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The built environment sector post Covid-19

Of all issues facing policy makers today, none is so compelling as the question of economic recovery.

No one can claim to be knowledgeable of a meticulous course of action as different economies navigate their way out of the economic dire straits that the Covid-19 pandemic has created. The consideration of all voices that matter is a significant imperative as difficult decisions are made. Those making the decisions need to show empathy for all communities. More so, for those in society whose lives may have been turned upside down by the pandemic.

Status of the built environment sector

Before the Covid-19 pandemic hit our shores early this year, a number of communities in South Africa were already in distress. In a majority of municipalities, most citizens were facing significant challenges of poverty, inequality, spatial separation of residential areas from economic opportunities and informal settlements that lacked basic infrastructure to sustain human life. These conditions have worsened as a result of the Covid-19 pandemic.

Since the pioneering work of Strassmann in 1970, much attention has been paid to the role of the built environment sector in the national economy. My own professional discourse in the sector has been epitomized with South Africa's 1994 transition from apartheid, the 1997 Asian market crisis, the 1998 Russian financial crisis, the 2000 dot.com bubble burst, the 2008 global financial crisis and the 2010 infrastructure boom in South Africa. I have spent the past two months pondering on what the Covid-19 pandemic means for the built environment fraternity. As I did so, it occurred to me that the pandemic has made it the preoccupation of every government to explore the minimum necessary and sufficient conditions for economic recovery post this period.



Plodding on the thorny path

Empirical analysis of major economic episodes suggest that since the 1918 Spanish flu epidemic, there has never been an economic shock of a similar magnitude. In the last four months of 1918 and the first six months of 1919, at least 40 million people worldwide died from the influenza epidemic.



Proposed post Covid-19 economic recovery curve

The Covid-19 pandemic is an important episode to study not only because of its sheer magnitude, but also because economists know little about how large population and labour force shocks affect economic growth. Growth theory offers ambiguous predictions regarding the relationship between negative population shocks and economic recovery.

The need to ascertain the effects of the Covid-19 pandemic on the built environment sector has necessitated the pursuit of this study. This paper is part of ongoing research aimed at enabling policy makers to generate responsive policies that will have the potential to stimulate infrastructure projects that positively impact economic recovery. A broader sectoral analysis of the impact of Covid-19 on the built environment sector is underway, using aggregate data from a global sample of those countries that have been substantially hit by the pandemic.

Impact of national state of disaster lockdown

The declaration of the national state of disaster lockdown in March 2020 by President Cyril Ramaphosa meant that infrastructure projects that were under construction had to come to an abrupt halt. This brought a sudden shrink in business incomes for construction firms, combined with a sharp increase in job losses given the casual nature of most construction jobs. It may be too soon to give a clear picture of the losses in rands and cents, but clearly, it is to be expected that other parameters such as aggregate savings rate have changed as a result of these economic shocks. Households that experienced the death of the family's primary breadwinner would likely see a decrease in their subsequent savings rates.



Alexandra Township during 21 days of lockdown

The geographic spread of the Covid-19 pandemic in South Africa appears to be arbitrary, with provincial infection patterns that are difficult to explain. Some provinces with the highest infection rates from the pandemic, such as the Western Cape and Gauteng, share few common features economically. Also, the provinces with the highest death rates, such as the Eastern Cape and KZN do share common features economically. Describing the geographic incidences of mortality in provinces such as the Western Cape, which currently constitutes about 60% of interim national cases, there is no discernible provincial pattern in the severity of the pandemic.

Recovery strategy

Growth theory offers contradictory projections of whether an influenza pandemic and the accompanying obstructive shock to the population and the labour force, should increase or decrease the rate of growth of output per capita over the medium and long run. This research has so far revealed that the only impact of the Covid-19 pandemic is an initial shock to the population. While a significant obstructive shock to the population and the labour force is imminent post the Covid-19 pandemic, there is also a compelling argument to believe that such shocks will impact negatively on economic growth in the long run. Limitations in terms of data that is currently available make it difficult to estimate the full extent of the impact of the pandemic on the built infrastructure sector.

The sheer size and role of the built infrastructure sector in economic recovery is too important to ignore. It accounts for about 15% of the GDP of most developing countries and approximately 50% of gross fixed capital formation. It stands to reason that any sector of the economy this big cannot but has an impact on economic recovery. Growth theory shows that infrastructure influences investment, which is a major factor in the determination of economic growth. As South Africa navigates its way out of the economic quagmire, three

economic recovery strategies are essential for the built infrastructure sector. First, eliminate all inefficiencies arising from poor infrastructure. Second, immediately reactivate all infrastructure projects that were interrupted by the outbreak of Covid-19. Third, prioritize and commission all identified strategic infrastructure projects.



The development of sustainable infrastructure is imperative to South Africa's economic recovery plan

The strategies outlined above present a unique opportunity for the South African government to accelerate the much-needed economic recovery going forward. Increased demand for construction inputs such as cement and steel will influence investment in other sectors of the economy, such as the manufacturing sector. Infrastructure facilities are wanted, not for their own sake, but on account of the goods and services, which they create. Hence infrastructure such as roads and factory buildings are considered as investment goods because they are used to create other commodities. Good transport infrastructure and the availability of factories attract investment into other sectors of the economy.

Impediments

The world is changing rapidly, in ways that leave many people behind. The advent of the Covid-19 pandemic has accelerated this change in ways that are compelling businesses in particular and society in general to rethink their ways of doing things. We have entered a new era which very clearly calls for a different calibre of professionals in the built environment space. Those who belong to the old school of professionals must acquire an understanding of the new brand or be relegated to the rank and file.

There is now a great deal of emphasis on occupational health and safety issues in the rollout processes of infrastructure projects. While a lot has been said about how dangerous the infrastructure sector is, this should be viewed as an opportunity to create smart jobs that create a sustained socioeconomic developmental agenda, while producing the infrastructure facilities that add to our productivity and to the quality of life. Given the poor record of health and safety in construction, the opportunity now exists for these to be elevated to the fore as matters of humanitarian significance. Potential risks and uncertainties that might inhibit innovation and the pioneering of new approaches to infrastructure development must be dealt with in the preliminary stages of project procurement.

Conclusively, I have a greatly enlarged vision of the possibilities of the built infrastructure sector post the Covid-19 pandemic and not without reason. The development of sustainable infrastructure is central to the competitive performance of South Africa's industrial, technological and commercial base. It impacts on every aspect of the realization of sustainable human settlements and the creation of sustainable infrastructure that supports economic growth while producing the structures that add to our productivity and the creation of a better life for all.