

# Challenges & opportunities in addressing youth unemployment

Activating youth: what way forward?  
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# Background

# Demographic dividend?

- Demographic dividend reaped when there is a large economically active population, supporting a relatively small dependent population
- Normally arises when there is a 'youth bulge', as in many developing countries
  - For eg poverty in latin america fell largely due to demographic dividend, and not necessarily only specific social policies
- South Africa has large youth population, but majority are inactive
  - This is also challenge for the broader region

# National Planning Commission context

- Vision to 2030 for sustainable and inclusive growth
- Policy complementarity and approaches: “stress testing” against the vision
- Problem solving on specific issues but with eye to whole population
- Concerned with major choices wrt resource allocation

*Youth social and economic participation is central*

# Demographic and LM context

- Large youth population
- Population will grow slowly
  - Probable that size of youth population by 2030 will be about the same as now, although smaller % of total population
- Youth today will be adults of tomorrow – what will they be doing?

# Youth in context of high unemployment

- High unemployment in SA and in the region
- Youth unemployment is not disproportionate
- challenge = the sheer scale of the problem means that a *majority* of young people are inactive (not just 'hard to employ')
- What makes a policy oriented to youth? Why not just have policy to bring down UE?

# What makes youth special from a policy perspective?

- UE especially amongst those with less than matric – this is new problem
- No prior experience, especially if black
- Inappropriate networks, especially if black
- Little understanding of work place
- Weak work-ready skills and *capabilities*
- Employers prefer older people, even if no experience (eg over 25)
- Still have hope & energy – not yet long term unemployed, so better chance of catching them
- Maturity – slightly older group (eg 20-24) who have adjusted their sights may respond better to stimuli?

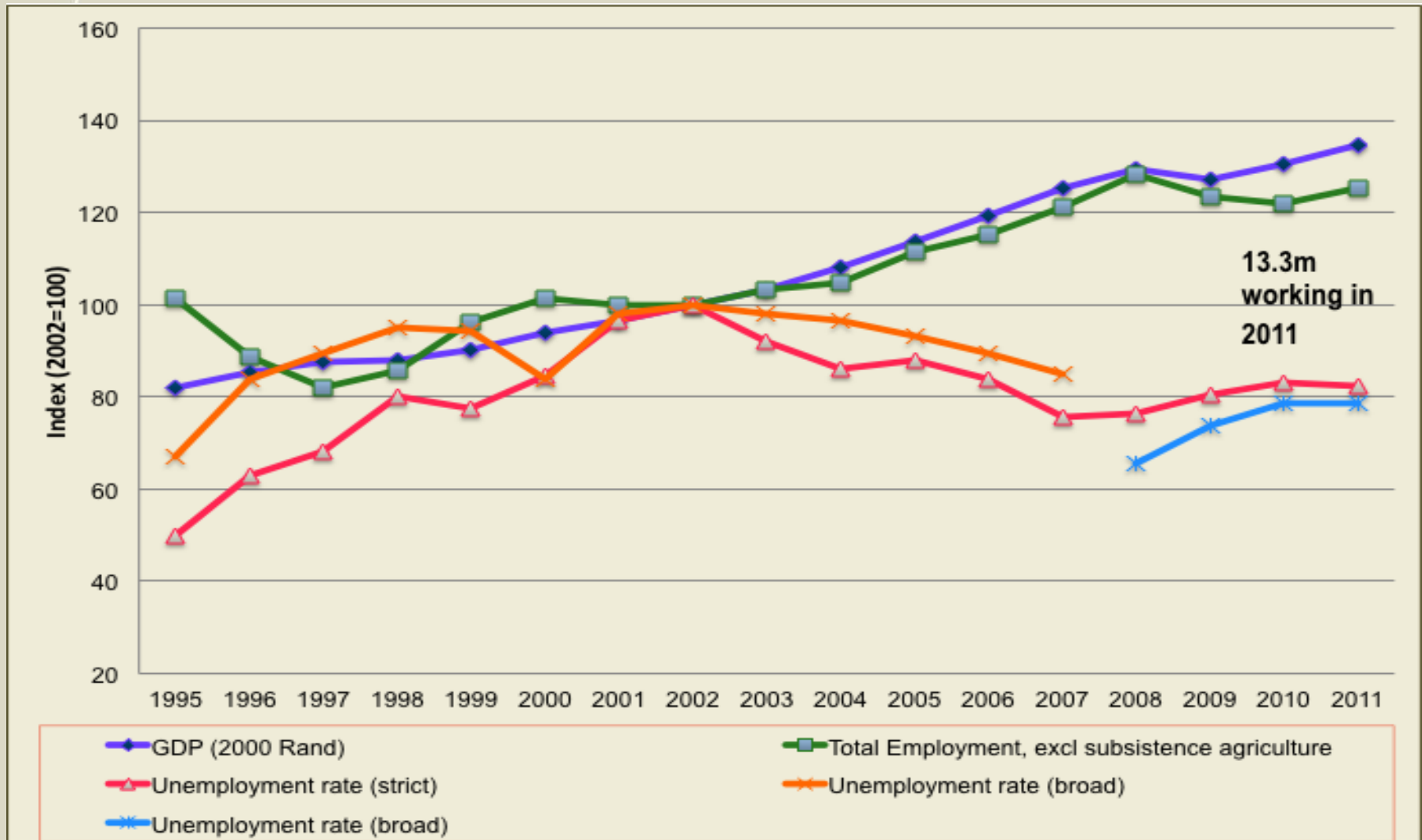
# Wild cards

- Extent of inward migration from the region
  - ....and outcome of competition between locals and migrants?
- 1/3 of women aged 18-30 have HIV. Many already have children. What will survival/morbidity rates be? What will rate of orphaning be? Orphans of today, will be youth/adults of tomorrow
- Access to services that enable class/social mobility for low income households (eg basic education)
- Pace of economic growth more generally



# Context for youth

# Employment, unemployment & growth, 1995 - 2011



Source: StatsSA OHS, Sept LFS, QLFS

# Growth does help

*Youth unemployment fell over the period of economic growth up to 2008*

<b>Age cohort</b>	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>
<b>15 – 24</b>	55.9	51.8	50.2	46.6	51.3
<b>25 – 34</b>	34.1	29.8	28.5	26.2	29.1
<b>35 – 44</b>	21.0	18.2	18.2	16.6	17.8
<b>45 – 54</b>	16.1	11.9	12.4	9.3	12.4
<b>55 – 65</b>	10.0	7.2	6.9	6.5	7.3
<b>Total</b>	30.4	26.2	25.5	23.2	25.4

# NPC goals

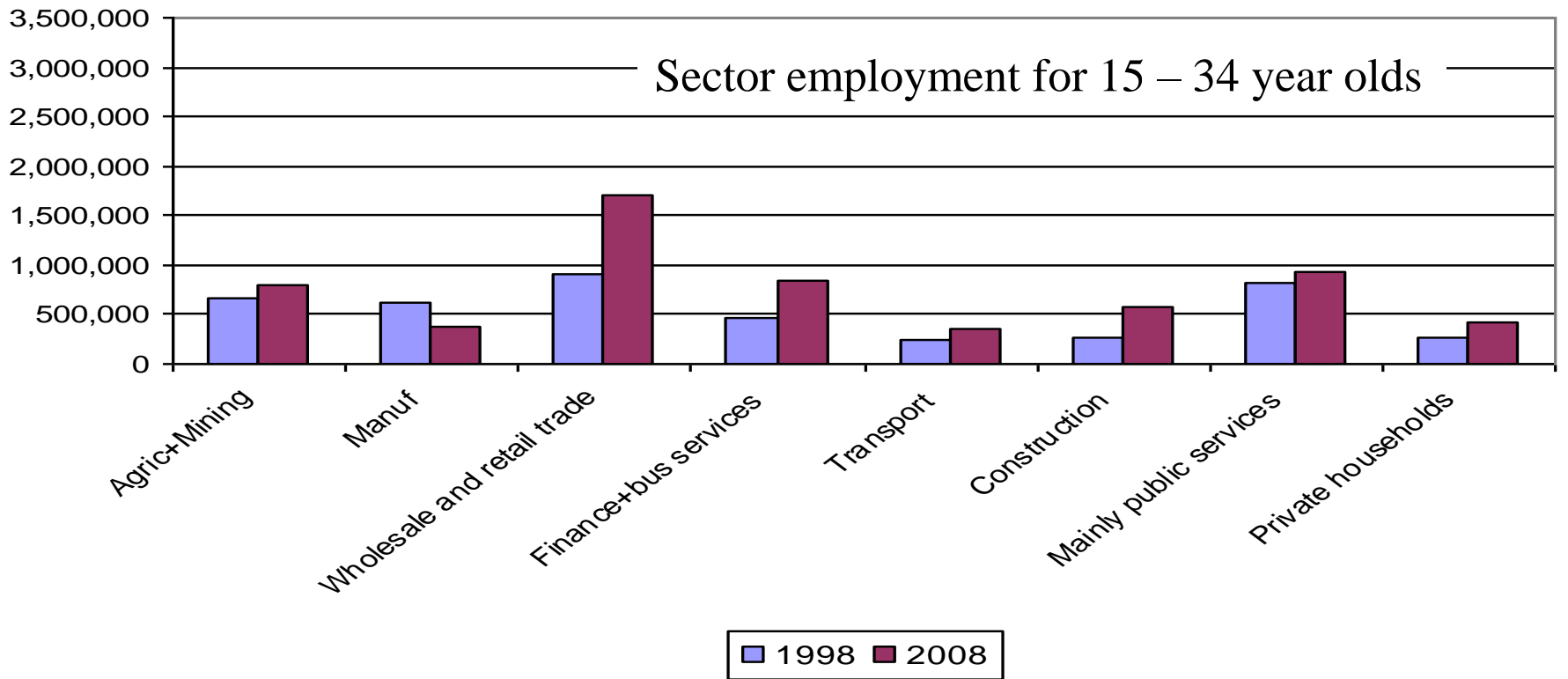
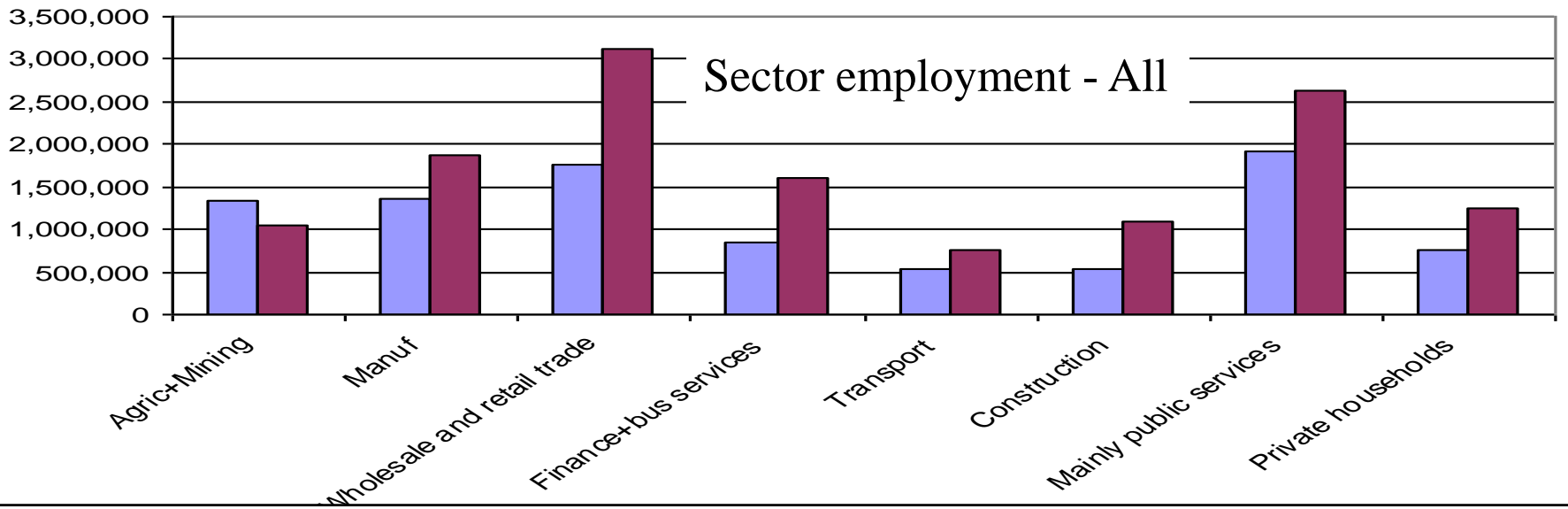
- Employment targets revised due to downturn
- Aim to have 14% unemployment by 2020, 6.5% by 2030
- Estimate that employment would have to expand by 11 million 2010-2012 to achieve this.
- Economy would have to expand at least twice; avg growth rate needs to rise to about 5.5%pa, prompted by new labour absorbing activities
- Special interventions needed even if economy can double

# Employment scenarios for SA

Sectors	2010	2030		
	employment in 2010	S1 - mediocre minerals	S2 – magnificent minerals	S3 - diversified
Agriculture	627 000	513 854	627 000	803 788
Mining	297 000	268 804	388 349	436 893
Manufacturing	1 556 000	1 879 348	2 168 947	2 288 905
Leader & high paid services (eg finance, transport)	2 025 000	3 009 043	3 656 513	4 187 781
Follower services (eg retail, personal services)	1 927 000	4 180 710	4 874 585	4 966 878
Construction & utilities	828 000	1 053 622	1 277 699	1 407 060
Informal sector & domestic work; excl EPWP	2 922 000	4 093 532	4 604 434	5 012 101
Public sector, private social services & parastatals	2 529 000	3 277 650	3 518 023	4 225 313
EPWP	420 000	5 483 277	2 644 291	431 120
Total	13 131 000	23 759 840	23 759 840	23 759 840
Avg GDP growth pa		3,3%	5,0%	6,4%
% WAP working w/out epwp	41,0%	47,1%	54,4%	60,1%
UE w/out epwp	25%	27,7%	16,5%	7,7%

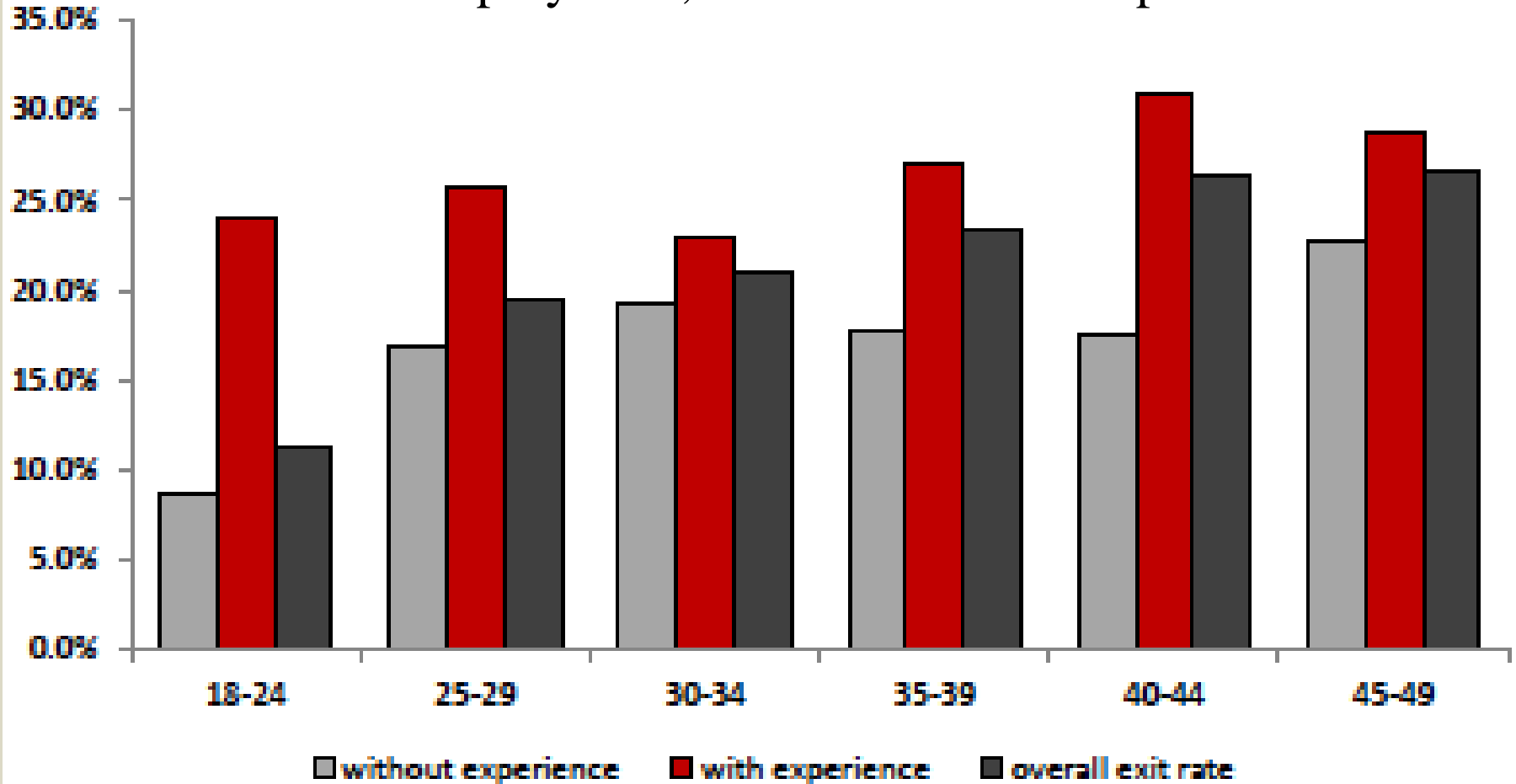
# Youth employment projections

Avg GDP growth	2010	Baseline 3.3%		Scenario 2 5.0%		Scenario 3 6.4%		
		2020	2030	2020	2030	2020	2030	
<b>Employment (mn)</b>								
15 - 24	1.27	1.55	1.98	1.65	2.15	1.89	2.38	
25-34	4.38	5.33	6.84	5.44	7.1	6.62	8.33	
35 - 64	7.48	9.12	11.68	9.39	12.26	10.40	13.09	
Total	13.13	16.00	20.50	16.48	21.50	18.90	23.80	
<b>Unemployment rate</b>								
15 - 24	49,4%	54,0%	38,0%	44,0%	31,0%	28,0%	12,0%	
25-34	28,4%	32,4%	22,8%	26,4%	18,6%	16,8%	7,2%	
35 - 64	13,4%	13,5%	9,5%	11,0%	7,8%	7,0%	3,0%	
Total	24,0%	27,0%	19,0%	22,0%	15,5%	14,0%	6,0%	



# A first work experience is critical to employment prospects

Exit rates from unemployment, with and without experience





# What policies for youth?

# Combination of actions needed

- Expand economy!
- Intensify how fast economy absorbs labour
  - Public employment
  - Special employment schemes
  - Education, skills and capabilities
    - Reduce extra costs caused by poor education and peer networks
  - Labour matching
  - Cost of living

# Temporal problem

- Very little in job creation that is short term and immediate. Feels unsatisfactory.
- ‘derived demand’: mostly indirect actions, and hope they work.
- Short term options:
  - Public employment programmes (if capacity exists)
  - Lift market barriers where there is already capability or pent up demand/supply; pump prime if downturn (eg brazil)
  - Poverty interventions
- Trade-offs in investment in long term dynamic sectors, versus short term impacts

# Link between the cause, the policy choice, and potential success of implementation

## Questions:

- What do we believe is the cause of high youth unemployment?
  - What is the effect of that particular cause?
    - To what extent is this specific to youth?
      - What interventions might address the cause?
        - » Would these interventions be high or low impact?
        - » How easy or difficult to implement?

# What makes youth special from a policy perspective?

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# *Labour market interventions*

# Labour market purpose and design

- What is purpose?
  - Price, human capital development, matching?
- What is appropriate scale
  - Cost/benefit in long run or short run
  - What might have maximum influence on social mobility?
  - Realistic expectations of ALMPs - is it possible for any intervention to have an impact of more than 5 to 15% of the ultimate solution for any group? Can deepen matching and may even generate vacancies (but not significantly)
    - vs. Having more ambitious approach = our interventions are currently too small to have meaningful impact

# Current SA experiments in job creation

## Special employment programmes:

- Intensify labour use in civil works projects
- Stimulate community based services as part of service delivery (eg ECD, teacher aides etc)
- Incentivise municipalities to achieve labour targets in construction projects
- Environmental services (cleaning out alien species, etc)
- Community works programme funds 2 days per week on projects identified by ward committees
- Adult literacy programmes delivered through structured hierarchy
- Challenges = pay levels, supervisory structures, administration



# Active labour market policy

- Proposed:
  - Youth wage subsidy for private companies
  - Youth labour market matching subsidy – paid to private placement agencies
  - Current investigation into youth grant to activate myriad of positive activity and promote ‘demand side response’ (similar to Mexico “Opportunities” programme)
  - Substantially expanded further education & training sector

# Education attainment

- The opportunity = universal education enrolment to grade 9
- The threat = capabilities gained are not in line with that needed to participate in economy or post-school learning.
  - 81% of those born between 1990 and 1994 reached Grade 9, and 46% reached Grade 12 in 2010
  - About 15% of those who write matric exam achieve approx equivalent to 50% avg grade.
    - Only 30% achieved a mark of 40% + in maths and in science
    - Only 53% achieved a mark of 40%+ in history and in geography.
  - Small numbers in HET, FET and other learning opportunities, and very low completion rates
- Expanding #s educated is not a guarantee, as seen in places like Egypt. Can simply raise education level of unemployed

# Reasons for dropping out of education

Reason	African	Coloured	Indian	White
Too old/young	0.7	1.5	3.5	0.0
Completed school/educ.	0.9	3.1	25.4	1.4
School/educ. institution too far	1.4	1.3	0.0	0.0
<b>No money for fees</b>	<b>37.9</b>	21.7	<b>33.7</b>	14.2
Working	3.0	9.3	10.5	<b>64.8</b>
Educ. useless or uninteresting	17.0	<b>30.8</b>	0.0	0.0
Illness	10.9	4.8	2.0	15.4
Pregnancy	10.2	2.4	0.0	3.2
Failed exams	5.5	9.1	0.0	0.0
Got married	0.9	0.0	0.0	0.0
Family commitment (child minding etc.)	7.5	7.0	24.8	0.0
Other/Unspecified	4.2	9.0	0.0	1.0

6

7

48%

41%

48%

47%

46%

34%

# Into education?

- Currently about 300,000 in FET – could this expand to a million? Should compulsory high school be extended to grade 12
- 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

# Range of global programmes

## ***Mexico's Oportunidades***

- income transfers to poor households if children in school and attend regular health checkups.
- The programme has youth savings component that encourages beneficiaries to complete secondary education. The program gives 4,500 MXN ( $\pm$ 340 USD) in a savings account upon completion of high school or grade 12 and meet the conditions for which the money is to be used, namely:
  - towards fees at university, college or technical school;
  - to improve the house of the family;
  - to start a small business, motivated through a written plan and application.
- If the student drops out, they do not receive the savings

# Post-school training vouchers

- Vocational education vouchers tested in Kenya (2008) to see labour market returns
  - Voucher = \$460 (approx R3,500) = full cost of tuition in govt and in private vocational programmes
  - Randomised trial – 2160 out of school youth (18-30) chosen. ½ (1080) got vouchers. ½ (530) got vouchers for govt institutions only. ½ (530) got vouchers usable in public or private institutions. ½ (530) got info on returns to occupations
  - Result:
    - 74% of voucher winners enrolled. Significantly higher enrolment & retention by those who had choice of public or private. Perhaps explained by proximity of institution (lower transport costs) and/or private institutions help with job search and/or perception of returns
    - Few had knowledge of returns to different occupations. V strong gender orientation in choice
    - Info provision did not have impact on course choice, although women were more likely to enrol in male dominated areas
    - Supply side effects: institutions receiving voucher winners were more likely to expand course offering
    - Returns to education still too soon to tell. Preliminary evidence = returns to women was higher. Male winners generated higher profits in self employment (than did female counterparts)

# "New deal for young unemployed" - UK

- **Objective:** To move unemployed 18-24yr olds from welfare into permanent and unsubsidized employment by improving their chances of finding and keeping a job. Aims to address inadequate technical skills, lack of financial capital, and transition from school to work
- **Description:** compulsory for all those aged 18-24 who receive jobseekers allowance for more than six months. Initially, individuals enter a "Gateway" period, where they are assigned a personal adviser who gives them extensive assistance with job search. if the unemployed person is still on Job Seeker's Allowance (at the end of the gateway period (formally a period of 4 months), they are offered to four options:
  - entry into full-time education or training for up to 12 months for those without basic qualifications (without loss of benefits);
  - a job for six months with a voluntary sector employer (paid a wage or allowance at least equal to social assistance plus £400 spread over six months);
  - a job on the environmental task force (paid a wage or allowance at least equal to social assistance plus £400 spread over six months);
  - a subsidy to a prospective employer for six months, with training for at least one day a week (£60 per week plus an additional £750 training subsidy spread over six months).
- **Evaluation:** The program has had significant effect in moving more young people into jobs. Young unemployed men are about 20% more likely per period to gain jobs as a result of the new deal. Part of this effect is due to subsidized jobs, part a pure "Gateway" element (enhanced job search), at least one fifth of the total effect. 19-24 year olds were 8.9 % more likely to obtain jobs in the post New Deal period. In the non-pilot areas 19 to 24 year olds were less likely to get jobs (a fall of 2.1%).

Like kenya example

Like non-state sector employment

incentive

Like idea of youth wage subsidy

# Many other examples....

- UIF – not relevant since most young unemployed have never worked
- Welfare grant
- Skills training
- Entrepreneurial promotion
- Employment services
- Subsidized employment
- Public employment programmes
- Vouchers for transport etc



# *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

# 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). NDP proposes aim for 2 million annually
  - 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.

# *Small scale agriculture*

# Home/non-market production

- 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?

# Implications for action?

- How to get to scale? Too few being reached
- Social mobilisation will be key, but context of diminishing social cohesion and alignment
  - Consider points of leverage – such as mobile technology
- Basic health status, teenage pregnancy and communicable diseases require urgent attention for this and next generation
- Expand capabilities to participate, but know that it does not guarantee employment
- Urgent that blockages to expanding economy be addressed
- Special employment programmes (eg epwp) will be essential for foreseeable future
- Remember this is a regional challenge

***Urgent need for national action through partnerships***