

Addressing youth unemployment in South Africa

Current and future policy options

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Department:
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REPUBLIC OF SOUTH AFRICA

OUTLINE

- Setting the scene; unemployment and youth unemployment
- Current programmes in South Africa.
- Critique of existing SA programmes.
- Possible way forward

SETTING THE SCENE: UNEMPLOYMENT

- The SA economy created nearly 2 million jobs between 2003-2008, but the impact of the recession was significant.
- Since December 2008:
 - 1.1 million jobs were lost.
 - The number of discouraged rose by 739 000.
 - The unemployment rate increased by 3.4% to 25.3% in 1H 2010.
 - LFPR declined 3% to 54.5% in 1H 2010.
- The employment to population ratio declined from 44.9% in 2006 to 40.7% in 1H2010.

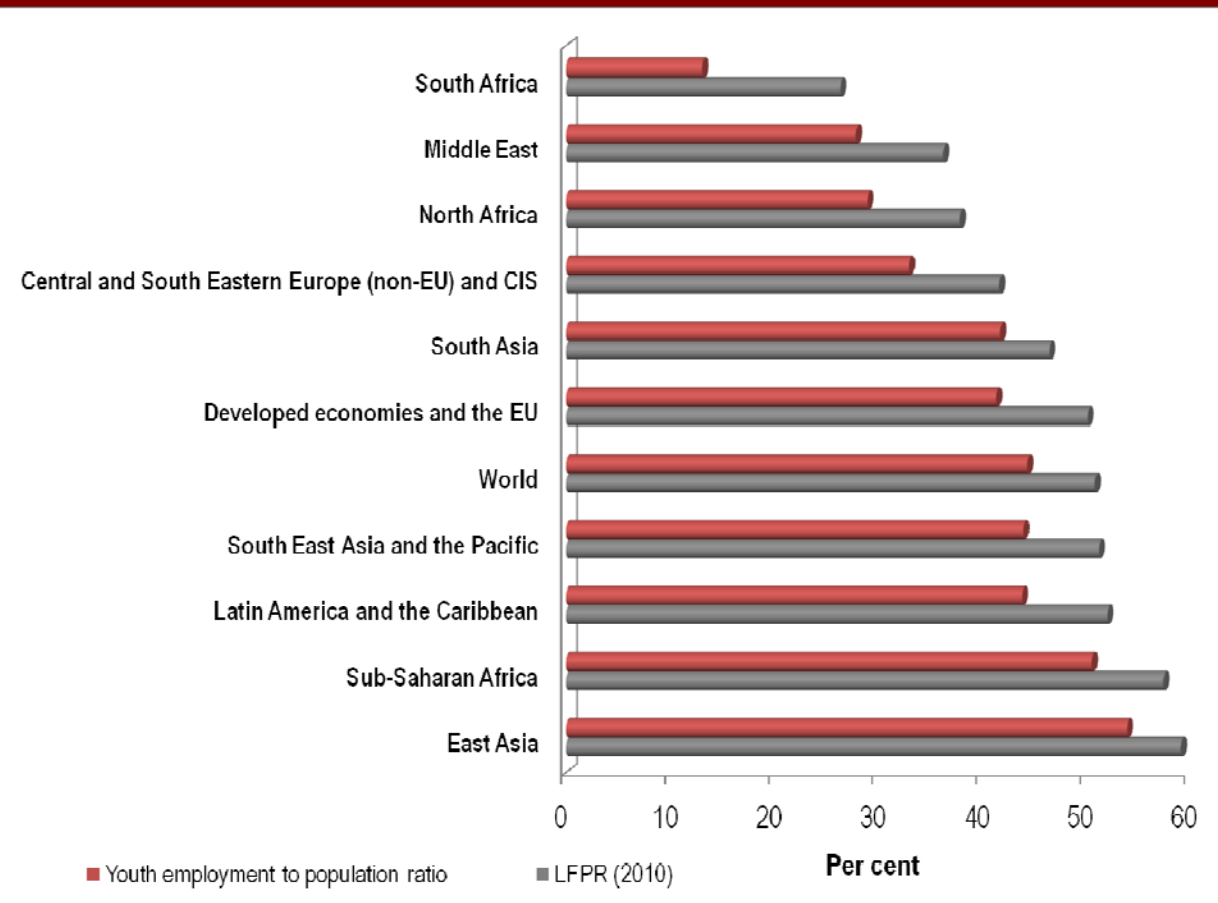
SETTING THE SCENE: YOUTH UNEMPLOYMENT IN SA

- Youth bear largest share of unemployment problem; 3.1 million young people between age of 15-34 unemployed, accounting for 72% of the total unemployed.
- Absorption rates (employed to population ratio) for youth 15-34 years at 30.5% low relative to adults (35 years+) at 55.7%
- Persistence of youth unemployment is extensive; 72% of LT unemployed are between 15-34 years.
- Rate of discouragement much higher amongst youth; 15-34 years olds account for 71% of all discouraged.
- Nearly 40% of those who have never worked are between 15-34 years, representing 2.4 million individuals.
- Youth unemployment rate 2.5 times higher than adults.



HOW DO WE COMPARE INTERNATIONALLY?

- South Africa's Youth (15-24) LFPR at 26.4% is the lowest compared with other regions

Chart 6: Global youth (15-24 years) LFPR and youth employment to population ratio



WHY FOCUS ON YOUTH UNEMPLOYMENT?

- The socio-economic costs associated with high youth unemployment is significant:
 - poverty, crime violence, loss of morale, social degradation and political disengagement.
 - Other negative consequences: loss of productive resources, deterioration of human capital. (Kingdon & Knight 2000, Levinsohn 2008).
- Lack of decent work at early stages of working life have longer term impacts(ILO 2010)
 - Strong link between youth unemployment and social exclusion.
- Personal gains to the youth in finding employment but also economic gains:
 - Underutilised youth  loss of income  decline in savings and aggregate demand
 - Loss to society of educational investment
 - The youth are the drivers of economic development in a country.

WHY YOUTH UNEMPLOYMENT IS HIGH IN SA

- **Relatively large increases in LFPR post 1994 but not sufficient jobs to absorb young people.**
- **Young people lack the skills for the jobs available**
- **Negative externalities related to high unemployment rates**
 - Young job seekers believe the probability of finding a job is so low that they do not look, seen large increase in discouraged
- **Youth wages are too high given the riskiness of young people**
 - Firms are unable to judge the productivity of a young person and thus are unwilling to risk employing them (lack the signal of previous job experience by youth).
 - Given that firing and hiring is not costless, firms have limited incentives to hire young people.

EXISTING PROGRAMMES: NSDS

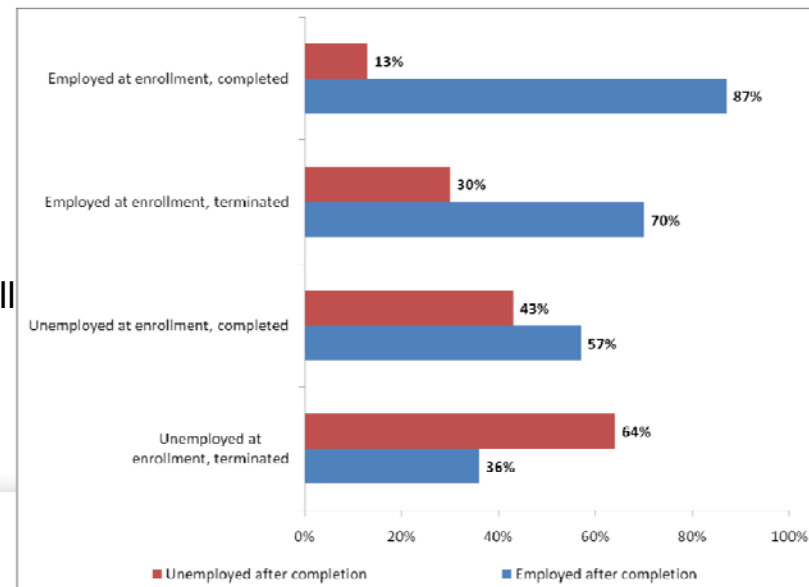
- The NSDS implemented by the Setas aims to address the structural problems in the labour market through skills development.
- 17 125 unemployed entered learnerships in 2009/2010, 85% between 18-34 years.
- Scale of the intervention small relative to the unemployment problem.

Table 1: Number of individuals trained under the NSDS I

	NSDS 1 (2001 to 2005)		
	Total	Learnerships	Apprenticeships
Unemployed persons	109,647	88,410	21,237
Employed workers	61,279	45,813	15,466

- Completion rates are favours the previously employed.
- Unemployed at enrollment + completed, 57% gained employment.
- Employed at enrollment + completed, 87% still employed.

Chart 10: Output indicators for the 1st year of the NSDS II



Source: DoL

EXISTING PROGRAMMES: NATIONAL YOUTH DEVELOPMENT AGENCY (NYDA)

- The National Youth Development Agency (NYDA) was established to co-ordinate youth related programmes
- Programmes focus on:
 - Education: Providing tuition and learners support for re-writing of the National Certificate in 2010.
 - Job Preparation: Provision of work related life skills such as cv writing, interview skills computer literacy.
 - Entrepreneurship development: Services offered such as education, business development, financing and linkages to procurement opportunities.
 - Job Search & Matching: Link job searchers with potential employers, currently being used by Setas and firms to source learners.

EXISTING PROGRAMMES: EPWP

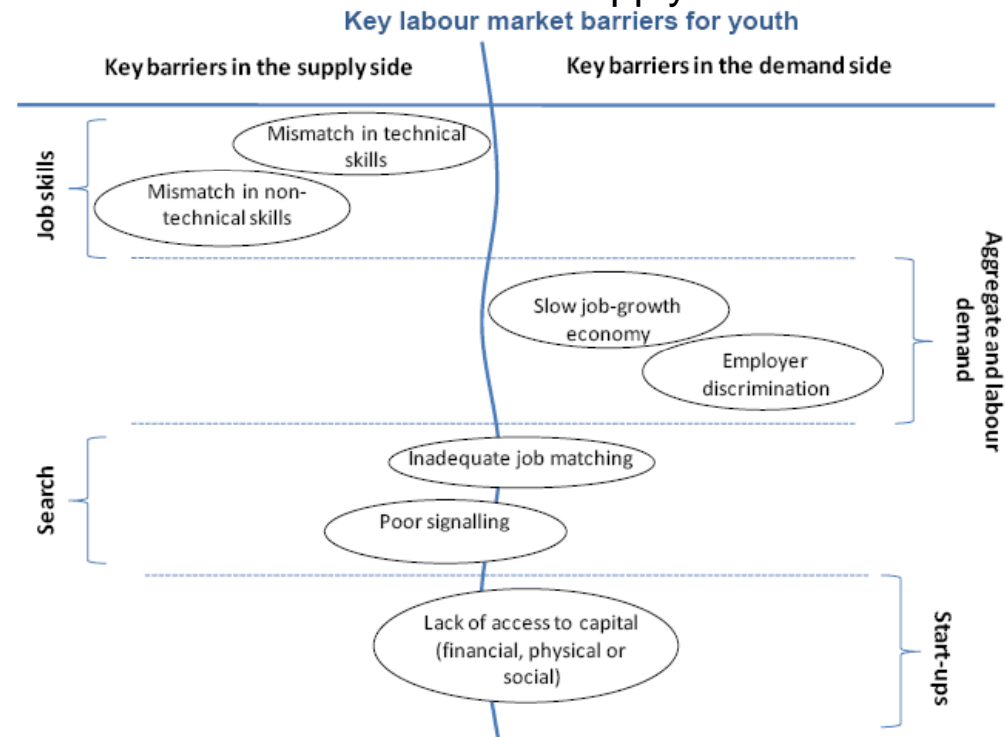
- Work opportunities which are predominantly short term, Social sector some scope for longer term.
- Youth participation averaged 40% over the 5 year period for the 4 sectors, highest achieved in Environment and Infrastructure sectors.
- Two points:
 - **Training** should remain an important component to improve future employment outcomes.
 - **Labour intensity** of programmes have **declined**.

Table 2: EPWP Phase 2, first year performance

Targets 2009-2014			First year performance 2009/2010	
Sector Outputs EPWP2	Work opportunities	FTEs	Achieved number of Work Opportunities	FTE
Infrastructure	2,374,000	900,000	263,457	90,847
Environment	1,156,000	350,000	60,039	20,703
Social	750,000	500,000	95,942	33,083
Non-State	640,000	280,000	206,421	71,180
Total	4,500,000	2,000,000	625,859	215,813

WHERE SHOULD OUR FOCUS LIE?

- The ILO (2010) sets out the key labour market barriers for the youth diagrammatically.
- South Africa faces both demand and supply side constraints



WHAT ARE THE CONDITIONS FOR SUCCESS IN ADDRESSING BARRIERS

Addressing technical skills mismatches:

- **Best practices:**
- **Vocational training, comprehensive + training, entrepreneurship training:**
 - Integrated approach, demand driven, public and private training providers, competitive training provision, effective selection and follow ups.
 - Example: JÓVENES, Latin America
- **SA NSDS:**
 - Training **not demand driven**, limited private sector involvement in training planning.
 - Various components are **fragmented**, NSDS training not linked to all programmes
 - **Scale** of intervention not significant relative to unemployment problem.
 - **Limited monitoring and evaluation** to determine impact (eg data on transitions post participation.)
 - **Not serve as a development path for young unskilled persons**, since more high skilled participation.
 - In terms of learnership **completion**, the results **favourably biased towards the previously employed**.
 - **Transitions of learners** through the labour market should be tracked to determine the impact on future employability.

WHAT ARE THE CONDITIONS FOR SUCCESS IN ADDRESSING BARRIERS

Addressing non-technical skills mismatches:

- **Best Practices**
- **Training in soft skills**
 - Include interview skills, good institutional capacity, performance standards, integrated training plus life skills, continuous tutoring and financial schemes to ensure involvement.
 - Example: Entra 21, Latin America.
- **SA NSDS:**
 - Institutions are not effective and efficient to deliver skills training.
 - Not clear on the impact of current limited soft skills training offered at DoL labour offices.
 - Financial incentive (Learnership allowance) not encouraging participation, seen as another payroll tax?

WHAT ARE THE CONDITIONS FOR SUCCESS IN ADDRESSING BARRIERS

Addressing barriers to the LM:

Best practices:

- ***Job matching, programmes combining UI benefits subject to job search assistance.***
- ***SA UI:*** No such requirement
- ***Public Employment Services (PES):*** Job searching, job matching and other soft skills provided at DoL Labour centers. Not clear on the impact, number of individuals placed limited.

WHAT ARE THE CONDITIONS FOR SUCCESS IN ADDRESSING BARRIERS

Addressing slow-growth barriers:

- ***Best Practices:***
- ***Wage and training subsidies, PW:***
 - *Comprehensive programmes combining wage subsidies and training such as on-the job training, job search assistance.*
 - *PW: Community involvement, appropriate wage level, private sector involvement, include training.*
- ***SA EPWP:***
 - Training de-emphasised in EPWP II, but essential for future employment prospects.
 - Monitoring & evaluation: track participants.
 - Link with private sector for exit strategies, no current exit strategies
 - Labour intensity of programmes have declined impact on poverty alleviation aspects.
- ***SA Employment subsidy:***
 - Employment subsidy proposal, also focusing on complementary programmes to a subsidy. It is important to have a better alignment amongst the different interventions, which includes training, soft skills, job matching etc.

WHAT ARE THE CONDITIONS FOR SUCCESS IN ADDRESSING BARRIERS

Addressing lack of access to start up capital:

- ***Best Practices:***
- ***Focus on comprehensive entrepreneurship programme, which includes skills training, mentoring and financial support.***
 - Demand driven training, appropriate screening, access to specific youth tailored banking instruments, free space in business incubators.
- ***SA NYDA (UYF):***
 - *Provided finance to young entrepreneurs, but no effective screening entrepreneurial ability.*
 - *No follow up services, no long term sustainability of businesses.*
 - *Some training provided, could be expanded on*
 - *Limited evaluation, data and monitoring.*
 - *Better mentoring programmes required, work with established entrepreneur.*
 - *Current micro finance organisations , less willing to lend to Youth &SMME due to higher perceived risk.*

HOW SHOULD SA CONSIDER YOUTH UNEMPLOYMENT

- Both the World Bank and the ILO stress the importance of undertaking **an in depth analysis** of the country youth labour market, its issues and identify the most important **barriers** that restrict the integration of the youth into employment.
 - Need to set out **national priorities, but also to better align existing policies**
 - The selection of the appropriate interventions require **consultation** and analysis.
 - Design can benefit from lessons learned from **international best practices.**

BETTER ALIGN EXISTING PROGRAMMES

- Youth unemployment is a national issue and priority.
- A number of youth focused government programmes have been proposed:
 - NYS
 - Youth Core, Department of Defense
 - Employment Subsidy
 - Rural development Strategies
 - Community Works (EPWP)
- However, better alignment of strategies is required. Holistic and Multi-service approach.
- Current interventions not succeeding in addressing the scale of the youth unemployment problem.
- South African programmes have many of the features of the ILO “best practice” examples
- However correct institutional framework must be established to improve efficiency of programmes.
- Greater involvement of private sector to ensure demand driven interventions.
- Improve on monitoring and evaluation.

A FINAL NOTE ON MONITORING & EVALUATION

- Area which **requires attention**.
- Programmes such as the Jovenes system in LAC highlights the need for **monitoring and evaluation** to determine the impact of the programme.
- Include pilot studies and post evaluation in the **design phase**.
- **SA** programmes have very **limited evaluations**, despite our **large expenditure (1.2% of GDP)**
- Thus difficult to **evaluate the impact of large expenditure items** such as the EPWP and NSDS in terms of impact on employability.

THANK YOU



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