

LOCKDOWN POINTS TO A NEW WAY TO GROW LOCAL ECONOMIES



While a great deal of focus has been placed on the negative economic effects of the Covid-19 pandemic, Richard Firth, CEO of MIP Holdings, believes that there can be unexpected positive long-term benefits – if corporate South Africa is prepared to change its mindset.

“We have an unprecedented opportunity to start making sure that money and work are no longer mainly limited to urban areas, helping to grow the economies of small towns and even rural areas. Businesses may have been forced to adopt remote working, and many did so thinking it would be temporary, but as the lockdown has dragged on, a number of companies are growing more comfortable operating in this way,” he says.

“When we first went into lockdown, a great many people chose to return home to their families rather than being confined to their rented urban living spaces. Whether home is a small village in Limpopo or a rural area of the Eastern Cape, knowledge workers were able to continue working from there

with minimal disruptions. All of their day-to-day economic activity shifted to these areas with them, bring much-needed additional business to local traders and companies.”

COVID-19 EFFECTS DON'T HAVE TO BE Only Negative...

Firth points out that this sets an important precedent that can fundamentally change South Africa's economy in the future. “For years, government has lamented the pressures caused by urbanization. Lockdown has proved that there is a way to avoid – and even reverse – this.

Most people move to cities because that's where the jobs are, going home to visit on weekends and during holidays. If the jobs were available where people live, there would be less reason for them to move. That would mean that the money they spend in local stores once a month now would go to those stores on a weekly basis, which would allow those stores to employ more people, creating a cycle of benefits that would go a long way towards alleviating poverty."

He adds that some people have found that their cashflow has actually improved during this period. The current economic climate has forced some companies to reduce salaries, but many are still managing to pay their staff in full. The salaries of people employed in cities are generally much higher than those in outlying areas, but even those living on decreased salaries are finding that their money goes further without travel costs and the need to rent a home close to work.

"We did a survey of all of our staff to find out whether they would prefer to continue working from home in the future, and the answer was a resounding yes from the majority. Saving money was one of the main reasons they provided, with considerations ranging from reduced car insurance premiums to saving on taxi fare. Social considerations were just as important to them, with many citing more family time, including the ability for younger people to help look after their elders in their home province," Firth says.



The cons to working from home made up a much smaller list, with MIP's employees mainly being concerned about work-life balance and practical considerations such as being able to repair or replace laptops and equipment. "We have resolved most of these, implementing monthly sessions where everyone can meet to ensure we don't lose our company culture, and ensuring that staff take their breaks when they need to. While we have taken measures to ensure that it's easier for staff to access the hardware and technical support they need, I believe that if this was the standard way of working for all companies, local economies would grow to include services such as computer parts and repair," Firth says.

CASHFLOW HAS ACTUALLY IMPROVED

"There's no doubt that the effects of the Covid-19 pandemic will be felt for years to come, but these effects don't have to be only negative. If businesses standardised a remote way of working and kept salaries at urban levels no matter where people lived, local economies would start developing at a much faster pace, creating employment and entrepreneurial opportunities that are not there currently," he concludes.



By Richard Firth
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