Addressing the challenge of youth unemployment in South Africa

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Government commitment

• Government has committed to reducing unemployment by half between 2004 and 2014 – from 28% to 14%

• HSRC estimated this would require the creation of avg 500,000 net new jobs annually

• This average was reached prior to the downturn

• With the downturn, and approximately 900,000 jobs lost, avg of 700,000 net new jobs pa needed to reach target by 2014
Centre for Poverty, Employment & Growth
HSRC

• CPEG operates a modified think-tank asking: how can target unemployment be reached?
• Draws together key stakeholders and experts into high level dialogue
• Prepares deep research and develops capability to answer these policy questions
Youth focus

• Over the past few years, we have developed a special focus on youth.
• Special focus on very large group of young people who leave school, are unemployed and not studying, and are not qualified to study in higher education.
• The long term solutions will focus on labour absorbing growth and improved education systems.
• In the meantime, SA has a youth bulge, and about 500,000 to 700,000 school leavers enter the labour market each year (in a LM of about 16 million people, and 12 million employed).
• Up to the downturn that hit SA in 2009, high school leavers (whether completed or not) had a 50/50 chance of finding a job before the age of 24. About 65% of black school leavers could not find a job before age 24.
• Out of the group of 4.2 million 15 – 24 year olds, about 2.6 million are inactive (neither working, nor studying) and 1.6 m are working.
• Are there immediate solutions that could raise the employability of school leavers, thereby reducing the probability of long term unemployment?
Some background

- S African youth stay in school long, but gain insufficient skills and capabilities relative to their counterparts in international comparative studies (TIMMS and SACMEC).
- They also lack networks, search skills, communication skills, personal presentation and work readiness capabilities.
- Increasingly, they need to find work in a growing services economy that requires these capabilities.
- The longer unemployment or underemployment lasts, the harder it is to reverse effects on the individual.
  - 25% of all UE have been searching for 1-3 years;
  - 35% have been searching for 3+ years.
- 81% of discouraged have less than completed secondary education. Strong race dynamic.
- Youth face a special challenge of accessing a first work experience.
- There is a particular racial bias to these gaps.
Use of networks to find a job

- Best way to find job is through networks
- But few African youth workseekers use this approach
- For eg. Khayelitsha/Mitchell’s Plain and CAP Surveys found that:
  - 55% of respondents found their current job through friends & relatives
- LFS (2005) shows that only 10% of those aged 15 – 30 use networks to find job
- This has specific race dynamic, as African youth less likely to have networks that will help them find a job
  - Age 17: more than half whites have worked in past year, vs 1% of african females & 7% african males (Lam et al, 2007).
  - Age 20: more than 88% of whites worked in past year, vs. 20% African females & 31% African males
Youth unemployment after the downturn

- Approx 770,000 jobs lost in last year (Q3 2008 to 2009)
  - Of which 570,000 (74%) were 15 – 34 yrs
    - 14% of 15 – 24 year olds lost their jobs (down to 1.4 m working)
    - 7 % of 25 – 34 year olds lost their jobs (down to 4.3 m working)
    - Their unemployment rate did not rise much as discouragement rose by about same rate – that is young people opted out of the labour market
- Employment expanded for those with tertiary education (by about 113,000)
- Employment contracted for those with secondary education or less (-894,000), but especially those with less (-793,000)
The experience of public employment interventions & new directions
The need for special interventions

- This presents both social and economic challenges of immense proportions
  - The longer one is unemployed, the more one becomes an outsider
- In this context, it is clear that special interventions needed to reach larger numbers of young people - especially school leavers
Some focal areas

- More youth out of the LM and in learning
- Public employment
- Public works and special employment programmes, with emphasis on care services
- Small scale agriculture
- Employment incentives
Out of the LM & into education
Out of the LM and in learning

- There are more than 500,000 high school graduates under the age of 24 who are not working, nor are they studying.
  - The majority do not qualify for higher education
- The Dept of Higher Education aims to dramatically expand Further Education & Training enrolments by 2014.
  - Could reach about 600,000, from about 300,000 today.
Into education?

• FET is aimed at those who leave school after 9 years (as opposed to 12 years)
  • However, high school graduates fare better
• The challenges are great
  • Completion rates are less than 50%
  • 50 public institutions are focus of new resources and bursaries. Many require substantial quality improvement, student recruitment processes. Bursary funds need more resources. Accessing bursaries needs to be made easier.
  • Private institutions could be major source of new capacity, however incentives not oriented towards them. More effective regulation and sector governance would be needed
Public employment
Historically, the public sector played an important role in providing first work opportunities, especially to black graduates.

The public service reduced in size between 1996 and 2004. It is now growing by about 56,000 opportunities per annum, but with a high skill bias.

There is a strong wage-employment trade-off, especially in lower grades.

There are deep service delivery gaps that must be met.
Public employment proposals

- Our proposals involve the following:
  - Learning/work opportunities – internships, apprenticeships, etc.
  - ‘transitional jobs’
  - More defined job definitions and demarcations in lower grades
- This could generate approximately 115,000 to 200,000 jobs in the public service, which currently employs about 1.2 m. The larger proportion would be learners, and public service employment would be expanded by only 3% to 6%.
- The additional cost is not proportionate. The ratio of personnel spending to total state expenditure would rise by only about 1.5%.
Public employment proposals – governance & challenges

• These proposals require agreement amongst government and labour
  • Government is represented by
    • Public Service Administration (which overseas collective bargaining, remuneration, norms and standards, etc)
    • The Dept of Higher Education
  • Labour is represented by a range of unions
• Labour is concerned that:
  • There could be displacement
    • Transitional jobs
    • Vacancies not filled
Public works & SEPs
Public works & special employment programmes

• EPWP I was designed as a five-year initiative (2004/5 - 2008/9), and is coordinated under the auspices of the Department of Public Works.

• Comprised of four sectors: infrastructure, environmental, social and economic.

• The key objectives of the programme were to:
  • Draw significant numbers of the unemployed into productive work to enable them to earn an income;
  • Unemployed people were provided with education and skills;
  • Ensure that beneficiaries of the EPWP were either enabled to set up their own business/service or become employed once they exit the programme; and
  • Public sector budgets utilised to reduce and alleviate unemployment.

• All of these were to be achieved through the creation of social and economic infrastructure and provision of social services as a means of meeting basic needs.
Public works & special employment programmes (epwp)

- The emphasis of the expanded public works programme since 2004 =
  - Primarily about intensifying labour intensity in expanding government construction projects.
  - Very limited additional budget, as was meant to be requirement of tender award
  - Dept of Public Works offered support to construction industry in diffusing labour based methods.
  - Additional targeting of environmental, social and economic services…but in reality these are small elements
## Target v Achievement

<table>
<thead>
<tr>
<th>EPWP Indicator</th>
<th>5-year Target</th>
<th>3-year Status</th>
<th>% Progress</th>
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<tbody>
<tr>
<td>No. work opportunities created</td>
<td>1,000,000</td>
<td>716,399</td>
<td>72%</td>
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<tr>
<td>Person years of employment</td>
<td>650,000</td>
<td>219,914</td>
<td>34%</td>
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<tr>
<td>Avg length of work opportunity (target)</td>
<td>88</td>
<td>132</td>
<td>264</td>
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<tr>
<td>Avg length of work opportunity (actual)</td>
<td>51</td>
<td>46</td>
<td>165</td>
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<table>
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<tr>
<th>Opportunities as % of strict UE</th>
<th>316,815</th>
<th>4.391 m</th>
<th>7%</th>
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<table>
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<tr>
<th>Year</th>
<th>Total UE</th>
<th>% of UE</th>
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<tbody>
<tr>
<td>Year 1</td>
<td></td>
<td></td>
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<tr>
<td>Year 2</td>
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<tr>
<td>Year 3</td>
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| Wages received per work opportunity | R 4,708 | R2,943 | R2,673 |

| Wages vs Expenditure (rising labour intensity?) | 27% | 22% | 8% |

*Source: HSRC 2007*
Challenges debated through EPWP 1 – influencing EPWP 2

• To halve unemployment, HSRC scenarios show that EPWP might need to create 600,000 to 2.8 m opportunities pa by 2014.
• Delivery slow partly because there is accountability is too broad. EPWP only seems to be delivered where there is a strong champion.
• Government has not been effective at intensifying labour use in its infrastructure procurement.
• Public works normally pay below market wages. Wages are not very different to those earned in the market.
• Is this for the most marginalised or are they career paths?
• Lengthening work opportunities so they are continuous.
• Target poor areas or poor people?
EPWP 2

- New *annual* targets are higher
  - 1.5 million people should be in an EPWP opportunity annually by 2014 (vs approx 350,000 over last decade).
  - EPWP infrastructure to double from about 185,000 opportunities in 2009 to 383,000 by 2014. To be stimulated with *municipal incentive*.
  - EPWP social sector and related activities to expand from about 20,000 opportunities to about 400,000 by 2014. To be stimulated with *EPWP employment incentive*. Non-profit organisations can apply to cover labour costs continuously, to a value of an EPWP wage (approximately R 1000 pm).
  - Introduction of Community Works Programme (CWP) – to guarantee regular work for 1-2 days per week, which is identified by Ward committees and other community based groups. Aim to reach 400,000 opportunities annually by 2014.
Central changes to the programme

• Higher targets – therefore also seek approach to help get to larger scale
• Employment incentives introduced
• Decentralised decision making, especially in employment incentive and CWP
• Continuous employment possible
• Should have impact of strengthening non-profit and community based organisations. This will be critical support for service delivery
Small scale agriculture
• Approximately 2.5 million households (4 million people) produce extra food for own consumption

• About 300,000 to 400,000 households work full time in subsistence production

• Although 1/5 of all black households are involved in some home production and 3/4 are located in former homelands. 1/4 of all black subsistence farmers located in 3 municipalities (Vhembe, OR Tambo and Amathole)

• About 1.9m subsistence producers are aged 15 – 29.

• Contribution of home production to HH food security varies considerably. Not all households that home produce are food secure.
Raising yields of non-market producers?

- SA agric policy emphasizes commercial development. Seems sensible for middle income country?

- Very little attention is given to services for small farmers (inputs, marketing, R&D, extension). Opportunity cost?

- Proposal = enable 10% of non-market producers to achieve marketable surplus = about 250,000 producers
  - What would be required to achieve this?
  - Who would they sell to in SA context of deep large retailer penetration?
Employment incentives
Employment incentives

- Employment incentive impacts are rarely evaluated, and it could be proposed that their impacts are uncertain.
- Large scale interventions need to be designed carefully to reduce deadweight loss.
- There are substantial policy commitments, that have been slow to expand or diffuse.
Objective in testing employment incentive interventions

Showcase proven scalable interventions that could have a meaningful impact on reducing youth unemployment so as to achieve:

• An increased number of young people access employment and/or learning opportunities.

• There is improved institutional delivery capacity to support sustainable improvements in addressing youth unemployment.

• Learning amongst key stakeholders has taken place on delivering effective youth employment interventions that are scalable nationally.
Objectives

• Identify those interventions/activities that are already taking place and determine what additional incentives or initiatives could be put in place to enable these efforts to work more effectively and efficiently.

• Test the impact of the proposed incentives and initiatives on the efficacy of the system so as to ultimately propose ways that this can go to scale.

• Partnerships to be developed with key implementation agents in public and private sectors
Sub-Objectives

• Demonstrate intervention that could dramatically expand the placement of young people that are graduating from Grade 12 to enable them to make transition from schooling to quality vocational and/or occupational learning pathways and employment

• Demonstrate intervention that could dramatically expand scale of and access to public employment programmes by youth who are unemployed and out of school.
Motivation

• The opportunity:
  • expanding placement sector
  • redesign of epwp, and especially NPO & social sector employment incentive; substantially expanded resources
  • expanding resources to further education and training

• The challenges:
  • poor recruitment and throughput; limited interest in grade 12 grads
  • still slow programme expansion; institutional misalignment (govt/NPOs)

• The target group: Grade 12 Graduates
Intervention to be tested

• Programme will test:
  • Could a placement voucher be a low cost/high impact intervention to encourage the delivery of:
    • Accessing FET, Learnerships, Apprenticeships, Internships and Work-placement
    • Support to access job skills, guidance and bursaries
    • Linking NPOs to government
Partnerships

- HSRC coordinates the design, stakeholder interaction and monitoring and evaluation
- Implementation partner is recruited for project coordination and implementation.
- Partnerships formed with key stakeholder groups:
  - Gauteng province has committed three year budget to this initiative, valued at about US$ 10 million.
    - We expect to crowd in approximately 3 times that amount from funds available nationally as improvements in applications and programme management take place.
  - Other stakeholder groups who have stated commitment included placement sector, youth agencies, chambers of commerce, training accreditation providers, the district Depts of Education, Further Education and Training Colleges, National Treasury, Department of Public Works, amongst others.
Design

• The incentive is still being designed
• Initial idea was to provide incentive to school leavers
• Now we are considering incentive for which (for-profit and not-for-profit) placement firms can apply………
• M&E approach under review
  • Pilot area is highly porous
  • Measure firm behaviour & outcomes, and/or youth behaviour & outcomes?
Some employment scenarios, without special emp interventions

Avg GDP growth 2004 - 2014 in:

- low scenario = 2.5% - shortfall = 2.58 m jobs
- middle scenario = 3.3% - shortfall = 1.97 m jobs
- high scenario = 4.5% - shortfall = 1.18 m jobs
Mid-range employment scenario with suggested interventions

Employment:
- Target employment
- Reduced target
- Employment (mid scenario without interventions)
- Employment (mid scenario with special interventions)
Adding up the proposals

<table>
<thead>
<tr>
<th>Options</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Reducing pressure on the labour market ('000s)</td>
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<tr>
<td>Expanding FET opportunities, esp for 17 – 24 year olds</td>
<td>80</td>
<td>176</td>
<td>291</td>
<td>330</td>
<td>600</td>
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<tr>
<td>Jobs available, additional to ones that would have otherwise existed ('000s)</td>
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<td>semi-skill public sector</td>
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<td>transitional jobs</td>
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<td>State &amp; NPO employment incentive</td>
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<td>EPWP</td>
<td>185</td>
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<td>555</td>
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<td>50</td>
<td>125</td>
<td>200</td>
<td>275</td>
<td>350</td>
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<tr>
<td>Total annual opportunities due to special interventions</td>
<td>395</td>
<td>846</td>
<td>1,309</td>
<td>1,586</td>
<td>1,857</td>
</tr>
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</table>
Summary points

- Key questions in context of high structural unemployment =
  - What is optimum use of resources to effect long term change?
  - What are acceptable trade-offs?
  - What is institutional design that will enable effective and rapid roll-out or diffusion?