



Youth Unemployment: Finding Solutions

1. Introduction

Joblessness among South Africa's young people aged between 15 and 34 is chronic and structural. The statistics tell it all: in 2011 almost three quarters (72%) of South Africa's unemployed were younger than 34. Government is aware of the challenges and has announced various initiatives aimed at finding solutions. But are these initiatives enough; and how else can the challenges be overcome?

In a recent roundtable discussion hosted by the Catholic Parliamentary Liaison Office (CPLO), Mr David Faulkner (Treasury) and Mr Rudi Dicks (National Labour and Economic Development Institute – Naledi) discussed, and debated with participants, issues relating to youth unemployment.

2. Understanding the Challenge

South Africa's unemployment rate fluctuates between 24% and 26%, which is among the highest in the world. According to a discussion document¹ published by the Treasury in 2011, more than four million South Africans are unemployed – and almost 3 million of them are younger than 34. However, if the International Labour Organisation's (ILO) definition of 'youth' is used, the number of unemployed youth was estimated to be approximately 1.2 million in 2010.

Different statistics for youth unemployment are often cited because different definitions of 'youth' are often used. In South Africa, the National Youth Commission Act 19 of 1996 defines 'youth' as a person between the ages of 14 and 35 years. As 15 is the age at which children are permitted formally to enter the labour market in South Africa,

this age is used as the lowest level for discussions on employment and unemployment. The ILO, however, defines 'youth' as being between the ages of 15 and 24 years. Furthermore, in its discussion document on youth unemployment the Treasury used the age-group 18 to 29 years when referring to youth, while Naledi uses the definition defined in legislation. The difference in definitions was referred to during the roundtable discussion because it distorts the real unemployment figures.

According to Naledi, almost 60% of unemployed youth have never had a job or have not worked in the last five years. Unemployment among youth is also heavily concentrated in the rural areas, and if you happen to be a black female living in one of the former Bantustans, the chances that you will find employment are reduced to almost nil.

The picture becomes even bleaker because the longer the unemployment period the more difficult it becomes to find employment. If a young person is unemployed for between three and twelve months, he or she has on average a 25% chance of finding a job. If the unemployment period is between one and five years, there is only a 12% chance of finding a job.

3. Identifying the Causes

Although identifying the causes of unemployment can be a complex matter, it became evident during the roundtable discussion that the causes of youth unemployment can be narrowed down to at least a few interlinked factors.

Firstly, South Africa's growth rate has not been sufficiently strong or sustained, with the resulting negative effect that the economy cannot absorb the majority of young people exiting the

schooling system. According to Naledi, not nearly enough jobs are created because South Africa is still dependent upon an economy that is built around mining and resource-extraction, which are becoming more capital-intensive and are no longer the 'mass employers' they once were.

Secondly, as noted by Mr Faulkner, there is a high degree of 'spatial dislocation': potential workers are in one place, while unfilled jobs are in another place. This appears especially to affect rural areas, where many young people live, but where job opportunities are lacking.

Thirdly, and by far the biggest contributor to youth unemployment, the education system ill-prepares young people for the labour market. Statistics² quoted suggest that the causal link between education and unemployment is undeniable:

- almost 95% of the unemployed have no tertiary education;
- between 30% and 40% have completed a secondary education; and
- almost 60% have less than secondary education.

These statistics highlight an interesting fact: between 30% and 40% of unemployed youth have completed their secondary education; in other words, have matriculated. This is a sure indication that the schooling system is not providing youngsters with the necessary skills to enter the jobs market. As it was put at the roundtable discussion, young people are educated, but still lack the skills needed by employers.

Moreover, while South Africa does fairly well in getting children into school (initial registration rates are fairly high), less than half of those who enter Grade R make it through to Grade 12. This high drop-out rate, together with the relatively poor quality of education, contributes to poor productivity and weak learning abilities. Employers are acutely aware of these weaknesses in the schooling system and are thus very reluctant to employ young people with no skills or work experience. Thus, the vicious cycle begins for the young job seeker – no job without the necessary skills and experience; and no experience and accumulation of skills without a job.

A fourth factor is the collapse (or, as some would

argue, the intentional eradication) of vocational training, the apprenticeship system and trade schools in the face of a single-minded pursuit of 'academic' education. In the apartheid era, parastatals such as Eskom, the railways, the post office and others maintained extensive apprenticeship schemes as a way of ensuring a steady stream of technically-skilled staff, and at the same time providing decent work for white, largely Afrikaans-speaking, youth who were not inclined towards academic study.

Perhaps precisely because of its association with the apartheid era, this approach has fallen out of favour. As a result, not only have we lost the opportunity of passing on useful and marketable technical skills to hundreds of thousands of young people, but local industry in all sectors is starved of well-trained and competent technical staff.

4. Possible Solutions

What was evident from the discussions is that there is no shortage of possible solutions to the challenge of youth unemployment. These can be classed as either short-term or medium- to long-term strategies.

4.1. Short-term strategies

One of the simplest and quickest ways to create employment for young people is through the expansion of existing government programmes such as the Expanded Public Works Programme (EPWP) and the Community Works Programme (CWP). It was argued that by fast-tracking the EPWP, and ensuring the employment of youth, government can create more than 2.5 million work opportunities in the next 18 months. What currently works especially well in the EPWP is that it provides work opportunities³ for young women through its Early Childhood Development (ECD) and Home-base Care (HBC) Programmes. Both the ECD and HBC programmes provide opportunities for youth to earn a stipend and to broaden their skills base, while also encouraging them to seek more permanent employment.

The CWP, which has received a cash injection from government of R3.5 billion over the medium term, is another programme that ought to be expanded and up-scaled because it has been so successful in creating employment. The CWP guarantees its participants two days of work per

week (at R60 per six-hour shift). Unlike the EPWP, these work opportunities are not linked to major municipal or infrastructure projects; instead, they consist of activities that have been identified by a community reference group, and which are intended to contribute to the common good of the local community. The reference group comprises councillors, municipal officials, and community leaders. The CWP sites are run by NGOs and communities, rather than by municipal officials, and may include projects like maintaining food gardens, replacing school windows, etc.⁴

Another short-term strategy that could be rolled out fairly quickly is to ensure that public sector procurement favours suppliers who prioritise the employment of young people. For example, company A will obtain a better rating than company B if company A has an employment target for young people when tendering for public sector jobs. Also, public-sector employment strategies, especially at local government level, can be adapted to ensure that young people are prioritised for low- and unskilled employment opportunities.

4.2. Medium- to long-term strategies

It was clearly evident in the discussions that education plays a pivotal role. What is needed is the overall improvement of the quality of education; curbing the drop-out rate; encouraging youngsters to pursue vocational training at FET colleges; better career guidance at school; improving the overall tertiary education throughput rate; and getting the 'fit' right between what the education system offers and what employers need. Sadly, despite more money being poured into education than any other government portfolio, and despite numerous policy interventions over the years, South Africa's education system continues to perform dismally. With various historical and structural problems resistant to solution; with vested interests among teachers' unions; and with chronic maladministration and mismanagement, it seems that the wait for unemployment to be addressed via improvements in education will be a long one.

As noted, one of the reasons young people cannot find employment is the fact that they lack experience. To address this, one of the solutions suggested involves the employment of young people on a temporary basis (two years is suggested) so that they can gain experience. This 'transitional employment' will allow for skills

improvement, on-the-job learning opportunities and will provide a stepping-stone to further permanent employment.

While this idea is innovative, it is not all that different from the wage subsidy scheme that government announced two years ago, but which has been blocked by Cosatu. The wage subsidy is intended to encourage employers to take on young people at a reduced wage bill – government would pay 50% of a beneficiary's wage for two years. Government argues that this will encourage employers to employ unskilled young people because the cost (and thus the risk to profits) of doing so would be greatly reduced. This form of employment would also provide the young person with on-the-job training and experience, and in turn make the young person a far more attractive potential employee after the subsidy expires.

The wage subsidy was scheduled to be introduced in April 2012; however the implementation is being held up by discussions between government and labour. From the roundtable discussion it was evident that one of Cosatu's major criticisms of the wage subsidy is that it would encourage employers to favour the temporary employment of young people over that of older employers because it would be cheaper to do so. Naledi further argues that a wage subsidy may encourage young people to exit the schooling system earlier because it would be easier to do so⁵, and that a subsidy might contribute to suppressing wage growth in an already low wage⁶ environment.

Further suggestions from the side of the national treasury were to lessen the regulatory burden on small and medium businesses, and to exempt them from bargaining council wage agreements. This, it is argued, would boost labour demand from such enterprises, which are widely seen as the most likely source of employment growth in future. Treasury also suggests that immigration requirements for skilled workers be eased as a way of attracting them into the country, since the evidence shows that such workers are successful creators of jobs.

All of these ideas seem worthwhile: transitional employment; a youth wage subsidy; an easing of the regulatory burden; the attraction of potential job-creators into the economy. Unfortunately, there is a lack of consensus at a political level, and it seems extremely unlikely that Cosatu will budge from its determination to protect existing

jobs (especially of its own members). And, given that the ANC's current leadership desperately needs Cosatu's support at its elective conference later this year, it is hard to see that it will do anything to upset the union federation.

5. Conclusion

The plight of the majority of South Africa's jobless youth is well-known. Our understanding of the causes of youth unemployment is improving, and it is clear, too, that while the challenges seem insurmountable, there are many apparently

workable and worthwhile solutions. They may not all turn out to be quite the successes that their proponents anticipate, but in the face of what must be considered a national crisis, they should surely all be tried. To sit back and debate the finer details, or to block potentially useful initiatives because of debatable downsides, is surely irresponsible.

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¹ *Confronting Youth Unemployment: Policy options for South Africa*

² As presented by the Treasury and Naledi at the CPLO roundtable.

³ A great deal of confusion exists about the notion of a 'work opportunity' as opposed to a job. The essential distinction is that the former is limited in time, and may be only temporary, while the latter connotes permanent employment.

⁴ Kenny Pasensie (2011): *The Expanded Public Works Programme: Chipping away at unemployment*. CPLO Briefing Paper No 274.

⁵ This may be the case, but any improvement in youth employment opportunities is likely to attract people out of the schooling system. That is a downside of better job prospects that would have to be carefully managed.

⁶ According to Naledi, approximately 60% of all workers earn less than R1500 per month.

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