



IN DEPTH

ROUTES INTO FORMAL EMPLOYMENT



Public and Private Assistance to Young Job Seekers

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The Centre for Development and Enterprise is a leading South African development think tank, focusing on vital national development issues and their relationship to economic growth and democratic consolidation. Through examining South African realities and international experience, CDE formulates practical policy proposals for addressing major social and economic challenges. It has a special interest in the role of business and markets in development.

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EXECUTIVE SUMMARY

Youth unemployment in South Africa is at crisis levels. According to the National Treasury, the unemployment rate among people under the age of 25 who want work is about 50 per cent. The absolute number of people unemployed in this age group is nearly 1,4 million, and they account for 30 per cent of all unemployed people. Including those aged 25 to 29 into estimates of the number of young people who are unemployed, raises the number to almost 2,5 million.

The main reason for large scale unemployment is the slow pace of job creation in South Africa over the past few decades. Surveys find that 50 per cent of unemployed people between the ages of 16 and 30 years who have given up looking for work say this was because there were no jobs in their area. Similarly, the Labour Force Survey has reported that 85 per cent of all unemployed respondents said they were unemployed because they had not been able to find any work at all, while less than two per cent said they were unemployed because they could not find 'suitable work' – a phrase explicitly defined to include jobs in which wages were deemed to be too low.

While unemployed people cannot find work, employers often struggle to determine which of the (often numerous) applicants for a particular job is most suitable for the position. As average starting wages and other employment costs are high, and because dismissal and replacement procedures can be onerous, employers tend to see the employment decision as risky, and may be reluctant to employ unskilled, inexperienced people. This is a particular challenge when hiring young people – especially those who have never worked before – and it is compounded by the fact that employers do not regard the qualifications and results achieved by many school-leavers as a reliable signal about the relative merits of job-seekers.

To manage their risks, employers tend to favour those who have been referred by someone working in the business already. They will also usually hire someone with work experience before they hire someone without this experience. In this context, poorly-educated young people with no previous work experience and with little connection to the job market through friends and relatives, are least likely to find work. Within this group, women have a harder time than men.

THE RESEARCH

It is in the interest of both job-seekers and employers to make sure that the mechanisms that help people find work are functioning optimally, and that the most effective of the various routes to employment are deepened and broadened. In order to understand

the issues better, CDE commissioned research looking at how people find work in South Africa. This included:

- Summaries of what is known about the Expanded Public Works Programme (EPWP), Sector Education and Training Authorities (SETAs), learnerships, routes into and out of the informal sector, as well as the activities of the Umsobomvu Youth Fund; and
- Original empirical work on how temporary employment services (TES) firms – colloquially known as 'labour brokers' – affect people's chances of finding work. This research assessed the characteristics of over 10 000 people who registered with a branch of the largest TES firm in South Africa, Adcorp. The research compared the profile and employment prospects of TES beneficiaries against data from StatsSA. Comparisons were also drawn between the TES data and data from the Jobs and Opportunities Seekers (JOBS) programme at the National Youth Development Agency (NYDA).

Our investigation of the various routes that young people use to find employment is instructive and, as far as we can tell, it is the first of its kind to be undertaken. However, without comprehensive panel data, which would have to be collected over a period of years to permit in-depth comparisons between individuals following different routes into the world of work, it is not possible to produce definitive findings on the comparative efficacy of these various mechanisms for matching workers and employers.

South Africa needs much better data on the volumes of people using various services and institutions, their immediate and subsequent job prospects, and the costs of offering these services. The research reported on in this publication had to deal with these limitations in what data is available in the country. To overcome these limitations CDE recommends more comprehensive surveys that follow young people as they move through the labour market, as well as much more effective monitoring and evaluation of government programmes.

FINDINGS

The EPWP is the country's largest and best-funded state initiative aimed at getting people into work. The programme has resulted in more than a million "work opportunities" between 2004 and 2009, and has achieved significant successes in providing short-term, last-resort employment to relatively large numbers of people. It is widely recognised, however, that the EPWP has done very little to increase

the employability of beneficiaries, and, therefore, has not improved their future job prospects significantly.

Similarly, SETAs provide some people with valuable training and access to job opportunities, but what evidence there is suggests that they may be of most benefit to people who are most likely to find employment, even without any assistance. Thus, while more than 10 000 learnerships had been completed four years after the SETAs were established, with the majority resulting in full-time employment, these were overwhelmingly based in the finance sector. Beneficiaries in this sector were typically drawn from circumstances that were not the most desperate, and their demographic characteristics (for example, their typical household income, household size and earners per household) matched those of people who were most likely to be employed. Beneficiaries may do better with the training than without, but SETAs are unlikely to have expanded the number of people who have work.

The informal sector appears largely to be a trap for young people. The research shows that people working in this sector typically report having been in the same “job” for considerably longer than is typical for people who have jobs in the formal sector. It is, in other words, difficult to transition into formal sector employment, and the evidence suggests that young people take informal jobs as a last resort.

Umsobomvu Youth Fund programmes have tackled the unemployment problem from a number of angles, including the provision of training to make young people more job-ready and creating links between job-seekers and potential employers. The incomplete data and information available make it impossible to assess the effectiveness of these programmes. However, CDE’s review of the JOBS data does show that this is a relatively modest programme, now run by the NYDA, which is helping some young people into jobs. This information combined with facts from the World Bank Investment Climate Assessment (which collected data from manufacturing firms in the metropolitan areas of Gauteng, Eastern Cape, KwaZulu-Natal and the Western Cape in 2007/8) and the Cape Area Panel Study (which collected data annually from 2002 until 2006 from a large and representative sample of young people in Cape Town as they became adults), paint an interesting picture of how people find work and what role TES firms play in this process.

As one might expect, all these surveys show that the majority of people in work find their jobs without using any kind of employment agency. Instead they primarily rely on information from friends and relatives already in employment, send out CVs, and respond to advertised jobs. The Cape Area Panel Study found that only about five per cent of all work seekers in that city employed at any given

time had found their job through an agency. Although relatively small, this is still significant in terms of the numbers of people nationally who use this route to employment. In 2009, for example, the Confederation of Associations in the Private Employment Sector claimed that TES firms place over 500 000 job seekers every year. More recent estimates suggest the number of placements per year is closer to one million.

TES operate at a significantly larger scale than comparable government programmes. In 2008/9, nearly 1 500 people found work through the NYDA’s JOBS programme. One large TES, Adcorp, from which our TES data is drawn, claims to place over 25 000 assignees per day. Our finding that 1 000 individuals were placed each month by one Adcorp branch (of which it has 34) shows that the monthly placements of this one TES branch are equivalent to two thirds of the NYDA’s annual placements.

Comparing the TES data with data about the general labour market suggests that the TES jobs represented in that database did not pay unusually low wages, with average earnings of about R3 500 per month. Median earnings, which makes for a more sensible comparison, among TES workers are R2 934, a figure that is close to the median of R3 000 in the Quarterly Labour Force Survey.

On the whole we found no evidence that either the JOBS programme or the branch of Adcorp studied by CDE researchers, were placing people in jobs that were markedly less desirable than is typical of the economy as a whole. It is true that the assignees from Adcorp typically worked for a shorter period than is usual in the economy (a fact that may say more about employers’ needs than about the TES firm), but there was no evidence that wages were significantly lower than was typical.

Other notable findings included:

- Some employers – especially those who run large, capital intensive firms and employ some low skilled workers – rely more heavily on TES firms than others;
- The services that TES firms provide appear to help companies to grow and compete globally;
- Much of the reliance on TES firms reflects seasonality in demand for labour and broader international trends towards more flexible (and temporary) forms of work.

As routes into employment, TES firms may have important advantages. They appear to be of use to unskilled, inexperienced workers whose connection to the labour market is particularly tenuous. In this respect, TES firms may help bring excluded households and workers into the economy. In so doing they help

make our economy more inclusive. In effect they help to expand opportunities and democratise job search.

CONCLUDING REMARKS

Given South Africa's massive unemployment crisis, it is vital that the mechanisms that link available jobs and job-seekers from all backgrounds be as effective and efficient as possible. These have to help both firms and job-seekers, but particular attention should be paid to ensuring that mechanisms exist to help workers who are least connected to the labour market. Young people with no work experience who come from households in which no one works have a very slim chance of finding a job unless they are assisted in some way.

It is important to recognise that, on its own, improving the efficiency and effectiveness of these institutions will not solve the crisis of unemployment. Far more important, in this regard, is ensuring that many more jobs are created through sustained, more rapid and more labour-intensive growth.

Nevertheless, broadening access to available opportunities (especially to young, unskilled and inexperienced job-seekers, most of whom come from poor households), must be one component of the fight against unemployment. Getting this right may not dramatically increase the number of people in employment at any

given time, but it could lower employers' costs of finding suitable employees as well as job-seekers' costs of finding work. Improving the efficiency of the labour market in this way would help reduce unemployment on the margins.

TES firms do help a significant number of people, especially young, inexperienced workers and those who have the most tenuous connections to the labour market. These firms have become controversial in South Africa today, and there are interests that would seek to have them closed. The research reported here indicates that closing these firms down would result in costs and consequences that many currently participating in this debate may not have considered.

Critically, if – as our research indicates – TES firms are a vehicle that people least connected to the labour market are able to use to access jobs, this must be factored into the policy debate. Those who argue for an outright ban of labour-broking need to ask themselves whether whatever gains they think may accrue to the already-employed are worth the cost of reducing access to the labour market – and the economy – for those who are most excluded.

South Africa needs to deepen and broaden the links that unemployed and marginalised people have with the formal economy. Closing down vehicles that increase access to work should not be a serious option.

Introduction

How do people find jobs in South Africa? Most get their first jobs on the basis of the advice and assistance of someone close to them or by answering adverts.¹ But many people who want to work cannot find jobs through existing networks (which they may not have) or by answering adverts. As a result, they rely on a variety of mechanisms that in some way or another intermediate between the job-seeker and the world of work. Some do holiday jobs or internships; some enter formal learnership programmes; some work in government initiatives such as the Expanded Public Works Programme (EPWP); some register with a temporary employment agency in the hope of eventually transitioning into full-time employment. The purpose of these transitional steps is twofold. The first is to expose the job-seeker to potential employers more efficiently than he is able to do on his own; the second is to acquire the work experience and skills that school did not provide and which may help open more traditional doors to employment.

One way of reducing unemployment in South Africa is to make sure that the mechanisms that help people find work when they are unable to do so themselves are functioning optimally, and that the most effective of these 'routes to employment' are deepened and broadened. To encourage this process CDE commissioned a number of reports looking at the various ways in which people find work in South Africa.² Some of the research reviewed what is already known about certain programmes and the way they affect individuals' chances of finding work (for example, in relation to the EPWP).

We also commissioned some original empirical work on how temporary employment services firms – otherwise known as TES firms or, more colloquially, 'labour brokers' – affect people's chances of finding work. This research was conducted by Professor Neil Rankin, director of the African Micro-Economic Research Unit (AMERU) at Wits University. In the course of his work, Professor Rankin assessed the characteristics of over 10,000 people who registered with a branch of the largest TES firm in South Africa. He also ran the TES data against a database from the Jobs and Opportunities Seekers (JOBS) programme at the National Youth Development Agency (NYDA). The aim was to get as much data as possible about how the people registering with this TES fared and to compare this – as far as possible – with the results achieved by others following different routes into employment.

The results of his work are reported later, and, as we will note then, there are important qualifications that must be attached to the conclusions. Before that, however, we summarise what is known about the methods people use to find work in South Africa.³ The discussion considers the various options confronting unemployed workers who feel they need help if they are to have any hope of finding a job, and outlines insights on how effective these routes are. The report then assesses what two existing surveys (the World Bank Investment Climate Assessment and the Cape Area Panel Study) can tell us about the role of TES firms in the labour market, both from the point of view of employers and that of work-seekers. Lastly, we outline the comparative insights about public versus private job placement agencies generated by Professor Rankin's research.

One way of reducing unemployment in South Africa is to make sure that the mechanisms that help people find work are functioning optimally

Abbreviations and acronyms

AMERU	– African Micro-Economic Research Unit
CAPS	– Cape Area Panel Study
CAPEX	– Confederation of Associations in the Private Employment Sector
COSATU	– Congress of South African Trade Unions
EPWP	– Expanded Public Works Programme
HSRC	– Human Sciences Research Council
ICA	– Investment Climate Assessment
JOBS	– Jobs and Opportunities Seekers
NSDS	– National Skills Development Strategy
NYDA	– National Youth Development Agency
QLFS	– Quarterly Labour Force Survey
SAYPS	– South African Young People's Survey
SETA	– Sector Education and Training Authority
SMME	– Small, Medium, and Micro Enterprise
TES	– Temporary Employment Services
UYF	– Umsobomvu Youth Fund

Because dismissal and replacement procedures can be onerous, employers tend to be reluctant to employ unskilled, inexperienced people

How do people find work in South Africa?

Youth unemployment in South Africa is at crisis levels. According to the National Treasury, the unemployment rate among those under the age of 25 is about 50 per cent. The absolute number of people unemployed in this age group is 1,4 million, and they account for 30 per cent of all unemployed people. Including those aged 25 to 29 into available youth unemployment estimates, adds another million to the unemployed, pushing the number of unemployed young people up to almost 2,5 million.⁴

Much of the reason for this large scale unemployment is the slow pace of employment creation in South Africa over the past few decades. Surveys find that 50 per cent of unemployed people between the ages of 16 and 30 years who have given up looking for work say it was because there were no jobs in their area, while a further 23 per cent said that they lacked the transport money to look for work.⁵ Taken together, over 70 per cent said they had no jobs because there were no jobs to be had in their areas. Similarly, the Labour Force Survey of 2007 reported that 85 per cent of unemployed respondents said they were unemployed because they had not been able to find any work at all, while less than two per cent said they were unemployed because they could not find 'suitable work' – a phrase explicitly defined to include jobs in which wages were deemed to be too low.⁶

If the lack of job opportunities is the primary reason work-seekers are unemployed, the challenge that employers face is different: how to determine which person is most suitable for any position they offer. As average starting wages and other employment costs are high, and because dismissal and replacement procedures can be onerous, employers tend to be reluctant to employ unskilled, inexperienced people.⁷ This is a particular challenge when hiring young people – especially those who have never worked before – and it is compounded by the fact that employers do not regard the qualifications and

results achieved by many school-leavers as a reliable signal about the relative merits of those who apply for jobs.

Employers prefer applicants with a matric over those who were unable to achieve this qualification, but when faced with many applicants who have this qualification, they look for additional factors that distinguish some applicants from others. They will, for example, tend to favour those who have been referred by someone working in the business already, and they will usually hire someone with work experience before they hire someone without this experience.⁸ In this context poorly-educated young people with no previous work experience and with little connection to the job market through friends and relatives, are least likely to find work. And, within this group, women have a harder time than men.⁹ This is the demographic group that is, therefore, most in need of assistance in entering the labour market and finding work.

Below we look at a number of mechanisms through which people who typically struggle to find work enter the labour market. While we know too little about each of these, the intention is to offer some details about the scope and reach of these intermediating institutions – how many people they place in work, what happens after the people have passed through that institution, whether the employment prospects of participants are significantly altered, etc. After that, we will look in more detail at two mechanisms: TES firms that hire job seekers and then place them into temporary employment with their clients; and the JOBS programme at the NYDA, which registers work-seekers, provides some of them with training, and tries to place them into vacancies in the private and the public sector.

The key point to note is that the main reason for high levels of unemployment is not that these mechanisms do not work well. It is that the economy has not produced enough jobs. Fixing or expanding these programmes will not significantly reduce unemployment unless and until the economy grows faster and in more labour-intensive ways. Nevertheless, it remains important to learn something about the impact and role of these institutions, and what they say about the nature of the labour market.

The Expanded Public Works Programme

The Expanded Public Works Programme (EPWP) is the largest and best-funded public sector programme aimed at helping unemployed people find work – in this case, by employing them directly. The EPWP is targeted at marginalised groups such as young people, the disabled and people in rural areas.¹⁰

The EPWP created more than a million ‘work opportunities’ between 2004 and 2009. This was a year earlier than the department had promised to achieve this target. The jobs involve unskilled manual labour. Wages are low (lower than minimum wages in agriculture) in order to ensure (a) that the programme does not draw people out of formal employment and (b) that its beneficiaries are among the very poorest of people.

EPWP employment is almost always of short (or very short) duration, with beneficiaries working, on average, for 80 days. Reviews suggest that experience in these jobs does not result in meaningful skills acquisition or have any real impact on post-EPWP employability of participants¹¹ – something for which the EPWP has been extensively criticised.¹²

The EPWP does not make a significant impact on the unemployment rate. Using the 80 day average duration of an EPWP job, the first phase of the EPWP created the equivalent of about 80,000 full time jobs per year – less than two per cent of the number of jobs needed to achieve more or less full employment.¹³

Poorly-educated young people with no previous work experience and little connection to the job market are least likely to find work

By 2009, total expenditure on the EPWP amounted to R40,8 billion.¹⁴ This means that the cost per job opportunity amounted to about R29 000 which implies that the cost of producing the equivalent of one year-long job was around R95 000.¹⁵

As noted the EPWP has not been very successful at altering the longer term employment prospects of those who spend time in the programme. According to the HSRC's 2007 Midterm Review, 'there has been little small, medium and micro enterprise (SMME) creation that can be attributed to EPWP expenditures.'¹⁶ At least 70 per cent of participants in Phase One of the EPWP received either no training at all, or training of such a trivial nature that it made no difference to their income-earning capacity.¹⁷ One reason for this is that skills training in the EPWP, for those who did receive it, was not closely aligned to the skills demanded in the economy.¹⁸ Indeed, the infrastructure sector, which is the largest of the EPWP sectors, eventually scrapped vocational skills training and offered 'general life skills' instead.¹⁹ On evaluation, 75 per cent of EPWP projects were found not to have implemented the exit strategies that were supposed to prepare participants to enter the labour market.²⁰ At least two important EPWP programmes, Working for Wetlands and Working for Water, unofficially suspended their exit strategies once they realised that these were not effective in helping EPWP participants access formal economy jobs.²¹

In fairness to the programme, future employability is not the best guide to judging its impact since it is probably better understood and evaluated as a form of poverty relief rather than employment (and employability) creation. Nevertheless, government appears to want to try to improve the links of beneficiaries to future job prospects. This is evident, for example, in the fact that, the second phase of the EPWP aims to create more permanent, meaningful employment. The stated aims of phase two that could address some of the problems experienced in phase one include:

- Developing efficient and effective monitoring, evaluation and reporting mechanisms;
- Strengthening good governance and institutional mechanisms;
- Reinforcing training and capacity building systems to improve the employability of EPWP workers;
- Increasing the number of people employed on projects by incentivising implementing bodies to hire more people;
- Developing more permanent work opportunities in some EPWP sectors; and
- Creating a skills data base that would allow phase one beneficiaries to be employed in similar positions in phase two, thus allowing them to build up their skills and work experience in a specific job.²²

However, even as these goals try to give the EPWP a longer-term effect on the employability of participants, the former Deputy Minister of Social Development, Dr Jean Swanson-Jacobs, has emphasised that these goals should not be allowed to detract from the main goal of the programme - 'to provide last resort employment for large numbers of people.'²³

SETAs and learnerships

In 2000, the Skills Development Act set up 25 Sector Education and Training Authorities (SETAs), in an attempt to address South Africa's skills shortage. The SETAs oversaw the creation of learnerships within the National Skills Development Strategy (NSDS). The system offers employers tax rebates for offering learnerships. SETAs place strong emphasis on companies' recruiting unemployed and young people for learnerships, and the hope

The EPWP has not been very successful at altering the longer term employment prospects of those who spend time in the programme

is that, having invested in training the beneficiary, companies will employ some or all the learners once their training is complete.²⁴

The learnerships do appear to achieve relatively high retention rates. Data for learnerships completed by 2005, for example, show that some 75 per cent had resulted in full or part-time employment with the company that had trained learners, with the highest retention rates being found for the most skilled learners.²⁵ Subsequent research by the HSRC indicates that a large majority of learners remain in the programmes until training is complete, and that learnerships result in a higher post-training probability of employment for participants, although the nature of subsequent employment is not specified.²⁶

A cause for concern is that, while building skills is valuable, international evidence has indicated that training and job placement programmes tend to benefit groups within the economy who are already most likely to find employment.²⁷ According to the available evidence, this appears to be true for learnerships in South Africa. Thus, while more than 10 000 learnerships had been completed four years into the programme, with the majority resulting in full-time employment, these were overwhelmingly based in the finance sector. Beneficiaries in this sector were typically drawn from circumstances that were not the most desperate, and their demographic characteristics (for example, their typical household income, household size and earners per household) suggested they were more likely to find employment than most unemployed people, irrespective of their participation in a learnership.²⁸ It seems therefore, that the advantages some face in accessing learnerships are similar to, and overlapping with, the advantages needed to find work. And that learnerships, while creating skills, did not appear to increase the likelihood that the most marginalised would find work.

While there is a strong perception that SETAs have been inefficient in their primary task of creating skills, and although Marock and others suggest that this perception is created by a few particularly inept SETAs, the difficulties with the availability and quality of data related to the SETAs' activities have been highlighted in numerous reports.²⁹ Another serious problem has been the plethora of equally ranked priorities for different stakeholders in the system (some of which conflict with others). From a policy point of view, one issue has been conflicting ideas about what sort of training SETAs should fund, with some favouring vocational training and others preferring a model of training that would introduce more rounded and ambitious forms of education.³⁰ Although SETAs initially had a vocational focus because that was the kind of training employers preferred, educational theorists have dominated the SETA design and emphasised hierarchy, accreditation and quality education. As a result, industry appears to have become increasingly frustrated as the focus has moved away from the practical, work-oriented training employers require.³¹

Workplace or occupational training was a crucial reason for the implementation of SETAs, both for the learnership system and to oversee and encourage private sector internal training. This training appears highly variable, both by enterprise size and by economic sector.³² This is in line with results from the South African Young Persons Survey undertaken for CDE by professors Simkins and Rankin, which suggested that training increases as firm size increases.³³ Private training also differed by occupation, gender and race, with the highest training ratios for managers or sales/services workers, for men, and for Africans in each category.³⁴ Firm size was the most significant predictor of training levels, with large firms spending almost double what small and medium-sized firms spent per employee.³⁵

International evidence suggests that training and job placement programmes tend to benefit groups who are already most likely to find employment

One of the challenges in assessing these initiatives is that SETAs, along with other agencies, collect data very poorly.³⁶ An example of this is that, before its incorporation into the NYDA, the Umsobomvu Youth Fund (UYF) initiated an internship programme with both the Department of Health in the North West province and with the Department of Home Affairs. Although specific recruitment targets were outlined for disabled persons, graduates of previously disadvantaged institutions, women, and persons from rural areas, in practice, information was only collected on the number of women recruited. Further, there was no on-going monitoring of the internship programme, only an *ex post* assessment based on reports, interviews and case studies. There was no continued monitoring of the interns to evaluate the programme's impact on beneficiaries' ability to find formal employment or pursue studies outside of the departments of Health and Home Affairs.³⁷ Deficiencies of this kind mean that the initiative, while helping some people find employment (38 per cent of interns appear to have been retained as permanent staff), cannot be objectively evaluated in terms of its impact on beneficiaries' employment prospects, its impact on skills development, or the differences in its effects on different groups .

The informal sector as a transition to formal sector employment

An important route into employment in most developing countries is through self-employment or the informal sector. This can create subsidiary employment for others, and may lead to formal sector employment later. However, according to Banerjee and others, South Africans employed in the informal sector rarely transition into formal employment.³⁸ Heintz and Posel find strong barriers to mobility between the formal and informal sectors, as well as within different segments of the informal sector.³⁹ Similarly, data from SAYPS show that self-employment lasts for an extended period – an average of 107 months, compared to the 34 month average of wage employment.⁴⁰ This permanency is probably more a result of necessity than choice since there is evidence that employment in the informal sector does not meet the aspirations of those involved. Thus, the vast majority of youth surveyed prefer formal wage employment over other types, and, according to SAYPS, most self-employed people report dissatisfaction with their lives.⁴¹

It is likely, given the difficulties of transitioning out of the informal sector and the negative feelings expressed towards self-employment in SAYPS, that people adopt this form of employment largely because they lack alternatives. They then either find it difficult to move into other types of employment or continue to face no better alternative than continued self-employment.

Government is aware of these problems and has developed support programmes such as the Small Enterprise Development Agency and the Business Referral and Information Network, which offer advice through a range of media or face-to-face options for small businesses or entrepreneurs. The NYDA also has programmes specifically targeted at getting young people into more remunerative entrepreneurial activities.⁴² However, there is no readily available information on the general results of these initiatives, nor on their effectiveness as routes into formal sector employment.

The Umsobomvu Youth Fund

The UYF set up the Jobs and Opportunities Seekers' (JOBS) programme in 2006 to facilitate a link between unemployed youth and job opportunities in the public and private sectors.

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Job seekers are asked to submit their CVs online. The UYF then sends these to appropriate employers who have registered vacancies with them. The UYF also introduced Job Preparedness Workshops, the purpose of which is to help prepare work-seekers better for finding work by, for example, teaching skills relating to writing CVs, assessing one's suitability for different kinds of work, looking for work, being interviewed for a job, and projecting a professional image. These UYF programmes have now been taken over by the NYDA.

The NYDA urges companies to recruit from the JOBS database, and to provide candidates with training and employment opportunities. In some ways, therefore, the JOBS programme functions as a public sector version of a TES firm. CDE's assessment of data relating to the impact of JOBS – the first assessment of this kind – is discussed below when we offer a comparison of the effectiveness of the JOBS programme with data from a TES firm to which we had access.

The UYF and certain government departments also initiated youth training through employment projects; these include training by the South African National Defence Force and the UYF School to Work programme.⁴³ There are, however, no publicly available reports on the results of these learnership or training programmes.

What role do TES firms play in the labour market?

Introduction

Temporary employment services companies, or labour brokers, have become controversial in the past few years, with COSATU mobilising support for an outright ban of the practice and government seeking to regulate it strictly.

Not enough is known about the scale and scope of the TES sector, though a 2009 Confederation of Associations in the Private Employment Sector (CAPES) presentation to Parliament stated that these firms place over 500 000 job-seekers every year. It went on to claim that about a third of these workers find permanent employment.⁴⁴ If anything, more recent data suggests that TES firms play an even bigger role in the economy now, with some data suggesting that they are placing close to a million job-seekers annually. Because a substantial proportion of these are first time jobs, it is possible that TES firms now play an important role in finding employment for a significant number of workers.⁴⁵

This role should not be exaggerated as there is also evidence that only about five per cent of all work seekers employed at any given time found their job through an employment agency. This is partly because TES-placements are generally in temporary jobs, so, at any given moment, there will be as many people entering employment through a TES firm placement as there are people who obtained employment in this way exiting employment. The result is that a large majority of those who have jobs at any given time did not get their jobs through a TES firm, and most people in work will have found their jobs in other ways – principally by relying on information from friends and relatives already in employment, sending out CVs, and responding to advertised jobs.

TES firms play an important role in finding employment for a significant number of workers

TES firms place job-seekers across all sectors, with most temporary assignments a result of contingency or seasonal employer requirements. The majority of employment assignments end after six months.⁴⁶ The seasonality of TES employment is in line with research in European countries, which concluded that TES companies were primarily used by employers to fill temporary positions and not – as is often alleged – to avoid stricter formal labour regulation.⁴⁷ This suggests that one reason for the growth in TES firms' role in labour markets is the changing nature of work, with companies offering more and more temporary jobs than might have been the case in the past. In the Netherlands, for example, 15 per cent of workers are now classified as temporary.⁴⁸

The South African TES sector appears to be very diverse. We have data from one source, but it is hard to be sure that it is representative of the industry. It is quite possible that there are 'labour brokers' whose conduct is problematic. Evidence from focus groups CDE conducted in Gauteng and the Cape brought to light some examples of malpractice within both the private and the public sector. It was impossible to be sure whether the people complained of by focus groups were representatives of TES firms, or merely well-placed individuals who exploited the desperation of others for their own benefit.⁴⁹

To shed light on how at least some TES firms are operating, how they affect the unemployed and employers, the section below presents evidence about what kinds of firms use labour brokers and insights into the types of people who rely on TES services to find a job.

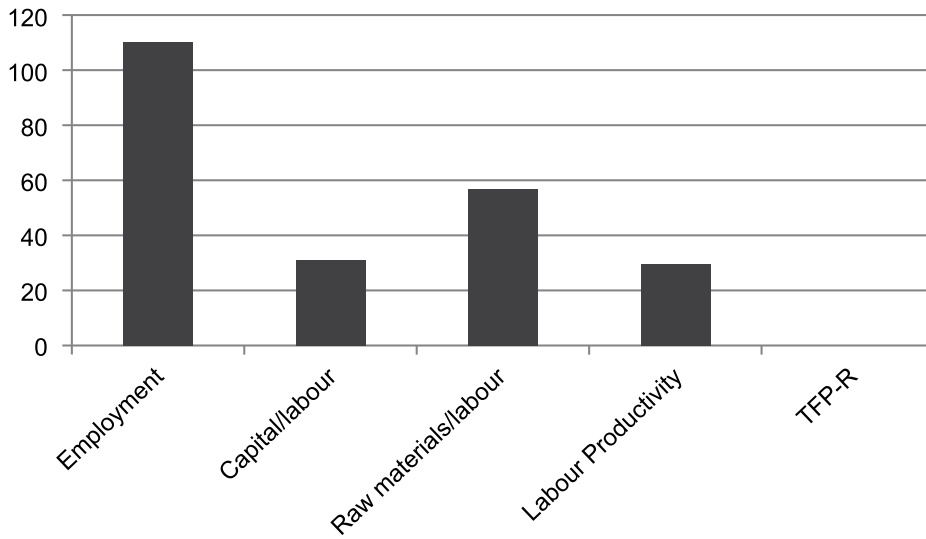
What kind of firms use a TES?

In 2007/8, the World Bank conducted a survey for its Investment Climate Assessment (ICA), during which it collected data from manufacturing firms in the metropolitan areas of Gauteng, Eastern Cape, KwaZulu-Natal and the Western Cape. The survey asked whether respondents used full-time, seasonal or temporary workers. The results provide an indication of the types of companies that use temporary workers and offer insights into how important such forms of labour and methods of recruitment are from a firm's point of view. They also tell us something about which firms are more or less likely to recruit workers through TES firms.

Figure 1 summarises the key differences between firms that employ temporary workers and those that do not. The first bar, for example, records the finding that the average firm that employs temporary workers typically employs more than twice as many people as firms that do not hire temporary workers. Capital intensive firms are also more likely to employ temporary workers (by 24 per cent), while temporary workers will tend to be more common in firms that use more raw materials (59 per cent) than the average and which have higher levels of labour productivity (24 per cent). Firms using temporary workers, are not significantly different in terms of total factor productivity (TFP), however.

One reason for the growth in TES firms' role in labour markets is the changing nature of work

Figure 1: Average percentage difference between firms that employ temporary workers and those that do not.



Notes: Calculated by Professor Rankin from the World Bank's 2008 Investment Climate Assessment Survey for CDE, 2011

Firms employing temporary workers are typically older than firms that did not hire temporary workers (by an average of five years), were more likely to be foreign-owned (nine percentage points), more likely to be unionised (by 24 percentage points), more likely to export directly (by 15 percentage points) and more likely to use imported inputs (by 16 percentage points).⁵⁰

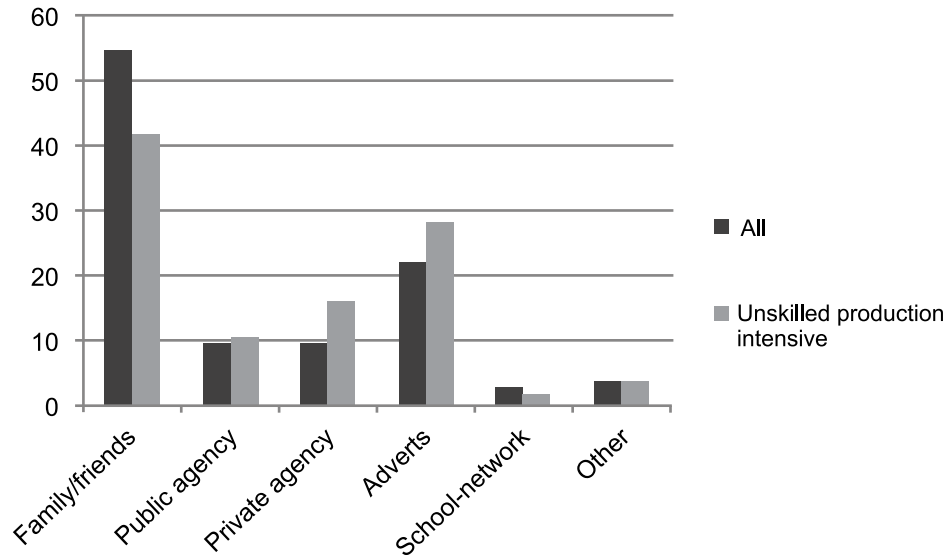
Importantly, firms that employ temporary workers have, on average, a higher proportion of unskilled workers on their payrolls. At the same time, average labour costs at firms hiring temporary workers were not lower than firms who did not do so, though this seems to have been a result largely of the fact that these firms were also larger and more capital intensive (since larger, more capital intensive firms typically pay better than firms that are smaller and more labour intensive). Statistical analysis also reveals that temporary employment is probably a mechanism that smaller firms use as they grow.⁵¹

Figure 2 illustrates the various recruitment channels that firms reported using for the hiring of their most recent employee. Overall, referrals from family and friends were the most common, but firms that used more unskilled production workers also used private agencies (such as TES firms) and adverts a little more frequently than was typical for firms as a whole. Amongst these firms, TES referrals accounted for about 15 per cent of new hires compared to nine per cent for all firms. The figure also reveals that firms that employ more unskilled workers utilise family and friend referrals in only 41 per cent of recruitments compared to the 53 per cent of all firms, use public agencies in ten per cent of cases (compared to the average of nine per cent for all firms), but used adverts in 28 per cent of cases compared to the 21 per cent for all firms. School networks and other methods make up the difference and are not significantly different for the two types of firms.

Temporary employment is a mechanism that smaller firms use as they grow

Routes Into Formal Employment

Figure 2. Recruitment channels used by firms



Notes: Calculated by Professor Rankin from the World Bank's 2008 Investment Climate Assessment Survey, for CDE, 2011. Unskilled production intensive firms are defined as firms with more than one-third of their production workers being unskilled

TES firms may be helping to democratise job search

Overall, then, the data show that firms that hire temporary workers tend to be less reliant on existing staff's networks of family and friends when they recruit. This may be because hiring temporary workers (precisely because they are temporary) might be deemed to be less consequential a decision than hiring full-time staff (who will be more costly to dismiss and replace). As a result, firms may not feel they need to hire people for whom existing (trusted) staff can vouch. It may also be that a firm may not want to incur screening costs for an employee who may only be with the firm for a short time, so recruitment through a private agency may be the most efficient means for securing such staff.

An important point that emerges from this research is that employment agencies may be a route into employment for people who do not have friends and family employed in firms that are looking to recruit staff and who could vouch for them. To the extent that this opens up employment opportunities to people whose networks are less well-developed and whose links to the labour market are more tenuous, TES firms may be helping to democratise job search in the face of employers' apparent preference to hire people through the networks of their existing staff.

Longitudinal data on the role of TES firms in the labour market

Although data about employment and unemployment in South Africa are relatively plentiful, they tend to be 'cross-sectional' – they compare individuals and groups at a particular point in time. This is useful, but these data can tell us little about how individual's circumstances change over time. As a result, they are not very helpful in thinking about how people move into and through the labour market, or about how different routes into the world of work affect people's employment prospects over their life time. There is, in other words, very little panel data or longitudinal data – the kind of data that tracks a specific set of people over time. With more data of this kind, we would be able to compare the career paths of individuals who take different routes into employment.

While panel data is in short supply, there are two surveys that have begun to provide the kind of data that is needed. Unfortunately, neither has been running long enough to provide data that could help identify whether people who enter the labour market through a TES have better or worse long-term employment prospects than those who find work some other way. One of these surveys – the Cape Area Panel Study (CAPS), which began in 2002 as a collaborative project of the Population Studies Centre in the Institute for Social Research at the University of Michigan and the Centre for Social Science Research at UCT, provides some useful insights.

CAPS has been following the lives of a large and representative sample of adolescents in Cape Town as they become adults.⁵² The first wave of the study was in 2002 when approximately 5 250 households and 4 750 young people between the ages of 14 and 22 were interviewed. The group was then re-interviewed every year through to 2006. The survey collected information on each respondent’s labour force activity, including information on job search. It also collected specific information on up to three jobs – the respondent’s first job, his current or most recent job, and the job he had just before his existing/last job. Some information on the effectiveness of routes into employment can be drawn from this data. It is important to note that these findings are limited to the area in and around Cape Town.

Table 1 shows the different channels through which people have obtained their current job. Receiving information about a job from friends (22 per cent), relatives (11 per cent) and members of the respondent’s household (nine per cent) were the most common routes into employment. A further 16 per cent of employed people got their job through the direct intervention of a friend, relative or member of their household.

Employment agencies (which placed five per cent of people in their current jobs) were as important in getting a job as responding to newspaper adverts. They were, however, less important than other types of direct applications such as sending in a CV to an employer (13 per cent) or engaging in door-to-door job-search (eight per cent).

Receiving information about a job from people one knows is the most common route into employment

Table 1. Proportion of channels used to obtain the current job (CAPS)

		2005	2006
Telling about a job	Household member	10.5%	8.9%
	Relative	11.5%	11.0%
	Friend	22.8%	22.4%
Getting the job	Household member	5.5%	3.3%
	Relative	4.9%	3.9%
	Friend	8.6%	9.2%
Newspaper Ad		5.5%	5.2%
Employment Agency		5.4%	5.1%
Sent in CV		6.7%	12.7%
Door-to-door		8.1%	8.2%
Through casual work		3.4%	2.4%
Family business		2.2%	2.2%

Notes: CAPS data, 2005, 2006, Compiled by Professor Rankin for CDE, 2011

Unsurprisingly, job-seekers with different profiles often found work in different ways:

- Proportionally more women found work through employment agencies than men. This is similar for newspaper adverts, sending in CVs and door-to-door applications.
- A higher proportion of people with matrics were found amongst job-seekers who find work through newspaper adverts or sending in CVs. Those who hear about or get a job through social networks (friends, family and household members) were more likely not to have matric.
- 60 per cent of those who found work through employment agencies had a matric.

CAPS data also reveal that those who find jobs through employment agencies have amongst the lowest number of earners within the household – a sign, perhaps, that they had much less access to networks of people who would be able to assist them find work. Conversely, those who get work through their networks, adverts, sending in a CV, engaging in casual work, or working in a family business had a significantly larger number of earners in their households. As suggested earlier, these data may mean that employment agencies are of particular assistance to people with limited attachment to the labour market and limited access to employed individuals who can help them find a job. If confirmed in other studies, this would be an important finding as it would mean that employment agencies play a role in bringing members of the most marginalised households into the labour market.

Conclusion

The available data help identify which firms are most likely to employ people through TES firms. They also show that the proportion of people in jobs at any given time who got them through a TES may be as small as five per cent. Both sources of data, suggest that TES firms may be important routes to employment for people with more tenuous connections to the labour market.

These are, however, limited findings necessarily constrained by the data currently available. Could a data set that provides a large sample of people participating directly in the TES route into employment provide additional insights into the effects this route has on the economy and on those who utilise it? To what extent do TES firms help people who would otherwise be unable to do so find employment? Do workers who were recruited by a TES end up in better or worse jobs than they might have found on their own? The data we used to answer these questions still has limitations (which are discussed further below) but they do provide some fresh insights which raise questions about the ways in which we should approach the role of TES in the economy.

Who gets work through TES firms?

To compare workers whose entry into the world of work is mediated by a TES firm with the general working population, Professor Rankin evaluated job placement data from the largest South African TES firm, Adcorp, and compared it with official data from StatsSA.

Those who find jobs through employment agencies have amongst the lowest number of earners within the household

The TES database consisted of over 10 000 people registered with one branch of the firm. They were mostly placed in blue-collar jobs in the major cities: 56 per cent worked in Gauteng; 22 per cent in the Western Cape; 21 per cent in KwaZulu Natal, and one per cent in the Eastern Cape. CDE had complete access to the data and, while we cannot assess how representative it is of those who register with other branches of the company, or of people registering with and placed by other TES firms, we are confident that the data accurately represents the activities of this one branch.

Rankin's analysis reveals that the typical worker registering with this branch of Adcorp was younger than the average person with a job, and that three quarters of the workers in the TES sample were younger than 36. Furthermore, employment with the TES was the first job for 39 per cent of those surveyed. It seems, then, that this TES provides a significant entry point into work for young, inexperienced people.

Comparing the TES data with data about the general labour market suggests that the TES jobs represented in the database did not pay unusually low wages, with average earnings of about R3 500 per month. This is lower than the corresponding average from the official Quarterly Labour Force Survey (QLFS), which is R4 778. However the QLFS covers a wider range of employment, including those in higher paying jobs. It is, therefore, more sensible and appropriate to compare the median wages of both groups, since these would have the advantage of attaching less importance than simple averages do to employees with very high incomes. Median earnings among TES workers are R2 934, a figure that is nearly identical with the median of R3 000 in the QLFS.⁵³

Furthermore, if a 'good job' were to be defined as one in which an employee earns in the top half of the earnings distribution for Gauteng, then 62 per cent of the TES assignees were in 'good jobs.' Thus, in terms of salaries, there seems to be little difference between TES workers placed by this branch of Adcorp and those in other types of jobs. This is particularly the case when workers with similar characteristics are compared.

There were important ways in which Adcorp's assignees' jobs were less desirable than some of their working peers' TES assignees, for example, tend to be employed for considerably shorter periods than is the case for the rest of the working population. The average length of employment for TES workers was slightly more than six months, for example, while the average for a comparable population of workers is nearly three years. The median length of employment for people employed through TES firms, at 3,5 months, is lower still, while the median for comparable workers was about 2,5 years. Those for whom this was a first job were employed for a slightly shorter period on average than those that had previous employment. These data reflect the temporary nature of many of the job openings that these workers fill. Nevertheless, almost 25 per cent of assignees stayed in their jobs for a period of one year or longer.

All of these findings, of course, apply only to the TES employees from our particular data set, which is taken from one TES firm. Since Adcorp is a large corporate TES, its clientele may not be representative of clients of other TES firms. If, for example, the clients of this branch of Adcorp tend to be large, capital-intensive firms, then it is likely its employees would be better paid than employees of other firms that may use other TES firms. We cannot, therefore, say with confidence that these findings apply to all workers placed by all TES firms, and we would not want to extrapolate these results to the rest of the industry.

The TES jobs represented in the database did not pay unusually low wages but TES assignees tend to be employed for shorter periods

Comparing public and private forms of job assistance

To obtain insights into the differences between public and private routes into employment, Professor Rankin compared the Adcorp data with information from the NYDA's JOBS programme. The JOBS database consists of individuals who registered with the programme between December 2009 and March 2011. These individuals fell into three categories:

- those who were trained in NYDA workshops,
- those put forward for job openings by NYDA staff, and
- those who registered with JOBS but who succeeded in finding jobs without NYDA assistance.

Professor Rankin and his team evaluated the characteristics of these individuals in terms of their age, education, location and employment status. They then provided an overview of the number of people who were placed in employment through the JOBS programme. This was followed by a systematic comparison of NYDA beneficiaries with TES beneficiaries. Rankin and his team drew a random sample of 735 individuals approximately evenly distributed between the NYDA and TES sample and conducted a telephonic survey of them. Respondents were asked about their current labour market status, how much they earned, and how long they spent searching for a job. Finally, they assessed what the results could tell us about the relative performance of these two routes into employment.

A question of scale

A key difference between the private and public routes analysed here is their relative scale. In 2008/9, nearly 1 500 people found work through the JOBS programme. The TES branch, from which our data is drawn, claims to place over 25 000 people per day. This figure includes repeat placements of the same individuals. Nonetheless analysis of the records of this Adcorp branch indicated that approximately 1 000 unique individuals were placed each month.⁵⁴ Monthly placements of this one branch were the equivalent of about two thirds of the annual placements by the NYDA, (and this TES has 34 other branches).

Do these programmes help people find work?

A key question to answer is whether the TES or JOBS programmes actually help people find work. It is a question to which it is not possible to give an unambiguous answer.

Table 2 reports data on whether people who had participated in JOBS or had registered with the TES had work at the time of the interview. Overall, 53 per cent of those interviewed who were participating in the labour force (i.e. who either had jobs or were actively looking for work) were employed. There were only small, statistically insignificant, differences between people who had been placed by the TES or JOBS; and between those who had been placed by either institution and those who had not been placed in employment at all. Thus, among the respondents who were in the labour force at the time of the interview, 57 per cent of those placed by the TES and 50 per cent of those placed by the NYDA were

A key difference between the private and public routes is their relative scale

still in employment at the time of the interview. However, 54 per cent of labour force participants who registered with the TES but who were *not* placed in a temporary job were also in employment at the time of the interview. Similarly, 57 per cent of those registered with the NYDA but who had *not* been placed also had jobs.

Table 2: Proportion employed of those currently in the labour force, by path

Path	% of current labour force	No.
Registered with TES but <i>not</i> placed	54%	70
Placed by TES	57%	245
Registered with JOBS but <i>not</i> placed	57%	93
Placed by UYF	50%	185
Trained by UYF but not placed	44%	57
Total	53%	650

Notes: TES and NYDA data, 2011, compiled by Professor Rankin for CDE, 2011

At first glance, this seems to suggest that there is little or no difference to one's employment prospects if a TES (or the NYDA) places you in a job or if it does not: in all cases some 50 to 57 per cent of people interviewed during the research had jobs whether or not they had previously been placed. This is partly reinforced by noting that, except for the youngest workers (those between the ages of 16 and 24), employment rates for those participating in the labour force are generally higher than 50 per cent.

Thus, except in the case of the youngest of those who registered with the TES and JOBS, employment rates amongst this group of people is somewhat worse than the national average. A qualification is important, however: since those who registered with a TES or the JOBS programme are likely to be people who were least able to find jobs on their own, it is also likely that their chances of finding jobs without this assistance would have been lower than the average for their cohorts. It is possible, therefore, that a 50 or 57 per cent employment rate actually reflects something of a success; that both Adcorp and the NYDA had made it somewhat easier for people who might otherwise have struggled to find work.

Some of the more interesting points of comparison between the group who registered with the TES and those who registered with JOBS are:

- Those from the NYDA sample who received the job-preparedness training had the lowest rate of employment (44 per cent) at the time of the interview. This makes a certain amount of sense: if job-preparedness training is offered to people who are least well-equipped to find work, one would expect that employment levels, even after the training was received, would be low. Seen in this light, it is not possible to assess whether a 44 per cent employment rate represents success or failure.
- While placement by both institutions is typically in temporary jobs, those placed by the NYDA were more likely to be permanently employed at the time of the interview than those placed by the TES. In large measure, however, this appears to have been a consequence of differences in education, gender and location between the two groups. An analysis that took into account the effects of these variables on the likelihood of a respondent's being in permanent employment revealed that there was no difference between the TES workers and those placed

Those who registered with a TES or the JOBS programme are likely to be people who were least able to find jobs on their own

by the NYDA. Only those who were trained but who had not been placed by the NYDA were significantly less likely to be permanently employed. This suggests either that the training was ineffective or that this group of beneficiaries was particularly unlikely to find employment because of observed and unobserved characteristics.

- Those who were placed by the TES and who were in employment when interviewed, earned approximately 19 per cent less than those who were placed by the NYDA. Again, this had a lot to do with differences in the profiles of the two groups, with those placed by the NYDA earning more largely because they were better educated than those who registered with the TES. After the effects of education were taken into account, it emerged, for example, that those placed by the NYDA in their first job earned 38 per cent less than those placed by the TES in their first job.

There were therefore some differences across the two groups of people, and in some instances, especially for first time employees, the private TES produced somewhat better results than the government programme. On the whole, though, there appeared to be few significant differences in the way the two agencies affected the employment prospects of those they placed. This may indicate that the government programme is doing relatively well. Although it has to be remembered that this programme costs the tax payer money, operates on a very small scale, and one third of its placements are in the public sector.

There is little evidence in the data evaluated here that those placed by the TES firm studied end up in jobs that are particularly undesirable or poorly paid. What is true is that TES jobs tend to be temporary and short lived, which, as we saw earlier probably reflects the needs of employers.

There is little evidence that those placed by the TES firm end up in jobs that are particularly undesirable or poorly paid

Summary and key insights

This report examined different routes into employment for young South Africans. This is an important topic as South Africa grapples with the causes of, and remedies for, the crisis of youth unemployment. Our investigation of the various routes that young people use to find employment has been instructive and, as far as we can tell, it is the first of its kind to be undertaken.

Without comprehensive panel data, which would need to be collected over a period of years to permit in-depth comparisons between individuals following different routes into the world of work, it is not possible to produce definitive findings on which routes are more effective and which are least effective. We also need much better data on the volumes of people using various services and institutions, their immediate and subsequent job prospects, and the costs of offering these services. The research reported on in this publication had to deal with these limitations in what data is available in the country. To overcome these limitations we recommend more comprehensive surveys that follow young people as they move through the labour market, as well as much more effective monitoring and evaluation of government programmes.

We began our analysis by summarising what is known about the methods people use to find work in South Africa. We looked at the Expanded Public Works Programme, SETAs

and learnerships, routes into and out of the informal sector, as well as the Umsobomvu Youth Fund.

We found that the EPWP has achieved major successes in providing short-term, last resort employment to large numbers of people. It is widely recognised, however, that the programme has done very little to increase the employability of beneficiaries, and, therefore, has done little to improve their future job prospects. Similarly, SETAs provide some people with valuable training and access to job opportunities, but what evidence there is suggests that they may be of most benefit to people who are most likely to find employment, even without any assistance. Accessing learnerships, it seems, is easier for people who have the same set of characteristics that also make them most likely to be employed.

The informal sector appears largely to be a trap for young people. It is difficult to transition out of the informal into formal sector employment, and evidence suggests that young people only take informal jobs as a last resort. The UYF programmes have tackled the unemployment problem from a number of angles, including the provision of training to make young people more job-ready and creating links between job-seekers and potential employers. It is impossible on the basis of existing analyses to assess the effectiveness of these programmes, but CDE's analysis of the JOBS data does show that this programme, now run by the NYDA, is helping some young people into jobs.

CDE's investigation of the data gleaned from the World Bank Investment Climate Assessment and the Cape Area Panel Study, looked at in conjunction with the data obtained from a large TES company and the NYDA's JOBS database has produced important insights. At the very least, these reveal a much more complex picture of the impact of registration with TES firms on job-seekers' prospects than the one drawn by either the supporters or the opponents of labour brokers.

We find no evidence that either the JOBS programme or the TES firm which provided us with access to its data are placing people in jobs that are markedly less desirable than is typical of the economy as a whole. It is true that the assignees from Adcorp typically worked for a shorter period than is usual in the economy (a fact that says more about employers' needs than about the TES firm), but there appeared to be no evidence that wages were significantly lower than was typical. Other notable findings included:

- Some employers – especially those who run large, capital intensive firms and employ some low skilled workers – rely more heavily on TES firms than others.
- The services that TES firms provide appear to help companies grow and to compete globally.
- Much of the reliance on TES firms reflects seasonality in demand for labour, but also reflects broader international trends towards more flexible (and temporary) forms of work.
- The evidence suggests that the TES jobs we surveyed are not much different from other jobs except that they are temporary.
- As routes into employment, TES firms may have important advantages. In particular, they appear to be of use to unskilled, inexperienced workers whose connection to the labour market is particularly tenuous. In this respect, TES firms may help bring excluded households and workers into the economy; in so doing they help make our economy more inclusive. In effect they help to democratise job search.

The informal sector appears largely to be a trap for young people

Concluding remarks

Whether in times of recession or rapid growth, modern economies need to be flexible so that they can cope with the ever changing opportunities, needs and demands that emerge from participating in a globally connected economic system. Professor Rankin's research reveals that South African companies that are expanding and those that are accessing global markets rely more heavily on temporary employment than others. Such companies are precisely the ones we need to encourage if we want to bring about a rapid expansion of employment opportunities.

Given South Africa's massive unemployment crisis, it is vital that the linkages between available jobs and job-seekers from all backgrounds be as effective and efficient as possible. And that these linkages help those work-seekers without family or other connections to the workforce.

It is important to recognise that, in and of itself, improving the efficiency and effectiveness of these institutions will not solve the crisis of unemployment. Far more important, in this regard, is ensuring that many more jobs are created.

Nevertheless, broadening access to available opportunities (especially to young, unskilled and inexperienced job-seekers, most of whom come from poor households), must be one component of the fight against unemployment. Getting this right may not dramatically increase the number of people in employment at any given time, but it could lower employers' costs of finding suitable employees and work-seekers' costs of finding work. Improving the efficiency of the labour market in this way would help reduce unemployment on the margins.

There are many ways in which temporary employment is not as desirable as a permanent, formal sector job. Permanent work offers more security and more clearly defined opportunities for advancement than temporary work does. It allows people to borrow money and plan more effectively for their futures. Because the immediate supervisors of temporary workers may not feel as accountable for their performance as they might for that of permanent employees, they might spend less time and energy in helping these workers to grow. However temporary employment is better than no employment at all. The skills and experience that workers gain from temporary jobs improves their employability.⁵⁵ It also may help people with very weak connections with the labour market begin to develop networks which may help them access employment opportunities later. Across the world, there is growing evidence that more and more work will be of a temporary kind. This is a global trend driven by technology and costs which will be difficult - and expensive - to resist.

Temporary employment services firms are not the most important route into employment in South Africa, but they do help a significant number of people, especially young, inexperienced workers and those who have the most tenuous connections to the labour market.

These firms have become controversial in South Africa today, and there are many that would seek to have them closed. The CDE research reported in this document indicates that closure would result in costs and consequences that many currently participating in this debate may not have considered.

Critically, if - as our research indicates - TES firms are a vehicle that people least connected to the labour market are able to use to access jobs, this must be factored into

Given South Africa's unemployment crisis, it is vital that the linkages between available jobs and job-seekers from all backgrounds be effective and efficient

the policy debate. Those who argue for an outright ban of labour-broking need to ask themselves whether whatever gains they think may accrue to the already-employed is worth the cost of reducing access to the labour market – and the economy – for those who are most excluded. South Africa needs to deepen and broaden the links that unemployed and marginalised people have with the formal economy. Closing down vehicles that increase access should not be a serious option.

Appendix A

Research papers commissioned by CDE

1. Volker Schöer, Shaista Ahmod and Gareth Roberts, Survey of Existing Research and Published Labour Market Data on Different Paths to Employment in South Africa, Research Report for CDE, July 2011.
2. Gustav Niebuhr and Rolf Stumpf, An Assessment of Vocational Education and Training Programmes Aimed at Securing Employment for First Time Job Seekers, Research Report for CDE, July 2011.
3. Michelle Hay, Public Works Programmes in South Africa, with particular reference to the Expanded Public Works Programme, Literature Review for CDE, July 2011.
4. Cecil Mlatsheni, International Experience in Assisting Youth Find Jobs, Research Report for CDE, August 2011.
5. Stephen Rule, Mentored Job Placement: A Model for Sustainable Employment of Young People, Research Report for CDE, May 2011.
6. Neil Rankin, Pathways to employment: The Temporary Employment Services route, Research Report for CDE, June 2011.
7. Tshepo Moloi, Focus Group discussions with youth in Soweto, Alexandra Township and Beckersdaal Township, Research Report for CDE, July 2011.
8. Outsourced Insight CC, Focus Group discussions with youth in and around major Cape Town Townships, Research Report for CDE, July 2011.

ENDNOTES

1. N. Rankin. Pathways to employment: The temporary employment services route. Report for CDE. 2011.
2. C. Mlatsheni, International experience in assisting youth, 2011.; V. Schoer, S. Ahmod, and G. Roberts, Survey of existing research and published labour market data on different paths to employment in SA, 2011.; N. Rankin, Pathways to employment: The temporary employment services route. 2011.; T. Moloi, Focus group discussions with youth in Soweto, Alexandra Township and Beckersdaal Township. 2011.; S. Rule, Focus group discussions with youth in Cape Town Townships. 2011.; G. Niebuhr and R. Stumpf, An assessment of vocational education and training programmes aimed at securing employment for first time job seekers. 2011.; M. Hay, Literature review on public works in South Africa. 2011. CDE Background Research. The papers are available from CDE.
3. For the longer version of this report see, CDE, Routes into formal employment: Public and private assistance to young job seekers (Full Report), 2011.
4. National Treasury, Confronting youth unemployment: Policy options for South Africa, 2011.
5. C. Mlatsheni, 2011.
6. StatsSA, Labour Force Survey, September 2007.
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