



CENTRE FOR DEVELOPMENT AND ENTERPRISE
Informing South African Policy

SOUTH AFRICA'S 'DOOR KNOCKERS'

Young people and unemployment
in metropolitan South Africa



CDE In Depth no 8

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Cover: Hundreds of youths and others queue at the gates of a Johannesburg company after it posted notices in 2004 saying it had job vacancies. Photo: Shaun Harris / PictureNet Africa



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July 2008

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CDE IN DEPTH provides South African decision-makers with detailed analyses, based on original research, of key national issues.

Series editor: Ann Bernstein

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Acronyms

BDSVP	Business Development Support Voucher Programme
CIDA	Community and Individual Development Association
CSI	corporate social investment
DPW	Department of Public Works
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
EPWP	Expanded Public Works Programme
GEP	Gauteng Enterprise Propeller
HSRC	Human Sciences Research Council
JIPSA	Joint Initiative for Priority Skills Acquisition
MSR	Man on the Side of the Road
NRF	National Research Foundation
NSF	National Skills Fund
NVCL	National Venture Creation Learnership
NYSP	National Youth Support Programme
TABEISA	Technical and Business Education Initiative in South Africa
TEP	Business Trust Tourism Enterprise Programme
UYF	Umsobomvu Youth Fund
YAC	Youth Advisory Centres

Executive summary

UNEMPLOYMENT 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.

This is not a neglected problem; both government and business are aware of the threats that unemployment poses to our economic wellbeing and social fabric. They, as well as non-government organisations and foreign donors, have launched various job creation schemes. However, little has been done to investigate their efficacy.

To help fill this gap, CDE designed a research project aimed at surveying and assessing current job creation ventures. Given the central role of South Africa's metropolitan areas in economic growth and job creation, the project focused on these areas of comparative economic dynamism. There were two main research elements. The first was a series of sample surveys in the three largest metropolitan areas – Johannesburg, Durban, and Cape Town – of young people (both employed and unemployed). The surveys aimed to probe 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, South Africa's level of youth unemployment 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.

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 quickly reduced at 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 moving rapidly to the large metropolitan areas. As a result, job creation efforts should largely

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the private sector

focus on these areas, where they can build on the dynamism of the urban economy, are easier to implement 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 sector 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 better 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) rather than 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 they were 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. Data from Statistics South Africa and from CDE's South African Young Persons survey show that about 2,6 million people under 24 who would like a job cannot find one, and that the majority of these people have never had a job. Although current programmes may have valuable demonstration and morale effects, and are undoubtedly helping some people to find jobs – even if many are of short duration or part time – they are not making a significant dent in the number of unemployed young people.

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Some public sector initiatives used a large proportion of their energy and resources for narrow political purposes

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 tackling 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 in terms of:

- What constitutes 'employment' in terms of project goals. How 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).

Government capacity
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sector employment
creation initiatives in
the financial sector

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- 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, and underline the fact that specially or artificially created jobs are not a path to sustainable development in this country. Recognition of this fact sets a challenge for both government and private sector:

How can this energy and these resources be harnessed to make a real difference in the only way that matters – by going to scale?

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

Main report

Introduction

IN ADDRESSING THE most serious challenges on the policy agenda, what should be done has to be approached via an appraisal of what is being done. This was CDE's motivation for undertaking this study of young people and employment in South Africa's metropolitan areas.

The key challenge was to learn more about the many and varied job creation initiatives, launched by the government, private sector, and civil society, aimed at reducing the number of young unemployed people.

At a minimum we wanted to start building a database of socio-economic interventions, and analyse the cost-effectiveness and efficiency of the various programmes. As we will demonstrate, this second goal proved to be very difficult to achieve, and the results fell short of our expectations.

However, we still believe we have enough evidence to reach some interim conclusions about the nature and efficacy of current job creation interventions aimed at young people, and provide some pointers towards how to address the wider challenge of unemployment.

Another goal was to learn more about young people and the labour market. The costs of South Africa's shocking youth unemployment rate include not only blighted individual lives, but also retarded, or even lost, human and social capital, as well as threats to social stability and cohesion.

Bearing this in mind, CDE wanted to profile aspects of young people – both employed and unemployed – relevant to the labour market. In particular, we wanted to probe for evidence of the 'lost generation' that haunts the public imagination – of discouraged, apathetic young people, a danger to themselves and society.

CDE's approach to these challenges and issues was shaped by one central conviction: that the private sector-driven growth of South Africa's metropolitan areas provides the best opportunities for young people in the labour market, and the best setting for interventions aimed at helping them capitalise on opportunity. For this reason, the sample surveys of young people and the surveys of programmes of intervention were both based in South Africa's three largest metropolitan areas.

As part of this emphasis on metros and private enterprise, our research included a detailed review of available data on South Africa's metropolitan economies, and an interview-based case study of employment initiatives undertaken by the companies involved in the Financial Services Charter.

We hope this report will help better equip stakeholders in the South African economy to face the challenge of youth unemployment – so that the 'door knockers' do not knock in vain.

CDE wanted to profile aspects of young people – both employed and unemployed – relevant to the labour market

Understanding the challenge

The scale of youth unemployment

Fifty-seven per cent of young unemployed people have been jobless for more than a year

Many countries define the end of youth in terms of 'the age of majority', often 18 years. However according to the United Nations the operational definition and nuances of the term 'youth' often vary from country to country, depending on specific socio-cultural, institutional, economic and political factors.¹ In South Africa there is no uniform classification of young people by age. The official government definition – enshrined in 'youth policy' – is from 14 to 35. Economists and others assessing statistical trends often take 15 to 24 as their defining period. This includes young people from when they reach working age until they cease to be classified as 'young adults', which is the cut-off point generally endorsed by the United Nations. However, some analyses of unemployment in South Africa take 16 as their starting point. This report uses 15–24 in categorising youth, except where otherwise stated. Later in the document we discuss the reasons for and possible consequences of the official government definition of youth as 14–35.

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. Sixty-five per cent of them – 2,6 million young people – were unemployed. The simple truth, therefore, is that most young South Africans are unemployed.²

Research on the patterns and dynamics of youth unemployment reveals a grim picture:

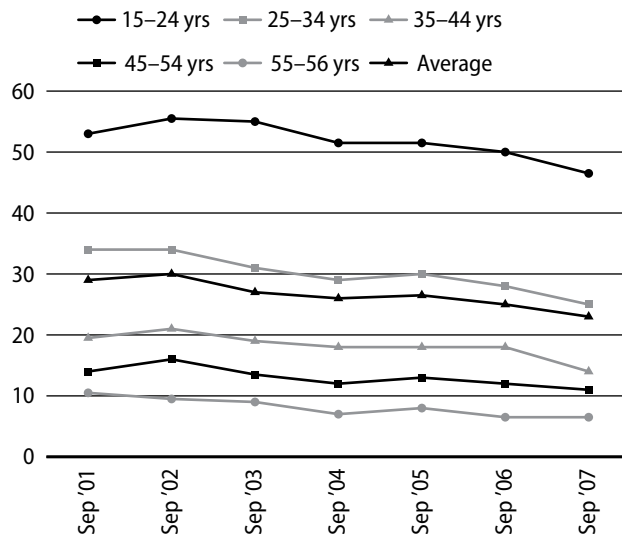
- Fifty-seven per cent of young unemployed people have been jobless for more than a year.³
- Seventy-eight per cent of unemployed people aged 20 have never had a job.⁴
- This figure declines to about 30 percent for those in their 30s, but is still extremely high: it represents one in three of a generation whose members will probably remain unemployed for the rest of their lives.⁵

A slightly more positive picture emerges from longer-term trends in youth unemployment. The unemployment rate among young South Africans, including those who had stopped looking for work, peaked in 2003 at 70,4 per cent. By 2005 the rate had fallen to 65,2 per cent.⁶ This decline continued in 2006, with a very slight upturn in 2007. The reductions that have occurred, however welcome, are too small to support any notion that the problem of youth unemployment will somehow disappear automatically as a by-product of continued economic growth at current rates, especially as estimates of future growth are being revised downwards.

Figure 1, based on the official definition of unemployment (see box: **Definitions of unemployment**, page 16) plots these trends, and also reveals that young people experience by far the highest unemployment rates.

It shows that the only factor which seems to significantly improve the employment prospects of young people is getting older. This suggests that young people are, as economist Miriam Altman puts it, 'queuing for work', only finding it after the age of 30.⁷

Figure 1: Unemployment rate (strict definition) by age, September 2001 to September 2007 (%)



Source: Statistics SA, Labour Force Survey, September 2007.

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Only small numbers of young job-seekers are successful, and many quickly become disillusioned

In short, current data shows that youth unemployment is very extensive, and dangerously entrenched. Only small numbers of young job-seekers are successful, and many quickly become disillusioned. The enhanced rates of economic growth over the past six years have slightly improved the situation, but growth is currently slowing once again. All things considered, the problem of youth unemployment will not disappear naturally unless the economy grows at a spectacular rate.

Learning from international comparisons

The problem of jobless young people is a major concern in a number of developed and developing countries. How bad is South Africa's situation compared to theirs?

A good overview of the international situation appears in the 2007 World Development Report, which points out that youth unemployment is at an all-time high. At the moment 1,5 billion of the world's people fall in the 12-24 age group, and 1,3 billion of them live in developing countries. Young people make up 25 per cent of the working age population worldwide, but 47 per cent of the unemployed. The global unemployment rate for young people has increased from 11,7 per cent in 1993 to 14,4 per cent in 2003.

Within these overall figures, the following trends have been observed:

- Youth unemployment varies widely across regions, from a low of 7 per cent in East Asia through 13,4 per cent in industrial economies to 25 per cent in the Middle East and North Africa.
- Across all markets youth unemployment rates are two to three times higher than adult unemployment rates, regardless of levels of aggregate unemployment.
- In the Arab Republic of Egypt, Indonesia, Qatar, and the Syrian Arab Republic, youths make up more than 60 per cent of the unemployed.

Definitions of unemployment

Statistics South Africa uses the following terms to describe the South African labour market, and therefore to define unemployment.

Working-age population: all people aged between 15 and 65.

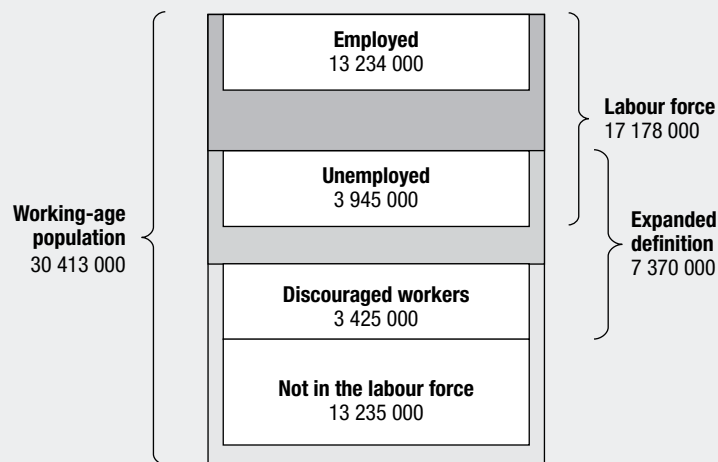
Labour force: The sum of employed and unemployed people.

Not in the labour force: People who are not available for work. These include scholars and students, full-time homemakers, retired people, and people who are unavailable or unwilling to work.

Employed: People aged between 16 and 65 who did any work, were in a job, or had a business in the seven days prior to the survey interview.

Unemployed (official definition): People aged between 15 and 65 who did not work or run a business in the seven days prior to the survey interview, but had looked for work or taken steps to start a business in the four weeks prior to the interview, and were able to work within two weeks of the interview.

Discouraged work-seekers: Unemployed people who are available to work but say they are not actively looking for work. Statistics South Africa no longer publishes an 'expanded' definition of unemployment. The number of people in what used to be termed 'expanded unemployment' is equal to the number of unemployed people in terms of the official definition plus the number of discouraged work-seekers.



Official unemployment rate: The number of unemployed people expressed as a percentage of the labour force.

$$\frac{\text{No. of unemployed (3 945 000)}}{\text{Labour force (17 178 000)}} \times 100 = 23\%$$

Expanded unemployment rate: The sum of unemployed people and discouraged workers expressed as a percentage of the labour force.

$$\frac{\text{No. of unemployed (3 945 000) + No. of discouraged (3 425 000)}}{\text{Labour force (17 178 000)}} \times 100 = 42,9\%$$

Labour force participation rate: The number of people in the labour force expressed as a percentage of the adult population.

$$\frac{\text{Labour force (17 178 000)}}{\text{Working-age population (30 413 000)}} \times 100 = 56,5\%$$

Labour absorption rate: The percentage of the population of working age who were employed.

$$\frac{\text{Employed (13 234 000)}}{\text{Working-age population (30 413 000)}} \times 100 = 43,5\%$$

Source: Statistics SA, Labour Force Survey, September 2007.

- In most developing countries, the youth unemployment rate is higher in urban than in rural areas, and higher for young women than for young men.
- In most countries, young people with fewer skills are more likely to struggle to find work than their skilled counterparts.
- However, skills and education do not guarantee employment: in some developing countries unemployment rates are very high even among educated youths, a matter of great concern to many countries in the Middle East and North Africa.
- In countries where young people are jobless for long periods, they are discouraged from remaining in the labour force.⁸

The World Bank report makes the following general comment: ‘Across all societies, starting an independent livelihood is not easy, especially because the key to opening opportunities is one’s track record – in work habits, job-related skills, and repaying loans. No wonder that unemployment rates for youth are systematically higher than for older generations.’ However, it goes on to emphasise some specific factors. Two in particular are worthy of note from a South African perspective:

- In some middle-income countries with rigid labour market institutions, the gaps between youth and adult rates of unemployment are very wide, leading to enormous costs in terms of foregone skills-building.
- In the poorest countries, youth unemployment rates are very low and employment rates are very high (although employment in desperate situations is no guarantee against poverty). As country income increases, youth unemployment also increases – a likely reflection of available alternative sources of income and safety nets that make it possible to be unemployed.⁹

One of the working papers for the World Development Report classifies a selection of countries into two youth unemployment categories. Vietnam, Poland, Bolivia and Uganda (5–19 per cent) are classified as exhibiting low unemployment and high employment rates, whereas Bulgaria, Egypt, El Salvador, Pakistan, and Niger (10–39 percent) are seen as displaying high unemployment and low employment rates.

The working paper reports the following youth unemployment rates for developing countries (table 1):

Table 1: Youth unemployment rates in selected countries (%)

Country	Unemployment rate
Bulgaria	39
Egypt	24
Niger	21
Poland	19
Bolivia	14
El Salvador	11
Pakistan	10
Uganda	6
Vietnam	5

Note: Youths are defined as people between the ages of 15 and 24.

Source: J Fares, C Montenegro and P Orazem, *How are youths faring in the labour market? Evidence from around the world*, World Bank Working Paper, 2007.

In most countries, young people with fewer skills are more likely to struggle to find work than their skilled counterparts

With a youth unemployment rate of 65 per cent in 2005, South Africa is in a league of its own. It has been wealthy enough to afford the 'alternative income sources and safety nets' which the World Bank says can help carry a very high unemployment rate (although for how long and at what indirect costs is uncertain); and its economy has been successful at creating new jobs (1,3 million between March 2003 and March 2007).¹⁰ However, more than half its young people who want to work are unable to find employment. This represents a serious challenge from any angle. Youth unemployment is a challenge for all South Africans.

With a youth unemployment rate of 65 per cent in 2005, South Africa is in a league of its own

Countries in many parts of the world face a 'youth unemployment problem'; however, South Africa's situation is particularly extreme, and also stubbornly entrenched. The actual and potential implications are serious, and include threats to:

- Political stability; there is no greater betrayal of hopes of political liberation than a continuing shortage of jobs.
- The long-term viability of the fiscal system, as well as plans for a new comprehensive social security system, by keeping the base of taxpayers and contributors low.
- Social integration, by prolonging young people's dependence, placing burdens on the elderly, and inhibiting the formation of productive family units.

Once again, the World Bank report is helpful on specifics. It highlights three consequences of youth unemployment in particular that should concern South Africans:

1. Initial and extended failure to get a job may lead more readily to workers becoming discouraged than if they experience unemployment later in life, after they have obtained and held a job. Thus the higher the rate of youth unemployment, the more likely it is that large numbers of workers will become discouraged, and disengage from the labour force.
2. The longer young people cannot find work, the more this damages the process of acquiring human capital, which is a key determinant of living standards. Initial delays in finding work are particularly destructive because they deny people the opportunity to acquire work experience and cumulative workplace skills. Long-term integration with the labour market is made more difficult.
3. Young people who cannot find a place in productive society (in other words, a job) are more likely to resort to antisocial behaviour. Evidence for this exists for France, the United States and Sri Lanka. French studies revealed that 'youth difficulties' in the labour market increased crime rates. In the United States unemployment has been shown to be strongly correlated with the probability of incarceration. In Sri Lanka 'high youth unemployment was cited as the main cause for large-scale unrest of Sinhalese youth from the rural south. The second insurgency from 1987 to 1991 brought the country to the verge of collapse and left 40 000–60 000 dead or missing, most of them youths'.¹¹

There is evidence of these three dangers in South Africa. First, the number of young discouraged workers is very high, as is the number of young people who have been looking for work for more than three years. One study by the international panel of economists commissioned by the National Treasury to study the South African economy shows that in a sample of 2,5 million people between the ages of 16 and 24 who were available for employment, 28,7 per cent were discouraged, while only 20,4 per cent were employed in the formal sector.¹² That is, there were more discouraged workers in this group than there

were formally employed youths. Forty-two per cent of the sample were unemployed but were still searching for a job. Over a six-month period 21,8 per cent of the discouraged dropped out of the workforce completely and became 'not economically active'. Of those who had been searching for a job at the beginning of the period, 35,4 per cent became either discouraged or not economically active, while only 7,5 per cent obtained a formal job.

Thus young South Africans spend many years in unsuccessful searches for employment; high school dropouts go directly into unemployment, and are likely to remain there. Those aged 16–24 who are searching for a job are far more likely to make the transition to discouraged worker status than they are to obtain employment (in the formal or informal sector). The CDE research report *Paths to Employment* (2007) concludes that 'besides the widespread occurrence of unemployment, unemployment tends to last for a long time. Three quarters of unemployed youths have been jobless for more than a year, and a quarter for more than five years. By the age of 30 many of the unemployed have never had a job, and seem likely to remain on the fringes of the labour market for the rest of their lives.'¹³

Secondly, this attrition is undermining the development of South Africa's already scanty human capital. This is borne out by the fact that 'those with previous work experience spend less time in unemployment.'¹⁴ Work experience and on the job training are among the best ways to improve the skills base of the workforce. The government has constructed an elaborate skills development framework to overcome this deficiency, but most analyses of this programme have pointed to the problems created by its ambitious scope, uneven levels of effectiveness, and variable commitment of stakeholders within the Sector Education and Training Authorities (SETAs). It is proving extremely difficult in the current policy environment to provide unemployed people with skills that will make them more employable.¹⁵

Thirdly, there is widespread concern about the corrosive social effects of youth unemployment. These are based, understandably enough, on intuitive links between the frustrations of (especially long-term) exclusion from the labour market and crime, violence, and anti-social behaviour.

Paths to Employment provides some direct and indirect evidence to support these intuitions. The report is based on a large-scale survey of unemployed youths which found, among other things, that 'most unemployed people are dissatisfied with their lives'. This finding, the report argues, 'has major negative social implications. It inclines young people towards risky behaviour and crime, and provides a ready-made constituency for populist politicians.'¹⁶

The report also draws attention to the fact that 'unemployment is not only associated with unhappiness but also with hunger; more than two-fifths (43 per cent) of the survey sample had experienced problems with satisfying household food needs.'¹⁷ The most direct evidence for any predilection for crime among unemployed youths in this study came from focus group discussions which found that, as long as no one was being hurt, some (of the unemployed) considered crime to be a form of employment. More tolerable forms included theft, CD piracy, cell phone theft, identity fraud, shoplifting, cash heists, and vehicle theft.

In the end it should be acknowledged that the direct connections between youth unemployment and crime are underresearched. Some social scientists stress that explanations

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of pathways to deviance should not be oversimplified, and warn that 'moral panics' about youth and crime are not a sound basis for policy.¹⁸ Certainly it would be wrong and grossly unfair to label all unemployed young people as potential criminals. This is demonstrated by survey evidence of the values of young South Africans, which will be presented later in this report.

However what is well established globally is that in all societies young men commit a disproportionate number of crimes.¹⁹ To have such a significant proportion of them available for potential self-selection or recruitment into social deviancy of one form or another at any given time – even if only relatively small proportions of them take that route – is a clear and present danger. Certainly official documents on the subject of youth unemployment in South Africa (and Africa) take this possibility seriously. For instance, the Youth Development Strategy of the City of Johannesburg (2004) notes, in the context of unemployment, that juveniles and young adults have the highest overall conviction rate in South Africa.²⁰

Some see a lack of trust as a major cause of employers' reluctance to hire new workers at any price

The factors behind unemployment

From the perspective of economists, unemployment represents a situation where the supply of labour exceeds the demand, which they tend to see as a failure of labour markets to clear or 'reach equilibrium.' There are a number of explanations for why this is happening in South Africa. These tend to focus on three types of factors: those that affect the number and quality of job seekers – the supply side; those that affect vacancies and job creation – the demand side; and the regulatory environment, in which supply and demand interact. Supply-side explanations for South Africa's high unemployment rates include the following:

- During the last decade the rate of entry of women – especially African women – into the labour market has risen sharply. This has increased the number of people looking for work.
- There is a surplus of low-skilled job seekers which is caused by the historically low investments in African education, and continuing problems with the existing education system.
- Our welfare system has created a high 'reservation wage' which allows labour market entrants to be more selective about the work they will accept than, for instance, undocumented migrants from north of our border.

Demand-side explanations for our unemployment rates include:

- South African firms have engaged in 'skills-biased technical change,' which has created a demand for skilled rather than unskilled workers. Some economists see this as an inevitable product of progress, while others believe that more growth or a change in the incentive structure can lead to renewed demand for the currently unemployed, unskilled workers.
- Some see a lack of trust as a major cause of employers' reluctance to hire new workers at any price. According to this argument, employers lack the confidence in or the knowledge about new workers who, once they are hired, may not perform adequately.²¹ This problem could be reduced if labour markets became more flexible, an issue discussed in the following section.
- The 'informal sector' creates relatively low levels of employment. This may, once again, be a product of the regulatory environment, which makes it difficult for small and medium entrepreneurs to start a business.

Explanations that focus on the regulatory environment argue that:

- Creating a more flexible labour market by allowing greater leeway to employers in matters of hiring, firing, and remuneration would allow prices to more easily reach their market clearing levels. This was proposed by President Thabo Mbeki in his State of the Nation Speech in 2005, and has been championed by the deputy minister of finance, Jabu Moleketi. He prepared a discussion paper in 2005 in which he recognised that both high wage rates and the difficulties of hiring and firing labour contributed to unemployment. To solve the problem he proposed that small firms should be excluded from industry-level wage deals; that the cost of complying with labour regulations be reduced; that firms with fewer than 200 employees become exempt from regulatory requirements; and that a dual labour market should be created by creating different regulatory requirements on the basis of age, geography, industry, or enterprise size. These proposals were opposed by the trade union movement and its allies, and have never made it past the ‘discussion’ phase.²²
- It should be recognised that young entrants to the labour market are hit particularly hard by laws that are essentially designed to protect those who are already in employment (see box, **The World Bank on labour markets and youth unemployment**, this page). As the World Bank recently put it: ‘Employment protection laws are effective in protecting jobs and preventing job loss, but also raise hiring costs, putting young people at a disadvantage.’²³

Employment protection laws are effective in protecting jobs and preventing job loss, but also raise hiring costs

The World Bank on labour markets and youth unemployment

The World Bank’s important and highly regarded annual series of reports on business regulation (the Doing Business series) show that employment regulations tend to be more stringent in developing countries than in industrial countries.²⁴

High firing costs reduce layoffs, as well as job creation in firms, and limit the entry of new firms, making access to employment difficult for new young entrants to the job market. Furthermore, reduced turnover increases the duration of unemployment. This effect, combined with the lasting impact of long, early unemployment spells, impairs youth outcomes and future prospects. In Chile, for example, where job security provisions depend on length of job tenure, the report noted that employment was biased against young workers.

Stricter employment protection laws mean lower wages and employment rates for young workers. The adverse impact of such regulations on young workers’ employment rates was more than twice that on prime-age male workers in 15 Latin American and Caribbean countries, and 28 Organisation for Economic Co-operation and Development (OECD) countries in the 1980s and 1990s. Because young people are more likely to be at the bottom of the wage distribution, changes in the minimum wage will naturally have a greater impact (positive or negative) on them. In Brazil, an increase in the minimum wage led to greater job losses for female, young, and low-skilled workers whose wages were clustered around the minimum. In Chile, minimum wages reduced the overall employment probabilities of the young, particularly the unskilled.

Even when the informal sector is large, as in Latin America, minimum wages in the formal sector spill over into wages in the informal sector. As a consequence, young people in the informal sector are also affected by changes in the minimum wage.

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Implications of the discussion

The discussion so far provides the following insights used to guide the investigations that follow:

1. If we are to have a real impact on unemployment, there should be a range of interventions that focus on improving the way in which the labour market works (flexibility), expanding the rate at which appropriate job opportunities are created (demand side), and on helping the unemployed to become more effective labour market participants (supply side).
 2. The problem is serious, and solutions are urgently required (see box, **Halving unemployment by 2014: the HSRC scenarios**, facing page). Thus interventions that are likely to have immediate, short-term impacts should be pursued. At the same time, however, the economic or political status quo should not be taken as given. There is a need for long-term solutions that will create the employment context in which the current stock of unemployed young people could become effective participants. This would include creating much higher economic growth rates through which numerous relatively low-skilled job opportunities will be created.
- There is a need for long-term solutions that will create the employment context in which the current stock of unemployed young people could become effective participants

Halving unemployment by 2014: the HSRC scenarios

The prospects of reducing youth unemployment have to be seen in the broader context of the overall unemployment rate.

The government wants to halve unemployment (based on the 2004 rate) by 2014, and reduce it by another quarter of that rate by 2024. Is this likely? Or will unemployment continue as a major socio-economic issue into the next decade? Miriam Altman of the Human Sciences Research Council (HSRC) has developed a number of scenarios that point to possible answers to these questions.²⁶ Altman argues that:

- The possibility of reaching these targets depends not only on the number of net new jobs created but also on the expansion of the labour force. For example, the unemployment rate will not drop if the creation of new jobs encourages an equal number of people to enter the labour market. These new entrants will cease to be classified as 'not economically active' and become classified as 'unemployed', thereby keeping the unemployment rate constant.
- Manufacturing is an important ingredient in the development process. However, there are few countries currently generating manufacturing employment in excess of 2 per cent a year. Therefore, one should not place too much faith in the capacity of the manufacturing sector to create the necessary jobs.
- Industrial policy must apply itself to enabling the expansion of newer industries that have the same growth-inducing properties normally associated with manufacturing. The most likely source of both growth-inducing and employment-creating industries will be found in services. New ways of thinking about how to stimulate these sectors will be required, as will strategies to identify ways of promoting backward linkages with manufacturing.
- A recognition that employment is likely to arise from many different, perhaps still unknown, activities heightens the importance of improving the general business environment.
- Although the informal sector is more labour-intensive, informal employment is growing more slowly than formal employment. Therefore, it is hard to say how informal activity might expand or contract in relation to general economic growth.
- Halving unemployment will require substantial direct job creation by government. The higher the rate of growth, the more the public service can expand. The lower the rate of growth, the more the government will have to devote resources to public works schemes.
- It is only at the 'Korean rate' of more than 6 per cent a year that enough jobs would be created to make it likely that government will reach its targets.
- Even if 6 per cent growth were consistently reached, the government would still have to double the number of jobs created by the EPWP. If the economy grew at 4,5 per cent a year, the EPWP would need to contribute 1,5 million jobs by 2014 at a cost of R45 billion in 2006 rands. If the economy grew at 3 per cent a year, 2,8 million EPWP jobs would be needed in 2014, making it the largest employer in the country.

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South Africa's metros and economic opportunities for young people

DISCUSSIONS OF UNEMPLOYMENT often miss an important fact: that people look for work, find jobs, start businesses, or remain unemployed in specific places. In a sense, therefore, national employment statistics tell only one part of the story. If we want to make it easier for young South Africans to find work, we need to look in some detail at the places where jobs are to be found, and new businesses are created. In order to do this, CDE reviewed the roles of South Africa's metropolitan areas in the national economy (see box: **CDE's research on metropolitan areas**, this page).

CDE's research on metropolitan areas

This section of the report is based on CDE's research on the economic performance of South Africa's six metropolitan municipalities: Johannesburg; Tshwane (Pretoria); Ekurhuleni (East Rand); eThekweni (Durban); Cape Town; and Nelson Mandela (Port Elizabeth/Uitenhage). The research, carried out for CDE by Prof Charles Simkins, reviewed data on:

- gross geographic product (GGP) over time;
- GGP by industrial sector;
- employment growth over time; by sector; and by population group, gender and age group;
- indicators of disguised unemployment and informal sector activity;
- household income and expenditure survey data; and
- skills levels.

The data sources included:

- population census results;
- industrial census results;
- Bureau of Market Research income and expenditure surveys;
- World Bank studies;
- metropolitan surveys, especially of samples of households (quality of life surveys);
- metropolitan transport studies;
- the Department of Labour's skills databases.

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Large cities are vital assets

As the South African Cities Network report entitled *State of the Cities (2006)* puts it, 'cities are the most productive sites in the national economy, as well as areas that accommodate the largest number of poor people.'²⁷ South Africa's six metropolitan areas are Johannesburg, Cape Town, eThekweni (Durban and surrounds), Ekurhuleni (the industrial conurbation to the east of Johannesburg), Tshwane (Pretoria and offshoots), and Nelson Mandela (the Port Elizabeth-Uitenhage complex). These metropolitan economies are far more diversified, more sophisticated, and significantly faster-growing than the rest of the national economy. *State of the Cities* goes on to note that South Africa's biggest

metropolises are also the country's main points of interface with the global economy. They are the essential 'portholes' through which we trade, communicate, and learn from the rest of the world (see box, **Johannesburg as Africa's 'global porthole'**, this page).

Johannesburg as Africa's 'global porthole'

Johannesburg has long been recognised as the economic hub of Africa, and a recent global study has confirmed that the city is the continent's leader, providing a business climate that supports commercial development.

The MasterCard Worldwide Centres of Commerce Index ranks Johannesburg – the sole African city to feature – as 47th of the world's top 50 cities, the hubs of the new worldwide economy.²⁸

Compiled from research by a panel of eight independent economic, urban development, and social science experts from leading academic and research institutions around the world, the index explores the strategic role that cities play in driving the global economy.

It is also designed to provide insight into and knowledge of how leading cities influence the global economy and perform vital functions that connect markets and commerce globally.

Using measurements based on six dimensions consisting of more than 100 data points, the index assesses the legal and political framework, the economic stability, the ease of doing business, the financial flows, the business centre capabilities, and the knowledge creation and information flow of the world's 50 leading cities.

Occupying first position is London, followed by New York, Tokyo, Chicago and Hong Kong in the top five. Completing the top 10 are Singapore, Frankfurt, Paris, Seoul, and Los Angeles.

Johannesburg's highest ranking was in the 'financial flow' dimension, where the city was ranked 26th. It also scored relatively high in the 'ease of doing business' dimension, where it was ranked 33rd. However, it scored low in the 'economic stability' and 'knowledge creation and information flow' dimensions. Its score on 'economic stability' was lowered by South Africa's volatile currency, and its score on 'knowledge creation and information flow' is probably related to the city's relatively poor broadband access per thousand people and the fact that it is not a major centre for cutting-edge scientific research.

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Economic opportunity in the metros

The fact that South Africa's large cities are its major source of innovation and economic opportunity is reflected in the details of their economic performance. About 54 per cent of all economic activity in the country takes place in the metros.²⁹ In the period 1996 to 2006 the economies of the metropolitan areas grew at a weighted average of 3,6 per cent, against the national average of 2,9 per cent. This means that the metros grew nearly 25 per cent faster than the rest of the country.³⁰

The largest metro by economic activity (and probably by population) is Johannesburg. This pre-eminence is reflected in its average growth rate of 4,48 per cent (1996-2006). Cape Town grew by 3,6 per cent, and Ekurhuleni by 3,5 per cent. Only the public-sector-dominated Tshwane and the smallest metro (Nelson Mandela) grew more slowly than the nation as a whole.

Despite their more rapid growth, their strict unemployment rate (25,0 per cent) was only slightly lower than the strict unemployment rate elsewhere (26,7 per cent). However, the discouraged worker rate (discouraged workers as a percentage of all people of age 15 and above) for all metros was 9,4 per cent compared with 14,4 per cent elsewhere. One likely explanation is that unemployed people in the big cities are more hopeful that they will find work than unemployed people in the rest of the country.

There are important differences among metros. The official labour force participation rate (the number of people in work and looking for a job) was highest in Johannesburg, followed by Cape Town, Ekurhuleni, Tshwane, eThekweni, and Nelson Mandela. The labour absorption rate (employed per hundred people of age 15 and above) was highest in Cape Town, which had the lowest official unemployment rate and the lowest official unemployment rate.

Average household incomes are highest in Johannesburg and Tshwane

By these measures then, Cape Town has what economists refer to as the tightest labour market of all the metros. This is an interesting finding given the high rate of African immigration and the comparative disadvantages of young Africans in the labour market.

The labour absorption rate was second highest in Johannesburg, but Johannesburg had (among metros) a comparatively high incidence of discouraged workers, and a comparatively high unemployment rate. Nonetheless, with its high official labour force participation rate, Johannesburg must be judged to have the second tightest labour market. It is impossible to distinguish among the other metros, except to say that they come in well behind Johannesburg. Tightness is, of course, a relative concept, given the high official unemployment everywhere.

Some 78,2 per cent of all employment in the metros was formal, with Cape Town and Nelson Mandela having the highest rates. Some 13,8 per cent was informal, with Johannesburg and Ekurhuleni having the highest rates. Some 7,4 per cent was domestic employment, with eThekweni having the highest rate, reflecting a long-standing pattern in KwaZulu-Natal.

Another important characteristic of these metros is the dominance of private sector economic activity. In the three largest metros – Johannesburg, Cape Town, and eThekweni – economic output by government amounts to 10 per cent or less of total output, and only Pretoria/Tshwane, for obvious reasons, breaks this pattern to any significant extent, with economic output by government accounting for 35,7 per cent of total output. In fact, in the three largest metros trade and finance combined typically account for about five times (500 per cent) the levels of economic output of general government. If manufacturing is added to this, the figure is more like 700 per cent.

Income estimates vary widely, but a reasonably consistent pattern emerges. Household incomes are higher in the metropolitan areas than in the rest of the country. Average household incomes are highest in Johannesburg and Tshwane, followed by Cape Town and eThekweni. Among the metros, incomes are lowest on the industrial East Rand (Ekurhuleni) and in the automotive industry-dominated Nelson Mandela. However, even in these least well-off metros, the average household is still significantly better off than the average households in the small towns and the countryside.³¹

Metropolitan areas are dynamic centres of hope and upward mobility. These areas, urban economists have shown, create pools of high-level skills, which operate as incentives for businesses to locate there. This in turn attracts more people with skills, encouraging further business development. Johannesburg is the leading metro in this regard. It contains

the largest pool of skills in absolute size, as well as the highest levels of skills. From a commercial point of view, Johannesburg also has the most appropriately distributed types of skills and educational background.

The following table ranks South Africa's metros according to general education levels and the percentage of the tertiary educated with marketable skills (in other words, business and science studies).

Table 2: Metros ranged according to key education levels

PLACE	% > Grade 12	% tertiary business studies	% tertiary science studies
Jhb	12,9	30	11
CT	12,4	20	3
eThek/Dbn	8,9	24	2
Tshwa/Pta	12,7	25	7
Eku/ E Rand	7,8	29	3
N Mand/PE	7,7	32	3
All Metro	10,7	26	6
Elsewhere in SA	5,5	27	5

Source: McCarthy, *The higher up you go*, August 2007.

The metros therefore operate as natural centres of growth and opportunity. They provide dynamic incentives for people to obtain higher education, which in turn leads businesses to centre their activities there. This also reveals that young people who are able to move up the metropolitan hierarchy will find jobs, access good incomes, and contribute to further growth. However, in 2001 only 26,5 per cent of the African population lived in the metros.

It is sometimes argued that people move to the big cities because public services are better than in small towns and rural areas. This is probably part of the reason for migrating to the cities, but it could be a declining one. As Statistics South Africa's 2007 Community Survey suggests, the provision of public services has improved rapidly in rural areas since 1994.³² Thus, as people continue to migrate to the metros, it is increasingly likely to be because of the 'pull' factor of economic dynamism in the big cities coupled with the other possibilities such as educational opportunity.

The youth demographics of big cities

In South Africa, as in the rest of the world, people tend to move to 'where the money is good'. This is especially true of young people, who have relatively little to lose and are more likely to have the energy and optimism to believe that they will find a well-paid job in the cities. It is to the metros in general and those near the apex of the metro hierarchy in particular that they go, drawn by the relatively greater opportunities in the quantity and quality of jobs. Nearly 300 000 people aged between 15 and 39 moved to the big cities between 1999 and 2004 - and more than 200 000 of these chose to move to Johannesburg, where the money is best of all for those who are employed.³³ As a result, the most employer-friendly mix of skills and educational qualifications is to be found at the apex of the metro

It is sometimes argued that people move to the big cities because public services are better than in small towns and rural areas

hierarchy, and firms tend to locate themselves there in disproportionate numbers, partly as a result of this.

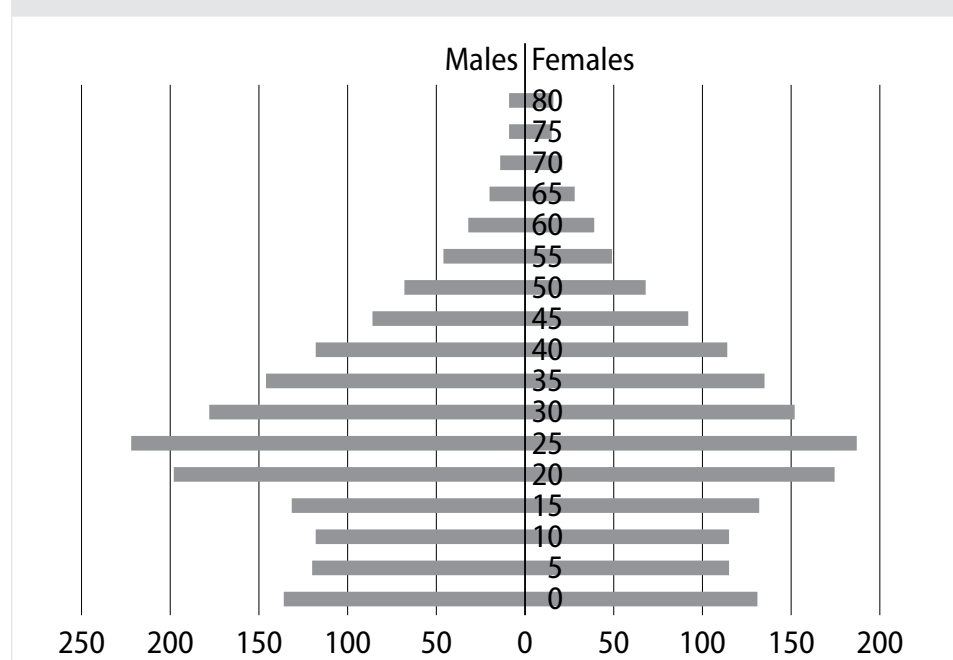
Between the censuses of 1996 and 2001, the populations of the metros increased by 2,9 per cent a year on average, compared to the national rate of 1,59 per cent. The population of the Gauteng metros grew most rapidly (Johannesburg and Ekurhuleni by 3,7 per cent each, and Tshwane by 3,5 per cent). The populations of the seaport metros grew more slowly (eThekweni by 2,6 per cent, Cape Town by 2,1 per cent, and Nelson Mandela by only 0,4 per cent).

The African populations of all the metros except Nelson Mandela grew rapidly, ranging from a rate of 3,8 per cent in Johannesburg to 6,0 per cent a year in Cape Town. Since the national African population grew by 2,0 per cent, these high rates indicate substantial African migration to five of the six metros.

Population pyramids, drawn for each metro in 2001, reinforce the point that the Gauteng metros in particular have been magnets for young African migrants. In the three Gauteng metros bulges in the African population 'pyramids' can be seen, especially in the 25-29 age range. Figure 2 is such a pyramid, graphically illustrating the youthful bulge in Johannesburg's African population at the time of the last census.

The young African people who make up the majority of the unemployed are growing up in and also moving rapidly and in large numbers to the big cities

Figure 2: Age and gender 'pyramid' in Johannesburg



Source: StatsSA Census data 2001

Implications of our analysis

1. The young African people who make up the majority of the unemployed are growing up in and also moving rapidly and in large numbers to the big cities. As a result, job creation efforts need to focus on the metros. There is a tendency in developing countries such as South Africa to imagine that if a problem is bad somewhere, it must be fixed there. So, if unemployment is seen to be highest in rural areas, labour-intensive

road construction and subsistence livelihoods through land reform are offered as solutions. Also, donors may be required to give their programmes a rural bias. However, in an urbanising country such as South Africa, where people continue to migrate to the metros, getting the most 'bang for your buck' in the development arena is often best achieved the higher up one goes in the urban hierarchy. While the countryside and the small towns should not be neglected, most effort should go to where the returns on investment are highest, market dynamics are working to create wealth and employment, and the largest numbers of people seeking work are congregating.

2. Since the large metros are already the most productive and rapidly growing sites in the national economy, employment creation interventions have a greater chance of success in these places than elsewhere. Their chances of success are further increased by the simple fact that it is easier to implement any kind of socio-economic intervention in the relatively small and well-served area of a city than in the countryside.
3. The employment and economic output of South Africa's metros are overwhelmingly dominated by their private sector activity, especially in the finance, trade, and manufacturing sectors, which (except for Tshwane, the seat of government) typically create seven times more jobs and output than the public sector.³⁴ Job creation interventions in the metros should be designed around this reality. For instance, a training programme that equips young people to work in local government – however good the training provided – will simply not equip as many people for employment as initiatives that seek to address the needs of the entrepreneurial private sector.
4. Although the unemployment rate is roughly the same in the metros as in the rest of the country, the number of people who would like a job but have given up looking seriously for work is 50 per cent lower in the big cities than in the rest of the country. As well as being concentrations of economic dynamism, the big cities are concentrations of energy and optimism. These are enormously valuable resources for any job creation intervention. The fact that hope is abundant in the metros provides another powerful reason why interventions should be concentrated in the big cities. Projects that harness hope have a much better chance of success. Policy-makers who allow high hopes to be frustrated put national stability at risk.
5. Young people, as rational individuals, migrate to the metros where there are the most jobs, the best salaries, and many and varied subcontracting opportunities. Johannesburg and Cape Town are the national leaders in attracting young, skilled people, and also contain the most employment-friendly mixes of high-level qualifications. At the same time, firms continue to prefer basing themselves in the metros, partly because of the scale, quality, and type of skill pools in those areas. The best return on investments aiming at promoting youth employment can therefore be found in strengthening the country's top training activities, and bringing them even more in line with international best practices. These complementarities are to be found at the apexes of the metros, which is where all the best economic opportunities for young black South Africans are located.

The employment and economic output of South Africa's metros are overwhelmingly dominated by their private sector activity

Young people and work: insights from Johannesburg, Durban, and Cape Town

There is no evidence from our surveys for the existence of a 'lost generation' of young South Africans

IN THIS SECTION we report on the results of our empirical investigations of young people in South Africa's three largest metropolitan areas in order to establish what distinguishes those who find jobs from those who remain unemployed (see box: **CDE's youth surveys**, facing page).

The first investigation assessed³⁵ relationships between labour market variables and independent variables such as race, education and age. We examined five labour market outcomes: the top outcome was 'employment', and the next was 'officially unemployed, having worked'. The bottom outcome was 'discouraged worker, never worked', while the third and fourth outcomes, in order, were 'discouraged worker, having worked' and 'officially unemployed, never worked'.

The model provided the following results:

- Compared with Africans, coloureds and Asians have an advantage, and whites a further advantage.
- Men have an advantage.
- Older people have an advantage over younger people, which grows with age, up to retirement.
- More educated people have an advantage over less educated people, with two important qualifications. The first is that people with an incomplete secondary education only are not significantly better off than those with a maximum of a complete primary education. Secondly, the obtaining of a certificate or diploma with incomplete secondary education confers a major advantage, more than 'matric', which mixes people who have attended 12 years of school with those who have obtained a senior certificate.

The differences between metros are not great, and Cape Town, Ekurhuleni, and eThekweni do not have coefficients that differ significantly from Johannesburg's. The coefficients for Tshwane and Nelson Mandela are significantly lower.

To add to these broad findings on the determinants of labour market success, we then undertook surveys in the three largest metros to assess the values and education levels of those who were successful in the labour market against those who were unsuccessful. Our main finding is that there is no evidence from our surveys for the existence of a 'lost generation' of young South Africans who are too hopeless or negative to look for work or to keep a job if they get one. Instead, the professed values of unemployed young people in our sample are similar to – and almost as positive as – those of young people who have found work or self-employment.

In the following subsections we describe the surveys and their results in greater detail. The section ends with a brief discussion of the implications of the survey for policy-makers and practitioners.

CDE's youth surveys

In 2006 researchers commissioned by CDE undertook sample surveys of young people in South Africa's three largest metropolitan areas: Johannesburg, Cape Town, and eThekweni. The purpose of these studies was to analyse the factors bearing upon employment and unemployment in the age group 15–35. Economic and demographic factors as well as social and psychological influences were analysed. Psychological factors included individuals' values and expectations of themselves and government, as well as their parents' and friends' expectations of them.

All three samples consisted of 500 individuals aged 15 to 35. Respondents were selected in shopping centres, taxi ranks, residential suburbs, townships, workplaces, and places of tertiary education. The samples were stratified by race and area of the metro in order to collect a range of experiences and perspectives. The unemployed were generally sampled from places (taxi ranks, townships) dominated by less well-off black people, while the employed were sampled from places dominated by the white and black middle classes.

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Black parents appear to push hardest. More than parents of other race groups, they expect their children to support them and other relatives

Research findings³⁶

Expectations and values

Judging by our respondents' answers, not surprisingly parents in all race groups want their children to succeed and excel in life. However, it also appears that these parental expectations do not influence whether young people find a job. Perhaps this is because the unemployment rate is so high that parental 'push' cannot by itself overcome the barriers to finding a job.

Be that as it may, black parents appear to push hardest. More than parents of other race groups, they expect their children to support them and other relatives. They also expect their children to complete their studies to a larger degree than any other race group. Among people who cannot find a job, it is the black parents who apply most pressure to their children to complete their studies.

Unemployed young people in our sample do not seem to be surrounded by despondent peer groups, as is sometimes feared. Unemployed respondents to this survey reported that their friends most of all expect them to try to find a job.

Individuals who expect themselves to achieve at the highest level, to be rich and to be happy are more likely to be successful. Unsuccessful people do not expect themselves to find a job or continue their studies and improve their standard of living. Thus, while it seems that both the employed and unemployed would like to have a job and be successful, what differentiates the two is that the successful want to reach the top. They also seem to value happiness more than the unsuccessful, although we need to be cautious when interpreting this result. While it may be that this extra drive is what causes people to be successful; it may also be that those who are already employed allow themselves to 'dream big', while the unemployed are realistic about their situation, and have more conservative goals.

What the successful expect most from government is to curb corruption and nepotism. The main expectation unemployed people have of government is to create jobs.

In all three cities, having a tertiary education is the main educational factor separating the successful from the unsuccessful

Respondents were asked how important they considered certain values to be in terms of getting or being able to find a job, or run a successful business. Slightly different results emerged in the three metros. In Johannesburg, the values that most distinguished successful from unsuccessful people were drive, perseverance, vision, and confidence. In both Cape Town and eThekweni the values that most distinguished the successful from the unsuccessful were hard work, honesty, and trust. Not surprisingly, in all areas the unsuccessful were generally less enthusiastic about positive values than those whose positive attitudes were accompanied by success. They rated access to money, networks, contacts, and luck higher than successful people did – also a psychologically unsurprising result. They also rated risk-taking lower than the successful, perhaps because their risk-taking had not been effective, or because risk-taking is more risky for the unemployed than for those who already have a job. This finding suggests that those who are successful are prepared to accept risks, and embrace markets. Clearly, knowledge of and empathy for markets are vital weapons for those caught up in the competitive environment of accessing employment opportunities in the metros. Some of the unsuccessful, by contrast, look for assistance outside of markets by hoping that the government will provide them with jobs.

However, these differences between the perceptions of the successful and unsuccessful should not be allowed to overshadow our main result in respect of values. All the young people surveyed reported high levels of desirable values. This fits with findings from elsewhere in the world. In a study of unemployed city dwellers in Nigeria and Peru, Peter Lloyd discovered that 'successes and failures tend to be cumulative, ... but ... if men seem cheerful and optimistic, as so many of them do in such periods of adversity, it is because they realise that self-pity is dysfunctional to success.'³⁷

Table 3 provides details of which values were rated as important to success by respondents in Cape Town. As can be seen, these results suggest that even if South Africa had a youthful labour force comprised only of those who are currently unsuccessful, we could still be pleased with their stated values.

Education

In all three cities, having a tertiary education is the main educational factor separating the successful from the unsuccessful. As can be seen in figure 3, on page 34, having completed tertiary education makes it very likely that a young person in this sample will have a job or be satisfactorily self-employed. Ninety-four per cent of young people with tertiary education either have jobs or are continuing their studies. Among university-educated people, the qualifications offering the best chances of finding a job are, in order, law, physical science, business sciences, and engineering. The university courses that lead to the fewest job opportunities are fine arts and humanities, social sciences, and health sciences.

Completing Grade 12 was very far from a guarantee of finding a job – just finishing school meant that one was significantly more likely to be unemployed than to have work. Having passed Grade 12 with an A, B or C symbol for maths or English significantly increased the chances of becoming employed. This is probably because these symbols are very influential in determining whether an individual is admitted to tertiary education.

Young people who had not finished high school were more than twice as likely to be unemployed than to have a business or a job.

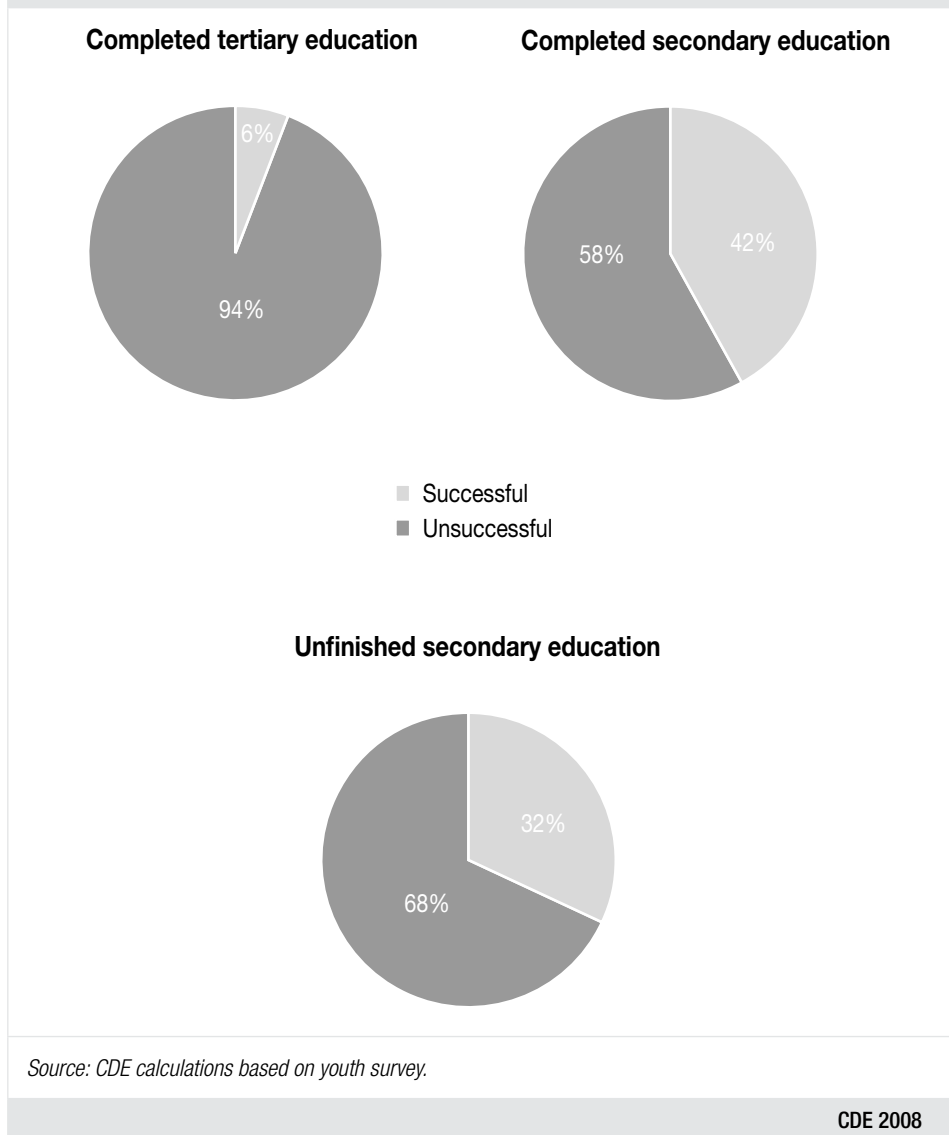
Table 3: Proportions of Cape Town sample who think that each characteristic is 'extremely important', 'very important' or 'important'

	Successful (%)	Unsuccessful (%)	Studying (%)	Total (%)
Hard work	96,3	84,9	88,9	91,1
Drive	92,7	85,9	82,2	89,0
Responsibility	94,7	77,2	88,9	87,3
Honesty	92,3	73,0	82,6	83,6
Courage	92,3	73,0	82,6	83,6
Appropriate skills and experience	85,1	81,7	84,1	83,6
Commitment	90,8	74,5	81,4	83,4
Confidence	90,1	73,7	87,0	83,2
Vision	89,2	75,3	73,9	82,2
Equality (equal opportunity)	84,4	79,7	79,5	82,1
Choosing own goals	90,2	70,0	82,6	81,5
Respect	88,9	70,4	86,4	81,2
Capability	82,2	77,1	84,1	80,4
Trust	87,5	69,4	82,6	80,0
Perseverance	90,4	64,4	86,7	79,6
Money (capital)	72,4	86,7	75,6	78,4
Knowledge of one's environment	87,4	65,1	66,7	76,5
Networks and contacts	72,5	80,5	77,8	76,2
Reputation	79,3	67,2	80,4	74,5
Loyalty	80,4	62,4	88,9	74,0
Intelligence	79,6	66,2	71,7	73,5
Creativity	72,9	71,2	73,9	72,3
Tolerance	77,0	60,6	70,5	69,8
Assertiveness	73,6	63,4	75,0	69,7
Inventiveness	68,4	72,4	59,1	69,1
Wisdom	70,7	63,4	67,4	67,4
Foresight	77,5	52,4	68,2	66,6
Humble (humility)	66,9	56,2	58,1	61,9
Moderation	64,9	44,8	66,7	56,9
Influential	61,3	46,9	71,7	56,5
Risk taking	65,4	34,7	63,6	52,9
Spiritual development	50,6	44,4	52,3	48,2
Luck	26,6	48,2	40,0	36,5
Aggressiveness	29,0	27,6	31,8	28,7
Good looks	15,6	26,0	20,0	20,2

Source: J McCarthy, *Giving the door-knockers a better chance of success*, report commissioned by CDE, 2007.

Figure 3: Relationship between level of education and success in Johannesburg, Durban and Cape Town

The number of people who successfully complete tertiary education in any year depends on the quality of the education system



Implications of the survey results

1. In the current state of the South African labour market, a tertiary education is the 'silver bullet' that vastly reduces the risk of young persons facing unemployment. Government and the private sector would almost certainly find it cost-effective to ensure that there were no financial barriers to tertiary education. Any school-leaver who has the necessary education and aptitude to study successfully at university or college should be publicly or privately assisted to do so.
2. Although it is important to understand the value of tertiary education, this realisation is not very helpful in the short term. The number of people who successfully complete tertiary education in any year depends on the quality of the education system in the previous decade, and in any case there is an upper limit on the numbers of those who can successfully benefit from tertiary education. Therefore, interventions addressing

youth unemployment in a reasonable period cannot rely only on widening access to and laying better groundwork for success in tertiary education. We will have to change the character of the labour market (such as regulations, and the willingness of employers to take on more workers as they expand their businesses). We will also need to find ways to approximate the effects of higher education in much shorter periods, perhaps with intensive courses combined with on-the-job training. Given the scale of the unemployment problem, it is also clear that interventions to create less-skilled jobs will continue to be required. South Africa will need to provide training, income, and hopefully activity to the millions of young people who have only secondary education and have no realistic prospect of entering or completing tertiary education. In addition, making the secondary school system more successful in terms of socialising young people into modes of behaviour consistent with the modern work ethic, and imparting ways of thinking and skills that may be useful in the outside world, are factors which should help.

3. The results of CDE's three-metro survey on the work-related values of young South Africans provide reason for optimism. Many young people (and especially young men) display extremely negative attitudes and behaviour. However, our survey suggests that there are many more young men and women who, at least in terms of their attitudes, 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, and if the skills of job-seekers match employers' needs.
4. The finding that many young people believe that the government should create jobs for them is an important one. This requires public education, and public and private sector leaders should speak a lot more than they do about the role of markets and private entrepreneurial activity as the only source of sustainable jobs, and about the policy changes needed to ensure that we do have more jobs as a society. Talking about this once a year in a national budget speech is not enough.

The finding that many young people believe that the government should create jobs for them is an important one

Mapping and assessing current job creation initiatives

A GAINST THIS BACKGROUND of structural constraints, alleviated by some hopeful signs, what are the government, the private sector, and civil society doing to create job opportunities for young people in the big cities?

To find out, CDE commissioned a set of four investigations in 2006 and 2007. Specific questions were:

- What kinds of job creation interventions are currently operating in South Africa?
- What are the different approaches taken by government, business, and civil society?
- What results are these programmes and projects achieving? On what scale?
- Which programmes are best at equipping people to find jobs and to run their own businesses successfully?

- Which interventions produce permanent jobs and sustainable new small enterprises, at the least cost, and why are they successful? Which interventions are particularly inefficient and expensive, and what could be done to improve them?

Taken together, this research has enabled CDE to build up a clear – although incomplete – picture of the job creation interventions operating in South Africa's three major metro-

The difficulty of investigating job creation interventions

The first of our investigations was an attempt to list and describe as many as possible of the organisations working in this area.³⁸ The researchers interviewed 130 people working in employment creation and related interventions in the public sector, the private sector, and civil society organisations. On the basis of these interviews, and additional internet research, 92 programmes operating in Cape Town, eThekweni, and Johannesburg were listed and described.

This is a large and fast-moving field, and we certainly do not claim that this is a comprehensive list of all job creation interventions in South Africa's biggest cities. We are confident, however, that we have developed a reasonably representative map of the field in the largest metropolitan areas. This work allows us to provide answers to our first and second questions.

Besides mapping the field, researchers also attempted to gather data on the efficiency and cost-effectiveness of the interventions, which would have enabled us to answer our third, fourth and fifth questions. As we shall see, this attempt was far less successful than the mapping exercise.

CDE commissioned a management consultant to assess the efficacy of the organisations identified in the mapping exercise.³⁹ This investigation was based on the common-sense assumption that capacity to respond to an e-mailed questionnaire designed to gather information about the quality of the management of a private sector firm was a reasonable measure of capacity to run efficient job creation programmes.

This assumption is hardly scientific, but the results of the investigation were significant, if only in a negative sense, as well as somewhat surprising. The researcher e-mailed 114 questionnaires and received 12 replies, of which only three provided quantitative information about the results of their programmes.

Since conventional survey techniques were not providing a great deal of information about the outcomes and cost-effectiveness of job creation interventions, we shifted research strategies. In 2007 we commissioned two researchers to analyse policy statements, annual reports, press releases, and websites of 20 public, private, and civil society institutions involved in job creation interventions.⁴⁰ This work considerably deepened our understanding of the aims, methods, and scale of these interventions, but again showed that information about the quality and costs of interventions is very hard to find.

Finally, we commissioned specialist project evaluators to conduct additional, more detailed, interviews with representatives of 28 of the 92 programmes originally identified.⁴¹ These interviews were longer than the first round of interviews, and were specifically aimed at gathering as much information as possible about the income, expenses, targets, outputs, perceived successes, and monitoring and evaluation systems of the selected organisations. This research provided some provisional information about average spending per beneficiary in the selected programmes, but did not result in authoritative information about the effectiveness of this spending.

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politan areas. The findings send both positive and negative messages about the state of these interventions. It is appropriate to start with the positive findings before looking at problem areas.

A survey of interventions

Youth unemployment is not a neglected area: efforts to create more employment and more self-employment are reasonably high on the agenda of government, business, and civil society (see box: **Some significant youth-oriented employment creation interventions**, page 38).

For example, in his state of the nation address in 2007, President Thabo Mbeki committed the government to:

- increasing the number of young people engaged in the National Youth Service by at least 20 000;
- enrolling 30 000 young volunteers in community development initiatives, and employing 5 000 young people in the EPWP to maintain government buildings; and
- intensifying efforts to integrate youth development into the mainstream of government work, for instance through a youth co-operatives programme, and efforts to match unemployed graduates with job opportunities.⁴²

Besides the EPWP and the National Youth Service, other large-scale employment creation initiatives by the national government include the Umsobomvu Youth Fund (UYF), the Department of Labour's Active Labour Market Strategy, and the National Skills Fund. Provincial governments have also launched numerous initiatives in this area. The Gauteng government runs a Youth Development Commission and about 20 other initiatives that are either dedicated or closely related to job creation for young people.⁴³ The Western Cape government hosts a provincial Youth Commission and a range of youth employment programmes, including the Ukuthwalana Training Programme, which provides entrepreneurship and life skills training to people between the ages of 18 and 30 who had previously been in foster care, drug rehabilitation, or prison.⁴⁴ The municipal authorities in all three major metros also run employment promotion programmes. Two examples from eThekweni are the Siyaya programme, which provides learnerships to graduates, and the Vuk'uphile programme, which provides classroom and on-the-job training to young construction contractors.⁴⁵

The Business Trust – an unusual and innovative public-private partnership – supports a number of intensive programmes aimed at creating employment or self-employment opportunities for young people or the unemployed in general. These include its financial and technical support for the government's EPWP; the Tourism Learnership Programme, which provides training to enable people to take jobs in the tourism sector; and the Tourism Enterprise Programme, which helps new small enterprises to enter the sector successfully.⁴⁶ The National Business Initiative supported the Nations Trust programme, which funded and trained young entrepreneurs. The NBI is also currently the secretariat of the Joint Initiative for Priority Skills Acquisition (JIPSA). Many large companies run programmes aimed at creating work opportunities for young people. A good example is SABMiller's KickStart programme, a competition open to previously disadvantaged young people. Winners are provided with grants to purchase assets for their businesses, and nine months of mentorship.⁴⁷

A good example is SABMiller's KickStart programme, a competition open to previously disadvantaged young people

Some significant job creation interventions – public and private⁴⁸

The information in this box is based on a scan of the websites and annual reports of the interventions described.

The Umsobomvu Youth Fund (UYF)

Department of Labour

The UYF was established in 2001, and serves as an agency for both government (the Department of Labour allocates that part of its budget designated for youth development to the UYF) and the private sector. Through its website, and 110 countrywide walk-in Youth Advisory Centres (YAC), UYF enables young people to seek career and general advice. The JOBS database allows young people to load their CV on to a central database and match it to job opportunities in government or elsewhere. The School-to-Work Training programme gives matriculants the opportunity to gain technical and work experience, assisted by 19 of the 50 FET Colleges. Life Skills Training is a more general type of skills-nurturing initiative for young work-seekers, while Graduate Development Training is also offered in collaboration with partners. UYF also provides a number of business development support programmes, including the Business Development Support Voucher Programme (BDSVP); the Business Opportunity Support Service, which allows young people who own their own businesses to register and search for procurement opportunities; micro and SME enterprise finance, and in and out of school entrepreneurship training. The FNB Momentum UYF Progress Fund provides amounts of between R120 000 and R5 million through micro and SME minority equity participation (10–49 per cent) or loan schemes.

The BDSVP helps young entrepreneurs to acquire discounted (they must provide R200) vouchers which they can use to buy business support services from a network of accredited service providers. Some 11 000 vouchers have been issued to date. Under the National Youth Service Programme (NYSP), the UYF funds youth participation in projects aligned with local economic development priorities, while also receiving NQF registered training. The National Venture Creation Learnership (NVCL) provides those already in learnerships with enterprise development skills, and is managed by the UYF.

Expanded Public Works Programme (EPWP)⁴⁹

Department of Public Works and Department of Trade and Industry

The EPWP aims to create 1 million short-term work opportunities between 2005 and 2009. By the end of the third quarter of 2007, it had created 845 506 work opportunities, resulting in 271 920 person-years of work. The programme contains infrastructure, services, and enterprise development elements. The infrastructure and services elements are run by the Department of Public Works (DPW) in collaboration with other government departments and the Business Trust. The EPWP's initiatives in agriculture, co-operative income generation, and micro enterprise are managed by the Department of Trade and Industry (DTI). The Business Trust has committed R100 million to supporting the EPWP and provides strategic support to the DPW and operational support to the national and local authorities responsible for implementing the EPWP's projects. In response to the demonstrated capacity of the EPWP to meet its targets, President Mbeki, in his 2008 State of the Nation address, committed the government to spending R1 billion more than originally planned on the programme.⁵⁰

Business Trust Tourism Enterprise Programme (TEP)

Public-private partnership

The Tourism Enterprise Programme helps firms in the tourism sector to conclude commercially viable transactions that will help to create and maintain jobs. It aims to create between 10 000 and 50 000 jobs, to generate 1 000 transactions between small enterprises and larger companies, and to reach a total value of R450 million for the transactions realised. By late 2007 TEP had helped to create more than 43 700 job opportunities and more than R3,4 billion in sales from 4 166 tourism SMMEs.

Technical and Business Education Initiative in South Africa (TBEISA)

European Union

Under this initiative, the European Union contributed R70 million to 'enterprise centres' at four historically black universities over three years, starting in 2004. The initiative focused on addressing a lack of entrepreneurial confidence in disadvantaged communities through the dissemination of entrepreneurial skills and technical and educational support. It was aimed exclusively at black youth.

Some significant job creation interventions – public and private *(continued)***National Skills Fund (NSF)***Department of Labour*

The NSF receives 20 per cent of the proceeds of the National Skills Levy on firms. It funds undergraduate bursaries through the National Student Financial Aid Scheme, and post-graduate bursaries through the National Research Foundation (NRF). The NSF also funds training of unemployed people. Between 2000 and 2004 the NSF reported that it had funded the training of 421 710 unemployed people at a cost of R722 million.

Gauteng Enterprise Propeller (GEP)*Gauteng Department of Finance and Economic Affairs*

The Gauteng Enterprise Propeller is an agency of Gauteng's department of finance and economic affairs. Founded in 2005, by March 2007 it had helped or trained 1 000 entrepreneurs, many younger than 35. In this period GEP also supported 400 existing small enterprises.

Man on the Side of the Road (MSR)*Civil society*

MSR is a Cape Town civil society organisation that brokers casual employment and training opportunities in the building trade free of charge. It targets unskilled and semi-skilled construction workers aged from 16 to 55.⁵¹

The Business Place*Johannesburg metro government*

The Business Place is a walk-in business advice centre in the Johannesburg inner city with a satellite in Kliptown, Soweto. It was set up in 2003 by the Johannesburg metro government in a building donated by Investec Bank, and offers aspiring and emerging entrepreneurs courses in basic life skills, starting a business, financial management, and running and growing a business. About 65 per cent of the 200 to 500 clients a week are younger than 35, and most live in Soweto or the inner city. The organisation allocates vouchers on behalf of the UYF.⁵²

ABSA Real Enterprise Development 'Red Door' Procurement Fund*ABSA (and the Western Cape provincial government)*

In 2005 ABSA partnered with the Western Cape provincial government to grant finance and provide business development services to small businesses that obtain government contracts.⁵³

Business Idea Generation Programme, Business Skills Training Programme, Business Mentorship, Business Awards*Shell LiveWIRE*

To help young people understand the importance of enterprise, start their own businesses, reward successful young entrepreneurs and raise standards of youth enterprise, Shell LiveWIRE South Africa runs four programmes aimed at stimulating interest in enterprise: the Business Idea Generation Programme (workshops); the Business Skills Training Programme (a five-day intensive programme); Business Mentorship; and Business Awards.⁵⁴

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One good example of a civil society initiative is the Abalimi Bezekhaya urban agriculture project, which has helped 3 000 people in Cape Town's informal settlements to become small-scale market gardeners.⁵⁵ Another is the Area Regeneration projects of the Central Johannesburg Partnership, which trains and employs young people to provide security and maintenance services in Johannesburg's business districts.⁵⁶

The division of labour among government, the private sector, and civil society

CDE's large-scale sample of interventions (2006) and smaller, more intensive interview-based sample (2007) were analysed to show the division of labour among public, private, and civil society programmes.

In the 2007 sample 40 per cent of public sector interventions were aimed at job creation, 30 per cent at business development, and 30 per cent at skills development – a fairly even spread.

In the 2007 sample 40 per cent of public sector interventions were aimed at job creation, 30 per cent at business development, and 30 per cent at skills development – a fairly even spread

Forty per cent of private programmes undertook business development, 40 per cent undertook skills development, and 20 per cent tried to create jobs directly. Some 67 per cent of civil society interventions were intended to improve skills, leaving 22 per cent for business development and 11 per cent for direct job creation.⁵⁷ It could be that this pattern reflects a reasonably efficient division of labour in terms of types of employment promotion programmes. By their nature, businesses are most likely to be able to impart skills relevant to working for or setting up a company. Civil society organisations are unlikely to be able to provide jobs or business skills more effectively than the other two sectors.

These results, however, should be treated with caution: the 2007 sample was small, and not statistically representative. Moreover, the distribution of initiatives does not necessarily reflect the distribution of effort. We can be more confident that there are distinct differences in approach among the three sectors when we look at programme scale and the ways in which they target intended beneficiaries. Clear differences along these lines between the sectors emerged from our research.

According to both our larger-scale 2006 study and our more in-depth 2007 work, government interventions tend to have significantly more beneficiaries than private sector or civil society programmes. These programmes tend not to be selective. In principle, any young person is eligible to benefit from these programmes. In practice, according to some of our research, they are implicitly or explicitly targeted only at the poor, or only at black youths.⁵⁸

Private sector interventions are generally aimed at selecting relatively few beneficiaries by public sector standards, for instance by screening business plans (for example, SABMiller KickStart or The Nations Trust), selecting beneficiaries with skills or resources required in their supply chain (for example, Anglo American's Zimele programme), or requiring applicants to have reached a minimum educational level. Civil society programmes are often smaller than private sector programmes, and aimed at particularly marginal or vulnerable groups, such as ex-convicts or disabled people.

This division of labour also makes sense. Government has the largest budgets, is constitutionally obliged to aim for universal coverage, and is constitutionally entitled to give preference to the historically disadvantaged. A key principle of private sector success is to invest where the highest rates of return are likely to be found, and this is what many business programmes appear to do. Civil society organisations tend to have the least funding. It is therefore appropriate that they tend to work in narrowly defined areas, aiming to care for those who are especially difficult for government or the private sector to reach.

One of our research teams pointed out that this neat partitioning conceals a degree of interconnectedness between the three sectors.⁵⁹ The public sector involves and commis-

sions the civil sector in implementing its programmes. The private sector partners with government, and funds civil society. This is a useful qualification, but is not incompatible with our main finding. The sectors are linked, and co-operate, but they generally seem to have found a rational way to divide up the field.

Types of intervention

The South African and international literatures on job creation suggest that these interventions fall into 10 broad categories:

1. Changes to business regulations intended to lower the costs of starting and running businesses.
2. Changes to labour market regulations intended to increase firms' willingness to take on more workers as they expand.
3. Programmes focusing primarily on social issues, such as HIV/AIDS, teenage pregnancy, and crime, on the assumption that these are major obstacles to employment creation besides being problems in their own right.
4. Changes to government and corporate procurement policies designed to increase the share of spending on goods and services that goes to labour-intensive firms.
5. Land and property development or regeneration programmes focused on upgrading or managing land and property assets to increase economic opportunity (these sectors tend to be labour-intensive, and less sensitive to specialist skills needs).
6. Local economic development programmes aimed at encouraging local institutional and community partnerships to identify and take advantage of economic opportunities.
7. Programmes and grants aimed at reducing the costs and increasing the success rate of job searches, such as free facilities for preparing CVs or job information clearing houses.
8. Public works programmes aimed at providing income, short-term job experience, and training.
9. Education and skills development programmes aimed at making people more valuable potential employees or increasing their capacity to start and run their own businesses.
10. Business development programmes that provide support to young people starting their own businesses. These programmes usually provide some combination of grants, subsidised or market-rate loans, training, mentoring, incubation, and facilitated networking.

Examples of all 10 of these approaches are found in South Africa. The national government has taken some important steps to reduce the regulatory costs of doing business, including significant simplification of the tax regime for smaller enterprises and individual taxpayers, and exemption from skills development levies for smaller businesses. However, tentative initiatives in the direction of labour market reform have been quickly withdrawn in the face of political opposition.

The public sector involves and commissions the civil sector in implementing its programmes. The private sector partners with government, and funds civil society

Many civil society organisations tackling other social problems link their work to job creation. Through a combination of incentives created by the broad-based black economic empowerment charters and codes on the one hand and independent corporate initiatives on the other, smaller labour-intensive firms are strongly favoured suppliers in both the public and private sectors. Programmes for creating jobs as part of a process of urban renewal are found in all three major metropolitan areas. Donor agencies fund local economic development programmes throughout the country. Both the national Department of Labour and the Gauteng provincial government run programmes aimed at helping people to search for jobs.

Our 2007 in-depth survey of 28 interventions found that implementers were generally positive about their programmes

Our research suggests, however, that the majority of programmes and the bulk of effort are concentrated in the last three areas: job creation, education and skills development, and business development. Our 2006 initial survey of the field found that 52 per cent of programmes investigated were engaged in business development, and 35 per cent in job creation and training, leaving only 13 per cent of programmes engaged in all other possible activities.⁶⁰ Our 2007 in-depth interviews found that all of the programmes investigated fell into these three main areas. The split was found to be 24 per cent job creation, 31 per cent business development, and 45 per cent skills development.⁶¹

Successful initiatives

Several organisations operating in this area are generally agreed to be very successful. These include Working for Water in the public sector, Business Partners in the private sector, and Community and Individual Development Association (CIDA) City Campus among civil society initiatives.

Led by the Department of Water Affairs and Forestry (DWAF), Working for Water is a programme for clearing alien vegetation using labour-intensive methods. It has received numerous international awards and is considered one of the world's most outstanding conservation and public works initiatives. In the 2005/6 financial year it employed nearly 30 000 people, providing them with income and skills training. Of these 30 000 short-term jobs, at least 6 000 were filled by young people.⁶²

Business Partners is South Africa's largest and most successful private sector small business finance and support institution. It is remarkable for its very high success rate and for its capacity to keep financing new small businesses without fresh capital injections.⁶³

CIDA City Campus has won many local and international awards. CIDA is based in a building in central Johannesburg donated by Investec Bank. It provides business-oriented tertiary education and practical business skills at almost no cost to its students. It has earned an outstanding reputation for the quality of its programmes and its capacity to transform the lives of historically disadvantaged young people.⁶⁴

Our 2007 in-depth survey of 28 interventions found that implementers were generally positive about their programmes. Sixty-two per cent of respondents felt they were successful in terms of the number of people they reached, and an equal percentage reported success in terms of quality. Eighty-one per cent felt they were successful in reaching the people their programmes were designed to reach, and 72 per cent felt their initiative was successful overall.⁶⁵

Unsurprisingly, anonymous peer review paints a less positive picture than self-assessment. Only about 40 per cent of the 98 interventions investigated in our 2006 survey were considered successful by their peers. Many others are too new to allow a fair assessment.⁶⁶

Despite these broadly positive findings, our researchers found a number of worrying shortcomings in the interventions that they investigated.

Problems of scale

It is doubtful whether meaningful impact can be made on youth unemployment through a multiplicity of diverse and small-scale interventions, especially when they have to take as given a generally unfavourable climate for enterprise growth and job creation. It would be grossly unfair to label as 'window-dressing' interventions that make a real impact for the better on the lives of particular individuals. However, there is an urgent need to address the central problems of enterprise growth – among them regulation, crime, inadequate basic education, the quality of urban management, and the lack of basic infrastructure – that affect our key arenas of growth.

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 well under a million periods of training and/or employment a year. As we saw in the first section of this report, data from Statistics South Africa and from CDE's South African Young Persons survey show that about 2,6 million people under 24 who would like a job cannot find one, and that the majority of these people have never had a job. Although current programmes may have valuable demonstration and morale effects, and are undoubtedly helping some people to find jobs – even if many are of short duration or part-time – they are not making a significant dent in the number of unemployed young people.

It is doubtful whether meaningful impact can be made on youth unemployment through a multiplicity of diverse and small-scale interventions

Unfocused intervention

CDE's detailed qualitative analysis of 20 interventions suggested that at least some programmes are vulnerable to being sidetracked from their main goal of creating jobs, or training people to find jobs or start their own successful businesses. Our findings are based on document analysis and a small number of detailed interviews. It would therefore not be appropriate to name the organisations whose weaknesses we are discussing.

Certain characteristic weaknesses emerged in each sector. There tended to be two main ways in which public sector initiatives were diverted from their goals. In some cases, organisations devoted a high proportion of their energy and resources to narrow political purposes instead of to their mandate of meeting the needs of poor and unemployed young people. In one province, for instance, the Youth Commission appears never to have become an effective organisation because it has come to be used mainly as a means of identifying individuals younger than 35 who have the political skills and ambition required to join the governing elite. Perhaps not coincidentally, the same province has been engaged in writing 'youth policies' with the help of outside consultants since at least 1998.

Little progress from policy-making to implementation has been observed.⁶⁷ Similar patterns of excessively time-consuming policy making were observed in other spheres of government. One major municipality, for instance, has developed a 114-page youth

strategy drawing on at least 15 other local, provincial, and national statements of intent and strategies.⁶⁸

When private sector initiatives are distracted from their main goal, this tends to be because they put a disproportionate amount of resources into public relations campaigns emerging from programmes rather than the programmes themselves.

The characteristic weakness of less focused civil society initiatives is to become welfare interventions that provide income and services to a few or small number of people without increasing their chances of finding a job in the open market.

Very little effort has been devoted to reforming labour market regulations, which place a disproportionate burden on the young

Opportunities missed

As a result of the concentration of interventions in the three areas noted above, it appears that many other possible types of intervention are underused. For instance, there seem to be very few functioning programmes that help people to reduce the costs and risks of looking for work. Very little effort has been devoted to reforming labour market regulations, which surely continue to be a major cause of unemployment and, as the World Bank has shown, place a disproportionate burden on the young. It is also hard to find incentives to employers to use labour-intensive production techniques. More public and private subsidies to ensure that all school leavers with the necessary education and aptitude can get a tertiary education could be very useful, as could programmes that enable people to finish secondary education in early adulthood, perhaps by combining practically oriented education with opportunities to earn income in public works projects.

Unhelpful definitions of 'youth'

Our research suggests that there are two ways in which widely used definitions of 'youth' may be making it more difficult to help young people find work. First, the South African definition of youth may be too broad. Second, it may be that our understanding of youth contains an unexamined assumption that young people are disadvantaged because they are young rather than because they are unemployed (that is, for reasons that have nothing to do with the mere fact that they are under a certain age).

South Africa's official definition of 'youth' is found in the National Youth Commission Act of 1996. 'Youth' officially means all people between the ages of 14 and 35, and many programmes targeting youths therefore aim to assist everyone in this very large age group. This definition is much wider than that used by the United Nations, which refers to the ages of 15–24 as 'youth.' According to the South African National Youth Development Policy Framework (2002–7), the reason for the more expansive South African definition is that young people (particularly young black people) have lived in a context of political, social, economic and cultural oppression, and still face particular developmental challenges.⁶⁹ It is true that people who were often very young at the time sacrificed a great deal for the anti-apartheid struggle, often while acting as highly politicised 'Youth' with a capital Y. This contribution deserves to be rewarded. But it is unlikely that this very broad definition is helpful in confronting the problems of today's young people.

As can be seen from the reasons given for our unusually broad definition of youth, there is a tendency in South Africa to use the term of 'youth' primarily as a way of talking about socially marginal, economically dependent and political volatile people who also happen

to be younger than 35. For instance, the Gauteng Youth Development Strategy explicitly argues that the reason why people between the ages of 27 and 35 should be considered 'youth' is that they suffer from 'disconnections, which make it difficult for people at this age to be socially and economically independent. Unemployment levels in this age group... [are] still high in comparison with all economically active persons.'⁷⁰ This kind of thinking has an odd result: an 18-year-old who has found a permanent job is not considered to be a 'youth.'

As a result, our research found, many youth-oriented programmes operate under the assumption that youth are an inherently handicapped group. Of course, it is in the nature of young people to lack a clear sense of their social identity and to have little or no work-place experience, but there are also many distinct advantages to being young.⁷¹ It is also true, as shown earlier, that very many young people are unemployed. But this level of unemployment is not caused by the mere fact that they happen to be young. Instead, young people are unemployed because they live in the wrong places, because they lack skills that are in demand, or simply because there are more people than jobs to go around, given South Africa's demographic trends and our economic and regulatory conditions.

Being young is actually a good thing. Young people are more energetic than their elders, learn more quickly, adapt to new technologies more easily, and are usually able to make choices without having to take into account family commitments or the long-term consequences of past choices. The young therefore tend to have options that are closed to older people. Many interventions, we discovered, tend to place too little emphasis on the energy and optimism of young people. As our three-metro survey (section 3) showed, young South Africans have plenty of these.

Many interventions tend to place too little emphasis on the energy and optimism of young people

Evaluation difficulties

The original intention of our research was to develop a detailed picture of what results are being achieved by South Africa's youth-oriented employment creation interventions. Regrettably, our four investigations each independently came to the conclusion that organisations working in this area collect too little hard information about their work to allow us to assess or compare their results.

We should emphasise that this does not mean that employment creation interventions are irresponsibly managed. We found that at least 85 per cent of programmes undertake some form of evaluation, and that programme staff are aware of the importance of evaluation. The most common response to the question of what they could do to improve their work was that they would like to do more monitoring and evaluation of their results.⁷²

We found, nevertheless, that only about 20 to 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.

Cost-effectiveness evaluation is aimed at assessing how efficient a programme is in its own terms: does the spending actually produce the desired outcome? Cost:benefit analysis aims to rate programmes by comparing how much they spend per job created. In order to do these sorts of analysis, three kinds of information are required. We need to know (1) the scale of a given programme, (2) how much the programme costs per job created and (3) what kinds of jobs these are – how much they pay, and how long they last.

Our extensive research effort has yielded only a series of isolated snapshots of what has been achieved. With the notable exception of the EPWP, even information about scale – the simplest kind of data to gather – is not particularly useful. For example, our researchers report that:

There appears to be no common yardstick for deciding what counts as a 'job'

- The Department of Labour's National Skills Fund supported the training of 421 710 unemployed persons to be 'accommodated' on social development projects from 2000 until the end of December 2004. Of these 260 663 (61,8 per cent) were young black people.⁷³
- Working for Water provided 30 000 short-term jobs, of which at least 6 000 were filled by young people in the 2005/6 financial year.⁷⁴
- The Umsobomvu Youth Fund trained about 13 000 young people through the National Youth Service Programme in the 2005/6 financial year.⁷⁵
- The SETA system created a total of 86 000 learnerships in 2004.⁷⁶
- The Business Trust-funded Tourism Enterprise Programme has created more than 5 700 jobs since 2000.⁷⁷
- Business Partners invested in 538 entrepreneurial businesses in the 2004/5 financial year.⁷⁸
- The Central Johannesburg Partnership has employed 400 people in security and maintenance jobs in the city's shopping areas.⁷⁹
- The Man on the Side of the Road initiative places 1 000 people in semi-skilled construction employment per year.⁸⁰
- Shell LiveWire has trained 12 000 young people in business skills in the period 1995–2006.⁸¹

As can be seen from these examples, the most recent dates for which information is available vary widely, as does the reporting period. There appears to be no common yardstick for deciding what counts as a 'job'. Since many interventions receive funding from more than one source, it is also likely that there are overlapping claims to jobs created.

Again with the exception of the 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. For instance, in 2006 wages cost 13% of the average EPWP project, the average daily wage was R44,64, and it cost an average of R81 000 to create each year of employment. It should be stressed that the investment of R81 000 yielded results in the form of infrastructure and services created by the EPWP project as well as the employment dividend.⁸²

Enormously useful comparisons of cost-effectiveness would begin to be possible if this kind of information were available for more interventions. However, it is not. Our 2006 investigation found that 9 of 92 respondents provided figures on how much it cost them to create a job. These, however, were all rounded estimates unrelated to the overall costs and goals of the organisation. For what it is worth, the reported average cost of creating a job for these 9 respondents was around R39 000.⁸³ Our 2007 research found that the average spend per beneficiary of 17 responding organisations was R 20 750.⁸⁴ These would be useful figures if the samples were larger, if we knew how long each job created lasted, and if there were information about what else was being created along with each job, such as new skills or new infrastructure. But this information is not available, and so we cannot compare these programmes with each other or with the EPWP. And, of course, all this raises the two important issues of scale and affordability - specially or artificially created jobs at the scale required are not a sustainable path of development for this country.

We could not find any information about the long-term effects of job creation interventions. No data appears to be collected about the experiences of young people in the months and years after their contact with a job creation intervention.

The Financial Services Charter and job creation initiatives in the banking industry

IN PLANNING CDE's research on job creation initiatives, one sector of the economy – the banking industry – was chosen for detailed attention. In part this was at the request of one of our funders, but there were other reasons as well. First, banking merits detailed discussion because it is central to the South African economy. Second, because the financial services sector is probably our most advanced and internationally competitive industry, current developments in banking provide a sense of future directions and possibilities for job creation initiatives. Third, and perhaps most important, this research helps to define the limits of what job creation initiatives can achieve: if a particular approach can achieve only so much in this industry, its chances of greater success in less dynamic parts of the economy are slim.

In late 2007 CDE commissioned an experienced financial journalist and expert on black economic empowerment to conduct 19 in-depth interviews with senior managers of five banks as well as the Bank Sector Education and Training Authority, and to prepare an analytical report based on those interviews.⁸⁵ The interviews discussed the banking industry's employment creation initiatives, and looked at how these have been influenced by the Financial Services Charter.

South Africa's banking industry is a key national asset. It is at the heart of South Africa's largest and fastest-growing sector, which contributes a quarter of our GDP growth.⁸⁶ South African banks operate at world-class standards, and compete very successfully against the world's biggest banks in both developing and developed-country markets. It provides most of the finance and much of the expertise that enabled the South African economy between 1999 and 2007 to enjoy its longest-ever period of sustained expansion since 1946.

Because of the strategic role it plays in our economy, it is widely agreed that the banking industry can and should be used as a lever to reduce poverty and create more employment. For instance, at the Financial Sector Summit in 2002, representatives of government, business, labour and civil society organisations declared that banks ought to 'provide sustainable and affordable' credit to small enterprises and poor households, while under the Financial Sector Charter of 2004 the industry commits itself to the Summit goals and to invest more heavily in low-cost housing and other 'developmental infrastructure'. Under the Charter, the industry is also committed to spending at least 1,5 per cent of the payroll on skills development for black employees, to 4,5 per cent of their total staff being made up of young black people on learnerships; and spending at least 1,5 per cent of their post-tax operating profit on corporate social investment (CSI) targeted at black people.⁸⁷

Our interviewees agreed that the most significant direct employment creation initiative undertaken by the banks in response to their Charter obligations is the provision of Letsema learnerships. This programme is run by the Banking Sector Education and

South African banks operate at world-class standards, and compete very successfully against the world's biggest banks

Training Authority (the bank SETA). It is open to black people who have recently completed Grade 12. More than 80 per cent of people who complete the Letsema programme find employment. This is clearly an effective programme, but it has distinct limits. The most important of these are its small scale, the likelihood that it creates very few jobs in addition to those that banks were already creating, and the limits imposed by capacity problems in government.

Scale is the first issue: by January 2008 the Letsema programme had equipped 2 750 young people for entry-level jobs in banks and related financial institutions.⁸⁸ This is an achievement that will make a major difference to the lives of the several thousand people likely to be supported by Letsema graduates, but will not make an appreciable difference to the overall problem of youth unemployment.

Next is the question of whether Letsema learnerships created genuinely new employment opportunities for young people. According to the Bank SETA, in recent years the banks have needed to hire 10 000 employees a year. One large banking group estimates that 30 per cent of its new employees are younger than 30, while another reports that a majority of its new hires are younger than 35. If we assume that 40 per cent of new employees in the industry are younger than 35, banking creates 4 000 jobs for young people every year in the course of reproducing its work force. This means that while the Letsema programme may have contributed to the racial transformation of the bottom rungs of the industry, it has not in fact created any new employment opportunities in banking beyond those that already fall vacant because South Africa's banks are successful enterprises whose work force is subject to normal attrition. It remains possible that the roughly 20 per cent of Letsema graduates not employed by banks have been able to start their own successful enterprises – but there is no evidence that this has happened, and it is plausible that risk-taking entrepreneurial attitudes are not common among people who are attracted to clerical jobs in large banks.

Moreover, at least in the perception of the banking industry, the scale of the Letsema programme has been limited by the inability of the Department of Labour to channel money sitting in the National Skills Fund (an earmarked levy on firms in addition to their tax obligations) to the programme. To quote a bank representative, "The learnership programme is not going so well, because funding from government has not been forthcoming. We are only taking a third of what we are supposed to. The Department of Labour has not put their money where their mouths are. It's an ongoing battle."⁸⁹

Besides the direct employment creation initiatives, banks are committed under the Financial Services Charter to (1) alter their lending practices to make it easier for small, black-owned firms to obtain loans, (2) target their corporate social investment specifically at black people, and (3) provide affordable access to banking for the poor. The first of these commitments could in theory create more employment opportunities for young black people. Since small firms are usually more labour-intensive than large ones, more lending to them could expand employment.

However, it is also possible that small companies would use loans to purchase machinery to replace workers, or that the ability to obtain loans on easy terms would reduce the likelihood that firms will survive and grow. Aiming corporate social investment more precisely at black people could also have positive effects on youth employment – but could also be spent in desirable ways that have minor positive impacts on employment (such as arts or sports development), or could simply be wasted on projects that achieve little. The commitment to provide cheap access to banking services could make it easier for

It remains possible that the roughly 20 per cent of Letsema graduates not employed by banks have been able to start their own successful enterprises

poor people to save securely, therefore perhaps reducing their vulnerability to crime and income fluctuations, and perhaps increasing their willingness to invest their savings in their own businesses or in searching for a job.

Our interviews revealed that banks do not collect the data needed for rigorous evaluations of the outcomes of these commitments. Due to this shortcoming, it must be stressed that what we know is at the level of anecdotes and perceptions as gleaned from our interviews with knowledgeable people.

What we do know is that, in the perception of the industry representatives interviewed, the most positive thing that can be said about the loan commitments is that they have not in any way threatened the soundness or profitability of the system. On the CSI side, banks can point to the excellent reputation of some of the programmes they fund.

Nevertheless, our interviews also suggest that the industry is aware of limits to what they can achieve, and the negative outcomes of some programmes. For instance, one bank representative claimed that 'transformational' lending tended to encourage forms of behaviour that are not conducive to employment creation: 'The biggest challenge is the expectations of the people we are funding. They don't have a long-term view. The attitude is they want the money now, they want big salaries and bonuses, but the business is not making any money, and we are saying, 'Sacrifices have to be made upfront, this is for the long term.' But they reply: 'What are you doing for us?' They don't accept responsibility.'⁹⁰

Soft loans granted in an atmosphere that emphasises political entitlement will tend to encourage this kind of behaviour. However, even when people who have benefited from these loans work as efficiently as they can, better access to finance is only part of what is required to create more jobs. As one interviewee pointed out, 'our sector of the economy cannot be held responsible for the total creation of additional capacity'. Bank finance cannot provide skills, identify profitable niches, or do more than temporarily delay the decline of an uncompetitive firm or industry.

CDE's interviewees had mixed views about the impact of the Financial Services Charter on their CSI spending. Some argued that it had increased the resources available for CSI; others said that they felt it had made little or no difference to the amount of money that banks spent in this area. Most agreed that the Charter had meant that senior bank executives were now putting more of their own energy into CSI, and that the quality of outcomes from this kind of spending was very variable. One interviewee stated: 'I hate to say it, but the CSI environment needs to act like a business. We have in the past funded projects in which all the signals would say you are wasting your money. We need more comprehensive support and critical assessment, or we are throwing money down the drain.'

Somewhat surprisingly, interviewees did not mention either positive or negative outcomes of the creation of the low-cost Mzansi account, which has given more than a million previously unbanked people access to formal banking by the end of 2006.

In late October 2007 the Financial Sector Charter Council released its 2006 annual transformation report which showed that the industry had far exceeded its target for providing funding to black-owned small enterprises, but had not reached its targets for black management or control. The report added a great deal of temporary heat to the debate about how the Financial Sector Charter relates to the Codes of Good Conduct developed for sectors in terms of the Broad Based Black Empowerment Act of 2003. Opinions on whether the industry-generated charter ought to be officially accepted as an empowerment code differ widely. Industry representatives tend to think that the charter should be

Our interviews also suggest that the industry is aware of limits to what they can achieve, and the negative outcomes of some programmes

accepted as is, while proponents of increasingly rapid racial transformation argue that the charter is not 'strong' enough to be worthy of official acceptance. At present, therefore, the industry continues to pursue transformation and employment creation initiatives in an atmosphere of considerable uncertainty.

In summary, our case study of special employment initiatives in the banking industry as a result of the Financial Sector Charter agreements tends to reinforce several of the findings of CDE's broader research. These are:

But what banks are doing now to create jobs – through training, loans, CSI, and the extension of banking services – could be made more effective

- Banks put a great deal of effort and resources into these special employment initiatives.
- Under present conditions it is not easy for the private sector to create new jobs besides those they would already create in the ordinary course of their business.
- Like other private sector organisations, banks tend to focus resources where they think they will have the greatest chance of success, and their programmes tend to be smaller and more intensive than those offered by government.
- Like almost every other institution operating in this area, they acknowledge serious weakness in monitoring and evaluation, and do not collect the data needed to assess the cost-effectiveness of their interventions. As a result, it is likely that a significant amount of money is spent to little or no useful end. It is equally likely that the positive effects of their normal business activities are going unnoticed.

Our examination of this leading sector also suggests:

- Government-assisted programmes are likely to be able to do valuable work in permitting more black people to find good jobs in growing sectors, but are unlikely to be able to induce such sectors to expand sustained employment any further than they were already planning to do.
- Government capacity problems and sustained policy instability inhibit private sector job creation initiatives.

In conclusion, CDE strongly endorses the generally accepted view that the banking industry is central to our economy, and that it has a great deal of potential to spur growth and reduce poverty. However, in our view the banking sector also faces clear limits on what it can do outside of its normal business activities.

Thanks to the clear-sightedness of senior industry and government leaders, and thanks also to the strength of the financial sector's regulators, we are nowhere near a situation in which pressure to make transformational loans could weaken the banking system. This is one important constraint – and a very healthy one at that. Another is that banks cannot themselves inject dynamism into places and sectors of the economy where this is lacking. A third is that banks cannot by themselves create jobs on a scale that would significantly reduce unemployment.

But what banks are doing now to create jobs – through training, loans, CSI, and the extension of banking services – could be made more effective. Government needs to stabilise the policy environment. The banking industry needs to draw on its enviable reserves of intellect and quantitative skills to evaluate what it is doing more effectively, and to move resources to where they will have the greatest impact.

Concluding remarks

CDE UNDERTOOK THIS project with carefully focused goals. Principal among them was that of surveying and assessing job creation ventures for young people in South Africa's major metropolitan areas. As we have seen, this proved to be a far from simple task, and we found it difficult to achieve the coverage and authority of findings we hoped for.

This in itself is a significant finding. The concern, enthusiasm, and commitment of resources that go into these projects are not matched by professionalism and strategy. As a result, CDE's research confirmed that much energy and substantial resources are being deployed by well-intentioned local, national, and private actors on a multiplicity of small-scale initiatives. These undoubtedly make at least a temporary difference to relatively small numbers of people. However, they:

- are not designed to be implemented at scale;
- do not record crucial information, and when they do fail to use common criteria and definitions – of a 'job', for instance;
- often result in large sums of money being spent on very few jobs; and
- are not evaluated independently.

In keeping with our limited aims and findings, our direct recommendations are limited, but we believe they are important. Job creation initiatives should be audited, not only in terms of financial management but also in terms of cost-effectiveness. This should involve transparency in terms of:

- 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.
- Follow-up on what happens to the beneficiaries (or at least a sample of them) in the job market.

However, despite the targeted focus of our research, our findings, partial though they may be, inevitably lead us to consider wider economic issues in which the problems of unemployment are situated.

One of these issues is education. Quite properly, anxieties about the quality of basic education are coming to the fore, especially in such growth-linked areas as maths and science. High quality basic education is the foundation of all skills training and tertiary education.

However another aspect of our educational shortcomings is less well understood. The concept of further education and training adopted by the government in the 1990s was that it would offer a rich portfolio of opportunities following the completion of universal general education. This has not come to pass, and the vast majority of learners follow a

Job creation initiatives should be audited, not only in terms of financial management but also in terms of cost-effectiveness

path which leads to the National Certificate, which, judging by failure rates and poor post-school employment prospects, is inappropriate for many.

What role could a revamped system of technical and vocational education play in giving young people a better chance of entry to the labour market?

Can the oft-cited 'mismatch' between educational qualifications and the requirements of the labour market be addressed in this way?

Can vocational and technical education help put us on a growth path that, in the words of the international panel of economists advising the National Treasury, will 'be based on the people that South Africa has, not on the people that it wished it had'?

A second issue is regulation. The political and policy impasse over regulation and the labour market severely disadvantages young South Africans. The panel of economists has put forward creative proposals that combine a wage subsidy with a period of flexible hiring and firing for young people. Can this restart the debate over young people and the labour market, and inject some creativity into what has been until now a sterile and reflexive war of positions? Surely it is time to look at other options that can lead to affordable jobs that are sustainable, and that encourage employers to bring young people into the world of work in massive numbers.

Our findings call into question what the government and the private sector are trying to achieve through their well-meaning interventions aimed at reducing youth unemployment. These findings underline the fact that specially or artificially created jobs cannot be easily created at the scale required and are not a path for sustainable development in this country. Recognising this fact sets a challenge for both the government and the private sector, and meeting it requires a much more informed and far bolder national conversation about the choices facing the country.

With the aim of provoking such a conversation, CDE is extending its research on young people and unemployment in South Africa's metropolitan areas. The new research will culminate in a companion report to this one. The express purpose will be to consider how the energy and resources revealed by our research to date can be harnessed by the same well-intentioned actors to make a real difference in the only way that really matters – by going to scale.

The political and policy impasse over regulation and the labour market severely disadvantages young South Africans

Appendix 1

Background research reports commissioned for this project

Charles Simkins, **South African metropolitan areas: economic growth and job creation**, statistical synthesis report for CDE, June 2006.

Stephen Rule, **Johannesburg youth survey 2006: Analysis of data pertaining to educational and career issues**, sample survey for CDE, July 2006.

Wim Eising and Glen Robbins, **Metropolitan South Africa: an inventory of economic opportunity interventions and their impact on creating opportunities for South Africa's youth**, research report for CDE, January 2006.

Errol Goetsch, **Metropolitan South Africa: an inventory of economic opportunity interventions**, research report for CDE, August 2006.

Errol Goetsch, **Metropolitan South Africa: an audit of economic opportunity interventions**, research report for CDE, August 2006.

Marlene Roefs and Jodie de Heer, **Review of economic opportunity interventions and their impact on creating opportunities for South Africa's youth**, research report for CDE, June 2007.

Doreen Atkinson and Mark Ingle, **Youth employment and opportunities in South Africa's metros**, research report for CDE, July 2007.

Reg Rumney, **Report on survey of the contribution of the big four banking groups to economic opportunity creation for youth in urban areas**, research report for CDE, 2007.

Aylit Romm, **Summary report on youth unemployment**, report for CDE, 2007.

Stefan Schirmer, **The extent of youth unemployment in South Africa: the nature of the problem; how bad is it, what does it mean?**, report for CDE, 2007.

Jeff McCarthy, **Scoring in the metropolis – winners and losers in South Africa's economic opportunity lottery**, synthesis research report for CDE, October 2007.

Jeff McCarthy, **The higher up you go the luckier you get**, synthesis research report for CDE, August 2007.

Jeff McCarthy, **Value for money matters: policy perspectives on economic opportunity generation for young people in South Africa's metro areas**, synthesis research report for CDE, October 2007.

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These findings underline the fact that specially or artificially created jobs cannot be easily created at the scale required and are not a path for sustainable development in this country. Recognising this fact sets a challenge for both the government and the private sector, and meeting it requires a much more informed and far bolder national conversation about the choices facing the country

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