

Employment

TACKLING HIGH YOUTH UNEMPLOYMENT

- ▶ Poor labour market outcomes for youth are a key economic and social challenge in South Africa, threatening social cohesion and preventing the country from reaping the demographic dividend of its relatively young population.
- ▶ One in two young people in the labour market is unemployed and nearly one in three young people is neither in employment, nor in education or training (NEET).
- ▶ Amongst working youth, the quality of employment is frequently poor, with high labour market insecurity.
- ▶ Addressing poor labour market outcomes for youth will require measures to boost job creation, increase employability through better education and training, promote entrepreneurship, improve job quality, and strengthen social protection.

What's the issue?

Almost one in two active young South Africans is unemployed, compared to 22% of prime-aged adults (aged 25-54) and less than 7.5% of older adults (55-64). At the end of 2015, only Greece and Spain among OECD and G20 countries recorded higher youth unemployment (see Figure). Moreover, there are striking differences among South Africa's youth, with unemployment significantly higher among young women, Black Africans, and the poorest economic groups.

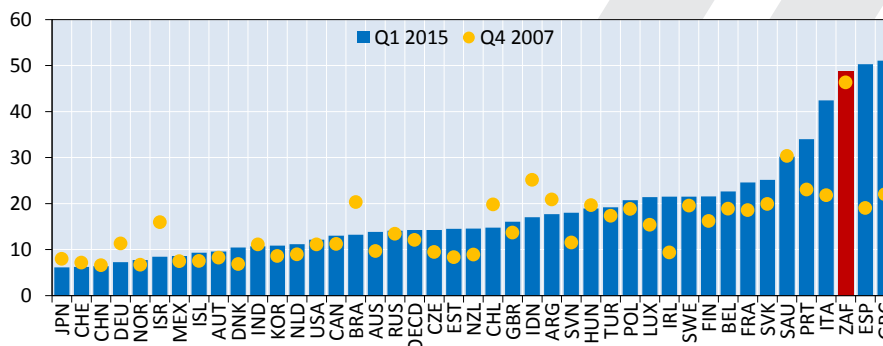
Moreover, unemployment figures do not reflect young people who have left school and are not actively looking for work, often because they have become discouraged about their prospects for finding work. Around one

third of all young people in South Africa fall under this category and may be classified as NEET – more than twice the OECD average.

Amongst working youth, the quality of employment is often very poor. Informality is common, with approximately two in five young workers not covered by social security (compared to one in four adults). In general, job quality in South Africa is low. A recent OECD assessment showed that, among emerging economies, South Africa has not only the lowest earnings quality (as measured by both the level and dispersion of earnings), but also high job strain and labour market insecurity.

South Africa has one of the highest youth unemployment rates among OECD and G20 countries

Youth unemployment as a percentage of the youth labour force



Note: Selected urban areas for Brazil and Argentina. Instead of Q4 2007 the figure shows 2005 for China, 2007/08 for India, Q3 2007 for Indonesia and Saudi Arabia, and Q1 2008 for Argentina and South Africa. Instead of Q1 2015 the figure shows: 2010 for China; 2011/12 for India; Q1 2014 for Indonesia; Q3 2014 for the Russian Federation; Q4 2014 for Argentina, Brazil, Estonia, Greece, Hungary, Norway, Saudi Arabia, South Africa, Switzerland, Turkey and the United Kingdom.
 Source: OECD Short-Term Labour Market Statistics Database and national sources.

Why is this important for South Africa?

The failure to integrate young people into the labour market threatens social cohesion. In particular young NEETs are at risk of having their future work career permanently “scarred” by prolonged spells of not working. Reaching out to this group and ensuring they are given the help needed to find employment or opportunities for further training is a key challenge for South Africa. Moreover, in the context of the post-apartheid transition, the over-representation of black South Africans in the NEET population is a particular concern. In recent years, there have been frequent occurrences of labour unrest, which can be traced back at least in part to the lack of job opportunities and the difficulties that many South Africans face in making a living.

In this context, the National Development Plan 2030 rightly aims to “reduce alarming levels of youth unemployment and to provide young people with broader opportunities”. The plan sets ambitious targets and a number of policies and programmes have recently been put in place to achieve them. Nonetheless, much remains to be done to unleash the potential of South Africa’s youth and to reap the demographic dividend of its relatively young population.

What should policy makers do?

- ▶ Increase youth employability by investing in both the quantity and quality of education and providing greater opportunities for vocational education, while tackling inequalities in the educational system and building closer ties between the worlds of education and work.
- ▶ Promote entrepreneurship by introducing a stronger focus on entrepreneurship in schools, increasing investment in training programmes, raising awareness of existing programmes, providing continuous support to new entrepreneurs and reducing red tape.
- ▶ Improve job quality for those youth in employment by providing better opportunities to move into more rewarding and productive jobs.
- ▶ Further improve and extend existing public works programmes, expand the coverage of unemployment insurance and put in place retirement savings mechanisms for low-wage workers.

- ▶ Increase investment in employment services by establishing a public employment service as a one-stop shop for job seekers and adopt and mainstream new technologies to increase service availability and accessibility.
- ▶ Closely monitor and evaluate the impact of the 2013 Employment Tax Incentive Act.



Further reading

OECD (2015), “Enhancing Job Quality in Emerging Economies”, in: *OECD Employment Outlook 2015*, OECD Publishing, forthcoming.

OECD and ILO (2014), *Promoting Better Labour Market Outcomes for Youth*, report prepared for the G20 Labour and Employment Ministerial Meeting in Melbourne, Australia, on 10-11 September 2014. <http://www.oecd.org/g20/topics/employment-and-social-policy/OECD-ILO-Youth-Apprenticeships-G20.pdf>

OECD (2013), *The OECD Youth Action Plan for Youth – Giving Youth a Better Start in the Labour Market*, OECD Publishing. <http://www.oecd.org/employment/Action-plan-youth.pdf>