

## **SOUTH AFRICA'S 'DOOR KNOCKERS'**

Young people and unemployment  
in metropolitan South Africa



September 2008

This is an executive summary of CDE In Depth no 8, *South Africa's 'Door Knockers': Young people and unemployment in metropolitan South Africa* (2008). We hope it will stimulate interest in the full-length report, in which the issues dealt with here are discussed in greater depth.

**U**NEMPLOYMENT IS SOUTH Africa's primary policy challenge. Its most serious aspect is the staggering number of young jobless people. In 2005, four million young people between the ages of 15 and 24 were part of the South African labour force, which means they were available for a job. Of those, 65 per cent – or 2,6 million – were unemployed.



Both government and business recognise that youth unemployment menaces our economic well-being and social fabric. This concern has been translated into literally hundreds of schemes to create jobs, prepare young people for the labour market and support aspirant entrepreneurs. Foreign donors and NGOs support their own versions of these initiatives

## HOW EFFECTIVE ARE THESE RESPONSES TO THE COUNTRY'S PRIMARY POLICY CHALLENGE?

Aware that little had been done to answer this crucial question, the Centre for Development and Enterprise (CDE) undertook an intensive, large scale investigation which examined existing job creation programmes.

Given the central role of South Africa's metropolitan areas in economic growth and job creation, the project focused on the largest and most economically dynamic of them, Johannesburg, Cape Town and Durban. There were two main research elements. The first was a series of sample surveys of young people (both employed and unemployed), aimed at probing a range of variables surrounding employment and unemployment, including work-related values.

The second was a survey of job creation programmes in the same metropolitan areas, again with a twofold objective: the first, to build a database of employment creation schemes in those cities, and the second, to assess their efficacy.

The questions driving the research, and the main findings, were:

## HOW BAD IS YOUTH UNEMPLOYMENT IN SOUTH AFRICA?

Youth unemployment is very extensive, and dangerously entrenched. In fact, the level of youth unemployment in South Africa is among the highest in the world. Only small numbers of young job-seekers are successful, and many do not seek jobs for long before becoming disillusioned. The official unemployment rate for people between the ages of 15 and 24 is almost 20 percent higher than the rate for the population as a whole. In almost every year of this decade more than half of the young people who were actively looking for work could not find employment. In addition more of them have been discouraged from seeking work than in any other age group.

As a result of improved rates of economic growth during the past five years, the situation has improved slightly; however, youth unemployment will not be absorbed at anything near current rates of economic growth. Until it is, South Africa will have to cope with threats to social stability – including high levels of crime – associated with endemic unemployment.

## WHY DO METROS MATTER?

The young Africans who make up the majority of the unemployed are growing up in or moving rapidly to the large metropolitan areas. As a result, job creation efforts should largely focus on these areas, where they are easier to implement, can build on the dynamism of the urban economy, and have a greater chance of success.



Economic activity and job creation in South Africa's metros are dominated by the private sector, especially the finance, trade and manufacturing sectors, which typically create seven times more jobs than the public sector. Employment creation interventions in the metros should be designed around this reality.

Although the unemployment rate in the metros is roughly the same as in the rest of the country, the number of people who would like to work but have given up looking for a job is 50 per cent lower. As well as being concentrations of economic dynamism, the big cities are concentrations of energy and optimism.

### WHO ARE THE 'DOOR KNOCKERS' ?

CDE's sample surveys of young people produced the following main findings:

In the current labour market, a tertiary education is the 'silver bullet' that vastly improves the employment prospects of young people. Any school-leaver capable of successfully studying at a university or college should be publicly or privately assisted to do so. However, we can't rely on this alone. The number of people who successfully complete tertiary education in any given year depends on the quality of the education system in the previous decade. Interventions to address youth unemployment in a reasonable period of time will have to change the character of the labour market, for example by streamlining employment regulations and encouraging employers' willingness to take on more workers as they expand their businesses.

The work-related values of young South Africans provide reason for optimism. Clearly, a lot of young people (and especially young men) display negative attitudes and behaviour patterns. However, the values of many of the young people surveyed reflected plenty of energy and optimism, which suggests that there must be many more young men and women who would make excellent workers if they were able to find work. The implication is that there is no need for panic about the moral fibre of most of South Africa's young people. Jobs and self-employment opportunities are required, and will be quickly and enthusiastically taken up if they are created.

However, an important finding is that many young people believe the government should create jobs for them. This issue requires public education, and public and private sectors leaders should speak far more often about the role of markets and private entrepreneurial activity as the main source of sustainable jobs, and about the policy changes needed to create an enabling environment for more enterprise growth and higher rates of job creation.

### WHAT KINDS OF JOB CREATION INTERVENTIONS ARE CURRENTLY BEING UNDERTAKEN?

As part of this project, CDE created a database of employment creation programmes. Through a variety of direct and indirect methods, researchers investigated the approaches and track records of these interventions with a view to assessing their efficacy. An e-mail questionnaire designed by a management consultant was sent to 114 schemes and organisations, but very few responded. Specialist project evaluators conducted interviews with representatives of 28



of those initiatives, and researchers studied published evaluations of another 20. Their main findings are as follows:

#### APPROACHES AND DIVISION OF LABOUR

The vast majority of interventions fall into one of three categories: business development, skills development, and employment creation. Public sector, private sector, and civil society initiatives adopt all three approaches, but there is a clear division of labour among them:

- Government-sponsored programmes emphasised employment creation (40 per cent), the rest being equally divided between skills and business development (30 per cent each).
- Business-funded programmes emphasised skills and business development (40 per cent each) at the expense of employment creation (20 per cent).
- Civil society initiatives emphasised skills development most strongly (67 per cent) followed by business development (22 per cent) and direct employment creation (11 per cent).

Government programmes emphasised breadth of access (though in practice this was largely targeted at poor and black young people). Business programmes were selective (in terms of perceived potential, skills, experience or education), while civil society tended to favour niche groups of the vulnerable, such as disabled young people.

#### PROBLEMS OF SCALE

Even given the difficulty of assessing the performance of current programmes, it seems safe to say that all current programmes in all sectors are creating significantly fewer than a million periods of training and/or employment a year. Although current programmes may have valuable demonstration and morale effects, and are undoubtedly helping some people to find jobs – even if very many are of short duration or part time – they are not making a significant dent in the number of unemployed young people.

In this light, it is extremely doubtful whether a multiplicity of diverse and small-scale interventions can have a meaningful impact on youth unemployment, especially in a generally unfavourable climate for enterprise growth and job creation.

#### INTERVENTIONS MAY BE SIDETRACKED

Some public sector initiatives used a large proportion of their energy and resources for narrow political purposes, rather than addressing unemployment. In one province, for example, the Youth Commission was ineffective because it was used mainly as a way to identify individuals under 35 who had the political skills and ambition needed to join the governing elite. Other public sector initiatives have made little progress from policy-making to implementation, and are content to recycle policies from province to province, consultant to consultant, and youth bureaucracy to youth bureaucracy.

When private sector initiatives are distracted from their main goal, this tends to be because they devote a disproportionate amount of resources to public relations campaigns emerging from programmes rather than the programmes themselves. The characteristic weakness of civil society initiatives is to become welfare interventions which provide income and services to a small number of people without increasing their chances of finding jobs in the open market.



### OPPORTUNITIES MISSED

As a result of the concentration of interventions in the three areas noted above, many other possible types of intervention are underutilised. For instance, there seem to be very few functioning programmes that help to reduce the costs and risks of looking for work. Very little effort has been devoted to reforming labour market regulations. Employers frequently cite onerous regulations as a disincentive to job creation, particularly – as the World Bank has shown – for young people. It is also hard to find examples of incentives to employers to use labour-intensive production techniques.

### EVALUATION DIFFICULTIES

Regrettably, we concluded that organisations working in this area collect too little hard information about their activities to allow us to assess or compare their results. Moreover, when job creation initiatives report on their activities, there appears to be no commonly accepted yardstick of what counts as a 'job'.

We found that only 20 – 30 per cent of programmes are externally assessed in any way, and that few programmes generate or publish detailed quantitative information about their costs and results. This lack of data means that it is not possible to evaluate the cost-effectiveness or to compare the cost:benefit ratios of projects.

Except for the government's Expanded Public Works Programme (EPWP), comprehensive, systematically presented financial data was even more difficult to obtain. The EPWP has data on the cost of each project, what share of each project's budget goes to wages, and the average daily wage on each project. Enormously useful comparisons of cost-effectiveness would be possible if this kind of information were available for more interventions, but it is not.

Nine of 92 respondents provided figures on how much it cost them to create a job. We could not find any information about the long-term effects of job creation interventions. No data appears to be collected on the experiences of young people in the months and years after their contact with an employment creation intervention.

### FINANCIAL SECTOR CASE STUDY

As part of the project's emphasis on metropolitan areas and the private sector, the research included an interview-based study of employment initiatives undertaken by the companies involved in the Financial Services Charter. Among its findings were:

- Banks put a great deal of effort and resources into special employment initiatives.
- Such initiatives do valuable work towards transformation goals, but do not significantly target unemployment. Under present conditions it is not easy for the private sector to create new jobs in addition to the ones that they would already create in the ordinary course of their business. Successes towards transformation goals are praiseworthy in their own right, but should not be confused with the problems of unemployment
- Government capacity problems and sustained policy instability inhibit private sector employment creation initiatives.



## MAIN FINDINGS

Drawing together the findings of the project's various components, CDE's research confirmed that much energy and significant resources are being deployed on small initiatives that are not designed to go to scale; do not record crucial information; often result in large sums of money being spent on a very few jobs; and are not evaluated independently.

These findings lead us to recommend that all job creation initiatives should be audited, not only in terms of financial management but also in terms of cost-effectiveness. This should involve transparency with respect to:

- What constitutes 'employment' in terms of project goals. For how long are young people engaged? What precisely are the outcomes: training? An entrepreneurship opportunity? A sustainable job?
- How much it costs to produce each 'job', however defined.
- The scale of targets and measurement of performance (how many jobs projected, and how many achieved).
- External evaluation.
- Following up what happens to the beneficiaries (or at least a sample of them) in the job market.

These findings call into question what the government and the private sector are trying to achieve in this way. No-one should deny the value of even short term interventions on individual lives and an improvement in the way these programmes are being designed and administered would be helpful. But subsidised artificially created jobs are not a realistic or sustainable way to tackle South Africa's enormous youth unemployment challenge.

The energy, commitment and resources that are spread across the hundreds of fragmented interventions which CDE surveyed need to be harnessed to turn around these unfavourable conditions and make a dent on these brutal figures at the kind of scale the enormity of the challenge requires.

Recognition of these facts sets a challenge for both government and private sector:

How can this energy and these resources be harnessed to make a real difference at the only level that really matters – at scale?

To make the essential difference, we have to tackle the problem of unemployment at its roots.

There are two answers to this challenge. The first is that we have to put the economy on a higher growth path – as quickly as possible - that creates jobs for the mainly unskilled young people we have now; the growth we have been experiencing has mainly been creating jobs for more skilled people.

Secondly, in the longer term we have to radically improve the quality of schooling and training available to the vast majority of young people; and dramatically improve the environment for doing business, encouraging greater investment so as to ensure higher and more inclusive



growth. In both cases we have to remove the barriers that make it difficult for employers to take on new young labour market entrants.

The challenge facing the country requires all of us - government, business, political parties and citizens - to start with an honest appraisal of the important choices presented to society by the reality and politics of unemployment.

This will involve recognition of three things. First the current rules of the game have been shaped by choices that effectively stack the odds against young job seekers. Second, we need to recognise that alternatives are possible and require adroit political management to move the policy debate. Third, we should accept that addressing unemployment at scale and in a sustainable way will require that the policy debate is much more inclusive with respect to who participates (unemployed people need a voice to match that of organised labour) as well as what policy options are put up for discussion. Hitherto it has been assumed that certain policy choices are out of the question mainly because they would be uncomfortable for elements within the ANC alliance.

If we said that youth unemployment was a policy priority which should trump other considerations, we would then open up the discussion of a much wider range of solutions

The 'new' ANC will inherit the current government's target of halving unemployment and will feel immediate pressure to do so. They will have to deliver within a far less favourable outlook for global growth. Doing so will require it to rethink current strategy and develop a position that favours economically viable employment for millions of young people.

Public speculation has centred on the possibilities of change to macroeconomic policy after the elections of 2009. This emphasis is not misplaced but it is insufficient.

We need to look beyond macroeconomic policy to the rate at which jobs and businesses are created; and the kinds of jobs that our economy is generating. Most importantly and more immediately, we must look at ways to reduce the barriers and costs to employers of hiring young people with low levels of education and no job experience.

Our current set of choices severely disadvantages young South Africans. It is time to look at other options to enable and encourage employers to bring young people into the world of work in large, affordable and sustainable numbers. This choice requires a vote for high levels of growth, much more flexible hiring and firing policies, far fewer obstacles to employment and a much better education and training system.

CDE is extending its research on young people and unemployment in South Africa's metropolitan areas, and these will contribute to a companion report to this one, focusing on practical proposals to help equip government and the private sector to rise to this challenge.



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The full-length report which is summarised here appears on the CDE website at [www.cde.org.za](http://www.cde.org.za). Printed copies may be ordered from Sammy Masehe at [sammy@cde.org.za](mailto:sammy@cde.org.za).

Published in September 2008 by:

The Centre for Development and Enterprise  
Transmedit Place, 5 Eton Road, Parktown, Johannesburg 2193, South Africa  
PO Box 1936, Johannesburg 2000, South Africa  
Tel 2711 482 5140 • Fax 2711 482 5089  
[info@cde.org.za](mailto:info@cde.org.za) • [www.cde.org.za](http://www.cde.org.za)

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