



South Africa's NEETs crisis

**Why we are failing to connect
young people to work**



About CDE

The Centre for Development and Enterprise (CDE), an independent policy research and advocacy organisation, is South Africa's leading development think tank. Since its establishment in 1995, CDE has been consulting widely, gathering evidence and generating innovative policy recommendations on issues critical to economic growth and democratic consolidation. By examining South African and international experience, CDE formulates practical policy proposals outlining ways in which South Africa can tackle major social and economic challenges. CDE has a special focus on the role of business and markets in development.

CDE disseminates its research and proposals to a national audience of policy-makers, opinion formers and the wider public through printed and digital publications, which receive wide media coverage. Our track record of successful engagement enables CDE to bring together experts and stakeholders to debate the policy implications of research findings.

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Introduction

“If you can’t solve the problem of getting the majority of young people into work, it may not matter what other problems you solve.”

Paul Romer, 2018 Nobel Prize for Economics, speaking to a South African audience, November 2020

The Covid-19 pandemic has devastated South Africa and created a plethora of inter-linked crises that threaten to overwhelm us. In this context, it is vital, as the quote from Paul Romer makes clear, not to lose sight of the youth unemployment catastrophe. This was our greatest challenge before Covid, and, apart from the urgent task of rolling out vaccines as quickly as possible, it must remain a vital priority now. The organised insurrection following ex-President Jacob Zuma's arrest led to opportunistic looting, especially by poor and desperate young people in the country's two most populous provinces, reflecting young people's rising frustration and desperation. Tackling youth unemployment in a concerted way is even more urgent now.

Nearly three in every five young jobseekers are currently unable to find work. Overall, 919,000 fewer 15-to-34-year-olds had jobs in Q2 2021 than in Q4 2019.¹ If anything, these unprecedented unemployment figures understate the extent of the difficulties faced by South Africa's young people. For the past three years CDE has run a project researching the situation of young people who are classified as not being in employment, education, or training, also known as NEETs. There are now 9.1 million young people in South Africa who fall into the NEET category. The scale of this crisis is enormous.

“Nearly three in every five young jobseekers are currently unable to find work.”

Young NEETs are stuck in a 'cycle of dependence' referred to recently by South Africa's new minister of finance, Enoch Godongwana. Even if they undertake brief spells of employment, as many do, or participate in short training courses, they are failing to get onto a jobs ladder that would get them out of dependence on grants and hand-outs. The only way to break this cycle is to rapidly expand the economy. And a growing economy must also generate many new job opportunities for which most young people are suited. Simultaneously, we must consider the most effective ways of connecting young people to an expanding economy. There are multiple ways to achieve this, and we must consider carefully which interventions are affordable and implementable, and which government should prioritise. In addition, business and the private sector must also play a more positive and more strategic role. How they can achieve this, and how the private sector marshals their resources and prioritises their energies is a special focus of this report.

The most important way to connect young people to the world of work more efficiently and at a large scale, as the minister has recognised, is to get them into “better skills development programmes”. Given the state of the country's skills system, this is a massive challenge, which again has to involve business in a fundamental way, but also requires that the state initiate significant changes in publicly funded parts of the system.² This report pulls together work CDE undertook into what the latest research and all available statistics, including Quarterly Labour Force Survey (QLFS), National Income Dynamics Study (NIDS) and National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), tell us about young people and the challenges they

confront in their quest to break out of a cycle of dependency. We also undertook fieldwork where we spoke to youth centres and young people in the township of Alexandra, Gauteng, and the densely settled, remote, ex-'homeland' area of Bushbuckridge, Mpumalanga.

The report examines the various ways in which young people, once they have completed school, could be better connected to an expanding economy, and delves into specific interventions that should be considered to help the most disadvantaged. We then describe and assess what government and the private sector are currently doing to mitigate the youth unemployment crisis, before delving into the challenges in our public training system.

The document concludes by setting out the priorities for tackling this most urgent of all crises. We set out recommendations for government as well as the private sector, with a focus on post-school interventions.

Understanding South Africa's NEETs crisis

Who are NEETs?

A NEET is anyone of working age who is not in employment, education, or training. The term has been in use in South Africa since 2009 but originated in the United Kingdom (UK), where it was used to draw attention to young people facing chronic disconnection from the modern economy.³ As a result, the relevant international literature is mainly concerned with young (as opposed to old) NEETs, although how 'youth' is defined differs across the world. Following much of the literature, this CDE report will use the term to refer to young adults exclusively, by which we mean the 15-34 age cohort. That cohort is broader than many other countries but follows the reporting that Statistics South Africa uses when it classifies youth unemployment.

Situating South Africa's NEETs crisis globally

The 9.1 million young South Africans who now fall into the NEET category, constitute 44 percent of the 20.6 million in this age group. Included in this cross-section of the youth population are most of the 7.1 million unemployed young people, if discouraged jobseekers are included.⁴ Not all unemployed people are necessarily NEETs, as some who want to work are in educational institutions or pursuing skills development courses. At the same time, NEETs include young people who are not in the labour market at all. As we show below, many of them are women.

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Given the caveats mentioned above about different age groups, it can be difficult to make precise international comparisons of NEET rates. The Covid-19 pandemic sweeping the world has made comparisons even more difficult. Nevertheless, there is compelling data from before the pandemic struck that indicate South Africa is an outlier when it comes to both youth unemployment and NEET rates. According to the International Labour Organization (ILO), South Africa's youth NEET rate (for 15-24-year-olds) of 33 percent in 2019 was the 16th highest of 115 countries worldwide. South Africa's rate is much higher than the regional average. It is also well above the average for upper-middle income countries. The regional and the upper-middle income averages are both at about 21 percent.

An even more concerning indicator is that NEET rates for 25–34-year-olds in South Africa are significantly higher than for the younger group. More than 55 percent of this age category are NEETs. The primary reason is that many of those in the younger category are still attending educational institutions of some kind, mostly secondary school or Technical and Vocational Education and Training (TVET) colleges.

With South Africa's youth unemployment rate also registering as one of the worst in the world, this is clearly no country for young people.

“NEETs are a very large group of young South Africans disconnected from the world of work. They are not participating in the economy in any tangible way.”

Why this lens?

Why use the NEETs concept at all? The population of NEETs includes those who are not being educated or trained, it therefore spotlights a larger number of young people than the unemployed. That matters because NEETs are a very large group of young South Africans disconnected from the world of work. They are not participating in the economy in any tangible way, nor are they acquiring useful knowledge or skills that could allow them to join the economy in the future. This allows the NEETs lens to provide broader insight into the problem of youth marginalisation and exclusion.

A word of warning is in order, however. As already mentioned, this concept originated in the UK where the population of NEETs is relatively small. This, together with the UK's comparative wealth means we must be careful not to see a UK-style focus on programmatic interventions, as appropriate for South Africa. We cannot allow the NEETs lens to distract us from the central importance of building a much larger and more job-rich economy, one that can much more readily accommodate all the young people of South Africa.

A broad group of young people falls into the NEET category, and they are not all disconnected in the same way. Making the concept as useful as possible requires a measure of disaggregation of both the challenges and the solutions.

Disaggregating South Africa's NEETs

The impact of education

The NEETs who are least disconnected are those with an accredited post-matric degree or diploma. Young graduates make up a tiny proportion of NEETs (7.4 percent) and are more than two and a half times more likely to be employed than young non-graduates.⁵ They therefore require the least help to find work and should therefore have the lowest priority in terms of interventions and broader youth unemployment strategies.

At the same time, if graduates are nearly three times as likely to find a job than non-graduates, then helping young people move from one category to the other may be one key to reducing exclusion and unemployment if the number of job opportunities expands along with the number of graduates.

By contrast, the 8.4 million NEETs who are not graduates face the most demanding challenges and are the most disconnected. A study of NEETs was undertaken through the National Income Dynamics Study (NIDS), which followed thousands of people across five waves of research. It found that youths who had matriculated

were most likely to stay in the category of NEET from one survey wave to another.⁶ Having a matric in no way guarantees employment – 40 percent of NEETs have only a matric and still find themselves without access to jobs or training – but young people who did not complete school have it harder in every way.⁷ They are frequently excluded from even very basic employment opportunities and most forms of training. Many of them experience this as a personal failure, which undermines their self-esteem.⁸

The perception that having a matric is an important signal of employability influences the willingness of young people to retake matric. In any given year, about a quarter of a million young people are working towards a matric certificate outside the full-time in-school system through the Second Chance Matric Programme run by the Department of Basic Education (DBE). This means that every year about a third of the annual matric cohort are having a second go. Less than a sixth of the second timers (around 40,000) obtain a matric certificate, however, leaving hundreds of thousands who attempt the examinations back at square one.⁹ The scale of these numbers suggests that interventions in this area could have a large impact.

“Rural youth are 21 percent more likely to be NEET compared to youth who live in cities.”

Spatial inequalities

Demographic and geographic data reveal that rural youth are 21 percent more likely to be NEET compared to youth who live in cities.¹⁰ In addition, rural areas have larger proportions of disengaged young people who have given up looking for work. Urbanisation trends over the last 20 years point to a great migration of people, especially of young people, to cities, where their prospects are significantly higher. At the same time, 34.9 percent of NEETs already reside in South Africa's eight metros.¹¹ The challenges they face are severe. These include a lack of income, support networks, and employment contacts.¹²

These spatial differences suggest that there should be a strong focus on providing young people from townships (broadly defined as apartheid era creations, as well as newer RDP and informal settlements on the urban periphery) and former 'homeland' settlements with better links to the world of work and with training opportunities that substantially enhance their employability.

Designing effective interventions to help large numbers of rural NEETs 'left behind' will be especially challenging but has the potential to raise the prospects of the most disadvantaged young people in the country.

Young people in townships and former 'homeland' regions are spatially disconnected from the modern, formal economy. This is especially true during the time of Covid-induced lockdown. Stable internet access has the potential to reduce some of that disadvantage, as it allows young people to hear about and apply for a much wider set of work opportunities. It is no substitute for face-to-face interactions and human networks, but it might make a difference in reducing the costs of job search. Unfortunately, the majority of young people in townships and rural settlements can only access the internet by buying expensive cell-phone data. Youth centres with computer facilities and access to Wi-Fi provide an alternative route for some but demands for computers at centres is high and usually restricted. Centres also frequently lose connection to the internet.

The gender differential

53.8 percent of NEETs are women.¹³ In general, young women who are NEET are more likely to be poor than young men who are NEET.¹⁴ While women on average have much higher secondary and tertiary qualifications

than men, they are more likely to be stuck in NEET status for longer periods.¹⁵ This gender differential has continued throughout the course of the pandemic. A 'female penalty' was highlighted in the NIDS-CRAM Wave 4 report, which found that 70 percent of women who were unemployed before Covid-19 remained jobless across all four waves, while this was the case for only 56 percent of males.¹⁶

Having children has contrasting effects on men and women: it decreases attachment to the labour market for women while it increases labour force participation for men. This suggests that we need to think broadly about how to enable mothers to become more active participants in the labour market.

One possible intervention to connect more women to the labour market would be to expand subsidised childcare support for infants and early childhood development (ECD). How to finance this during the current fiscal crunch is, however, an impossible challenge to ignore. Other issues to consider include ensuring that the service provided achieves a level of quality that would allow mothers to leave their children in care without being concerned about the welfare of their children and recognising that such an intervention would further intensify the urgency of implementing reforms to expand the demand for labour within the economy.¹⁷ The details of how to extend quality early childhood development in South Africa falls outside the scope of this report on post-school interventions, but it would be valuable to explore further how greater ECD support can complement efforts to enhance employment and training prospects for women.¹⁸

NEETs are surprisingly active

What struck us most about NEETs in townships and rural settlements is the extent to which they are actively trying to find their way out of their predicament. It is impressive how ready young people are to take courses to improve their skills and how they are always on the look-out for jobs. Many gain access to some sort of temporary employment, usually informal, and there were some in our interview sample who tried to start their own small enterprises. However, their experience of earning an income usually consists of short spells in unrelated activities in a variety of sectors. In addition, many told us that the short courses they attended failed to provide them with job-relevant skills. This pattern prevents them from accumulating knowledge and experience in work activities, which does nothing to offer them a route out of poverty or long spells in NEET status.¹⁹ Harnessing this youthful energy without reinforcing these unhelpful patterns is critical if the country is to move the dial on this challenge. Far too many interventions aimed at helping young people fail to achieve this goal.

CDE undertook two case studies. These were conducted in two of the worst regions in the country to be a young person: Alexandra township in Johannesburg and Bushbuckridge on the border of the Kruger National Park. The youth unemployment rate (15-24) in Alexandra is 53 percent, whereas in Bushbuckridge it is 75 percent. Only 5 percent of young people in Bushbuckridge are employed. In these areas CDE was able to locate many organisations calling themselves youth centres with the goal of connecting young people to training and work opportunities. CDE visited these centres to learn how they attempt to reduce youth unemployment and how successful they are in that mission. (See box below for a list of the youth centres.)

List of youth centres CDE engaged with and visited

- **Bushbuckridge Youth Development Organisation (BYDO)** Founded in 2010, BYDO is located in a densely settled area called Casteel and funded by the national Department of Social Development (DSD). Their inspiring slogan is "We help young people to move from where

they are to where they want to be", but they cannot provide any real indication that they are helping local youths achieve this goal.

- **Ludlow Youth Development Centre (Bushbuckridge) (LYDC).** Founded in 2012 and based in a deeply rural and remote area of Bushbuckridge, LYDC is the only youth centre in the region. It is also funded by the DSD, which requires LYDC to send monthly reports detailing the beneficiaries who have accessed their programmes and how they have fared. LYDC works with various privately funded organisations, such as Abundant Life Training and Wildlife College.
- **Activate Change Drivers (Bushbuckridge) (ACD).** ACD is part of a national network designed to provide young people with leadership qualities. The organisation is underfunded and unclear about its mission. One idea they have is to start a bakery in the largely derelict building they currently occupy.
- **Asisebenze Youth Development Centre (Bushbuckridge) (AYDC).** AYDC works closely with ACD. It shares the same building and suffers from the same funding and capacity challenges.
- **Vukuzenzele Youth Development Centre (Bushbuckridge) (VYDC).** Founded in 2012, VYDC is registered as an NPO with the DSD. It is based in a relatively remote areas known as Madras. Although some of the young people assisted by the centre come back to report on whether or not they have found jobs, VYDC has no strategy in place to track the young people it assists.
- **Alexandra Youth Advisory Centre (Alexandra) (AYAC).** Based in the heart of Alexandra and funded by City of Johannesburg, AYAC also has no systematic tracking of how young people working with the centre fare in the world of work. There is very little oversight at the centre.
- **Bokamoso Youth Centre (outside Alexandra) (BYC).** BYC is based in Wynberg and funded by the Gauteng DSD. It outsources programmes in call centre training (partnering with Cornerstone Supreme, based in Randburg), as well as cashiering and laying fibre optic cables (partnering with the Ekurhuleni Artisans and Skills Training Centre). On average, BYC assists 30 to 50 young people over a three-month funding cycle and has to report on progress for every cycle to the Gauteng DSD in order to receive the next cycle's tranche of funds.

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From what the people running these centres told us, it seems that most operate without much supervision or accountability and provide assistance in an ad hoc fashion, without much knowledge of the broader world of work. They tend to keep young people trapped in a local bubble, where they learn about nearby training and job opportunities, mostly linked to government. This suggests that the disconnection from the world of work that young people in former 'homeland' areas and townships experience is not just about their distance from centres of employment. Especially in a township like Alexandra, which is in fact quite centrally located, young people could benefit from receiving better information about and links to the real world of work outside the township.

Not coincidentally, the two most effective youth centres we found – Bokamoso in Alexandra and Ludlow in Bushbuckridge – operate under the greatest amount of oversight and have partnered with a range of organisations, including privately funded ones, to develop skills that link up to real employment opportunities in and beyond townships. Making youth centres and other similar organisations more accountable, more involved with the private sector, and part of a coordinated approach that reshapes the training landscape in South Africa could possibly improve this unsatisfactory situation. But such an approach needs to be tested before it can be widely supported.

Connecting young people to work: What is being done?

President Ramaphosa has identified the youth unemployment crisis as one of the country's top national priorities, although his initiatives to tackle it have not yet borne significant fruit. In 2018, he launched the Youth Employment Service (YES), a government-business initiative created with the goal of "giving one million youth one million opportunities". The idea was to encourage companies to take on young interns for a period of 12 months across various business functions. The initiative has also, somewhat confusingly, expanded to include encouraging young people to start and grow their own businesses.

To support this initiative introduced by some leading private sector figures, government offered Broad-Based Black Economic Empowerment recognition, allowing businesses to use the employment of interns (or even their sponsorship of interns in other entities) to move up a level on their current B-BBEE scorecard.²⁰ So far only 55,361 job opportunities have been created and we have not seen evidence of follow-ups conducted with those who received work through YES and whose 12 months are now up. If follow-ups were undertaken to establish whether through this experience young people were able to find employment after their internship or job experience, YES should make this information publicly available, so that the impact and cost of the programme can be better assessed.

"President Ramaphosa has identified the youth unemployment crisis as one of the country's top national priorities."

In his 2020 State of the Nation Address, Ramaphosa took a bolder approach by announcing the launch of the Presidential Youth Employment Initiative (PYEI), which would, he said, consist of better job-search support for young people; providing shorter, more flexible courses in specific skills; supporting youth entrepreneurship; expanding opportunities for practical workplace experience; and establishing a Presidential Youth Service Programme.

Various non-government players have come to the table to help with this intervention. The flagship programme is the SA Youth platform, created and managed by Harambee. It is described as a national digital network for young people to access learning and earning opportunities for free. It offers on-line psychometric testing and provides information about appropriate job opportunities in the areas where the registered young people are located. In his 2021 June Youth Day speech, Ramaphosa said SA Youth had registered nearly 1.5 million young people.

In addition, a holistic approach to supporting and providing information for young people is being developed by the Basic Package of Support for Young People (BPSY) project under the auspices of the PYEI and Pathway Management Network. The aim is to pilot this approach in a number of locations.

The SA Youth app also played a key role in the Presidential Employment Stimulus (PES), a state-run effort to accelerate the labour market's recovery after it was devastated by Covid-19. PES was launched in October 2020, with the idea that short-term employment would be funded by the state. R19.6 billion was set aside for the programme (later cut to R12.6 billion), with a promise of R100 billion over a three-year period. The aim was to create 800,000 job opportunities by the end of March 2021 (and 5 million by 2024).²¹

Youth employment was envisioned to be a central part of the PES, predominantly through the Basic Education Employment Initiative (BEEI).

The BEEI was created to hire young people (aged 18-35) to work as education assistants or general school assistants for four months, starting 1 December 2020. Around 320,000 school assistants were employed and reportedly trained in "curriculum support, ICT, infrastructure management, [and as] child and youth care workers and reading champions".²² BEEI participants were paid the national minimum wage (R3,500), the rationale being that this would boost consumer spending in local communities and drive economic recovery there.²³

"There are many non-governmental organisations trying to help young people get into either training or employment, or both. The majority focus on helping a few young people without creating systemic change."

As is common with crisis-driven programmes, BEEI was created in haste and implemented without much planning. It is not clear, at this point, how the actual experience of helping teachers and providing 'general assistance' in schools has enhanced young people's skills and employability. Kate Philip, who oversees the programme, explained in December 2020 that National Treasury allocated R4.47 billion for the BEEI, with the constraint that it had to be spent by the end of the financial year, which even the Department of Planning, Monitoring and Evaluation referred to as a "hostile timeframe". Philip said a choice had to be made: "Do we use the money or not?" It seems that as a result there were few opportunities to ensure that standard practices were adhered to, or to harness the capacity of organisations with experience in this area. An evaluation of this programme is reportedly being done. Until it is published, it will be difficult to assess the long-term value of this intervention.

There are many non-governmental organisations trying to help young people get into either training or employment, or both. The majority focus on helping a few young people without creating systemic change.

There are, however, larger and more successful organisations that have had a more substantial impact, although they have hardly made a dent in the scale of the problem. As most recognise, the only way to make a meaningful difference is if they take on projects that can be taken to scale or are experiments to test how best to overcome underlying challenges.

This is increasingly the approach adopted by the largest and most dynamic organisations, especially Harambee. Established in 2011 with funding from the private sector, Harambee provides first-time jobseekers (who must have a matric) with the soft skills needed for formal sector jobs and links them with potential employers. All candidates are placed on a national database, which, as mentioned above, now consists of more than 1.5 million young people. In a decade, and outside of its involvement with the PYEI, Harambee has helped more than 240,000 young jobseekers find work (or work experience).

Apart from their very successful training and placement programmes, Harambee has now developed significant capabilities in helping young people and enjoys wide support, especially from senior people within both the state and the private sector. They have also expressed a clear awareness that the core challenge is addressing the youth exclusion crisis at scale.

However, it is worth noting that collectively, Harambee and YES combined have so far only created work experiences at a rate of around 40,000 per year, not nearly enough to make much more than a dent in the crisis.

To overcome the NEETs crisis at scale, we need simultaneous changes on both the supply and demand sides of the labour market, and the interventions need to be connected. When it comes to making young people more employable, the focus has to be on providing them with skills that make young people more eligible for actual employment opportunities. Unfortunately, this happens much too rarely and the opportunities to even access skills programmes are extremely limited. Then, to make things worse, the programmes that many young people end up in, fail to provide them with meaningful skills or link them to real jobs. This challenge can only be properly addressed if we shift our public training system away from its currently dysfunctional state.

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Global lessons for how best to provide useful training

International evidence underlines the importance of prioritising demand-driven skills training programmes as the only real way to generate significant impact in improving employability. An authoritative review of global training programmes with demonstrable impacts identified the following four factors as critical for the success achieved by the best programmes:

- Combining classroom-based training with practical on-the-job training to provide candidates with relevant skills;
- Including 'life skills' or 'soft skills' components as part of the training, which can be crucial for workplace success;
- Ensuring that the design of the course is demand-driven, which means that employers who are expanding and looking to hire well-trained candidates are involved in the design of the course content; and
- Involving the private sector in the implementation of the programme so that it remains focussed on the goal of training employable young people and is implemented by people with a stake in ensuring an effective outcome.²⁴

An important way to ensure these four factors are present is by establishing meaningful partnerships between businesses and/or business organisations and training institutions. This is not straightforward and requires mixing institutions with fundamentally different goals and incentives, which requires strong leadership and an almost missionary zeal. Such partnerships impose new activities on the partners that are quite different from the routine activities of both.²⁵

However, getting involved in such partnerships will produce real benefits for businesses if it helps build a more job-ready and productive workforce. The benefits of linking vocational training to the world of work is critical and have been clearly demonstrated in South Africa. A 2009 study found that TVET graduates who had

some work experience as part of their training increased their chances of finding appropriate employment by 82 percent.²⁶ Regrettably, the number of effective partnerships between training institutions and business is low, notwithstanding improvements in recent years: appraisals of the public TVET system have consistently noted its weak linkages with industry.

Successful partnerships have mostly emerged when businesses are motivated by building a workforce, rather than simply by a sense of duty or social responsibility. At the same time, business may be wary of further collaboration with government departments given the well-known failures of the current post-school training regime.

“Appraisals of the public TVET system have consistently noted its weak linkages with industry.”

Lessons from a Kenyan training pilot

From 2010 until 2015, the Kenyan government, with funding from the World Bank, implemented the Kenya Youth Empowerment Project (KYEP) as a pilot intervention in Nairobi, Mombasa, and Kisumu. The intervention trained 20,000 young people and was accompanied by a credible impact evaluation. The programme mobilised private employers and gave them incentives to retain interns who successfully completed the programme. The focus was on providing young people with job relevant skills (technical and "soft") as well as workplace experience.

To ensure private sector ownership of the programme and to involve firms in the programme's demand-driven design, the intervention operated as a private public partnership. KEPISA, a local policy advocacy organisation for private employers, defined the competencies needed by employers in six growth sectors, mobilised and motivated employers to participate in the programme, recruited training providers on a competitive basis, and managed the overall programme. Employers' organisations in each sector were invited to identify their skill needs and to develop sector specific training plans.

KYEP was open to young people between the ages of 15 and 29 with a minimum of eight years of schooling. They needed to be out of school for at least a year and could not be in employment at the time of applying for the programme. In other words, they were NEETs. KYEP consisted of three months' classroom training and three months' work experience. Participants received KES6,000 (about US\$70) for transportation and food. Employers, who were expected to mentor trainees, were given monthly compensation of KES3,000 (about US\$35) to offset the time spent overseeing them, and to reimburse them for the costs of materials. The overall unit cost of the programme was US\$1,150 per participant, a similar figure to the typical unit cost of other programmes of this type implemented in Latin America.

The programme was accompanied by an independently implemented impact evaluation, the results of which revealed positive impacts on participant' employment probability of around 10 percent, in line with the results achieved by the best programmes in the developing world.²⁷ The success of KYEP and other similar interventions demonstrates the value of involving business in demand-driven training programmes.

The current state of training in South Africa

The challenges of TVETs

Despite some improvements in recent years, South Africa's TVET system functions badly and generates poor results. TVET throughput rates have been extremely low. For example, out of 88,771 students who enrolled for NC(V) Level 2 (equivalent to Grade 10) in 2016, only 8,135 successfully completed Level 4 (equivalent to Grade 12) in 2018, a throughput rate of just 9 percent. As for those who complete their qualifications, there is no guarantee of successfully finding work. Almost half the young people who embarked on TVET studies in 2010 were unemployed five years later. In some courses, only 25 percent of TVET graduates find employment within a year of completing their studies.²⁸ According to skills expert Ken Duncan, the TVET system acts as a gigantic recycling system for hundreds of thousands of secondary school leavers, keeping them occupied for three to four years until they are reintroduced into the labour market with little new knowledge and skills, and without the expected improvements in their job prospects.²⁹

The 2013 White Paper on Post-School Education and Training identified the key problem and proposed some solutions: "Since the main purpose of the TVET colleges is to prepare students for the workplace, it is essential that they develop and maintain close working relationships with employers in their areas. Close partnerships between colleges and employers can assist the colleges in locating workplace opportunities for students who need practical experience. Experts from industry could also teach at colleges on a part-time or occasional basis. In addition, arrangements could be made for college staff to get regular workplace experience to keep abreast of developments in their industries."³⁰

Duncan calls this a "tectonic shift in government thinking". There have been positive developments since then. A study undertaken by Duncan for this project found that TVETs have increased their partnerships with business over the past 10 years and there have been significant improvements in the strength and depth of linkages. In 2018, 183,000 TVET college students were placed in some kind of 'work-based learning programme' and about 900 lecturers undertook some 'industry experience'. It is not clear what form these experiences took, nor how effective they were, and the numbers are small compared to the total numbers of lecturers (10,000) and students (800,000) in public colleges. Nevertheless, Duncan found that college-industry partnerships are more focused on addressing critical weaknesses in colleges' capacity and more likely to have a positive impact on the learning and employment outcomes of the students.³¹ Challenges remain daunting, but these are important signs of progress that can be built upon.

"The magnitude of the financial losses incurred by SETAs is mindboggling."

The dysfunctionality of SETAs

Following the establishment of the parastatal Sector Education and Training Authorities (SETAs) in 2000, innumerable small training providers sprang up, offering short courses – usually a few days or weeks in duration – in low-level skills to large numbers of trainees, most of them in some form of employment. Most of these courses have become notorious for their poor quality and high fees. While there have been some SETAs that have worked effectively for periods, the reality is that the SETA system is almost wholly dysfunctional.³² The magnitude of the financial losses incurred by SETAs is mindboggling. In just over five years (2011-2016), losses due to SETA trainees and learners not completing their programmes totalled over R13 billion, or 44 percent of the R31 billion allocated to them. All that money came from the 300,000 or so businesses that

contributed 1 percent of their payroll in the form of the skills development levy. Out of these levy-paying companies, only around 23,000 (less than 8 percent) benefited by way of SETA grant processes or SETA-funded training.³³ Companies are paying a lot for very little.

There is widespread agreement across government, business, and unions that the SETA system is not working, but no one has come up with a broadly acceptable way to fix it. As a Business Unity South Africa statement from 2016 put it: "The mismanagement, illegality and cronyism that have been witnessed in the operation of some SETAs, and the management of the National Skills Fund, with little transparency, accountability and no impact measurement, have dented confidence in the skills development system."³⁴ In the meantime, businesses are enmeshed in a system for which they pay automatically while deriving little to no benefit.

"Companies and CEOs need to change tack. Like good doctors, they need to think about how they will address the underlying disease rather than just its symptoms."

The challenges of private sector involvement

Another barrier in the way of establishing meaningful partnerships between the private sector and training institutions is the tendency of businesses in the past to see these kinds of initiatives as public relations exercises rather than a way to catalyse high quality training. Historically, partnerships have been financially unsustainable beyond the period of donor support or had little potential for systemic impact. Others were founded upon pledges made by companies or CEOs who were not in a position to honour them because their companies alone could not provide the promised inputs and they could not compel or cajole other companies to assist. (This has been identified as the mistake that sank the National Skills Accord

and the Youth Employment Accord in the past.) By squandering precious resources, badly conceptualised initiatives are liable to achieve very little. Companies and CEOs need to change tack. Like good doctors, they need to think about how they will address the underlying disease rather than just its symptoms.³⁵

There are, nevertheless, some examples of private sector involvement in training programmes that promise to create employment opportunities. The challenge with these initiatives is separating the hype from the reality and deciding whether the businesses involved are doing it as a public relations exercise or for the BEE points, or because they want to strengthen their businesses and to hire a better trained workforce.

In the Kenyan case study, businesses were involved from the beginning of the programme and contributed to both its design and implementation. As the international evidence bears out, that level of engagement is critical for success because it ensures that businesses have a meaningful say in shaping the training processes, which in turn gives them confidence that students have been trained in a way that makes them worth employing.

One set of programmes in South Africa that looks promising, especially in terms of the way business has been involved in the process, are those linked to the business process outsourcing (BPO) industry. Business Process Enabling South Africa (BPESA) is a non-profit company founded in 2002 to serve the domestic and international players in the BPO industry. BPESA was involved from the beginning in the design and launch of the Monyetla Work Readiness Programme, an intervention backed by the Department of Trade, Industry and Competition (DTIC), to provide 'work-readiness learnerships' to unemployed young South Africans. The training programme set out to be an employer-led initiative, designed to provide work-ready entrants for the

BPO sector. The effective training of young people in the required skills to allow for the expansion of the sector has been core to BPESA's strategy from the start. Launched in 2008, Monyetla offered a combination of theory and on-the-job training, which provided employers with an opportunity to assess the skills, knowledge, and attitudes of learners.

“The historical evidence from around the globe is clear: firms seeking to make a profit by supplying goods and services to paying customers are the most efficient vehicle for delivering millions of jobs.”

According to one evaluation, the programme was effective in producing workers who were suited for BPO jobs and succeeded in training 3,350 young people to a level where they were ready for entry-level BPO jobs.³⁶ However, there are concerns about Monyetla's cost-effectiveness. These concerns relate mainly to the fact that the DTIC supports this programme to the hilt. Since it introduced the new Global Business Services Incentive in 2019, the DTIC has been offering financial incentives worth a minimum of R142,000 to foreign companies willing to outsource to the country for every job created over a five-year period, and more than double that for “highly complex jobs”.³⁷ This creates the concern that companies are hiring trainees to access the generous subsidy, rather than their suitability for the job. It also

raises questions about replicating this approach and taking it to scale - can the country afford to pay this much for every job created? There are also questions about whether the BPO sector is one that offers good growth opportunities given South Africa's comparative advantages and the fact that millions of unemployed young South Africans may not be suitable for these types of jobs. Until more rigorous, independent evaluations have been undertaken of these programmes, it is difficult to know exactly how impactful or cost-effective it has been.

The interventions in the BPO sector do appear, however, to have stimulated an expansion of demand. Amazon announced in June 2020 that it would be hiring 3,000 people in South Africa to support customers in North America and Europe. A McKinsey report from 2020 forecast that the sector will grow at around 3 percent per annum and create over 775,000 jobs by 2030. The report concludes that there are more than 100 local and international BPO providers operating in South Africa and that the local BPO market is valued at R7.8 billion.³⁸

CDE Recommendations

In a context in which more than 9 million young people are cut off from opportunities to raise themselves out of poverty and unemployment, no currently conceived single project or initiative – even those that aim to employ tens of thousands of young people – will make a measurable difference to South Africa's crisis of youth joblessness. The scale of impact should be the test for any intervention.

What matters, then, is not how big employment-generating projects are, but how many of them there are. The best method of getting more employment is to foster an economic environment in which employment-generating projects are growing quickly. The historical evidence from around the globe is clear: firms seeking to make a profit by supplying goods and services to paying customers are the most efficient vehicle for delivering millions of jobs.

Priorities for Government

A bold economic reform package

Government policy choices over the last four decades, along with adverse global conditions, the malign effects of apartheid, and inherited structural characteristics have resulted in an economy that long before Covid-19's devastating impact had failed to create enough jobs. We must reverse this. To get there we need, first and foremost, bold initiatives led by the President that will encourage investment and expansion of existing firms and the formation of new firms. There is, now more than ever, considerable scope for reforms that would improve the performance of the economy and deepen the inclusiveness of growth by increasing employment. There are signs that some of the necessary reforms are beginning to emerge, but progress is much too slow, piecemeal, and insufficiently ambitious.

Outlining what a broad reform package would look like is beyond the scope of this report, but for more detailed discussions on reform read these CDE reports [here](#) and [here](#). One clear priority must be to expand the social base of support for meaningful economic reform that could help stimulate faster economic growth. Far too little work has been done to make the case for why reforms are needed, why those who oppose reforms are wrong to do so, and what the benefits of those reforms would be for vast numbers of people not just companies.

Strengthen the entrepreneurship ecosystem

Youth entrepreneurship has become an increasingly popular idea for solving the NEETs crisis. The argument is that young unemployed people can employ themselves if no one else wants to hire them, and that this solution can be brought to scale through special financing vehicles, maybe in conjunction with some entrepreneurship training. Government set-asides for youth SMMEs are also frequently mooted as a good idea. The President's youth employment initiative sees this as a core strategy for tackling unemployment. Many of these young entrepreneurs, it is expected, will be in the informal sector.

CDE supports the expansion of entrepreneurship in South Africa, but this focus and optimism is largely misplaced. Raising our entrepreneurship levels requires substantial reforms and improvements of the business environment. Currently, the opportunities for starting successful, competitive businesses for young unemployed people with a poor education and minimal work experience are, at best, highly restricted. Furthermore, if such businesses are in the informal sector they will likely be cut off from affordable financing and operate unproductively, with severely constrained growth opportunities. Even if they get their business off the ground, they will normally find themselves serving a poor population in highly congested markets in which margins are wafer thin.

“The opportunities for starting successful, competitive businesses for young unemployed people with a poor education and minimal work experience are, at best, highly restricted.”

Youth entrepreneurship, in other words, cannot be advanced as an alternative to economic reform. It is not a scale solution. As we argue [here](#), young, successful entrepreneurs are much more likely to increase in a substantial way once economic reform produces a faster growing economy, in which it is easier to start and grow businesses of all kinds. Government should therefore focus on building a business environment in which it becomes less costly and risky for all businesses to thrive, while also seeking to attract new investments and entrepreneurs to our shores

Tackle labour market constraints on hiring young people

Apart from growing the economy, the next most important intervention is to lower the costs of employing young people. South Africa's economy needs less and less unskilled labour per unit of GDP. As CDE has argued [here](#), the costs of employing young people are high relative to what they can produce and terminating contracts is a potentially costly exercise if the dismissal is contested. Given these factors, why would firms trying to stay afloat hire young people?

In the pre-Covid era, one reform programme at least acknowledged that young people are generally not as productive as more experienced, older workers and that firms will not hire them unless the costs of doing so is lower: the Employment Tax Incentive (ETI). Since the onset of the pandemic, various social relief measures have been prescribed, including the extension of the ETI to workers of all ages, at a slightly better rate. This is however seen as a temporary measure. It was put in place on 1 April 2020 and has been extended over four-month periods ever since, the last extension coming as a response to the devastation caused by widespread looting in July 2021. If the youth wage subsidy is still fiscally and practically possible once these temporary measures end, it would be good to revert the ETI to its original purpose and to extend it at the most generous rate to as many employers with the potential to hire young people as we can. It is also essential to exempt all small and newly formed firms from agreements reached at collective bargaining councils, for those firms are rarely, if ever, party to the agreement, and these agreements can impose minimum wages that are sometimes more than double the national minimum wage.

“The costs of employing young people are high relative to what they can produce and terminating contracts is a potentially costly exercise if the dismissal is contested.”

Finally, we should introduce modest reforms to hiring and firing. Making it easier and less risky for firms to terminate new employees during their probationary periods, for example, would help de-risk the employment decision, especially regarding new, inexperienced young workers.

The challenge with initiating reforms in this area, however, is entrenched opposition both within government and by powerful civil society organisations, especially unions. As the situation in the country gets more dire the countervailing pressure will hopefully rise to do something fundamental about this significant cause of youth unemployment.

To create momentum for reform we should look to experiment with a different labour market regime in at least one SEZ, thereby revealing what is possible in terms of attracting new investments under revised labour market rules. The minimum wage would still apply in the zone, as would general health and safety rules, but beyond that, factories would negotiate conditions of service at factory, not sectoral, level. If it is a demonstrable success, it may be possible to consider extending these policies to other parts of the economy and start creating jobs at the scale so desperately needed (read CDE's proposal for this [here](#)).

Reform the public training system and work with business

Government needs to fundamentally reform the skills system so that it starts producing, at scale, the kind of training that will raise the potential productivity of hundreds of thousands of young jobseekers, and thereby play a serious role in reducing youth unemployment.

We have argued that South Africa's approach to post-school training is falling far short of the ideal and there is room for huge improvement in the way young South Africans are trained. The crucial ingredient in bringing this about is through a much more intense and constructive involvement of business. As a country, we need to reflect more deeply on the opportunities and challenges for businesses and markets to be more effectively harnessed to create the kind of training system the country really needs. If government can initiate reforms to improve the way TVETS and especially SETAs work, it will then become much easier to draw businesses into meaningful partnerships with training institutions.

“While we wait for the economy to recover, it will be important to provide young people with public forms of employment.”

Improve the public works programme

While we wait for the economy to recover, it will be important to provide young people with public forms of employment, especially in a broad swathe of rural settlements where youth unemployment hovers at around 70 percent. The chances of local economic miracles happening in these areas are zero to very low.

However, if these public employment opportunities take the form of short spells of unproductive work, with no real training attached, they may turn out to be a waste of money.

The long-run goal of public works programmes should be to reduce the dependency of young people on the state. If they do not make young people more skilled and more employable, then they will really be just another form of state transfer that makes young people more, rather than less, dependent on the state. If public works experiences become just another short employment spell that leads nowhere then the only thing that will differentiate them from direct transfers such as the child support grant or the state pension, is that public works are more temporary and more expensive than direct transfers. It may be better, in that case, to consider using the public works money, much of which currently goes to public works administrators, to pay for various types of vouchers that would help young people to pay for travel or some kind of training.

Private sector priorities

Become a more effective voice for reform

Private sector organisations have initiated some important initiatives to do something about youth unemployment and some have partnered with the presidency to build a more comprehensive approach in the fight against this scourge. Unfortunately, this is far from enough to make a significant dent in this crisis of such massive proportions.

In the context of 9 million NEETs, there are still too many business-funded programmes that take the form of what Oxford's professor Paul Collier calls 'boutique projects': small, disconnected initiatives that benefit a few people, and end there. These projects generate some feel-good rewards for the funders when they work, and may make a difference for a select few, but they divert resources and energy away from the reforms that are needed to change most young people's lives.

Outside of working with the state, it is, of course, extremely difficult for any single private sector organisation to initiate the kind of changes that have a chance of making significant inroads into youth unemployment.

Private sector organisations can partner with one another, but even if that involves two or three large organisations, the aggregate numbers are unlikely to have a real impact on the scale of the crisis.

Partnership with government is an option with potential. There must be some concern, however, about getting mired in government dysfunction and losing the ability to adopt a critical role in relation to government practices and proposals that are not in the interests of business and the country.

“It is vital for the private sector to become an effective voice for broader reforms.”

It is vital for the private sector to become an effective voice for broader reforms. To do that, it needs to develop a comprehensive understanding of what might work to make government's contribution much more useful while also harnessing the involvement of business in an optimal way. Business should devote more resources to change, so that they can become a louder, more effective voice for a different approach; one that focusses on reforming, in a fundamental way, the public skills sector and demands all the changes, on both the demand and the supply side of the labour market, that are needed to connect young people to the real world of work. There must be a clear focus on bringing about an end to the massive exclusion that currently confines millions of young people to a life of poverty and dependency

Commit to an experimental approach

South Africa can no longer afford a situation where substantial resources are poured into projects that have no systemic impact. We need a more strategic set of interventions.

To achieve that, private sector organisations should consider and devote resources to projects that work as experiments. The aim must be to discover new ways of helping young people which if they succeed, can either be rolled out across the country or be used to push for changes that can make a real difference, at scale for the young people currently classified as NEET.³⁹

When deciding on whether to fund a pilot or experiment, the key criteria should be:

- Will it work?
- Can it be cost effective?
- Can it go to scale?

Of course, the very nature of experiments makes it impossible to be certain at the outset whether the intervention will deliver on these criteria. It is therefore critically important that all interventions are, first and foremost, accompanied by a credible monitoring and evaluation strategy, which combines internal and external (i.e., independent) processes. The latter is critical to ensure that projects are comprehensively evaluated, by an organisation that does not have a direct stake in the outcome of the project. This will also ensure that the results will be seen as credible by other agencies who want to take the approach forward. This requires transparency about the evaluation, so it becomes part of a nationwide learning approach, even when an intervention does not work.

Pilot projects must be well designed, and to ensure effective monitoring there must, at the outset, be an identification of the desired project outcomes, which should be clearly defined and limited in number. Similarly, the designers must have a defined, manageable list of performance indicators against which the project outcomes can be monitored. These must include a list of outputs to be delivered and signals that will provide early indications that the project is delivering results.

“Our research indicated that there are many organisations in disadvantaged areas like Bushbuckridge and Alexandra offering young people assistance by giving them access to the internet.”

Here are 4 proposals arising from our research:

1. Piloting demand-led training programmes

Demand-led training interventions can solve many of the challenges associated with most of the training undertaken in South Africa. As is evident from some of the successes achieved in the BPO sector and from many international examples, undertaking a programme in a specific sector, with the early involvement of employers, hugely increases the likelihood that the skills taught will be relevant and that employers will come to believe that those who have completed the training will be ready to step into available jobs. It is important to pick a sector that has growth potential in the South African context and can provide employment for young people without very high levels of skills, because it is they who are stuck in unemployment and

NEET status. This should also be achieved with minimal subsidies and should rather focus on responding to market signals about where the demand is located.

2. Providing more coordinated, systematic support and information to young people

Our research indicated that there are many organisations in disadvantaged areas like Bushbuckridge and Alexandra offering young people assistance by giving them access to the internet, and guidance about how to look for work and which training programmes and job opportunities they should apply for. On the whole, these organisations are making little difference and tend to have a limited understanding of the world of work. In some ways, they seem to strengthen the disconnection between young people and the real economy. Could this aspect of connecting NEETs to the world of work be improved and would that have a big impact on reducing the extent of their disconnection?

One way to assess the value of more coordinated support to disconnected young South Africans is by piloting the more coordinated approach proposed by the Basic Package of Support for Young People (see p. 7) an idea which has the support of the Presidency. It basically involves setting up guidance counsellors in disadvantaged neighbourhoods who would have an in-depth understanding of surrounding job and training opportunities, while also being connected to a national network of institutions that have the potential to support young people in various ways. The primary goal of the pilot should be to assess just how significant a difference such an intervention can make at what cost. Other issues that should be assessed are:

- What happens to existing youth centres in the area? Can they become part of the programme, and will that cause them to improve their effectiveness? If they are left out, how does that affect their role and the government funding that allows them to operate?
- The two main causes of weaknesses we identified in existing youth centres were a lack of accountability and a failure to understand or work with local employers. These issues need to be addressed in the pilot and the impact of such changes should be carefully monitored.

3. Subsidising job search through access to data

Young people appear to make extensive use of online job searching tools, and the Presidency has combined with Harambee to extend these practices further. In theory, access to the internet could reduce the disconnection that many NEETs face in faraway places with few reachable employment opportunities. To find out if access to data could reduce the penalties of living in areas physically distant from job opportunities, it may be feasible to conduct a randomised control trial (in which a treated group with subsidised data is compared to a control group who do not get the subsidy) to answer that question. Such an exercise could also be designed to assess the impact that different job search platforms, including the SAYouth.mobi app developed by Harambee,⁴⁰ have on the probability that young people become employed. As with all such experiments, incorporating a credible monitoring and evaluation aspect into the project and making the findings publicly available is critical if it is to teach us anything.

“CDE’s research shows what an enhanced understanding of the realities, challenges, and opportunities that young people confront implies for an intervention strategy.”

4. Supporting second chance matrics

A fourth possibility to enhance youth employability is to explore ways of expanding the ability of private colleges to provide effective support to students trying to get through the DBE’s Second Chance Matric Programme. Awareness of this programme amongst potential candidates is extremely low and the minimal support it offers has limited impact in enabling young people to pass matric on their second attempt. To do something constructive about these challenges, a private sector funder, or the state, or partnerships between the two could initiate a programme consisting of the following elements:

- Map private providers of second chance matric programmes in and around a city (possibly Johannesburg where many such providers already exist) and obtain a preliminary sense of the quality and cost of the educational support they provide;
- Launch and administer a credible programme whereby a random selection of applicants wanting to get a second chance at matric would get their fees, or a portion of their fees, covered for the year; and
- Monitor and evaluate the progress of the beneficiaries compared to that of a control group.

Such a project can be used to assess whether and how such support can make a real difference in the lives of disadvantaged NEETs with no matric, while also working as a way to promote policy shifts that would lead to the better harnessing of private education capabilities to tackle the NEETs crisis.

Concluding remarks

This report has pulled together existing research on South African NEET youths and supplemented it with our own fieldwork in two areas of the country: Alexandra and Bushbuckridge. CDE’s research shows what an enhanced understanding of the realities, challenges, and opportunities that young people confront implies for an intervention strategy. We pointed to the importance of targeting township and former ‘homeland’ areas, where the challenges facing young people are extreme; and we have identified the additional disadvantages that women and young people who have not achieved a matric confront, arguing that they merit distinct consideration.

Two broad issues must be addressed if we, as a country, are to make inroads into the catastrophe facing our young people.

On the demand side, we need urgently to reform the economy so that it both grows and creates many more suitable job opportunities for inexperienced, unskilled young people. On the supply side, it is necessary to tackle the dysfunctional nature of the country's training system. These are the priorities that government must adopt if it is serious about tackling the NEETs crisis in a meaningful way.

At the same time, government cannot do this alone. It is critical to draw on the strengths of private sector organisations who are active in this battle. Skills training can only improve and produce the outcome we need if business becomes more active and involved in both the design and the delivery of public sector training programmes. Private sector funders must focus on using their resources for change, both through 'voice' (ie advocacy) and by demonstration. The latter can happen in the form of carefully monitored, independently evaluated, transparent and replicable experiments.

Any intervention undertaken while the core challenges of faster, more labour-intensive growth and an effective training system are not addressed will have only a minor impact on the NEETs crisis that threatens to engulf South Africa. It is important to bear in mind two things:

- As the top education official in Ghana said at a CDE workshop 10 years ago, 'stop-gap' interventions could, within the context of a failing economy, lead to more angry, frustrated, and disappointed young people when participants in well intentioned initiatives fail to find employment after their additional efforts and sacrifice to better equip themselves for work. This is a scenario that the country in its current state cannot afford.
- A faster growing economy that is more labour intensive and needs the kinds of young inexperienced work seekers SA has in far too much abundance, will by necessity pull young people into work. Companies will devise ways to find and train workers. In this way the enormous challenge we face, will lessen as the pace of growth and demand for labour multiplies.

“Any intervention undertaken while the core challenges of faster, more labour-intensive growth and an effective training system are not addressed will have only a minor impact.”

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CATASTROPHE: CDE's statement on youth unemployment, June 2021

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Agenda 2019: Tackling youth unemployment, April 2019

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No Country for Young People: The crisis of youth unemployment and what to do about it, August 2017

Business Growth and Inclusion: Tackling youth unemployment in cities, towns and townships, August 2017

Citizens in Action: How to build constructive business-government relationships in urban areas, August 2017

The Growth Agenda: Jobs, April 2016

The Growth Agenda: Skills, April 2016

Cities of Hope: Young people and opportunity in South Africa's cities, March 2014

Endnotes

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