

Youth Employment Strategies for South Africa

Roundtable held on
9 June 2011

Development
conversations

“ Employment itself is not the goal -
it is part of an inclusive growth strategy,
part of what builds a more productive
and faster growing society, part of
what broadens opportunities and what
creates a more equal society ”





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Table of Contents

1. Introduction	4
2. Key issues	4
2.1 The central issue	4
2.2 Social culture and youth unemployment	4
2.3 Consequences of education system failures	5
2.4 Labour market intermediation	5
2.5 Targeting new entrants	6
2.6 Costs	6
2.7 Existing interventions	6
3. Conclusion	7

“ 72% of all unemployed are under the age of 35 ”

A Youth Employment Strategy for South Africa

1. Introduction

The DBSA convened a Roundtable to share its review document in support of developing a youth employment strategy for South Africa. The purpose of the Roundtable was to consider options to address South Africa's youth unemployment crisis through feasible programmes, exploring current initiatives, what has worked in the past, and approaches to and planning for better youth employment prospects in the future.

The deliberations were guided by a presentation of the DBSA's youth employment strategy review, alongside several briefer inputs addressing issues and initiatives in the realm of youth employment. These included a presentation by Project Harambee (a private sector initiative to place young people in jobs) and presentations by the National Business Initiative and JET Education Services about recent efforts to build the Further Education and Training college sector. An overview by the National Youth Development Agency of their programmes, Adcorp's research into placement services and corporate social investment initiatives that target education-to-work links and the thinking of the National Treasury on wage subsidies were also shared.

The purpose of this document is to provide a high-level summary of the key issues that emerged in the Roundtable discussion.

2. Key issues

2.1 The central issue

It is imperative that the high level of youth unemployment is taken into account in planning South Africa's economic growth path: the lack of inclusive growth severely limits absorption of young people into the labour market, while low participation of young people in the economy constrains future economic growth. This undesirable outcome will have profoundly harmful consequences for poverty levels, equity, social stability and the self worth of unemployed people. In South Africa, there are a number of factors that act as disincentives to the employment of new labour market entrants. While there was some level of disagreement, principal issues highlighted included: lack of appropriate skills, high wages (in relation to productivity), high training costs and inflexible labour legislation?

2.2 Social culture and youth unemployment

Given that South Africa's growth path has not been creating jobs at the magnitude required to absorb the stock of unemployed that have built up, as well as new labour market entrants, there is not enough social pressure or market incentive to encourage young people out of dependence on their families and into economic activity. From a strategic point of view, it is complex to solve the entire problem in the short-term. Rather, an imperative is to create more hope that there are productive activities young



people can engage in, in order to foster a new dynamic in society. The latter will improve employability, job creation and the quality of labour supply. This must be considered within the priority to create jobs to absorb unemployed youth.

A critical aspect of the failure of young people to transition from school to work is that unemployment has become embedded in South Africa's socio-economic culture. Some Roundtable participants held the view that households and communities have come to expect young people to remain unemployed and unproductive for a considerable period of time after leaving school impacting negatively on expectations and behaviour.

2.3 Consequences of education system failures

Inputs to this Roundtable by presenters and participants consistently emphasised how the education system fails to produce employable people with the skills required to navigate their way through the modern labour market. Hence programmes to deploy and employ young people are an *ex post* response to an education system that is failing to equip young people for work.

The poor quality of the basic education system is devastating young people's lives. This crisis is understood, acknowledged and prioritised by government. The key intervention would be to ensure that the R150 billion currently spent on the system each year is utilised more effectively leading to improved outcomes. Programmes of post-school institutions aimed at addressing the consequences of a failing education system will never be resourced at this scale.

The education system generally fails to prepare young people with fundamental literacy, numeracy, problem solving, and critical thinking skills, neither does it encourage acquisition of values such as a work ethic and self-discipline that are required in the workplace. In addition, unemployed young people are a highly diverse group with different levels of educational attainment combined with the challenges posed by the diverse settings in which they were schooled and currently live. This means that in the context of the current labour market, it is almost impossible for employers to establish which new labour market entrants that have completed secondary education are best equipped to enter the world of work. Outside of tertiary education, this is true at all levels of educational attainment. Hence, it is necessary to stratify and segment this group in terms of their skills, context and possibilities. Then appropriate and differentiated programmes can be developed to target each of the segments based on their needs.

2.4 Labour market intermediation

It is a striking contradiction that alongside high and growing levels of unemployment, neither the public nor the private sector in South Africa is able to fill existing vacancies. South Africa does not have the programmes and institutions to create a pathway for new labour market entrants into the world of work, which is in contrast to best practice in other countries where active labour market policies address all aspects of the frictional unemployment confronted by young people including: vocational counselling at school, training for acquisition of 'soft skills', wage subsidies for employers, and placement services targeted at youth.

2.5 Targeting new entrants

Young people searching for their first job are a primary challenge that requires solutions. The school-to-work transition is difficult when not supported by employers, nor by private or public sector labour market intermediaries such as placement agencies. As a result, most young people are forced to seek work opportunities through their own social networks that may have been restricted to a group of people employed in a narrow range of occupations. There is concern about the likelihood of growing dependency on publically supported labour market interventions where large numbers of first jobs are dependent on state intervention. Consequently, the efficacy of public programmes to support new labour market entrants was identified as a critical consideration.

Processes to bring young people into the labour market require a 'developmental' approach. Dedicated youth programmes need to target youth and then effectively screen, select and place them. Anecdotal evidence suggests that private placement agencies for young people are growing in number, but that placement costs are staggering: in one example 600 young people were screened in order to select and place one person in a job. Innovation is urgently required in the placement process to reduce costs and to more effectively target young people who are relatively more 'employable'.

2.6 Costs

The cost of the transition from school to work is high. The lesson of the 18th and 19th century apprenticeship model – where employers paid to put someone through an apprenticeship – is that employers offering training opportunities incur a range of costs. To incentivise training therefore requires that society has to have a strategy for meeting those costs. One of the burning issues is that in South Africa we do not have a joint strategy to meet these costs, so that their distribution across the public and private sectors is not addressed.

2.7 Existing interventions

While doing valuable work, existing interventions cannot adequately address the scale and complexity of South Africa's youth unemployment crisis. There are substantial gaps in the current spectrum of programmatic interventions, which were highlighted in presentations that compared South Africa's programmes against international experience.

The Roundtable acknowledged two public employment programmes that will close some gaps: a 'Youth Employment Subsidy' and the 'Jobs Fund'. The Youth Employment Subsidy targets youth unemployment through providing a subsidy to employers that covers the differential between the productivity value of new labour market entrants and their wages. However the anticipated net impact of this subsidy on employment creation for young people is small in relation to the numbers who are currently unemployed.

The *Jobs Fund*, initiated by National Treasury and administered by the DBSA, aims to enhance employment creation, but is not specifically designed to target youth. It is supposed to operate through four funding modalities: enterprise development, infrastructure development, support for work seekers



(which addresses current gaps in the school-to-work transition), and institutional development in relation to job creation.

3. Conclusion

There are different ways of tackling the problem of youth employment. It is essential to have a detailed understanding of the problem to craft a strategic and programmatic response that will yield the desired outcomes. Moreover, the different strategies emerging from government, public institutions, the private sector and civil society should be leveraging off each other.

How do societies collectively overcome the high proportions of people who do not manage to find their way into work? In a changing world, innovation is required to effectively address this critical issue.

Too many young people today face a future of economic marginalisation and poverty. The confluence of two critical factors has resulted in this outcome 17 years after democratization: a growth path that is not labour-absorbing and an education system that has failed to equip young people with the skills to enter the world of work. The magnitude of South Africa's youth unemployment crisis is a cause for concern. It has been described as a 'ticking time bomb' from the perspective of socio-economic and political stability. There was substantial agreement at the Roundtable that more needs to be done.

The long-term solution is to fix the education system and to direct the economy onto a growth path that is better aligned within the scale and ability absorb labour. In the short to medium term, more dynamic and larger interventions to address youth employment are required than has hitherto been the case.