

# Youth unemployment in south arica

[Economics](#), [Macroeconomics](#)



Majority of the people of South Africa face the harsh reality of not working. Therefore more people are in need of work, hence South Africa needs to have more inclusive labour market. Statistically the numbers show that out of a population of 50 million people, only 13.1 million are employed. This means the majority of South Africans face further challenges of poverty, inequality and social inequities as a result of the exclusion from the labour market (National Treasury, 2011). Of the people included in the exclusion from the labour market, the focus in this essay lies with youth unemployment in South Africa. South Africa defines youth as people between the ages of 15 and 34 years old while the International Labour Organisation (ILO) defines youth in a more restricted manner as people between the ages of 15 and 24 years. Using South Africa's definition, in December 2010, about 3 million young people were unemployed and 1.3 were discouraged. This translates to about 72 per cent of the overall unemployment. On the other hand when using the ILO's definition, the number of unemployed youth is more than 1.2 million which translates to 30 per cent of overall unemployment. This means that one in every two young people looking for work was jobless (National Treasury, 2011). Evidence shows that young people are disadvantaged in the labour market and in most cases are left without basic competencies due to shortfalls in the education system which constrain them, the lack of work experience which would provide vital on-the-job learning and training and the lack of contact with the job market and ability to develop networks which is an important factor in improving employment. Therefore, together this suggests a gap between young entry-level workers and productivity and discourages firms from hiring young

workers whose productivity cannot adequately be assessed (National Treasury, 2011). From the above mentioned, youth unemployment in South Africa is clearly an issue that needs to be explored with detail in order to gain insight as to what are its causes and what interventions can be put into place to alleviate youth unemployment and there improve youth employment. This essay therefore aims to discuss the possible causes of youth unemployment and the National Development Plan (NPD) with regards to their interventions on the issue. Furthermore, suggestions of what role the government could play in improving the level of youth employment will be explored together with the pros and cons of those suggestions.

#### Causes of Youth Unemployment

There are numerous reasons as to why such a large number of young people are unemployed. To begin with these include issues related to the fact that employers require skills and experience when looking to employ new people. Majority of the youth is regarded as unskilled, inexperienced jobseekers and therefore would be a risky investment for employers. Schooling and education are not substitutes for skills and are not reliable signals of capability; they are only necessary but are not sufficient for employment. Therefore given the levels of uncertainty pertaining to this group of young people, the employers view is as the risk of hiring inexperienced workers does not match the entry-level wages, they are too high (National Treasury, 2011). Another cause is due to the education system. It generally has failed to prepare young people with fundamentals such as numeracy, literacy, critical thinking and problem solving skills. Furthermore the education system does not encourage procurement of values such as self-discipline and work ethic that are necessary in the

workplace. In addition when evaluating the group unemployed youth it is found that they are a highly diverse group with varying levels of education. Therefore it proves impossible for employers to establish which of the new labour market entrants who have completed secondary education are best equipped to enter the world of work. Excluding tertiary education this is true at all levels of education attainment (Development Planning Division, 2011). As a result of the above explored causes, many interventions have emerged. Specifically in this essay, the interventions established by the National Development Plan (NDP) will be discussed. National Development Plan The NDP is a plan created in 2011 to get rid mass poverty and sharply reduce inequality by 2030. The plan suggests that the government should shift the balance of spending towards programmes that help people improve not only their live but also the lives of their children and the communities in which they live in (National Development Plan, 2011). The overall plan is to create jobs, expand infrastructure, to make better use of resources, to have inclusive planning, quality education, quality healthcare, to build a capable state, fight corruption and to unite the nation. All of which leads to prosperity and equity of the nation as a whole (National Development Plan, 2011). The NDP has job creation vision which specifies creating 11 million more jobs by 2030. The plans key objectives include creating an environment for sustainable employment and economic growth, to promote employment in labour absorbing industries, to strengthen government capacity and to demonstrate strategic leadership among stakeholders (Forrest, 2012). As it stands, the NDP is a draft plan and improvements to it were being accepted from as many people as possible the President appointed commission could

consult (National Development Plan, 2011). Proposed Government Interventions Finally, before conclusions can be drawn, suggest of actions or policy interventions that the government could implement as ways to improve the South African youth employment issue will be discussed together with the pros and cons associated to them. The government policy interventions that address the youth employment are required to concentrate on closing the gap between productivity and real wages for young workers in a manner which is sustainable and that allows young people to access decent employment in well-regulated and formal jobs. These policy interventions should be viewed as interdependent and closely related. Meaning a combination or multi-pronged approach would more likely provide greater potential for the youth to gain decent jobs and therefore alleviate youth unemployment (confront). The policy interventions to be discussed include economic growth and improvements in education as a few out of the many ways the government can mark its contribution in improving youth employment. Economic growth A growing economy increases labour demand and opportunities of decent employment; therefore policies that support such economic growth (which needs to be sustained) are very important. Between 2003 and 2008, as GDP growth averaged about 4.9 per cent, South Africa created approximately 2 million jobs. Much of this job creation was concentrated in sectors that enjoyed rapid growth such as construction (500 000 jobs) and finance (520 000 jobs) with almost 90 per cent of the job creation in the formal sector (National Treasury, 2011). During this period economic growth was largely labour absorbing and compared to most emerging markets (including the BRIC group of Brazil,

Russia, India and China) South Africa's employment growth was stronger. Youth employment (15-24 years old) expanded at an annual rate of almost 6 per cent per year, faster than for any other age group, meaning that the economic growth played a bigger role in creating employment for young people (National Treasury, 2011). The pro of this policy is the betterment of the country as a whole, meaning (theoretically) a better standard of living in South Africa. The con is that the measures of how much of that economic growth is inclusive of young people who are in need of employment and the kind of employment they are offered are not in place. From the statistics given, it is unclear how much of the 4.9 per cent growth in GDP accounts for the youth development and employment. Graph 1: Solow Growth Model

Graph 1 depicts the Solow Growth Model for an increase in the productivity factor ( $z$ ) which leads to a sustainable growth in the economy. The movement from  $k$  (at  $A$  and  $y = zf(k)$ ) to  $k'$  (at  $A'$  and  $y = z'f(k)$ ) and further to  $k''$  (at  $A''$  and  $y = z''f(k)$ ). Other exogenous variables such as an increase in savings or increase in government spending lead to economic growth but only the short-run or for one period (Macroeconomics, 2013). Education Previously it was mentioned that employers are looking for skilled new young entrants and the necessary skills (but not sufficient) require a solid education which is of high quality. The failures of the current education system add to the challenges faced by the youth and are the fundamental constraint on the quality of young workers that are seeking jobs. Data from education shows that the continuation rates from grade 11 to completing high school (National Treasury, 2011). Therefore there is a critical need to curb drop-out rates before completing high school and encourage more channels for more

students to further their education to a tertiary level. The long-term priority for the government spending should include improving the education system in terms of the quality of student it produces and also in terms of the quality of skills transferred in the process. Furthermore the government should implement a structure where the improvements can be measured and continuously and closely evaluated (National Treasury, 2011). The pro for this government intervention is that in the long-run there will be a much lower drop-out rate before the completion of at least high school and the quality of school leavers will be much higher. Furthermore there should be an increase in young people completing tertiary level education. The cons include the fact that this required time and very close and constant evaluation in order for it to work and show positive results. There needs to be very detailed and properly planned out infrastructure to coordinate this change and skilled people are needed to implement it efficiently. Therefore the availability of the necessary resources could take time to avail itself and prolong the whole process as a result.

Graph 2: Government Spending on Education

Graph 2 shows the percentage of government spending on education South Africa from January 2002 till January 2010. A pattern of a decreasing rate of government expenditure on education can be viewed on the graph from January 2002 till January 2008 and from there an initial small growth in government expenditure on education in January 2009. The highlight is in January 2010 where a great increase can be observed from 2009, this marks the highest percentage of government expenditure on education in this period (2002-2010) which one can infer that the government sees the need to fund this sector and have already started

putting in great funds into education based interventions (Google Images, 2013). In conclusion, in South Africa about half of all 18 to 24 year olds are unemployed and their likelihood of finding decent employment is much lower than that of the older unemployed group. With the lack of experience, skilled, educations, these young people have little to no chance of becoming employed. Therefore this is essentially an economic problem and results in a waste of potentially productive resources. Moreover, further implications of unemployment are poverty, crime, violence, political disengagement and the weakening of social solidity (Development Planning Deivision, 2011). Many of the causes of youth unemployment have been discovered and explored and provide a solid starting point in understanding where this huge issue stems from. The National Development Plan serves as one of the major ways forward with its aim to alleviate poverty and drastically reduce inequality by 2030. This suggests a long-term goal that requires many short term contributions in order to meet their objectives (National Development Plan, 2011). Government need to play a huge role in improving youth employment and need to develop and undertake interdependent and related interventions. They will need design measures that will show whether proposed policy interventions result in desired effects on job creation, employment and the youth labour market. Therefore it is critical to establish credible and effective ways ascertain the policy's success (Development Planning Deivision, 2011). Overall various ways of tackling the problem of youth employment exist. Essential for each of them to have a fighting chance, they have to have a detailed understanding of the problem (youth unemployment) in order to craft a strategic and programmatic response that



will yield the desired outcomes (improved youth employment). The different strategies emerging from government, public institutions, the private sector and civil society should be leveraging off each other to achieve a greater outcome (Development Planning Deivision, 2011). References Development Planning Division (2012). Youth Employment Strategies for South Africa. Retrieved from <http://led.co.za/document/youth-employment-strategies-south-africa> National Development Plan 2030 (2011). Retrieved from <http://www.info.gov.za/issues/national-development-plan/> National Treasury (2011). Confronting Youth Unemployment: Policy Options for South Africa. Retrieved from <http://www.info.gov.za/issues/national-development-plan/> Government Spending on Education in South Africa (2013). Retrieved from <http://www.tradingeconomics.com/south-africa/public-spending-on-education-total-percent-of-government-expenditure-wb-data.html> Macroeconomics (2013). Retrieved from <https://vula.uct.ac.za/portal/site/475e8a9a-9b1c-4c9c-8fd0-a5ce41cfaf5b/page/28e00ea1-df55-499c-8d1c-51cdb0ab5bd9>