



The Challenge of Youth Unemployment in South Africa

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HSRC
Human Sciences
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BACKGROUND

- Youth internationally is defined as people between the ages 15-24, which is roughly 17% of the world's population
- The ILO estimated that in the period 2002-2010 over 700 million young people will be entering the labor force meaning over 1 billion jobs need to be created during this period
- Globally Youth unemployment is 13.5%, which is approximately 2-3 times the adult unemployment rate of 4.5%.
- Youth unemployment is an international phenomenon

BACKGROUND

- South African has an enormous unemployment problem but it is mainly concentrated amongst the youth (15-24)
- Currently overall unemployment is 23.6% but the youth unemployment rate is 48,1% which is roughly twice the size of overall unemployment
- Youth unemployment is possibly one of the biggest challenges that any country has to face as it has demographic, social, economic, health and environmental ramifications.

FACTORS BEHIND UNEMPLOYMENT

- Unemployment is situation whereby the supply of labor exceeds its demand- failure to reach equilibrium
- The supply-side factors = factors affecting the supply of labor
- The demand-side factors= factors that affect the demand for labor
- As well as the regulatory market

SUPPLY-SIDE FACTORS

- Are the factors that affect the number and quality of job seekers
- The rate of entry of women- esp. African women into the labor market has risen sharply
- There is a surplus of low-skilled job seekers which is caused by historically low levels of investment in African education
- Our welfare system that has created a high “reservation wage” which allows the labor market participants to be more selective about the job offers that they accept

DEMAND-SIDE

- South African firms have engaged in skills biased technical change which has created a demand for skilled rather than unskilled workers
- A lack of trust on the employers part, as they appear to be a bit reluctant to hire new workers at any price- they lack the knowledge or confidence in the workers ability to perform the task adequately
- The informal sector creates relatively low levels of unemployment, this may be a product of the regulatory environment which makes it difficult for small and medium entrepreneurs to start their business.

REGULATORY ENVIRONMENT

- Creating a more flexible labor market by allowing greater leeway to employers in matters of hiring, firing and remuneration would allow prices to, more easily reach their market clearing levels
- Sometimes young entrants to the labor market are hit particularly hard by laws that are essentially designed to protect those that are already in employment

COSTS OF YOUTH UNEMPLOYMENT

- Why is youth unemployment a worrying factor?
- link between large proportions of young unemployed people and political violence, civil unrest or crime
- Rapid urbanization- movement of people into the metro's in pursuit of economic prosperity only to discover that the urban areas lack the infrastructure & resources to cater for them
- False expectations- the educational opportunities afforded by recent development means there are more skilled workers and less employment prospects

COSTS OF YOUTH UNEMPLOYMENT

- Devastated individual lives
- Lost human and social capital
- Society pays a price in terms of lost investment in education , failure to secure tax contributions due to loss of earnings from the unemployed youth plus the lack of saving will translate into loss in aggregate demand
- Failure to secure a job at a young age can hamper ones ability to get a job later on in their lives

PRE-GEC

- Youth unemployment = 50%
- Annually 500 000 school leavers ready to enter the labor market
- The probability of a black school leaver securing a job by the age of 24 was lower than 50%
- Unemployment was concentrated among the historically disadvantaged groups and highest among uneducated females in the rural areas
- Although the economy was growing, it didn't generate enough jobs to cut the unemployment rates significantly – structural issues?
- The HSRC employment scenarios indicated that in order for unemployment to be halved by 2014, 500 00 jobs had to be created annually.

IMPACT OF GEC ON YOUTH UNEMPLOYMENT

- GEC has resulted in retrenchments in many formal economic sectors, reductions in working hours and downward pressures on household incomes-Global Job crisis
- The likely result is that one will see an augment in the youth unemployment rate as the number of new vacancies decline
- In South Africa between the first two quarters of 2009, over 267 000 jobs were lost
- The downturn has also resulted in an increased number of discouraged work seekers =320 000 (Q1 to Q2 in 2009)

IMPACT OF GEC ON YOUTH UNEMPLOYMENT

- This has dampened the economic outlook as now over 700 000 Jobs have to be created annually for unemployment to be halved by 2014= 1095 jobs per day
- The economic downturn has taken a considerably difficult situation and made it worse-integrating the youth into today's labor market

WHAT NEEDS TO BE DONE

- The IFI's do not expect economic growth to re-emerge until at the very least the 3rd and 4th quarters of 2010
- Employment creation lag

In light of this what can be done?

- Innovative ideas
- Market based intervention?
- Government programs?
- Enhancing the Employability of the youth-identifying interventions that will have a meaningful impact through the down turn

OPPORTUNITIES

FET College expansion (*Skills enhancement*)

- National target to at least double FET enrolments
- Already been included in the FET budget

Youth employability proposals

- DOE has developed proposals to implement youth “starter pack” programme which will enhance general capabilities
- Funding potentially from NSF

OPPORTUNITIES

EPWP Employment incentives

- NPO, municipalities, provinces apply to hire people on projects. EPWP then pays R50 to the NPO etc. for each person employed
- Government infrastructure programmes have designed the application process, hopefully in 2010 a full complement of programmes will be in place-social sector

Community Works Programme

- Ward committees identify rolling projects in the area. They apply for funding to enable unemployment to work for 1 or 2 days per week, every week

WAY FORWARD

- To identify ways in which these interventions can be leveraged and taken to scale
- To identify the main/key role players
- Isolate other key interventions i.e. programs that focus on reducing the costs associated with job searches/ target rural development

THANK YOU!

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