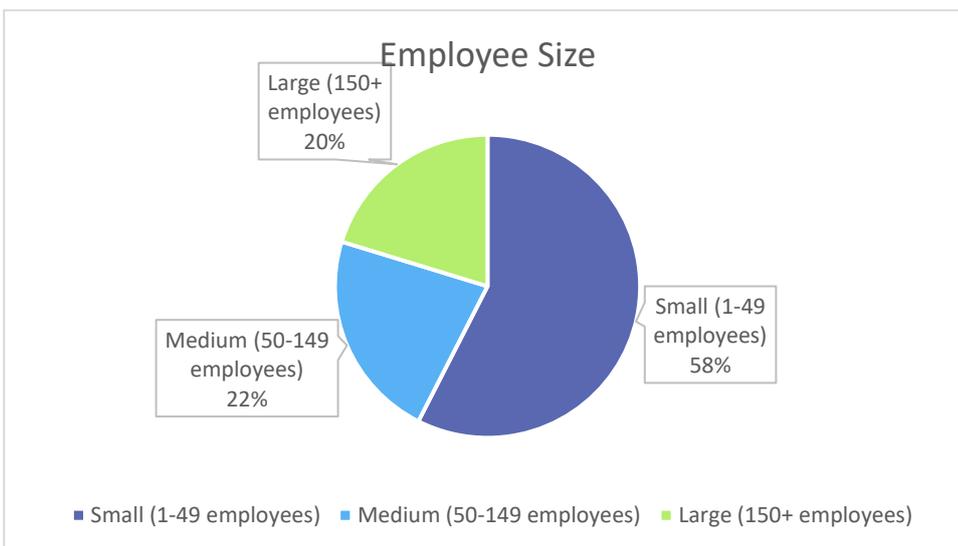


Figure 3: Employee Sizes

From the above chart, 58% of businesses represented in this survey are small businesses. Small and informal businesses might experience the heaviest financial pressure as a result of COVID-19, as they already constitute for the group achieving the lowest annual turnover.

Question 4: Was your business operating during 35 days lockdown level 5?

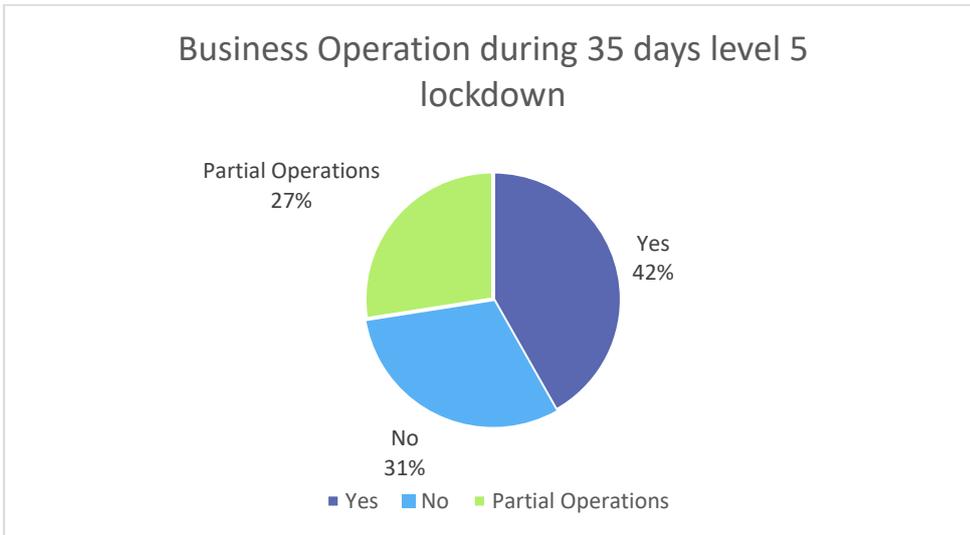


Figure 4: Business Operations during level 5 lockdown

During the 35 days of level 5 lockdown, 31% of respondents indicated that the businesses they represent were closed. In addition, 42% of businesses were fully operational and 27% were partially operational. Businesses that were temporarily fully closed likely experienced loss of income, while also having to endure ongoing costs to maintain business after level 5 or once regulations allowed. However, businesses that were fully and partially operational might have also experienced low sales and a drop of income.

Question 5: How has the COVID-19 and Social Distancing affected your sales?

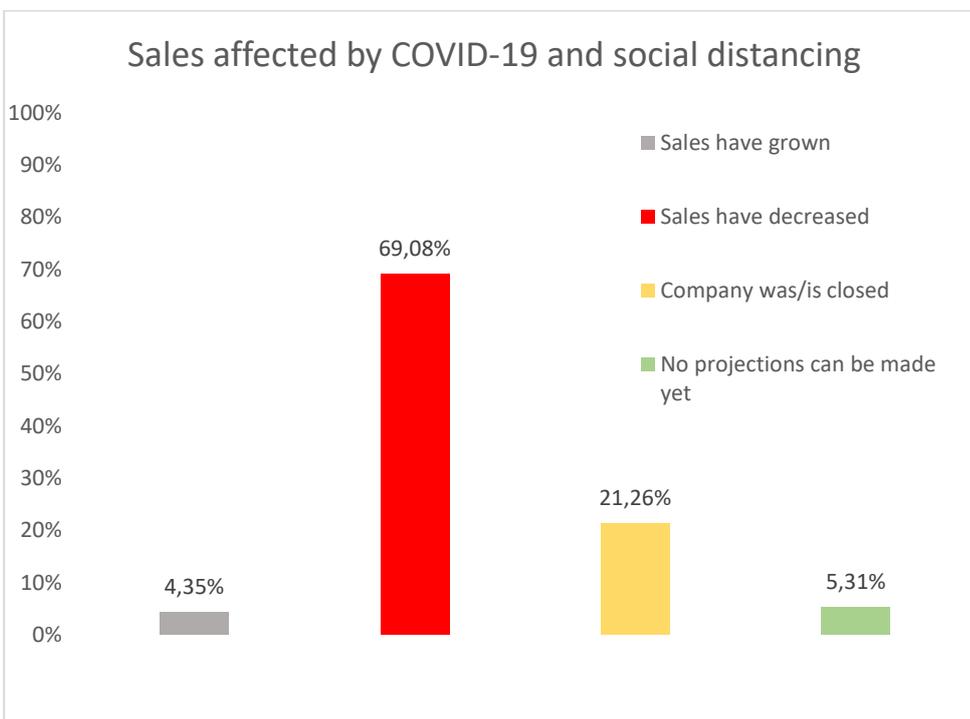


Figure 5: Sales affected by COVID-19 and social distancing

Social distancing required that there only be a limited number of people in a space at the same time. For many businesses, this could have resulted in having to work with fewer staff members or having to decrease the amounts of work time for certain staff members. Although it is uncertain as to why, the 69,08% of businesses that experienced a decrease in sales could have experienced such because of limitations on operational hours and the kind of products that could be sold. Only 4,35% of respondents indicated that their businesses experienced an increase in sales.

Question 6: What has been the impact of COVID-19 to your business turnover?

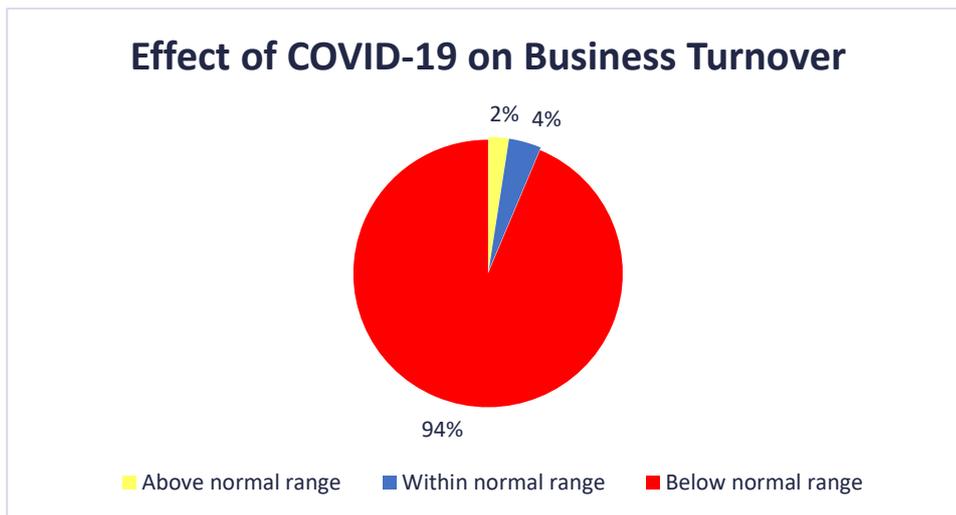


Figure 6: COVID-19 Impact on Business Turnover

The impact of lockdown has shown to result in disruptions to the regular supply and demand flow. 94% of respondents indicated their business turnover was below the normal range. To an extent, this corresponds to the 69.08% of respondents that indicated that their businesses have experience a decline in sales and the 21,26% that were/are closed.

Question 7: What has been the economic impact of COVID-19 on your business?

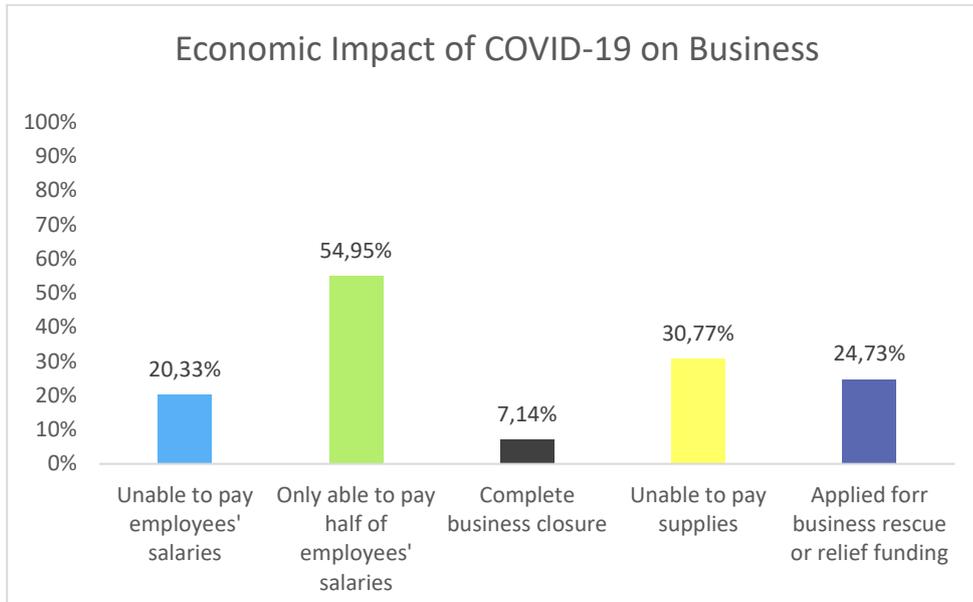


Figure 7: Economic Impact

The economic impact of COVID-19 will be visible across the board. In the sector, it has been anticipated that the interrupted flow in supply and demand might lead to indirect impacts such as inability of businesses to pay employees or manage their operational fees (E-Sek, 2020). This might be in addition to costs that are associated with COVID-19 prevention and precaution, such as PPE and sanitizers.

Question 8: As a result of COVID-19 impact to your business, which is likely to happen?

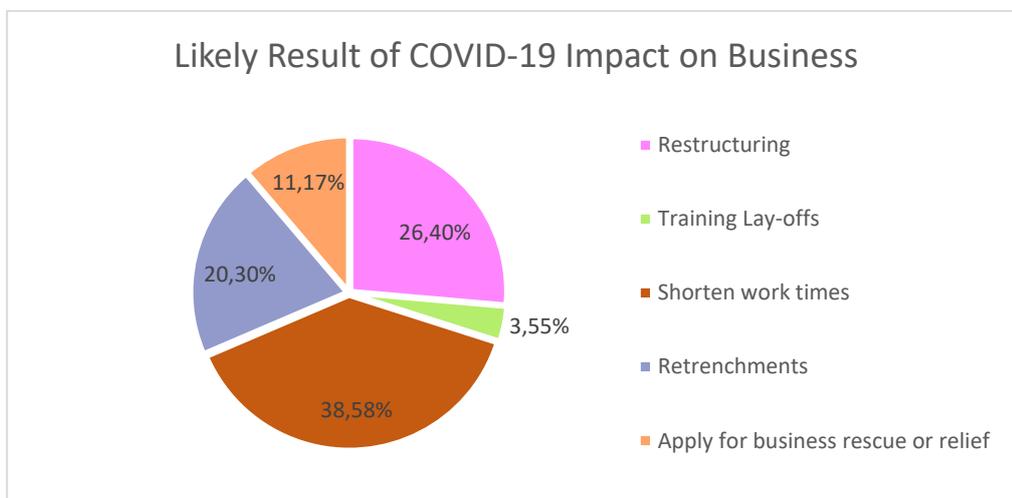


Figure 8: Response to COVID-19 Impact

Without taking extra measures and prioritising mitigation, many companies might risk complete closure. Measures to reduce expenses in the sector include shortening work hours, reducing staff, pausing recruitment and onboarding students for internships and work-integrated programmes. While 38,58% of

respondents indicate that their businesses have applied for business rescue or relief, the remaining 61,42% have taken on more stringent measures to minimise further financial risk or potentially closing business.

Question 9: Which interventions should be prioritized by W&RSETA to mitigate against COVID-19?

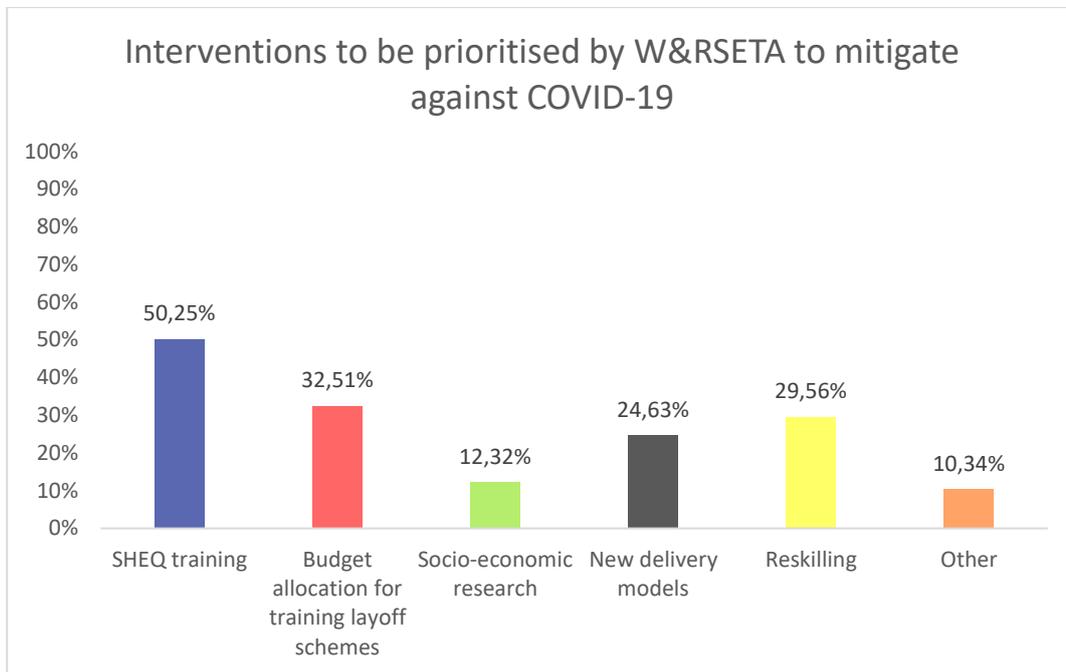


Figure 9: W&R SETA Priorities and Interventions

As any other sector, it is imperative for W&R SETA to find suitable priorities to focus on that can result in a bigger impact for supporting businesses in the sector in mitigation against COVID-19. More than 50% of respondents have indicated that Safety, Health, Environment & Quality training should be a priority. Although the data does not show evidence, it can be assumed that there is a lack of SHE&Q practitioners that can help in managing the impact of the pandemic, as well as planning for the future.

Furthermore, 29.56% of businesses indicated re-skilling is required, whilst 24.63% indicated the development of new delivery models will be required, this will also require reskilling.

Question 10: Would you change to e-learning as a form of training delivery?

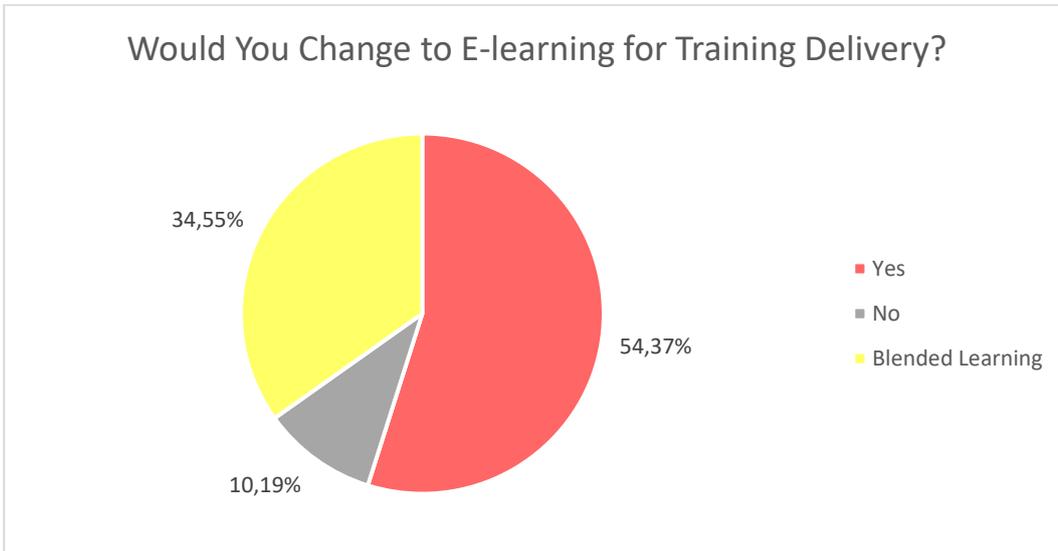


Figure 10: E-Learning as a Model of Delivery

Due to COVID-19, social distancing and refraining from public spaces has been advised as a precautionary measure for slowing down transmission. As a response, many businesses had to revert to working virtually, training and education institutions have had to include e-learning, telematic studies and blended learning which the sector could also implement until a more suitable time for face-to-face training.

Question 11: How would you rate the sectors preparedness to introduce new modes of delivery, such as e-learning?

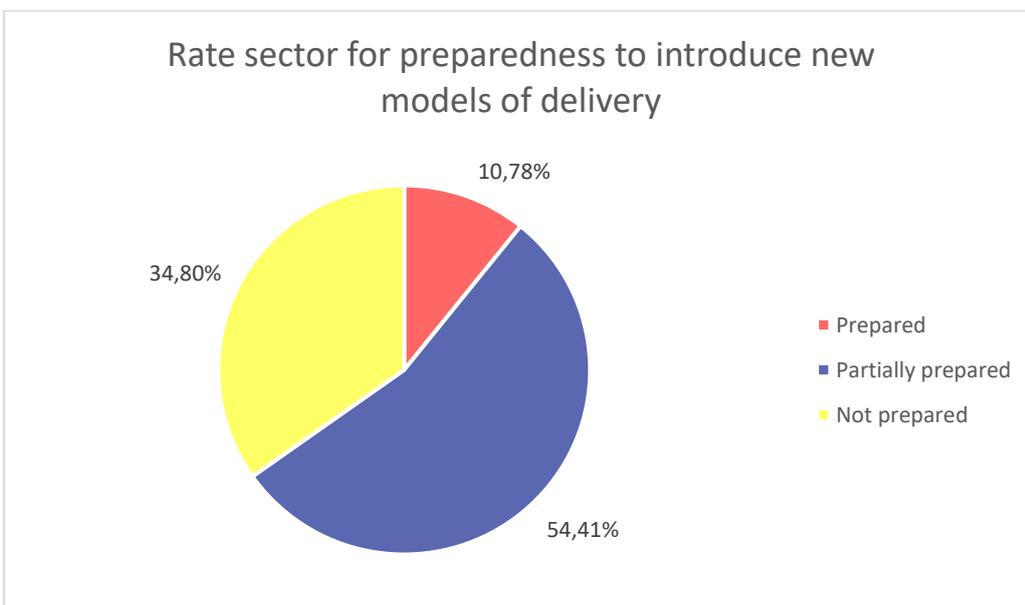


Figure 11: Sector Preparedness

In an effort to change methods of delivering training, the sector must prepare by developing systems and providing/having resources that are enabling for successful training. However, only 10,78% of the respondents believe that the sector is prepared to begin implementing e-learning or blended learning.

Question 12: Which research focus areas are a priority to the sector to improve effectiveness of COVID-19 interventions?

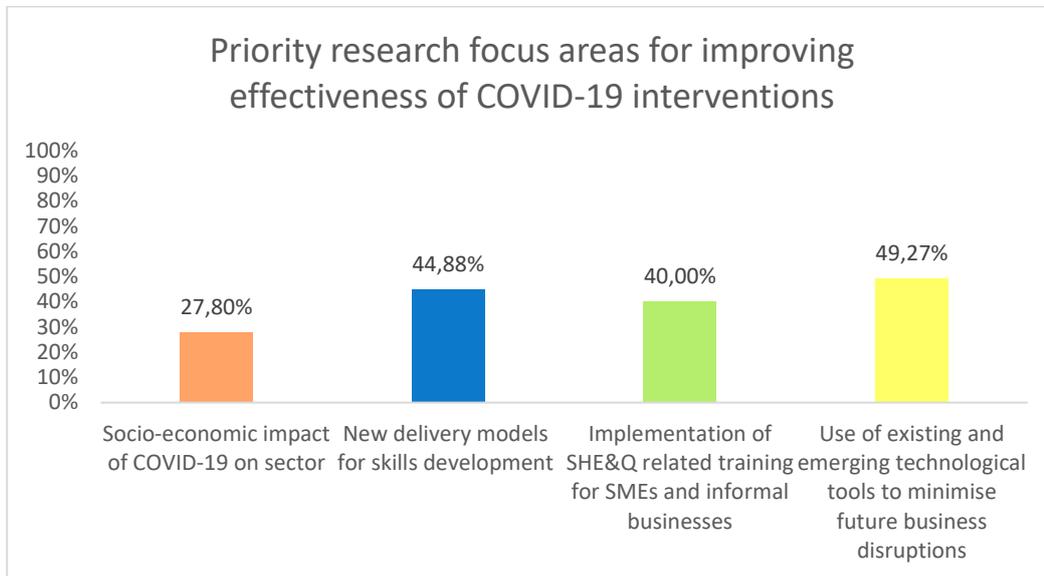


Figure 12: Priority research focus areas

Only 27,80% of the respondents consider the socio-economic impact of COVID-19 on the sector as a priority research focus for improving COVID-19 interventions, while 49,27% believe that the use of existing and emerging technological tools to minimise future business disruptions is a priority.

Read with the responses in Question 9 – research may be focussed on how businesses can pivot in order to meet the demands of the so-called “new normal” together with the skills required to do this.

Question 13: Does your organisation/business see the need to employ a full-time Safety Officer/COVID-19 Officer?

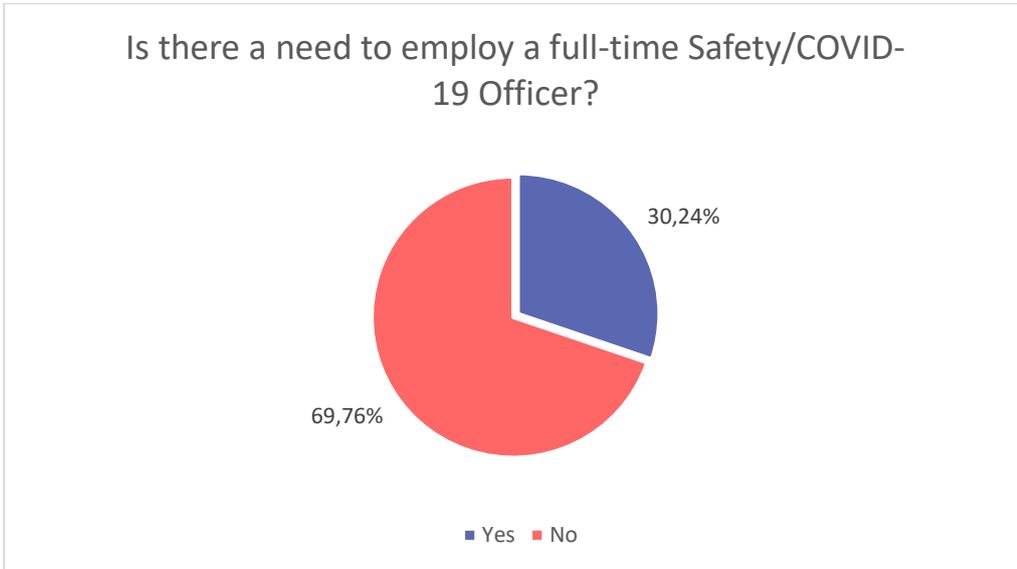


Figure 13: Safety/COVID-19 Officer

While 50,25% of respondents indicated that SHE&Q training should be prioritized by W&R SETA as a mitigation tool against COVID-19, data shows that 69,76% of business do not see the need to employ a full-time Safety/COVID-19 Officer. It is uncertain whether this is a direct reflection of the loss in income and lack of financial stability during this time. It may well be a reflection of the scale of many businesses. They require employees with SHE skills but will not have the budget to employ a full time SHE officer.

Question 14: What are the expected workforce size changes two weeks after opening?

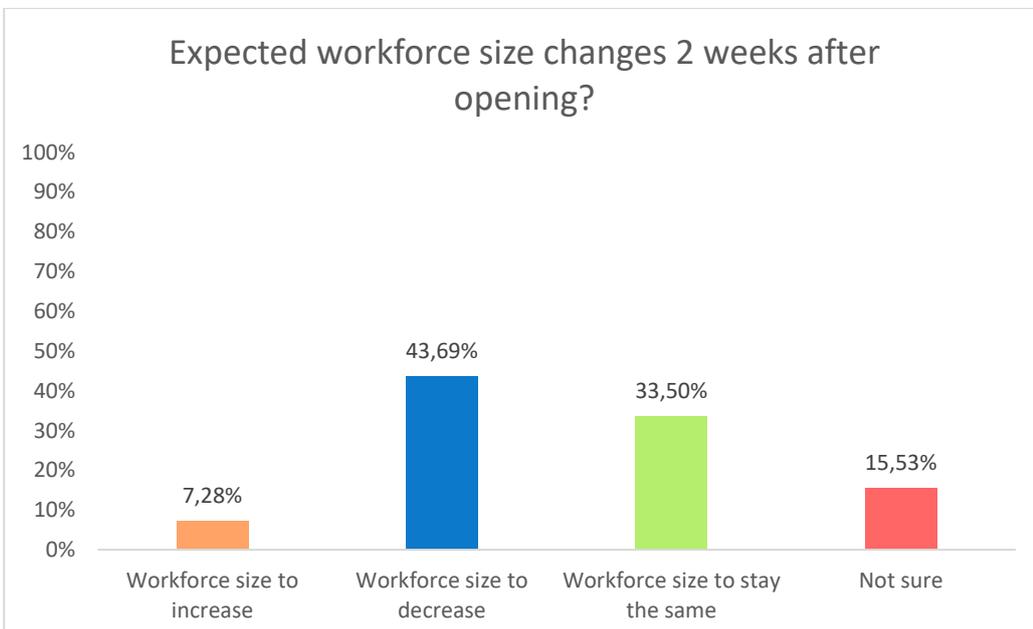


Figure 14: Change to workforce size

In addition to retrenchments and difficulties paying employees and suppliers, 43,69% of respondents foresee a decreased workforce size after opening and 33,50% anticipate that the workforce size will remain the same.

Question 15: What are you doing to avoid retrenchments in your business?

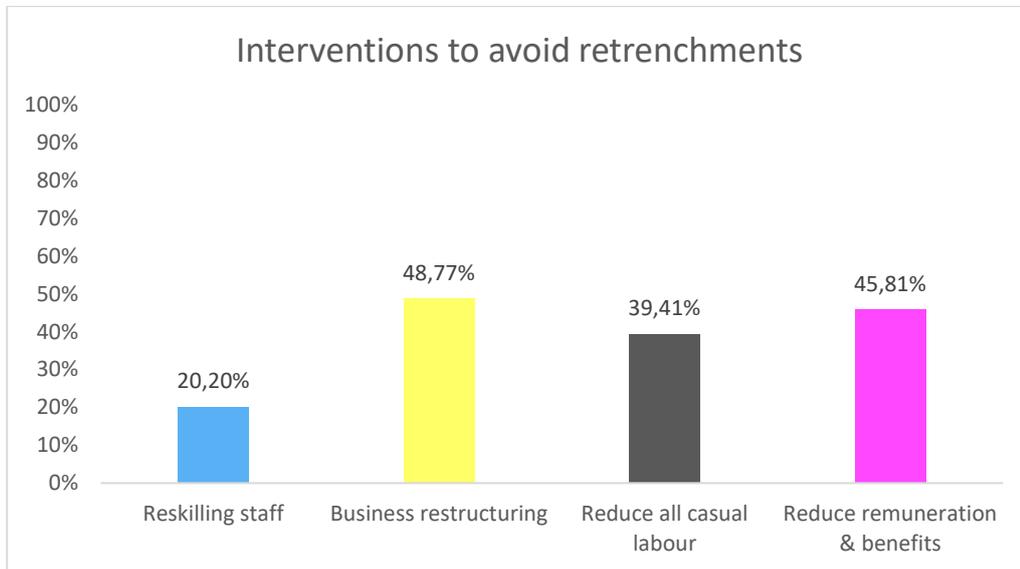


Figure 15: Alternatives to Retrenchment

While many businesses might not qualify for loans, business rescue or relief funding, measures such as reductions in remuneration and benefits, as well as reduction in all casual labour are being implemented. Reduction of all casual labour will add to the broader decrease in unemployment as a result of COVID-19 impacts on businesses.

Reskilling seems to be the lowest priority for businesses. This stands to reason in a time where businesses are under severe pressure in the short-term and need to make decisions that lead to an immediate reduction in costs.

Question 16: Which skills development interventions in reskilling employees, resultant from the effect of COVID-19, are relevant?

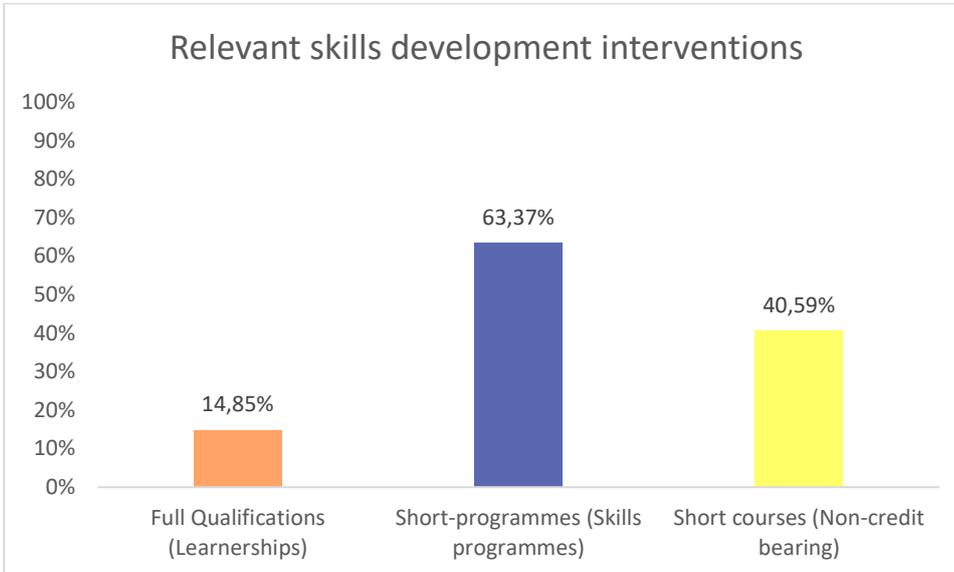


Figure 16: Skills development interventions

Question 17: Does your store have either graduate students serving work-integrated learning, internships or unemployed learners?

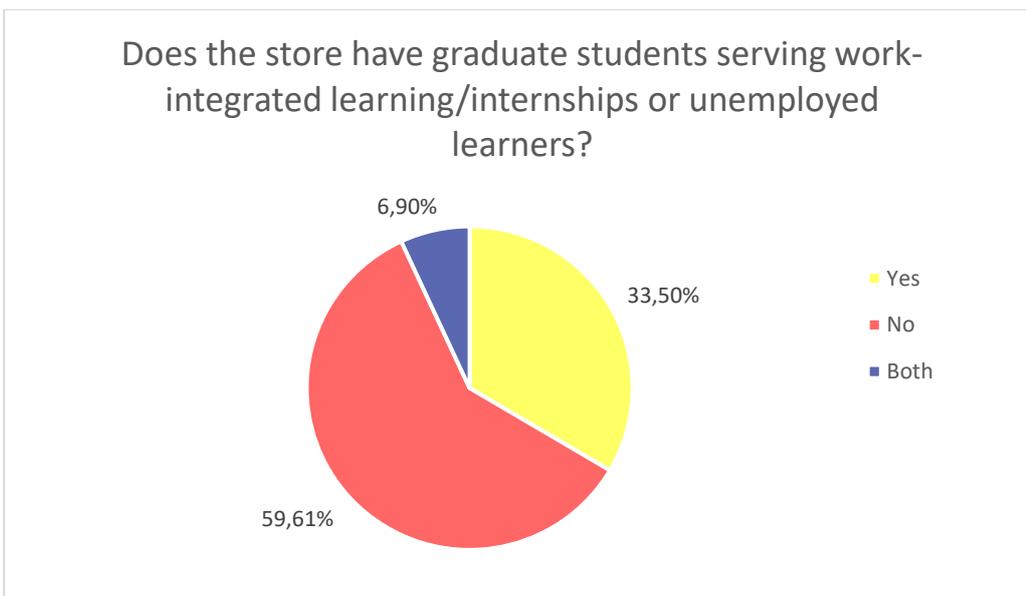


Figure 17: Graduates and students

Full qualifications (learnerships) were only considered by 14,85% of respondents as a relevant intervention for reskilling staff members. Under the assumption that students form a healthy proportion of learnerships

this, to some extent, corresponds with the above data which shows that 59,61% of stores do not have graduate students serving work-integrated programmes or unemployed students.

Question 18: Has there been any online and WhatsApp sales growth during the lockdown?

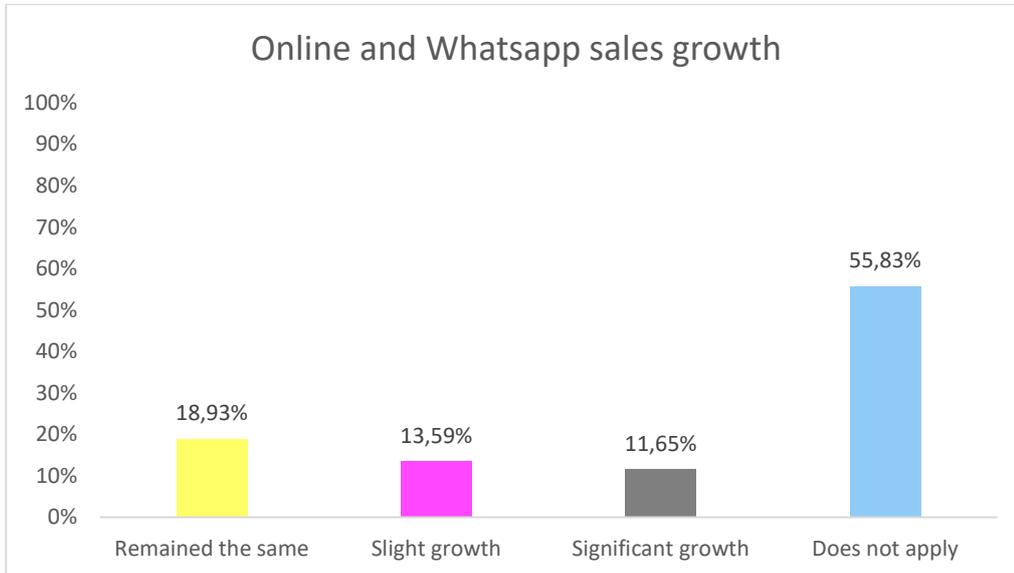


Figure 18: Online and WhatsApp sales

The low increase in online and WhatsApp sales growth may be an indication that the sector does not have the resources and/or the skills to move towards e-commerce, which has been a growing form of shopping, especially during COVID-19.

This should be addressed through revised business models and re-skilling going forward.

Question 19: Would you consider applying for a business relief grant or loans provided by government or private funders?

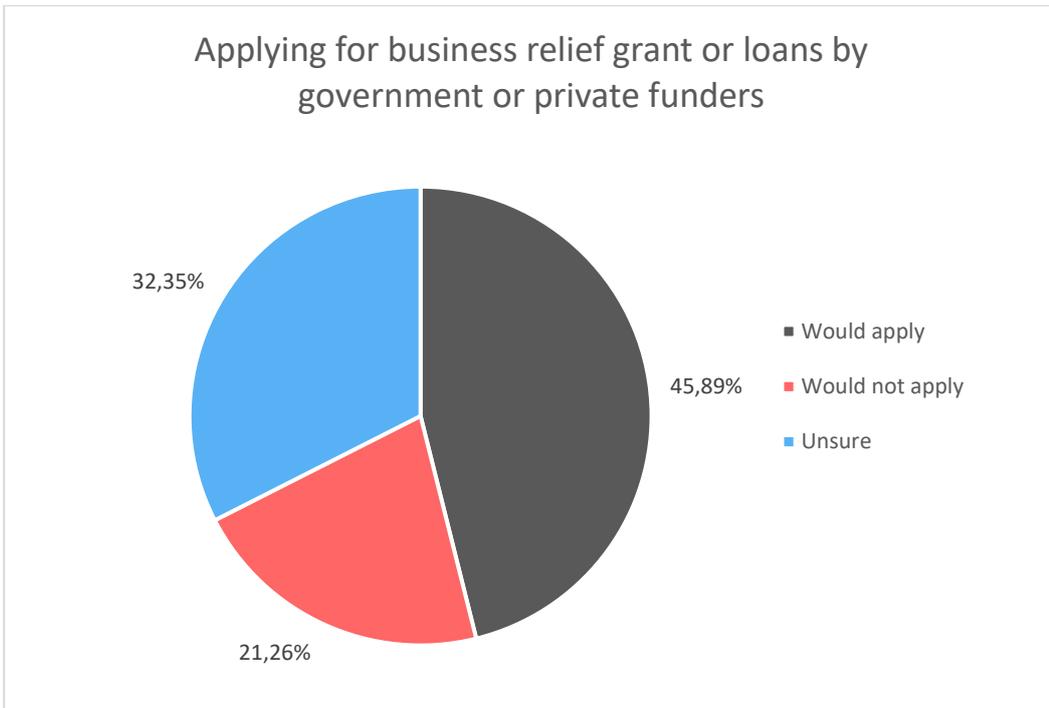


Figure 19: Relief and Rescue Grants/Loans

Applying for business relief grant or loans by government or private funders can lessen the financial burden for business. Although uncertain as to why, 21,26% would not apply and 32,35% are unsure. A concern in this area would be whether businesses know where to look for grants and whether businesses have alternative interventions to consider in cases where they don't qualify for relief grants and loans.

Conclusion

The South African government introduced a phased lockdown to protect the economy and reduce the chance of COVID-19 transmission. However, businesses are still experiencing financial and economic pressure. The sector is already seeing businesses close down, decreased sales and turnovers that are below their normal range. In addition to this, some respondents anticipated retrenchments taking place in response to the COVID-19 impact.

W&R SETA is looking to introduce skills and research priorities and interventions to assist businesses within the sector manage the impact. The sector also has to consider introducing new models of training such as e-learning and blended learning, as well as move towards online sales. However, most of the respondents indicated that the sector was not prepared to introduce new models. Some businesses are also considering applying for business relief and rescue fund, however, the concern is that they might not have the right resources or might not qualify. Businesses need to look into other alternatives to help cope with the impact of COVID-19.