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## **The livelihood impacts of COVID-19 in urban South Africa**

A view from below

Simone Schotte<sup>1,2</sup> and Rocco Zizzamia<sup>2,3</sup>

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**Abstract:** This paper investigates the impact of the COVID-19 pandemic and related policy measures on livelihoods in urban South Africa. Using qualitative research methods, we analyse two rounds of semi-structured phone interviews, conducted between June and September 2020 in the township of Khayelitsha, Cape Town. We contextualise these by presenting a snapshot of the nationwide dynamics using quantitative panel data. Our findings describe how the shock of the COVID-19 pandemic has deepened the economic vulnerability which preceded the crisis. Survivalist livelihood strategies were undermined by the economic disruption to the informal sector, while the co-variate nature of the shock rendered social networks and informal insurance mechanisms ineffective, causing households to liquidate savings, default on insurance payments, and deepen their reliance on government grants. In addition, the impact of the pandemic on schooling may deepen existing inequalities and constrain future upward mobility.

**Key words:** COVID-19, welfare dynamics, lockdown, South Africa, mixed methods

**JEL classification:** I18, J46, O55

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<sup>1</sup> UNU-WIDER, corresponding author: [schotte@wider.unu.edu](mailto:schotte@wider.unu.edu); <sup>2</sup> Southern African Labour and Development Research Unit, University of Cape Town, South Africa; <sup>3</sup> University of Oxford, United Kingdom

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Katajanokanlaituri 6 B, 00160 Helsinki, Finland

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## 1 Introduction

The COVID-19 pandemic has delivered a devastating economic shock to livelihoods across the world. Early indications suggest that the poor within developing countries have suffered disproportionately. More specifically, within countries, the impact of the pandemic has been unequal across households with differential access to income, assets, employment, health care, and social protection, as well as along gender lines (Adams-Prassl et al. 2020; Gisselquist and Kundu 2020). The inequality of the impact was acutely felt in the labour market, where workers in elementary occupations, those in the urban informal economy, and those without unemployment insurance have been most affected by distancing policies and the overall drop in demand (Balde et al. 2020; Espi et al. 2020; Jain et al. 2020a; Lakuma and Nathan 2020; Ranchhod and Daniels 2020a; Schotte et al. 2021).

Much of the existing evidence for these effects has relied primarily on quantitative data collected through rapid telephone surveys. However, to obtain a deeper and more granular understanding of the livelihood responses to the COVID-19 shock, there is much to gain by combining quantitative data with an analysis of detailed qualitative evidence. This is the goal of this paper.

In this article, we assess how the COVID-19 pandemic and related policy measures have affected people's livelihoods, focusing on low-income and disadvantaged communities in urban South Africa, with the aim of providing a detailed 'view from below'. We present a snapshot of the quantitative evidence on the COVID-19 impact that has been gathered at the national level and enrich these findings by providing an in-depth qualitative analysis that explores the perceptions, coping strategies, and main challenges experienced by people who were highly vulnerable to the shock.

We focus on South Africa as a case study, being among the countries most heavily affected by the pandemic. The COVID-19 lockdown in South Africa was one of the earliest and strictest in global comparison (Gustafsson 2020), causing a substantial disruption of labour markets, with already disadvantaged workers bearing the heaviest burden (Casale and Shepherd 2020; Espi et al. 2020; Jain et al. 2020a; Ranchhod and Daniels 2020a; Rogan and Skinner 2020). Despite stringent, early confinement policies implemented to reduce contagion, COVID-19 infections in South Africa continued to surge rapidly. Cape Town—with its poor, densely populated townships—and the surrounding Western Cape province quickly emerged as hotspots.

Our qualitative research strategy draws on two rounds of semi-structured interviews conducted between June and September 2020 with respondents residing in Khayelitsha, a large township on the outskirts Cape Town. The sample was drawn from a previous qualitative study—consisting of in-depth life-history interviews and wealth ranking exercises—that we conducted in Khayelitsha in 2017. The interviews in this extension study focused on the impact of the pandemic on economic livelihoods and well-being and were analysed using a thematic approach. This analysis was supplemented by two key informant interviews that shed light on issues experienced at the broader community level.

Our findings highlight three interrelated consequences of the COVID-19 pandemic. First, consistent with prior quantitative evidence on the COVID-19 shock in South Africa (Jain et al. 2020a; Ranchhod and Daniels 2020a), we find that the pandemic was experienced first and foremost as a sudden and dramatic shock to labour markets. While this shock to earnings and employment was experienced by almost all workers in our sample, the consequences appear especially severe and long-lasting for those in informal work, whether in wage labour or self-employment. The shock also percolated through to those not directly affected by job or earnings losses, drying up distributional channels of support. Consistent with Jain et al. (2020b), this shock to labour market income appears to have affected household spending, with several respondents reducing consumption of essential food and non-food items.

Second, the shock to earnings has led to a general decrease in the underlying resilience of households to future potential shocks—which could include the second wave of COVID-19 infections from which South Africa emerged in February 2020. Providing novel evidence on a dimension not captured in the quantitative data, our qualitative data show that households have lost access to both formal and informal mechanisms of social insurance in the crisis. Several respondents reported defaulting on funeral policies, drawing down on savings, witnessing rotating savings and credit associations disintegrate, and losing access to remittance income. Covariate shocks such as the COVID-19 pandemic compromise community-based risk sharing institutions (Dercon 2002), and subsequently expose individuals to future idiosyncratic shocks. In this regard, the expansion of government social protection through top-ups to existing grants and through the introduction of a new social relief grant has been indispensable in sustaining the livelihoods of the poor.

Third, amongst our interlocutors there was a general sense that developments in the pandemic context have led to a perception of a loss of control of the outcomes in one's life. We propose that the psychological distress experienced by individuals in our sample can be understood in terms of this fatalistic shift. Individual anxieties were centered on where respondents have 'skin in the game'—younger men were distressed primarily about their perceived loss of agency in the labour market, while older respondents were more anxious about the uncontrollable disease environment.

This work adds to two strands of research. First, we expand on the rapidly expanding body of research investigating the livelihood impacts of COVID-19 in developing countries in general (Abraham et al. 2020; Balde et al. 2020; Gisselquist and Kundu 2020; Lakuma and Nathan 2020; Sumner et al. 2020), and in South Africa in particular (Espí et al. 2020; Jain et al. 2020a; Köhler and Bhorat 2020; Ranchhod and Daniels 2020a; van der Berg et al. 2020; Wills et al. 2020). By presenting novel qualitative evidence, our paper is able to speak to processes which remain out of reach of large quantitative rapid-assessment surveys—such as the inter-linkages between livelihood strategies and informal support networks, the psychological experience of the pandemic, and the exacerbation of underlying vulnerabilities.

Second, our paper adds to existing work investigating the determinants of economic vulnerability and resilience to shocks, expanding both the qualitative (Neves and Toit 2013; Du Toit and Neves 2007) and quantitative (Schotte et al. 2018; Zizzamia et al. 2019) literature. In this regard, the COVID-19 context provides us with the opportunity to investigate how prior work on vulnerability to economic shocks maps onto the outcomes observed in face of new and dramatic health, economic, and social challenges. Previous research has shown that—prior to the pandemic—two thirds of the South African population were either poor or vulnerable to falling into poverty (Schotte et al. 2018). As Schotte (2019) and Zizzamia (2020) argue, among those households with few buffers to protect their living standards, negative shocks to income can easily generate a poverty trap that is difficult to escape from, and health shocks and job losses are among the main trigger events that can precipitate a downward spiral. Making use of newly collected data in South Africa, we are able to show that pre-existing markers of vulnerability map onto poverty and deprivation outcomes in the post-COVID context, and help explain heterogeneity in the experience of the shock.

Our findings give rise to concerns that the COVID-19 pandemic has both exposed and exacerbated existing inequalities. It may not only present a temporary income shock but also hamper people's income generating activities in the longer term—with potential lasting implications for the incidence, depth, and severity of poverty.

The paper proceeds as follows: Section 2 discusses the South African context and policy landscape in the wake of the COVID-19 pandemic. Section 3 presents the qualitative and quantitative data used and the methodology of analysis. Section 4 provides a snapshot assessment of the quantifiable economic impact of COVID-19 on South African households. Section 5 proceeds with an in-depth analysis of our qualitative data, assessing the impact of COVID-19 on township livelihoods. Section 6 concludes.

## 2 COVID-19 in South Africa: background and policy environment

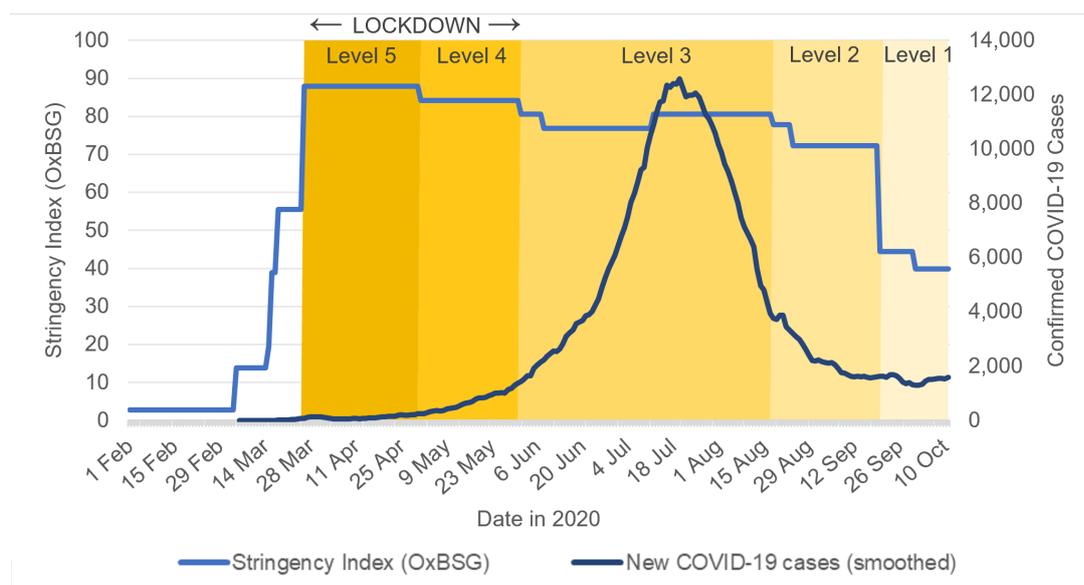
For policy-makers around the world, navigating the response to the COVID-19 pandemic has been a balancing act between protecting public health and the economy. South Africa bears one of the largest COVID-19 case loads worldwide, and its policy response has been one of the earliest and strictest in global comparison.

In face of rising infections in the country, which since the first registered case in early March 2020 had rapidly spread to all nine provinces, a national lockdown came into effect on 27 March. This full lockdown was later framed by the government as ‘Level 5’ in a ‘Risk Adjusted Strategy’ to manage the spread of COVID-19. Over time, the government gradually relaxed the regulations, with a move onto ‘Level 4’ coming into effect on 1 May, ‘Level 3’ on 1 June, ‘Level 2’ on 18 August, and ‘Level 1’ on 21 September 2020 (see Appendix Table A1 for a summary of alert levels).

Figure 1 illustrates the stringency of policy measures that were in place in South Africa between March and October 2020 in response to COVID-19. Level 5 entailed a complete stop to all but essential commercial activity and a severe curtailment of freedom of personal movement, including strict stay-at-home orders and the active involvement of the South African Defence Force in enforcing regulations. In subsequent levels, the restrictions on commercial activity were gradually relaxed, yet remaining relatively rigid by international standards. Strict stay-at-home orders remained in force in Level 4, so that meaningful relaxation on the freedom of movement for the general population only began in Level 3.

Despite stringent, early confinement policies to reduce contagion, COVID-19 infections in South Africa continued to surge rapidly, with the first wave reaching peak levels in mid-July 2020 (see Figure 1). In the early phases of the pandemic, Cape Town—with its poor, densely populated townships—and the surrounding Western Cape province quickly emerged as hotspots, accounting for 45 per cent of the nation’s confirmed cases as of 28 June 2020 (NICD 2020). Despite the sharp subsequent fall in new infections between late July and end of August, by September 2020 South Africa had by far the highest number of total confirmed COVID-19 cases in Africa and the sixth highest case count worldwide.

Figure 1: COVID-19 cases and government response stringency index



Note: the stringency index published by the Blavatnik School of Government (OxBSG) is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (strictest); it shows the pandemic response level in the districts subject to the strictest lockdown measures.

Source: authors’ illustration based on Hale and Webster (2020) and Roser et al. (2020).

The economic impact of stringent distancing policies and the overall drop in demand were acutely felt in the labour market—triggering job losses, business closures, and underemployment. Jain et al. (2020a) and Ranchhod and Daniels (2020b) estimate that 40 per cent of South Africans who had been employed in February 2020 were not actively employed during the Level 5 lockdown, with half of this decline in active employment appearing to be due to permanent lay-offs or business closures (Jain et al. 2020a). Employment losses were concentrated among those who were already disadvantaged prior to the pandemic—women, less-skilled workers, informal workers, low-income earners, and those with a history of unemployment (Casale and Shepherd 2020; Espi et al. 2020; Jain et al. 2020a; Ranchhod and Daniels 2020a; Rogan and Skinner 2020). The evidence also points to a large impact of the COVID-19 crisis on household poverty: two in five South Africans had lost their main source of household income over the initial lockdown, and almost every second household ran out of money to buy food during April (Wills et al. 2020).

With the gradual relaxation of confinement measures to Level 4 (1 May) and Level 3 (1 June), commercial activity recommenced and labour markets witnessed a partial recovery (Jain et al. 2020b; Ranchhod and Daniels 2020b). Approximately half of the loss in active employment that occurred between February and April was recovered by June (Jain et al. 2020b), and the recovery was sustained into October (Bassier, Budlender, and Zizzamia 2021).<sup>1</sup>

In addition to the partial recovery in the labour market, targeted social assistance measures introduced from May onward helped to cushion the blow delivered by COVID-19. In response to the crisis, on 26 March 2020, South Africa’s government introduced the Temporary Employee/Employer Relief Scheme (TERS), a social insurance scheme administered through the contribution-based Unemployment Insurance Fund (UIF).<sup>2</sup> Approximately one month later, on 21 April 2020, a set of social assistance measures were introduced, aimed at delivering relief to households not covered by employment-related insurance schemes. These consisted of: *a*) an increase to the Child Support Grant (CSG) of ZAR300 (US\$17)<sup>3</sup> for one month, followed by an increase of ZAR500 (US\$30) per month from June to October (but limited during the latter period to one increase per caregiver); *b*) an increase to all other social grants (such as the old age pension and the disability grant) of ZAR250 (US\$15) per month until October, and; *c*) the introduction of a special COVID-19 Social Relief of Distress Grant (SRDG) of ZAR350 (US\$21) per month, newly introduced to assist people who are unemployed and not receiving any other grant or UIF (Bassier, Budlender, and Zizzamia 2021).

The delivery of UIF-TERS and the SRDG were compromised by delays and early implementation failures.<sup>4</sup> Despite these initial delays, Jain et al. (2020b) show that coverage by the SRDG increased remarkably between June and July/August. By October, the SRDG had become a core element of South

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<sup>1</sup> This recovery was driven almost exclusively by those who reported having been furloughed—placed on either paid or unpaid leave—in April. In contrast, almost all of those who reported having lost their jobs completely between February and April remained not employed in June. Approximately 40 per cent of those who had been placed on ‘unpaid leave’ during the lockdown had lost their jobs by June (Bassier, Budlender, and Zizzamia 2021).

<sup>2</sup> TERS is an earnings relief benefit for employers unable to pay their employees due to the COVID-19 lockdown (Department of Employment and Labour 2020a). The minimum payment was set at ZAR3,500 per month (US\$205), equal to the National Minimum Wage, and the maximum payment was set at approximately ZAR6,700 (US\$394). TERS benefits were initially restricted to workers who were contributing to UIF, but on 26 May 2020 a successful legal challenge expanded the scheme to any worker who could prove an employment relationship, whether registered with UIF or not.

<sup>3</sup> US\$ calculated with an exchange rate of US\$1 = ZAR17, the approximate value during the first months of the pandemic.

<sup>4</sup> TERS payments were initially delayed due to large backlogs of applications and infrastructure breakdowns (Department of Employment and Labour 2020b). While eligibility for an SRDG-like grant was previously estimated at approximately 15 million South Africans (Bassier, Budlender, Zizzamia, Leibbrandt, and Ranchhod 2021), as of 11 June 2020, the South African Social Security Agency had received over 6.5 million applications but had only paid 600,000 grants (Webster 2020). In June, the state also revealed that 60% of rejected applicants actually qualified, leading to lengthy implementation delays for these individuals (SASSA 2020).

Africa's social assistance landscape and, alongside the CSG, proved most effective at reaching the poorest South Africans (Bassier, Budlender, and Zizzamia 2021).

The partial labour market recovery along with the roll-out of social assistance interventions did lead to some economic recovery for South African households. While the labour market shock was inequality enhancing—initially poorer households were worst affected and benefited least from the partial recovery—the government's social assistance interventions were progressively targeted, with the lowest deciles of the populations benefiting disproportionately (Jain et al. 2020b; Köhler and Bhorat 2020). Comparing incomes in April and June, Jain et al. (2020b) find evidence of a decrease in household poverty rates by between 3 and 6 percentage points for the general population.

### 3 Data and methods

#### 3.1 Qualitative data

The main focus of this paper is on the analysis of two rounds of semi-structured phone interviews, conducted between June and September 2020. The 15 respondents, who are identical between rounds, were selected from a previous qualitative study conducted from July to September 2017 in Khayelitsha, a large African township situated about 30 kilometres south east of Cape Town's city centre. Khayelitsha was selected as a study site because it closely resembles many of the context characteristics that typically condition the livelihoods of the urban poor in South Africa (Schotte 2019; Zizzamia 2020).<sup>5</sup>

Participants of the 2017 study were drawn from a sampling frame that had been designed to capture the local socio-economic diversity, covering different neighbourhoods and welfare levels (for details, see: Schotte 2019; Zizzamia 2020). The study used a combination of focus group discussions (FGDs) and individual, in-depth life-history interviews (LHIs). Both research elements involved wealth ranking exercises: as part of the FGDs, four welfare levels—ranked from four (lowest) to one (highest)—were endogenously defined within the local township context. The LHIs traced fluctuations in well-being on this four-point scale over respondents' lifetime, and linked these fluctuations to their determinants. While there was some common understanding of the established welfare levels, subjective perceptions regarding the own capabilities and position in society also played a role in the individual rankings. For this reason, the approach is well-suited to trace individual shocks and changes to well-being, while comparisons of levels of well-being across individuals must be treated with caution.<sup>6</sup>

For the extension study, the LHI respondents were recontacted in early June 2020. Out of 31 original respondents, 11 could not be reached, one was deceased, five refused to be re-interviewed and 14 agreed to participate in this research. To improve the representation of the young population in Khayelitsha and

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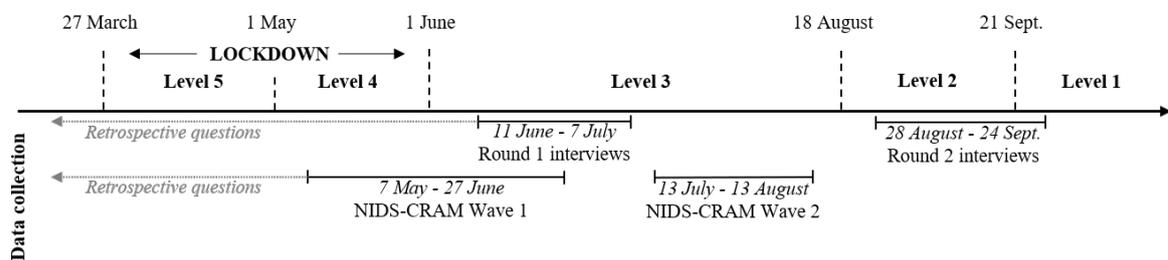
<sup>5</sup> Established in the early 1980s, Khayelitsha has been growing rapidly, driven by endogenous population growth and continuing rural-to-urban migration, mainly originating from the Eastern Cape. The township comprises old formal areas built originally by the apartheid government, which are generally wealthier, and newer areas that contain a mix of government-provided housing, informal backyard dwellings, and densely populated informal settlements with limited sanitation infrastructure. According to the 2011 Census, 74 per cent of the township population had a monthly household income below ZAR3,200 (equivalent to US\$2.1 per person per day in a household of three), thus being considered poor by national and international standards.

<sup>6</sup> Across FGDs, participants emphasized a clear distinction between levels one and two, on the one hand, and levels three and four, on the other, with the latter showing clear markers of poverty: those on level three were characterized as having their most elementary needs (e.g. food and electricity) satisfied, but still needing to economize a lot. All income is used to satisfy other basic needs, without being able to build up a financial cushion to buffer economic shocks. In comparison, those on level four showed markers of food poverty, being repeatedly characterized as "going to sleep on an empty stomach".

increase our sample size, one additional respondent—a young male—was added from the 2017 sampling frame.<sup>7</sup>

Figure 2 illustrates the timing of the data collection in the extension study. The first round of interviews was conducted from 11 June to 7 July 2020 (alert level 3), and the second round from 28 August to 24 September 2020 (alert levels 2/1).<sup>8</sup> The first interview round included a set of retrospective questions to establish how the participants’ overall life circumstances had evolved between our last visit in 2017 and February 2020, before the pandemic had reached South Africa. The remainder of the interviews focused on how the participants’ situation had changed since the onset of the pandemic up to the time of the interview, including probing questions regarding their household’s ability to buy essential goods, changes in their own and close family members’ employment situation, and the schooling situation of children in the household. Respondents were also asked about their opinions regarding the implemented government response measures and, in the second round, the relaxation of the same.

Figure 2: Timeline



Source: authors’ graphical presentation.

As part of the interviews, respondents were asked to rank their welfare levels in February, June, and September 2020, using the same four-level welfare scale originally established in 2017. This allowed us to identify shifts in welfare—both in terms of the initial shock as well as the subsequent recovery—and relate these to the COVID-19 economic shock. Each interview round was coded and analysed using a thematic approach, following a similar methodology as proposed by Nyashanu et al. (2020).<sup>9</sup>

To supplement the evidence gathered, two key informant interviews were conducted after participant interviews had been completed. These were designed to provide background information on two broader changes in the township environment attributable to the pandemic, which were brought up as relevant by some of the interviewees: first, the emergence of new informal settlements in Khayelitsha; and second, changes in the occurrence of violence and crime.

<sup>7</sup> While no LHI had been conducted with the respondent, extensive background information was available from a structured survey administered in 2017. A consequence of this late inclusion is, however, that we do not observe the pre-2020 life-course trajectory as we do for the other 14 respondents.

<sup>8</sup> For simplicity, in the remainder of this paper we refer to the two interview periods as June and September 2020.

<sup>9</sup> Interviews took 35 minutes on average and were conducted in respondents’ native language (isiXhosa) by a skilled and experienced interviewer who had been part of the original research. All interviews were audio recorded and subsequently translated and transcribed into English. The transcripts were entered into NVivo for organization and to facilitate the analysis. Transcripts were read repeatedly by both lead researchers to gain a first understanding of respondents’ experiences and livelihood dynamics during the pandemic. Pertinent sections of the interviews were clustered together into themes. Some of these themes were defined ex ante by the topics that the interviewer was instructed to cover, while others emerged organically from unanticipated topics which interviewees brought up as relevant. Within each theme, comparisons were then made across the body of interviews to identify recurring accounts, as well as relevant discrepancies. Each round of interviews was first analysed independently, before comparing and relating themes across the two rounds in a final step of analysis.

## 3.2 Quantitative data

Preceding the qualitative analysis, to contextualize individual accounts and provide a broader perspective, we present a snapshot of the nationwide dynamics observed using quantitative data. The panel data are derived from the National Income Dynamics Study: Coronavirus Rapid Mobile Survey (NIDS-CRAM 2020a, 2020b) as well as earlier waves of NIDS collected prior to the pandemic (NIDS 2017).

The NIDS-CRAM study—run by researchers from the University of Stellenbosch, University of Cape Town, and University of the Witwatersrand—has facilitated reliable assessments of the economic, health, and social impacts of COVID-19. The panel study allows assessing how livelihoods and labour market outcomes across South Africa have changed over the course of 2020, using a combination of repeated interview rounds and retrospective questions.<sup>10</sup> Three NIDS-CRAM waves are available. The first wave was administered between 7 May and 27 June and asked retrospective questions about February (pre-lockdown), April (alert level 5), and the last seven days (alert levels 4/3). The second wave was administered between 13 July and 13 August 2020 (alert level 3), including retrospective questions about June (alert level 3). The third wave was administered in October 2020. Our analysis focuses on the first two waves, for which the timing coincides with our qualitative data collection (see Figure 2 above).

## 4 The economic impact of the pandemic: a quantitative snapshot

This section presents evidence on the immediate economic impact of the COVID-19 pandemic on households in South Africa. First, we assess the magnitude of the initial shock to household expenditure and discuss potential implications for poverty and food insecurity. Second, we check for heterogeneity in the experience of the shock and link this assessment to pre-existing markers of vulnerability. Third, we provide evidence on the extent of economic recovery in the early post-lockdown period.

### 4.1 Immediate shock of the COVID-19 pandemic

Prior to the COVID-19 pandemic, in 2017, 46 per cent of NIDS-CRAM respondents were poor by national standards. That is, they were lacking the financial means to cover basic needs. Moreover, 19 per cent were food-insecure. That is, their household would have been unable to purchase sufficient food to fulfil caloric requirements, even if all expenditure was dedicated to food (Figure 3a).<sup>11</sup>

Figure 3b presents three indicators of economic distress experienced in the early phases of the pandemic. Firstly, 40 per cent of NIDS-CRAM respondents reported that their household had lost its main source of income between the start of the lockdown on 27 March and April 2020. While some of these losses may be due to factors unrelated to COVID-19, given the timing and the magnitude of the effect, it seems reasonable to assume a direct link in the majority of cases. Secondly, 47 per cent of respondents said that their household ran out of money to buy food in the month of April. This presents a substantial rise compared to pre-COVID outcomes. According to estimates by van der Berg et al. (2020) drawing on data

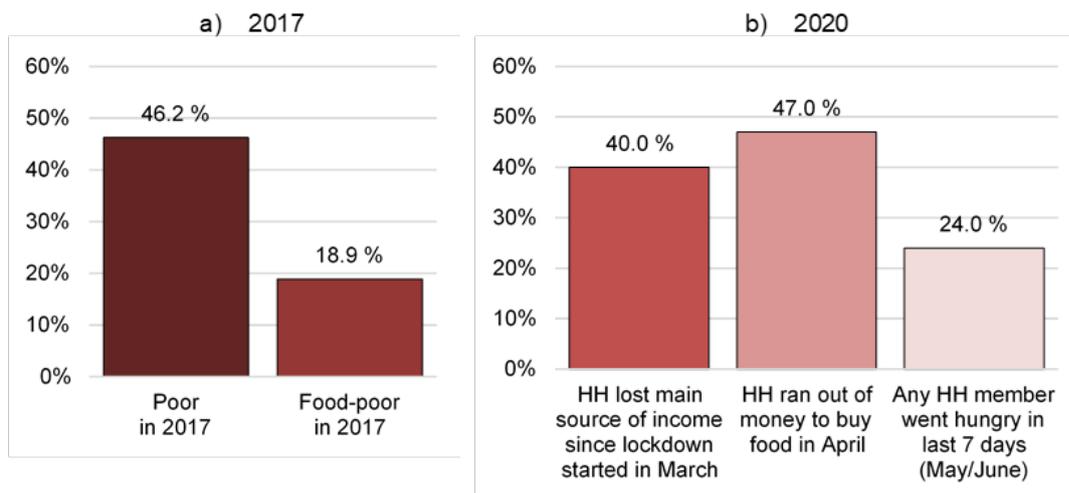
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<sup>10</sup> The NIDS-CRAM sample is a representative sub-sample of the most recent wave of the NIDS panel survey collected in 2017, which itself is broadly nationally representative of South Africa's adult population in 2017 (Kerr et al. 2020), following the same individuals over time since 2008.

<sup>11</sup> Drawing on the definitions used by Statistics South Africa's (Stats SA), households with a per capita expenditure below the upper bound poverty line, set at ZAR1,136 per person per month in March 2017 Rands (equivalent to US\$2.2 per person per day), are classified as poor. Household with a per capita expenditure below the food poverty line, set at ZAR515 (equivalent to US\$1 per person per day), are classified as food-poor (Stats SA 2017).

from the General Household Survey, back in 2018 a much smaller share of 25 per cent reported running out of money for food at any point in the past *year*, a far less demanding criterion. The experience of running out of money to buy food is likely conditioned by usual consumption patterns. While it signals severe financial pressure, it may not always translate into food insecurity (i.e. ‘going hungry’). This is, households may still be able to find ways to put food on the table, for example, by opting for less expensive foods, through support provided by social networks or (non-)government programmes, drawing down savings, or borrowing (van der Berg et al. 2020). Nonetheless, as the third indicator shows, 24 per cent reported that at least one household member went hungry in May or June 2020. While not directly comparable to the expenditure-based measures of food poverty presented in Figure 3a, this points to a likely rise in the incidence of food insecurity in the early phases of the pandemic.

Figure 3: Event prevalence



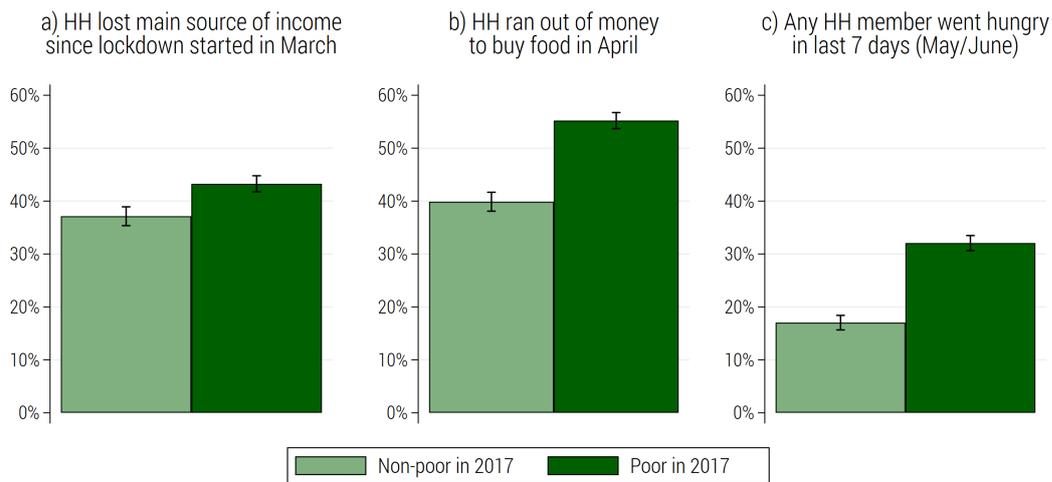
Note: estimates for weighted NIDS-CRAM adult population. Poverty status in 2017 is defined based on household per capita expenditure in relation to national upper-bound and food poverty lines. HH abbreviates household.

Source: authors' compilation based on NIDS wave 5 and NIDS-CRAM wave 1.

#### 4.2 Vulnerability factors and heterogeneity in the shock experience

Respondents who had been poor in 2017 were more likely to report economic distress in 2020 (see Figure 4). This is expected, as households with insufficient means to cover basic needs are hardly able to build up a financial cushion to buffer economic shocks. However, as Figure 4 shows, a substantial share of respondents who had been non-poor in 2017 was also vulnerable to the pandemic shock.

Figure 4: Event prevalence by poverty status in 2017



Note: estimates for weighted NIDS-CRAM adult population with 95% confidence intervals. Poverty status in 2017 is defined based on household per capita expenditure in relation to national upper-bound and food poverty lines. HH abbreviates household.

Source: authors' compilation based on NIDS wave 5 and NIDS-CRAM wave 1.

Given the patterns observed in Figure 4, Table 1 explores discrepancies in the incidence of economic distress experienced prior- and post-COVID-19 by different population groups. In 2017, the incidence of poverty, especially food poverty, was substantially higher among respondents in rural compared to urban areas. This geographic gap is remarkably less pronounced in the outcome measures for 2020. Importantly, respondents living in informal housing, concentrated in urban peripheral areas, showed the highest incidence of financial distress since the start of the lockdown—with 50 per cent reporting losing their main source of income, 65 per cent running out of money for food, and 36 per cent going hungry. Moreover, while labour earnings and remittances shielded respondents against poverty in 2017, these income sources were at highest risk to be lost during the lockdown.

Table 1: Event prevalence by individual characteristics

|                                   | 2017        |                  | HH lost main source of income since lockdown started in March | 2020                                     |   |
|-----------------------------------|-------------|------------------|---|--|---|
|                                   | HH was poor | HH was food-poor |   | HH ran out of money to buy food in April | Any HH member went hungry in last 7 days (May/June) |
| <b>Total</b>                      | 46.2 %      | 18.9 %           | 40.0 %  | 47.0 %                                   | 24.0 %  |
| <b>By location</b>                |             |                  |   |  |   |
| Rural                             | 58.4 %      | 28.2 %           | 43.0 %  | 51.7 %                                   | 31.3 %  |
| Urban                             | 43.6 %      | 16.9 %           | 39.3 %  | 46.0 %                                   | 22.4 %  |
| <i>Ratio rural/urban</i>          | 1.3         | 1.7              | 1.1   | 1.1                                      | 1.4   |
| <b>By housing type</b>            |             |                  |   |  |   |
| A house or flat                   | 42.0 %      | 15.7 %           | 38.5 %  | 44.4 %                                   | 21.1 %  |
| A traditional house               | 75.1 %      | 45.4 %           | 43.2 %  | 51.4 %                                   | 35.6 %  |
| An informal house                 | 56.9 %      | 22.3 %           | 50.4 %  | 65.1 %                                   | 36.2 %  |
| <i>Ratio traditional/informal</i> | 1.3         | 2.0              | 0.9   | 0.8                                      | 1.0   |
| <b>By main income source</b>      |             |                  |   |  |   |
| Labour                            | 35.5 %      | 11.9 %           | 43.5 %  | 40.4 %                                   | 17.7 %  |
| Government grant                  | 64.2 %      | 30.4 %           | 33.4 %  | 56.1 %                                   | 31.5 %  |
| Remittances                       | 46.0 %      | 17.2 %           | 47.0 %  | 55.0 %                                   | 32.8 %  |
| Other                             | 27.9 %      | 9.0 %            | 27.9 %  | 28.1 %                                   | 15.9 %  |
| <i>Ratio grants/labour</i>        | 1.8         | 2.6              | 0.8   | 1.4                                      | 1.8   |
| <i>Ratio grants/remittances</i>   | 1.4         | 1.8              | 0.7   | 1.0                                      | 1.0   |

Note: estimates for weighted NIDS-CRAM adult population. HH abbreviates household.  
Source: authors' calculations using NIDS wave 5 and NIDS-CRAM wave 1.

The profiles of those who came under economic distress since the onset the COVID-19 pandemic thus differ in key respects from those who had experienced poverty previously. They are considerably more urban, often located in informal urban settlements, and more reliant on labour earnings as their main source of income. However, we may expect that many of those who newly experienced financial distress in 2020 had previously been on the brink of poverty. That is, despite being able to cover basic needs in 2017, they faced a higher risk of falling into poverty in the event of economic shocks.

To investigate this, we need a measure of vulnerability that has more structural signal than previously realized expenditure levels alone. The availability of panel data spanning the pre- and post-COVID period provides a unique opportunity in this regard. It allows us to investigate the individual- and household-level characteristics that conditioned poverty entries and exits prior to the pandemic, and use these to assess the ex-ante vulnerability to poverty among NIDS-CRAM respondents.<sup>12</sup> On this basis, we can divide the NIDS-CRAM sample into five social strata, using the multilayered stratification schema suggested by Schotte et al. (2018). The approach starts from a standard division of the sample into three main classes based on monetary thresholds: the poor, the middle class, and the elite.<sup>13</sup> Among the poor, we then distinguish those with below average chances of exiting poverty and thus a comparatively high

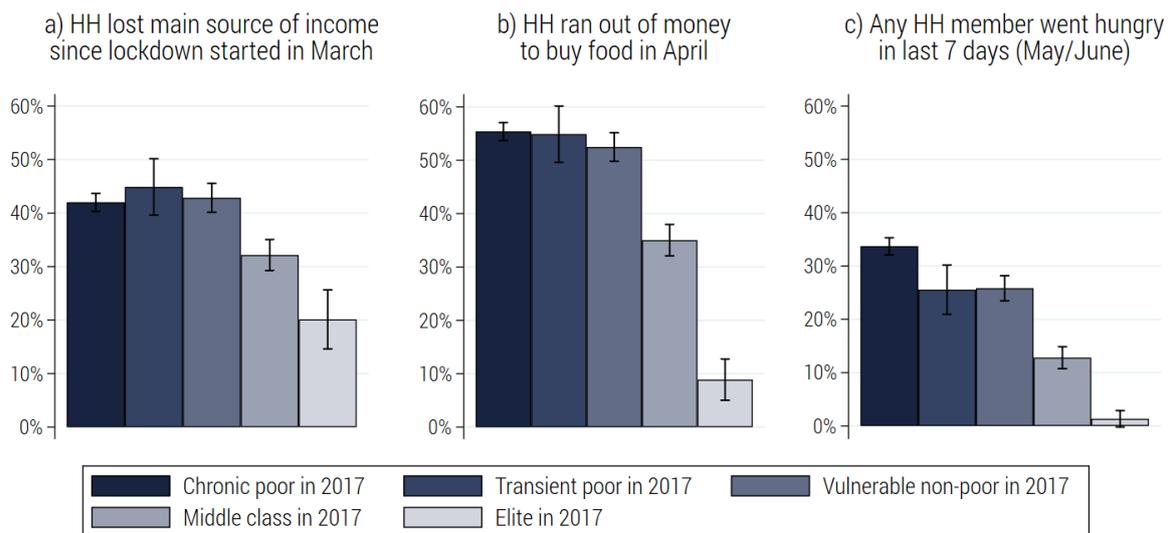
<sup>12</sup> The modelling approach and its applications to NIDS data are described in detail by Schotte et al. (2018) and Zizzamia et al. (2019), to which we refer interested readers.

<sup>13</sup> As before, respondents are classified as poor in 2017 if their household per capita expenditure fell below the national upper-bound poverty line. In addition, we define the elite as those with per capita expenditures well above the national average, fixing the elite threshold at two standard deviations above the mean (Schotte et al. 2018).

ex-ante risk of poverty persistence—the chronic poor—from those with above average chances of making it out of poverty—the transient poor. Analogously, among the middle class, we distinguish those who face an above average ex-ante risk of slipping into poverty—the vulnerable—from the more economically stable and secure ‘true’ middle class. The poverty risk scores underlying this classification are calculated based on pre-COVID characteristics recorded in 2017.

Figure 5 illustrates the results. We find that economic distress since the onset of the COVID-19 pandemic was experienced by respondents across the income range. However, with respect to all three indicators, the incidence is significantly lower among those who had previously been considered as stably middle class or elite. In contrast, the transient poor and the vulnerable non-poor faced the highest risk of job loss, were similarly exposed to severe financial pressures as the chronic poor, and experienced elevated levels of food insecurity. Analysing the pandemic impact, it is important to understand that the transient poor and the vulnerable non-poor share a number of structural commonalities, which are masked by their static division along the poverty line. Both are in a position of economic insecurity and instability, which primarily derive from their volatile position in the labour market. Respondents who were more resilient to the shock (i.e. the middle class and elite) were more likely to be formally employed ex-ante, with a permanent work contract and union coverage. By contrast, the transient poor and the vulnerable were more likely to be in unstable and informal employment relationships, and a larger share was either unemployed or economically inactive prior to the pandemic (Schotte et al. 2018; Zizzamia et al. 2019).

Figure 5: Event prevalence by economic class in 2017



Note: estimates for weighted NIDS-CRAM adult population with 95% confidence intervals. Class categories based on Schotte et al. (2018); Zizzamia et al. (2019). HH abbreviates household.

Source: authors' compilation based on NIDS waves 1–5 and NIDS-CRAM wave 1.

Our findings align with other studies identifying precarious forms of work as key indicators of pre-existing vulnerabilities that materialized during the COVID-19 crisis. For example, using NIDS-CRAM data, Espi et al. (2020), Jain et al. (2020b), and Ranchhod and Daniels (2020a) show that job losses were more severe for those in the informal sector, for unregulated workers within the formal sector, and for those with a historically weak attachment to the labour market. These job losses often resulted in a descent into poverty (Jain et al. 2020a).

Similar findings were obtained by studies conducted in other sub-Saharan African countries. For example, Lakuma and Nathan (2020) find that micro and small enterprises in Uganda experienced a larger decline in activity during the lockdown than medium and large enterprises. Similarly, real-time survey data collected in Senegal, Mali, and Burkina Faso suggest that informal workers faced higher risk dur-

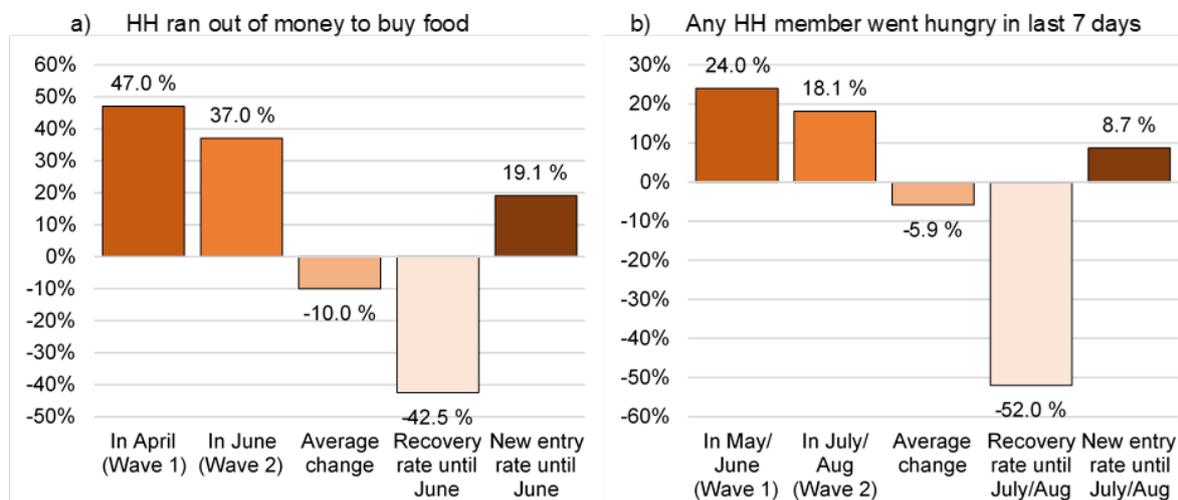
ing the pandemic, as they generally rely on daily sales for their earnings, lack mechanisms for collective bargaining, and tend to be in activities that are contact intensive—such as restaurants, tourism, small retail shops, hairdressers, and taxi drivers—and thus particularly affected by government response measures (Balde et al. 2020). This is confirmed by Schotte et al. (2021), who detect a persistent nationwide impact of the COVID-19 pandemic on labour market outcomes in Ghana, particularly jeopardizing the livelihoods of small business owners operating in the informal economy.

### 4.3 Early signs of recovery from the shock

Figure 6 gives an indication of the extent to which economic pressures on South African households have eased since the most rigid lockdown restrictions were lifted and grant relief measures came into effect (see Section 2). We find that, between April and June 2020, the average share running out of money to buy food dropped by ten percentage points. Importantly, it was not necessarily the same respondents who reported experiencing this event. Out of those who had run out of money to buy food in April, 43 per cent said they were able to cover their food expenditures in June. This may be attributable to a rise in available economic resources, but could also be explained by adjustments in consumption patterns or support received through social networks. At the same time, out of those who had been able to cover their food needs in April, 19 per cent reported running out of money for food in June (Figure 6a).

Matching these patterns, the incidence of hunger was six percentage points lower in July/August compared to May/June 2020 (Figure 6b). Again, we observe substantial fluctuation in the respondents who report this event. Out of those living in households where at least one member had gone hungry in May/June, 52 per cent did not report hunger in July/August. At the same time, nine per cent of respondents who had not experienced hunger in the household in May/June reported hunger in July/August.

Figure 6: Changes in event prevalence



Note: estimates for weighted NIDS-CRAM adult population. HH abbreviates household.

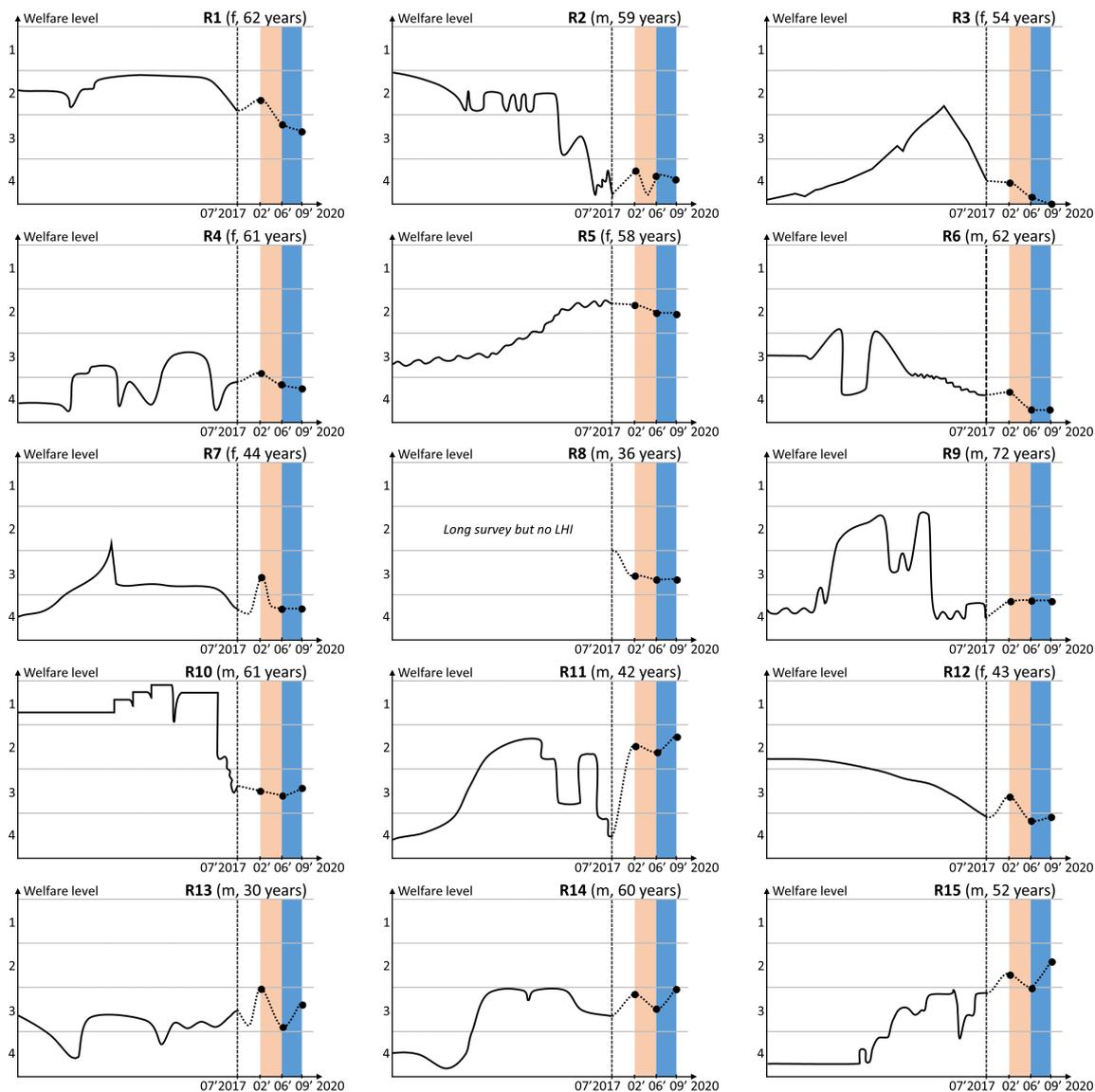
Source: authors' compilation based on NIDS wave 5 and NIDS-CRAM wave 1 and wave 2.

On the one hand, these findings indicate a moderate recovery in household economic welfare in the second half of 2020. On the other hand, our findings also suggest that some households that appeared to be able to buffer the immediate shock had subsequently succumbed to the economic pressure in later periods. Both these observations resonate with the findings by other studies using NIDS-CRAM data (Jain et al. 2020b; Köhler and Borat 2020; Ranchhod and Daniels 2020b).

## 5 The impact of the pandemic on livelihoods: a deep qualitative assessment

As Section 4 has shown, the COVID-19 pandemic and related policy measures—particularly through the immediate shock to labour markets—had important implications for household welfare. Our qualitative evidence confirms this. Figure 7 gives an overview of the perceived livelihood dynamics reported by respondents (see Section 3.1 on how these are derived and interpreted).

Figure 7: Patterns of livelihood dynamics



Note: respondents were assigned numbers to anonymize data. R = respondent, f = female, m = male.

Source: authors' graphical presentation based on qualitative research data.

Out of 15 participants, 14 reported having experienced a decline in household welfare between February and June 2020 (Figure 7). Among these 14, only one (R5) saw no change in labour earnings (being a public school teacher) but instead reported a fall in rental income as her tenant had lost her job at a hotel and left the city. In the remaining 13 cases, a decline in labour income was experienced either by respondents themselves, a household member, or a family member who had been supporting the household financially. Almost all (11/13) explicitly identified this negative labour market event as the driver of downward mobility between February and June. In the one case where no decline was experienced (R9), both household members were elderly and relied exclusively on the old-age pension grant.

The patterns observed during the second study period from June to August 2020 are remarkably more mixed: 4/15 reported a continued but attenuated deterioration in welfare (R1–R4), 5/15 a stagnation (R5–R9), and 6/15 saw a full or partial recovery (R10–R15) (see Figure 7). This recovery was mainly facilitated by respondents being able to return to work, as discussed in the next subsection.

Interestingly, we find no strong connection between the respondents' pre-COVID welfare trajectories, and the magnitude of the initial COVID-shock and near-term recovery. That is, respondents who experienced higher volatility or downward mobility over their life course were not consistently more vulnerable to the crisis. The impact mainly depended on their economic situation just before the crisis, especially with regard to the sources of household income, attachment to the labour market, number of dependents, and the existence of savings or other assets to buffer economic losses.

### 5.1 Economic losses in the labour market

Overall, in our sample, the labour market shock affected a population which does not have a particularly strong attachment to the *formal* wage labour market, but who nevertheless remain heavily reliant on labour income—often derived from *informal* work and generally shared within extended support networks. In line with the quantitative evidence (Jain et al. 2020b), we find that a more robust labour market recovery was experienced by those who had maintained an active employment relationship over the lockdown—especially if this employment relationship was formal. However, as formal sector businesses were also affected by government regulations and the overall drop in demand, even formal jobs were not necessarily secure and, in instances, experienced a partial informalization.

Out of four respondents (R5, R11, R13, R15) who had been in formal wage employment prior to the pandemic, only one (R5) saw no change in labour earnings. As a government employed primary school teacher, her salary remained unchanged even when schools were closed. Another respondent (R11), an essential supermarket worker, continued working throughout the lockdown. Nonetheless, he experienced a decline in earnings due to shorter opening hours and shift-work schedules. The other two respondents were on unpaid leave during the lockdown. Only one of them (R15) had received UIF payments in the interim, after substantial delays, while the other was ineligible because of insufficient tenure. By September, both had resumed work.

Even though all four formal wage employees were able to resume work in the post-lockdown period, the pandemic did not leave these jobs unaffected. For example, R15 explained that the company he was working for was experiencing severe financial difficulties since the onset of the pandemic and stated: “I am noticing that after this coronavirus things are not stable [at the firm]. Even the bosses look weak now because there are rumors that the company may be closed.” He also reported an informalization of his previously formal employment relationship. Talking about himself and his coworkers, he said: “We have just been de-registered from BIBC [Building Industry Bargaining Council] and there won't be any deductions now. You will be given your money and save it yourself. That is what worries me now.”<sup>14</sup> Increased job instability and the demotion of employee relationships left workers more vulnerable to future shocks (see Section 5.2) and contributed an overall feeling of insecurity and consequent psychological distress (see Section 5.3).

Those in informal work were yet more vulnerable to the labour market shock. Among the two respondents (R7, R12) who had been in informal wage employment prior to the pandemic, R12 was able to continue working at reduced hours during the lockdown. By September, she was still working a reduced

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<sup>14</sup> The Building Industry Bargaining Council negotiates the terms of employment for the industry and administers the industry pension, provident, medical aid, sick and holiday funds.

number of days. The other, R7, had been laid off during the lockdown.<sup>15</sup> Moreover, all four respondents (R2, R4, R8, R10) who had been running informal enterprises prior to the pandemic had either terminated or scaled back their activity by June, and only one (R10) had resumed operating at pre-lockdown capacity by September. Respondents mentioned three main reasons to explain this break in business activity: lockdown regulations, challenges in transportation and in procuring stock, and a fall in demand as usual customers stayed away out of fear or because they themselves had been affected financially. Regarding the latter, one of our key informants emphasized the interdependence between formal and informal sector activities, arguing that informal businesses rely on the spending of those with incomes from the formal economy—using his example: selling snacks on trains or at stations is not possible if nobody is going to work. A recovery in the informal economy will thus depend on a prior recovery in the formal labour market.

The shock to the labour market was even felt by those who were unemployed or outside of the labour force. Four non-working sample members (R1, R3, R6, R14) reported in June that they no longer received the same support from family members as before the pandemic, because their benefactors had lost jobs or earnings. This highlights the importance of labour income in sustaining much broader networks of support and informal insurance than a worker's immediate household, and the vulnerability of this mechanism of support and insurance to large, covariate labour market shocks (see Section 5.2).

Eventually, it is worth reflecting on the implications of the COVID-19 labour market shock on how our sample members spoke about and valued informal earning opportunities. During the first phase of the project in 2017, casual work and piece jobs were often not considered valuable or dignified by respondents. They were characteristic of those who had to make ends meet, often referred to as an indicator of belonging to 'box 4', the lowest socio-economic level in our schema. They were considered 'second best' options and as a way of 'making do' when times were tough. However, the lockdown exposed how important these often volatile and comparatively undesirable jobs had been in sustaining the livelihoods of those struggling to keep their heads above water. For example, one of the respondents (R3), who used to rely on financial support from her children, reported slipping into deep poverty when her daughter, who used to do piece work at a restaurant in Cape Town, was laid off at the beginning of the lockdown. She had little hope for her daughter to resume work in the near future and also could not draw on other informal support networks, saying "times are tough for everyone and everyone is stranded with no way to hustle." The lesson from this is both obvious and important—while the poor do not cast a fond or aspirational gaze upon survivalist livelihood strategies, the availability of these strategies remains an essential means of survival for South Africa's poor. This view was shared by a key informant, who claimed that "a lot of guys are in the informal sector, working piece jobs. [Now that] they don't have them, we have seen the value of [these jobs]."

## 5.2 Amplified vulnerabilities, risk factors, and resilience

As described in Sections 4.2 and 5.1, the shock of the pandemic exposed and deepened vulnerabilities in the labour market. Going beyond these findings, our qualitative interviews highlight three additional dimensions of amplified vulnerabilities and emerging risk factors. First, households with limited assets to withstand a sudden economic loss responded to the crisis by running down savings and defaulting on insurance payments, leaving them yet more vulnerable to future economic shocks. Second, school closures posed a double burden to children from socio-economically disadvantaged backgrounds. The absence of meals provided at schools posed risks exacerbating food insecurity; and many were lacking the basic infrastructure to continue remote learning, reducing their chances of educational attainment and future upward social mobility. Third, new risk factors emerged. New informal settlements mushroomed

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<sup>15</sup> While R7 did resume work following the relaxation of lockdown measures, health problems related to diabetes forced her to stop working shortly after returning. She did not receive any compensation for the time that she was not working, neither during the lockdown nor afterwards.

in the shadow of the lockdown, which may exacerbate health risks and fuel social unrest. In addition, the economic downturn appears to have been accompanied by a surge in opportunistic criminality as well as organized crime. Local businesses and community institutions became targets of the latter, hampering prospects for development.

### *Social security mechanisms*

The success with which households were able to withstand the pandemic shock depended largely on their ability to access formal or informal systems of social protection.

In face of the COVID-19 labour market shock, government grants provided an essential, stable stream of income. At least 11/15 interviewees reported living in households with access to grant income. For these households, the top-up to government grants, issued from May 2020 onward, provided some buffer to the negative income shocks they experienced. In many cases, respondents and their households relied primarily or even exclusively on social grants when labour incomes collapsed, and would have been left destitute in their absence. However, many also complained that the top-up was insufficient, given the economic challenges they faced, including rising prices for basic items (e.g., R1 said: “Things have gone from bad to worse because I survive only on this social grant with three other people depending on it. My children have not received jobs yet.”). While in most cases the grant income was used to cover immediate consumption needs, we also found evidence of social grants being used as strategies for accumulation and insurance. In several cases (R2, R4, R9, R14), grants were used to invest in durable assets (like housing repairs or improvements) or as start-up capital for survivalist enterprises once the economy had started re-opening in September.

In addition to public social welfare schemes, informal insurance mechanisms can provide protection against the impact of economic shocks and earnings volatility. While the COVID-19 pandemic has delivered such a shock, it undermined at the same time the present and future effectiveness of these mechanisms. A strong example of this effect was given by one respondent (R11), who (together with his wife) had been contributing to a *stokvel*—a rotating savings and credit association—prior to the pandemic.<sup>16</sup> R11 continued to work during the lockdown, though at reduced hours, and was worried that his household or other members of the group would fail to pay their contributions, saying: “Now we are not sure whether to continue [contributing] because of the current situation. There are [other *stokvel* members] who work at a coffee shop [...] so they stopped working during the lockdown. [...] So it is going to be difficult to fork out ZAR1,500 [semi-annual contribution].” This account is symptomatic of informal financial instruments being effective in managing idiosyncratic risks—affecting individuals or groups of individuals—while being less effective at dealing with large covariate shocks—simultaneously affecting entire communities (Dercon 2002).

To buffer the loss in household income, several of our respondents were forced to run down savings and/or to default on policy and insurance payments, leaving them vulnerable to future shocks—including the health risks posed by the pandemic. To give an example, one respondent (R10) said: “Economically and health-wise I am worried because if anything would happen I don’t know where I would go or where to start. [...] Like if any of my family members were to die I am not sure how I would bury them because I am not working and my policies lapsed ever since I stopped.” In this case, the relative stability in observable living standards (see Figure 7) masks the increase in underlying economic vulnerability that this respondent and similar people are exposed to. In short, cutting back on savings and insurances to meet basic needs in the present may risk potential ruin in the future. Moreover, it may also block avenues of social upward mobility, as the example of a young male respondent (R13) illustrates. Before the pandemic hit and he was temporarily laid-off from work, he had been saving money to acquire a

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<sup>16</sup> *Stokvels* are common group savings schemes in South Africa, primarily used by low to middle income earners in urban areas as a saving and informal social security mechanism.

certificate that would enable him to work as a petrol attendant. Now that his financial situation had changed, he was no longer able to contribute to the stokvel that he had joined with the aim of using the payout to finance his training. As people recover economically, they will have to make up the lost ground in terms of savings and insurance installments, or face the risk of remaining vulnerable. The former choice would hold back the pace of the economic recovery, while the latter would increase vulnerability enduringly.

### *School closures*

The COVID-19 pandemic may not only present a temporary shock to earnings, but have lasting implications for children's development and future prospects of social upward mobility. Reduced food consumption in times of hardship, coupled with school closures and the constraints that poor children face in online teaching, can have a negative effect on human capital formation with potential long-term consequences.

Overall, in our sample, the economic shock of the pandemic affected a population with high ex-ante vulnerability and limited financial means, leaving many prone to food poverty. During the June period, 8/15 respondents reported that they had cut back on food expenditure and had resorted to reducing the quantity and/or variety of food consumption. Moreover, among the respondents with children in the household, 5/12 noticed additional pressure on already tight household budgets, caused by children losing out on school feeding programmes during the lockdown when schools were closed.

In addition, the lockdown of education institutions caused major interruptions in students' learning—both at the school and university level. One of our respondents (R5), who is a primary school teacher, explained that schools often failed to contact parents during the lockdown, and many children had been left behind during the period of home-schooling, lacking assistance and supervision: “Some of them you can see they were helped by parents, but others were just left on their own. [...] There are those whom we can see they have the potential to pass but I don't want to lie, many of them are struggling and will surely repeat this year.” This general concern about failing the school year was echoed by other respondents in the sample, expressing concerns about their children being left with an insecure future. However, some saw the responsibility more on the side of the school, feeling that parents and children had been left “on their own” (R2).

Given that respondents in our sample would not own a computer or tablet, having a smartphone with internet access appeared to be a key determinant of whether or not schooling could continue, revealing a clear split. While some respondents reported that their children had received school exercises (R12) and even university assignments (R9) on their phones, the majority said they had not received anything. Providing a more detailed account, the daughter (grade 12) of one respondent (R7), whose phone was not equipped to receive any exercises, reported feeling disadvantaged compared to her peers who had better phones and had received the tasks. She also did not feel assisted by teachers in catching up with the material when schools reopened, and reported that teachers were running through material too quickly, trying to make up for lost time. She described the situation as “learning in a pressure situation”, which caused her to feel overwhelmed, overloaded with work, and—despite having passed the trial exams in March—left her without hope of passing in the upcoming final school-leaving exams .

Our findings give reason to concern that the lockdown of education institutions may lead to higher drop-outs of students from disadvantaged socio-economic backgrounds at all education levels. Differences in the ability to access remote learning may exacerbate existing inequalities, with the children most in need of close attention belonging to those households which could not be contacted and which did not have resources to pursue remote learning under parental supervision.

### *New informal settlements and crime*

Informal settlements have been a specific public health concern during the pandemic since they are densely populated and lack adequate access to sanitation and basic infrastructure. As discussed by other studies, high settlement density and small housing spaces, often shared by extended households, make it difficult or virtually impossible to adhere to social distancing (Nyashanu et al. 2020).

Given the lack of alternative sites to shelter-in-place and the heightened economic pressures in the wake of the pandemic, a special government gazette put a national ban on evictions of people from homes built on public land without permission for the duration of the lockdown (Department of Co-operative Governance and Traditional Affairs 2020). This decision was motivated by concerns that evictions would lead to homelessness, which would pose even higher COVID-19 health risks to the evicted. With the ban on evictions—combined with rising unemployment and economic distress that left many unable to pay rent—new informal settlements have sprung up in Cape Town’s peripheries. One of these, which emerged in Khayelitsha on previously unoccupied land along the N2 highway, is reportedly referred to as *COVID-19* by residents, being further subdivided into two sections dubbed *Coronavirus* and *Sanitiser*.

Compared to existing informal settlements that have been upgraded to ensure basic sanitation access, life in these newly established settlements is especially precarious. One of our study participants (R2), who just before the lockdown had moved from a backyard shack at his cousin’s house into a shack in a recent settlement, reported: “We have no electricity, access to running water as well as roads. The only roads we have are our makeshift roads that we make so that cars can move inside if there is someone sick, [...] so that the person does not die at home because of the lack of roads.” Another account was provided by a young male respondent (R13) who, between the first and second round of interviews, had moved out of his family home into a shack in one of the new settlements that had sprung up since the lockdown. He was concerned about the risk of being evicted from the area and told that tensions between occupants and local authorities had escalated in some areas, saying: “There were huge problems to a point where the community ended up burning down the community hall.”

Discussions with the two key informants confirmed the link between the genesis of the new informal settlements and the economic effects of the COVID-19 crisis. They also foregrounded the increase in criminality and violence over the lockdown, and cautioned that these new settlements may further contribute to these trends. Worrying trends that were mentioned included a rising prevalence of extortion from businesses by local criminal cartels (including the targeting of creches, community centres, NGOs, and private households), a greater visibility of organized neighbourhood gangs, and an increase in opportunistic crime. These trends were mainly explained by the need for criminals to diversify their own activities as other opportunities dried up, and in terms of the increased appeal of criminal livelihoods as labour market alternatives for young men deteriorated. One of the key informants also suggested that the increase in psychological distress and overall feelings of hopelessness—discussed in the next subsection—may have eroded positive visions of a shared future in favour of a more pessimistic orientation in which the disincentives to engaging in criminal behaviour are weaker.

### **5.3 Psychological distress in a context of vulnerability and uncertainty**

Over the course of our interviews, one respondent (R5) reported testing positive for COVID-19. The health impact on her and her family (who were also infected) was mild. Among the other respondents, the health consequences of the pandemic were rather reflected predominantly in elevated levels of *psychological* distress. This psychological distress was attributed to a fear of the virus itself, as well as the social and economic disruptions caused by the pandemic, such as the loss of opportunities to generate income and the disruption caused by school closures.

Drawing on our interviews, we suggest that this psychological distress can be usefully understood as a perceived loss of individual agency and control. The corollary is an increase in a fatalistic sense that the pandemic's unpredictable momentum came to play the predominant role in determining individual life outcomes in a context of vulnerability and uncertainty. This sense relates to both the perceived inability to determine one's own *health* outcomes in a pandemic context, as well as the perceived inability to secure viable *livelihood* strategies. A key informant described this as a perceptible change in the overall mood, saying: "it's a big thing [...] when you can't imagine how things will improve."

Confusion, uncertainty, and a loss of individual control dominated the overall sentiment—especially during the first round of interviews. Respondents were sceptical about the government response measures, but largely expressed compliance with these, giving the state the benefit of the doubt given the lack of alternatives. One respondent (R10) summed up the general attitude when he said that "when the head speaks all others have to listen. [I'm uneducated], so we take the president's word as truth even if we are not sure if it really is the truth." Another respondent (R7) echoed this sentiment, stating: "I am not sure about the truthfulness or safety of these measures, but we [comply] because we are told to."

Within this general context, dominated by a sense of vulnerability and uncertainty, some pertinent differences in concern were observed across demographic groups: older women and those with family were more worried about the health risks posed by the pandemic and placed more emphasis on complying with hygiene and social distancing regulations. They also expressed concern about people ignoring the rules—reflecting an attempt to maintain some control over their environment. One elderly female respondent (R4), who used to supplement her pension by selling grilled intestines, reported stopping her business because of being "terrified" about catching the virus. Another respondent (R11) expressed his concerns about the risk of infecting his family and the limited actions he could take to prevent this, as he continued his work at a grocery store throughout the lockdown: "The shop is always packed [...] so I meet these different people and come back home. [...] It is even more difficult for us people living in hokkies [small shacks] because we are in the same room and there is no way I can isolate myself from them."

Young males were much less worried about the health risks in the pandemic context. For instance, one young man (R13) admitted that "last weekend I went out to drink [...] and there were [...] seven of us in a hokkie. We [...] were not wearing masks or any protective gear [...]. We make a joke about it when we were drinking and someone coughs." In the second round of interviews, the same individual tellingly explained that "I have always seen [the virus] as something far from me". While expressing little concern about the health risks, young men expressed much more concern with the uncertainty surrounding the labour market, reflecting where they have 'skin in the game'. The general uncertainty and sense of individual impotence "stressed" the young men in our sample (R13), battling with the perception that "there is nothing that can be done now" (R8).

Another aspect, which has been a global matter of concern during the pandemic, regards the rise in domestic violence, predominantly against women. Stay-at-home orders, unemployment, heightening economic pressures, and psychological distress tend to intensify existing tensions. One of our female respondents (R12) reported that the cut in earnings due to the lockdown created tensions in the household, and fights with her husband escalated more as during the lockdown they "were both in the house". While she denied experiencing physical violence from her husband, the psychological harm was salient and dominated her story as well as her assessment of her own overall situation.<sup>17</sup>

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<sup>17</sup> Even though her household was financially better off than the majority of respondents in our sample, and even though she reported no difficulties in assessing basic goods, she placed herself in 'box 4', the lowest level in our schema (see Figure 7).

By September, the tone of interviews had shifted from the acute distress and uncertainty of the first round to a more resigned and passive tone. Although there was substantial heterogeneity among respondents, most supported the progressive relaxations in social distancing regulations, emphasizing the toll these measures had taken on livelihoods within their communities. Some were emboldened by the perception that the virus had not proved as devastating in terms of community health as was initially feared. For instance, one respondent (R6) claimed that “[it] gives us hope [that] even though it’s something huge, we have not buried someone because of this virus.” While health concerns were less acute stressors in the second round, the majority of respondents remained concerned about their economic situation. Especially those who had not been able to return to work expressed a general sense of stagnation and frustration (e.g., R6 saying: “There have been no improvement because I am still at home. Nothing is happening, so it’s still the same.”). Grant recipients also felt increasingly under pressure, as unemployed family members continued relying on their small income.

## 6 Conclusion

This paper investigates the impact of the COVID-19 pandemic and related policy measures on the livelihoods of poor and vulnerable households in urban South Africa. We use qualitative research methods to analyse two rounds of semi-structured phone interviews that were conducted between June and September 2020 with 15 respondents in the township of Khayelitsha, Cape Town. To situate these individual accounts within the broader context of the COVID-19 pandemic in South Africa, we relate these to the nationwide dynamics observed using quantitative panel data.

The quantitative and qualitative evidence presented in this paper consistently indicate that the shock of the COVID-19 pandemic has deepened the economic vulnerability which preceded the crisis. Our qualitative research findings locate this vulnerability at the intersection of three domains. First, the decline in labour earnings and employment prospects constitutes the main threat to livelihoods; second, the increased exposure to present and future economic shocks indicates a deepening of underlying economic vulnerability; and third, the generalized sense of a loss of individual control and agency brought about by the pandemic helps explain the increase in psychological distress. This intensified sense of powerlessness and heightened vulnerability resulted not only from the sheer magnitude of the economic shock and disruption of the labour market and business activity, but was also determined by the simultaneous undermining of common coping strategies and insurance mechanisms to confront these. The lapse of survivalist livelihood strategies during this crisis, particularly due to the economic disruption of the informal sector, severely deprived the poor and the vulnerable in their ability to secure a living on their own. This was intensified by the co-variate nature of the shock, rendering social networks and informal insurance mechanisms ineffective means of assistance. These combined factors have led to an increased reliance on government grants—the expansions to which during the crisis have been an indispensable element in the livelihood portfolios of the poor. Without this expanded social protection, levels of destitution would have deepened to the point of constituting a humanitarian crisis.

In sum, our findings give rise to concerns that the COVID-19 pandemic may not only present a temporary shock but have lasting implications that extend beyond the lifting of lockdown measures. It may compromise household income-generating activities in the longer term, as the labour market recovery has been incomplete and households have turned to liquidating their small savings and defaulting on insurance payments in the absence of alternative coping strategies. In addition, reduced food consumption in times of hardship, school closures, and the constraints that poor children faced in online teaching may have negative long-term impacts on human capital formation and thus on earnings, thereby deepening existing inequalities and constraining social upward mobility. Through its effects on health, education, and employment prospects, as well as potential knock-on effects from increasing rates of crime, the pandemic may have lasting implications for poverty rates in South Africa. For the millions of vulnerable

South Africans whose livelihoods hang in the balance, an ambitious commitment by the state to confront these challenges is imperative.

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## Appendix

Table A1: Alert levels

| Level 5  | Level 4  | Level 3  | Level 2  | Level 1   |
|--|--|--|--|---|
| From 26 March to 31 April 2020   | From 1 to 31 May 2020  | From 1 June to 17 August 2020  | From 18 August to 20 September 2020  | Since 21 September 2020   |
| <b>Objective</b>   |  |  |  |   |
| Drastic measures to contain the spread of the virus.   | Extreme precautions to limit community transmission and outbreaks, while allowing some activity to resume.   | Restrictions on many activities, including at workplaces and socially, to address a high risk of transmission.   | Physical distancing and restrictions on leisure and social activities to prevent the resurgence of the virus.  | Most normal activity can resume, with precautions and health guidelines followed at all times. Population prepared for an increase in alert levels if necessary.    |
| <b>Sectors permitted</b>   |  |  |  |   |
| Only essential services as per existing regulations.   | All essential services, plus a limited number of sectors with a low rate of transmission and economic or social value.   | A wider range of sectors permitted with low to moderate risk of transmission that can be effectively mitigated.  | Most sectors permitted with limitations remaining where the risk of transmission is high.  | All sectors permitted.  |
| <b>Retail permitted</b>  |  |  |  |   |
| Only essential goods, including food, medical products, cleaning and hygiene products, fuel, and winter goods, such as blankets and heaters.   | All essential goods, as well as books, stationary and office equipment. Alcohol may be sold within restricted hours and in limited quantities for off-site consumption. Restaurants and fast food outlets may open for delivery only.  | All retail permitted at levels 5 and 4, as well as clothing stores and hardware stores.  | All retail permitted. Restaurants and fast foods outlets may open for delivery and take-away.  | All retail permitted. Restaurants may open, with stringent social distancing measures.  |
| <b>Movement</b>  |  |  |  |   |
| You must stay at home unless you are an essential worker. You may leave home only to purchase essential goods or seek medical care. No inter-provincial movement of people, except for transportation of good and exceptional circumstances (e.g. funerals). | You must stay at home except to go to work, do shopping where necessary, or seek medical care. No inter-provincial movement of people, except to return to usual place of residence, for transportation of goods and exceptional circumstances (e.g. funerals). Curfew in place between 8pm and 5am, except for essential workers. Walking, jogging, and cycling permitted between 6am and 9am, but not in groups. | You must stay at home except to go to work, purchase goods, seek medical care, or attend schools and universities when these reopen. Additional restrictions on movements apply in hotspot areas. There is no curfew on the movement of people. Exercises permitted at any time during the day, but not in groups. | All South Africans are encouraged to stay at home as far as possible, and limit their interactions with others. Movement between provinces at levels 1 and 2. Movement from provinces at a higher level to those with a lower level may be restricted. | You may leave home, but take precautions while interacting with others. Inter-provincial movement allowed with restrictions on international travel. Curfew lifted. |

| <b>Gatherings</b>  |   |   |   |                                       |
|--|---|---|---|---------------------------------------|
| All public gatherings are prohibited.  | All public gatherings are prohibited.   | All public gatherings are prohibited.   | All public gatherings are prohibited.   | All public gatherings are prohibited. |
| <b>Transport</b>   |   |   |   |                                       |
| Bus services, taxi services, e-hailing, and private motor vehicles may operate at restricted times, with limitations on vehicle capacity and stringent hygiene requirements. | Passenger rail, bus services, taxi services, e-hailing, and private motor vehicles may operate subject to directions. | All public transport may operate subject to directions, as well as limited domestic air travel for work purposes. | Limited domestic air travel, with restrictions on the number of flights per day and authorization based on the reason for travel. | Domestic air travel restores.         |

Source: authors' compilation based on information drawn from COVID-19 South African Online Portal (2020).