

The impact of lockdown on employment at the V&A Waterfront

*Preliminary results of a snap survey of V&A tenants
during the third week of lockdown*

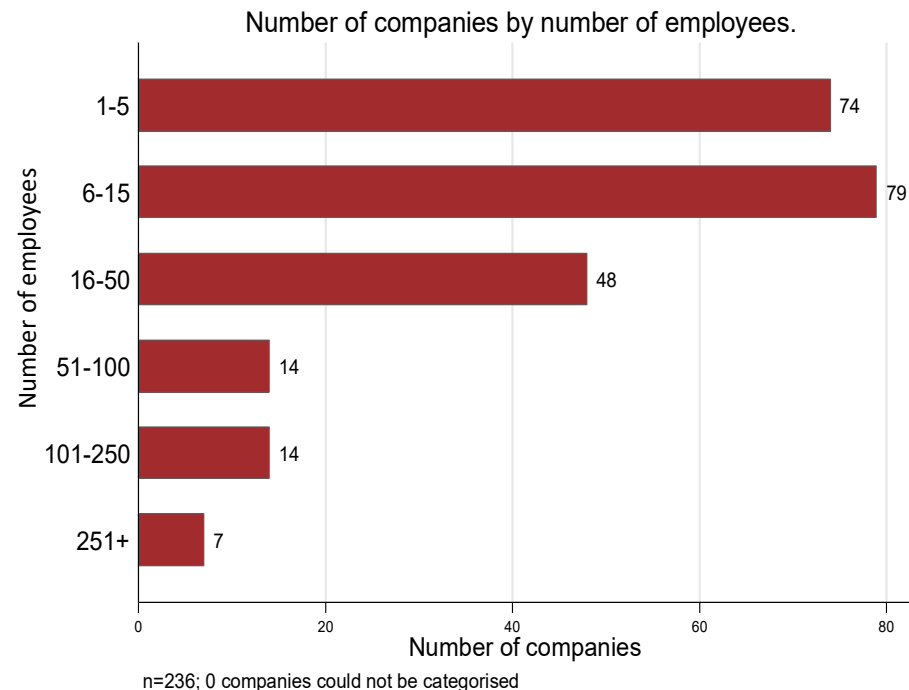
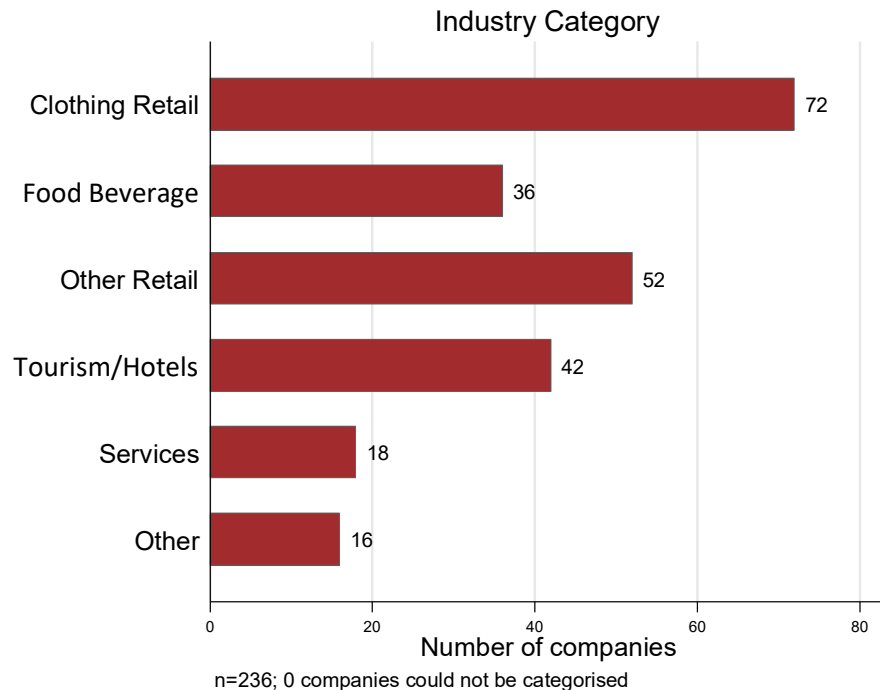
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SALDRU and GMTplus.co.za
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Highlights

- A rapid response survey of tenants of the V&A Waterfront in mid-April provides early evidence of the impact of lockdown on firms in the retail and tourism-related sector
 - *Most responses were collected before the lockdown extension*
- Almost all companies report that revenue and output in April 2020 will be close to zero
- Companies of all sizes report significant numbers of temporary lay-offs already in April
- Lay-offs expected to exceed 25% of employment if the lockdown extends to mid-May
- If the lockdown continues with the same regulations, 40% of firms face risk of permanent closure
- Loosening of regulations on delivery to clients and trade in non-essential goods, subject to social distancing protocols, would significantly reduce impact on employment and business survival
- Most companies indicate need for temporary income support, especially for retaining unskilled workers.
- About 30% of companies have registered for the UIF's TERS benefit; others report that they are not eligible or have had difficulties in registering

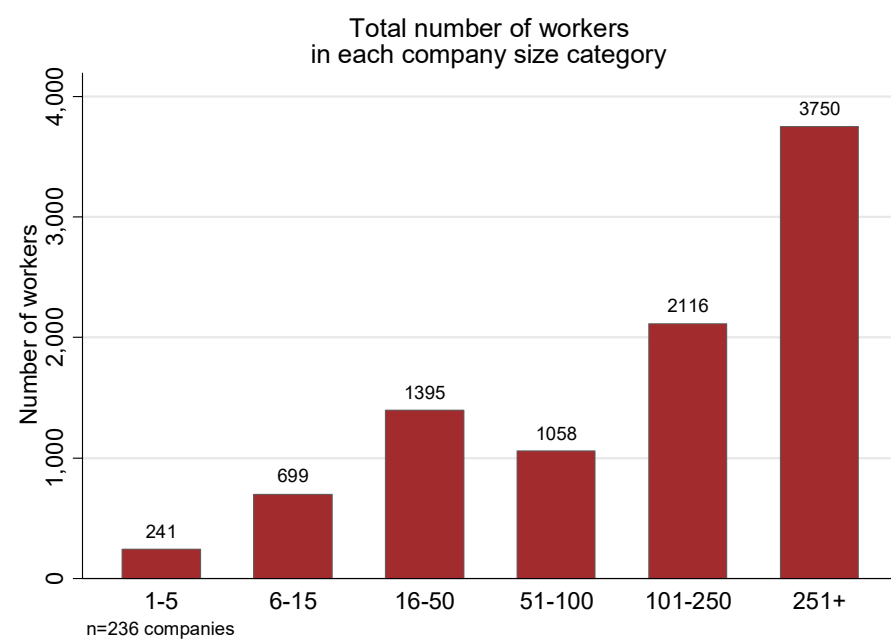
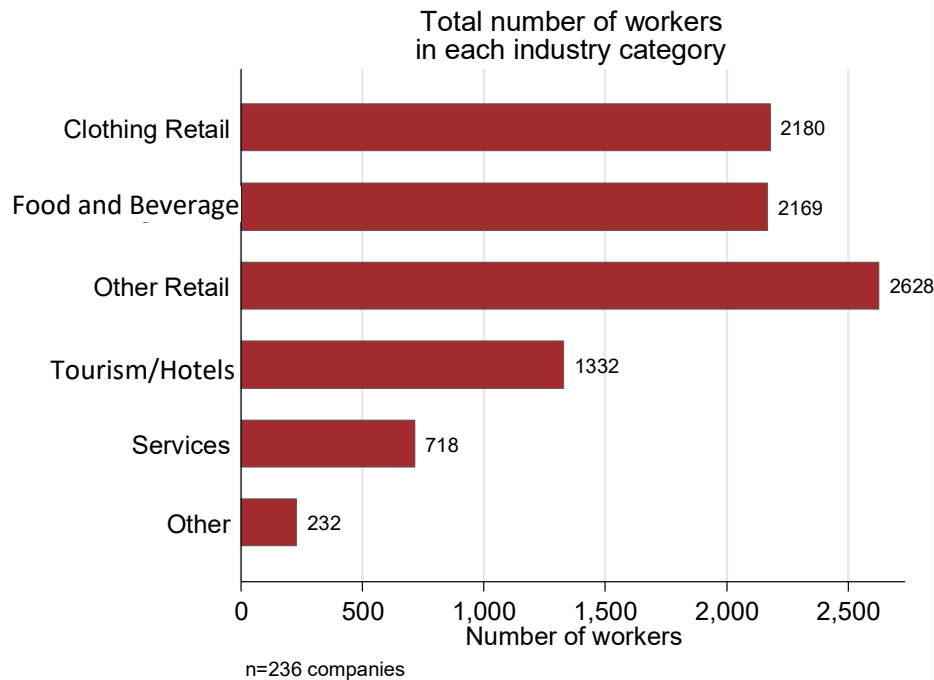
Survey details

- Online survey of tenants of the V&A Waterfront: 7-17 April 2020
 - 85% of responses collected before announcement of lockdown extension on 9 April
- 236 companies responded, employing 9 259 workers (*about 40% of total Waterfront employment*)
 - 210 companies provide no “essential services”
 - 14 companies had 50% or less of operations classified as essential
 - 12 companies had 51 - 100% of operations classified as essential
 - Sample mainly covers retail and tourism-related companies
 - Many smaller companies (less than 15 employees).
 - Also in this survey are advisory services (e.g. engineering, marketing), shipbuilding, logistics, etc.



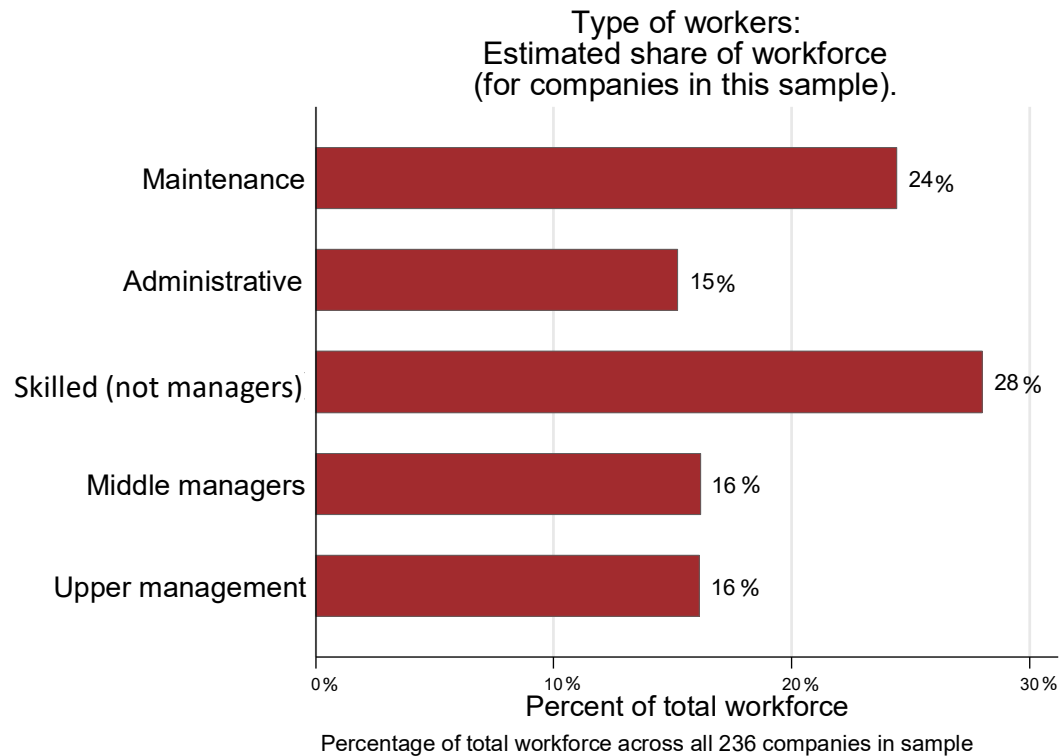
Survey details

- Though there are more small companies, large firms account for most employees
- Clothing, food and beverages and other retail activities account for over two-thirds of employees covered in this survey



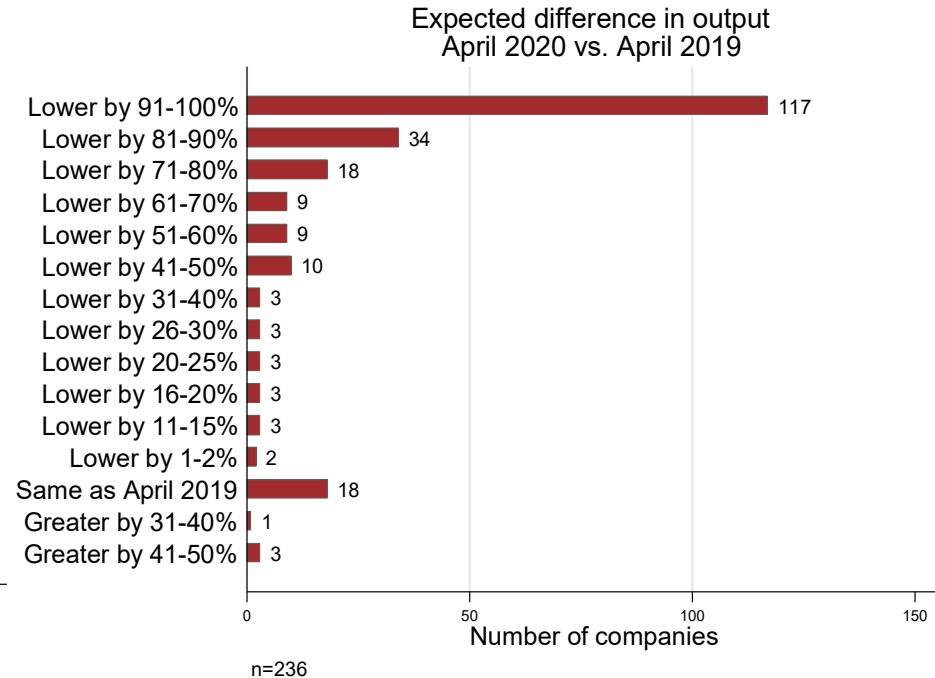
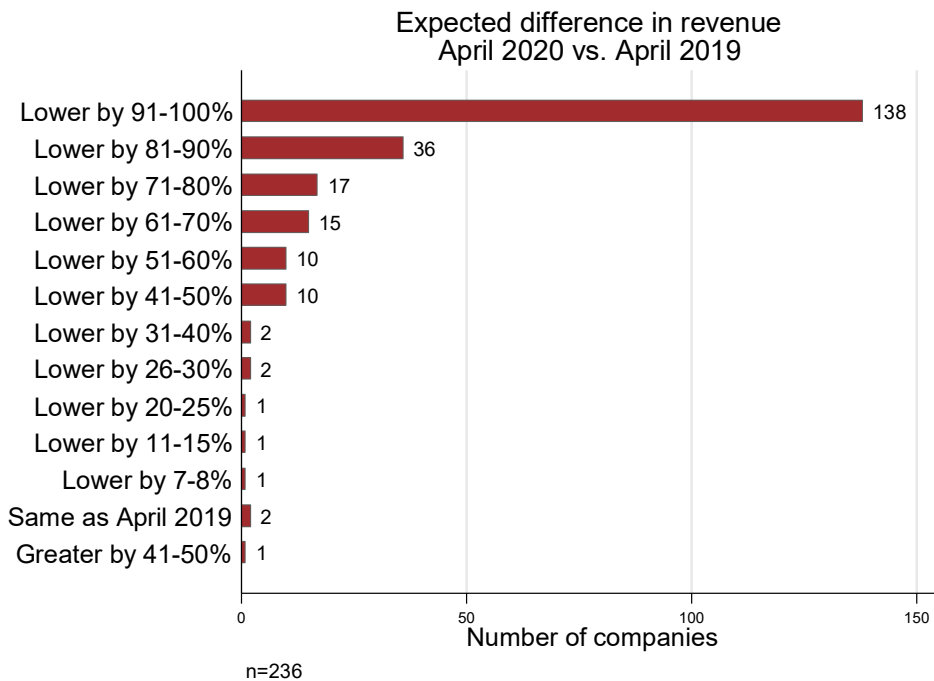
Composition of workforce

- Wide range of occupations represented:
- High proportion of maintenance and skilled workers
- Relatively large share of upper management, mainly accounted for by owner-managed small firms



Revenue under extreme pressure

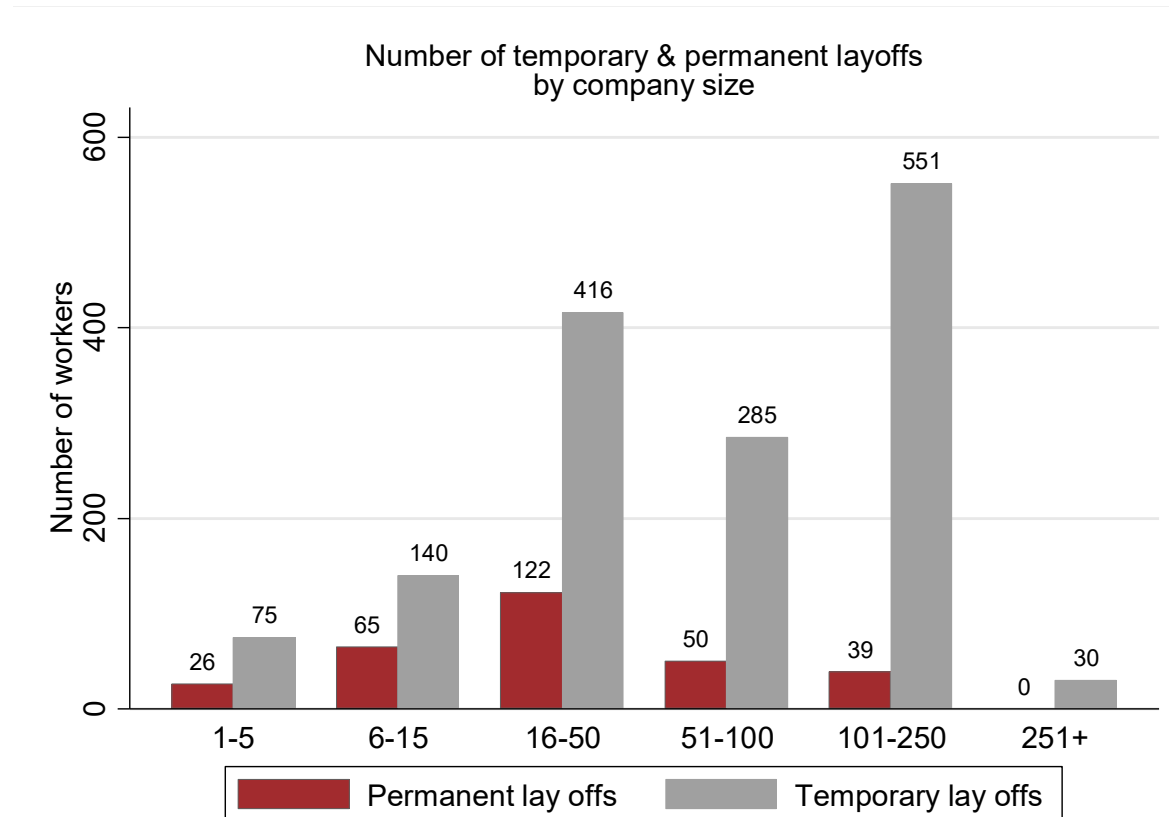
- 70% of companies expect over 75% fewer customers in April 2020 than a year ago
 - Tourists are estimated to be 80% or more of the clientele of many firms
 - Companies providing essential services also expect fewer customers
- Many companies expect no revenue in April 2020
- Output is similarly expected to be substantially lower than a year ago
 - Of the 22 companies expecting to maintain or grow output, 15 have 15 or fewer employees and also expect revenue to be at least 31% lower than a year ago



The employment shock is already large

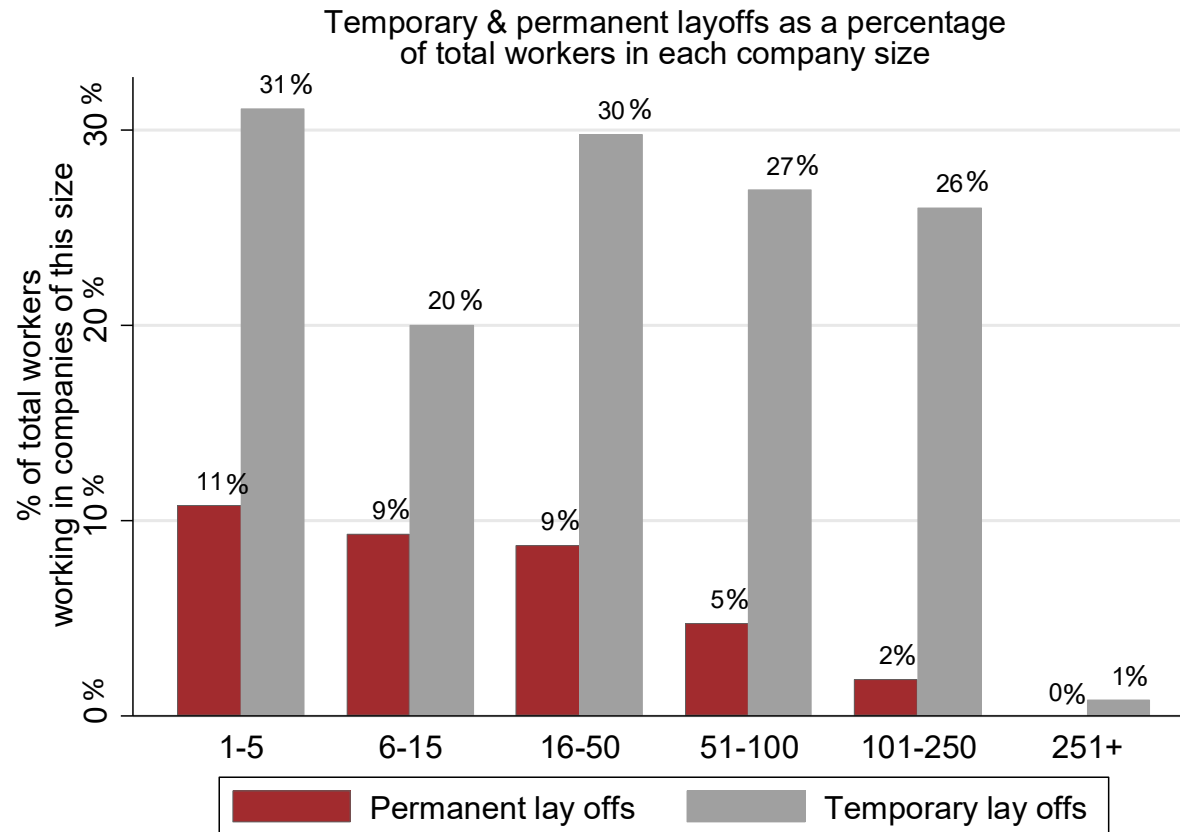
At the time of completing the survey:

- 1 497 workers (16%) had been temporarily laid off, from 91 companies
 - 866 laid off from companies with 51 or more employees, 631 from smaller companies
- 302 workers (3%) had been permanently laid off, from 54 companies.
 - Most permanent lay-offs from small companies



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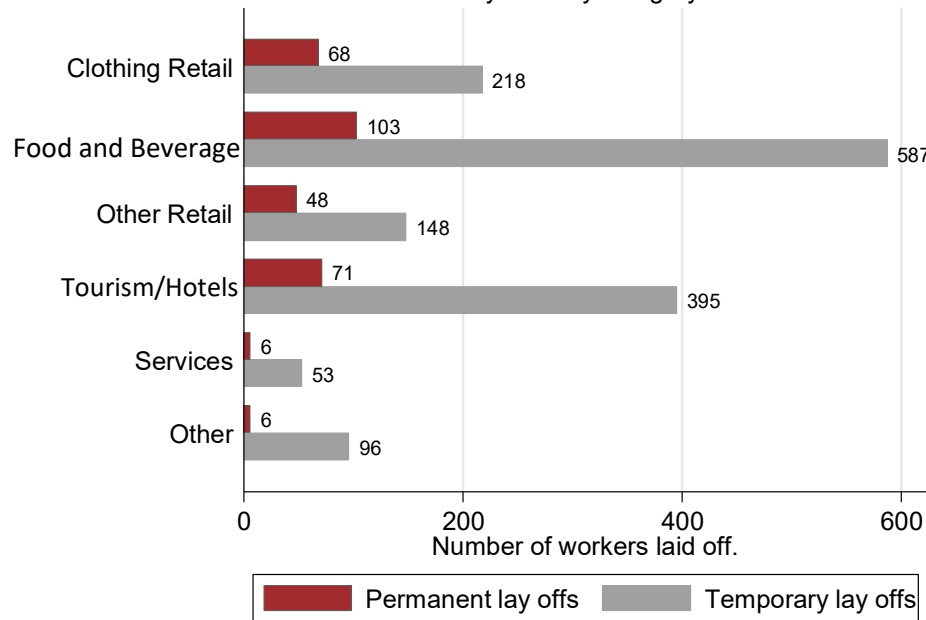
- Employees in smaller companies are more likely to have lost their jobs
- Temporary lay-offs affect over 20% of the workforce in all except very large firms



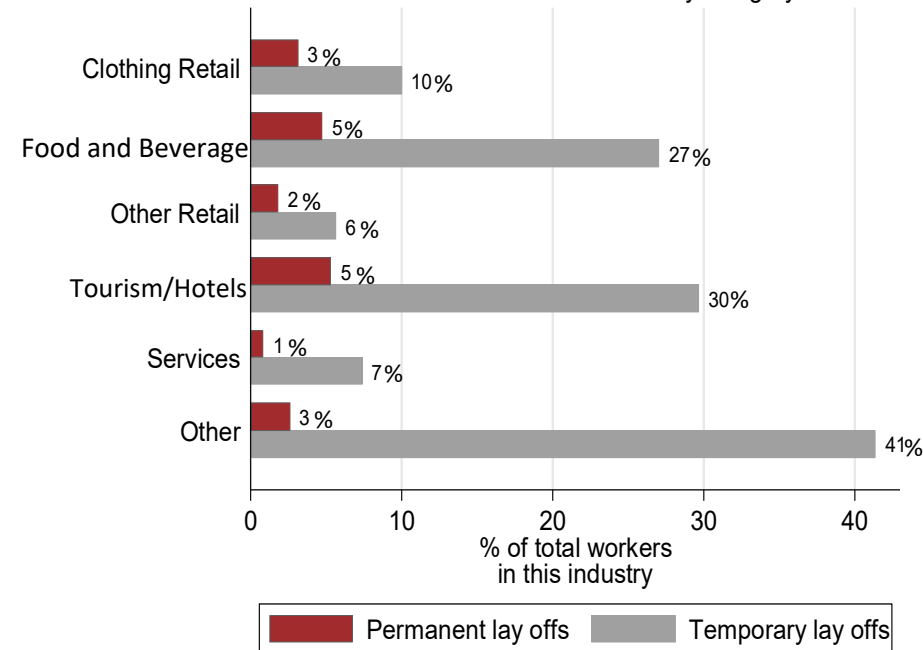
The employment shock is already large

- Employment losses are higher in hospitality and tourism related companies, and in the food & beverage sector, than in other retail and service industries
- “Other” companies (n=16) have the highest rate of layoffs.
- Service firms have the lowest rate of layoffs - these include advisory firms, engineering, marketing and logistics

Number of temporary & permanent layoffs by industry category



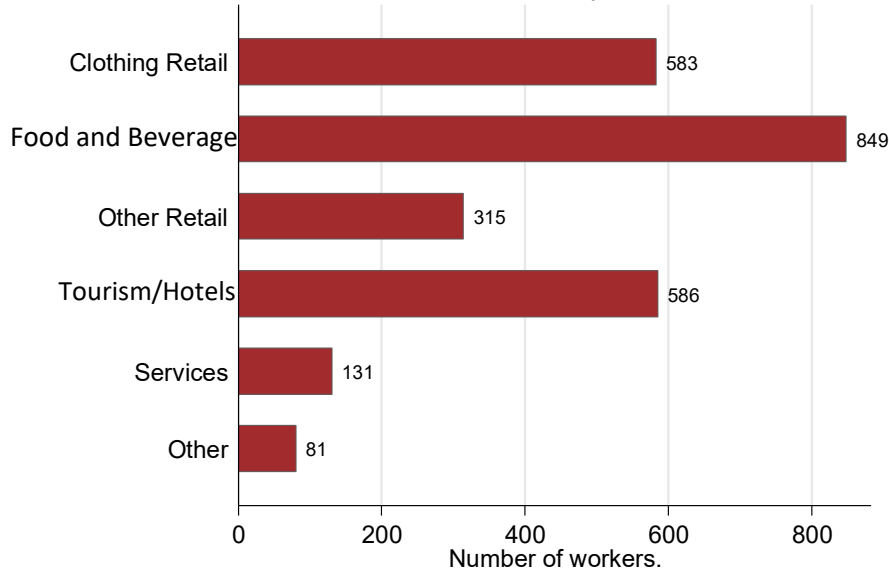
Temporary & permanent layoffs as a percentage of total workers in each industry category



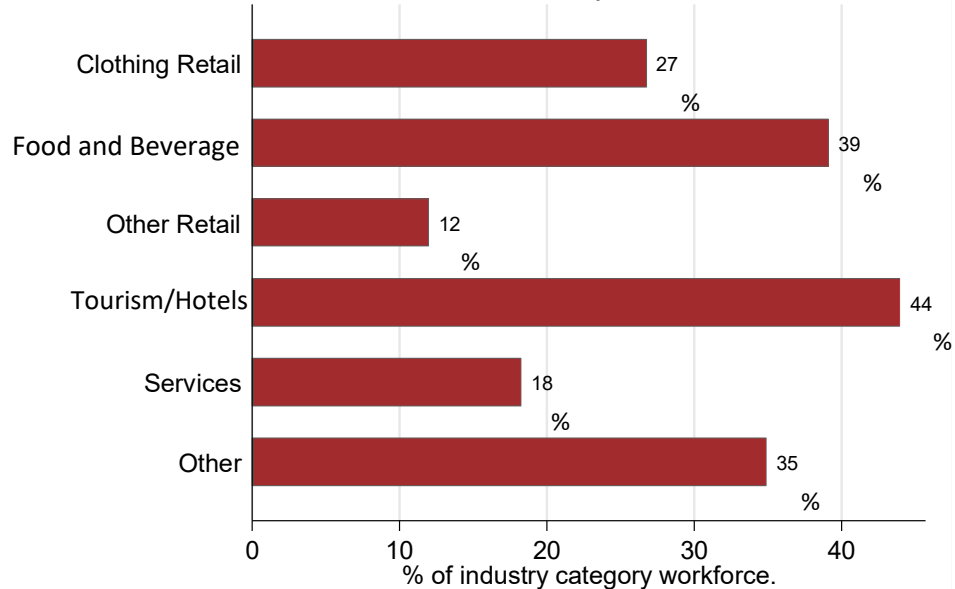
Unemployment will increase if lockdown continues

- Firms were asked about the impact on employment if lockdown continues to 16 May 2020, with the same regulations:
 - An expected 2 546 workers (27%) will be temporarily or permanently laid off
 - Hospitality and tourism related and food & beverage companies expect to lay off the greatest share of their workforces

Expected number of temporary & permanent layoffs in each industry category if lockdown continues to 16 May under same conditions



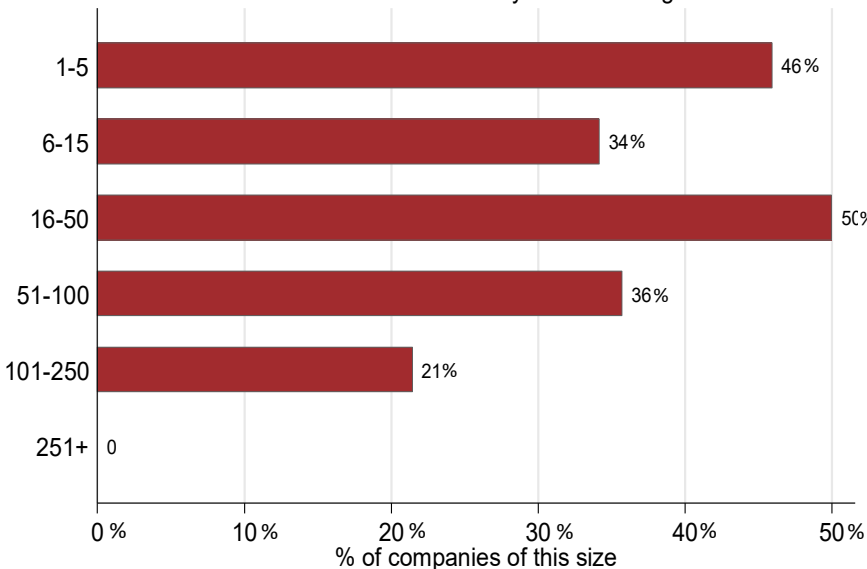
Percentage of workforce expected to be temporarily or permanently laid off in each industry category if lockdown continues to 16 May 2020 under same conditions



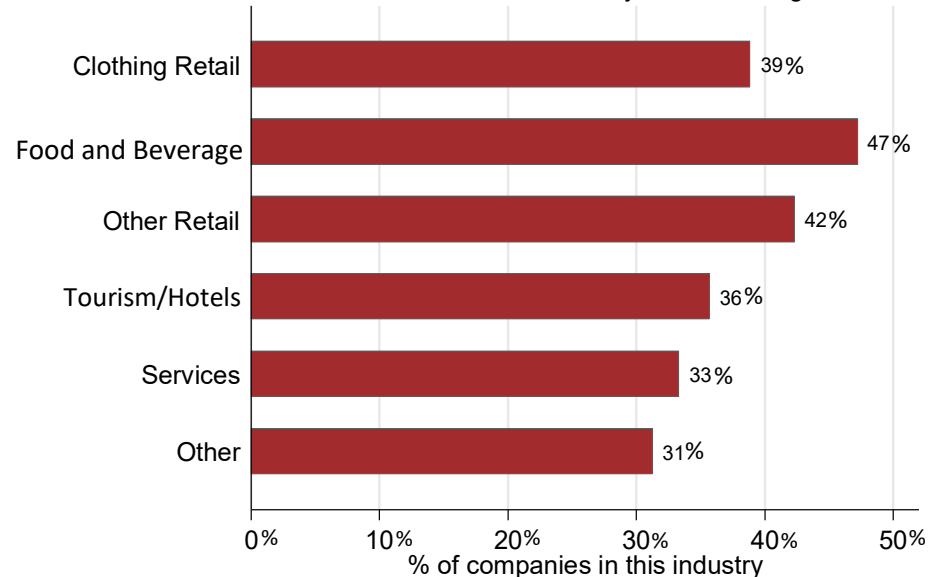
40 % of companies at risk of closing

- If lockdown continues to 16 May 2020, with the same regulations:
 - 93 companies (40%) think it is likely that they will close
 - Companies with 100 or fewer employees are more likely to close
 - Nearly half of very small companies (1-5 employees) and those with 16-50 employees think it is likely that they will close permanently
 - Companies across all industries in this survey think they are at risk of needing to close permanently.

Percentage of companies of each size who think it is likely or very likely that they will need to close permanently if lockdown continues to 16 May with same regulations.

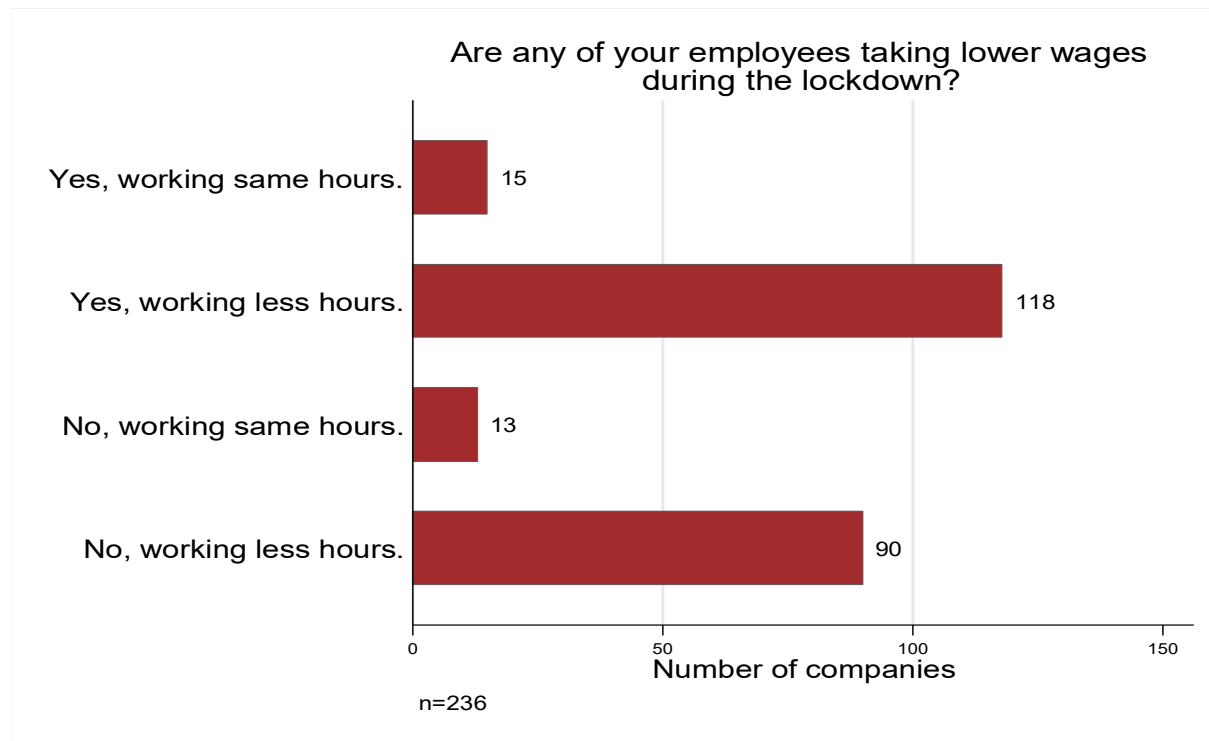


Percentage of companies in each industry who think it is likely or very likely that they will need to close permanently if lockdown continues to 16 May with same regulations.



For now, companies are doing what they can to keep employees and stay in business

- 23% of companies have changed their business practices to produce more of certain goods
- Nearly all companies (94%) have implemented wage or work-hour flexibility, or both



“Prior to lockdown I sold to tourists, that is gone. I am making fabric masks for an NGO and trying to get funding to help my workers. Income will be low but a little goes a long way.” – Clothing retailer.

Suggested changes to regulations

Companies were asked whether changes to regulations would improve their prospects of staying in business and paying all of their employees, while maintaining appropriate social distancing protocols.

Responses included:

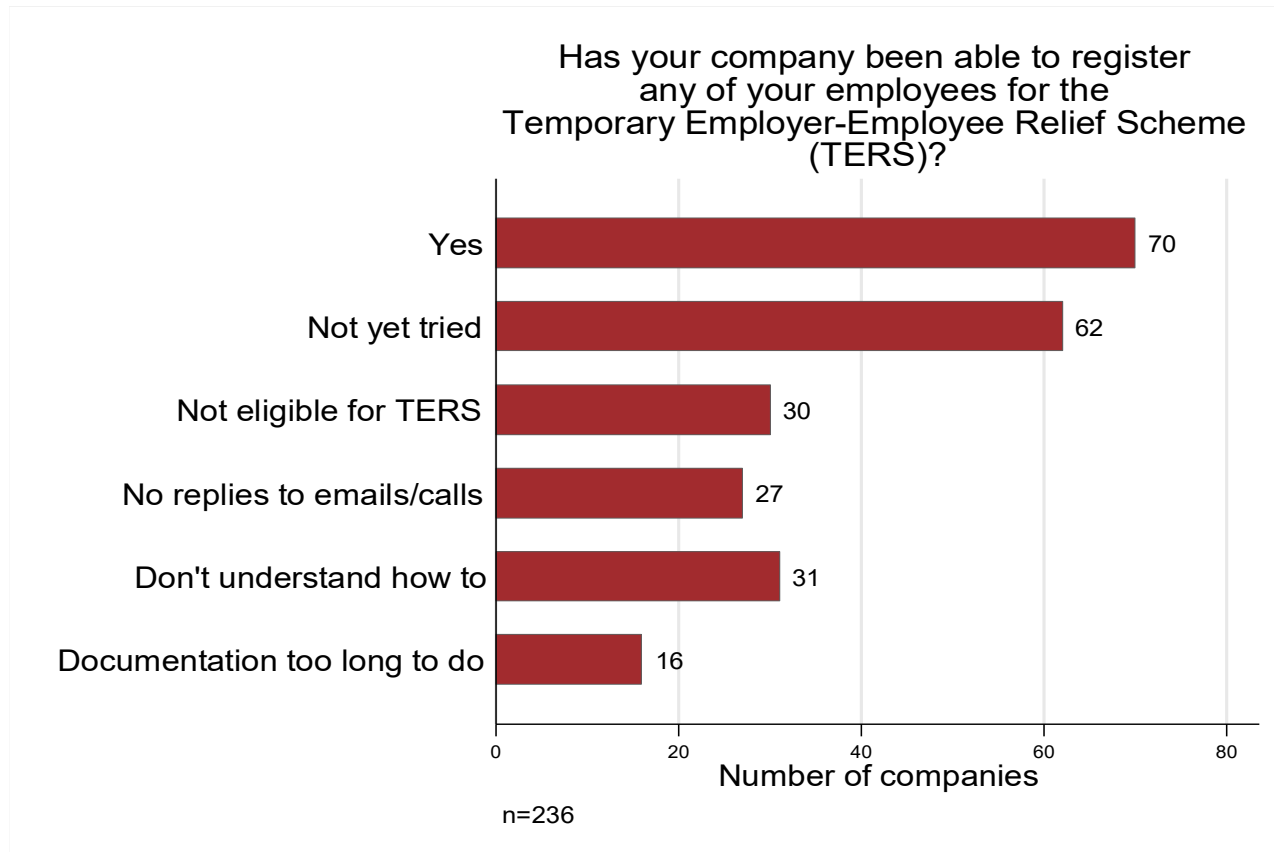
- Allowing delivery to clients – indicated by 65% of clothing retailers
- Allowing customers to visit the V&A Waterfront and buy non-essentials
 - Clothing retailers (67%), other retailers (73%), and food and beverage companies (61%).
- Allowing people to dine at restaurants, subject to Department of Health guidelines
 - 92% of food and beverage companies

Many companies indicated need for temporary income support:

- Contributing 25% of the wage bill for unskilled workers would improve prospects of company survival and retaining employment
 - Food and beverage businesses (75%), clothing retailers (65%)

UIF Temporary Employees Relief Scheme (TERS)

- About 30% of companies have registered employees for TERS
- Many companies had not yet tried to register with TERS, were not eligible or reported difficulties in registering
- 60% of companies said that government contributing 25% to their wage bill for unskilled labour would improve or greatly improve their prospects of remaining in business



Acknowledgements

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