The Impact Of The Shutdown In The South African Economy.

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Abstract-The global economy has been affected by the scourge of COVID-19, the pandemic came at a time that was not expected by most countries in the world. The economy of developing countries has been more affected by the less movement and the shutting down of businesses and the economy. South Africa is not immune to the global economic crises caused by the pandemic. The public suffering has led to stringent measures to stop the spreading of the pandemic. The president of South African decided to shut down the country on the 26 March to stop the infection rates. This article will focus on the impact of the shutdown in South Africa and the role of the Sustainable Development Goals (SDG). Further, the National Development Plan vision 2030 (NDP) will be discussed about the disturbance of the plan caused by the COVID-19 pandemic. The socio-economic impact on public services and businesses in South Africa will be analyzed and discussed. This study applied a secondary research methodology which is normally known as desktop research. A combination of journal articles, newspaper reports, various meetings reports, and reports of economic experts in different platforms was utilized.

Keywords -Development goals, pandemic, shutdown, social economy, businesses

The impact of the shutdown in South African businesses

On 26 March 2020 South Africa went on a full shutdown on services that are not classified as essential services to stop the spread of the COVID-19. The shutdown affected all industries in the country and the paralyzed South African economy was badly affected. The government could not cope with the pressure from the citizens for public services and to address the poverty problems. Businesses are experiencing more pressure from the shutdown because there were no economic activities during the lockdown for them. Businesses made a loss because the owners were still expected to pay the banks and all other expenses while they are not making any profit (Jackson, 2020: 10).

To provide a fruitful discussion on the impact of the pandemic in the South African market, it is important to provide an overview of some of the industries that are most affected by the pandemic. The discussion also includes the mechanism used by directors of those industries to save those industries from insolvency status. According to (McCorquodale, Lise, Neely and Brooks, 2017: 195), legal commercial procedures, policy responses guided the company
owners and directors in the process of saving their companies. The following is the list of companies that have been most affected by the COVID-19 pandemic in South Africa:

Aviation

Lockdown and travel restrictions have brought much of the global aviation industry to a standstill. The aviation industry is giving support to various industries that rely on the transportation of goods to different countries which also includes business travel (Nicola, Alsafi, Sohrabi, Kerwan, Al-Jabir, Iosifidis, Agha and Agha, 2020: 185). Many businesses had to shut down because of not making a profit and because of less market as a result of the pandemic. The aviation industries still have workers to pay regardless of the banning of travels and the industry also has to service flights and maintain the industry and keep it in a good condition. The aviation industry in South Africa has lost approximately R40 billion during the nationwide lockdown (Budd and Ison, 2020: 100).

Construction

The local construction industry in South Africa has suffered a lot during the nationwide lockdown. Most construction activities were banned to observe lockdown regulations which did not only affect the construction companies but also the people that are working for such companies. The pandemic has forced companies to shut down and permanently suspend operations (Ozili and Arun, 2020: 35). The sector employs close to one million people and the shutting down of most companies affects the employment rate of the country but mostly, it affects the households. More than 100 000 people have already lost their jobs since the beginning of the nationwide lockdown. The industry has tried several measures to save further companies from collapsing. Saving measures such as a task team was formed to save further construction companies from collapsing and to assist those who have collapsed but can assist to get back into operation (Ortega and Orsini, 2020: 1258).

Transport, logistics, and manufacturing

This industry is more layered in terms of the economic outlook when compared to other industries. The purpose of the lockdown is to minimize the movement of people to stop the spread of the virus. Less movement of people means that factories will also not be able to have employees on site. Factories or companies that are not offering essential services had to temporally suspend their services to observe the lockdown regulations (Ray and Subramanian, 2020: 27). Vehicle manufacturing has also been put under a lot of pressure which causes a sharp decline in sales. The motor industries are suffering because of the unstable economic situation in South Africa, in 2019, the industry recorded a 21,5% decline in sales and this year, also considering the impact of the pandemic, recorded a 29,7 % decline. The nature of the transport industry forces the industry to rely on the international community because the South African automotive is export-oriented (Cannard, 2020: 03).
Hospitality and tourism

The hospitality industry was also not excluded in the industries that suffered as a result of the COVID-19 pandemic. The pandemic has forced many hotels, guest houses, and tourism sites to close down. The industry has been operating on a skeletal staff which is supposed to be paid while the industry is not making any profit (Gursoy and Chi, 2020: 05). In South Africa, this industry is historically a major job creation hub that employs thousands of people, in 2019 alone, the industry employed over 700,000 people. The pandemic in South Africa came at a time where the tourism industry was on the rise in January and February with just 1.7% travelers which is 3,091 individuals passing through SA’s ports of entry and exit compared to the same period last year. This was bringing hope to the industry, to suddenly shift from this growth to complete inactivity has resulted in many companies considering the restructuring or even shutting down for good. Retrenchment processes have already been initiated by most companies in this industry but still, the damage is far beyond the predictions (Hafsa, 2020: 05).

Entertainment

The entertainment industry is generally involving the gathering of many people which is a high risk of virus infections. Social distancing and safety measures could not be observed in most entertainment areas. Regulations included clear guidelines on how essential events like funerals could be conducted with fewer risks of infections (Ozili and Arun, 2020: 06). The pandemic has forced most entertainment companies to shut down and left many people jobless. Artists and organizers in South Africa are prioritizing a move to online events and performances to remain remembered and relevant to their audience. This online approach does not address the economic challenges of the entertainment industry since people will not physically attend events and will not pay any amount of money. The financial relief provided by the Department of Sports, Arts, and Culture as well as the National Film and Video Foundation is not enough to save all the artists that we have in South Africa.

Textile

The textile industry like all other industries had to shut down during the lockdown in South Africa. The industry is mostly depended on the rented buildings to operate, the shutdown affected the financial situation of the industry in such a way that most companies could not even afford to pay the rent. Major clothing retailers had to close more branches so that they can survive. The industry, however, was supported by the government as it was the first to receive payouts from the COVID-19 relief fund run by the Unemployment Insurance Fund (UIF). This intervention did not go that far because even after the industry was supported but still the loss made was huge and there is no way that companies could be back in operation. The companies that survived are either had enough reserves or they had proper planning for the pandemic before it started affecting the country (Majumdar, Shaw and Sinha, 2020: 150).
Possible interventions to minimize and reduce insolvency risks during the COVID-19 pandemic

The important factor in trying to find a solution to collapsing companies is to be aware of the financial status of the company. Companies that can pay off their debts during this shutdown period are unlikely to be at a high risk of collapsing. Companies are insolvent when their liabilities exceed their assets. Commercial insolvency takes place when companies could not be able to pay their debts (Udofia, 2019: 10).

There is an onerous obligation placed on a board of directors of a company in terms of section 129(7) of the Companies Act wherein, if the board determines that a business is in fact in financial distress, they are to either adopt a resolution to commence with business rescue proceedings, alternatively, deliver a written notice to each of its creditors, employees, trade unions and shareholders, setting out, inter alia, reasons for not voluntarily commencing business rescue proceedings (Mongalo, 2016: 03).

Failure to adhere to provisions as set out in the New Companies Act could result in a director being held personally liable for all the debts of a company. Section 77 of the Act speaks to this personal liability and explains that where a director knowingly carried on the business of the company recklessly or with the intent to defraud creditors or other stakeholders, he/she shall be held personally liable for any loss incurred by the company. Section 214 goes even further to provide for criminal liability for those directors at the steer of a company which is being traded recklessly (Kgosi, Kylene and Vaughn, 2020: 03).

Economic impact on workers

South Africa before the pandemic was facing a decline in employment rate and the pandemic has made it worse. Studies have shown that 1.6 million jobs will be shed in the country in 2020. By comparison, approximately 900,000 jobs were lost after the global financial recession (Erten, Leight and Tregenna, 2019: 449). The pandemic has marked the highest rate of unemployment and job losses in the last decade. The gradual approach of opening the economy could not speedily solve the economic crises of the country. Getting the country back on track after the lockdown and the pandemic will not be an easy thing to do. By that time, most people will be jobless and the economy will be badly affected hence most businesses made a call to the president to allow the businesses to operate. The projections by the South African Reserve Bank suggested that South Africa could see around 370,000 job losses and 1,600 businesses being declared insolvent in the country. These predictions were made a month, before the extended lockdown period was announced, and is therefore likely to have been exacerbated since (Business Tech, 2020: 03).
The impact of lockdown on public services

The Public Service Commission (PSC) provided a warning that the government’s ability to promptly deliver services during the Covid-19 pandemic would create an expectation to the people even after the situation is normal. The government will have pressure after the pandemic to deliver services especially for the vulnerable. This expectation includes the mobilization of resources by the government to provide the needs of the people. The commission has continuously warned the government about the decision to borrow money to mitigate the impact of the pandemic but all the advice was not considered (Maqhina, 2020: 03).

As much as no country escapes coronavirus unscathed, but South Africa seems to have done better than most – despite dire predictions that African countries are a “ticking time bomb” of COVID-19 devastation. This, however, does not suggest that service delivery is not affected by the pandemic. On 1 June, the government was able to ease the lockdown measures, despite some criticism this is premature. The easing of the lockdown regulations gave effect to some public services that were suspended. The lockdown regulations assisted some government departments to strategize and focus on more serious matters. The department that was also relieved as a result of the lockdown regulations is the Department of safety and security, the police did not receive many cases of criminal activities due to the movement restrictions (News feature, 2020: 04). The South Africa government had a lot of time to prepare for the pandemic as the African continent was amongst the last regions to get the virus. The government had failed to properly prepare for the pandemic, the first case was reported on March 5, 2020, but South Africa has the highest infection cases in the continent. The pandemic had implications on the South African society in the social, economic, health, environmental, and technological facets (Sekyere, Narnia Bohler-Muller, Hongoro and Makoae, 2020: 05).

The disturbance of the NDP implementation by the COVID-19

The global economy was on a growing curve before the COVID-19 pandemic. The digital economy has increased in many countries but all that development has been disrupted by the COVID-19 pandemic. COVID-19 has reshaped all economic sectors and South Africa is not excluded from all the economic disruptions (Karriem and Hoskins, 2016: 326). The pandemic has exposed South Africa not only access to the internet but also to access digital gadgets to allow people to work from home. South Africans have been restricted to work and study from home because of the lack of resources. The South African government plans to change the lives of people who have been disturbed by the pandemic. The South Africa National Development Plan policy has all plans to change the lives of the people from essential needs to recreational needs (April and Owusu-Sekyere, 2019: 06). The pandemic came at a time where the country was not ready. The virus forced the government to change the focus, from the NDP plan to stop the spread of the virus and to protect people. The NDP plans have been
delayed and this will not be fully implemented any time soon because the government has to focus on the damages caused by the pandemic.

The country is not advance in Information Communication Technology (ICT) however, the government has a plan to better the ICT system. The Department of Basic Education has strategy 2015-2020 which is in the White Paper policy to change the learning platforms to accommodate ICT. The strategy and the infrastructure development of the ICT depend on the availability of resources and the available resources have to help the country cope after the pandemic. Regardless of the pandemic, the National Development Plan (NDP) hasn’t lived up to expectations and has gathered dust, like many other ambitious public policies. Principled leadership is required in all spheres of government to put the country on a path of economic growth and to improve the quality of governance. For many years in South Africa, the government has been dominated by a lip service rather than implementing practical measures and address the challenges of the country. Part of the NDP policy is to eliminate poverty and reducing inequality by 2030. Other key objectives of the plan are to prioritize the country and to create a conducive environment for all the people that live in the country. This has not yet been achieved because the country has a 29% of the unemployment rate, the education system is a mess, the health system is not strong, corruption level is too high, all of this has become worse because of the pandemic (Isike and Ogunnubi, 2017: 285).

The unemployment rate went up as a result of the pandemic however the big impact is on youth who are living in deep poverty. Poor young women also felt double oppression during the lockdown period. Educated young people who had hope and plans for the bright future have lost hope because of the government failures to sustain the dying economy. Education status and effort of many years have been viewed as a useless effort during the pandemic because everyone was treated the same and the main focus was to preserve lives. Young people did not only suffer in the education sector but also young pastors who had a promising future have lost track of activities and focus. Churches have collapsed because of not having any church activities, donations were not received and congregants were not contributing because there were no church activities (Musingwini, 2017: 03).

The UN Sustainable Development Goals versus the COVID-19 pandemic

COVID-19 is reversing decades of progress on poverty, healthcare, and education made by the United Nations (UN). The effects of COVID-19 have devastated the most vulnerable countries forced some countries to be into recession. The Sustainable Development Goals (SDG) have globally improved the lives of many people everywhere in the world. The plan has been on track to eradicate poverty and to bridge the gap between the rich and the poor. The pandemic had advanced the food insecurity because the lockdown has badly affected the agriculture industry (Fleetwood, 2020: 5027). Food security had exposed high inequalities in the world because those who have money had access to essential resources while those who are poor find it difficult to access essential needs like healthy food. This put the COVID-19 pandemic to be the worst human and economic crisis of our life in all countries with global
death close to a million people and more than 10 million people are infected. The numbers of daily infections go up in all countries and that affects the planning of countries and institutions that seeks to intervene on the damages caused by the pandemic. What makes it more difficult for prominent institutions to intervene is the inequalities and injustices that have been broadened by the pandemic. This suggests that whoever wants to provide help on the victims of the pandemic, the issues of inequalities must first be addressed. The 17 goals confirm that the poorest and most vulnerable are children, older people, a person with disabilities, migrants, and refugees (Scherer, Behrens, de Koning, Heijungs, Sprecher and Tukker, 2018: 66). Women are also bearing the heaviest brunt of the pandemic’s effects. The pandemic has created a situation where about 71 million people are expected to be pushed back into extreme poverty in 2020. Extreme poverty is a result of the loss of employment by millions of people in the world. At this point, there is already a high level of underemployment and unemployment which put 1.6 billion workers in vulnerability and on the fear of the unknown. The mitigation plans to save the global economy have not assisted the vulnerable and poor people. Lack of proper infrastructure for poor people makes it difficult to stop the spread of the pandemic. More than 1 billion slum dwellers globally are at risk from the effects of the pandemic because of the lack of adequate housing, running water, shared toilets, and overcrowding (Nyadera and Onditi, 2020: 02).

The outcomes of the COVID-19 are dire for the whole world but the intervention of the UN and the SDGs will have a positive impact to stop the spread of the virus. The intervention on monetary value is expected to be USD 9 trillion across countries. The assistance of the World Bank to facilitate the payment is expected and 190 countries were identified. This intervention is made to address the immediate challenges brought on by the pandemic and also to show the mandate of the SDG. The immediate mandate of the SDG is to maintain the progress made during this crisis and supporting those that are at the immediate risk of poverty. In support of the SDG, certain measures to curb the impact of the pandemic must be designed. Measures have to address the short term and long term goals of the SDG which is mostly to reduce excessive poverty. The inequality gap has increased because of the pandemic, therefore, the measures have to address the levels of inequalities (Allen, Metternicht and Wiedmann, 2018: 1455).

The pandemic has widened the gap between the rich and poor communities in the world. The collapse of key businesses and informal businesses has affected mostly the poor. The poor people are living from hand to mouth situation where they work for the living and there is money that is invested for unforeseen circumstances (Heimann, 2019: 44). The working class and mostly the poor, are not earning enough to survive let alone to save for the future. The collapse of businesses left millions of people with no job. Unemployment is a burden for the poor but the primary challenge facing most poor people in the world which includes South Africa is the lack of essential public services. Lack of proper sanitation in poor communities and no supply of clean water becomes the primary challenge (Rosati and Faria, 2019: 1313).
The pandemic is not selective on whom it is attacking hence the rich and the poor have the same and equal chances of being affected and infected. What displays the level of inequality is the level and type of treatment provided to patients in healthcare facilities. Those who have medical aids are treated in private hospitals and the service is far better than those who are treated in free public hospitals (Reinert, 2019: 14). The inequalities in all sectors have been widely exposed by the pandemic however, most governments have failed to bridge the gap even before the pandemic. The education sector is an example of a sector that has affected the future of many countries. Private schools have been able to improvise for their learners while government schools were closed and no alternative was provided. Most private schools were able to conduct their lessons online and the syllabus continued despite the pandemic (Rong, Zhou, Yang, Shafiq and Liu, 2016: 2330).

Various institutions in different countries are in a mission to contribute to stopping the spread of the pandemic and to create a safe environment for the people. The United Nations Department of Global Communications is doing its best to create an awareness in all countries. On the other hand, the organization is of the view that the pandemic is presenting a golden opportunity for the human families to act in solidarity (Kuriansky, Reichman, Saner-Yiu, Saner and Beiglböck, 2020: 206). The organization is providing support to all governments to ensure that the global economy is not badly affected by the pandemic. This organization is working hand in hand with the World Health Organization (WHO). The collective goal of both organizations including others is to fight the COVID-19 pandemic. Both organizations are of the view that there must be an attack on the virus. Waiting for the virus to attack first and only retaliate after the attack is not going to better the situation. The idea of the vaccine came into effect as a result of the ongoing discussions between different medical teams and leaders (Allegranzi, Bischoff, de Jonge, Kubilay, Zayed, Gomes, Abbas, Atema, Gans and van Rijen, 2016: 277).

**The impact of COVID-19 in the education system**

The report made by the United Nations Educational, Scientific, and Cultural Organization (UNESCO) has revealed shocking statistics of learners that are registered for the academic year 2020. About 1.25 billion learners are enrolled worldwide which is 72.9 percent have been affected by the pandemic. Most schools in developing countries are overcrowded and the initiative to practice social distancing becomes unrealistic. This has forced most schools to shut down to stop the spread of the virus (Liburd and Becken, 2017: 1720). Even though there are numerous reports that the virus is not aggressive to young people but no proof has been presented. Nevertheless, young people especially scholars are not living alone, they live with their parents and sometimes grandparents who might be most vulnerable to the virus. Some schools have opted to use online teaching and learning but that has incurred additional costs for teachers and learners collectively. Government schools in most developing countries were not able to provide online learning because of the lack of resources. South Africa is amongst the governments that were not able to switch fully to online learning because of the lack of capacity and resources. In South Africa, private schools were able to offer online
teaching and sometimes used different social media networks. The main aim of most private schools to teach online was to save the academic year (Opillard, 2016: 130).

Technological advancement

Out of the pandemic, there is a benefit of technological advancement in many countries. The pandemic has forced the world to find new ways of communicating with no physical contact at all. Technologies such as facial recognition, mobile phone location-tracking, and space-based systems to the forefront of efforts to monitor citizens and tracking infected populations. Technological advancement is not a solution to end the pandemic but it helps to keep up with the daily activities (Iivari, Sharma and Ventä-Olkkonen, 2020: 103). The system, therefore, assists in stopping the spread of the virus because people will use the available technology to communicate rather than meeting face to face. As much as the technology has advanced globally during the pandemic but lower-income people and elderly individuals are still struggling to access the new technologies. The digital surveillance that has been used by many governments in the world had its shortfalls and weaknesses. The privacy of people has been compromised in the process of monitoring the population by governments. According to Carroll and Conboy (2020: 185), the failure of the Information Communication Technology (ICT) has been realized mostly during the time of statistics report of infected people. Fake news and fake statistics on the number of infections has been misleading people. The misleading statistics had a bad impact on people and most people were panicking unnecessarily. The World Health Organization (WHO) has tried several times to stop the organization from reporting fake news but all their attempts did not produce good results. The infodemic has been categorized as the dark side of the ICT during the period of the COVID-19 pandemic (Elavarasan and Pugazhendhi, 2020: 138).

The infodemic has led to a huge confusion amongst the people, a wide variety of distributed entities are involved in the data production. People that are involved in the data production and collection processes are no longer trusted by the people because of the false reports (Tangcharoensathien, Calleja, Nguyen, Purnat, D’Agostino, Garcia-Saiso, Landry, Rashidian, Hamilton and AbdAllah, 2020: 19). However, some legitimate and accurate data ecosystems have assisted to keep people updated about the epidemic and served as a form of awareness system. Data ecosystems included various entities which include local, regional, provincial, and national government authorities, technology developers, and health care institutions. The global crises caused by pandemics such as the COVID-19 require a huge amount of data to be generated instantly from isolated sources. Collaborating data between all entities is a form of combating the pandemic.

The pandemic has forced companies and government institutions and people, in general, to be familiar with the technology. Many workplaces have developed strategies for the digital workplace to keep the operations going regardless of the regulations of governments as a result of the pandemic (Khetrapal and Bhatia, 2020: 395). Remote working systems have been applied by both government and private institutions to maintain productivity while
protecting the people against the virus. Organizations have constructed the infrastructure that is ensuring the use of technology while observing the lockdown regulations. Technology protected most companies from collapsing by making sure that the services are not interrupted (Pan and Zhang, 2020: 102)

The new world order on socio-economic conditions as a result of the COVID-19

The pandemic has created a new world order where everyone else is required to stay indoors except on the rare occasions that they need to seek medical help, buy groceries from supermarkets, or medication from pharmacies. Besides, these outlets are also mandatory to ensure that no more than 50 people are on their premises at any specified time. The social distancing policy has led to the suspension of all religious gatherings, schooling, and social-cultural functions. Homeless people have been relocated into the temporary shelter that is well spaced out. However, there are strong challenges that emerge from the lockdown and the social distancing policy (Gupta, Montenovo, Nguyen, Rojas, Schmutte, Simon, Weinberg and Wing, 2020: 27).

The prohibition of alcohol sales and consumption has assisted to minimize intoxication and social aggravations and conflict amongst people. the societal discomfort that was caused by the lockdown and the banning of alcohol has frustrated people which resulted in most people becoming more violent in their families. The reported cases of gender-based violence have increased because of many people having to stay more time in their homes. People living in informal settlements were not only frustrated by the lockdown and having to spend more time in their overcrowded homes but, they also had to live in an environment that does not allow social distancing (Yanti, Wahyudi, Wahiduddin, Novika, Arina, Martani and Nawan, 2020: 05).

The already high levels of poverty in South Africa have been intensified by the stay-at-home orders which mean no economic activity and, therefore, no income-earning opportunities, especially for the self-employed and the informal sector. As a result, society is already beginning to agitate for easing of the lockdown policy. Self-employed people like people that are selling fruits and vegetables on the streets have been badly affected by the lockdown regulations. Self-employed people were not given a relief fund because most of them do not contribute to the Unemployment Insurance Fund (UIF) (Greenstone and Nigam, 2020: 26). The government did not have a proper plan on how to save the informal businesses. The taxi industry had to force the government to allow the industry to operate fully. The taxi industry was not able to survive because the banks needed their installment in full despite taxis not operating fully. The 70 percent capacity in the transport industry had forced taxi owners to take it on the street and demand the government to allow taxis to have full capacity.
I. CONCLUSION

In conclusion, the pandemic has not only affected the economy in South Africa but also the way of living has been affected. COVID-19 did not only take lives but it also destroyed many families. Households have been badly affected in such a way that some families had to split because of losing the breadwinners. Social programs have been suspended which compromised people that are in the business of social programs for survival. The pandemic has infected many people regardless of the government regulations in place. The number of deaths has increased while people are fully observing the government lockdown regulations.

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