



Small businesses and the post covid-19 recovery: data and trends

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23 June 2021

Small Businesses and the Post Covid-19 Recovery in context

- The presentation draws from the TIPS Real Economy Bulletin (REB) Special Edition on The State of Small Businesses and Post Covid-19 Recovery.
 - Examines the impact of Covid-19 on small sector enterprises together with the post Covid-19 recovery against a set of dynamics from the first quarter of 2020 through the first quarter of 2021.
- The analysis is based on data from Statistics South Africa's Quarterly Labour Force Survey (QLFS)
 - Identifies employers and the self-employed in both the formal and informal sector, with an indication of the number employed in their businesses.-not seasonally adjusted.
 - It's annual figures, in the Labour Market Dynamics, are averages of the quarterly findings.
- Small business encompasses a wide range of enterprises, from self-employed people eking out a precarious survival selling by the roadside to high-level professionals providing well-paid services to big business. Defined here as enterprises with an employ of 50 people and below.

Context of the Review

- The analysis of small business should consider the significant differences between formal and informal enterprises. Compared to informal business, formal small and micro enterprises typically have more capital, relatively advanced technologies, more employees and higher incomes. Self-employed people in the formal sector are mostly professionals or artisans, with significant skills and above-average incomes. In contrast, most self-employed people in the informal sector live with precarious and low earnings, and high failure rates-different implications for IP.

- In reviewing the trends in the State of Small Businesses and the Post Covid-19 recovery, the following dynamics were considered:
 - Small business by the numbers

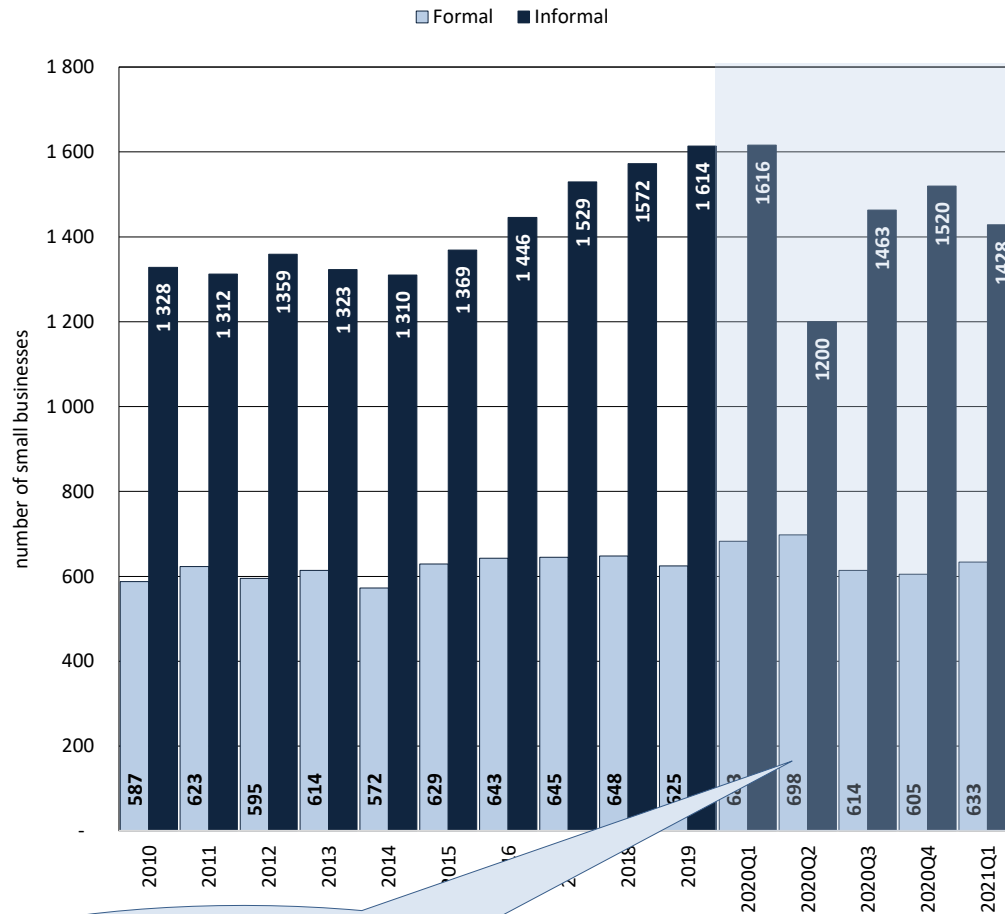
 - Employment

 - Small business by sector

 - Ownership by race and gender, and

 - The geography of small business.

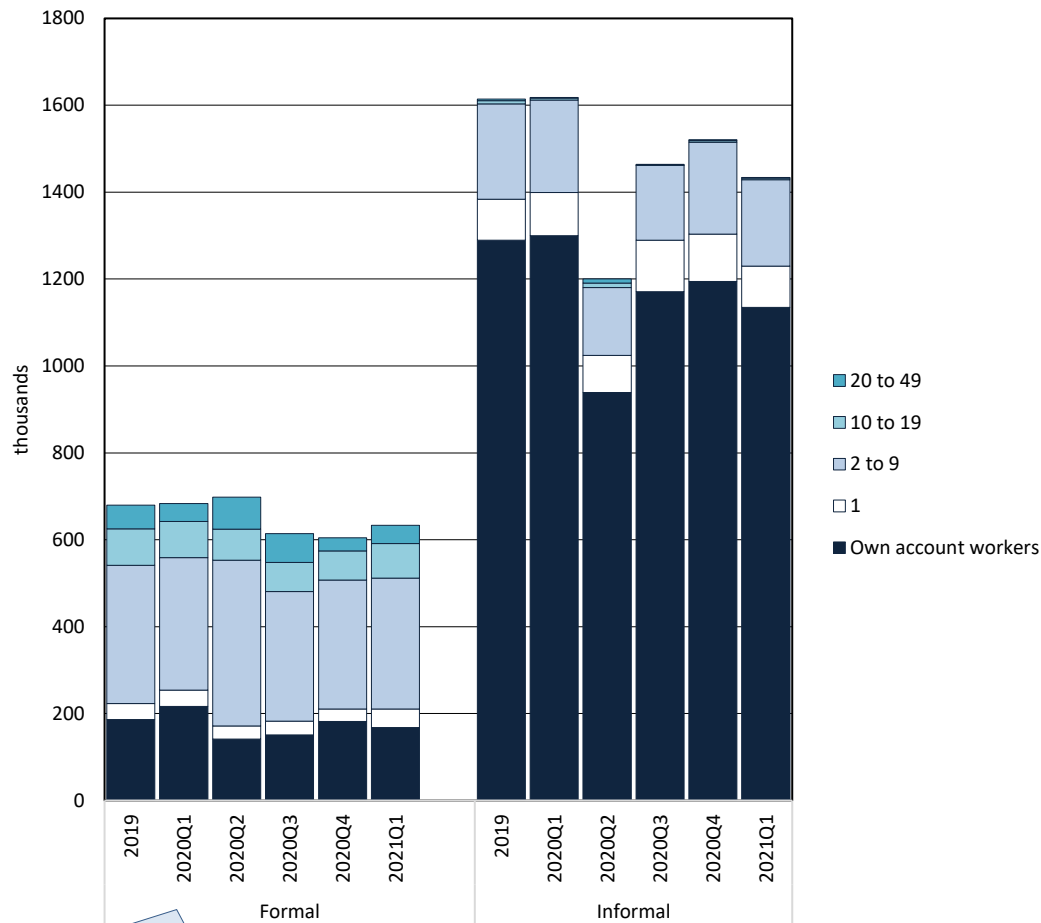
Number of Small Businesses



- According to the LMD - 2.2 million small enterprises in South Africa in 2019. Informal enterprises - 1.6 million, Formal enterprises - 625 000.
- The impact of Covid-19 on small businesses varied over time - immediate for informal. Figures from the first half of 2020 show that on average, the number of informal enterprises dropped by quarter (400 000) through the first and second quarter of 2020 or from 1.6 million enterprises to 1.2 million enterprises
- While there was a partial rebound from the third and fourth quarter of 2020, the number of informal businesses remained 6% below pre-pandemic levels by the end of the fourth quarter of 2020, and a tenth below pre pandemic levels by the first quarter of 2021.
- In contrast, a disproportionate impact on formal businesses emerged in the second half of 2020. - relatively capitalized, assets, finance - The number of formal small businesses climbed by 2% (15 000) in the first two quarters of 2020, then declined a total of 11% through the fourth quarter

The pandemic effect on formal sector enterprises has been persistent and prolonged, with difficulty with in business recovery, they remained 7% below pre pandemic levels by the first quarter of 2021, compared to the first quarter of 2020.

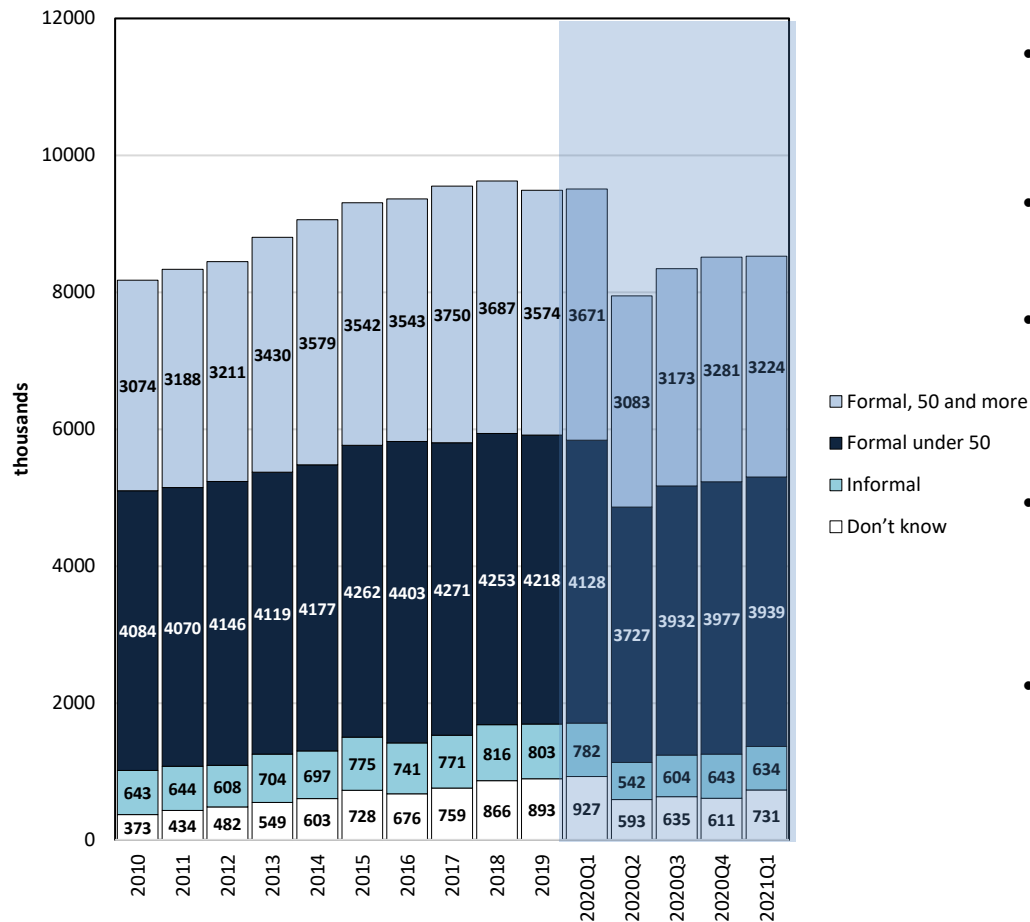
Small businesses by the number of people employed



- The impact of the pandemic was not uniformly felt across small enterprises of different sizes. Figures from the first half of 2020 show that on average, small enterprises with a lower employ and in particular own account workers, were significantly affected.
- Own account workers in the formal sector saw their shares total businesses drop by a third (75 000) through the first and second quarter of 2020.
- While there was a partial rebound from the third and fourth quarter of 2020, the number of own account workers in the formal sector remained a fifth below pre-pandemic levels by the end of the fourth quarter of 2020, and a quarter below pre pandemic levels by the first quarter of 2021.
- In contrast, a disproportionate impact on formal sector enterprises with an employ of 20 to 49 people emerged in the second half of 2020. The number of formal small businesses with an employ of climbed four fifths in the first two quarters of 2020, then declined a total of quarter through the fourth quarter of 2020. They remained 2% below their pre pandemic levels by the first quarter of 2021.

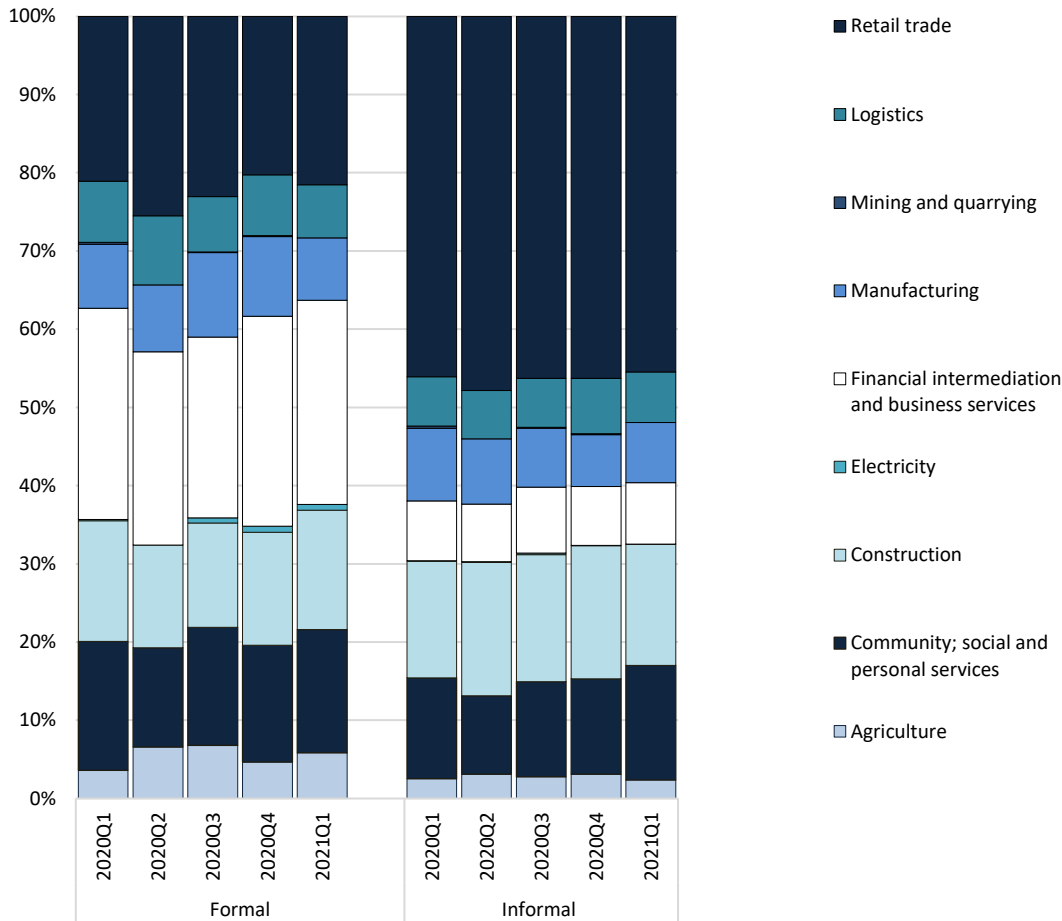
Impact of covid-19 pandemic less severe for relatively capitalised businesses

Waged employment by size of employer



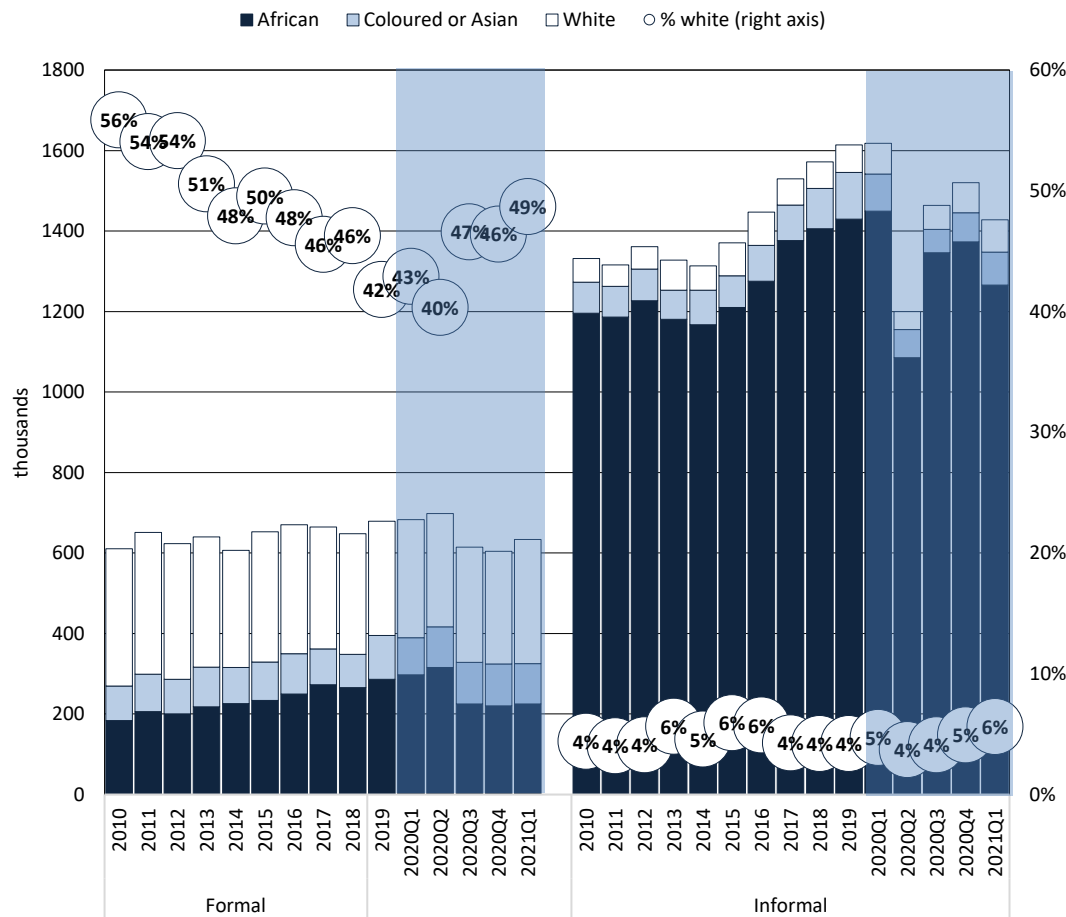
- Small businesses shed around a fifth (641 000) of total employment through the first and second quarters of 2020.
- Recovered 2% (84 000) through the third and fourth quarter of 2020.
- By the end of the first quarter of 2021, employment in small businesses remained 6% lower compared to the first quarter of 2021.
- Employment in large enterprises declined (16%) to 3 083 000 in the second quarter of 2020, from 3 671 000 in the first quarter of 2020.
- While there was a partial recovery through the third and fourth quarters of 2020, employment in large enterprises remained 12% below pre pandemic levels by the first quarter of 2021.

Distribution of Formal and Informal Small Business (a) by Sector



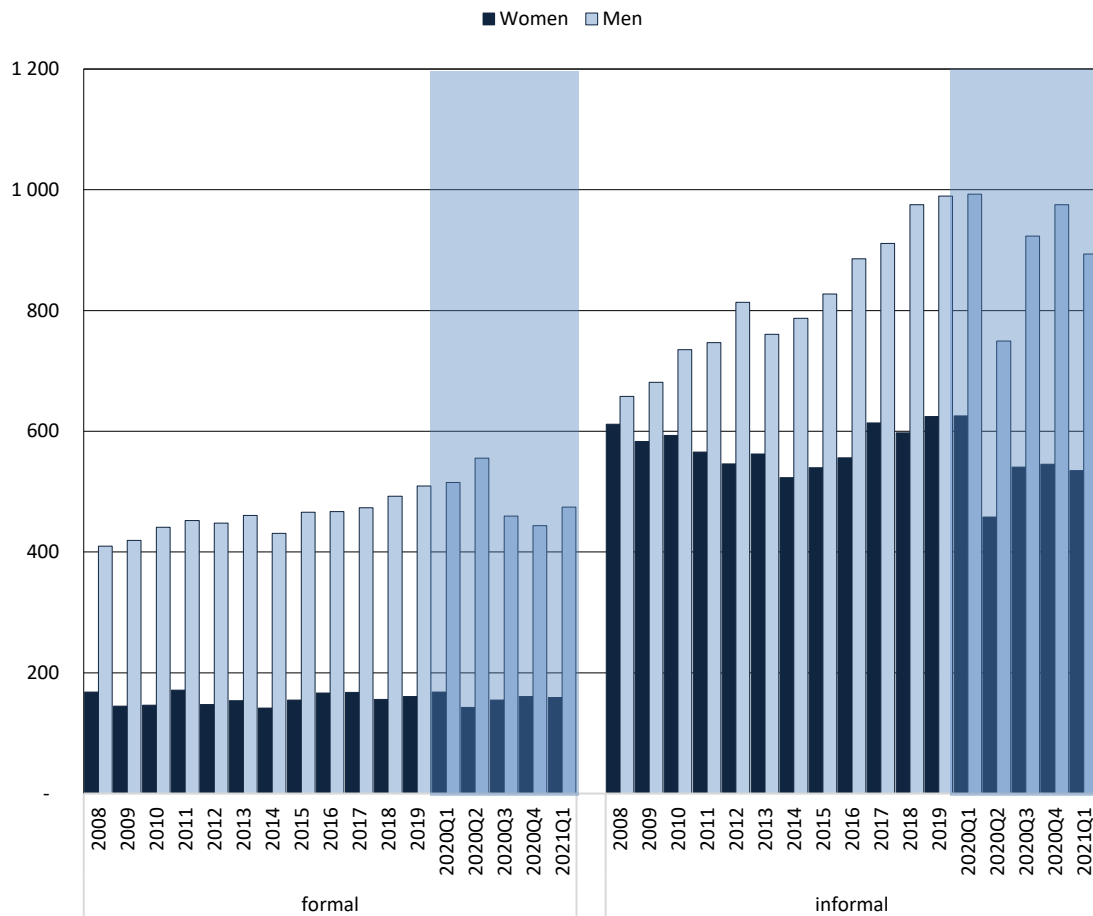
- Almost every sector in the formal sector experienced sizable drops in the number of businesses from the first and second quarter of 2020—(with the exception of agriculture, manufacturing, logistics and retail trade)
- Formal businesses in face-to-face services – in particular those “risky to contagion” including personal and community services were significantly hit ; with losses of 3% of formal enterprises from the first to the second quarter of 2020.
- However, personal services showed much resilience in subsequent quarters, rebounding 3% in the third quarter, and a further 3% in the fourth quarter of 2020, with an almost full **on** recovery in the first quarter of 2021.
- Higher-skilled services, and those that do not require face to face interaction such as financial and business services lost 2% of formal sector enterprises in the second quarter of 2020, with an almost full recovery in the first quarter of 2021.

Ownership of Small Formal and Informal Businesses by Race



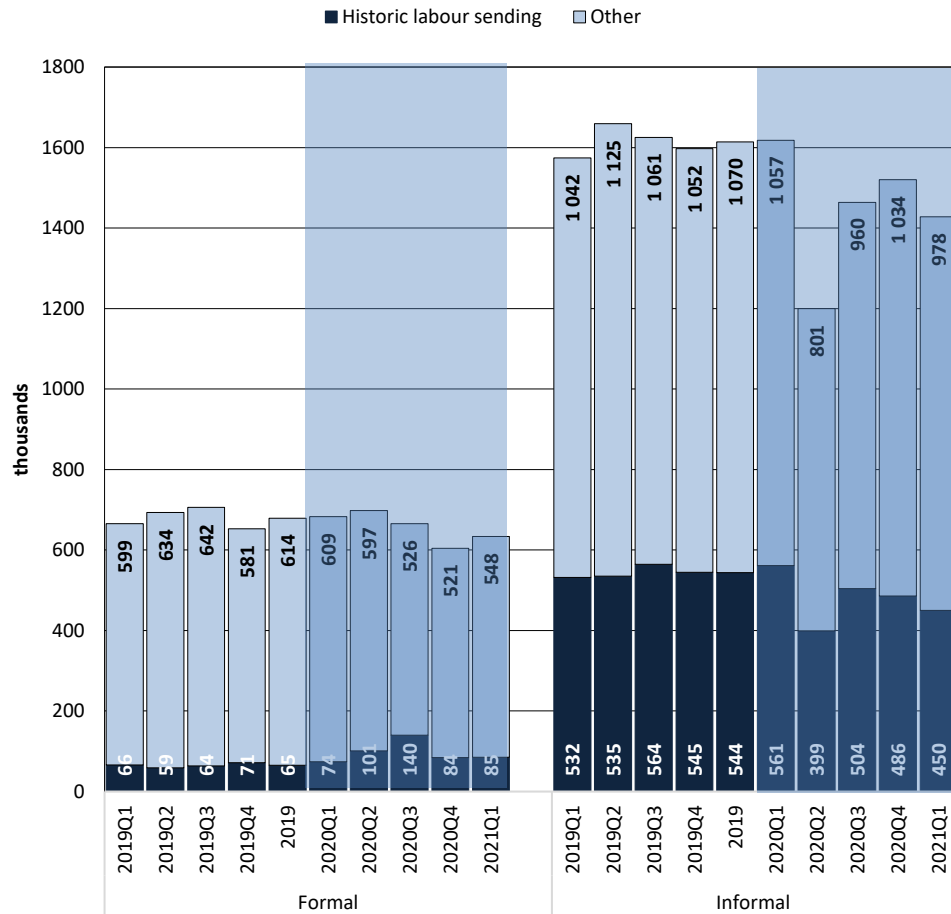
- White bubble tracks proportion of formal sector enterprises owned by white people declined steadily over the years, from around 56% in 2010 to 42% in 2019.
- In contrast, the proportion of formal sector enterprises owned by black people grew steadily at 3% a year in the same period, where black and white people owned an equal share of formal sector enterprises in 2019.
- However tracking ownership patterns within formal sector enterprises from the second quarter of 2020 points to significant shifts where black people's share of formal sector enterprises declined by over a quarter through the third quarter of 2020, and an additional 2% through the fourth quarter of 2020, presumably due to having less historically accumulated/ inherited assets, finance, digital connectivity.
- In contrast, white people's share of formal sector enterprises grew by a fifth through the second and third quarter of 2020, it declined by 1% in the fourth quarter of 2020. By the end of the first quarter of 2021, black people's share of formal sector enterprises remained a fifth lower than the first quarter of 2020, while white people's share of formal sector enterprises was a tenth higher.

Ownership of small business (a) by gender



- The impact of the pandemic was almost immediate for women owned formal businesses, who on average declined 16% through the first and second quarter of 2020, and by an additional 5% from the first quarter of 2020 to the same quarter in 2021.- *Less access to finance and less accumulated historical wealth and assets, digital connectivity.*
- In contrast, the earliest impact of the pandemic on formal sector enterprises owned by men was only felt in the third quarter of 2020, where the number of formal sector enterprises declined by a fifth from the second quarter of 2020.
- Notwithstanding the early impact of the pandemic on formal sector enterprises, they proved to be more resilient and recovered faster than formal sector enterprises owned by men.
- By the end of the first quarter of 2021, the number of formal sector enterprises owned by women were lower by 5% compared to the first quarter of 2020. In contrast, the

Small Businesses between Historic Labour-sending & Other Regions



- Figures from the first half of 2020 show that on average, the number of informal enterprises operating in historic labor sending regions dropped by 29% (162 000) from around 561 000 in the first quarter of 2020 to around 400 000 in the second quarter of 2020.
- While there was a partial rebound from the third and fourth quarter of 2020, the number of informal enterprises remained 6% below pre-pandemic levels by the end of the fourth quarter of 2020, and a tenth below pre-pandemic levels by the first quarter of 2021.
- In contrast, a disproportionate impact on formal businesses emerged in the last quarter of 2020.
- The number of formal enterprises operating in former labour-sending regions dropped 40% (56 000) through the third and fourth quarter of 2020., as covid-19 surged again in December 2020.
- The pandemic effect on formal sector enterprises operating in historic labor sending regions has been persistent and prolonged, with difficulty with in business recovery, they dropped an additional 2% through the fourth quarter of 2020 compared to the first quarter of 2021.

In particular, both formal and informal businesses operating in historic labor-sending regions appear to be disproportionately affected, although through different trajectories

Thank You