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Youth Unemployment in the Free State Province: Causes, Consequences and Solutions.

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ABSTRACT

This paper examines an issue that is currently of particular importance in the Free State: Youth unemployment. The purpose of this paper is, therefore, to look into the causes, consequences and solutions to the youth unemployment problem in the Free State Province of South Africa. The data for this paper was primarily sourced from Statistics South Africa (QLFS) and other secondary sources using descriptive approach of previous researches and analysis of scholars to gather empirical data, and also official government documents. The findings revealed that unemployment in the Free State among youths are caused by four major problems, namely weak economic performance, growing size of the youth population, poor quality of youth labour supply (lack of appropriate skills) and socio-economic backgrounds of the youth. High youth unemployment means young people are not acquiring the skills or experience needed to drive the economy forward. This inhibits the province's economic development and imposes a larger burden on government to provide social assistance. Also, the findings revealed that youth unemployment in the Free State has worsened significantly over the last ten years, largely as a result of the 2009 economic recession. The number of unemployed youth increased from 195 000 in Q1:2008 to 270 000 in Q1:2017; a rise of 75 000 unemployed youth. During the same period, the number of employment youth decreased by 66 000; from 363 000 to 297 000. This has led to an increase in the youth unemployment rate by 12.7 percentage points; from 34.9% in 2008 to 47.6% in 2017. Significantly, the impact of this paper is that the province should create a labour market that works better for youth employment by means of accelerated and inclusive economic growth, and recommends that the government should invest heavily on education and skills development.

Keywords: causes, consequences, youth unemployment, skills development, education, Free State Province.

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1. INTRODUCTION

1.1. Background to the study

South Africa's youth unemployment rate is now considered to be chronic. Millions of young South Africans are excluded from participating in economic activity, and as a result suffer disproportionately from unemployment, discouragement and economic marginalisation. High youth unemployment means young people are not gaining the skills or experience needed to drive the economy forward. This lack of skills can have long-term adverse effects on the economy. The country has one of the worst youth unemployment problems in the world. Cross-country comparisons regularly affirm that South Africa's youth unemployment rates are among the highest in the world. In July 2010, OECD released a survey of South Africa, which revealed that South Africa had the worst rate of unemployment for youth between the ages 15 and 24 among 36 countries surveyed in 2008. In another study, according to the World Economic Forum (WEF) Global Risk 2014 report, South Africa had the third highest rate of youth unemployment in the world, behind Spain and Greece respectively. The other two countries in the top five of most unemployed youth were Portugal and Italy. The latest figures from Statistics South Africa show that about 38.6% of South Africans between the ages of 15 and 34 were unemployed in the first quarter of 2017. For the Free State Province youth unemployment rate is even higher, estimated at 47.6% in the same quarter. The situation has worsened over the past ten years despite a great deal of policy attention and the implementation of a range of public and private interventions. Youth unemployment in the Free State was estimated at 34.9% in Q1:2008, but now stands at 47.6% in Q1:2017; an increase of 12.7 percentage points, pointing to the dire situation the youth find themselves in in the province. This problem, of course, is not isolated to the Free State as similar trends are observed nationally (6.0 percentage points increase over the same period) and also in other individual provinces of South Africa. The Free State youth unemployment rate was also estimated to be 13.7 percentage points higher than the total provincial unemployment rate in Q1:2017. Persistently high youth unemployment levels suggests a lack of effective policy interventions that need to be looked into as a matter of urgency.

It is an undeniable fact that the enormous challenge of unemployment currently afflicting South Africa needs to be addressed urgently. Related issues of poverty and inequality also continue to be a major concern. According to the New Growth Path (2010), the main challenges hampering young people from meaningfully participating in the mainstream economy are joblessness, poverty and inequality. Persistently high youth unemployment is not only one of the country's most pressing socio-economic problems, it is also a ticking time bomb. The National Planning Commission (2011) recognizes that "this time bomb is the greatest risk to social stability in South Africa." They estimate that if a young person fails to get a job by the age of 24, he or she is almost never likely to get a formal, full-time employment. Consequently, about 60% of an entire generation could live their lives without ever holding a formal job. Despite the promise of a democratic South Africa, it is young people from the poorest households who struggle the most to find jobs. If not addressed as a matter of urgency, the situation is expected to increase levels of frustration and impatience among the youth. In addition to this, the situation will contribute to a cycle of chronic unemployment and poverty: these young people are likely to become the parents of children who will then also grow up in a context of poverty.

The social and economic impact of youth unemployment cannot be denied. High youth unemployment has a negative impact on economic growth and productivity that cannot be

ignored. There is a risk of loss of talent and skills, since a great amount of university graduates are unable to find a job and put their knowledge and capabilities into producing innovation and contributing to economic growth. Moreover, having a large share of the young workforce unemployed, not only leads to reduced productivity and gross domestic product (GDP), it also increases the economic costs for the country, since there is a need for more money to be paid out on social grants and less money coming in from taxes. Furthermore, youth employment matters go beyond macro-economic indicators; the Free State's current generation of youth represent its next generation of leaders in business, government and civil society, and if too many remain unskilled and semi-literate, socio-economic inequalities will persist and intensify. A study by the Centre for Development and Enterprise (2013) found that "a growing number of young people in South Africa are living in an environment of multigenerational unemployment. As a result, the young people who find themselves in these situations are becoming increasingly resigned to never finding a job". This again reaffirms the importance and urgency of addressing this problem of high and increasing youth unemployment.

The incidence of youth unemployment has been related to the effectiveness of the educational system at easing the transition from school to work (OECD , 2000), to some labour market institutions (such as unemployment benefits for the young, minimum wages, etc.), to the role of the family at providing income support (Bentolila and Ichino, 2000), and to the evolution of the relative size of the youth population (Korenman and Neumark, 2000).

Racial and gender inequalities continue to play a significant part in the youth unemployment landscape in the Free State. African and Coloured youth are far more vulnerable to unemployment than their White or Indian counterparts; young women are more likely to be unemployed and to be NEET than their male counterparts. These are some of the dynamics that need to be tackled when addressing youth unemployment in the province.

Given the context provided above, this paper pays attention to youth unemployment as one of the most serious socio-economic challenges in the Free State, more so in recent years. This study looks at recent trends in youth unemployment and joblessness in the Free State and seeks to clarify some issues related to the nature of the youth labour market "problem", with the ultimate objective of providing possible solutions to this problem.

The rest of the paper is structured as follows: Section 2 reviews recent studies dealing with youth unemployment (literature review). Section 3 is on the research design and methodology, while section 4 will outline the policy framework. Section 5 will discuss the findings in detail (youth unemployment/employment trends). Section 6 will be provide the possible policy intervention and lastly section 7 will be the concluding remarks.

1.2. Purpose of the study

The purpose of this study is to investigate the problem of persistently high youth unemployment in the Free State Province. The paper focuses particularly on youth unemployment, why we should be concerned about it, why it is increasing, and what could be done about it.

1.3. Research objectives

The objectives of this study are as follows:

- Examine youth unemployment trends in the Free State

- Investigate the causes and consequences of youth unemployment
- Examine the relationship between youth unemployment and overall unemployment
- Provide solutions to the youth unemployment problem

1.4. Research questions

The study will seek to answer the following critical questions:

- How big is the youth unemployment problem in the Free State?
- What labour market features limit young people's access to work?
- Is youth unemployment a different problem to overall unemployment? Does it require a different policy approach?
- What interventions can enhance youth's access to the labour market?

1.5. Significance of the study

There is renewed commitment in recent years by Governments across the world, particularly in developing countries, to address youth unemployment as a means to intensifying the fight against extreme poverty, achieving the MDGs, and more importantly, meeting equity and development goals. This has led to an increasing demand for relevant information on how labour markets operate, especially in the context of addressing youth unemployment challenges. Therefore, with the post-2015 development agenda calling for decent work for all, understanding youth unemployment causes and solutions is key. Although unemployment for young people is not a recent issue, it has gained unprecedented significance, calling for an in-depth study of the several facets to be dealt with, in order to address the matter and determine adequate solutions.

This paper seeks to contribute to the ongoing debate on the subject with special focus on the Free State Province. It attempts to analyse the youth unemployment challenge from a historical perspective. It reviews the causes of youth unemployment in the province and challenges faced by the youth in entering the labour market. Based on the review, it concludes by raising key issues and recommendations for the way forward.

2. LITERATURE REVIEW

This section of the paper critically examines the literature on youth unemployment, internationally and locally. The section provides information on what other researchers or scholars have written on the subject matter. This includes academic studies produced by scholars, research institutes as well as studies and official reports written under the backings of international organisations such as the UN agencies. The review will focus on three key areas: causes of youth unemployment; impact of youth unemployment; and strategies employed to combat youth unemployment.

2.1. Causes of youth unemployment

It is thought to be wise in this study to first refer to literature and see what early researchers singled out as the most important or prominent causes of youth unemployment. There is substantial literature analysing the causes of youth unemployment available. Various reasons are provided for the causes of this youth unemployment. Some ascribe it to the lack of employment that is caused by a lack of employability, type of qualification obtained as well as field of study, quality of secondary school education, quality of tertiary education, high

expectations, job search and work experience, amongst others. This part of the study will look into the vast literature on youth unemployment causes.

At the core of the causes of youth unemployment has been issues of lack of human capability in terms of education, knowledge, health, freedom and well-being (UNDP, 2003). The close relationship that exists between poor economic management, youth unemployment, poor quality education, increase in crime, poverty and civil wars has been well documented by earlier researchers such as Chigunta (2002), Kanyenze (1997) and ILO (2012).

In studies of unemployment in Nigeria, Echebiri (2005) and Morphy (2008) identified the main causes of youth unemployment in Nigeria as rapidly growing urban labour force arising from rural - urban migration, outdated school curricula and lack of employable skills, and rapid population growth resulting in the rapid growth of the labour force, which is far outstripping the supply of jobs.

Hanna (2014) also found that fast population growth in Sub-Saharan Africa makes the challenge of youth unemployment even greater as the demand on labour markets grows quickly. As the population of educated Sub-Saharan African youths grows, its economies' demands for labour are not keeping up with the increasingly viable workforce.

Exclusion has also been singled out by Chigunta (2002) as a factor which drives unemployment. Youth have been left out from participation at all levels of economic and general policy formulation, planning, implementation and evaluation and this may give rise to a lack of a sense of belonging. Invariably, this has led many youths to emigrate or wishing to emigrate in large numbers creating substantial brain-drain which further cripples developing economies (UNDP, 2004).

Curriculum mismatch has also been singled out by Machingaidze (1998) as a driver of youth unemployment. Unemployed youths are graduates of an education system which is irrelevant to the needs of industry. Increased educational levels are not being met by corresponding employment opportunities and secondary school and university graduates are amongst those most likely to be unemployed (Jeffrey, 2010).

In a study on South Africa, Altman and Marock (2008) found that youth unemployment is both a demand and supply side problem. On the one hand, youth unemployment is a demand-side problem as the number of jobs created in the economy are too small. On the other hand, youth unemployment is a supply-side problem because many young South Africans lack the appropriate skills, work-related capabilities and higher education qualifications required for a high-skills economy.

Okojie (2003) outlined the factors that have been identified to be major causes of high youth unemployment in Africa to be rapid population growth, poor quality education, small private sector, and rapid rural-urban migration.

Francis (2002) identified stagnating economies to be one of the major factors behind the high youth unemployment in Africa. He explained that young people are finding it difficult to be employed largely due to the stagnating formal sector, with school graduates staying at home without gainful or productive employment.

In South Africa, a study by Banarjee (2008) found that the risks of long-term unemployment are dramatically higher for black youths, as they must often contend with adverse living conditions and social circumstances on top of the lack of availability of employment opportunities. With many black youths living on the outskirts of economic centres of activity, travel and administrative costs involved in a spirited job search quickly become expensive and unaffordable to those most in need of employment.

A study by OECD (2013) found that skill mismatches represent one aspect of the persistently high unemployment rate, especially for youth: the education system is not producing the skills needed in the labour market. Returns on a high-school certificate, both in terms of finding a job and the earnings premium when employed, are mediocre, while the shortage of skilled workers is reflected in a high premium for university graduates. Shortages of learning materials, teachers, support staff and well-trained principals across most of the school system are among the causes of poor outcomes.

The central causes of youth unemployment have been extensively studied in the economic literature, as indicated above, and can be classified in two groups: whether they are analysed from a macroeconomic or microeconomic point of view. Following the former approach, the causes of youth unemployment more often quoted are aggregate demand, youth wages, the size of the youth labour force, and the lack of skills among youth (O'Higgins, 2001). Indeed, youth unemployment seems to be more sensitive to changes in aggregate demand than adult unemployment, as young people are more likely than older workers to leave their jobs voluntary and to do so, albeit to a lesser extent, during a recession. On the demand side, it is likely that the first reaction of firms to a recession is to stop recruitment, and this affects young people more strongly. Furthermore, when firms start retrenchments, it is cheaper for them to lay off young workers rather than older workers. Turning to the argument of wages, the evidence seems to suggest that, in industrialised countries (Blanchflower, 1999) the young are not being priced out of jobs by wages that are too high. However, the effect of minimum wages on youth employment is often found to be significant (Neumark and Wascher, 1999). The microeconomic theory puts forward other explanations to youth unemployment, however, not specific to the young generation. The theory of human capital (Schultz, 1961; Becker, 1964; Mincer, 1974) differentiates the individuals by their schooling and training investment and accounts for some of the differences in productivities between young people and more generally between cohorts. Young people with low education and experience will go through more difficulties to find employment (Giret, 2001).

2.2. Social and economic impact of youth unemployment

Kingdon and Knight (2004) advised that, "Unemployment is a matter of serious concern if its effects on economic welfare, production, erosion of human capital, social exclusion, crime and social instability are to be taken into consideration"

The experience of being unemployed is difficult, debilitating and stressful to the affected individuals argues Blyton and Jenkins (2010). It is an experience which does not only affect the individuals, but the entire households including the extended family structures. Unemployment reduces the affected individual's self-worth.

Large-scale youth unemployment has become the prime social and economic issue in South Africa and a number of developing countries. It is a colossal waste of human potential and

national product; it is responsible for poverty and inequality; it erodes human capital; and it creates social and economic tensions wherever it strikes (Snower & De La Dehesa, 1997).

The social impact of youth unemployment include severe financial difficulties, poverty, debt, homelessness, family tensions and breakdown, alienation and stigma, increased social isolation, crime, lack of confidence and self-esteem, the inability to attain skills and education, and ill-health. The majority of these tend to increase with the duration of unemployment.

The emerging literature on youth and conflict in Africa suggests that youth culture, in particular the problem of unemployed and disaffected youth, plays a significant role in the African conflict experience (Abdullah, 1999; Zack-Williams, 2001). Although some young people and children have been abducted and coerced into fighting for rebel groups, there is now evidence to suggest that some are volunteering to join the rebel groups (Rwaboni, 2002).

According to Nedeljkovic (2014) being young and unemployed can lead to increase in the risk of poverty, de-skilling and social exclusion as well as cause loss of motivation and mental health problems. Fresh graduates lacking experience often find themselves trapped in a vicious cycle. They often lack the experience needed to fill a job opening, which prevents them from getting employed. Thus, the job-searching period for them becomes considerably longer than for experienced workers, which leads to gaps in employment history, loss of skills and productivity, and harms their future work prospect.

Unemployment among young people could also lead to reduced level of happiness and mental health problems. Being employed is important for young people in order to feel accepted in the society, thus not having a job can cause economic, cultural and social isolation. Social exclusion, stress and employment worries can cause mental health problems, such as depression. Moreover, studies have found that youth unemployment is associated with increase in drug and alcohol use as well as higher levels of crime among young people (Nedeljkovic, 2014).

A paper by Fougere, Kramarz and Pouget (2009) examined the influence of unemployment on property crimes and on violent crimes in France for the period 1990 to 2000. The paper, estimating a classic Becker-type model in which unemployment is a measure of how potential criminals fare in the legitimate job market, found that in the cross-section dimension, crime and unemployment are positively associated. Secondly, they found that increases in youth unemployment induce increases in crime. Using the predicted industrial structure to instrument unemployment, the study showed that this effect is causal for burglaries, thefts, and drug offenses.

According to Hussamans (2007), long periods of unemployment reduce the value of human capital. Educated youths become a useless/ redundant resource. When educated youths are out of work for prolonged periods, their skills diminish. They become “rusty” and they miss out on training and staff development in new methods. Hussamans (2007) further argues that nothing beats experience. If educated youths are not working, they lose out on gaining proficiency through experience on the job. Their net value lowers.

Hoppers (1994) argues that when people are unemployed, the State is the biggest loser in numerous ways. Ibid (1994) noted that while families and individual educated youths lose income, the State also loses development opportunity through non-contribution to the economy in terms of goods and services that could have been produced, the State also loses revenue from

income taxes, it loses again since it has to capture the poor households under social safety nets (health care, tuition fees, free agriculture inputs etc.).

Some researchers have come to the conclusion that there are scarring effects attached to early unemployment spells, which significantly reduce subsequent wages and increase the probability of future unemployment spells (Nordström Skans, 2005; Arulampalam, 2001). Several reasons for such scarring effects have been suggested as follows:

- Patterns of behaviour established at an early stage tend to persist. Thus, certain behaviour “inherited” from unemployment spells may make these workers less productive (e.g. O’Higgins, 2007).
- Skills and motivation may decay during the unemployment spell (Ryan 2001). Skills may become obsolete due to non-use, or because organizational or technological developments make formerly acquired skills less valuable (De Grip, van Loo 2002).
- Employers may take unemployment spells as signalling device, suggesting to them that the person is potentially less productive (e.g. Gibbons, Katz 1991).

The impact of youth unemployment can be summarised in table 1 below.

Table 1: Personal, economic and societal consequences of youth unemployment

LEVEL	IMPACT
<p>Individual</p> <p><i>Bell, D.N.F. and Blanchflower, D.G. (2011); OECD. (2013); Kieselbach, T. (2003); Helgesson, M., Johansson, B., Nordqvist, T., Lundberg, I. and Vingard, E. (2012); Blanchflower, D.B. (2010).</i></p>	<ul style="list-style-type: none"> ✓ Increased chances of being unemployed later in life ✓ Lower wages in later life if employed ✓ Deskilling ✓ Exclusion from society along a number of dimensions (e.g. economic, cultural, social isolation) ✓ poor health and lower job satisfaction in later life ✓ Reduced levels of happiness
<p>Economic</p> <p><i>Mascherine, M., Salvatore, L., Meierkord, A. and Jungblut, J.M. (2012)</i></p>	<ul style="list-style-type: none"> ✓ Lower tax revenues ✓ Higher welfare payment and associated costs ✓ Reduced productivity ✓ Less innovation ✓ Reduced GDP
<p>Societal</p> <p><i>European Youth Forum (2011); Kieselbach, T. (2003)</i></p>	<ul style="list-style-type: none"> ✓ Greater pressure on public services (e.g. health) due to personal level costs ✓ More fragmented society ✓ Less political engagement

2.3. Strategies to combat youth unemployment

This section of the paper will look at some of the strategies implemented by different countries across the globe in efforts to combat youth unemployment. Countries that are looked at include the United States of America, Denmark, United Kingdom, Netherlands, France, Australia and India.

An ILO study on youth employment coordination mechanisms in East Africa by Phororo (2013) highlighted that design and implementation approaches that have proven effective

include: (i) mainstreaming of youth employment in broader national development plans and strategies, yet with explicit objectives and targets; (ii) clear indication of roles and responsibilities of different implementation partners in employment policies and action plans on youth employment; (iii) establishment of links between youth employment policy and other policies that affect youth employment outcomes; (iv) reflection of government commitments to youth employment in national budgets; and (v) setting up of monitoring and evaluation mechanisms, not just the programmes but also for the budget allocations toward youth employment.

The following are but just a few examples of strategies implemented by various countries in efforts to decrease youth unemployment.

United States of America

In the US the Department of Labour implemented a number of temporary measures affecting youth including:

- Federal funding to states to include earnings gained in the most recent quarter in the assessment of unemployment benefit eligibility. In the states that have accepted the funding – 32 so far – the measure will expand coverage for the jobless with short work histories, notably youth but also part-time workers and those who have cycled in and out of the work force.
- Expansion of the existing programme of tax credits to apply to employers hiring disconnected youth (16-24).
- Additional funding for employment programmes. A total of USD 3 billion was devoted to Workforce Investment Act initiatives for adults, displaced workers and disconnected youth. Youth are well represented in programmes for all three groups and are expected to benefit significantly from the increased funding. More specifically, the age eligibility for disconnected youth services was raised from 21 to 24 and the government called for additional funding to focus on summer jobs programmes.
- More federal funding to the Youth Build programme, i.e. an academic and vocational training programme for youth focusing on the construction sector.
- Additional funds for the construction, rehabilitation or acquisition of Job Corps centres, i.e. a residential training programme for 16-24 year-olds.

Denmark

In November 2009, the Danish government and the three major political parties agreed on a series of policies designed to ensure a quick, intensive and focused approach towards youth aged 15-17, 18-19 and 18-29. These actions cover both the Ministry of Education and the Ministry of Employment. Concerning the 15-17-year-olds, all pupils in lower secondary education will prepare an education plan in collaboration with their parents, the school and the youth guidance centre (the institution that has primary responsibility for initiatives in relation to the individuals under the age of 18). The education plan should lead to further education or describe what the young person will otherwise be doing and may include activities such as training, employment, internship, stay abroad or volunteer work. If pupils do not follow their education plan, their parents will risk losing child benefits. Additional resources have been provided for increased co-operation between youth guidance centres, educational institutions and the Public Employment Service (PES). The Ministry of Education and the Ministry of Employment will co-operate to develop a database, which will ensure a full overview of the education and training of each young individual. This will enable a quick identification of

vulnerable young people and provide the information needed to offer a targeted effort. Initiatives targeted at the 18-19-year-olds focus on a package offering intensive contact with the PES and rapid activation. The package includes an individual interview after only one week of applying for welfare benefits, a job search training course within the first two weeks and an active measure (an educational opportunity or work placement) offered no later than one month after the beginning of the unemployment period. More generally for all youth aged 18-30, the aim is to tackle long-term unemployment. In particular, the PES will propose a hiring subsidy in the private sector for young people under 30 who have been recipients of welfare benefits for more than 12 months. In addition, young people without qualifications will take a reading and writing test when they register as unemployed and the PES has been given resources to provide literacy and numeracy courses. The PES will also be obliged to refer new graduates aged under 30 to a private provider after only six weeks of unemployment (previously it was after 4-7 months depending on the level of education).

United Kingdom

In the 2009 budget, the government announced the introduction of the Young Person's Guarantee. Starting January 2010, this initiative guarantees every young person under the age of 25 who has claimed unemployment benefits for over a year: an offer of a job; work-focused training; or a place on a Community Task Force. It is expected that the proposal will benefit 250 000 young people and focus on job creation for young people in areas that have been significantly affected by the recession. Job offers will be guaranteed either through existing jobs or through the so-called Future Jobs Fund scheme. Through this scheme local authorities and third-sector groups will be able to submit bids for jobs to improve their local community. Although the programme officially started in January 2010, some jobs were already available in autumn 2009. A further 100 000 jobs will also be funded by the government in the fastest growing sectors and will be targeted at long-term unemployed young people. Other proposals to help young people who are unemployed include a scheme called CareFirst offering 50 000 traineeships in social care to young people who have been out of work for a year or longer. The government also made a commitment to ensure that all 16 and 17-year-olds can stay in further education for the next two years through the announcement of an extra GBP 250 million funding for schools and further education colleges to fund extra student places from September 2009.

Netherlands

Since September 2009, all Dutch municipalities are obliged to give young people between 18 and 27 who apply for social assistance benefits a personal offer consisting of work, training or a combination of both. The biggest cities have been implementing with success this strict activation strategy since the mid-2000s. Youth without basic vocational qualification will be incited to opt for training to get the equivalent of an upper secondary vocational diploma. In case of refusal, they will receive only a reduced benefit. The government wants to prevent dependency on social benefit but also help young people to be in a position, once the economy starts to gather pace, to play a full part in it.

France

The emergency plan for youth employment launched in April 2009 in France aims to:

- Facilitate the school-to-work transition by promoting apprenticeship and combined work and training opportunities. Any company that recruits a young apprentice before

end June 2010 will be exempt from paying social security charges for that person for a period of one year. Furthermore, small enterprises (with fewer than 50 employees) will receive an additional, direct subsidy of EUR 1 800. Under this type of contract, work experience is alternated with formal training. As an incentive for companies to offer these contracts, the plan proposes a direct one-off subsidy, worth EUR 1 000 for each person aged less than 26 who signs up. If the person has not achieved an educational qualification equivalent to the baccalauréat school certificate (academic or vocational), the subsidy is doubled to EUR 2 000.

- Promote the transformation of internships into permanent employment contracts. Firms who made this change before the end of September 2009 will receive a payment from the state of EUR 3 000 per head.
- Provide additional training and employment opportunities for youth far removed from the labour market. The government will finance jointly with the PES 50 000 training programmes for unskilled youth to help them gain a qualification and will subsidise 50 000 additional hiring in the private sector and 30 000 additional contracts in the public sector, both targeted towards disadvantaged youth. The latter measure refers to the creation of *emplois passerelles*. These subsidised contracts in the public sector at the local level are geared to the acquisition of transferrable skills that can be put in good use in the private sector (e.g. computing skills, childcare and property management).

In September 2009, these employment measures were reinforced in the broader youth strategy “Acting for youth” dealing also with: improving guidance in school; preventing 17-18 year olds from dropping out of school; helping youth to become financially autonomous; and encouraging youth to become better citizens.

India

The Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) was promulgated in India in 2005 and implementation started in 2006. Through the Act, the state guarantees a minimum of 100 days of wage employment to every rural household with unemployed people willing to do unskilled work. By mid-2010, over 55 million households were participating in the scheme. Work is identified and planned by the local state, and must have a 60:40 wage-material ratio. The programme is focused on improving rural infrastructure and agricultural productivity, and is seen as a key part of India’s ‘green jobs’ and climate adaptation strategies.

Implementation takes place in a context of high public scrutiny and debate. NREGA was passed at the same time as India’s Right to Information Act, which arose as a consequence of a mass campaign against corruption, focussed in part on public works programmes. NREGA stipulates that all information on the scheme should be in the public domain: and it is. While the impacts and possibilities arising from NREGA are still in flux and often contested, the programme has opened a range of new development trajectories in rural India, giving a new materiality to the concept of a right to work, opening new policy opportunities (TIPS, 2010).

Other countries deeply affected by youth unemployment made use of the following strategies:

- *Expand unemployment insurance (UI) eligibility conditions to better cover young workers.* Half of OECD countries have temporarily extended the coverage of unemployment benefits in general since the beginning of the crisis. It would be a welcome step particularly during the downturn and early stages of recovery to validate any period of youth employment, such as internships and dual programmes, in order to attain the number of months required to become eligible for UI. Any extension of

coverage for UI should, however, be made conditional on active search on the part of the unemployed youth following the “mutual obligations” principle.

- *Provide subsidies to promote apprenticeship for unskilled young people and support measures to help apprentices made redundant to complete their training.* Subsidies should be designed to minimise deadweight and/or substitution effects. Measures should be limited to youth without skills and to laid-off apprentices to help them to get a qualification. France and Australia, in particular, announced recently measures to secure the training of apprentices made redundant (Boxes 7 and 8)

Youth and the ILO

Since its inception in 1919 the ILO has been involved in establishing regulations to improve the working conditions of young people, the Minimum Age (Industry) Convention, 1919 (No. 5), and the Night Work of Young Persons (Industry) Convention, 1919 (No. 6), being two early examples. The ILO has also long been engaged in the design of instruments to promote youth employment and training, beginning with the adoption of the Unemployment (Young Persons) Recommendation, 1935 (No. 45). This Recommendation advocated specific measures to facilitate the placement of young people in the labour market and to avoid youth unemployment. The proposals included: raising the minimum school-leaving age to at least 15, with the provision of a maintenance allowance to parents where necessary; establishing special employment centres with strictly voluntary attendance on the part of young people; and organizing public works to assist unemployed young people.

The Special Youth Schemes Recommendation, 1970 (No. 136), provides guidelines on youth employment and training schemes organized for development purposes and specifies the conditions that should prevail in such schemes. It stresses that participation in the schemes should be voluntary and should not violate the terms of international labour standards on forced labour (ILO, 1986).

The Human Resources Development Convention, 1975 (No. 142), provides that ILO member States should adopt and develop comprehensive and coordinated policies and programmes of vocational guidance and training closely linked to employment.

The ILO's 1986 report, *Youth*, stated that any significant improvement in the conditions of young people would necessarily be closely associated with improvements in social and economic development. The report included recommendations regarding the role of the social partners; the adoption of international labour standards on youth; formal education in preparation for the world of work; labour utilization and access to education, training and employment; conditions of work in the informal sector; self-employment and small business creation schemes; and measures concerning special groups of young people such as young women. In 1996, the 83rd session of the International Labour Conference adopted "Conclusions concerning the achievement of full employment in a global context: The responsibility of governments, employers and trade unions". Amongst these conclusions was the affirmation that countries should design and implement special measures to enhance the employability of vulnerable groups, such as young workers.

More recently, the World Employment Report 1998-99 (ILO, 1998a) has focused on the issue of training and employability. The report emphasized, among other things: the role of education and training in promoting competitiveness; the implications of changes in the demand for different skills; the role that training can play in overcoming disadvantages faced by women in the labour market; the need, particularly in developing countries, to recognize the informal sector and consequently the role it has to play in training for employment; and the need for training policies to place emphasis on vulnerable groups.

At the 86th session of the International Labour Conference in 1998, the ILO adopted a resolution concerning youth employment. It recognizes the need to implement a balanced economic growth strategy and stresses the positive role that can be played by the involvement of workers' and employers' organizations in the design and implementation of youth employment policy. The resolution also recognizes the need to balance the needs of the economy with the needs of individuals. Measures to enhance the training and employment of young people should be introduced both to improve the efficiency of the economy and to allow individuals to reach their full potential. The ILO has suggested promoting employment-intensive strategies to boost economic and employment growth to combat both youth and adult unemployment, as well as promoting the development of self-employment and the introduction of dual apprenticeship systems (ILO, 2000a). Early in 2000, a report, *Training for employment*, was presented to the International Labour Conference (ILO, 2000b), recognizing the important role to be played by both governments and private enterprises in promoting and undertaking training. It also stressed the growing role of different types of LMI and, in particular, suggested that employment services provide more vocational guidance.

Source: O'Higgins, 2001

3. RESEARCH DESIGN AND METHODOLOGY

This section of the paper explains the methodology and data for the upcoming analysis in section 5, and also the definitions used.

3.1. Definitions

The operational definition of youth differs widely from country to country. Most of these definitions depend on cultural, institutional and socio-political issues. The standard United Nations definition states that youth include people between 15 and 24 years of age (United Nations, 1992). Definitions adopted by other organisations and national governments vary widely, however, and many African countries define youth in very expansive terms with the upper ceiling pushed into the mid-thirties. In South Africa the National Youth Act of 1996 describes youth as persons in the age group 14 to 34 years. As 15 is the age at which children are permitted formally to enter the labour market in South Africa, this age is used as the lowest level for discussions on employment and unemployment. For the purpose of this paper, youth unemployment is defined as unemployed people between the ages of 15 and 34 years. However, for reasons of comparison, a distinction will be made where necessary in the subsequent parts of this paper between those in the 15 to 24 age group and those in the 25 to 34 age group in the discussion of youth unemployment in South Africa and the Free State in particular.

Although it may appear obvious, it is important to begin by discussing briefly what the paper defines unemployment as. There are two definitions of unemployment in South Africa, the official or strict definition and the expanded definition. Both definitions include people aged 15 or older who are not employed but are available for work. The requirement of the strict definition is that an individual must have taken steps to find employment for four weeks prior to a given point. The expanded definition also includes the discouraged (despairing) individuals who have not taken active steps to find work. Unemployment figures calculated according to the official definition are therefore lower than those for the expanded definition. It can be argued that the expanded definition would provide a more accurate indicator of the extent of the problem in South Africa. Distinction between the two definitions will also be made in the analysis to give proper context to the true nature of youth unemployment.

3.2. Methodology

Quantitative and qualitative method of research constitutes the research approach of this study. A quantitative analysis would be conducted to examine the labour market trends from 2008 to 2017, focusing on the demographic characteristics of the employed and unemployed. On the other hand, a qualitative analysis would be conducted to evaluate the success of the labour market policies that have been implemented or currently being implemented in the Free State Province.

3.3. Data

Statistics South Africa's Quarterly Labour Force Survey (QLFS) data for the period Q1:2008 to Q2:2017 is used to analyse the nature of youth unemployment in the Free State. Data from IHS Markit will be used as supplementary. The purpose of utilising this statistical information on youth unemployment is to profile this disadvantaged group and to bring the seriousness of the matter to the fore, as well as arguments about the erosion of the quality of life of many

young Free State residents. Additional data for this paper will be derived from secondary sources of previous researches and analysis of scholars, government documents as well as journal articles that are related to the subject of study.

4. POLICY FRAMEWORK

The question of youth employment remains even more important and is becoming almost insurmountable in South Africa. The South African Government has produced quite a number of policies that address the unemployment problem. These policies do not exist in a vacuum, but relate to each other and also to related issues like poverty and inequality. The employment policies are also supposed to link well with other policies that all work in the field of incentives to employment creation.

The government has been trying to solve the unemployment problem by means of various policies, ranging from the “big” policies like the Reconstruction and Development Program (RDP), Growth, Employment and Redistribution Policy (GEAR), ASGISA, and the recently launched National Development Plan (NDP), to the more specific labour market policies such as the Expanded Public Works Program (EPWP), promotion of small, medium and micro enterprises (SMMEs) to the implementation of the Employment Tax Incentives Bill (also known as the Youth Wage Subsidy). This section of the study will briefly outline some of these policies with a special focus on the youth

4.1. New Growth Path - Youth Employment Accord

The Youth Employment Accord was signed by the government and its partners on 18 April 2013. The Accord set out the joint commitment to prioritise youth employment and skills development. The Accord is one in a series of social pacts that are intended to help achieve the New Growth Path goal of five million new jobs by 2020.

This document proposes three distinct but connected work streams:

- Identifying areas of immediate action on youth employment in this accord that need to be implemented from 2013.
- Using the lessons learnt from this first phase, as well as the trust that develops through practical measures, to identify additional actions on youth employment that are possible, revise targets where appropriate and scale up the programmes on youth employment, in an expanded and updated accord to be concluded in 2014.
- Commence discussions on the constraints in the economy that hinder greater job creation and inclusive growth, including the structural features inherited from our past.

The elements of the Youth Employment Strategy are set out in the following six areas:

1. **Commitment 1: Education and training.** Improve education and training opportunities for the gap grouping between school-leaving and first employment.
2. **Commitment 2: Work exposure.** Connect young people with employment opportunities, through amongst others support for job placement schemes and work readiness promotion programmes for young school leavers and provide young people with work experience.
3. **Commitment 3: Public sector measures.** Increase the number of young people employed in the public sector, through coordinating and scaling up existing

programmes under a ‘youth brigade’ programme coordinated with the National Youth Service Programme.

4. **Commitment 4: Youth target set-asides.** Youth target set-asides need to be considered in particular industries, particularly new industries where young people can be drawn in large numbers and should be progressively realised.
5. **Commitment 5: Youth entrepreneurship and youth cooperatives.** Youth cooperatives and youth entrepreneurship should be promoted.
6. **Commitment 6: Private sector measures.** Work with the private sector to expand the intake of young people, with targeted youth support and incentives approved by all constituencies.

4.2. National Development Plan (NDP)

The NDP is a plan to unite South Africans, unleash the energies of its citizens, grow an inclusive economy, build capabilities, and enhance the capability of the state and leaders working together to solve complex problems.

By 2030:

- The unemployment rate should fall from 24.9% in 2012 to 6% in 2030. This will require an additional 11-million jobs. Total employment should rise from 13-million to 24-million.
- The proportion of adults working should increase from 41% to 61%.
- The proportion of adults in rural areas working should rise from 29% to 40%.
- The labour force participation rate should rise from 54% to 65%.
- Gross domestic product (GDP) should increase by 2.7 times in real terms, requiring average annual GDP growth of 5.4% over the period. +
- GDP per capita should increase from about R50 000 per person in 2010 to R110 000 per person in 2030 in constant prices.
- The proportion of national income earned by the bottom 40% should rise from about 6% today to 10% in 2030.
- Broadened ownership of assets to historically disadvantaged groups:
 - ✓ Exports in volume terms should grow by 6% a year to 2030. Non-traditional exports should grow by 10% a year.
 - ✓ National savings should rise from 16% of GDP to 25%.
 - ✓ The level of gross fixed capital formation should rise from 17% to 30%, with public sector fixed investment rising to 10% of GDP by 2030.
 - ✓ Public employment programmes should reach 2-million people.

4.3. National Youth Policy, 2015-2020

The National Youth Policy (NYP) for 2015–2020 (NYP 2020) is developed for all young people in South Africa, with a focus on redressing the wrongs of the past and addressing the specific challenges and immediate needs of the country’s youth.

The NYP 2020 builds on South Africa’s first NYP, which covered the period 2009–2014. It improves upon and updates the previous policy by speaking to the new challenges that South Africa’s youth face, while acknowledging that there is more to be done to address the challenges identified in the previous NYP.

The NYP 2020 seeks to create an environment that enables the young people of South Africa to reach their potential. The policies, mindful of the global economic challenges that affect South Africa, identifies the mechanisms and interventions that will act as catalysts to help clear critical blockages and achieve this positive environment.

The policy outlines interventions to enable the optimal development of young people, both as individuals and as members of South African society, enhancing their capabilities to transform the economy and the country. The integrated development strategy, which will articulate in detail how the implementation of the interventions should be carried out, will be developed in the months following government's adoption of the policy. For the goals of the policy to be realised, government will need to partner with all sections of society, including the private sector.

The vision of the NYP 2020 remains consistent with that of the National Youth Development Policy Framework (2002: 8):

“Integrated, holistic and sustainable youth development, conscious of the historical imbalances and current imbalances and current realities, to build a non-sexist, non-racist, democratic South Africa in which young people and their organisations not only enjoy and contribute to their full potential in the social, economic and political spheres of life but also recognise and develop their responsibilities to build a better life for all.”

The objectives of the NYP 2020 are to:

- Consolidate and integrate youth development into the mainstream of government policies, programmes and the national budget.
- Strengthen the capacity of key youth development institutions and ensure integration and coordination in the delivery of youth services.
- Build the capacity of young people to enable them to take charge of their own well-being by building their assets and realising their potential.
- Strengthen a culture of patriotic citizenship among young people and to help them become responsible adults who care for their families and communities.
- Foster a sense of national cohesion, while acknowledging the country's diversity, and inculcate a spirit of patriotism by encouraging visible and active participation in different youth initiatives, projects and nation-building activities.

Policy proposals

To enhance economic participation, the NYP 2020's suggested measures include industrial policy interventions to improve labour absorption in the economy; work exposure measures to provide young people with opportunities to gain on-the job experience; linking young jobseekers to employers; interventions to support entrepreneurship; facilitating access to opportunities, business training and markets for youth-owned companies and cooperatives; and improved public employment schemes. Inequality of opportunity will be reduced through the implementation of redress measures such as BBBEE and land reform, as well as through the radical economic transformation agenda driven by government.

The suggested interventions for improving access and quality of education and skills development include improving the quality of basic education through teacher training and introducing after-school care programmes, strengthening the curriculum and gradually

introducing free basic education for poor learners until undergraduate level. Special attention will be given to providing unskilled and uneducated youth with second-chance opportunities.

Suggested health interventions include encouraging behavioural changes so that young people develop a good self-image, developing the skills needed to be assertive in making decisions about sexual and reproductive health and using laws, policies and recreational facilities to deal with the challenge of substance abuse and related illnesses, particularly among the youth.

4.4. Youth Development Agency

The promulgation of the NYDA Act established the National Youth Development Agency through a merger of the National Youth Commission and the Umsobomvu Youth Fund. The agency aims to:

- Initiate, design, coordinate, evaluate and monitor all programmes working to integrate young people into the economy and society in general.
- Promote a uniform approach by all organs of state, private sector and NGOs to youth development.
- Establish annual national priority programmes for youth development.
- Promote the interest of the youth, particularly young people with disabilities.
- Guide efforts and facilitate economic participation and empowerment, and the achievement of excellence in education and training.

The NYDA Act is designated to Section 75, which means it is unable to execute the above-mentioned mandate at a provincial level. This leaves the youth directorates in premiers' offices with the mandate of lobbying, advocacy, coordination, monitoring and evaluation, with minimal liaising with NYDA offices. Changing the NYDA Act's designation to Section 76 would help resolve the fragmentation of youth development programmes and give the agency presence in provinces.

4.5. Youth employment tax incentive

In South Africa the current lack of skills and experience as well as perceptions regarding the restrictiveness of labour regulations make some prospective employers reluctant to hire the youth. The Youth Employment Tax Incentive is an incentive aimed at encouraging employers to hire young work seekers. It was implemented with effect from 1 January 2014. The Employment Tax Incentive (ETI) was introduced by Government as part of a package of programmes to address the social and economic problem of youth unemployment.

The intended benefits of the ETI are:

- It will reduce the employers cost of hiring young people through a cost-sharing mechanism with government, by allowing you to reduce the amount of Pay-As-You-Earn (PAYE) you pay while leaving the wage received by the employee unaffected.
 - For example, employers who are registered for PAYE, and who employ a person for the full month of February 2014 and earns R2000, will get R1 000 off their monthly PAYE liability (provided that the employee is a qualifying employee based on all the other remaining requirements).
- Employers will be able to claim the incentive for a 24 month period for all employees who qualify.
- The incentive amount differs based on the salary paid to each qualifying employee and whether the qualifying employee was employed after the inception of the ETI

programme on 1 October 2013. ETI may only be claimed for a total of 24 qualifying months.

- This incentive will complement existing government programmes with similar objectives e.g. learnership agreements.
- The aim of the ETI is to facilitate the increased employment of young work seekers.

The incentive encourages employers to hire workers between the ages of 18 to 29 years, who earn less than R6 000 per month.

- These employers must be registered for employees' tax (PAYE), and must be tax compliant.
- Public sector employers and domestic workers are not eligible.
- Employees must have a valid ID and cannot be connected or related to the employer.
- Workers must earn at least the minimum wage, where applicable and as prescribed by the applicable wage regulating measure, and newly employed on or after 1 October 2013.
- Workers are eligible for 24 monthly claims.

5. DISCUSSION

The purpose of this section is to presents the labour market trends for youth between 2007 and 2017 for the Free State, focusing on the demographic and educational attainment characteristics of the employed and unemployed, as well as the work activities of the employed. However, prior to that, an overview of the global trends will be provided to give proper context and understanding of the global labour market of which the Free State is a part of.

5.1. Why focus on the youth?

In 2009, the African Union Commission declared the years 2009–2018 as the Decade for Youth Development and approved a plan of action to implement identified priority activities during the decade. Moreover, through Agenda 2063, African countries call for action to support young people as drivers of Africa's renaissance through investment in their health, education, and access to technology, opportunities, and capital, and concerted strategies to combat youth unemployment and underemployment (The African Capacity Building Foundation, 2017).

Youth employment issues are major concerns because they affect the welfare of young people and potentially the long-term performance and stability of the rest of the economy. Concerns about the high levels of youth unemployment and the social upheaval this might cause have been widely expressed locally and internationally. Worldwide, as well as in every African country, jobs and opportunities for the youth are regularly at the top of development agendas. It is estimated that by 2050, 29% of the total world youth population will live in Africa (The African Capacity Building Foundation, 2017). For African countries, youth signify a challenge as well as an enormous opportunity, especially now, when populations in other parts of the world are aging. Young people, while needing jobs, are also critical in creating them.

Statistics suggest the presence of two extreme groups of unemployed in the Free State. The first consists of youth, most of whom have a matric qualification, who struggle to find their first job despite actively searching and answering job advertisements. The second group comprises the elderly with previous work experience, but who have been seeking work, mainly via their social networks, for more than three years. Most have not completed 12 years at

school. Therefore, it stands to reason that the government should put more focus on these two groups of unemployed, particularly young people.

The most recent global competitiveness report (World Economic Forum, 2017-2018) shows that the country's labour market is limped by inefficient hiring and firing practices, little cooperation between employers and employees, and a poor relationship between pay and productivity. This tempts employers to replace labour (particularly the less skilled and experienced ones) with capital and discourages them from hiring new workers. In both cases, the youth are the most vulnerable.

The youth is arguably the most vulnerable to chronic unemployment and poverty as well as to social exclusion. The nature of the challenge and the inequalities that shape it suggest that policy discussions and a range of interventions implemented since the 1990s have not materially improved the position of youth. If left unchanged, the situation is expected to increase levels of frustration and impatience among youth. The National Development Plan warns that the country must 'find ways to reduce alarming levels of youth unemployment and to provide young people with broader opportunities. Failure to act will threaten democratic gains' (National Planning Commission 2012).

The evidence suggests that it is a multifaceted problem driven by structural elements related to the labour market and the education system, as well as community, household and individual level issues. If we are to understand the youth unemployment challenge better, we must consider what is happening at all of these levels. A composite picture of the issue may point us in the right direction in terms of policy interventions (Graham and De Lannoy, 2016).

It is against this background that a decision was taken to undertake this study with the aim to incite evidence-based discussions at a provincial level, and encourage further investigation of critical capacity challenges that need to be addressed to tackle youth unemployment issues in the Free State.

5.2.A global perspective on youth unemployment

Youth unemployment has become a contentious issue globally. There are varying degrees of youth unemployment in different countries and regions of the world, largely depending on economic performance. But even in the most developed countries with strong levels of social cohesion the youth unemployment rate is much higher than the adult population. For national governments and international organizations worldwide, youth unemployment and joblessness remain major issues that need urgent attention. Undoubtedly, the global economic crisis has further exposed the fragility of the youth in the labour market. Between 2008 and 2009, the number of unemployed youth increased by an unprecedented 4.5 million; at the end of 2010, there were an estimated 75.1 million young people in the world struggling to find work – 4.6 million more than in 2007. Moreover, the number of youth who are not in employment, education or training is on the rise in most countries (ILO, 2011).

A study by O'Higgins (2001) reported that although youth unemployment varies from one country to another, a few features are common to most of the nations investigated. First, it was found that youth unemployment was higher than adult unemployment in almost every country for which data was available. In most of these countries youth unemployment was double adult unemployment and, in certain cases, even three times the adult rates. The global youth unemployment rate stands at 13%, which is three times higher than the figure for adults, which

is 4.3% (ILO, 2018). A second common factor of youth unemployment across countries is that it is strongly linked to adult unemployment. It was also found that upsets in the aggregate labour market that have a direct effect on adult unemployment have a more pronounced effect on youth employment. Youth unemployment can therefore not be separated from the aggregate unemployment situation; the general context will always have an influence on youth unemployment. Lastly, a link was found between (un)employment and economic growth, indicating that output growth is a precondition for employment growth, although the picture for this is clearer in developed countries than in some of the developing countries.

Issues of youth employment and unemployment have recently become key concerns in Africa, which has the youngest population in the world. There are an estimated almost 200 million people aged between 15 and 24 on the African continent which it is expected will double by 2045 (African Economic Outlook, 2012).

Table 2: Youth unemployment by region

	Unemployment rate			Unemployed youth (millions)		
	2015	2016	2017	2015	2016	2017
World	12.9	13.1	13.1	70.5	71	71
Developed countries	15	14.5	14.3	10.2	9.8	9.6
Emerging countries	13.3	13.6	13.7	52.9	53.5	53.5
Developing countries	9.4	9.5	9.4	7.4	7.7	7.9

Source: ILO, World Employment Social Outlook, Trends for Youth 2016

The global youth unemployment rate is expected to reach 13.1% in 2016, an increase of 0.2 percentage points in comparison to 2015 values (and the number of unemployed youth is projected to rise by half a million to 71 million). The upturn in the youth unemployment rate represents a return to a level close to the 20-year peak of 13.2%, which was observed in 2013 (ILO, 2016).

Lowering youth unemployment by improving access to stable work opportunities remains the key objective in developed countries, where the youth unemployment rate is expected to remain at the highest level in global terms, at 14.5% in 2016 and 14.3% in 2017, despite continuing its downward trend, which started in 2013 when youth unemployment was close to 17.5%. The youth unemployment rate in emerging countries is set to rise from its 2015 level to reach 13.6% in 2016 and 13.7% in 2017, translating into an additional 0.6 million unemployed youth compared to 2015. In developing countries, the rate is expected to increase modestly to 9.5% in 2016 and then drop the following year to its 2015 level. However, given the growing cohort of young people entering the labour market, the number of unemployed youth in developing countries will increase by half a million between 2015 and 2017 (see table 2 above).

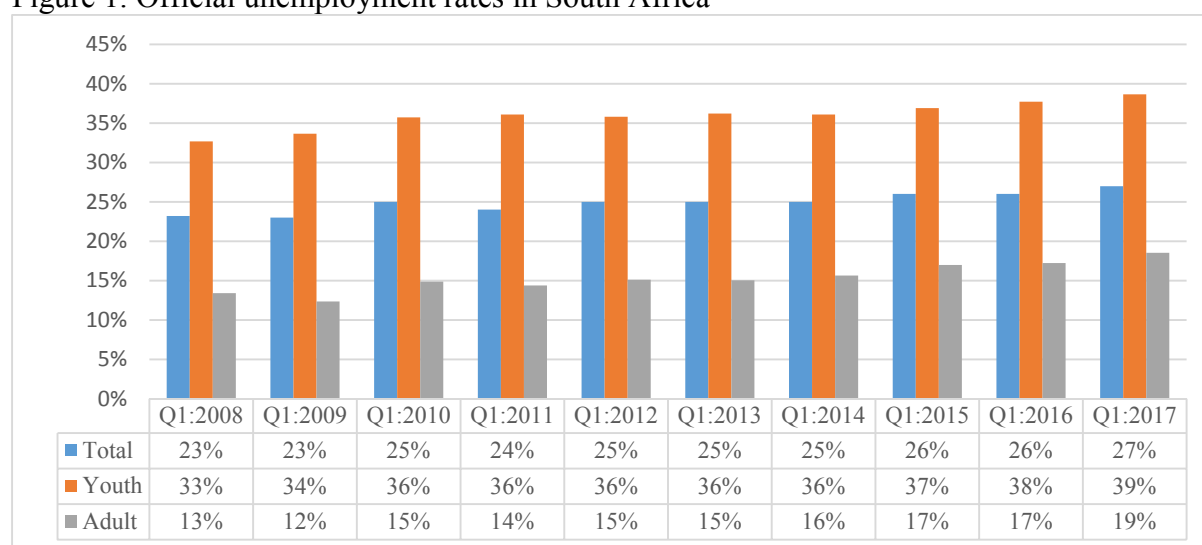
According to the ILO (2016), the fact that youth unemployment rates in emerging and developing countries are lower than the corresponding rates in developed countries does not reflect more favourable labour market conditions in those regions; instead, it indicates that young people in these countries must often work, typically in poor-quality and low-paid jobs, in order to provide the basic necessities of life for themselves and their families.

As of 2016, youth accounted for over 35% of unemployed people globally, despite representing just over 15% of the world's labour force and 21% of the global working-age population. In regions such as Southern Asia, Northern Africa and the Arab States, youth comprise more than

40% of the total unemployed population despite constituting only 17% or less of the labour force within their respective regions. To a lesser degree, in Europe youth represent around 20% of the total unemployed and around 10% of the total labour force. As such, these data show how much more likely it is for young, economically active people to find themselves in unemployment in comparison to the rest of the population. The ratio of the youth-to-adult unemployment rate globally is estimated at 2.9 in 2016. This remains comparable to the 2007 ratio, with considerable heterogeneity across regions. For instance, as of 2016, youth unemployment rates are five times higher than those of adults in South-Eastern Asia and the Pacific. Meanwhile, in the Arab States, Southern Asia and Northern Africa, the ratio is between 3.5 and 4.3. The youth-to-adult unemployment ratio is comparatively lower in sub-Saharan Africa and Central and Western Asia as well as in Europe and Northern America (ILO, 2016).

Following some improvements in the global youth labour market outcomes between 2012 and 2015, it is clear that the recent slowdown in global economic activity is having an adverse effect on the prospects for youth.

Figure 1: Official unemployment rates in South Africa



Source: Statistics South Africa, Quarterly Labour Force Survey, Quarter 1 2017

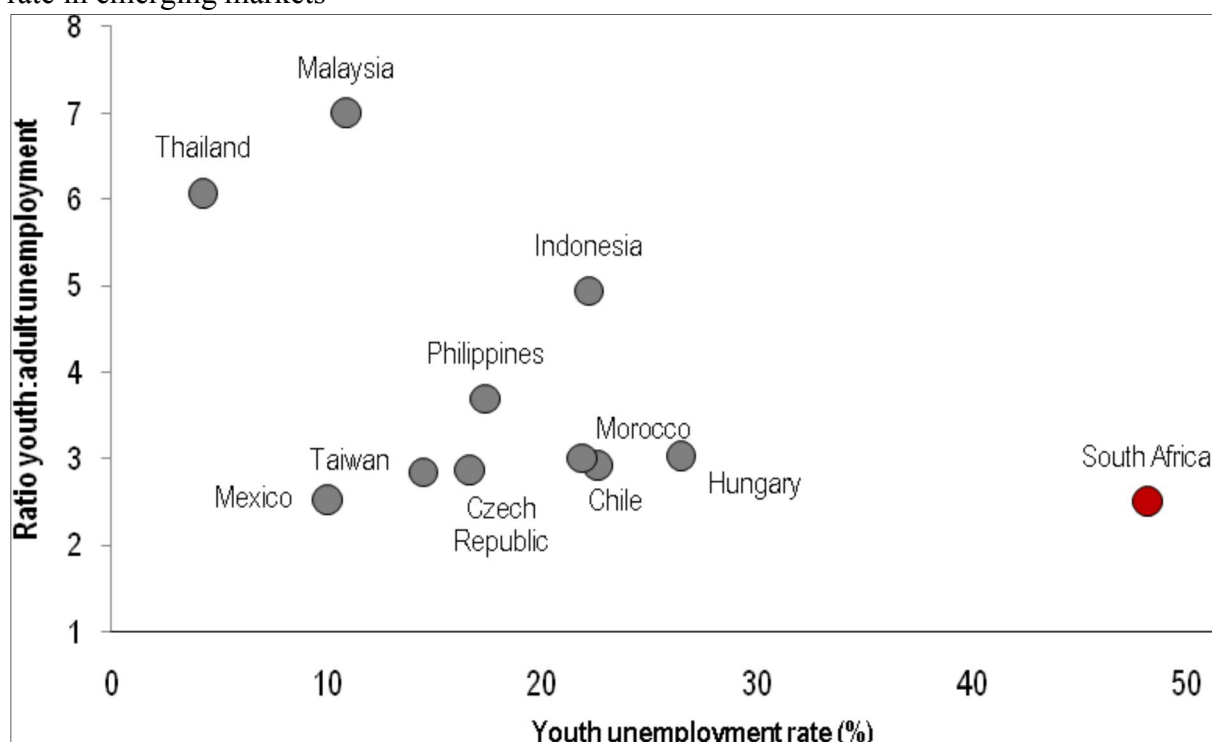
The South African labour market is characterised by significantly high levels of unemployment compared to other emerging-market economies (National Planning Commission, 2011). The South African labour force makes up just 0.5% of the global labour force, but accounts for 2% of the world’s unemployment (National Treasury, 2011). The local labour-force participation rate of 56.5% is significantly lower than the rates of comparable countries (National Planning Commission, 2011), and the labour absorption rate of the formal economy has steadily declined since 1985 (Ligthelm, 2006).

According to figure 1 above, unemployment levels in South Africa has been on a continuous increase since the economic recession of 2009. Total official unemployment rate has increased from 23% in Q1:2009 to 27% in Q1:2017; representing an increase of 4 percentage points. A further breakdown shows a higher level of unemployment for the youth relative to the adult population. Youth unemployment averaged 36% during the period under review (i.e. Q1:2008 to Q1:2017), whilst the average rate for adult unemployment was a mere 15% during the same period. Total unemployment averaged 25% during this period. On average, youth unemployment rate is 21 percentage points higher than the adult unemployment rate. It is also

of interest to note that South Africa's youth unemployment rate (39%) is much higher than the global youth unemployment rate (13%). These figures demonstrate the severity of unemployment among the youth of South Africa and thus necessitate the urgency of policy intervention. Also, youth unemployment is a particularly serious matter in South Africa because the country is experiencing a youth bulge, which presents opportunities for growth if young people are meaningfully employed, and the potential for serious social instability if they are not.

As shown in figure 1 above, the ratio of youth to adult unemployment in South Africa is about 2.5 (i.e. the youth unemployment rate is two and half times larger than the adult unemployment rate). Cross-country comparisons indicate that this is broadly in line with other emerging markets (see figure 2 below). The relative magnitude of youth unemployment is therefore not an unusual characteristic of South Africa's labour market. What makes South Africa an outlier from an international perspective is the absolute magnitude of youth unemployment.

Figure 2: Youth (15-24) to adult unemployment ratio compared with the youth unemployment rate in emerging markets



Source: National Treasury, 2011

It is generally recognised that the principal cause for South Africa's widespread unemployment is a structural mismatch between the skills the modern South African economy demands, and the skills it supplies (Hausmann, 2008) (National Planning Commission, 2011). South African youth are largely low-skilled, and the skills mismatch that applies to the broader South African economy applies particularly to them. The main reason given by employers for their low youth employment is that with schooling not accurately indicating skill levels, unskilled inexperienced workers are seen as risky to employ, thus increasing their real cost (National Treasury, 2011). The causes of South Africa's youth unemployment then, are a combination of deficient demand for labour, due to the increasingly skills-intensive orientation of the South African economy, and substandard supply, caused by the emergence of risky low-skilled youth.

5.3. Youth unemployment in the Free State – Situation and seriousness of the problem

As youth unemployment in the province of the Free State is at the basis of this study, it is important to be aware of the dimensions of this issue and to get an impression of how serious the situation really is. The need for comprehensive data on the characteristics of the youth population and its unemployed component, therefore, is paramount.

The level of the registered unemployed is without much meaning as an indicator of the seriousness of the unemployment problem. It grossly underestimate unemployment (even compared to the strict definition figure). However, the fluctuation in the level of registered unemployment is a useful and important indicator of cyclical movements in the economy and even of longer term trends (even though the registered figure also is under suspicion). In spite of this shortcoming, the paper will make use of the standard official and expanded unemployment figures to demonstrate the extent of youth unemployment in the province.

5.3.1. Economic background

In 2016, the Free State Province had an above average per capita income of R55 967, up from R52 859 in 2007. South Africa’s per capita was estimated at R55 122 in 2016. The proportion of the population in the province living below the food poverty line is below the national average at 24.5%, although much higher than 14.4% and 17.9% recorded for Western Cape and Gauteng respectively. What is of a concern is the increasing share from 20.2% in 2007 to 24.5% in 2016, even though the increase was observed across all provinces. The province’s poverty gap decreased marginally from 30.2% in 2007 to 29.4% in 2016. The gini-coefficient of 0.61 in the Free State is below the national average of 0.63, but still considerably high by international standards. The province’s economy grew by an average of 1.5% between 2007 and 2016, compared to the country’s average of 2.1%. Free State’s economy was traditionally rooted in the primary sectors; the result of a wealth of mineral resources and favourable agricultural conditions. But recent decades have seen a structural shift in output towards the tertiary sectors. The provincial economy has become heavily reliant on the community services sector, as the sector accounts for about 27.8% of employment, and about 25.1% of GDP. Government is the province's largest employer and has supported the labour market during the recovery of the economy post the 2009 economic recession. The Free State’s economy is services-driven as the tertiary industries constitute two-thirds of the province’s GDP.

Figure 3: Average annual GDP growth rates (Constant 2010 prices)

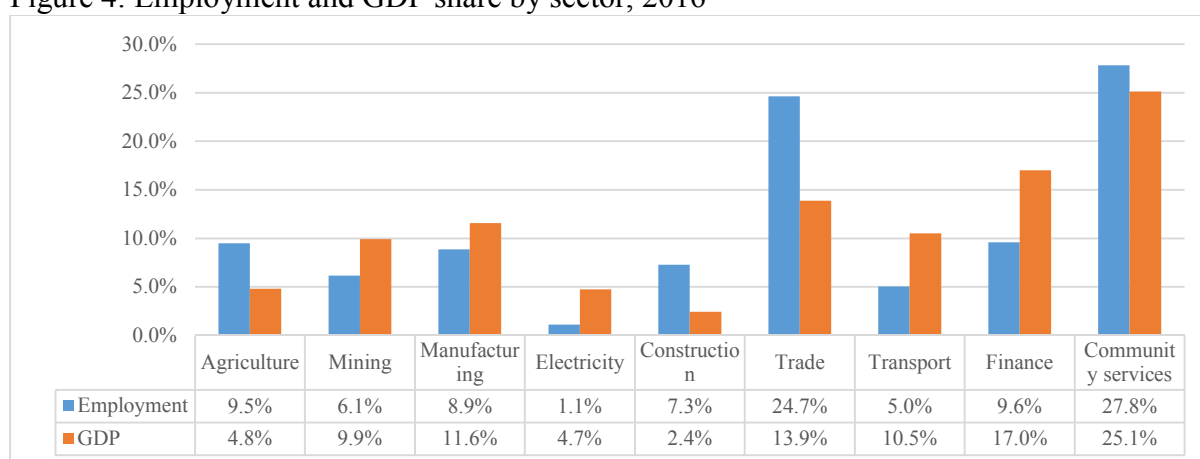


Source: IHS Markit Regional eXplorer version 1156

Since 1996, the Free State’s economy has been growing at rates below the national average. The highest growth rates were between 2001 and 2006, averaging 3.8%, before being halted by the economic recession in 2009. Post the recession, the provincial economy has failed to gain traction, only averaging 1.6%. Projections by IHS Markit (2018) are that the Free State economy will grow by a mere 0.5% between 2016 and 2021 (see figure 3 above). This lowly economic growth spells doom for job creation in the province.

On average, the fastest growing sector in the province during the period 2007 to 2016 was the community services (2.6%), followed by trade (2.1%), finance (2.0%) and transport (1.7%). Contractions were recorded in mining (-1.0%), agriculture (-0.9%), and electricity (-0.4%) during the same period. IHS Markit (2018) projects the agricultural sector to be the driver of growth in the next five years with a forecast growth of 4.8%, on average. The community services are projected to remain constant due to curbed government spending. This will have a significant impact on employment levels as the sector is the biggest contributor to employment in the province (see figure 4 below). Mining (-4.7%), on the other hand, is the only sector expected to contract in the forecast period. The downward spiral of the mining sector is, therefore, expected to continue unabated in the short term. This also will impact employment negatively, particularly in the mining region of Lejweleputswa. However, this may be offset by an increase in the downstream or beneficiated minerals industry, which the provincial government has targeted as a growth sector.

Figure 4: Employment and GDP share by sector, 2016



Source: IHS Markit Regional eXplorer version 1156

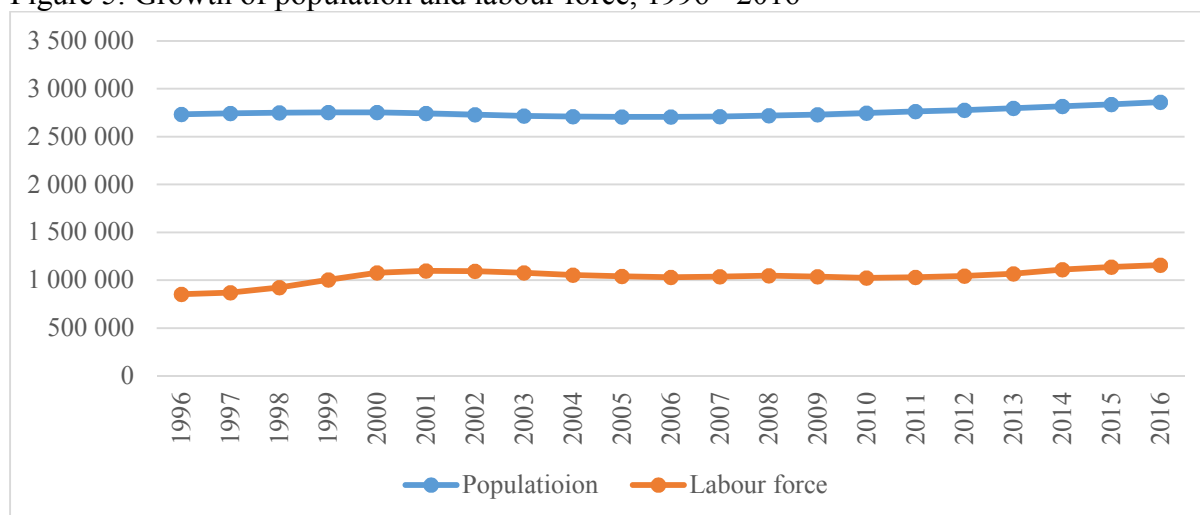
As shown in figure 4 above, the community services is the dominant sector in the Free State both in terms of GDP and employment. The labour intensive sectors are trade, agriculture, construction and community services as they contribute proportionally more to employment than their GDP contributions. The tertiary industries contribute 67.1% to employment and 66.6% to GDP, followed by secondary industries (17.3% and 18.7%) and last primary industries (15.6% and 14.7%). The structure of the economy suggests a need for a highly skilled labour force. The ongoing transformation from the primary to the tertiary sectors in the Free State economy will result in a growing demand for highly skilled professionals, technicians and managers to develop, implement, operate and maintain new technologies associated with the services economies. At the same time, this technology will replace the unskilled and low skilled labourers, farming workers, production workers and basic service workers. The declining share in production of these workers also has the effect of increasing the share of the non-production workers; namely transport workers and clerical and sales workers. Therefore, the main beneficiaries of this structural change are the more highly skilled occupations and those

associated with service sectors. Skilling and/or reskilling of the province labour force is, therefore, crucial if the province is to tackle the province's structural unemployment problem with speed.

5.3.2. Free State's population

The Free State's population has increased steadily since 1996. The population was estimated at 2.73 million people in 1996, growing to 2.86 million in 1996, at an average annual growth rate of 0.2%. The province's population, therefore, increased by 125 718 people during this period. The absolute size of the provincial labour force was estimated at 855 567 people in 1996. Over the subsequent two decades the size of the labour force increased, reaching an estimated 1 157 698 people in 2016, with an annual average increase of 1.6%. Unless the demand for labour concomitantly expands, such fast growth in the supply of labour force exacerbates the inadequate employment situation in the province.

Figure 5: Growth of population and labour force, 1996 - 2016

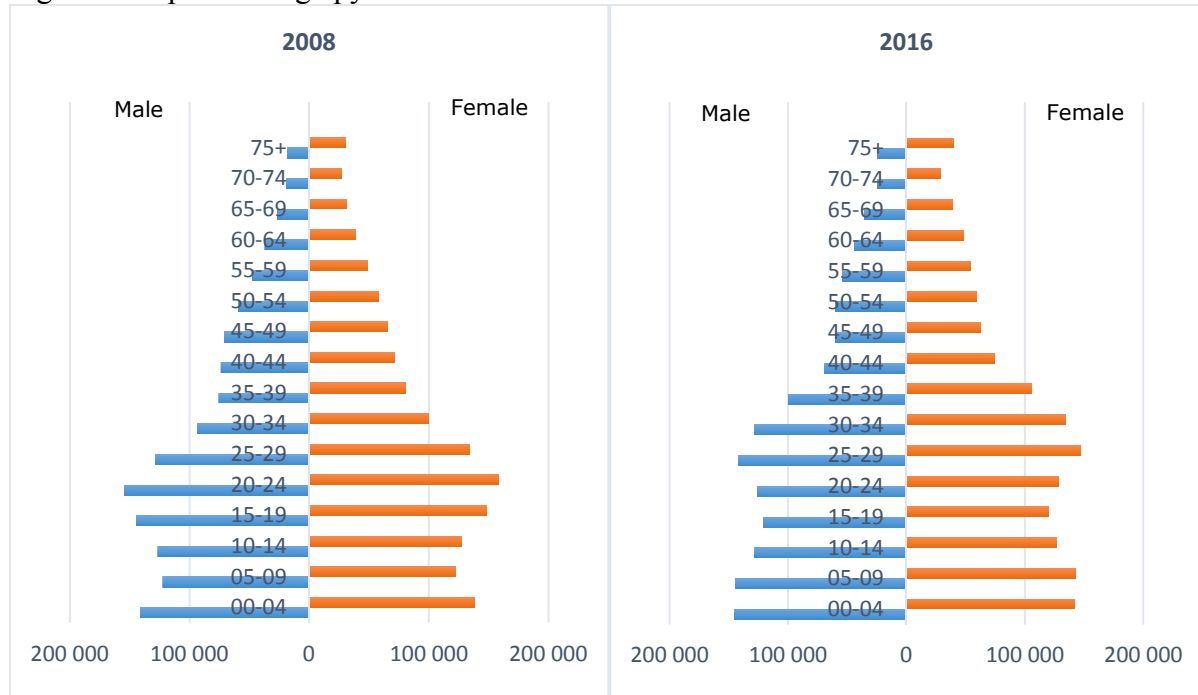


Source: IHS Markit Regional eXplorer version 1156

Demographic structure and its dynamics are external forces that serve as major parameters for the quantitative supply of labour. Because the geographical situation of a given country cannot be changed, it represents one of the basic parameters for a country's economic development. A favourable geographical situation offers many opportunities for the country's development, whereas a problematic geography reduces the potential scope of economic action.

The size and composition of the population is the starting point of the analysis of labour supply. Population constitutes the human capital of the nation and defines its potential labour supply. From an economic point of view, the working population is a factor of production and its aptitude and skill level contributes to the productivity of the national economy. From a social point of view, different categories of the population form social groups of particular concern and meeting their needs are major challenges faced by public institutions and society at large (African Development Bank, 2012).

Figure 6: Population age pyramid



Source: IHS Markit Regional eXplorer version 1156

The current structure of the Free State’s population and to some extent its past evolution and future trend can be examined with the help of the population age pyramid. It shows the size distribution of the age categories of the population for men and women, separately. The age-sex structure of any population affects the labour force, demand for education facilities, retirement and medical systems amongst others. Therefore, the population pyramid provides crucial data that can be used by the government when planning. The Free State has what is called an expansive population pyramid. Expansive population pyramids depict populations that have a larger percentage of people in younger age groups. Populations with this shape usually have high fertility rates with lower life expectancies. The implications of such a structure is excessive strain on the economically active population. The pyramid narrows toward the top because the death rate is higher among older people than among younger people. Free State’s population pyramid depicts the characteristics of a developing nation which are: (i) low growth rates, (ii) high birth rate, and (iii) short life expectancy.

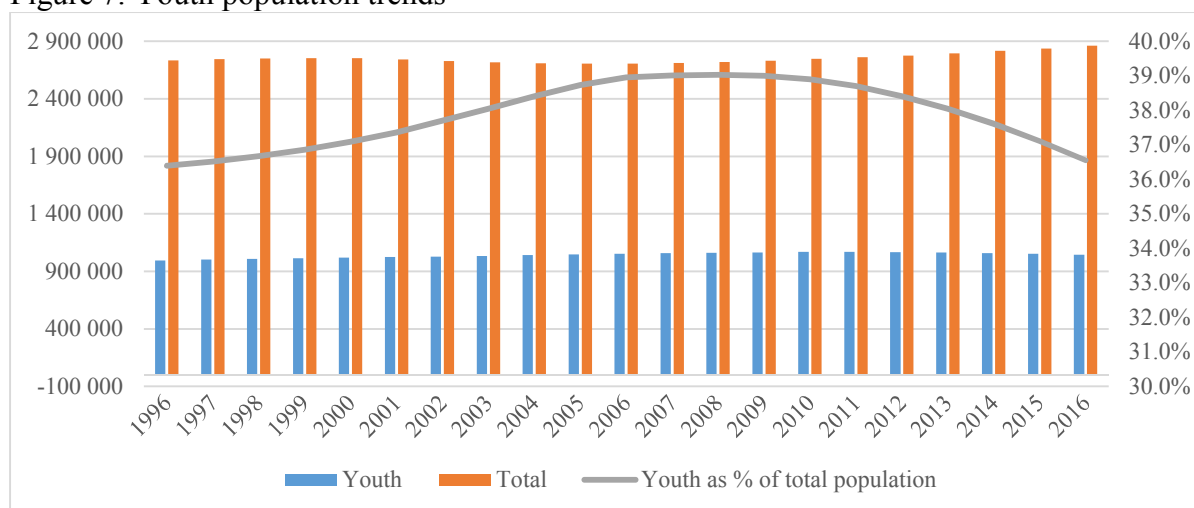
In 2016, Free State had a relatively young population with roughly 46.3% of the population aged under 25 years and 65.5% of the population aged under 34 years. However, compared to 2008, the province’s population appears to be aging, with the share of the youth (0 – 34 years age group) declining from 67.6% to 65.5%. With regard to the working age population, the share of the youth decreased from 59.3% in 2008 to 56.9% in 2016; a decline of 2.4 percentage points. Although the share of youth has declined over the ten year period under review, youth targeting policies continue to be crucial for the reason that the youth remain a very vulnerable group as a significant proportion of them are without employment and in need of government intervention.

5.3.3. Profile of the youth population

The absolute size of the youth population and the proportion of young people as a percentage of the total population have grown over the past two decades (i.e. 1996 – 2016). The number of youth

grew from 995 229 in 1996 to peak at 1 069 084 in 2011, before declining slightly to 1 045 508 in 2016. The proportion of young people as a percentage of the total population peaked at 39.0% between 2006 and 2009 due to a faster increase in the youth numbers relative to the total population. However, since 2012 there has been a constant decrease in the youth as a proportion of the total population, as the rate of growth of the youth subsided. The youth population has increased by annual average rate of 0.2 between 1996 and 2016. But in the past five years (2012 to 2016) it has contracted by 0.4% on average annually. The latest statistics put the youth as a share of the total population at 36.6%.

Figure 7: Youth population trends



Source: IHS Markit Regional eXplorer version 1156

There are too many young people lacking the necessary education and relevant training for good, productive jobs and there are too many unproductive jobs with poor remuneration. Education begins with literacy, and in spite of vast improvements on this front, there is still a huge literacy gap. As is the case in many other developing countries, training in the province remains largely unrelated to labour market needs. Mismatch of skills has been identified as one of the challenges facing the Free State’s labour force (Mosala, 2016). Young people often lack access to the labour market services and support is needed to help them secure decent and productive work.

The Free State’s literacy rate has increased from 76.1% in 2008 to 81.6% in 2016, an increase of 5.5 percentage points. The national average was 83.5% in 2016, up from 77.9% in 2008. Provinces with highest literacy rates in 2016 were Gauteng (90.7%), Western Cape (89.5%) and then Free State (81.6%). The lowest was Eastern Cape with 77.4%. According to IHS Markit (2018), the overall size of the literate population in the Free State is increasing (from 1 477 562 in 2008 to 1 656 862 in 2016), while the illiterate is shrinking (from 464 048 to 373 261 during the same period).

According to table 3 below, only 27.5% of the Free State’s youth completed secondary school (Grade 12), and only 8.9% of the youth population attained education levels beyond Grade 12. In comparison, about 12% of the adult population has a post-secondary school qualification. The adult population is, therefore, more educated than the youth. Compared to 2008, the proportion of the youth with a qualification beyond Grade 12 has increased by 2.9 percentage points, whereas for adults it increased by a mere 1 percentage point, although the youth still lag behind adults. There has been an improvement in education attainment for both the youth and adults during the review period, but more so for the youth. Overall, the province’s population with a post-secondary

schooling education has increased from 8.1% in 2008 to 10.3% in 2017; representing an increase of 2.2 percentage points.

Table 3: Distribution of the working-age youth population (15–34) by education level, 2008–2017

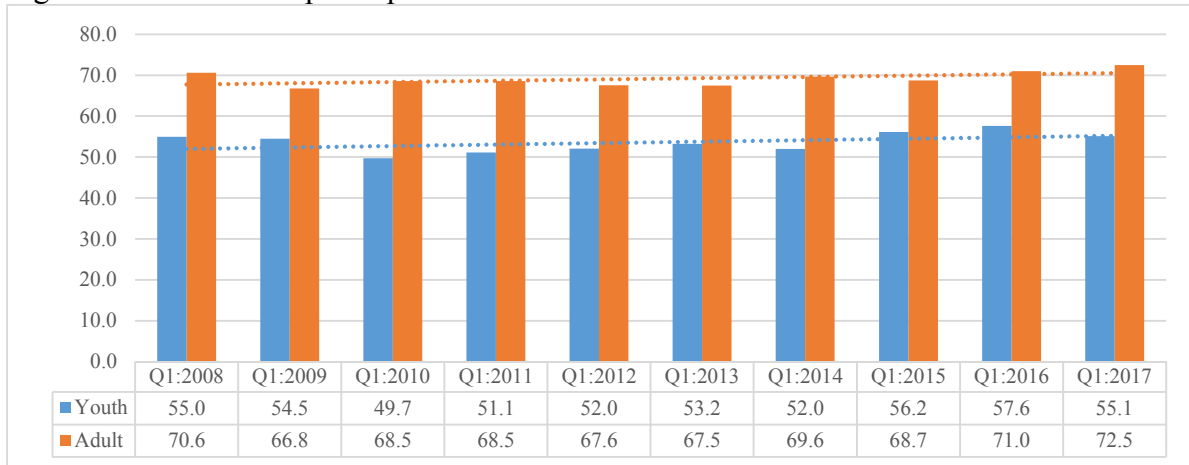
Age group	No schooling	Less than primary completed	Primary completed	Secondary not completed	Secondary completed	Tertiary	Other	Total
Q1:2008								
15-19	0.4%	7.4%	8.7%	72.9%	10.2%	0.2%	0.3%	100.0%
20-24	1.0%	4.9%	4.5%	48.4%	37.1%	4.0%	0.1%	100.0%
25-29	0.6%	5.8%	2.7%	47.3%	33.8%	8.7%	1.1%	100.0%
30-34	1.5%	7.2%	8.3%	41.3%	30.8%	9.6%	1.3%	100.0%
Youth	0.8%	6.3%	6.1%	53.3%	27.4%	5.3%	0.7%	100.0%
35-39	2.2%	15.4%	4.4%	43.0%	23.5%	11.3%	0.1%	100.0%
40-44	5.5%	23.3%	10.1%	29.4%	18.3%	12.8%	0.6%	100.0%
45-49	10.4%	26.0%	11.6%	27.9%	9.9%	13.0%	1.1%	100.0%
50-54	9.4%	29.1%	8.9%	28.0%	14.3%	9.6%	0.6%	100.0%
55-59	16.2%	30.1%	9.8%	27.4%	8.6%	6.0%	1.9%	100.0%
60-64	23.2%	22.1%	8.3%	24.2%	19.2%	1.1%	1.9%	100.0%
Adults	9.0%	23.5%	8.6%	31.4%	16.4%	10.2%	0.8%	100.0%
Total	4.4%	13.7%	7.2%	43.9%	22.7%	7.4%	0.7%	100.0%
Q1:2017								
15-19	0.2%	7.1%	7.8%	73.2%	10.4%	0.7%	0.6%	100.0%
20-24	0.0%	1.8%	1.2%	49.4%	39.7%	8.0%	0.0%	100.0%
25-29	0.3%	3.3%	4.3%	47.3%	30.3%	14.2%	0.3%	100.0%
30-34	2.3%	3.7%	3.6%	49.7%	29.2%	11.0%	0.4%	100.0%
Youth	0.6%	3.9%	4.2%	54.7%	27.5%	8.6%	0.3%	100.0%
35-39	2.9%	7.4%	4.5%	47.4%	28.9%	9.0%	0.0%	100.0%
40-44	3.0%	10.6%	5.3%	43.3%	22.0%	14.6%	1.2%	100.0%
45-49	2.0%	15.1%	7.3%	43.5%	17.0%	14.6%	0.4%	100.0%
50-54	7.2%	23.9%	10.0%	33.9%	11.1%	12.2%	1.6%	100.0%
55-59	12.0%	33.5%	11.0%	27.9%	7.1%	8.0%	0.5%	100.0%
60-64	13.5%	35.5%	6.8%	24.1%	12.7%	6.7%	0.6%	100.0%
Adults	5.5%	17.7%	7.0%	39.3%	18.4%	11.3%	0.7%	100.0%
Total	2.8%	10.2%	5.5%	47.7%	23.4%	9.8%	0.5%	100.0%

Source: Statistics South Africa, QLFS Q1:2008 and Q1:2017

5.3.4. Youth participation in the labour market

One fairly obvious, but important aspect of youth unemployment (and indeed adult unemployment) is the relationship between unemployment and labour force participation. On the one hand, the rate of participation will influence the level of youth unemployment through its influence on the size of the labour force. Other things being equal then, a higher labour force participation rate will imply a higher unemployment rate. This type of effect is important in, for example, discussions of the minimum wage in monopsonistic labour markets. In that context an increase in the minimum wage may increase both unemployment and employment through its effect on labour supply (O’Higgins, 1997). Thus, the relationship between youth unemployment and economic activity will depend on which effect dominates in particular circumstances. Consequently the relationship will tend to vary across time and space.

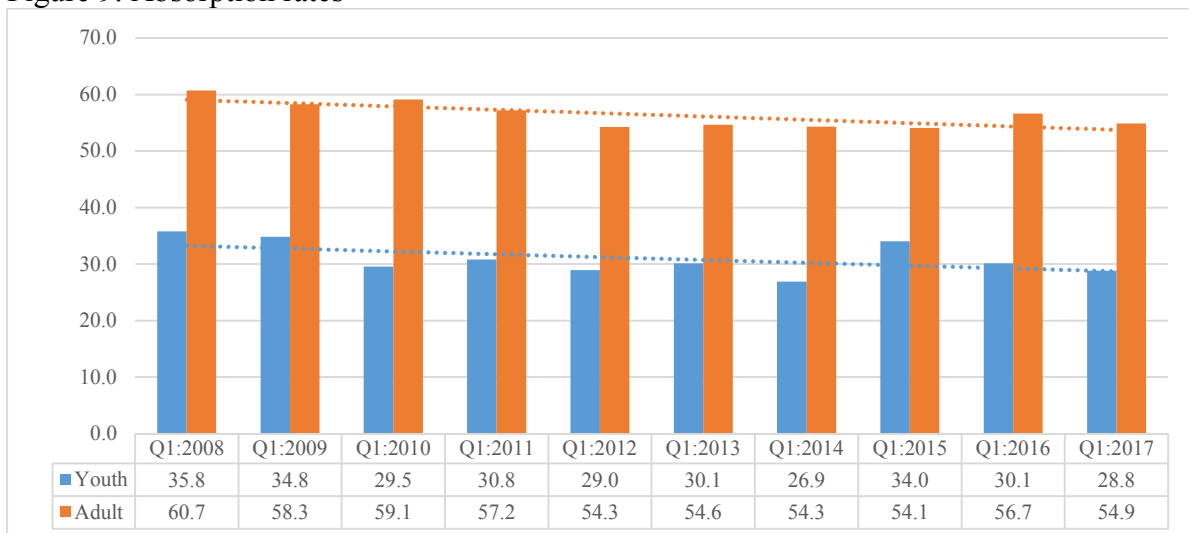
Figure 8: Labour force participation rates¹



Source: Statistics South Africa, Quarterly Labour Force Survey, Quarter 1 2017

Youth unemployment in the Free State is compounded by very low participation rates, with just 55.1% of young people participating in the labour market. Labour force participation rates for the youth in the Free State, as illustrated in figure 6 above, are significantly lower than the adult rates (17.4 percentage points lower in Q1:2017). The youth labour force participation rate in the province declined during the economic recession, but recovered in the subsequent years. During the review period, the labour force participation rate for the youth averaged 53.6, which is lower than the adult labour force participation rate of 69.1. The proportion of active young people in the total labour force is usually lower than that of adults, mainly due to the likely educational participation of young people. Youth are more likely to be in education than adults.

Figure 9: Absorption rates²



Source: Statistics South Africa, Quarterly Labour Force Survey, Quarter 1 2017

¹ The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the relative size of the supply of labour available to engage in the production of goods and services (ILO, KILM 2013).

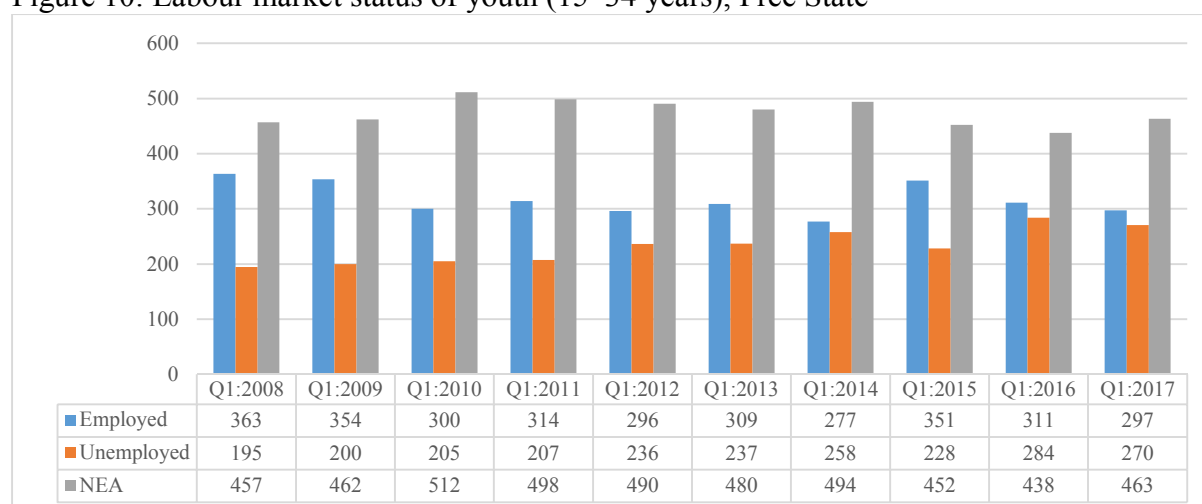
² The absorption rate (employment-to-population ratio) measures the proportion of the working-age population that is employed.

Free State’s large youth population has the potential to greatly contribute to the economic growth and development of the province. But it is also a challenge to absorb the great numbers of youth entering the labour force into the economy each year. The scarcity of job opportunities for youth in the Free State labour market is also reflected in lower absorption rates among youth than among adults and the larger decline in the absorption rate among youth (by 7.0 percentage points over the period 2008–2017) than among adults (by 5.8 percentage points over the same period). Free State’s youth labour absorption was estimated at a lowly 35.8% in Q1:2008 and declined to worryingly 28.8% in Q1:2017. This means that only 28.8% of the youth of working-age population were employed in the first quarter of 2017, compared to 54.9% of adults (see figure 9 above). High unemployment rates, coupled with an inhospitable economic environment, have youth in the Free State facing many hurdles as they navigate the youth transition to finding employment.

5.3.5. Youth unemployment trends

In the Free State, as is the case in the rest of the country, unemployment is characterised by two polarising dimensions: age and ethnicity. The most obvious general labour market characteristic of youth unemployment is that its rate is higher than that of adults, as already observed for South Africa and globally in the sections above. Unemployment is catastrophically high among the youth (47.6% in the first quarter of 2017), compared to adults (24.3% in the same period). Differences among population groups are also striking, with the unemployment rate at 37.1% among Africans compared to just 11.6% for Whites (Statistics South Africa, 2017). This gap can be explained by various factors including differences in educational attainment and education quality, location and household composition, but there is a residual effect which is often interpreted as enduring discrimination on the labour market.

Figure 10: Labour market status of youth (15–34 years), Free State

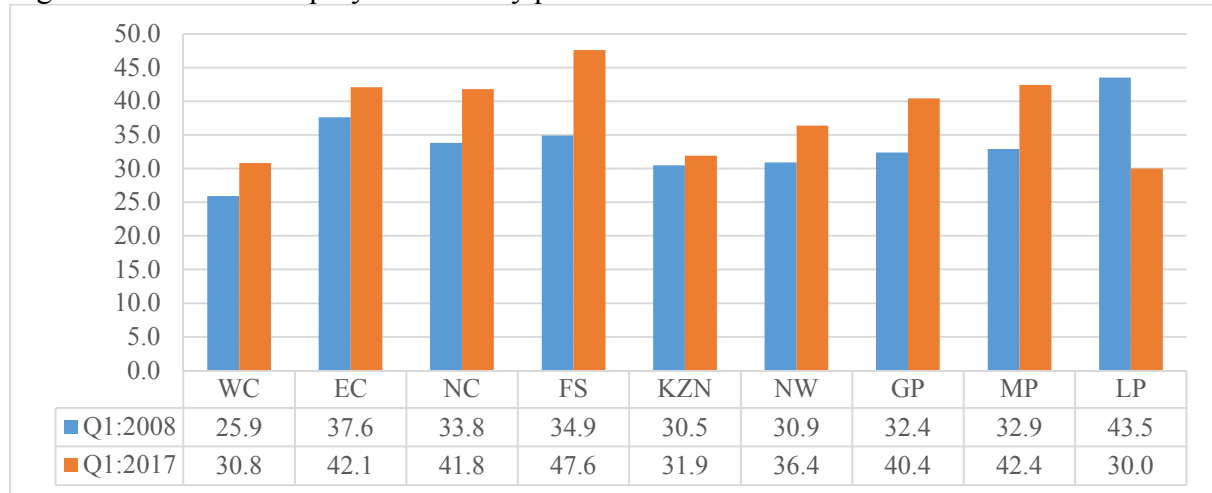


Source: Statistics South Africa, Quarterly Labour Force Survey, Quarter 1 2017

Figure 10 above depicts trends in youth unemployment, employment and the not economically active population between Q1:2008 and Q1:2017. The problem of youth unemployment in the Free State is acute and has worsened significantly over the last ten years as a result of the recession. The number of unemployed youth increased from 195 000 in Q1:2008 to 270 000 in Q1:2017; a rise of 75 000. During the same period, the number of employment youth decreased by 66 000; from 363 000 to 297 000. This has led to an increase in the rate of unemployment from 34.9% to 47.6% as depicted in figure 10 below. Apart from the very high jobless rate, the

other particularly disturbing trend is that more and more young people have given up looking for work. The number of not economically active youth increased by 6 000; from 457 000 in Q1:2008 to 463 000 in Q1:2017. The not economically active population includes the discouraged work-seekers, who essentially have lost hope of finding employment. An increase in the discouraged work-seekers is indicative of low confidence in the provincial economy. Figure 1 above therefore paints a gloomy picture of the status of the youth in the labour market.

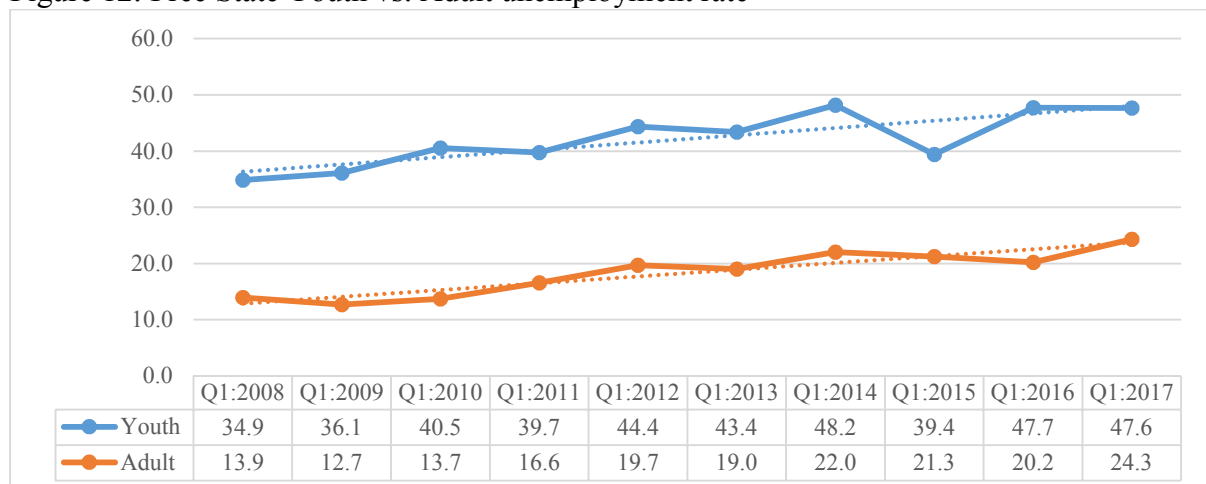
Figure 11: Youth unemployment rate by province



Source: Statistics South Africa, QLFS, Quarter 3 2017

According to figure 11 above, the Free State has the highest youth unemployment rate in the country at 47.6% in Q1:2017, followed by Mpumalanga (42.4), Eastern Cape (42.1%), and Northern Cape (41.8%). Provinces with the lowest youth unemployment rate were Limpopo (30.0%), Western Cape (30.8%) and KwaZulu-Natal (31.9%). It is interesting to note that Limpopo is the only province whose youth unemployment rate declined during the period under review. During the period under review (i.e. 2008 to 2017), the Free State recorded the largest increase in youth unemployment. Youth unemployment in the Free State increased by 12.7 percentage points. The second largest increase was in Mpumalanga (9.5 percentage points), followed by Gauteng (8 percentage points) and Northern Cape (8 percentage points).

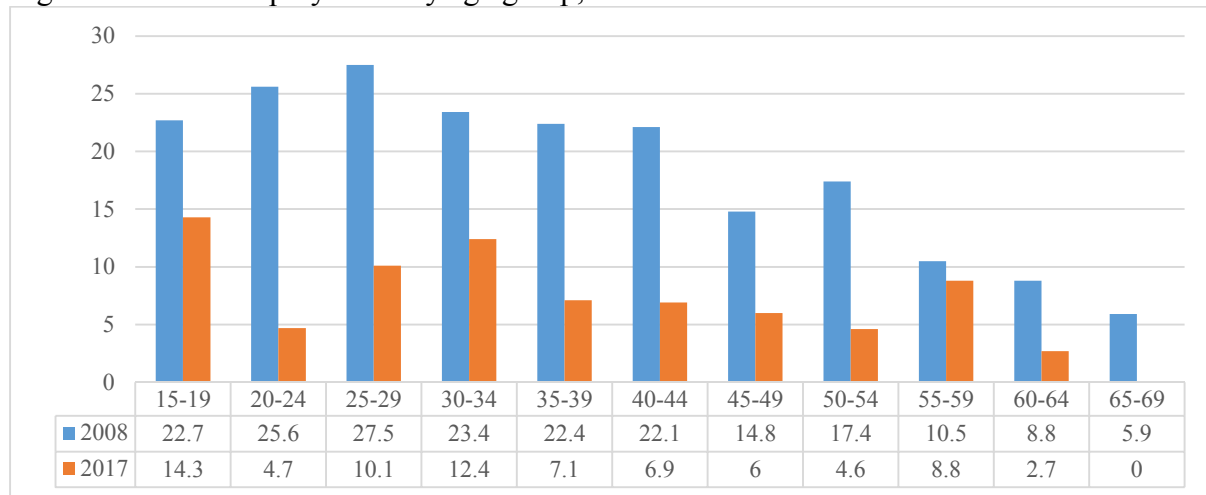
Figure 12: Free State Youth vs. Adult unemployment rate



Source: Statistics South Africa, Quarterly Labour Force Survey, Quarter 1 2017

Changes in youth unemployment are more erratic compared to adult unemployment, as illustrated in figure 12 above. During the 2009 recession, unemployment among the youth increased at a much faster rate than increases in adult unemployment; youth unemployment increased by 4.4 percentage points between Q1:2009 and Q1:2010, whilst adult unemployment increased by only 1.0 percentage point during the same period. Again, a decline in provincial unemployment between Q1:2014 and Q1:2015 saw a much steeper decline in youth unemployment (8.8 percentage points decrease) compared to adult unemployment (0.7 percentage point decrease). Figure 12 demonstrates a close relationship between youth and adult unemployment, and that youth unemployment rates in the Free State vary more in response to variations in economic conditions than do adult rates, increasing more in recessions and recovering more quickly during booms.

Figure 13: Underemployment³ by age group, Free State



Source: Statistics South Africa, NESSTAR, QLFS, First Quarter, 2008 and 2017

Figure 13 above shows underemployment rate by age group for the Free State. According to the figure, the youth are more likely to be underemployed than adults. In 2008, the age group 25-29 years had the highest underemployment rate at 27.5%, followed by 20-24 age group (25.6%) and then the 30-34 age group (23.4%). Fast forward to 2017, the rate of underemployment has decreased across all age groups, but the 15-19 age group now has the highest underemployment rate, followed by 30-34 age group (12.4%), and 25-29 age group (10.1%). Underemployment is usually attributed to adverse economic conditions, such as a recession, hence the relatively higher rates recorded in 2008 on the eve of the economic recession. Underemployment is also caused when the supply of labour is greater than the demand for labour, there are layoffs, or when there is a technological change. During these circumstance workers are displaced. Workers have to find different jobs and this often leads to initially accepting low-paying, low-skilled, or part time work for survival. A low paying or part-time work is better than no job at all. It is encouraging that the rate of underemployment in the Free State has decreased over the period under review, although the youth remain largely affected.

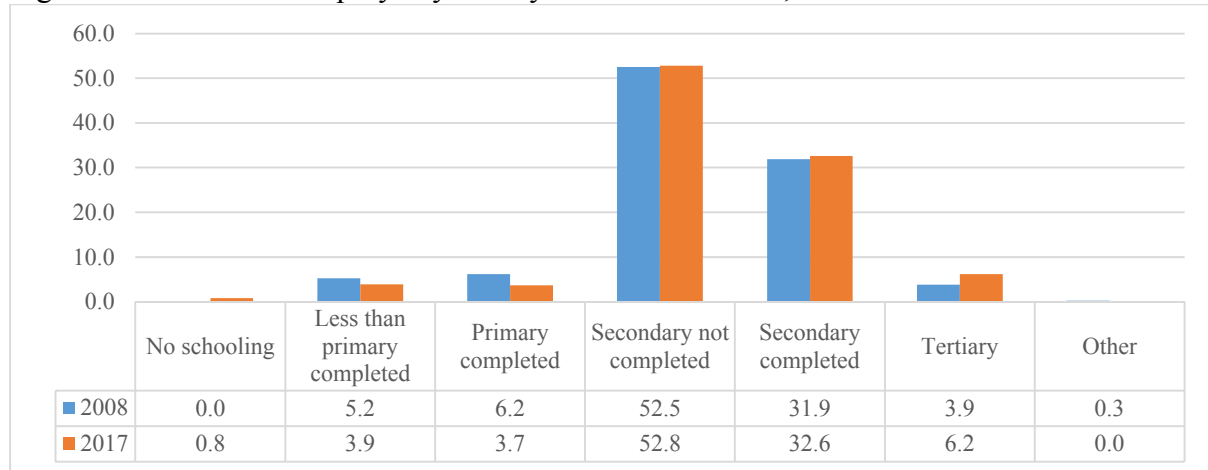
Underemployment by itself is highly problematic. This is because it is a significant cause of poverty: although the worker may be able to find part-time work, the part-time pay may not be

³ Underemployment is the under-use of a worker due to a job that does not use the worker's skills, or is part time, or leaves the worker idle. Examples include holding a part-time job despite desiring full-time work, and over-qualification, where the employee has education, experience, or skills beyond the requirements of the job.

sufficient for basic needs. Without adequate income, households spending is on the low side. This, in turn, reduces consumer demand, slowing business growth. As a result, the province GDP is lower, as is job growth. It is a vicious, downward spiral.

If underemployment continues unabated, workers lose the ability to update their skills with on-the-job training. They may not be able to return to their former field without training. Some retrain for different fields. Others downscale their lifestyle and accept long-term underemployment. That creates structural unemployment.

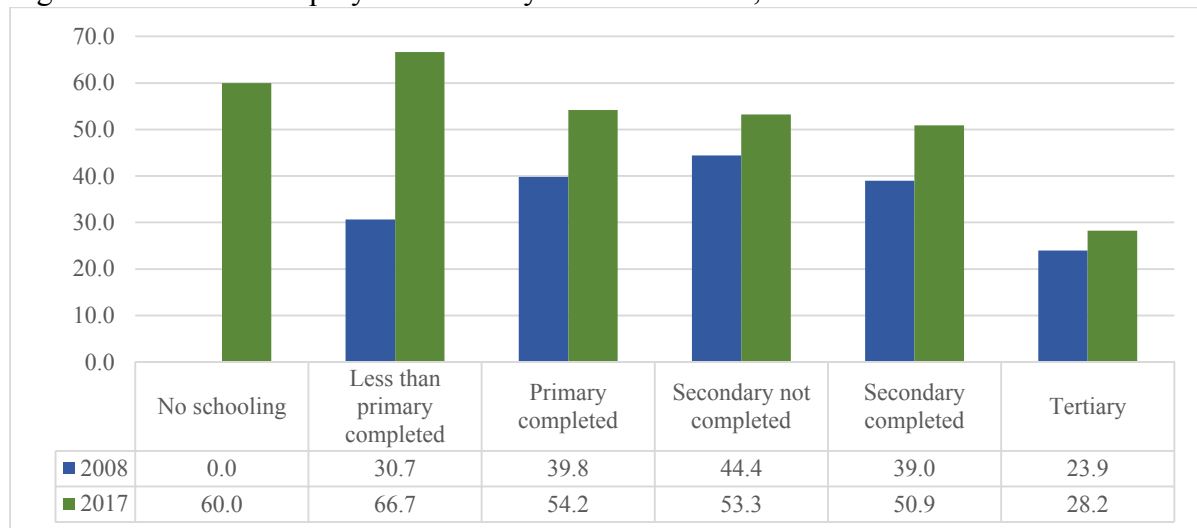
Figure 14: Share of unemployed youth by educational levels, Free State



Source: Statistics South Africa, NESSTAR, QLFS, First Quarter, 2008 and 2017

It has often been argued that unemployment is highest amongst the uneducated. Figure 14 above shows the share of unemployed youth according to their educational levels. For the Free State Province, it is clear from the numbers in figure 14 that there are higher levels of unemployment for those with lower levels of education. For the highly educated (those with tertiary education) unemployment constitutes only a minimal proportion of the total unemployed, estimated at 3.9% and 6.2% in 2008 and 2017 respectively. However, what is a concern is the apparent increase in the share of the highly educated between 2008 and 2017, by 2.3 percentage points.

Figure 15: Youth unemployment rates by education status, Free State



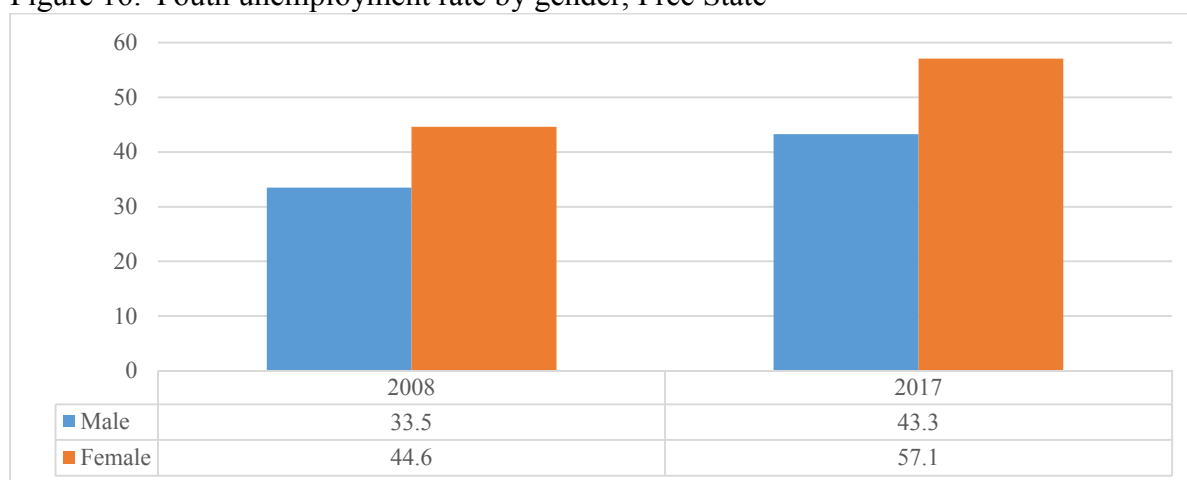
Source: Statistics South Africa, NESSTAR, QLFS, First Quarter, 2008 and 2017

As illustrated in figure 15 above, unemployment rates are higher for the less educated youth. The youth with a tertiary education had the lowest unemployment rate at 28.2% in 2017 and 23.9% in 2008. Unemployed young people tend to be unskilled and inexperienced. Education is, therefore, a crucial factor in combating youth unemployment in the province. A better educated and more highly skilled workforce should be the most pressing long-term priority for the Free State.

The pool of the employed has tended to become more skilled, while the less skilled have more often become relegated to the ranks of the unemployed. This is a global phenomenon and is in no way unique to the Free State, and South Africa at large. Many economists attribute these sectoral changes to technical change that biases labour demand toward more skilled workers (Banerjee et al, 2007).

Although it is found that most of the explanations for the rise in youth unemployment are structural (other such structural reasons include the legacies of the education system and the disconnect between where the jobs are and where people live), there is still a vital role for policy intervention. Government is required to fast-track the implementation of a number of interventions to improve the quality of education, reduce the number of drop-outs, and expand further education and training. These include measures to improve literacy and numeracy, increase the number of quality passes in both mathematics and science, and encourage the National Curriculum to offer vocational education options for the youth in order to reduce drop-out rates after Grade 9. These interventions will be critical for improved education and skills development and will need to be evaluated to ensure they are having the desired impact.

Figure 16: Youth unemployment rate by gender, Free State



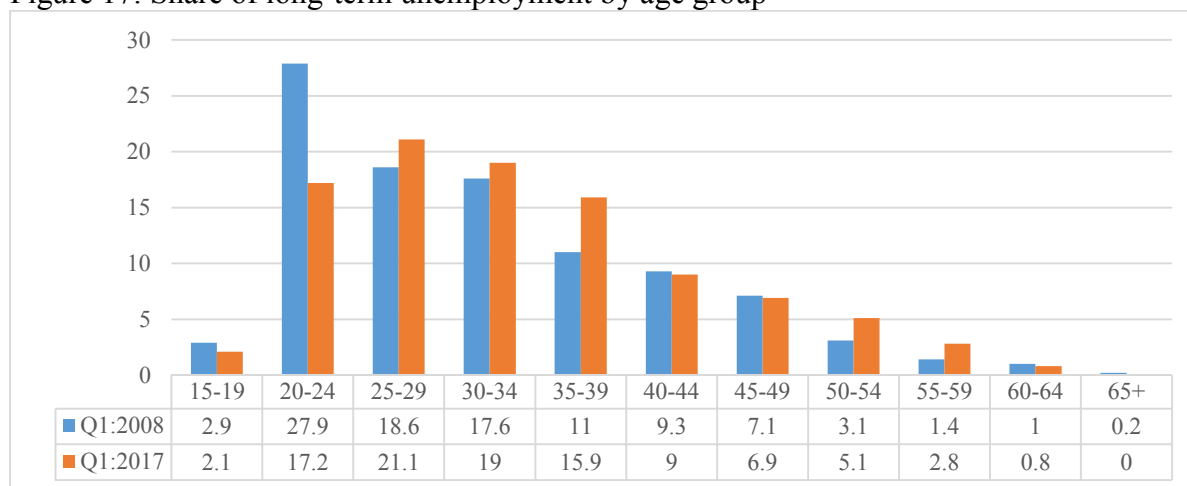
Source: Statistics South Africa, NESSTAR, QLFS, First Quarter, 2008 and 2017

As is the case with total provincial unemployment trends by gender, female youth have a substantially higher unemployment rate than their male counterparts. Women tend to have lower participation rates and face higher level of unemployment compared to their male counterparts. Some of the reasons for this are lower education levels for females, traditional roles for females preventing them from entering the labour market, discrimination by employers, etc. In 2017, female youth unemployment was estimated at 57.1% compared to 43.3% for males. Both groups have experienced an increase of the review period. However, unemployment rates have increased more for women than for men over the review period. In 2008, the youth unemployment rate among women was 44.6%, compared to 33.5% among men; an increase of 12.5 percentage points for women and 9.8 percentage points for men (see

figure 16 above). This upward trend in unemployment is, in part, a consequence of the increased participation of women in the labour force and in education. While unemployment represents lost potential at both the personal and societal levels, it should be noted that the large influx of young women into the labour market which contributed to the unemployment may, in and of itself, not be a bad thing. If these women were previously not economically active because they perceived that the labour market provided no opportunities to them, then their entrance into the labour market is economically hopeful. It increases potential output (Banerjee et al, 2007).

In a study that the ILO (O’Higgins, 2001) conducted over the period 1981- 98 for the OECD countries, it was found that youth unemployment rates also tended to be slightly higher for young women than for young men in the European OECD countries, while in the non-European OECD countries it was just the opposite. In most of the developing countries (e.g. India, Indonesia, Latin American countries like Chile, and Jamaica) unemployment rates also tended to be slightly higher for young women than for young men. Female unemployment is consistently higher than male unemployment across the different age groups (du Toit, 2003).

Figure 17: Share of long-term unemployment by age group



Source: Statistics South Africa, NESSTAR, QLFS, First Quarter, 2008 and 2017

Figure 17 above shows the share of long term unemployment by age group for the Free State. An important reason why joblessness is so high among the youth is that young people struggle to gain work experience, which is an important signal of ability to potential employers. This could explain the large number of the youth who are unemployed and the significant numbers who spend sustained periods without a job after leaving education

The apparent uneven burden of unemployment demonstrated above is one more manifestation of structural inequality in the Free State, rooted in the structure of the economy, spatial inequality and inequality in human capital formation. These are consequences of the social and economic engineering of apartheid; but while system of apartheid is now in the past, these legacies remain, and continue to skew the patterns of economic access and distribution.

For the Free State to become more inclusive, many more people need to be provided with the opportunity to work and make a productive contribution to the provincial economy and society at large. Unemployment not only represents foregone output today and a waste of potentially productive resources, but it can also have a negative effect on future output (see section 5.5 below). Employment is not only about earning an income, it also promotes dignity,

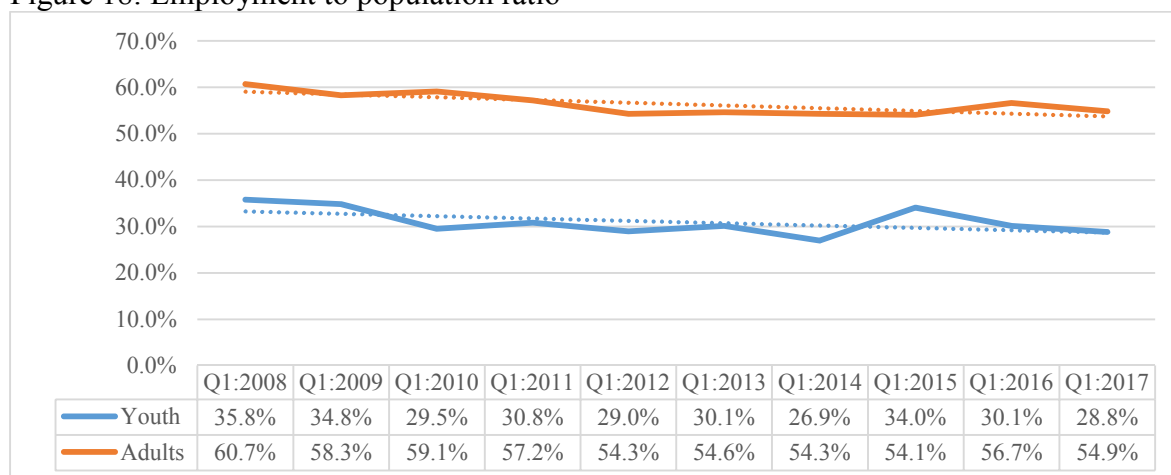
independence, achievement and innovation. The unemployed do not acquire the skills or experience needed to drive the economy forward, which in turn inhibits the province’s economic development and imposes a larger burden on government to provide social assistance. In addition, unemployment is associated with social problems such as poverty, crime, violence, a loss of morale, social degradation, and political disengagement (National Treasury, 2011).

5.3.6. Employment conditions of youth

The employment-to-population ratio is used to evaluate the ability of the economy to create jobs and therefore is used in conjunction with the unemployment rate for a general evaluation of the labour market stance. Compared to other metrics, the employment-to-population ratio is not as affected by seasonal variations or short-term fluctuations in the labour market. As a result, it is often considered to be a more reliable indicator of job shrinkage or growth than the unemployment number in particular. In general, a high ratio is considered to be above 70% of the working-age population whereas a ratio below 50% is considered to be low. Having a high ratio means that an important proportion of the population in working age is employed, which in general will have positive effects on the GDP per capita of the province. Nevertheless, the ratio does not give an indication of working conditions, number of hours worked per person, earnings or the size of the informal market.

According to figure 18 below, the Free State’s employment-to-population ratio is considered to be within the normal range of between 50% and 70%. However, the youth’s employment to population ratio is on the low end under 50%. At 28.8% in Q1:2017, only a small proportion of the working age youth was employed. A concerning factor is the seemingly declining ratio for both adults and youth over the review period. This points to the failure of the economy to create sufficient jobs and keep pace with the growth labour force.

Figure 18: Employment to population ratio⁴



Source: Statistics South Africa, QLFS Q1:2008 and Q1:2017

The number of young people employed in the Free State has generally decreased during the review period, from 363 thousand in Q1:2008 to 297 thousand in Q1:2017; a decline of 66 thousand youth. In other words, 66 thousand youth lost their jobs during this period. During the 2009 economic recession a total of 63 thousand jobs we lost. Between 2010 and 2015, as

⁴ This is a statistical ratio that measures the proportion of the country's working age population that is employed. This includes people that have stopped looking for work.

the economy recovered somewhat from the recession, about 51 thousand jobs were created for the youth. However, in the past two years, youth shed 54 thousand jobs as the provincial economy fell into a recession for the second time in the past ten years. Poor economic growth is thus largely responsible for persistently high unemployment levels in the province.

Changes in youth employment are more erratic compared to adult employment. During the recession adult employment only decreased by 1 thousand compared to 63 thousand for the youth. Youth are more vulnerable than adults in difficult economic times. They are likely to have less work experience than adults. Assuming that employers seek employees with past experience, the youth who is entering the labour force for the first time will be at a disadvantage and have a harder time finding employment vis-à-vis an adult with a longer history of work experience. And during economic times, youth are likely to be the first to be retrenched.

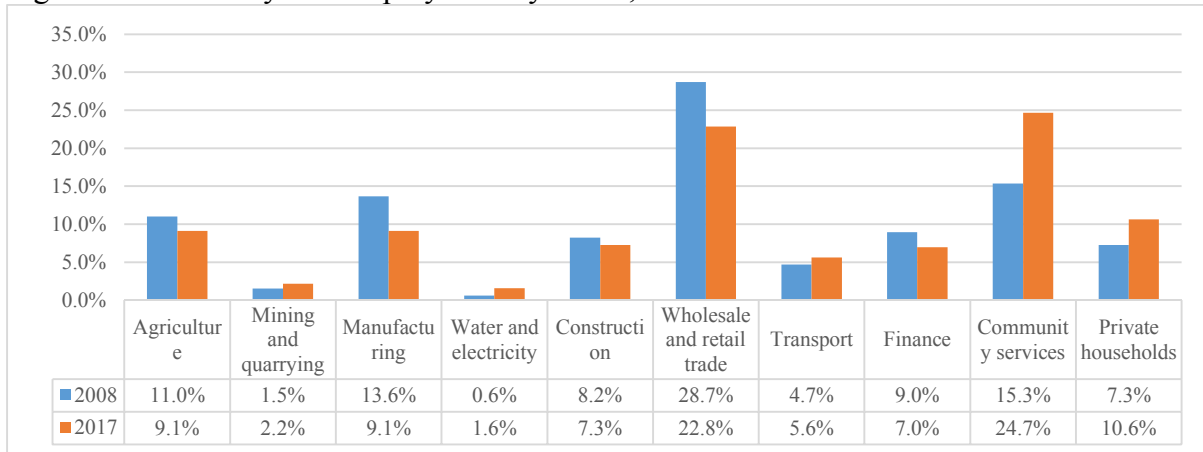
Figure 19 Youth and adult employment levels in the Free State



Source: Statistics South Africa, QLFS Q1:2008 and Q1:2017

Figure 20 below shows the growing dominance of the services industries and the sharp decline in *manufacturing* (4.5 percentage points) and *trade* (5.9 percentage points). Employment in agriculture also declined, mainly due to recent country-wide protracted droughts. Employment across the agricultural sector is subject to growth and decline variations related to a wide range of conditions and circumstances like produce prices, climate and environmental changes, mechanisation, technology, and the like. The increasing reliance on the *community services* is also evident. The majority of the youth are employed in *community services* (24.7%) and *trade* (22.8%). A small share of the youth found employment in water and electricity (1.6%), *mining* (2.2%) and *transport* (5.6%). The government continues to be the employer of last resort since the 2008/09 recession, despite the freezing of the number of state employees and limiting public sector wage increases amid concerns from credit rating agencies. On the other hand, employment levels in the private sector have not increased substantially since 2008 as operating conditions became challenging.

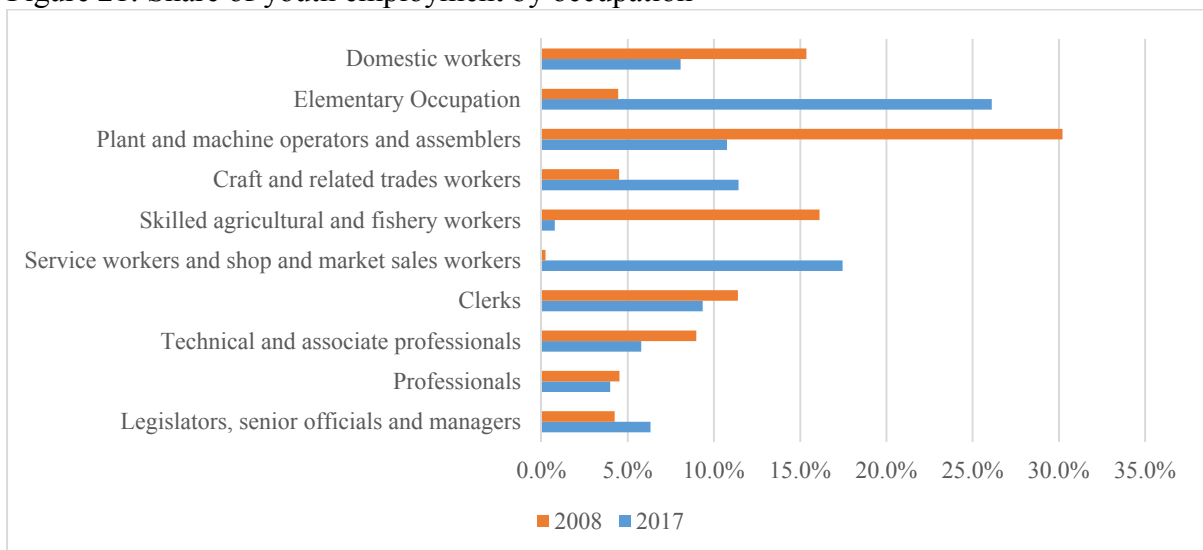
Figure 20: Share of youth employment by sector, Free State



Source: Statistics South Africa, QLFS Q1:2008 and Q1:2017

In 2017, the majority of the youth were employed in the *plant and machine operators and assemblers* occupation with a share of 26.1% down from 30.2% in 2008. An estimated 17.5% were employed in *services workers and shop and market sales workers* and 11.4% in *craft and related trade workers*. About 51.9% of the Free State’s youth are employed in the semi-skilled occupations, 34.2% in the low-skilled occupation and just 14.0% in the skilled occupation.

Figure 21: Share of youth employment by occupation



Source: Statistics South Africa, QLFS Q1:2008 and Q1:2017

5.4. Causes of youth unemployment in the Free State. What labour market features limit young people’s access to work?

This research follows an understanding that there can be no solution to the problem of high youth unemployment unless the causes of such unemployment are identified first. The section that follow will look at the key identified causes or contributors to youth unemployment in the Free State. Both supply and demand factors impact on youth unemployment and underemployment. Supply-side issues such as demographic factors that affect the size of labour force and education and training policies affect the labour market outcomes in an economy. Demand-side issues such as the performance of the economy and its absorptive capacity for labour, including enterprise development and job creation are key.

5.4.1. Labour demand

Weak economic performance

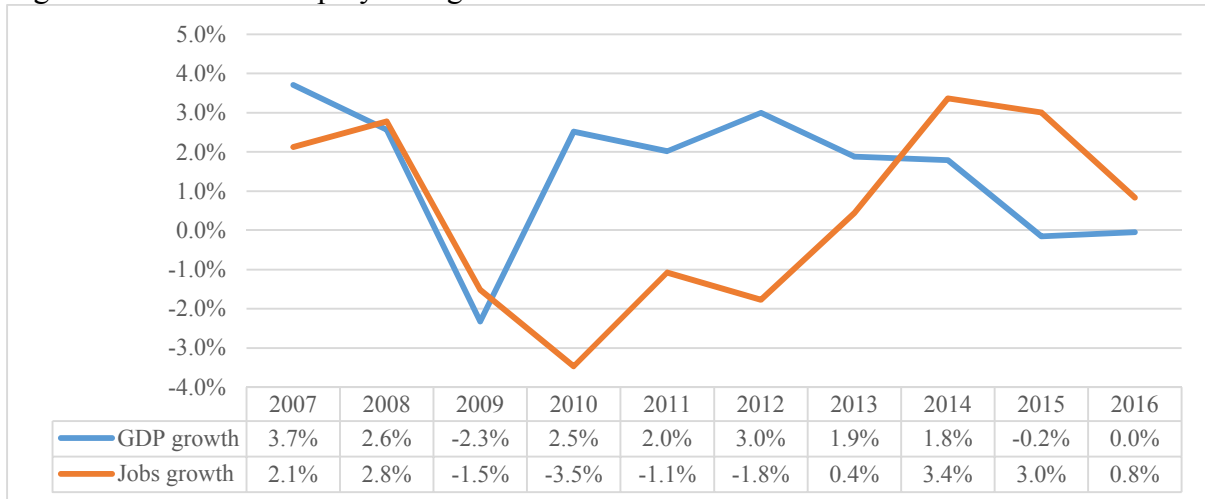
One of the most important determinants of youth employment is the strength of the economy as a whole. Therefore, general economic situations are of crucial importance in diagnosing the youth unemployment problem and in shaping the appropriate response. The level of unemployment is a mirror image of the state of a region's economy. Consequently, youth unemployment is highly dependent on the overall status of the economy. Economic activity, measured by GDP growth, is probably the single factor that most influences the chances of young people finding a job. Low or negative GDP growth, economic recession and low investment are direct causes in the shrinking demand for labour (Awogbenle and Iwuamadi, 2010).

The overall performance of the economy has an impact on demand for labour, and thereby, on the degree and structure of unemployment. Aggregate demand affects youth unemployment in a similar way in which it affects the overall level of unemployment. A fall in aggregate demand will lead to a fall in the demand for labour in general and consequently for young labour as well as adult workers.

Youth unemployment rates are typically substantially higher than adult rates, and that they are more cyclically variable. Youth unemployment rates are more sensitive to changes in aggregate demand than adult rates for various reasons. Firstly, it is less costly for firms to fire young workers when aggregate demand falls, since young workers are likely to be less skilled and experienced than their prime age co-workers, embody lower levels of investment by firms in training, and are less likely to be subject to employment protection legislation. Moreover, during economic slumps, the first measure firms are likely to take is to stop recruiting new employees. For all these reasons it is not particularly surprising to find that young people's unemployment rates are higher than those of adults and that they are more cyclically sensitive than their older counterparts. Since youth are disproportionately affected by unemployment as new entrants to the labour market, this age cohort will be disproportionately affected (Denu et al, 2005). Creating decent employment opportunities for youth requires appropriate macroeconomic policies. Any poverty reduction strategy requires an embedded macroeconomic policy as well as a clearly employment focused growth strategy.

According to figure 22 below, employment growth rates have not kept pace with GDP growth rates. During the review period, GDP grew by 1.5% on average, whereas employment only grew by 0.5%. Not only has the province experienced subdued economic growth, but it has also been jobless to a large extent. However, in the past three years employment has grown at much faster pace than GDP though the figures seem to be converging.

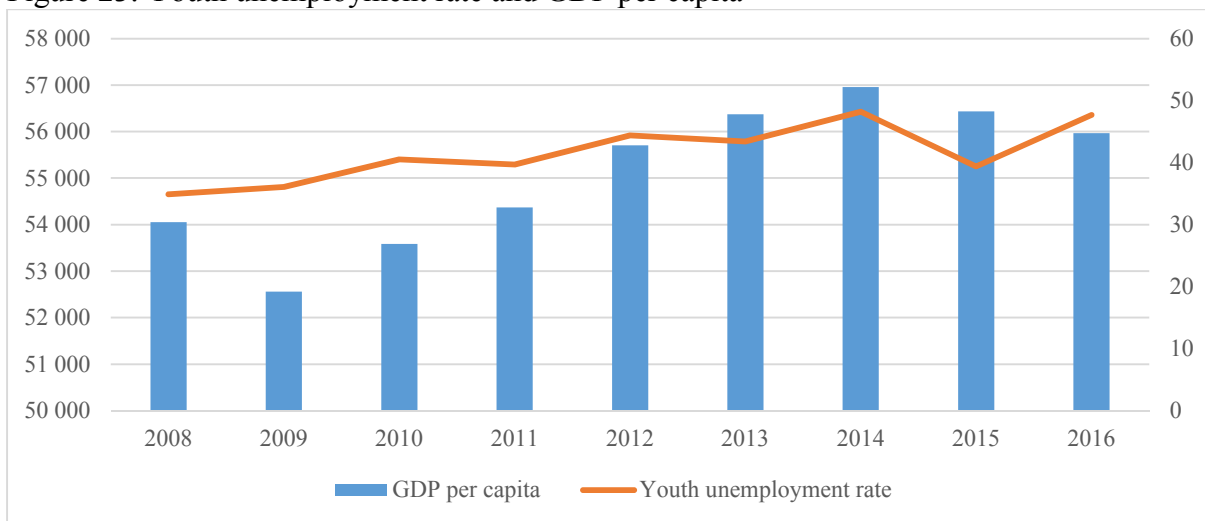
Figure 22: GDP and Employment growth rates



Source: IHS Markit, Regional eXplorer, 2018

Over the long run, substantial economic growth is expected to have a positive effect on employment opportunities, as economic prosperity enables families to send their children to school, so that they eventually become productive participants of the labour force. Although GDP per capita has increased in the Free State between 2008 and 2016, youth unemployment has also increased. This suggests that Free State’s GDP per capita has not increased at a sufficient pace to have the said positive effect on employment.

Figure 23: Youth unemployment rate and GDP per capita



Source: Statistics South Africa, QLFS, Quarter 4 2017; IHS Markit, Regional eXplorer, 2018

In summary, economic growth has been particularly weak and GDP-per-capita growth hardly increased between 2008 and 2016. These factors seem to explain, in part, the increasing youth unemployment rate in the Free State. Thus, it can be argued that the youth unemployment problem in the Free State is a consequence of the poor macroeconomic performance, particularly post the 2009 economic recession, and therefore the need to go beyond a purely supply-side response. Youth unemployment cannot be tackled in the absence of sustained economic growth, as also articulated in the NDP. Youth unemployment is, thus, first and foremost caused by inadequate aggregate demand in the provincial economy, and policy responses need to take this into account.

With increasing global integration of economies, the structure of employment growth is also affected by external factors. The impact of the 2008 financial crisis on GDP and consumption in the developed world indirectly affected developing countries through reductions in demand for their exports of goods and services. The global economic and financial crisis has particularly affected youth, and the decline in work opportunities has created immense friction in the school-to-work transition. As a matter of fact, young job seekers have worse prospects for decent formal sector employment than their parents (Kilimani, 2017).

5.4.2. Labour supply

The size of the youth population

Another frequently mentioned determinant of youth unemployment is the proportion of youths in the population. Increases in the size of the youth cohort can increase competition for jobs and, by placing downward pressure on wages, make employment less attractive. The size of the youth cohort (see section 5.3.2 above) is a major contributory factor to youth unemployment in the Free State. It is reasonable to expect that the more young people there are in the labour market, the more jobs will be needed to accommodate them. However, a study Korenman and Neumark (1997) on 15 OECD countries found that although the size of the youth cohort does have significant implications for the youth unemployment rate, aggregate labour market conditions have a greater influence.

The greater the number of young people in the labour market, the more the employment opportunities required to absorb them. A review of empirical studies for OECD revealed that the size of the youth relative to the rest of the population does have significant implications for the youth unemployment rate, and that aggregate labour market conditions have a more important influence than youth size. The implication is that a decrease in the relative size of the youth cohort might be necessary, but is not sufficient to address the problem of unemployment (O'Higgins, 1997). As shown in the analysis above, Free State has a relatively young population with roughly 46.3% of the population aged under 25 years and 65.5% of the population aged under 34 years. With regard to the working age population, the share of the youth is estimated at 56.9%. With the economy not growing at a sufficient pace to cater for the growing working age population of the Free State, the youth are likely to be the victims of limited work opportunities.

Quality of youth labour supply vs. demanded

The supply-side drivers of youth employment outcomes are the quantity, quality and relevance of education and skills. Skills are built through formal general education, formal vocational education and training (VET) and apprenticeships, and through non-formal education and training. Access to primary education is a first requirement for basic literacy and numeracy skills, which are a precondition for ensuring access to decent work.

The ongoing structural transformation of the provincial economy has resulted in a drop in the employment of unskilled labour and minimal growth in sectors that were intended to drive the growth path. Higher skilled labour is needed to drive technological development, and labour market absorption rates are therefore highest among those with post-secondary qualifications. While the youth unemployment rate for those with less than a matric qualification is 53.3%, for those with a tertiary qualification (certificate, diploma or degree) it is only 28.2%. Graduate unemployment rates are therefore not the main area of concern, although still uncomfortably

high. This demand for higher-skilled labour stands in strong contrast to the reality of the majority of young people in the Free State. The Free State's youth is highly unskilled and less educated than their adults counterparts. Many enter the labour force with minimal skills. In addition, employers are demanding higher benchmarks (such as a matric certificate) even for unskilled positions and apply additional selection criteria such as references from current employees and previous work experience. The resultant skills mismatch and young people's premature entry into the labour market (without matric or higher education and without the necessary degree of work readiness) are key drivers of youth unemployment in the province. According to a 2006 IMF report, "the skills of the labor force, built largely during childhood and youth, are an important determinant of a country's overall investment climate". These skills are built when primary, secondary and tertiary education opportunities are provided to young people. The Free State seems to be lacking in this regard.

Lack of information about job opportunities can, also, contribute to skill shortages and mismatches, because parents and children are not well informed to assess the returns to education. Skills contribute to determining the quality of work, above all through their impact on wages. In the long run, however, skills levels can play a role in the growth potential of output and, therefore, indirectly in the growth of employment, that is, they can influence youth employment through their effects on economic growth.

In other words, the poor skill profile of the Free State's youth is among the major contributors to youth unemployment in the province.

Socio-economic background of the youth

Whether a youth is employed or not depends not only on the strength of the economy and on broad demographic conditions, but partly on individual characteristics of the youth him- or herself. At any given time, youths with certain background characteristics tend to have lower employment rates than youths with other characteristics. Some of the characteristics associated with lower employment appear to be unrelated to wages. Youth from poor families frequently tend to be employed less often than those from wealthier families, although once employed both groups earn about the same wages (Freeman and Wise, 1982).

As noted earlier, blacks are employed less often than whites, largely due to diverse socio-economic background manifested by the apartheid system of "separate development". The risks of long-term unemployment are dramatically higher for black youths, as they must often contend with adverse living conditions and social circumstances on top of the lack of availability of employment opportunities. With many black youths living on the outskirts of economic centres of activity, travel and administrative costs involved in a spirited job search quickly become expensive and unaffordable to those most in need of employment. The relative colossal size of black youth may also be a contributor to the relatively high unemployment of the black youth.

Another contributing factor is the level of poverty. The extent of poverty in an area affects the employment chances of youth. Those areas with greater proportions of families living in poverty, and those youths living in officially designated poverty areas, tend to have lower rates of youth employment. Free State's poverty levels have declined marginally from 56.3% in 2007 to 55.8% in 2016; a 0.5 percentage point decline. Although a decline in the overall rate was observed, racial distribution of poverty remains largely unchanged. An overwhelming 62.1% of Africans are said to be living in poverty, followed by Coloureds (35.6%), Asians

(7.2%) and lastly Whites with a miniature 1.0% poverty rate. It, therefore, follows that African and Coloured youth will suffer intensively from unemployment relative to their White and Asian counterparts. Many of these socio-economic factors can be attributed to the legacy of apartheid. Free State's youth unemployment crisis thus calls for solutions that consider the effects of poverty and social afflictions on black youths' chances of securing gainful employment.

In conclusion, since youth unemployment is above all a consequence of inadequate aggregate demand, attention needs to be paid to both the demand and the supply side of the youth labour market. Emphasis must be placed on creating sufficient growth and improving the employment content of growth.

5.5. Youth unemployment and the cycle of poverty

The difficulty in finding employment as a means for securing a livelihood experienced by young people is an ongoing issue, along with the sense of frustration arising from failing to meet their work expectations. Indeed, youth unemployment has always been one of the major concerns of governments. The youth unemployment problem is given more relevance and wider media coverage, mainly because of the impact of youth unemployment; the most prominent one being poverty.

The importance of a job, or being able to work, does not only lie in the income that is earned and the skills that are acquired, but also in the intangible and invaluable benefits it provides including dignity, independence, accomplishment and freedom. Inclusion necessitates that individuals have the opportunity to work and make a productive impact on the economy and society, whatever their demographic and educational background. Too few, particularly among the young and the less skilled, have this opportunity currently.

In the Free State, and South Africa at large, the shift from school to work is not a smooth one, and for most youth it is characterised by a period of unemployment that can stretch to a number of years. As shown in the analysis above (see figure 15), youth have a higher incidence of long term unemployment in the Free State. Youth who do not possess labour market-related qualifications or requisite skills are particularly affected by this interrupted transition, a factor that continues to imbed disadvantage in the province. One way to alleviate, as much as possible, the negative outcomes is to encourage early labour market experience through work while still at school. International and South African evidence indicates that high school graduates who have worked while at school experience lower unemployment and obtain better quality jobs than their counterparts (Graham and Mlatsheni, 2015). This implies that the manner in which the transition from schooling to work is negotiated has long-lasting implications.

Extended periods of unemployment between leaving school and entering the labour market affect potential employers' views of the perceived productivity of an individual. Thus, people who have been unemployed for much of their youth may remain unemployed for much of their post-youth lives. In addition, failure to complete any post-secondary education or training, not only affects the individual's employability, but also affects later productivity. The forgone earnings and lack of skills may make it difficult to escape poverty. The benefits of schooling on earnings, recognised worldwide as the average return per year of schooling (in terms of increased earnings), were reported to be 7.3% for men and 9.8% for women in 2007 (Graham and Mlatsheni, 2015). These challenges tend to reinforce the inequality gap between advantaged and disadvantaged youth in the Free State. The future of an individual is highly

depended on their personal characteristics and background. Youth from middle- and upper-class households are likely to navigate fairly structured pathways from school through higher or further education to employment. Further, they benefit from access to better education, financial resources, cultural and social capital that they can leverage for information about, and access to, the labour market. Youth from poorer households, however, face uncertainty as they exit the education and social grant systems. Inadequate access to social and financial assets and a lack of relevant skills, support systems, work experience and employment opportunities make it particularly difficult for poor youth to navigate the transition from school to work, which in turn increases the risk for chronic unemployment and poverty for both young people themselves, and their children. The link between youth unemployment and the cycle of poverty is in this sense undeniable. The exclusion of young people from the labour force perpetuate generational cycles of poverty.

5.6. Is youth unemployment a different problem to overall unemployment? Does it require a different policy approach?

As also outlined in the preceding analysis, throughout the world, evidence shows that youth unemployment rates are around twice as high as adult unemployment rates. The literature often raises the macroeconomic and demographic factors underlying this observation, like the aggregate demand, the level of youth wages or the size of the youth cohort. Youth also tend to likely suffer from underemployed and long term unemployment relative to their adult counterparts. This is also the case for the Free State. The negative consequences of unemployment increase as the duration of unemployment grows. Material hardship and physiological and psychological damage resulting from unemployment are all likely to increase rapidly the longer a person remains unemployed.

Young people are particularly disadvantaged in the labour market. The problem of youth unemployment in the Free State is severe and has degenerated significantly during the period under review in this study, largely as a result of the two recessions since 2009. Unemployed youth tend to be unskilled and inexperienced. About 52.8% of unemployed youths did not stay in school beyond Grade 12. Inexperience is a particular drag on employment prospects and can explain some of the implicit age discrimination in the labour market.

There are a variety of reasons why youth unemployment is more sensitive than adult unemployment to changes in aggregate demand. On the supply side, it is often argued that young people are more likely to voluntarily quit their jobs than older workers. Their initial experiences in the labour market are likely to involve a certain amount of “shopping around” in so far as circumstances permit, so as to find an appropriate occupation. The opportunity cost of doing so is lower for young people. They will tend to have fewer skills and lower wages, and are less likely to “need” a job to support a family. One consequence will be that when job opportunities become scarce, unemployment will rise more amongst those groups with a higher likelihood of quitting their jobs; the youth in this instance. Whilst voluntary quits will also tend to fall during a recession, voluntary quits fall off markedly with age and are less cyclically volatile than “fires” by firms. The implication is that young people are more likely to quit their jobs than adults and will continue to do so during recessions and therefore will be disproportionately affected by recession-induced reductions in new hires (O’Higgins, 1997). Another supply side factor is poor educational attainment. The shortfalls in the education system constrain the prospects of young people, leaving them ill-equipped for the workplace, in many cases without basic competencies. Young people also lack work experience, which provides critical on-the-job learning and training; contact with the job market; and the potential

to develop networks (an important factor in improving employment prospects). Experience is vital: a young person with some work experience is in a far better situation than one without. Together, these contribute to a gap between entry-level real wages and productivity, which is particularly large for young entry-level workers and deters firms from hiring young workers whose productivity they cannot adequately assess. And, unlike their middle-class peers, poorer young people lack “productive social capital”, social networks that can be used for information about and access to the labour market. These are important for navigating entry into the labour market.

Although these supply side factors provide some reasons for the relative sensitivity of youth unemployment, demand side factors are more likely than not to be the main factors of this sensitivity. The opportunity cost to firms of firing young workers is lower than for older workers. Being less skilled, the youth embody lower levels of investment by firms in training and consequently involve a smaller loss to firms making them redundant. Furthermore, young people are less likely to be subject to employment protection legislation. Almost invariably, such legislation requires a qualifying period before it can be invoked and typically compensation for redundancy increases with tenure. Thus, also for this reason, the more recently taken on employees will be cheaper to fire. Obviously, this will disproportionately affect young people. Also, it is widely acknowledged that the first reaction of firms to an economic downturn is to cease hiring before commencing on the more expensive procedure of redundancies. It is evident that young people will comprise a disproportionate segment of job-seekers and thus will be more heavily affected by a halt in new employs. In addition, South African employers, in their apparent distrust of the quality of education received by young people, have raised the bar for entry into low level jobs ever higher. But by escalating the educational requirements for entry-level jobs, employers are effectively shutting out a large pool of potentially good young employees. The biggest factors contributing to unemployment, and youth unemployment in particular, are the evolving nature of the labour market and mismatches between the skills needed in the labour market and those provided through the educational system. Research (Banerjee, et al, 2007) indicates that a key difficulty facing young work seekers, in particular, is the fact that South Africa’s labour market favours highly skilled employees. Research (Mosala, 2015) on the Free State reaffirmed these findings. The high demand for skilled labour means that those with a post-secondary qualification are far more likely to find employment than those with only a matric certificate.

For all these reasons it can be expected that young people’s unemployment rates will likely be higher than for adults and that they are more cyclically sensitive than their older counterparts. The consequences of youth unemployment are a cause for concern, as they are serious and persistent. Furthermore, a case could be made for assisting groups of young people who face particular difficulties in obtaining employment. Both the incidence and the duration of unemployment tends to be concentrated among certain groups of young people. The implication, is that, more attention should be paid to redressing the imbalance in job opportunities available to disadvantaged young people in the labour market. It is clear that youth face challenges different to adults and thus require special attention.

Youth unemployment, therefore, deserves special attention for the following reasons:

- Youth face specific barriers
- Youth are particularly vulnerable
- Economic cost is higher if youth unemployment leads to long-term unemployment

6. FINDINGS AND RECOMMENDATIONS

In order to address the youth employment challenge there is a need for integrated approaches involving different levels of government and multiple stakeholders, including relevant education and training providers and social partners. Establishing clear and coherent policy objectives is crucial. This section of the paper provides possible policy solution to identified bottlenecks in decreasing youth unemployment in the Free State.

Addressing youth unemployment in the Free State requires both short- and long-term measures that encompass increasing demand for labour, improving education and skills, and labour market interventions that improve the employability of young people. Six broad solutions are provided below.

Finding 1: Lack of job creation, and to some extent job shedding, due to weak economic growth.

The current economic slump is pushing more and more youth, even those who would have performed well in good times, into the group of “poorly-integrated new entrants” and possibly even into the group of “youth left behind”. This reinforces the pressure for the provincial government to intervene vigorously in the youth labour market.

By themselves, labour market policies cannot end unemployment in the province. To create more jobs, it is critical for the provincial economy to achieve more rapid, sustained and inclusive growth. Therefore, policies that support accelerated and sustained economic growth are important because a growing economy boosts labour demand and decent employment opportunities. Without accelerated and sustained economic growth and a high employment-absorptive capacity of that growth, youth unemployment is likely to remain high. However, there is scope for interventions to accelerate this process by mitigating some of the impediments to job creation.

It has been noted that youth unemployment is closely linked to the state of the economy, which implies that youth employment policies should, without a doubt, take the state of the provincial economy into consideration. The relative usefulness of different types of policy measures, such as employment subsidies and training programmes, will very much depend on general economic performance. Vocational training programmes, for example, will not necessarily create post-programme employment opportunities; employment subsidies and public-works schemes can be equally successful in maintaining the labour market attachment of participants. And in times of recession these measures are less likely to instil in participants unrealistic expectations of long-term job opportunities. On the other hand, it might be to a firm's advantage to use periods of reduced demand to increase and upgrade the skills of its existing workforce (whether younger or older) so as to be prepared for increased production when the economy picks up. Government support for such skills development would help avoid lay-offs during recessions. A second point is that it would make sense to promote youth employment as part of an overall strategy of employment creation through the promotion of employment-intensive economic growth (O’Higgins, 2001).

In the short term, the main objective is to ensure that both new entrants and those who already encountered difficulties in getting a job remain connected to the labour market. In this context,

it is of paramount importance that the Free State government acts quickly to provide more job-search assistance and guidance for all youth experiencing difficulties in finding a job in the current labour market, and target well designed active labour market programmes to the most disadvantaged of them.

Promoting job-rich, inclusive growth is key to youth employment promotion in the long term. Although achieving job-rich growth is a major challenge in general, strategies to expand labour demand are needed to complement interventions targeting more short-term and youth-specific goals, such as wage subsidies and skills training. Thus, macro and growth policies need to stimulate private investment, especially in labour-intensive sectors or sectors with large employment multipliers (ILO, 2012).

Increasing the productivity of smallholder farmers in the agricultural sector would be one opportunity for generating youth employment particularly in the Free State. The growing demand for food locally and globally is a potential opportunity, and with its land and water resources Free State is well positioned to respond. If youth could be provided with access to agricultural resources in tandem with interventions to make agriculture more productive, some suggest that it would go a long way towards transforming livelihoods.

Finding 2: Low educational attainment

Education has been found to play a major role in the probability of finding a job. An education system that helps children and youth from all backgrounds realise their full potential is vital for continued prosperity and for reducing labour market exclusion among youth. A provincial youth employment policy, therefore, needs to be closely linked with educational policy.

There exists considerable evidence that young people are disadvantaged in the labour market. The shortfalls in the education system constrain the prospects of young people, leaving them ill-equipped for the workplace, in many cases without basic competencies. Young people also lack work experience, which provides critical on-the-job learning and training; contact with the job market; and the potential to develop networks (an important factor in improving employment prospects). Experience is vital: a young person with some work experience is in a far better situation than one without. Together, these contribute to a gap between entry-level real wages and productivity, which is particularly large for young entry-level workers and deters firms from hiring young workers whose productivity they cannot adequately assess (National Treasury, 2011).

As earlier analysis also revealed that the youth participants at the younger end of the scale were severely disadvantaged on the job market by their poor educational attainment. It appears that the majority of youth (mostly African and female) suffer unemployment because these youths have made an early exit out of the schooling system. The first policy objective should aim at preventing young people from dropping out of school in the first place. Secondly, the youth at risk of dropping out of school as well as low achievers should receive a second chance through apprenticeship programmes to acquire skills needed to find employment in the labour market. Provided that it is accompanied by measures to diversify educational choices, in particular through apprenticeship and focuses on the acquisition of a recognised qualification that is valued by employers, rather than simply spending more time in a classroom, measures to encourage longer stay at school have proven effective in ensuring youth leave education with a minimum skill level. Thirdly, students should receive financial incentives such as performance-based scholarships conditioned on combining work and study to facilitate their

school-to-work transition and obtain the skills the economy will need in the near future. The education system should be better aligned to the labour market so that employers respect qualifications held by youths. This could be achieved through students being offered internships at private companies, government bureaus and non-government organisations.

Addressing skills shortages and mismatches requires action on several fronts, including formal and non-formal general education, VET and apprenticeship training. Improving literacy skills through better primary education requires urgent attention. Education policies should also aim to improve access to secondary education for disadvantaged youth. Disadvantaged youth are especially constrained by the cost of schooling and, in the case of young women, by social and cultural barriers. New technologies in education and access to open educational resources could enhance flexible course delivery and customised training for specific groups of youth.

In short, education interventions need to raise the quality of basic and higher education, re-engage drop-outs with the education system and provide an environment that cultivates academic, technical and vocational skills.

Finding 3: Lack of skills and/or skills mismatch

Training programmes are intended to alleviate skills shortages in the economy. They are aimed at enhancing productivity and employability of participants and enhancing human capital through improving skills, in this case for young job-seekers, while simultaneously fulfilling the needs of labour demand. Internationally they are the most widely used labour market intervention and are often split into those designed to develop basic skills necessary for job readiness (numeracy and literacy, language courses, basic computer courses) and sector or industry specific vocational training programmes (advanced computer courses or specific technical training).

At every level of schooling, the education system needs to teach competences that are relevant to the modern economy. Even lower-skilled jobs increasingly require talent and knowledge, so vocational training and secondary education need to equip people with the ability to work in a complex, digital environment. Combined training and employment programmes are generally more effective than programmes that contain only off-the-job training or work-based placements.

The underlying aim should be to promote training programmes in which the jobs created are likely to survive long term. This requires obtaining data on the promising areas of activity, as well as carefully monitoring programme implementation to ensure that projects providing training in declining sectors are discouraged.

Additionally, government should actively encourage the mentoring of young people. Mentors could provide young people with information about the “rules of the game” and about the way to behave during interviews and on the job, and should reassure employers. Mentorship, which draws on volunteers who are familiar with the world of business or government, should be broadly encouraged. But it is also important to fight overt discriminatory behaviour directly by rigorous implementation of existing anti-discrimination legislation.

Possible policy measures by governments to strengthen the skills of school-leavers.

Do everything possible to avoid school drop-outs. No youth should leave the education system without a recognised qualification. This may imply leaving school at 17 or 18 or even 19 in some countries. It would be important to make sure drop-outs receive special attention from the education authorities to ensure they remain engaged in, or re-connect with education through the completion of an upper secondary diploma or its equivalent, preferably with an on-the-job training component. The UK government commitment to ensure that all 16 and 17 year olds can stay in further education for the next two years goes in the right direction. The decision made in Denmark that all pupils in lower secondary education will prepare an individual education plan in collaboration with their parents, the school and the youth guidance centre should help prevent teenagers from dropping out from school.

Promote the combination of work and study. The experience of combining work and study through apprenticeships, internships and student jobs facilitates labour-market entry. School-based education and academic fields of study could be professionalised through the use of compulsory on-the-job internships. During the period of labour market slack, governments should at least prevent a drop in the number of these work-study options. In this context, the US government decision to provide additional funding for summer jobs programmes during the crisis and early phases of the recovery is welcome to facilitate access of youth to on-the-job training.

Offer every youth a “second chance at a qualification”. A deferred right to training should exist for young people who have left the school system without basic skills, a qualification and/or a diploma to correct the inequalities inherited from school. Far from correcting those inequalities, the prevailing practice in continuous training usually reinforces them in OECD countries. There is a need to strengthen access to diplomas and to all professional certifications in other ways, in particular by the validation of job experience.

Source: Scarpetta, Sonnet and Manfredi, 2010

Finding 4: Racial and gender inequalities in youth employment.

Policies promoting youth employment should be targeted towards disadvantaged young people. Policies need to be carefully targeted if they are to be effective. It could be argued on social grounds that the most disadvantaged groups should be targeted to try and remedy some of the additional problems they face in the labour market.

Racial and gender inequalities continue to play a significant part in the youth unemployment landscape in the Free State. African and Coloured youth are far more vulnerable to unemployment than their White or Indian counterparts; young women are more likely to be unemployed and to be NEET than their male counterparts. Policy intervention should be aimed primarily at these vulnerable groups. Policies that do not explicitly target these groups are likely to end up widening the gap between disadvantaged young people and those who are better off.

Finding 5: Weak entrepreneurship initiatives

It is no secret that entrepreneurs are pivotal to creating wealth and driving economic growth, innovation and employment. Teaching children the skills to start, manage and operate their own businesses would be the first step in creating a more independent and driven generation of youth.

Within the framework of potential efforts and strategies to boost employment and job creation for young people, entrepreneurship is increasingly accepted as an important means and a valuable additional strategy to create jobs and improve livelihoods and economic independence of young people.

Promotion of youth entrepreneurship and self-employment requires increased access to credit by strengthening financial infrastructure, bank competition and non-bank financing. Youth micro-entrepreneurship also requires reform and more consistent enforcement of business regulation, in order to reduce red tape and increase transparency (ILO, 2012). The most effective entrepreneurship training combines 'core' business administration skills, such as accounting, with 'softer' entrepreneurial skills, such as problem solving. Skills associated with entrepreneurship includes the ability to take initiative and creatively seek out and identify opportunities; develop budgets, project resource needs and potential income; communicate effectively and market oneself and one's ideas.

Finding 6: Labour market policies

There is a wide range of labour market policies that can help address youth unemployment. Such programmes aim to increase the demand for labour in relation to labour supply, as well as improve the employability of the youth. These so-called active labour market policies (ALMPs) focus on job creation and include: training programmes that aim to enhance skills and raise human capital; private sector incentive schemes, which include wage subsidies but also incentives for entrepreneurs and new firm start-ups; direct public sector employment creation, employment services and sanctions that aim to increase the efficiency of job search and matching procedures; and finally comprehensive approaches that combine a number of these policies (National Treasury, 2011).

The most appropriate form of ALMP to implement will depend on the general economic context, as well as on the specific nature of the youth labour market problem. This means that youth labour market programmes must take account of three basic elements:

- (i) the state of the economy;
- (ii) the sectors in the economy that have the potential for development;
- (iii) the target group.

The state of the economy as a whole will have an important influence on the types of programme that are appropriate. In general, programmes that comprise both off-the-job training and work placements with enterprises are likely to be more effective than programmes that contain only one of these elements, such as programmes based purely on work placements or classroom training.

Unemployed young workers benefit most from initiatives that offer a broad range of mutually supporting programmes. Multiple services can include educational support, training, subsidized work, job search assistance and career advice, and counselling to deal with drug,

alcohol and family problems. In addition, programmes that include experience and training in regular workplaces are effective in providing young people with a foothold in the labour market and in overcoming employers' negative attitudes towards young people with no work history (O'Higgins, 2001).

The type of programme should be carefully geared to the groups that programmes are intended to reach. Not all programmes are suitable for all types of young people. In order to target policies accurately, information on the labour market situation of different groups will be needed as well as (once problem groups have been identified) a clear idea of the target group.

Interventions aimed at young people who are still at school are also needed. Working while at school increases the chances to find work. Interventions that link school-going youth with workplace opportunities over weekends or school holidays may provide poorer young people with the social and cultural capital they need to access the labour market later on, and help reduce the high rates of unemployment among school leavers.

Harambee – Enabling youth labour market transitions

The Harambee Youth Employment Accelerator is a high-impact intervention to address youth unemployment based on the premise that there are entry-level jobs available, but that employers are reluctant to place young, first-time workers due to perceived risks. Since 2011, Harambee has been targeting employers to shift their perceptions about employing young workers, based on the motivation that employing young people makes human resourcing and business sense, and enables companies to contribute to national development.

Harambee has established that they are able to provide young, first-time workers who perform well and are likely to stay in their jobs. They can ensure this because of the support they provide to young work-seekers who are recruited via social media, word-of-mouth, community radio stations, and other community-based recruitment strategies. Youth are initially screened for numeracy and literacy potential, and are assessed to determine which sector they would be ideally suited to. Once youth have been screened, they are either counselled out of the programme (if they do not meet the placement criteria) or routed into different bridging programmes depending on their match to industry requirements. For instance, young people with competencies for retail will undergo a six-day bridging programme focusing on retail-specific skills; while those with competencies in business process outsourcing will go through an eight-week bridging programme as this requires longer-term training. All bridging programmes include workplace readiness skills. Participants are then groomed for job interviews, and Harambee facilitates the engagement between the employer and various participants so that the employer may select the participants they prefer.

Harambee reached its initial goal of placing 10,000 young people in September 2014. Although the programme has not been evaluated for impact, Harambee does track participants and relies on feedback from employers. They report a higher retention rate than other placement agencies with almost 75% of their placements staying in their jobs for at least 12 months. This benefits the employee who is able to demonstrate commitment to other potential employers. It also benefits the employer who can reduce costs by retaining staff. These gains in turn help to make a case to other potential employers to employ young people.

A key design feature of the Harambee programme is that it addresses both the supply and demand side of the labour market equation. It addresses employers' fears about employing young people and skills up young people through short-term interventions. The programme also demonstrates the potential of young people, harnessing young people's desire to enter the labour market, and providing the connections that young people need to take that first step into employment. Harambee is demonstrating how to approach the challenge of youth unemployment innovatively but there remains a need to assess the impact of the programme.

Source: Graham and Mlatsheni, 2015

7. CONCLUDING REMARKS

Unemployment is possibly the single most significant hindrance to poverty and inequality reduction in the Free State. The incidence of unemployment falls most severely on the young, who are generally low-skilled and have little to no experience of formal employment. It is exceedingly difficult for these unemployed young people to exit unemployment, and it is expected that a significant number of today's unemployed youth will never achieve formal sector employment (National Planning Commission, 2012).

This study attempted to highlight the nature, extent, complexities and heterogeneity of youth unemployment in the Free State Province of South Africa. Attempt had also been made throughout this study to outline various policies and programmes as well as the kinds of approaches and strategies for addressing the youth unemployment challenge.

If the province is to increase the absorption and retention of young people into the provincial economy, we need to prioritise practical, demand focused and solutions driven policy interventions. These need to be short, medium and long term solutions that focus on sustainable jobs and processes that address both the access barriers that impede young work-seekers, and the challenges employers face in finding and keeping entry level young employees with the work-readiness and requisite skills.

It is clear from the evidence presented in this paper that Free State faces a serious problem of extremely high unemployment amongst young people. It has been shown that this is primarily due to the weak economic performance and the structure of the provincial economy (which is moving towards becoming more skills-intensive, while a significant number of its participants have little to no hard skills). Youth unemployment is a massive problem requiring structural changes to the provincial economy. If not addressed as a matter of urgency, the situation is expected to increase levels of frustration and impatience among the youth. In addition to this, the situation will contribute to a cycle of chronic unemployment and poverty: these young people are likely to become the parents of children who will then also grow up in a context of poverty. The paper argues that long term remedies to this youth unemployment problem are in education development (labour force skilling and/or reskilling), inclusive economic growth, and promotion of youth entrepreneurship, amongst others. In the short term, local-level youth employability programmes are another possible intervention. They can help young people access information about jobs and support them to be more effective in looking and applying for jobs. A provincial strategy to combat youth unemployment must combine policies aimed at both the demand and supply side of the economy.

What is irrefutable is the fact that the Free State province faces what might seem like an insurmountable challenge of youth unemployment, which cannot be ignored! Well-coordinated massive policy investments, will and time are needed from all stakeholders if the province is to make a dent on this undeniable problem of youth unemployment.

The key to a successful youth employment policy is a healthy overall economic situation.

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