

## Youth unemployment in South Africa revisited

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### Abstract

One of the most pressing socio-economic problems of the South African economy is high youth unemployment. Recent studies only briefly examined how youths have fared since the transition by comparing the 1995 October Household Survey with a Labour Force Survey, and hardly investigated whether the discouraged workseekers are different from the unemployed. This paper re-examined youth unemployment trends in the 2008–12 Quarterly Labour Force Surveys, before comparing the characteristics of discouraged workseekers and narrow unemployed. Whether different policies are needed to boost youth employment in each group is also discussed.

### 1. Introduction

The persistently high youth unemployment has always been one of the most pressing socio-economic problems of South Africa. Youths do not have sufficient network to obtain information on job opportunities, as well as financial resources and mobility to seek work or relocate closer to the places where job opportunities exist (Mlatsheni, 2007; Guma, 2011; Smith, 2011). Even if they do, some of them, especially those coming from well-resourced families, unrealistically have too high expectations about their employment likelihood and reservation wage, thereby taking an unnecessarily long time to ‘shop around’ for a job that meets their expectations (Mlatsheni, 2007; Von Fintel & Black, 2007; Rankin & Roberts, 2011; Roberts, 2011). The youths also lack ‘soft’ skills such as communication skills, personal presentation and emotional maturity (Rees, 1986; Pauw et al., 2008; National Treasury, 2011).

Some of the young workseekers are not well educated and dropped out of school early, due to reasons such as poverty and an inability to cope with studies. As the economy demands highly-skilled labour due to capital deepening and technological advancements, an incomplete secondary education is insufficient to guarantee employment (Banerjee et al., 2006; Lam et al., 2008; Burns et al., 2010). Even if the youths pursue post-secondary education, graduates from study fields such as humanities and arts as well as education are less likely to find employment compared with those from fields like engineering and medical sciences. The under-supply of graduates from the latter fields is mainly due to the decreasing number of students enrolling and passing mathematics and physical science in matriculation, as they could not cope with these subjects during their school years (Centre for Development and Enterprise, 2007), and the struggle of tertiary institutions to retain high-quality teaching and research staff (Du Toit & Roodt, 2008). Also, some of the matriculants completed their post-Matric qualifications at institutions not recognised by employers (Mlatsheni

& Rospabé, 2002; Moleke, 2005; Altman, 2007), especially for the blacks with post-Matric certificates or diplomas (Pauw et al., 2008). Hence, these young graduates are not demanded by the employers.

As the provisions of the Labour Relations Act make it difficult for employers to shed non-performing workers, the employers feel more risk-averse to employing inexperienced young workers, whose productivity is not fully known (Van Aardt, 2009). The minimum wage agreed on during collective bargaining is only afforded by the larger firms, but not necessarily by the smaller firms. The latter firms, which are more labour intensive and potentially the main source of employment creation, would either close down or retrench workers, and youths are more likely to be retrenched first (Nattrass, 2000). Furthermore, there is an inherent asymmetry between the desires of the currently employed (i.e. insiders) and the unemployed (i.e. outsiders). The insiders prefer wage levels to remain high, while some of the outsiders are willing to accept wage levels below the minimum wage. However, the views of the outsiders are not represented when trade unions and employers negotiate over remuneration of workers, and wages are too sticky and slow to fall during the times of low labour productivity and labour demand. Thus, the outsiders (with most of them being youngsters) remain unemployed for a long time (Von Fintel & Burger 2009; Paton 2011).

The relatively inexperienced and less educated youths who struggle to find employment in the formal sector could still survive by engaging in informal sector activities. Nonetheless, informal employment is hindered by various barriers to entry, ranging from crime to lack of access to formal or even informal credit, lack of access to infrastructure and services, insufficient provision of training facilities, and lack of provision of market access and business development programmes. The existence of some of these barriers are attributed to the government support programmes on small, medium and microenterprises being biased towards the groups of small and medium-sized enterprises, bypassing microenterprises and the informal enterprises (Kingdon & Knight, 2004; Rogerson, 2004; Devey et al., 2006). Also, the Sector Education and Training Authorities tend to prioritise the needs of those paying the skills levy (which goes towards the National Skills Fund); that is, the registered enterprises in the formal economy (Devey et al., 2006). Therefore, the development and growth of the informal enterprises and their subsequent contribution towards employment creation, including youth employment, are inhibited. Finally, other possible reasons accounting for unemployment include economic recession (the youth workers are more likely to be laid off at times of financial difficulties, as indicated by the fact that the employment elasticity of economic growth between 1995 and 2011 was only 0.42 for the youths but 0.68 in the case of adults) and employment discrimination against the young workseekers, especially the previously disadvantaged groups such as females and blacks (Mlatsheni & Rospabé, 2002; Burger & Jafta 2006; Shepherd 2008).

The characteristics of the youth unemployed need to be examined, before the appropriate policies to boost youth employment could be determined. Almost all recent South African studies only briefly look at how the youths fared since the transition by comparing the 1995 October Household Survey (OHS) with the latest

available Labour Force Survey (LFS), and dividing the work-age population (15 to 65 years) into different age cohorts before analysing what happens in each age cohort. These studies also hardly investigate whether the discouraged workseekers are different from the unemployed. Furthermore, a new labour market status derivation methodology is adopted since the inception of the Quarterly Labour Force Survey (QLFS) in 2008. Although the unemployed in the QLFS are derived similarly to in the OHS and LFS, the discouraged workseekers are distinguished very differently, leading to incomparable broad unemployment aggregates during the changeover between the LFS and the QLFS. Hence, the research objective of this paper is to examine whether the characteristics of discouraged workseekers and narrow unemployed differ significantly since 2008. The focus is on the youths, who are defined as people aged 18 to 29 years, for the remainder of this paper.<sup>2</sup>

The rest of the paper is structured as follows. Section 2 reviews recent studies on how the youths fare in the labour market since the transition, while Section 3 briefly examines the changes in labour market status derivation methodology as well as youth labour market trends in 1995 – 2012. Section 4 examines the characteristics of the discouraged workseekers and narrow unemployed in the 2008 and 2012 QLFSs. Section 5 concludes the paper by discussing whether different policies are needed to boost youth employment in each group.

## **2. Literature review**

Almost all recent studies on the state of the South African labour market since the transition only briefly examine what happens to the youths. Looking at the studies that only analyse one labour survey, Bhorat & Leibbrandt (1999), using the OHS 1995 data, run probit regressions and two-step Heckprobit regressions on the black labour force participation and employment likelihood respectively, under both the narrow and broad definitions. The results show that blacks in the youngest age cohort (16 to 25 years) are associated with the lowest likelihood of participation, after controlling for differences in other demographic, educational attainment and household characteristics. Moreover, employment likelihood increases in the older age cohorts. In the study by National Treasury (2011), using the QLFS 2011Q3 data, people aged 16 to 64 years are divided into various age cohorts. The narrow unemployment rate is the highest in the age 18 to 24 cohort (51.0%), followed by the age 25 to 29 cohort (33.8%). These two cohorts account for 55% of the unemployed. Furthermore, unemployment intensity, which is derived as the unemployment rate weighted by the share of unemployed or labour force participation, is the highest in the age 18 to 24 cohort. Bhorat & Oosthuizen (2007) derive the South African ratio of the adult (35 to 65 years) unemployment rate to the youth (15 to 34 years) unemployment rate under the broad definition in LFS 2005. They find that the youth unemployment likelihood is twice that of the non-youth population, despite the fact that this ratio is lower in only five out of 14 sub-Saharan countries for which data are available.

Burger & Woolard (2005) compare OHS 1995 with LFS 2002 March to investigate the demographic and educational attainment characteristics of the broad labour

force and unemployed, as well as the work activities of the employed. They only briefly look at broad unemployment rates of age cohorts, and find that the unemployment rate is the highest in the age 16 to 24 cohort. The unemployment rate increases in all cohorts between the two surveys, but the increase is much greater in the younger cohorts (16 to 24 years and 25 to 34 years). Dias & Posel (2006) use the OHS 1995 and LFS 2003 September data to examine the relationship between education and broad unemployment likelihood. The probit regressions on the broad labour force indicate that in all four population groups the probability of unemployment decreases across the older age cohorts, as compared with the reference category (16 to 20 years).

Banerjee et al. (2006), despite primarily focusing on the causes of unemployment such as union wage premium, high reservation wage due to the receipt of a pension by another household member and structural change of the economy, compare OHS 1995 with LFS 2005 September to examine the labour force broad participation, employment and broad unemployment. They find that the broad unemployment rate and the extent of its increase is higher in the younger cohorts. For instance, the broad unemployment rate increases from 31.3% to 52.3% in the age 20 to 24 cohort, while it rises from 21.3% to 36.0% for those aged 25 to 29 years. In addition, the employment likelihood is only about 26% and 48% for these two cohorts respectively, but it exceeds 60% for those aged 30 to 49 years in both surveys. Bhorat (2009) also primarily examines the causes and determinants of unemployment, but he uses the same two datasets to briefly examine the characteristics of the broad unemployed, and the results of the probit regressions show that employment likelihood increases across the older age cohorts, compared with the reference group (15 to 24 years).

The three studies by the Development Policy Research Unit (DPRU) analyse the characteristics of the labour force, employed and unemployed in greater detail. The broad definition is used, and the working-age population is divided into five age cohorts (15 to 24 years, 25 to 34 years, 35 to 44 years, 45 to 54 years and 55 to 65 years). First, Bhorat & Oosthuizen (2005) compare OHS 1995 with LFS 2002 September, and find that the increase of labour force is the greatest in the age 25 to 34 cohort between the two surveys (30.0%), followed by the age 15 to 24 cohort (25.2%). These two young age cohorts account for 53.7% of the labour force in 1995 but this share increases to 60.4% in 2002. Although employment increases in all cohorts between the two surveys, the increase is the lowest in the two young cohorts, as their share of the employed decreases from 45.3% to 42.5% between the two surveys. The unemployment rate increases in all age cohorts, but the increase is greatest in the two young cohorts. The discouraged workseekers are briefly looked at, and the age 15 to 24 cohort comprises 28.6% of discouraged workseekers in 1995 but this proportion increases to 33.8% in 2002.

Oosthuizen (2006) adopts the same approach as Bhorat & Oosthuizen (2005) when comparing OHS 1995 with LFS 2004 September, and derives very similar findings. In addition, Oosthuizen conducts multivariate analyses by running the probit and Heckprobit regressions on labour force participation and employment likelihoods respectively, and finds that the age 15 to 24 cohort remains the group

with the lowest likelihood of participating in the labour market, followed by those aged 55 to 65 years. Those aged 35 to 54 years are associated with the greatest probability of employment.

Van der Westhuizen et al. (2006) analyse the OHS 1995 and LFS 2005 September data to investigate how each gender fares in the labour market. Females experience a greater increase of labour force number and labour force participation rates in all age cohorts, despite the fact that these numbers and rates remain higher in males. Employment increases in all age cohorts in both genders between the two surveys, but the increase is most rapid in the age 45 to 54 and age 55 to 65 cohorts. Unemployment rates increase between the two surveys in all age cohorts for both genders, but the increase is greater in females, especially those in the two young cohorts (15 to 24 years and 25 to 34 years). The econometric analyses on the females indicate that both the labour force participation likelihood and employment likelihood are the lowest in the age 15 to 24 cohort, followed by the age 25 to 34 cohort.

Kingdon & Knight (2004) focus on the broad definition of the labour force by comparing OHS 1995 with LFS 2003 September. Unemployment rate and the extent of the increase of this rate between the two surveys is the greatest in the age 16 to 20 and age 21 to 25 cohorts. They also conduct probit regressions to determine the characteristics of the broad unemployed whose duration of unemployment exceeds three years, and find that the likelihood of long-term unemployment is the lowest in the two aforementioned younger cohorts.

Few studies examine more than two labour surveys to investigate the labour market trends, but none of them focus exclusively on the youths. First, Arora & Ricci (2005) mainly deal with the causes of unemployment as in Bhorat (2009), except that the OHS 1995 – 99 and LFS 2000 – 01 data are used to derive the narrow and broad unemployment rates in three age cohorts, namely 15 to 24 years, 25 to 44 years and 45 to 65 years. They find that unemployment rates increase in all three cohorts between 1995 and 2001, but the rates remain the highest for those aged 15 to 24 years in all surveys under study. In contrast, Hlekiso & Mahlo (2009) focus on the demand and supply of skills in the labour market by using all 2001 – 07 September LFSs to analyse the work activities of the employed and the demographic characteristics of the unemployed. The share of the unemployed aged 15 to 24 years increases from 32.4% in 2001 to 34.4% in 2007, and the median salary of the employed in this age cohort is the lowest in all surveys.

Yu (2008) adopts the same as approach as the three DPRU studies above, except that all 1995 – 99 OHSs and 2000 – 06 LFSs are used to derive labour market trends under the broad definition. Although the extent of increase of the labour force participation rate is the greatest in the age 15 to 24 cohort, this rate remains the lowest when compared with the rates of other cohorts. Employment increases in all cohorts throughout the years, but the increase is the lowest in the younger age cohorts. This implies that the extent of the increase in youth employment is not rapid enough to absorb the net labour force entrants, thereby causing the number of unemployed and unemployment rates in the



younger age cohorts to increase between 1995 and 2006. For instance, the broad unemployment rates of the age 15 to 24 and age 25 to 34 cohorts increase by 10.6 percentage points (from 53.1% in 1995 to 63.7% in 2006) and 6.2 percentage points (from 34.1% to 40.3%) respectively; people aged 15 to 34 years account for 70% of the unemployed in 1995 but this share increases to 75% in 2006.

Only four South African studies focus primarily on how the youths fare in the labour market. Mlatsheni & Rospabé (2002) use the OHS 1999 data to examine people aged 15 to 30 years. The results of the multinomial logistic regressions of the young broad labour force indicate that those aged 25 to 29 years, male, white, being married household heads, with higher educational attainment, and residing in Western Cape are associated with greater likelihood of either being employees or self-employed (the broad unemployed is the reference category). Altman (2007) defines youths as those aged 15 to 34 years and divides them into three cohorts (15 to 19 years, 20 to 24 years and 25 to 34 years). Using the OHS 1997 and 1999 as well as the September LFS 2001, 2003 and 2005 data, she finds that the narrow labour force participation rate and narrow unemployment rate are the highest for those aged 25 to 34 years and 15 to 19 years respectively.

In the 2012 study by the DPRU, the demographic and educational attainment characteristics of the youth broad labour force, employed and broad unemployed are looked at by comparing the first QLFS of 2008 and 2012 with the youths being defined as those aged 15 to 34 years. They find that female blacks without Matric are associated with a greater likelihood of unemployment in both surveys. In 2012, 61% of the youth unemployed have never worked before, but it is only 17% for the non- youths (35 to 65 years). The employed youths are characterised by relatively inferior working conditions, such as non-permanent contract, long work hours, as well as lack of pension contributions and paid annual leave by employers.

Kingdon & Knight (2000) is the only South African study that focuses exclusively on the comparison between the narrow unemployed (searching unemployed) and discouraged workseekers (non-searching unemployed). They argue that there are two possible interpretations of the discouraged workseekers not actively seeking work, namely taste for unemployment (e.g. intra-household income transfer due to the employment or the receipt of social grant income of other household members) and discouraged worker hypothesis (e.g. poverty, economic recession, high cost of job search, long duration of unemployment, high unemployment rate in the area of residence). Moreover, using the 1993 Project for Statistics on Living Standards and Development data, a binary logit regression is run on the unemployed aged 15 to 64 years, and it is found that people residing in remote areas characterised by a high unemployment rate, in the poorest income decile, with a lower level of educational attainment, and those at a younger age are less likely to actively seek work.

To sum up, most of the studies reviewed above only briefly examine the youth labour force since the advent of democracy, and the general conclusion is that

the pace of employment increase is not sufficient to keep up with the relatively greater increase of labour force, thereby causing the youth unemployment problem to worsen. Almost all of these studies are silent on the discouraged workseekers, and they are not compared with the narrow unemployed to determine whether the characteristics of the two groups are significantly different.

### **3. Methodology and data analysis**

In OHS 1995 – 99 the labour market status derivation methodology from 1995 is not known, because Statistics South Africa did not release the metadata document when the data were released. The methodology adopted to distinguish the unemployed has changed a lot between OHS 1996 and LFS 2000 March, before a consistent approach is used in LFS 2000 September– 2007 September.<sup>3</sup> In the latter surveys, those claiming they did not work in the last seven days prior to the interview but are looking for work and the reason for not working in the last seven days being ‘lack of skills’, ‘seasonal worker’, ‘cannot find suitable work’, ‘contract worker’ or ‘recently retrenched’ are distinguished as unemployed under the narrow definition, providing the following three criteria are met: (1) they would accept a job if offered one; (2) assuming the job offered is accepted, they could start working within two weeks; (3) and they took some action to look for work in the last four weeks (e.g. enquiring at workplaces, placing or answering advertisements). In contrast, those only meeting the first two criteria are classified as unemployed under the broad definition. The difference between the broad unemployed and narrow unemployed represents the discouraged workseekers.

The methodologies used in OHS 1996 – 99 and LFS 2000 March are different. For instance, the respondents’ answer to the question regarding their reason for absence from work in the past seven days is not considered to distinguish the unemployed. Moreover, criterion (2) discussed above is not used to distinguish the unemployed under the broad definition. Furthermore, although criterion (2) is still used to define the unemployed under the narrow definition in these surveys, the respondents must claim they could start working within one week instead of two weeks, before they are defined as unemployed.

In 2005, consultants from the International Monetary Fund were appointed to evaluate all aspects of the LFS, leading to the revision of the labour market status derivation methodology in the QLFS.<sup>4</sup> The narrow unemployed are distinguished similarly to the OHSs and LFSs, except for criterion (2) above, as the respondents must declare they could start working or start a business within one week (instead of two weeks). However, the discouraged workseekers are derived very differently; in addition to meeting the criteria on acceptance of a job and readiness to start working within one week, the respondents’ answer to the question ‘What was the main reason why you did not try to find work or start a business in the last four weeks?’ must be ‘no jobs available in the area’ or ‘unable to find work requiring his/her skills’ or ‘lost hope of finding any kind of work’<sup>5</sup> (Statistics South Africa, 2008a, 2008b). This question is not asked in the OHSs. Although it is asked in the LFSs, it is not considered when deriving labour market status in the LFS algorithms.

In other words, a more stringent approach is adopted to identify the discouraged workseekers in QLFSs. This causes the number of discouraged workseekers and subsequently broad unemployed, which is the sum of narrow unemployed and discouraged workseekers, to be significantly lower in the QLFSs when compared with OHSs and LFSs. As the narrow methodologies in OHSs/LFSs and QLFSs are still comparable, the above-mentioned rapid decrease between LFS 2007b and QLFS 2008Q1 does not take place when looking at unemployment aggregates in narrow terms. This is indicated by Figure 1, which shows the narrow unemployment rates for youths and non-youths. Both rates show an upward trend and peak at LFS 2003 March, before a downward trend takes place until the end of 2008. The unemployment rates increase again in 2009 – 10 due to the impact of global recession. The abrupt decline in broad unemployment rates during the changeover between LFS and QLFS can also be seen in Figure 1, with the youth rate decreasing from 52.4% to 42.6%, and the non-youth rate dropping from 24.8% to 19.7%. Furthermore, the ratio between the youth unemployment rate and the non-youth unemployment rate exceeds two in all surveys under study, peaking at 2.73 in the first QLFS of 2009, while the ratio of the youth and non-youth unemployment rates under the broad definition also exceeds two in all surveys, confirming the finding by Borhat & Oosthuizen (2007).

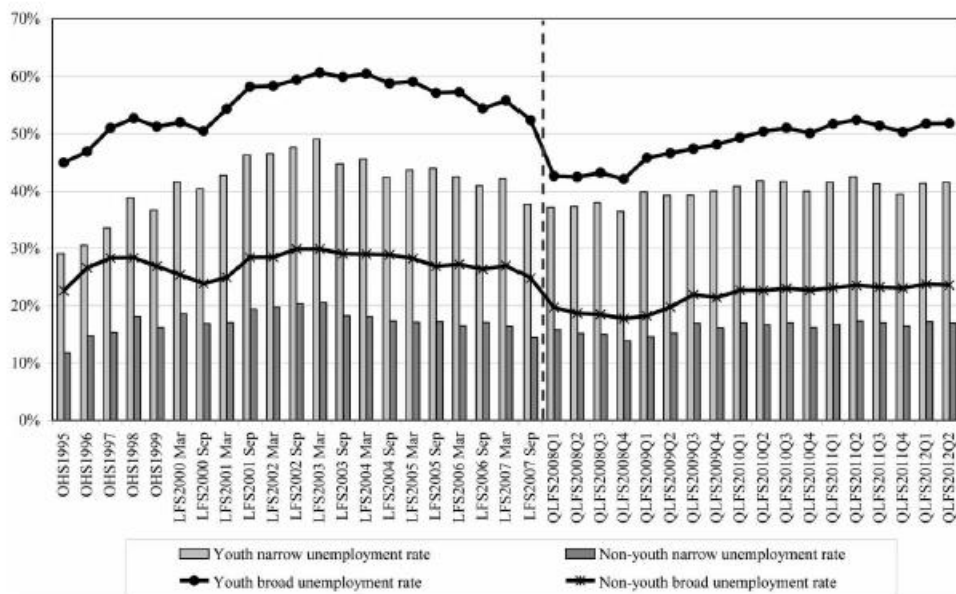


Figure 1: Youth and non-youth unemployment rates, 1995–2012

Figure 2 focuses on what happens to the youths in the 2008 – 12 QLFSs. Due to economic recession, the number of employed shows a downward trend between QLFS 2008Q1 and QLFS 2010Q2, decreasing from 3.92 million to 3.32 million. It stabilises at the 3.3 to 3.4 million range between QLFS 2010Q3 and QLFS 2012Q2. Interestingly, the number of narrow unemployed is relatively stable, hovering in the 2.23 to 2.46 million range in 2008 – 12. In contrast, the number of



discouraged workseekers more than doubled from 0.59 million to 1.23 million during the same period. As a result, the ratio between the discouraged workseekers and narrow unemployed doubles from 0.26 in QLFS 2008Q1 to 0.52 in QLFS 2012Q2.

#### **4. Empirical findings**

As Section 2 clearly indicates that the recent literature hardly looks at the discouraged workseekers while section 3 shows that the discouraged workseekers during the changeover between LFS and QLFS are incomparable, in this section discouraged workseekers are examined in greater detail by being compared with the narrow unemployed in the QLFSs. First, Table 1 examines the demographic and educational attainment characteristics of the youth narrow unemployed and the discouraged workseekers between QLFS 2008Q1 and QLFS 2012Q1. Although the blacks are dominant in both groups, the black share is higher when it comes to the discouraged workseekers (around 95%; this proportion is about 87% in the narrow unemployed). The female share is greater in both groups, despite the fact that the male share of discouraged workseekers increases between the two surveys.

With regard to the province of residence, the number and share of narrowed unemployed are the highest in Gauteng, followed by KwaZulu-Natal, Eastern Cape and Western Cape. In contrast, the majority of the discouraged workseekers reside in the Eastern Cape, KwaZulu-Natal and Limpopo. The shares accounted for by the last two provinces increased rapidly between the two QLFSs, and it is possible that people residing in these provinces are unable to move to other provinces to seek work due to reasons such as financial constraints, yet the likelihood of finding employment is low in their provinces of residence, thereby losing hope of finding work. It is interesting that Western Cape is the only province with both the number and share of narrow unemployed increasing between the two surveys, but the opposite happens in the case of discouraged workseekers. In particular, the Western Cape share of discouraged workseekers is very low and decreases from 3.9% in 2008 to 1.3% in 2012. In addition, the Gauteng share drops from 18.2% to 11.0%, despite the fact that the number of discouraged workseekers increase slightly from 0.11 to 0.14 million. It is possible that these two more developed provinces are associated with better financial resources, mobility and higher educational attainment, so even though recession took place since 2008, those who cannot find work in these two provinces are more likely to continue to actively seek work.

Although both the youth narrow unemployed and discouraged workseekers become more educated throughout the years, the educational attainment of the latter group remains lower, as the proportion of them with at least Matric increases from 27.8% to 33.9% between the two QLFSs but this proportion increases more drastically from 42.9 to 46.5% in the narrow unemployed. The narrow unemployed are relatively older, as the proportion of them aged 25 to 29 years is about three percentage points higher compared with the discouraged workseekers. This finding is expected because the

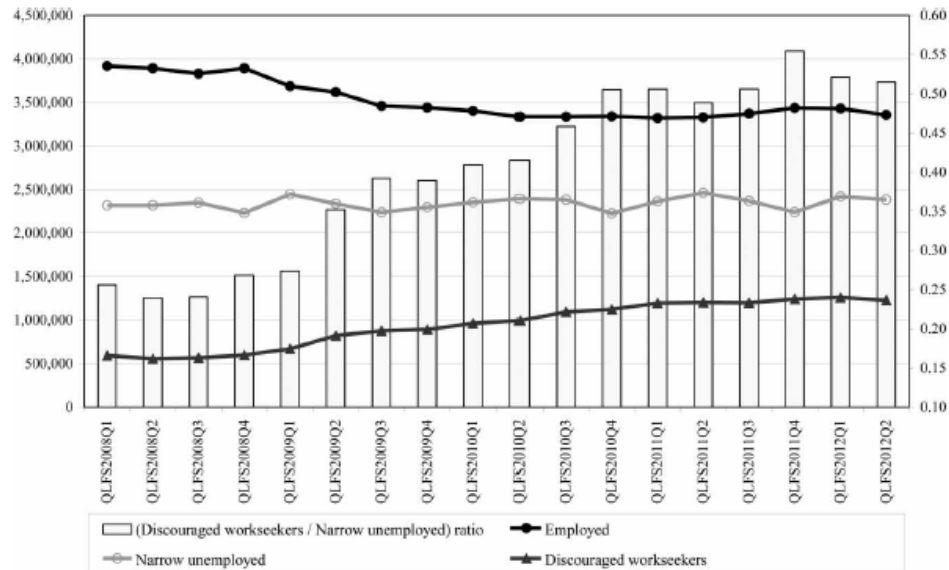


Figure 2: Youth employed, narrow unemployed and discouraged workseekers, 2008–12

Table 1: Characteristics of the youth narrow unemployed and discouraged workseekers, QLFS 2008Q1 and QLFS 2012Q1

	Narrow unemployed (A)				Discouraged workseekers (B)				Ratio B/A	
	QLFS 2008Q1		QLFS 2012Q1		QLFS 2008Q1		QLFS 2012Q1		QLFS 2008Q1	QLFS 2012Q1
	1 000s	Share (%)	1 000s	Share (%)	1 000s	Share (%)	1 000s	Share (%)		
Total	2 318	100.0	2 413	100.0	593	100.0	1 260	100.0	0.259	0.522
Race										
Black	2 014	86.9	2 090	86.6	562	94.6	1 208	95.8	0.279	0.577
Coloured	215	9.3	240	9.9	27	4.5	42	3.3	0.123	0.173
Indian	35	1.5	24	1.0	4	0.6	3	0.3	0.099	0.141
White	53	2.3	59	2.5	2	0.3	7	0.6	0.034	0.123
Gender										
Male	1 128	48.7	1 173	48.6	225	38.0	591	46.9	0.200	0.504
Female	1 190	51.3	1 240	51.4	368	62.0	669	53.1	0.309	0.538
Province										
Western Cape	241	10.4	288	11.9	23	3.9	16	1.3	0.095	0.057
Eastern Cape	292	12.6	277	11.5	132	22.2	230	18.3	0.452	0.831
Northern Cape	55	2.4	53	2.2	18	3.1	18	1.4	0.335	0.341
Free State	157	6.8	179	7.4	29	4.8	35	2.8	0.183	0.194
KwaZulu-Natal	435	18.8	396	16.4	88	14.9	323	25.6	0.203	0.813
North West	137	5.9	151	6.3	84	14.1	128	10.1	0.610	0.843
Gauteng	624	26.9	704	29.2	108	18.2	138	11.0	0.173	0.196
Mpumalanga	156	6.7	218	9.1	49	8.3	144	11.4	0.317	0.654
Limpopo	222	9.6	147	6.1	62	10.5	229	18.1	0.279	1.555
Education										
No schooling	17	0.7	9	0.4	7	1.1	9	0.8	0.385	1.014
Incomplete primary	132	5.7	83	3.5	65	11.1	90	7.2	0.495	1.083
Incomplete secondary	1 168	50.7	1 190	49.6	354	60.0	731	58.2	0.303	0.614

(Table continued)

Table 1: Continued

		Narrow unemployed (A)				Discouraged workseekers (B)				Ratio B/A	
		QLFS 2008Q1		QLFS 2012Q1		QLFS 2008Q1		QLFS 2012Q1		QLFS 2008Q1	QLFS 2012Q1
		1 000s	Share (%)	1 000s	Share (%)	1 000s	Share (%)	1 000s	Share (%)		
	Matric	860	37.3	960	40.0	151	25.6	379	30.1	0.176	0.394
	Matric + Certificate/Diploma	101	4.4	127	5.3	13	2.1	46	3.7	0.125	0.358
	Degree	27	1.2	30	1.2	1	0.1	2	0.1	0.015	0.051
Age	18 to 20 years	395	17.0	370	15.3	133	22.4	236	18.8	0.562	1.067
	21 to 24 years	966	41.7	988	40.9	231	39.0	500	39.6	0.463	0.976
	25 to 29 years	957	41.3	1 056	43.7	229	38.6	524	41.6	0.239	0.495
Ever worked before	Yes	961	41.5	877	36.4	217	36.5	312	24.8	0.225	0.356
	No	1 356	58.5	1 536	63.6	377	63.5	948	75.2	0.278	0.615

narrow unemployed are more educated and so they probably enter the labour market for work at an older age after completing their education. Furthermore, the proportion of people with previous work experience decreases between the two years in both groups, but this proportion is always higher in the narrow unemployed.

Finally, the last two columns show what happens to the ratio between discouraged workseekers and the narrow unemployed, and only in Western Cape does this ratio decrease between the two surveys under study. Furthermore, the extent of the increase of the ratio is relatively greater for blacks, those residing in Eastern Cape, KwaZulu-Natal or Limpopo (the increase is most rapid in the latter province, from 0.279 to 1.555), those with low levels of educational attainment but without previous work experience, and those aged below 25 years.

The preceding analyses are limited in that they take into account only one or two demographic variables when describing the characteristics of the youth narrowed unemployed and discouraged workseekers. However, many variables act together to determine the labour market status of the youths. For this reason, multinomial logistic regressions are run. The same approach as used by Mlatsheni & Rospabé (2002) is adopted, except that the discouraged workseekers are distinguished clearly from the narrow unemployed in the dependent variable. In other words, the dependent variable is a discrete variable that is equal to one if the individual is working (regardless of whether he/she is an employee or self-employed), two if he/she is a discouraged workseeker, and three if he/she is narrow unemployed. The independent variables in the regressions include the demographic information (gender, race and age), educational attainment, geographical situation (province), marital status, household headship status, number of children and elderly in the household, as well as the number of other employed (including both employees and self-employed) and narrow unemployed in the household.

Table 2 displays the results on QLFS 2008Q1 and QLFS 2012Q1 by reporting the ratio of relative risk for one-unit change in the independent variable, it being understood that the risk is measured as the risk of the category relative to the base category, namely the discouraged workseekers. Being male significantly increases the probabilities of being searching unemployed (narrow unemployed)

rather than being non-searching unemployed (discouraged workseekers), but the odds decrease from 1.65 times in 2008 to 1.19 times in 2012. With regard to population group, coloureds are only significantly more likely to be searching unemployed in 2008, while it is only the case in 2012 for Indians. In contrast, whites are three times more likely to be searching unemployed than being non-searching unemployed compared with blacks in both surveys, and the results are statistically significant.

Considering the impact of location, Table 2 shows that those residing in Western Cape are associated with the greatest likelihood of being searching unemployed, compared with the reference category (Eastern Cape), and the odds increase drastically from 2.96 to 11.70 between 2008 and 2012. This is followed by Free State and Gauteng. In contrast, those residing in Limpopo are 1.63 times more likely to be searching unemployed in 2008, but the likelihood decreases by 32.1% in 2012; that is, they are more likely to be non-searching unemployed. This confirms the findings of Table 1 that the majority of the discouraged workseekers reside in the poorer, under-developed provinces, while those residing in the more developed provinces are more likely to continue to actively seek work despite the recession. With regard to the impact of age, being 25 to 29 years (compared with 18 to 24 years) increases the probability of being searching unemployed by 20.2% in 2008 and 17.6% in 2012.

Table 2 also shows that young people with higher educational attainment are associated with a greater likelihood of being searching unemployed than non-searching unemployed. These probabilities are statistically significant in both surveys. For instance, having Matric increases the likelihood of being searching unemployed by 31.4% in 2008 but 35.6% in 2012; having post-Matric certificate or diploma qualification is associated with a 96.8% greater likelihood of being searching unemployed in 2008, but it is only 48.3% in 2012; those having a bachelor degree are 10.29 and 6.11 times more likely to be searching unemployed in 2008 and 2012 respectively. The decrease in these odds is probably due to the economic recession.

Turning to the variables linked to the individual's family background, the marital status variable is insignificant in both years. The presence of children or the elderly leads to a reduced likelihood of being searching unemployed, and this might be attributed to the receipt of child grant and old-age pension income in the household, thereby discouraging active job search behaviour of the household members who are not working; that is, the taste for unemployment interpretation as argued by Kingdon & Knight (2000). Finally, having employed household members increases the likelihood of being searching unemployed, while the presence of searching unemployed members also leads to a greater likelihood of those who are not employed to actively look for work instead of being discouraged.



**Table 2: The determinants of employment for youths, QLFS 2008Q1 and QLFS 2012Q1**

	Ratio of relative risk			
	QLFS 2008Q1		QLFS 2012Q1	
	Employed	Narrow unemployed	Employed	Narrow unemployed
Gender: male	2.297*	1.649*	1.618*	1.185*
Race: coloured	2.546*	1.474**	1.689*	0.970
Race: Indian	3.895*	1.640	15.459*	3.788**
Race: white	17.816*	3.176**	15.879*	3.339*
Province: Western Cape	4.332*	2.961*	13.883*	11.700*
Province: Northern Cape	1.185	1.145	2.546*	2.612*
Province: Free State	2.223*	2.266*	4.134*	4.681*
Province: KwaZulu-Natal	2.828*	2.068*	1.510*	1.057
Province: North West	0.747**	0.675*	0.828	1.048
Province: Gauteng	2.171*	1.916*	3.155*	3.335*
Province: Mpumalanga	1.826*	1.367**	1.190	1.113
Province: Limpopo	1.214	1.631*	0.860	0.679*
Age: 25 to 29 years	2.182*	1.202**	2.360*	1.176**
Education: primary	0.991	1.016	0.886**	0.888**
Education: secondary	1.085*	1.118*	1.110*	1.204*
Education: Matric	1.581*	1.314*	1.581*	1.356*
Education: Matric + Certificate/Diploma	4.142*	1.968*	2.476*	1.483*
Education: degree	21.556*	10.290**	17.096*	6.111*
Marital status: married/live together with a partner	1.200	1.268	1.322	1.785
Household head dummy	3.139*	1.162	3.137*	1.295*
Number of children 0 to 14 years in the household	0.844*	0.883*	0.822*	0.874*
Number of elderly aged 60+ years in the household	0.792*	0.850*	0.829*	0.883**
Number of other employed	1.754*	1.185**	2.179*	1.360*
Number of other narrow unemployed	1.714*	2.615*	1.758*	2.933*
Sample size (unweighted)	11 971		10 247	
Pseudo $R^2$	0.1362		0.1716	

Notes: Reference group: discouraged workseekers. \*Significant at 1%. \*\*Significant at 5%. †Significant at 10%.

## 5. Concluding remarks

This paper first reviewed the causes of youth unemployment and the recent studies that examined the labour market trends in South Africa. Almost all of these studies only briefly examine the youths, and the discouraged workseekers are hardly compared with the narrow unemployed. As the discouraged workseekers in OHSs/LFSs and QLFSs are incomparable, the youth narrow unemployed and discouraged workseekers in QLFSs are compared and we find that they differ in their characteristics, because the former people are more likely to be whites, residing in the richer provinces like Gauteng, Western Cape and Free State, more educated and older, and more likely to have previously work experience. In contrast, the youth discouraged workseekers are more likely to reside in poorer provinces associated with lower employment likelihood, such as Limpopo and Eastern Cape, aged below 25 years, lowly educated, and have other household members receiving child grant or old-age pension income. The share of discouraged workseekers accounted for by these people increases in the aftermath

of recession, thereby indicating that these people are the ones who are more likely to move straight from employment or narrow unemployment (searching unemployment) to discouraged workseekers (non-searching unemployment) due to reasons such as economic downturn, poverty, lack of mobility, high cost of job search that is no longer affordable, and high unemployment rate in the area of residence.

The youth wage subsidy is being proposed in South Africa to be provided to employers (i.e. supply-side subsidy) to increase youth labour demand and help offsetting the cost of on-the-job training. The work experience and training gained by the youths would improve their long-term employment prospects. An important question that arises is whether this subsidy programme is effective to boost employment in both the narrow unemployed and discouraged workseekers. It seems that the former people, who are more educated and have previous work experience, are more likely to be the primary beneficiaries of the subsidy programme.

With regard to the discouraged workseekers – who are more likely to be poor, less mobile, not highly educated, do not have previous work experience and give up hope on finding work due to economic downturn – the youth wage subsidy alone might not be sufficient to encourage them to seek work actively, nor to increase employers' demand for these people. Other active labour market policies are required to complement the youth wage subsidy programme. For instance, providing more financial support to fund studies in critical skills (e.g. via the National Student Financial Aid Scheme); direct public sector employment creation projects (e.g. Expanded Public Works Program) that could improve the participants' subsequent transition to more secure formal private sector employment; better management of the National Skills Fund and Sector Education and Training Authorities (there are reports on these organisations lacking proper systems for accounting and monitoring, effective management of the spending of funds, and insufficient career guidance for young students in their strategies) (Department of Higher Education and Training, 2011; National Treasury, 2011); and promotion of self-employment (e.g. better government support to promote micro-enterprises and informal enterprises and removing the barriers of entry to informal sector).

In addition, there needs to be provision of more and better assistance to encourage job search, particularly in the poorer provinces where there is a higher incidence of discouraged workseekers. For instance, free assistance on writing curriculum vitas and preparing for job interviews; youth job advisory centres, job search workshops and counselling; job search assistance to improve the match of the skills of the youth unemployed and available vacancies; financial rewards such as providing transportation subsidies on evidence of job search (e.g. signed confirmation of interview); and arranging employers to arrive in the remote, poor areas to recruit people in the local labour offices, in order to improve the youths' motivation to seek work instead of simply giving up hope on finding jobs or only passively wait for word of a job from friends and relatives (Kingdon & Knight, 2000; United Nations Economic Commission for Africa,

2005; Smith, 2006; National Treasury, 2011).

For both groups of youths, labour market rigidities on employment and wage as discussed in Section 1 must be addressed, or it will be difficult for the youth wage subsidy programme to be fully cost-effective to help absorbing the young labour force into the labour market and for the young workers to survive on a permanent basis. A recent breakthrough is that, in the clothing industry, a three-year wage deal has been secured by the South African Clothing and Textile Workers' Union so that it becomes possible to pay new workers 20 to 30% less than existing workers in order to boost youth employment (Financial Mail, 2011). Finally, one of the most important long-term solutions to reduce youth unemployment is to reduce the size of the lowly educated youth labour force, by improving the school resources and quality of education (especially the former black schools), increasing the enrolment and passes of mathematics and science, and reducing drop-out before Matric. Without addressing these important issues, the youth wage subsidy programme and the above-mentioned assistance to encourage job search might end up merely decreasing the number of discouraged workseekers but increasing the number of narrow unemployed, while having a temporary and weak positive impact on youth employment, failing to address the important skills mismatch, structural unemployment problem.

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