



MOST SOUTH AFRICAN YOUTH WILL NOT FIND WORK

WHAT CAN BE DONE TO AVOID A MOUNTING DISASTER

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Special Report
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 **IRR**
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Most South African Youth Will Not Find Work

Background

This is a special report on the employment status of South Africans between 15 and 34, most of whom don't have a job. The question this report aims to answer is: what can be done to reverse this mounting disaster?

Youth not in employment education or training (NEET)

The official unemployment rate at the end of 2021 was 35.3%, the highest of any constitutional democracy in the world. The proportion of South Africans aged 15-24 who are not in employment, education or training (NEET) is 32.8%. However, the NEET rate for people aged 15-34 is much higher at 44.7%¹.

Statistics South Africa did not publish the all-important NEET rate for people aged 24-34, but it can be calculated from other data it has published. The age group 24-34 is the most important cohort in assessing whether young South Africans grow or flounder once they leave school.

Out of 10.4 million South Africans aged 24-34, 5.9 million suffer NEET status. The NEET rate for people aged 24-34 is 56.4% – the highest on earth.

As the cohort currently aged 15-24 years completes adolescence over the next decade, the NEET rate will rise from 32.8% to over 56% if current trends persist. In other words, short of structural change, most people aged 15-24 today will not be working or learning in 10 years.

Every survey commissioned by the Institute of Race Relations in the last decade indicates that unemployment is considered by most people to be the country's number one problem.

Age	Population (million)	NEET population (million)	NEET %
15-24	10.2	3.35	32.8%
24-34	10.4	5.86	56.4%
15-34	20.6	9.21	44.7%

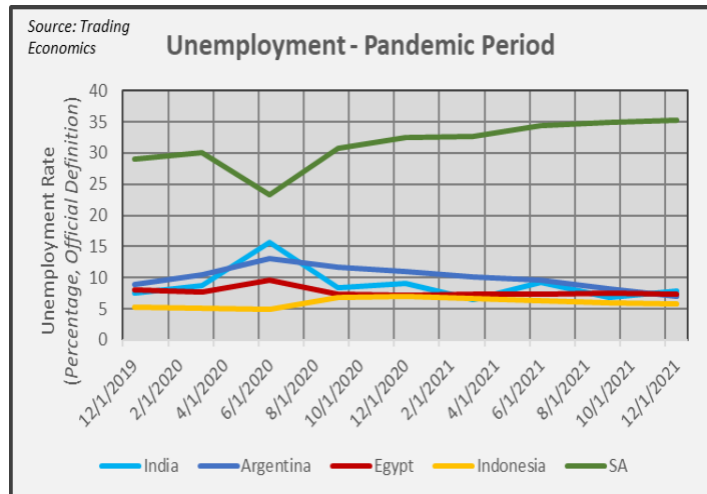
(Source: Statistics South Africa, Q4, 2021)

¹ Statistics South Africa, *Quarterly Labour Force Survey*, Q4, 2021.

Structural unemployment, not cyclical

It may be tempting to suppose that because 1.9 million jobs were lost during the “state of disaster” response to Covid-19 the 56%+ NEET rate is cyclical, meaning that it will reduce significantly soon as a matter of course.

Such an assumption is wrong. Peer countries that suffered job losses during the pandemic have already regained those lost jobs.



On the long-term trend a South African who loses work is increasingly likely to become permanently jobless. The proportion that lose and find work within one year has halved. This further indicates that *structural* unemployment has been worsening substantially since the late 2000s.



The only period in recent South African history when the number of unemployed people significantly declined was between 2003 and 2009. The number of unemployed dropped in that time by 1.9 million, from 7.968 million to 6.109 million (on the expanded definition).

During that period GDP growth averaged 4.5% for six years. However, Treasury and the South African Reserve Bank (SARB) expect much less growth in the foreseeable future. SARB expects the economy to grow 2% this year and 1.9% next year, slowing further after that². This means conditions imposed since the 2000s that doom most youth to unemployment are *structural*.

² MarketWatch Report, *SARB repo hike*, March 2022.

How policy dooms young people to unemployment

Education

Government records indicate that 1 072 993 learners were enrolled in grade 1 in 2009, but in 2021 only 43 447 matriculated with a pass of 60% or higher in “standard mathematics”. That means only 4% of grade 1 learners went on to achieve more than a 60% pass mark 12 years later³. South Africa has the “world’s worst” public education system on a bang-for-buck basis, according to analysis by *The Economist*⁴.

According to Stats SA, 51.6% unemployed people lack matric compared with “only 2.4% of unemployed persons [who are university] graduates”⁵.

Minimum wage

According to the National Minimum Wage Commission’s latest report, the median wage of South Africans is R24,06 per hour, meaning 50% of workers earn less than that⁶. A wage of R24 per hour averages to about R4 000 per month, working full-time.

On 1 March 2022, Minister of Employment and Labour Thulas Nxesi raised the National Minimum Wage (NMW) to R23,19 per hour and removed the last private sector exemptions⁷. That makes the NMW practically equal to the median wage, meaning the NMW is set so high that almost 50% of private workers earn below the legal minimum, thereby making their continued employment *illegal*. Half the workforce has been put in jeopardy by the NMW.

No country on earth has attempted to enforce such a high NMW-to-median wage ratio. In countries where a NMW has worked, meaning its implementation coincided with jobs growth rather than mass job-shedding, the NMW was set between 7% and 55% of the median⁸. By contrast, in South Africa the NMW is 96% of the median. It is no fluke that the highest NEET rate coincides with the highest ratio of minimum to median full-time wage on record.

The NMW disincentivises new hiring, incentivises retrenchments and encourages substituting muscle power with machine power. The government’s “Fourth Industrial Revolution” plan may be spectacular on paper, but it is especially damaging to young, unskilled South Africans who have never had a job and need a first job first in order to get a better job later.

EEB

The Employment Equity Amendment Bill (EEB) is expected to be enforced from 16 June 2022, and

³ Centre for Risk Analysis, *Annual Socio-Economic Survey*, 2021.

⁴ The Economist, *South Africa’s Schools*, January 2017.

⁵ Statistics South Africa, *Quarterly Labour Force Survey*, Q4, 2021.

⁶ National Minimum Wage Commission, *Proposal for 2022 Adjustment*, December 2021.

⁷ Department of Employment and Labour, *Press Statement on NMW*, February 2022.

⁸ Crouse, *NMW Analysis*, October 2021.

likely inflicting yet more devastation on young South Africans⁹. Implementing the EEB will doom 60% to 66% of youth to structural unemployment.

The EEB would allow Employment and Labour Minister Thulas Nxesi to impose public-sector style race quotas on the private sector. As demonstrated in the case of Renate Barnard, former lieutenant colonel in the South African Police Service, this means that the Minister may deem it preferable to hire nobody, leaving a post empty, than promote a candidate whose innate characteristics, including race and gender, do not meet the demands of de facto race quotas. Public sector performance indicates that while this has a minimal direct effect on unemployment it has massive second-order effects by dehumanising staff of all races and chilling economic growth.

The EEB's implementation will also impose a racial certification system the effect of which will be to bar businesses from bidding for government contracts, which will soon amount to R1 trillion per annum, because of race.

Through these twin measures the EEB's imposition will further depress Gross Fixed Capital Formation (GFCF) by chasing away foreign and domestic investors who seek secure property rights, transparent government procurement and maximum return on investment. GFCF rates are the best lead indicator of GDP performance, which in turn causes jobs to rise or fall.

In short, the EEB will depress investment, cutting job opportunities, and pushing the NEET rate from 56% to above 60%. Arithmetically this in turn pushes the expanded unemployment rate from 46% to above 50%.

How to save young South Africans from joblessness?

Education reform

Fundamental education reform is necessary and urgent. A voucher programme for basic education must be implemented to save young people from joblessness.

Parents should receive a voucher, worth roughly R1 900 per month, that can be redeemed at any school of the parents' choosing. This would not cause an extra burden on the fiscus. The 2020 survey commissioned by the IRR indicated that over 80% of black respondents believed a voucher system would be more likely to benefit the respondents personally than BEE¹⁰. International experience shows that voucher systems radically improve results.

Labour reform

Government workers can be paid R12,75 per hour¹¹. Any employer must be allowed to hire on the same basis so that unskilled youth can get the first job they need to get to stand *any* chance of getting a better job after on-the-job experience has been acquired.

¹⁰ IRR Commissioned Survey, *Critical Race Theory Report*, May 2021.

¹¹ Department of Employment and Labour, *Press Statement on NMW*, February 2022.

The world record high NMW is the simplest and most urgent example of red tape that is currently garrotting young work-seekers. Red tape must be cut so that people are free to work.

Non-racialism

Racial policy in the pipeline like the EEB must be abandoned. Existing racial policy must be scrapped and replaced with the IRR's Economic Empowerment for the Disadvantaged (EED) policy¹².

There is an “inevitable tension” between racialism and meritocracy, as noted by the State Capture Report¹³. Hiring for colour rather than capacity is dehumanising and promotes corrupt rent-seeking. This is the case regardless of the race being legally preferred.

“Ultimately in the view of the [State Capture] Commission the primary national interest is best served when the government derives the maximum value-for-money in the procurement process” rather than racial preferencing “...and procurement officials should be so advised.”

This report endorses the above view, which must be applied nationwide to fulfil the “freeborn” promise.

¹² IRR Policy, *EED vs BEE*, April 2017.

¹³ Commission on State Capture chaired by Chief Justice Raymond Zondo, *State Capture Report Part 1*, p. 797, January 2022.



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