Youth internationally is defined as people between the ages 15-24, which is roughly 17% of the world’s population.

The ILO estimated that in the period 2002-2010 over 700 million young people will be entering the labor force meaning over 1 billion jobs need to be created during this period.

Globally Youth unemployment is 13.5%, which is approximately 2-3 times the adult unemployment rate of 4.5%.

Youth unemployment is an international phenomenon.
• South African has an enormous unemployment problem but it is mainly concentrated amongst the youth (15-24)
• Currently overall unemployment is 23.6% but the youth unemployment rate is 48.1% which is roughly twice the size of overall unemployment
• Youth unemployment is possibly one of the biggest challenges that any country has to face as it has demographic, social, economic, health and environmental ramifications.
FACTORS BEHIND UNEMPLOYMENT

• Unemployment is situation whereby the supply of labor exceeds its demand- failure to reach equilibrium

• The supply-side factors = factors affecting the supply of labor

• The demand-side factors= factors that affect the demand for labor

• As well as the regulatory market
SUPPLY-SIDE FACTORS

- Are the factors that affect the number and quality of job seekers
- The rate of entry of women—esp. African women into the labor market has risen sharply
- There is a surplus of low-skilled job seekers which is caused by historically low levels of investment in African education
- Our welfare system that has created a high “reservation wage” which allows the labor market participants to be more selective about the job offers that they accept
DEMAND-SIDE

- South African firms have engaged in skills biased technical change which has created a demand for skilled rather than unskilled workers.
- A lack of trust on the employers part, as they appear to be a bit reluctant to hire new workers at any price- they lack the knowledge or confidence in the workers ability to perform the task adequately.
- The informal sector creates relatively low levels of unemployment, this may be a product of the regulatory environment which makes it difficult for small and medium entrepreneurs to start their business.
Creating a more flexible labor 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.

Sometimes young entrants to the labor market are hit particularly hard by laws that are essentially designed to protect those that are already in employment.
COSTS OF YOUTH UNEMPLOYMENT

- Why is youth unemployment a worrying factor?
- Link between large proportions of young unemployed people and political violence, civil unrest or crime
- Rapid urbanization - movement of people into the metro’s in pursuit of economic prosperity only to discover that the urban areas lack the infrastructure & resources to cater for them
- False expectations - the educational opportunities afforded by recent development means there are more skilled workers and less employment prospects
COSTS OF YOUTH UNEMPLOYMENT

• Devastated individual lives

• Lost human and social capital

• Society pays a price in terms of lost investment in education, failure to secure tax contributions due to loss of earnings from the unemployed youth plus the lack of saving will translate into loss in aggregate demand

• Failure to secure a job at a young age can hamper one's ability to get a job later on in their lives
Youth unemployment = 50%
Annually 500,000 school leavers ready to enter the labor market
The probability of a black school leaver securing a job by the age of 24 was lower than 50%
Unemployment was concentrated among the historically disadvantaged groups and highest among uneducated females in the rural areas
Although the economy was growing, it didn’t generate enough jobs to cut the unemployment rates significantly – structural issues?
The HSRC employment scenarios indicated that in order for unemployment to be halved by 2014, 500,000 jobs had to be created annually.
IMPACT OF GEC ON YOUTH UNEMPLOYMENT

• GEC has resulted in retrenchments in many formal economic sectors, reductions in working hours and downward pressures on household incomes - Global Job crisis

• The likely result is that one will see an augment in the youth unemployment rate as the number of new vacancies decline

• In South Africa between the first two quarters of 2009, over 267,000 jobs were lost

• The downturn has also resulted in an increased number of discouraged work seekers = 320,000 (Q1 to Q2 in 2009)
IMPACT OF GEC ON YOUTH UNEMPLOYMENT

• This has dampened the economic outlook as now over 700 000 Jobs have to be created annually for unemployment to be halved by 2014 = 1095 jobs per day

• The economic downturn has taken a considerably difficult situation and made it worse-integrating the youth into today's labor market
The IFI’s do not expect economic growth to re-emerge until at the very least the 3\textsuperscript{rd} and 4\textsuperscript{th} quarters of 2010.

Employment creation lag

In light of this what can be done?

Innovative ideas

Market based intervention?

Government programs?

Enhancing the Employability of the youth-identifying interventions that will have a meaningful impact through the down turn
OPPORTUNITIES

FET College expansion (*Skills enhancement*)
- National target to at least double FET enrolments
- Already been included in the FET budget

Youth employability proposals
- DOE has developed proposals to implement youth “starter pack” programme which will enhance general capabilities
- Funding potentially from NSF
OPPORTUNITIES

EPWP Employment incentives
• NPO, municipalities, provinces apply to hire people on projects. EPWP then pays R50 to the NPO etc. for each person employed
• Government infrastructure programmes have designed the application process, hopefully in 2010 a full complement of programmes will be in place-social sector

Community Works Programme
• Ward committees identify rolling projects in the area. They apply for funding to enable unemployment to work for 1 or 2 days per week, every week
WAY FORWARD

- To identify ways in which these interventions can be leveraged and taken to scale
- To identify the main/key role players
- Isolate other key interventions i.e. programs that focus on reducing the costs associated with job searches/ target rural development
THANK YOU!

16 September 2009