Review of YOUTH LABOUR MARKET RESEARCH
Staggered pathways to employment for youth in South Africa

Ten years of NIDS data show the precarious connection between youth and employment in South Africa

Life in South Africa is difficult for young people. The country has one of the highest youth unemployment rates in the world at 38.2% \(^1\) and this rate has been increasing as the economic climate in South Africa continues to shift to favour skilled workers \(^2\).

What is driving this? Research points to low economic growth, education levels, and a range of community, family and individual characteristics as factors that perpetuate high rates of unemployment among the youth. Inherited spatial segregation also means that many youth live far from employment centres and educational opportunities. Facilities that could increase access to information about jobs and assist in job searching are often hard to reach and the cost of Internet connectivity remains too high for many \(^3\).

As such, youth often stagger from education into the labour market, disconnected from jobs or skills training and experience extended periods of in- or under-activity.

NIDS data deepens our understanding of youth unemployment

Youth face multiple and complex challenges in the labour force. To address these challenges, researchers and policy makers need to first understand the issues as clearly as possible. The National Income Dynamics Study (NIDS), an initiative of the Department of Planning, Monitoring and Evaluation that is implemented by the Southern Africa Labour and Development Research Unit (SALDRU) at the University of Cape Town, is an invaluable source of data in this regard.

NIDS has been tracing the lives of the same South Africans since 2008, capturing their unfolding experiences every two years. In Wave 1, the sample included 9 300 15-35-year-olds and by Wave 5, the study had taken five snapshots of these young people’s lives.

Using these data, researchers have been able to examine the lives of individuals over time and monitor how their lives unfold. They have been able to determine the persistence of certain states and the volatility of others. In addition, the comprehensive socioeconomic, community, household and individual data gathered during these repeated observations, enables a deeper understanding of the drivers and consequences of their circumstances.

Youth in South Africa

South Africa’s National Youth Commission Act, 1996, defines youth as those between the ages of 14-35. However, different policies and government documents use slightly different definitions. According to the Community Survey 2016 statistical release, 36.2% of South Africa’s population is youth aged 15-34. Given that respondents 15 and older are administered the adult questionnaire in NIDS, research using NIDS data typically defines youth as those who fall within the age bracket 15-35, with some researchers further disaggregating this group into categories 15-19, 20-24, 25-29, 30-35.

NIDS data shows that youth in South Africa are:

- Unemployed often
- Frequently employed casually
- Earning lower incomes than other age groups
- Influenced by their parents’ earnings
- Not enjoying equality of opportunity in the labour market

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1. Official definition of employment, not including discouraged work seekers. (StatsSA, 2018)
2. Graham and Mlatsheni, 2015.
What does youth participation in the labour force look like?

A snapshot of youth activities in 2017

Youth represent 36% of the population and, in 2017, 57.7% of the labour market\(^4\). Figure 1 presents a snapshot of the activity status of youth by age group for men and women in Wave 5.

In education:

- Most youth aged 15-19 are enrolled, the majority in grades 0-12.
- Enrolment in other types of courses e.g. certificates, diplomas and degrees is low overall: only 8% of females and 5% of male youth.
- The highest proportion of youth enrolled in other courses are aged 20-24: 19% of females and 13% of males.
- There is very little enrolment after age 24.

In the labour force:

- Few 15-19-year-olds are in the labour force (employed or unemployed), as most are enrolled in school: 11% of males and 7% of females.
- Labour force participation is over 50% for the other age groups, i.e. those aged 20 years and older, and increases with age.
- Employment increases as young people age, reaching 54% for women and 75% for men 30-34.
- Many youth in all age groups are unemployed: between 12-17% of males and 19-23% of females.

Neither enrolled nor in the labour force:

- Many youth are neither enrolled nor in the labour force: up to 23% of women and 12% of men.
- Adding the unemployed, close to 50% of females in the three older cohorts and between 25% and 30% of men in these cohorts are not in education, employment or training (NEET).

This snapshot of NIDS data from 2017 (Wave 5) highlights that many youth, especially female youth, are excluded from the labour market and are not investing in skills. The panel aspect of NIDS enables researchers to unpack the persistence, causes and consequences of vulnerable early life transitions. Some of the insights from research using NIDS are shared below.

Figure 1: Wave 5 youth activity status by age group and gender\(^5\)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>20-24</td>
<td>16%</td>
<td>41%</td>
</tr>
<tr>
<td>25-29</td>
<td>13%</td>
<td>59%</td>
</tr>
<tr>
<td>30-35</td>
<td>12%</td>
<td>75%</td>
</tr>
<tr>
<td>All</td>
<td>12%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Note: The small percentage of youth employed and enrolled, 1.96%, are included as employed in the figure above.

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4 NIDS Wave 5, own calculations.
5 NIDS Wave 5, own calculations.
Even when working, youth are at risk

NIDS data highlights that many youth, especially female youth, are excluded from the labour market and even when employed, they experience substantial hardship.

Youth, especially those in the 20-25 age bracket, are more likely to be unemployed and discouraged (meaning that they have given up looking for work) relative to other age categories\(^6\). Those who are employed, are also more likely to be casually employed and to get low pay (defined as two thirds of the median wage or less)\(^7\). In Wave 1, 32.7% of all youth who were employed were not in regular employment\(^8\) and were either self-employed, casually employed, working on a plot or food garden or helping someone else with their business.

Casual employment is the most unstable and lowest paid type of employment. The 15-24 age group had the highest incidence of low pay (57.5%). This was more than twice the incidence of low pay for individuals aged 55-64\(^9\). Moreover, youth are disproportionately informally employed, especially those with lower levels of education. The figure below shows that 73% of youth with no schooling are informally employed.

In addition to earning less, growth in earnings for youth is more limited relative to other age groups, suggesting a lack of economic mobility\(^10\).

Casual employment

Casualisation has grown in South Africa as standard employment is displaced by temporary or part-time employment via temporary employment services or labour brokers\(^12\). These triangular employment setups often deprive workers of benefits, job security, and legal recourse by extricating employers of their direct responsibility to employees.

The informal sector versus informally employed

The informal sector is the part of an economy that is neither taxed nor monitored by any form of government. The informal sector is not well defined in NIDS but being informally employed can be defined as "employees who lack a written contract, medical aid and pension deductions from their salaries [or] workers who are self-employed but not registered for tax; doing casual work; helping in a friend or family member’s business; or doing agricultural work on their own or a friend's plot of land"\(^13\).

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7 Bhorat et al., 2016.
8 Ingle and Mlatsheni, 2016.
9 Bhorat et al., 2016.
10 Ranchhod, 2013.
11 Bhorat et al., 2016.
12 Cohen and Moodley, 2012.
13 Bhorat et al., 2016, p14.
Only 50.6% of youth aged 15-34 who were employed in Wave 1 were employed in all three subsequent waves. The remainder were unemployed or not economically active in at least one of the subsequent waves\textsuperscript{14}. The rate of employment instability is much higher for youth than for prime-aged adults. Using a slightly different sample, another study\textsuperscript{15} shows that only 54.4% of employed youth remained employed in Waves 2 and 3. Meanwhile, among prime-aged adults, nearly 70% of those employed in Wave 1 remain employed.

The largest share of those who were in regular employment in Wave 1 were employed in retail (24%), followed by community, social and personal services (22%) and manufacturing (17%). And these jobs were mostly in elementary occupations i.e. jobs that consist of simple and routine tasks mainly requiring the use of hand-held tools and often involving some physical effort (25.5%), service and sales work (25.3%), and craft-related trades (14.8%)\textsuperscript{16}.

Unemployed youth struggle to enter the labour market

The data shows that young people who are unemployed struggle to find jobs and many of those who do find jobs are employed only briefly before becoming unemployed again. Using Waves 1-4, one study shows that 61% of those unemployed in Wave 1 remained unemployed in at least one subsequent wave, and 22% experienced unemployment for more than two subsequent waves\textsuperscript{17}.

Another study found that about 50% of youth aged 16-29 in Wave 1 and employed in Wave 2 were no longer employed by Wave 3 and those who were no longer employed fell into the NEET i.e. Not in Education, Employment or Training, category\textsuperscript{18}. A large number of youth enter the labour market and experience a long spell as unemployed before finding work or dropping out of the labour force. Three out of five youths remained in the NEET category over the two years between Waves 2 and 3. Of those who managed to escape being NEET by Wave 3, 57% found employment and 43% enrolled in education\textsuperscript{19}.

Life satisfaction among young South Africans\textsuperscript{20}

NIDS asks all survey participants to rate how satisfied they feel with their current lives. At the mean, the employed feel most positive, followed by the not economically active. The unemployed who have given up looking for work, i.e. discouraged workers, are consistently the least satisfied: 43% of all discouraged adults and 50% of discouraged youth aged 25-35, were found to be dissatisfied.

\textsuperscript{14} Ingle and Mlatsheni, 2017.
\textsuperscript{15} Ranchhod, 2013.
\textsuperscript{16} Ingle and Mlatsheni, 2017.
\textsuperscript{17} Ingle and Mlatsheni, 2017.
\textsuperscript{18} Mlatsheni and Ranchhod, 2017.
\textsuperscript{19} Mlatsheni and Ranchhod, 2017.
\textsuperscript{20} Lloyd and Leibbrandt, 2013.
What are the drivers of youth employment?

More education is linked to employment opportunities and higher earnings

Many youth enter unemployment after leaving school and very few find jobs while studying\(^{21}\). Four years after first interviewing a group of 16-20-year-olds enrolled in education, 50.6% were found to be NEET. Meanwhile, just less than 27% were still enrolled, 20.5% were employed and 2.8% were both enrolled in education and employed.

Youth struggle to complete matric and many end their formal education here. Only 22% of youth aged 25-29 in 2016 had completed a qualification beyond matric, with 27% reporting matric as their highest qualification, and the majority (51%) not finishing high school\(^{22}\).

This limits employment and earning prospects. Of 16-20-year-olds enrolled in Wave 1, those who had completed a matric were 7.7 percentage points more likely to be employed in Wave 3 than those who had not completed matric\(^{25}\).

Having some tertiary education increased employment chances by 13 percentage points\(^{26}\).

Tertiary education also makes a difference to a young person’s chances of earning more money\(^{27}\). Those who haven’t completed high school earn less than R3 000 a month on average, half the average earnings of youth who finish high school. Both groups experience very limited growth in earnings within the youth age band. Tertiary educated youth, on the other hand, earn on average R6 000 a month by the age of 25 and more than R13 000 a month on average by age 35.

Percentage of youth in stable employment\(^{23}\)

(Stable employment defined as employed in 3 or 4 waves.)

- **77%** With tertiary education
- **58%** With matric
- **46%** Less than matric

Percentage of youth frequently unemployed\(^{28}\)

(Frequently unemployed defined as unemployed in 3 or 4 waves.)

- **1%** With tertiary education
- **8%** With matric
- **15%** Less than matric

Improved probability of employment relative to someone without a matric\(^{24}\)

- **7.7%** with matric
- **13%** with tertiary education

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\(^{21}\) Mlatsheni and Ranchhod, 2017.  
\(^{22}\) Branson and Kahn, 2016.  
\(^{23}\) Ingle and Mlatsheni, 2017.  
\(^{24}\) Mlatsheni and Ranchhod, 2017.  
\(^{25}\) Mlatsheni and Ranchhod, 2017.  
\(^{26}\) Mlatsheni and Ranchhod, 2017.  
\(^{27}\) Salisbury, 2016.  
\(^{28}\) Ingle and Mlatsheni, 2017.
Youth from disadvantaged schools start working earlier but face worse employment prospects

Learners from previously disadvantaged schools enter the labour market, on average, earlier than those who attend schools that were advantaged under apartheid. They are, however, less successful in the long-term in finding stable employment than their peers from better resourced schools. In Wave 2, those who had attended a previously disadvantaged school were found to be 9 percentage points less likely to be enrolled in any educational institution and 4 percentage points more likely to be employed. However, by Wave 3 they were 11.7 percentage points less likely to be employed than their peers who did not attend previously disadvantaged schools.

Better education has been shown to change this; improved education contributes to intergenerational earnings mobility. Youth with mothers or fathers who completed matric have earnings, on average 20% higher than similar youth whose parents have not completed matric.

Thus, for those young people whose parents have low earnings, improving their education offers the best potential for upward mobility.

It is hardest to be female and black African

The gender differences in youth unemployment are stark. While a study of youth aged 16-20 enrolled in education in Wave 1 found young women to be slightly more likely to be enrolled at baseline, transitions into employment were far more limited for young women than young men, with many women ending up NEET. By Wave 3, only 14.1% of women were employed compared to 31.7% of men. Both men and women have a very high probability of being NEET, but young women are disproportionately affected, with 57.4% of women and 43.1% of men NEET by Wave 3.

Young women are also found to be significantly less likely than young men to be persistently employed. Many women experience substantial labour market churn, in other words they are not persistently employed nor persistently unemployed.

Previously disadvantaged schools

During apartheid the government ran separate school systems for different racial groups, with large differences in funding levels and curriculum design. Schools previously administered by the Department of Education and Training, an independent homeland, or a self-governing territory were the most underserved and are here defined as previously disadvantaged schools.

Parents’ level of education and income influence youth earnings

Previous research indicates a striking positive relationship between the persistence of earnings from parents to children and the level of inequality in a country, and analysis of NIDS data confirms this. In South Africa, levels of real earnings have remained fairly similar across generations. This is particularly true for those who earn at the bottom end of the earnings spectrum, regardless of whether they are male or female. This suggests that the poorest in the country also have the fewest opportunities to change the income prospects of their children.
Male vs Female youth employment

(Youth that were aged 16-20 in Wave 1 and enrolled in education)

1 out of 3 men employed in Wave 3

1 out of 7 women employed in Wave 3

Males were 4.9 percentage points (43%) more likely to be employed in Wave 2 and 17 percentage points (58%) more likely to be employed in Wave 3 than female youth, keeping other things constant.

Youth in urban areas have higher employment rates

More rural youth are unemployed and not studying than urban youth. Employment increases for rural youth who move to urban areas; in a sample of enrolled 16-20-year-olds in Wave 1, the probability of being employed in Wave 3 increased by over 20 percentage points for those who moved to urban areas relative to those who remained in rural areas.

What are the consequences of staggered school to work transitions?

Migration is a strategy to survive unemployment

Research shows that moving can increase the chances of finding employment but is also used to access financial support more generally. 14.5% of those who were unemployed in Wave 1 had moved by Wave 3, 2% more than the proportion of all respondents that move. By looking at a sample of individuals who were unemployed in Wave 1 and seeing how they fared over two subsequent waves it was found that:

- Movers experienced increases in household income that were greater than those who stayed;
- Unemployed movers experienced the greatest increases in household incomes;
- 16% of those who were unemployed moved to live with parents;
- 42% of the unemployed who did not move remained living with parents and family (apparently seeking financial support);
- Many unemployed youth who moved into households with relatives were moving into households where at least one member had either a job or received a grant income.

Black African youth struggle the most to get jobs, with white youth finding employment most easily. Stable employment, defined as being employed in at least three of the four waves, is also highest among whites at 88%. Stable employment is second highest among South Africans of Asian and Indian descent at 76% and much lower for coloured and black Africans at 59.7% and 51.7% respectively. Those most likely to receive low pay are women, black Africans and rural workers.

An analysis of men in their 20s living in urban areas shows that men earn on average 28% more than women of a similar age, education and background. Black Africans in this same age-group earn on average 32% less than whites. Average monthly wages are below R1 500 for black African and coloured 21-year-olds and reach only R3 000, on average, by age 35. Meanwhile, white youth experience higher starting salaries and steeper increases in average monthly earnings, starting at around R3 000 at age 21 and reaching R13 000 by age 35.

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40 Ingle and Mlatsheni, 2017.
41 Bhorat et al., 2016.
42 Zoch, 2017.
44 Salisbury, 2016.
45 Salisbury, 2016.
46 Ranchhod and Mlatsheni, 2017.
47 Ranchhod and Mlatsheni, 2017.
48 Ranchhod and Mlatsheni, 2017.
49 Ebrahim, Leibbrandt and Woolard, 2016.
50 This sample is not limited to youth, although 48% are under 35.
51 Ebrahim, Leibbrandt and Woolard, 2016.
52 Ebrahim, Leibbrandt and Woolard, 2016.
Many youth rely on household grants to survive

There is evidence that youth rely on grant income to support them while unemployed, especially in rural areas. Many remain living with parents or family (42%) or move back home (16%). This is presumably to be in households where at least one member has some source of income, either from the labour market or from grants. However, households whose primary incomes are from state grants or remittances, tend to be in rural areas. Therefore youth who employ this strategy can be more isolated from potential employment opportunities.

Friends and family networks are the primary route through which youth get jobs

Over half (53%) of young people who were unemployed in NIDS Wave 3 and who had found a job by Wave 4, indicated that they found work because friends, family or household members told them about the employment opportunity. The bulk of jobs found between these two waves were in the wholesale, retail, hotels and restaurants and community, social and personal services sectors.

Inactivity, unemployment and unstable employment relate to reduced mental well-being

A recent study shows that being in a NEET state for a long period of time is associated with higher rates of depression, lower levels of self-reported happiness and greater reliance on grant income compared to other sources of income in the household. Youth who do not complete matric, particularly young women, are most likely to incur substantial periods not in education, employment or training.

Where to from here?

The evidence from almost 10 years of NIDS data highlights key areas of concern for young people in South Africa. Analysis of the NIDS data gives government and civil society the evidence to assess the implementation of existing policies and the well-being of youth. It shines a light on the vulnerability of youth as they transition from education to the labour force and highlights the absence of effective youth-focused policies to mitigate the challenges young people face. As is often the case with research, it also raises additional research questions. Some of the questions to consider include:

1. What determines the poor labour market outcomes for women and black African youth specifically? What roles do labour market discrimination and gender norms and expectations play?

2. Can we further disentangle the causal relationship between education and labour market outcomes for youth? Are our current educational institutions adequate to help youth combat the vulnerability they face in the labour market?

3. The research shows that the majority of youth spend time in inactivity i.e. are NEET at some point. How do NEET youth support themselves and their families and do they contribute to family productivity in ways outside of the labour market?

4. There is very limited research on the longer-running consequences of youth being exposed to long spells of unemployment, inactivity and instability. Further research on the individual labour market, family and social implications of this period of uncertainty could be undertaken with NIDS, especially as the panel progresses.

5. Would a more comprehensive and coordinated policy approach to youth development be able to facilitate smoother transitions through the education system and into the labour market?

54 Ingle and Mlatsheni, 2017.
REFERENCES

NIDS papers classified as labour market or unemployment included in the review article:


Papers identified as labour related and using NIDS, but not included in the review


Other references not using NIDS data:


