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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 the youths fared since the transition by comparing the 1995 October Household Survey (OHS) with a Labour Force Survey (LFS), and hardly investigated whether the discouraged workseekers are different from the unemployed. Moreover, a new labour market status derivation methodology has been adopted since the inception of Quarterly Labour Force Survey (QLFS) in 2008. Although the unemployed in QLFSs are derived similarly as in OHSs and LFSs, the discouraged workseekers are distinguished very differently. This paper applies the QLFS methodology with minor revisions on all LFSs to derive comparable youth labour market trends since 2000, before re-examining the extent of youth unemployment. The characteristics of discouraged workseekers and narrow unemployed are then compared, before investigating whether different policies are needed to boost youth employment in each group.

Keywords: Youths, employment, unemployment, discouraged workseekers, wage subsidy, labour market trends South Africa

JEL codes: J00, J21

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1. Introduction

The persistently high youth unemployment has long 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, have unrealistic expectations about their employment likelihood and reservation wage, thereby taking long time to 'shop around' for a job that meets their expectations (Mlatsheni, 2007; Von Fintel and Black, 2007; Rankin and Roberts, 2011; Roberts, 2011). Youths often also lack 'soft' skills such as communication skills, personal presentation and emotional maturity (Rees, 1986; Pauw, Oosthuizen and Van der Westhuizen, 2008; National Treasury, 2011).

Some of the young workseekers are not well educated and dropped out from school early, due to reasons like poverty and 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 (Lam, Leibbrandt and Mlatsheni, 2008; Burns, Edwards and Pauw, 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 their matriculation year as they could not cope with these subjects during their school years (Centre for Development and Enterprise, 2007), as well as the struggle of tertiary institutions to retain high-quality teaching and research staff (Du Toit and Roodt, 2008). In addition, some of the matriculants completed their post-Matric qualifications at institutions not recognised by employers (Mlatsheni and Rospabé, 2002; Moleke, 2005; Altman, 2007). This is the case especially for 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 very difficult for employers to shed non-performing workers, employers feel more risk averse to employ inexperienced young workers, whose productivity is not fully known (Van Aardt, 2009). The minimum wage agreed on during collective bargaining is more easily 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 then 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 negotiated 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 young) remain unemployed for long (Von Fintel and 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, lack of access to formal or even informal credit, lack of access to infrastructure and services, insufficient provision of training facilities, lack market access and business development programs. The existence of some of these barriers is attributed to the government support programs on small, medium and microenterprises (SMMEs) being biased towards the groups of small and medium-sized enterprises, bypassing microenterprises and the informal enterprises (Rogerson, 2004; Devey, Skinner and Valodia, 2006; Kingdon and Knight, 2004). Also, the Sector Education and Training

Authorities (SETAs) tend to prioritise the needs of those paying the skills levy (which goes towards the National Skills Fund (NSF)), that is, 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 (as 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 youths but 0.68 in the case of adults²) and employment discrimination against the young workseekers (Mlatsheni and Rospabé, 2002).

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 working-age population (15-65 years) into different age cohorts before analysing what happens in each age cohort. In addition, these studies hardly investigate whether discouraged workseekers are different from the unemployed. Furthermore, a new labour market status derivation methodology is adopted since the inception of Quarterly Labour Force Survey (QLFS) in 2008. Although the unemployed in QLFSs are derived similarly as in OHSs and LFSs, the discouraged workseekers are distinguished very differently. Hence, this paper aims to apply the QLFS methodology on OHSs and LFSs, as far as possible, to derive comparable youth labour market trends to re-examine the extent of youth unemployment. The characteristics of discouraged workseekers and narrow unemployed are then compared, before investigating whether different policies are needed to boost youth employment in each group.

The rest of the paper is structured as follows: Section 2 reviews recent studies dealing with how the youths fare in the labour market since the advent of democracy, while Section 3 discusses how the QLFS labour market status derivation methodology is applied on the labour surveys before 2008 to derive comparable youth unemployment trends. Section 4 examines the characteristics of the discouraged workseekers and narrow unemployed in greater detail. Section 5 concludes the paper.

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 and Leibbrandt (1999), using the OHS 1995 data, ran probit regressions and two-step Heckprobit regressions on labour force participation and employment likelihood respectively, under both the narrow and broad definitions. The focus was only on the black population. The econometric analyses showed that blacks in the youngest age cohort, 16-25 years, were associated with the lowest likelihood of participation, after controlling for differences in other demographic, educational attainment and household characteristics. In addition, employment likelihood increased in the older age cohorts. In the study by National Treasury (2011), using the QLFS 2011Q3 data, people aged 16-64 years were divided into various age cohorts, and it is found that the narrow unemployment rate is the highest in the 18-24 years cohort (51.0%), followed by the 25-29 years cohort (33.8%). These two cohorts accounted for 55% of the unemployed. Furthermore, unemployment intensity, derived as the unemployment rate weighted by the share of unemployed or labour force participants, was the highest in the 18-24 years cohort.

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

²These are the author's own calculations.

unemployed, as well as the work activities of the employed. They only briefly looked at broad unemployment rates of age cohorts, and found that the unemployment rate was the highest in the 16-24 years cohort. Also, the unemployment rate increased in all cohorts between the two surveys, but the increase was much greater in the younger cohorts (16-24 years and 25-34 years). The study by Dias and Posel (2006) used 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 indicated that the probability of unemployment decreased across the older age cohorts, as compared with the reference category (16-20 years), and this happened in all four population groups.

Three studies by the Development Policy Research Unit (DPRU) analysed the characteristics of the labour force, employed and unemployed in greater detail. The broad definition was used, and the working-age population was divided into five age cohorts (15-24 years, 25-34 years, 35-44 years, 45-54 years and 55-65 years). First, Borhat and Oosthuizen (2005) compared OHS 1995 with LFS 2002 September, and found that the increase of labour force was the greatest in the 25-34 years cohort between the two surveys (30.0%), followed by the 15-24 years cohort (25.2%). People in these two young age cohorts accounted for 53.7% of labour force in 1995 but this share increased to 60.4% in 2002. Although employment increased in all cohorts between the two surveys, such increase was the lowest in the abovementioned two young cohorts, as their share of employed decreased from 45.3% to 42.5% between the two surveys. Unemployment rate increased in all age cohorts between 1995 and 2002, but the increase was the greatest in the two young cohorts. Finally, the discouraged workseekers were briefly looked at, and the 15-24 years cohort comprised 28.6% of discouraged workseekers in 1995 but this proportion increased to 33.8% in 2002.

Oosthuizen (2006) adopted the same approach as Borhat and Oosthuizen (2005) when comparing OHS 1995 with LFS 2004 September, and derived very similar findings. In addition, Oosthuizen conducted multivariate analyses by running the probit and Heckprobit regressions on labour force participation and employment likelihoods respectively. He found that the 15-24 years cohort remained the group with the lowest likelihood of participating in the labour market, followed by those aged 55-65 years. Also, those aged 35-54 years were associated with the greatest probability of employment.

Van der Westhuizen, Oosthuizen and Goga (2006) analysed the OHS 1995 and LFS 2005 September data to investigate how each gender fares in the labour market. Females experienced a greater increase of labour force number and labour force participation rates in all age cohorts, despite the fact that these numbers and rates remained higher in males. Employment increased in all age cohorts in both genders between the two surveys, but the increase was most rapid in the 45-54 and 55-65 years cohorts. Furthermore, unemployment rates increased between the two surveys in all age cohorts for both genders, but the increase was greater for females, especially those in the two young cohorts (15-24 years and 25-34 years). Finally, the econometric analyses on the females indicated that both the labour force participation likelihood and employment likelihood were the lowest in the 15-24 years cohort, followed by the 25-34 years cohort.

Kingdon and Knight (2004) focused on the broad definition of the labour force by comparing OHS 1995 with LFS 2003 September. The unemployment rate as well as the increase of this rate between the two surveys was the greatest in the 16-20 years and 21-25 years cohorts. They also conducted probit regressions to determine the characteristics of broad unemployed whose duration of unemployed exceeded three years, and found that the likelihood of long-term unemployment was the lowest in the two aforementioned younger cohorts. In contrast, Borhat (2009) primarily examined the causes and determinants of unemployment, but he used OHS 1995 and LFS 2005 September to briefly examine the characteristics of the broad unemployed, and the results of the probit regressions showed that employment likelihood increased across the older

age cohorts, compared with the reference group (15-24 years). However, the positive marginal effect increased in the 45-54 and 55-65 years cohorts, but became smaller in the 35-44 years cohort in 2005.

Few studies examined more than two labour surveys to investigate the labour market trends, but none of them focused exclusively on youths. First, Arora and Ricci (2005) mainly dealt with the causes of unemployment as in Bhorat (2009), except that the OHS 1995-1999 and LFS 2000-2001 data were used to derive the narrow and broad unemployment rates in three age cohorts, namely 15-24, 25-44 and 45-65 years. They found that unemployment rates increased in all three cohorts between 1995 and 2001, but the rates remained the highest for those aged 15-24 years in all surveys under study. In contrast, Hlekiso and Mahlo (2009) focused on the demand and supply of skills in the labour market by using all 2001-2007 September LFSs to analyse the work activities of the employed and the demographic characteristics of unemployed. The share of unemployed aged 15-24 years increased from 32.4% in 2001 to 34.4% in 2007, and in all surveys the median salary of employed in this age cohort was the lowest.

Yu (2008) adopted the same as approach as the three DPRU studies above, except that all 1995-1999 OHSs and 2000-2006 LFSs were used to derive labour market trends under the broad definition over the 12-year period. Although the increase of labour force participation rate was the greatest in the 15-24 years cohort, this rate remained the lowest when compared with the rates of other cohorts. In contrast, employment increased in all cohorts throughout the years, but the increase was the lowest in the younger age cohorts. This implies the extent of increase of youth employment was 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 15-24 years and 25-34 years cohorts increased 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% between 1995 and 2006) respectively; people aged 15-34 years accounted for 70% of unemployed in 1995 but this share increased to about 75% in 2006.

Only two South African studies focus primarily on how youths fare in the labour market. Mlatsheni and Rospabé (2002) used the OHS 1999 data to examine people aged 15-30 years. The results of the multinomial logistic regressions of the young broad labour force indicated that those aged 25-29 years, male white, being married household heads, with higher educational attainment, and residing in Western Cape were associated with greater likelihood of either being employees or self-employed (i.e., the broad unemployed was the reference category). Also, youths were more likely to be employees if they came from households with greater number of members working as employees; similarly, they were more likely to be self-employed if the number of self-employed household members was greater. Finally, Altman (2007) defined youths as those aged 15-34 years and divided them into three cohorts (15-19, 20-24 and 25-34 years). Using the OHS 1997 and 1999 as well as the September LFS 2001, 2003 and 2005 data, she found that the narrow labour force participation rate and the narrow unemployment rate were the highest for those aged 25-34 years and 15-19 years respectively.

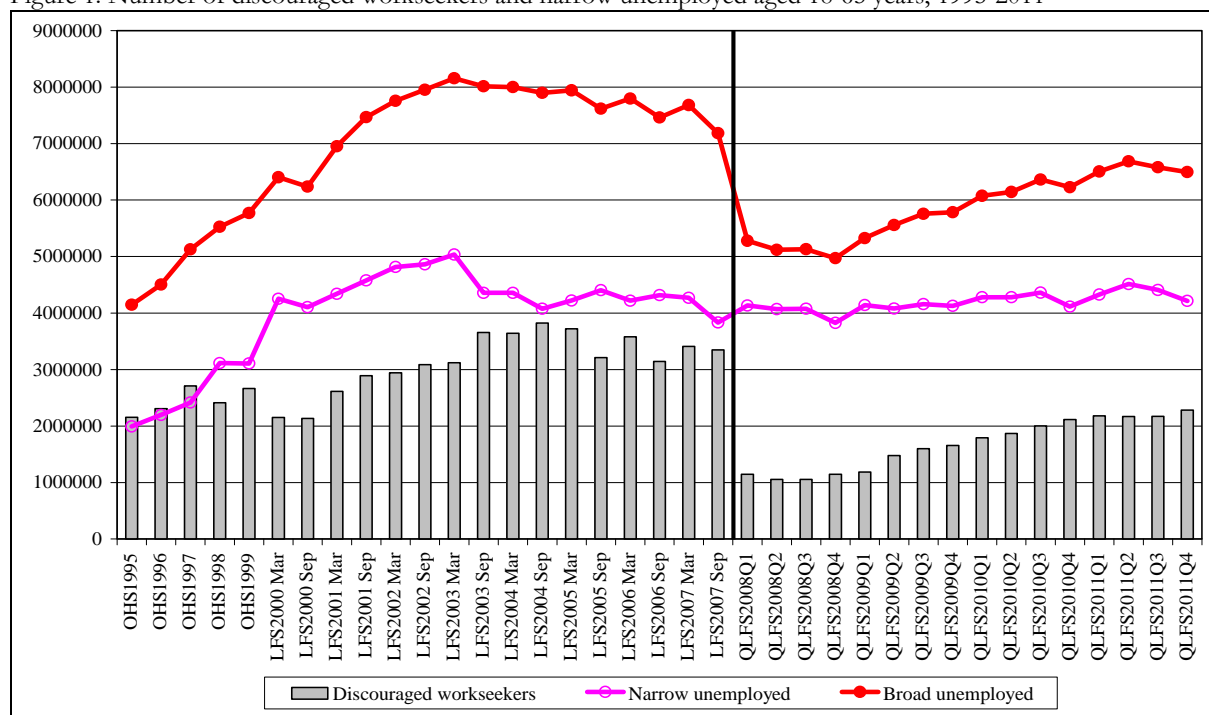
To sum up, most of the studies reviewed above only briefly examined the youth labour force since the advent of democracy, and the general conclusion was that the pace of employment increase was not sufficient enough to keep up with the relatively greater increase of labour force, thereby causing the youth unemployment problem to worsen. Almost all of these studies were silent on the discouraged workseekers, and they were not compared with the narrow unemployed to determine if the characteristics of the two groups were significantly different.

3. Methodology and data analysis

The labour market status derivation methodology in OHS 1995 is not known, because Statistics South Africa did not release the metadata document when the data was released. In the other OHSs as well as 2000-2007 LFSs, individuals are generally defined as unemployed under the narrow definition³ if they: (a) did not work during the seven days prior to the interview, (b) wanted to work and would accept a job if being offered one (there is an additional requirement since LFS 2000b that these people must be available to start work within two weeks of the interview, if they accept a job), and (c) had taken active steps to look for work or start a business in the four weeks prior to the interview. Those who only meet the first two requirements above are defined as discouraged workseekers, and are classified as inactive under the narrow definition but included as unemployed under the broad definition (i.e., broad unemployed is the sum of narrow unemployed and discouraged workseekers).

In March 2005, consultants from the International Monetary Fund (IMF) were appointed to evaluate all aspects of the LFS and this eventually led to the revision of the labour market status derivation methodology with the launch of the QLFS. The narrow unemployed are distinguished in a very similar way as in the OHSs and LFSs, except that for criterion (b) above, as the respondents must now declare that 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 criteria (a) and (b), 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"⁴ (Statistics South Africa, 2008a & 2008b). In other words, a more stringent approach is adopted to identify the discouraged workseekers in QLFSs. This causes the number of discouraged workseekers and consequently broad unemployed to be significantly lower in the QLFSs when compared with OHSs and LFSs.

Figure 1: Number of discouraged workseekers and narrow unemployed aged 18-65 years, 1995-2011



³ For detailed discussion on the labour market status derivation algorithm in OHSs and LFSs, refer to Yu (2007).

⁴ In the QLFSs, about 90% of discouraged workseekers report "no jobs available in the area" as the reason for not trying to find work or start a business in the last four weeks, while the remaining 10% declare either of the other two reasons.

This is indicated by Figure 1, which that discouraged workseekers decreased abruptly from 3.35 million to 1.15 million during the changeover between LFS and QLFS. Similarly, the broad unemployment rates decreased abruptly between LFS 2007 September and QLFS 2008Q1 (Figure 2). This decrease was the greatest in the 18-29 years cohort (from 52.4% to 42.6%). As the narrow methodologies in OHSs/LFSs and QLFSs are still comparable, the abovementioned rapid decrease did not take place when looking at narrow unemployment rates, as indicated by Figure 3.

Figure 2: Broad unemployment rates in each age cohort, 1995-2011

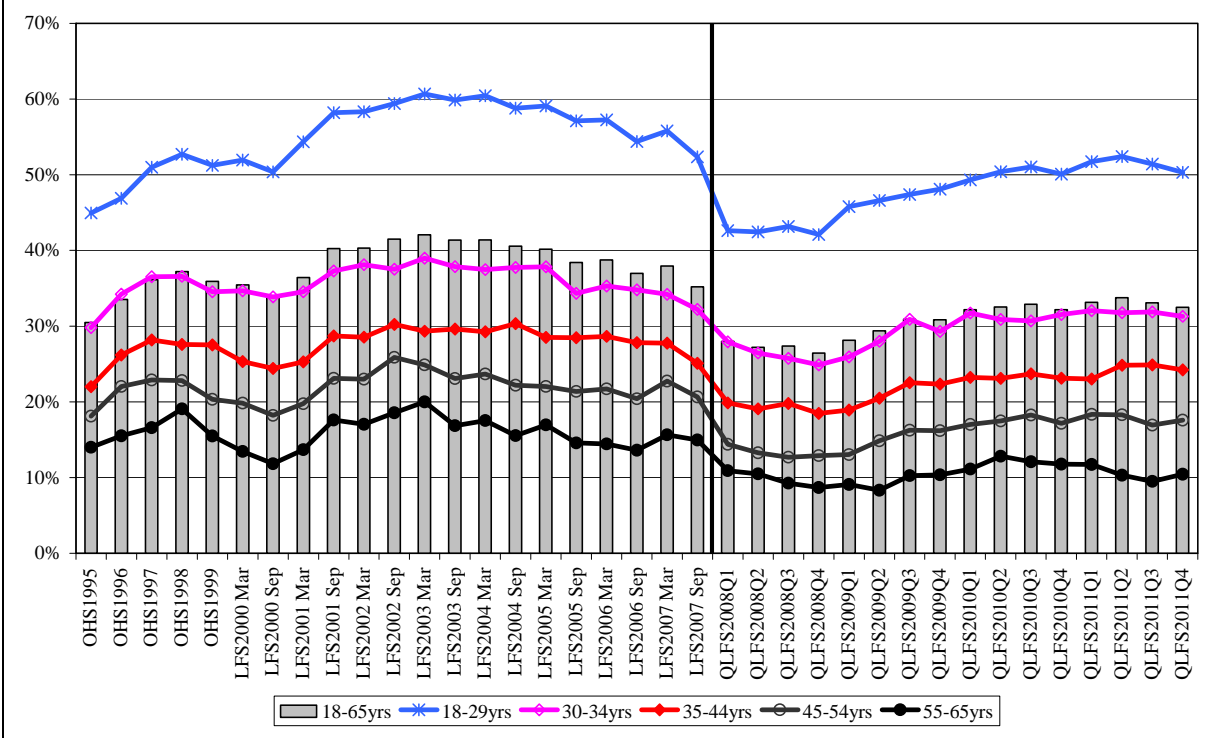
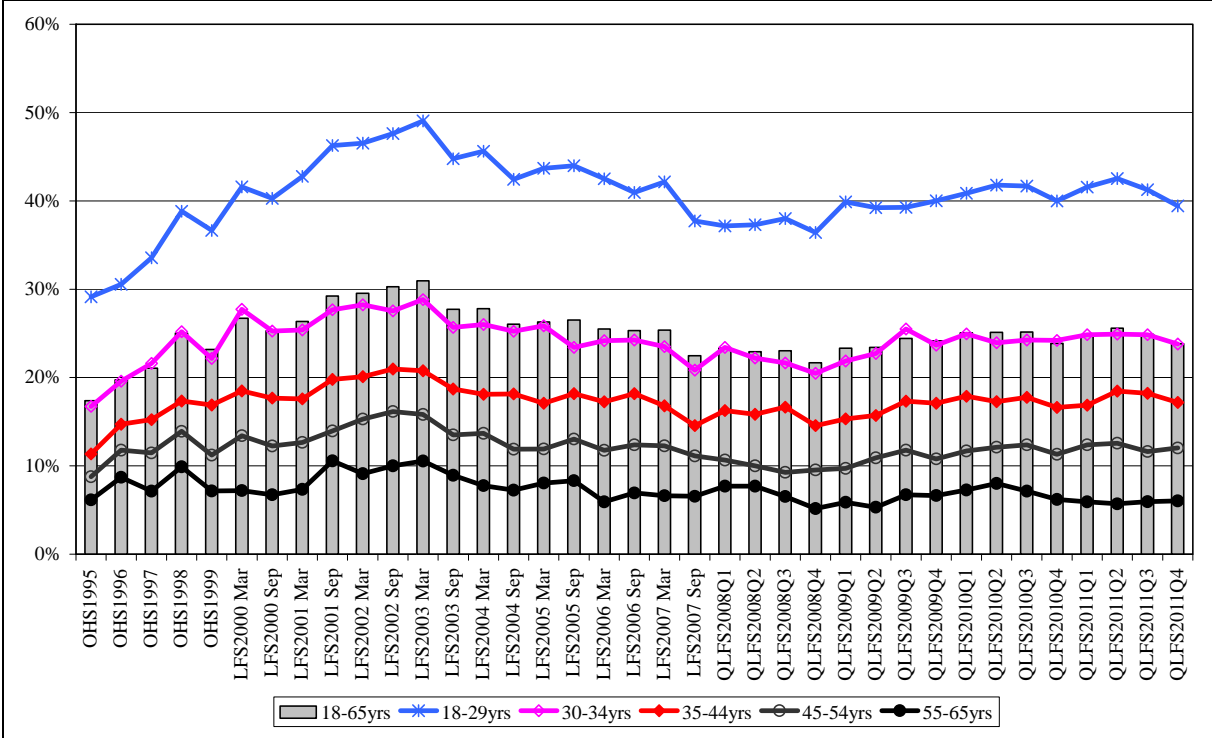


Figure 3: Narrow unemployment rates in each age cohort, 1995-2011



It could also be seen from Figures 2 and 3 that the unemployment rate has always been the highest in the youngest age cohort (18-29 years), and this rate decreased across the older cohorts. In addition, both narrow and broad unemployment rates in all cohorts showed an upward trend and peaked at LFS 2003 March, before a downward trend took place until the end of 2008. The unemployment rates increased again in 2009-2010, probably due to the impact of the global recession.

As the broad labour market status derivation methodologies before and after the introduction of QLFS are drastically different, the following question arises: what would have happened to the broad labour market aggregates in the OHSs and LFSs, had the QLFS broad methodology been applied? Unfortunately, this is not possible to determine in the OHSs, because the question “What was the main reason why you did not try to find work or start a business in the last four weeks?” was not asked in the OHSs, and the categorisation of the answers of other questions used to derive labour market status was quite different between OHSs and QLFSs. The QLFS methodology could be applied on the LFSs, but it requires minor adjustments, because the QLFS methodology considers whether the labour force is ready to accept a job offer or to start a business, but the LFS methodology only looks at the acceptance of a job offer (i.e., criterion (b) as discussed above). In fact, the question on how soon the respondent could start a business was not asked in the LFSs. Hence, the QLFS methodology is revised slightly that it does not take the respondents’ answers on the time required to start a business into consideration when deriving their broad labour market status. For the remainder of the paper, this is referred to as “the revised QLFS methodology”. The revised QLFS methodology is applied in all 2000-2007 LFSs and 2008-2011 QLFSs in Section 4 to derive comparable estimates of discouraged workseekers, broad unemployed, and broad unemployment rates in 2000-2011. The focus in particular is on the youths, who are defined as people aged 18-29 years for the remainder of this paper⁵.

4. Empirical findings

Table 1 shows that before the application of the revised QLFS methodology, the broad unemployed abruptly declines by 1.9 million (from 7.18 million to 5.28 million) during the changeover of LFS and QLFS, but the decrease becomes smaller at 1.02 million (from 6.27 million to 5.25 million) afterwards. The decrease of the number of broad unemployed is the greatest amongst the youths after the application of the revised QLFS methodology. Nonetheless, the youths’ share of broad unemployed still hovers around the 53%-57% range regardless of which methodology is used. Finally, the last three rows of the table show that there is only a negligent decrease of the number of broad unemployed in the QLFSs, after leaving out the question on readiness to start a business within one week in the revised QLFS methodology.

Table 2 shows the number of discouraged workseekers before and after the application of the revised QLFS methodology, and very similar findings could be observed as in Table 1, as the extent of the abrupt decrease of the number of discouraged workseekers becomes smaller (decreasing from 3.35 million to 1.15 million before the application of the revised QLFS methodology, but from 2.37 million to 1.15 million after adopting the revised methodology), yet the youths still account for more than half of the discouraged workseekers.

⁵ People in this age cohort are eligible for the youth wage subsidy, which was proposed by the Finance Minister to be launched on 1 April 2012. However, at the time of the writing, this program has not been implemented yet.

Table 1: Broad unemployed (1 000s), before and after applying the revised QLFS methodology, selected surveys

	18-29 years	30-34 years	35-44 years	45-54 years	55-65 years	All
<u>Before applying the revised QLFS methodology</u>						
LFS 2000 September	3 541	946	1 089	510	152	6 238
LFS 2004 September	4 463	1 243	1 363	646	184	7 898
LFS 2007 September	4 027	1 111	1 183	655	206	7 183
QLFS 2008Q1	2 911	901	891	435	141	5 280
QLFS 2009Q4	3 189	942	1 034	491	129	5 785
QLFS 2011Q4	3 481	1 075	1 254	544	142	6 496
<u>After applying the revised QLFS methodology</u>						
LFS 2000 September	3 173	853	1 019	482	142	5 669
LFS 2004 September	3 671	1 059	1 147	550	170	6 598
LFS 2007 September	3 497	957	1 042	586	184	6 266
QLFS 2008Q1	2 907	891	885	430	137	5 250
QLFS 2009Q4	3 186	941	1 029	486	126	5 768
QLFS 2011Q4	3 473	1 071	1 248	541	140	6 473
<u>Difference: (B) – (A)</u>						
LFS 2000 September	-368	-93	-70	-28	-10	-569
LFS 2004 September	-791	-184	-215	-96	-14	-1 301
LFS 2007 September	-530	-153	-141	-69	-23	-916
QLFS 2008Q1	-4	-10	-6	-5	-4	-30
QLFS 2009Q4	-4	-1	-5	-5	-3	-17
QLFS 2011Q4	-8	-5	-5	-3	-2	-24

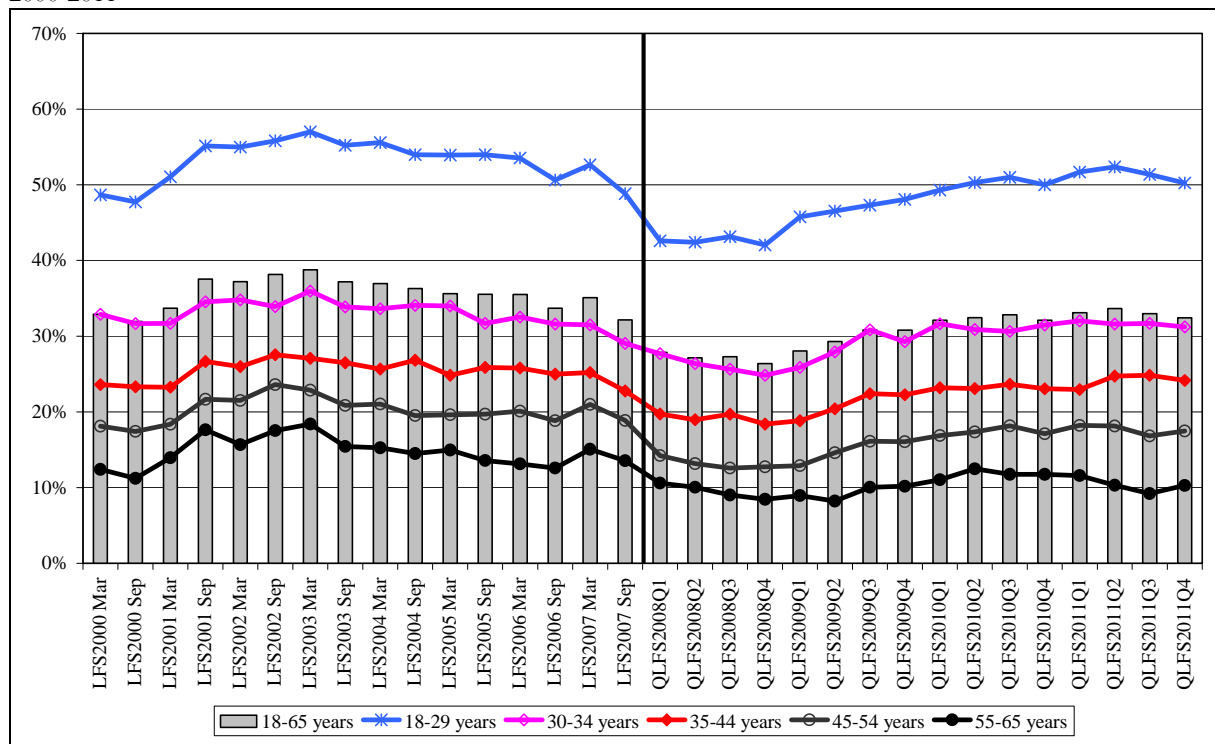
Table 2: Discouraged workseekers (1 000s), before and after applying the revised QLFS methodology, selected surveys

	18-29 years	30-34 years	35-44 years	45-54 years	55-65 years	All
<u>(A): Before applying the revised QLFS methodology</u>						
LFS 2000 September	1 187	322	366	191	70	2 135
LFS 2004 September	2 156	552	668	340	106	3 822
LFS 2007 September	1 807	496	582	340	124	3 349
QLFS 2008Q1	593	189	192	127	45	1 146
QLFS 2009Q4	894	238	293	184	49	1 658
QLFS 2011Q4	1 242	338	441	196	64	2 281
<u>(B): After applying the revised QLFS methodology</u>						
LFS 2000 September	755	215	271	141	55	1 437
LFS 2004 September	1 365	365	452	237	86	2 506
LFS 2007 September	1 251	330	437	257	96	2 371
QLFS 2008Q1	593	189	192	126	45	1 145
QLFS 2009Q4	894	238	292	184	49	1 657
QLFS 2011Q4	1 240	337	441	195	63	2 277
<u>Difference: (B) – (A)</u>						
LFS 2000 September	-432	-107	-95	-49	-15	-698
LFS 2004 September	-791	-187	-216	-103	-20	-1 317
LFS 2007 September	-557	-166	-145	-83	-28	-978
QLFS 2008Q1	0	0	0	-1	0	-2
QLFS 2009Q4	0	0	0	0	0	0
QLFS 2011Q4	-2	-1	0	-1	-1	-4

Figure 4 shows the broad unemployment rates in each age cohort after the revised QLFS methodology is applied in all 2000-2011 surveys. Comparing it with Figure 2, it could be seen that the extent of the abrupt decrease of these rates between LFS 2007 September and QLFS 2008Q1 becomes smaller. Looking at the youths, the broad unemployment decreases by 9.8 percentage points (from 52.4% to 42.6%) between the two surveys before application of the revised approach (see Figure 2), but only decreases by 6.2 percentage points (from 48.8% to 42.6%) after the application of the revised methodology. Also, the use of the revised methodology does not

change the trends in the unemployment rates in all age cohorts, as these rates still peak in March 2003 before declining, and increase again in 2009-2010.

Figure 4: Broad unemployment rates in each age cohort by applying the revised QLFS methodology in all surveys, 2000-2011



The above findings indicate that the extent of the abrupt decrease of the broad labour market aggregates between LFS 2007 September and QLFS 2008Q1 is reduced moderately (although not fully) and the comparability of 2000-2007 and 2008-2011 broad labour market aggregates greatly improves, by the use of the revised QLFS methodology in all 2000-2011 surveys. The increase of broad labour market aggregates between 2007 and 2008 could be real, or due to the difference in the questionnaire structure between LFSs and QLFSs. Looking at the latter factor in greater detail, the number of categories of the question on why the person did not work or start a business in the last four weeks are only 11 in LFSs but 16 in QLFSs. Furthermore, with regard to how soon the respondent could start working if being offered a job, the respondents are given the options “within a week”, “within two weeks”, “within four weeks” and “later than four weeks from now” to choose from in the QLFSs, but this question was asked differently in the LFSs as whether the respondents could start working within a week if they are offered a job, and they could only choose from “yes”, “no” and “don’t know”. Hence, the different ways in which these two questions are asked might have played a role in the sudden moderate decrease of broad labour market aggregates between LFS 2007 September and QLFS 2008Q1 even after applying the revised QLFS methodology consistently in all surveys. Nonetheless, the above analyses clearly indicate that youth unemployment remains serious, as youths still account for more than half of the broad unemployed and discouraged workseekers, and the broad unemployment rate is the highest amongst the youths, even after the application of the revised QLFS methodology.

Table 3 compares the demographic and educational attainment characteristics of the youth narrow unemployed and the discouraged workseekers (who were derived using the revised QLFS methodology) between LFS 2000 September and QLFS 2011Q4. The number of narrow unemployed decreased slightly by 0.18 million (or 7.7%) while discouraged workseekers increase by 0.48 million (or 64.2%) between the two surveys. Moreover, although the black share was very high in both groups, it increased from 89.3% to 94.7% for discouraged workseekers, but remained at about 88% for the narrowed unemployed.

Table 3: Characteristics of the youth narrow unemployed and discouraged workseekers, LFS 2000 September and QLFS 2011Q4

		Narrow unemployed				Discouraged workseekers (applying the revised QLFS methodology)			
		2000		2011		2000		2011	
		1 000s	Share	1 000s	Share	1 000s	Share	1 000s	Share
Total		2 418	100.0%	2 233	100.0%	755	100.0%	1 240	100.0%
Race	Black	2 122	87.9%	1 954	87.5%	674	89.3%	1 174	94.7%
	Coloured	181	7.5%	192	8.6%	65	8.6%	48	3.8%
	Indian	42	1.7%	21	0.9%	4	0.5%	9	0.8%
	White	70	2.9%	67	3.0%	12	1.6%	9	0.7%
Gender	Male	1 160	48.0%	1 094	49.0%	299	39.6%	603	48.6%
	Female	1 258	52.0%	1 140	51.0%	456	60.4%	637	51.4%
Province	Western Cape	196	8.1%	246	11.0%	37	4.9%	20	1.7%
	Eastern Cape	279	11.6%	260	11.7%	145	19.1%	208	16.7%
	Northern Cape	36	1.5%	56	2.5%	15	2.0%	18	1.5%
	Free State	158	6.5%	165	7.4%	47	6.2%	41	3.3%
	KwaZulu-Natal	551	22.8%	379	17.0%	174	23.0%	323	26.1%
	North West	203	8.4%	121	5.4%	80	10.6%	133	10.7%
	Gauteng	619	25.6%	678	30.4%	112	14.8%	132	10.7%
	Mpumalanga	170	7.0%	190	8.5%	35	4.6%	126	10.2%
Limpopo	206	8.5%	138	6.2%	112	14.8%	238	19.2%	
Education	No schooling	43	1.9%	14	0.6%	20	2.9%	7	0.6%
	Incomplete primary	265	11.5%	82	3.7%	115	16.3%	103	8.3%
	Incomplete secondary	1115	48.2%	1093	49.1%	370	52.5%	714	57.6%
	Matric	759	32.8%	883	39.7%	179	25.5%	368	29.8%
	Matric + Certificate/Diploma	107	4.6%	127	5.7%	16	2.2%	45	3.7%
	Degree	26	1.1%	27	1.2%	4	0.5%	1	0.1%
Age	18-20 years	390	16.1%	349	15.6%	158	21.0%	209	16.9%
	21-24 years	970	40.1%	887	39.7%	305	40.4%	495	39.9%
	25-29 years	1 058	43.8%	997	44.6%	292	38.7%	536	43.2%
Ever worked before	Yes	696	28.8%	837	37.5%	135	17.9%	321	25.9%
	No	1 722	71.2%	1 396	62.5%	620	82.1%	919	74.1%

The female share was higher in both groups, despite the fact that the male discouraged workseekers showed a greater increase between the two surveys. With regard to the province of residence, the number and share of narrowed unemployed were the highest in Gauteng, followed by KwaZulu-Natal, Eastern Cape and Western Cape. The Gauteng share increased from 25.6% to 30.4% between the two surveys. This could be attributed to the migrants from other provinces trying to seek work actively in Gauteng, a province associated with a greater employment probability. In contrast, the majority of the discouraged workseekers resided in the relatively disadvantaged provinces of KwaZulu-Natal, Limpopo and Eastern Cape. It is possible that the discouraged workseekers in these poorer provinces were unable to move to other provinces to seek work due to factors such as financial constraints, yet the likelihood of finding employment was low in their provinces of residence, and so they might end up losing hope on finding work. Finally, the Western Cape share of discouraged workseekers was very low and decreased from 4.9% in 2000 to 1.7% in 2011, while the Gauteng share decreased from 14.8% to 10.7%.

Although both the youth narrow unemployed and discouraged workseekers became more educated throughout the years, the educational attainment of the latter group was still lower, as indicated by the fact that the proportion of them without Matric decreased from 71.7% to 66.5%, but this proportion decreased more drastically from 61.6% to 53.4% in the case of narrow unemployed. Furthermore, the narrow unemployed were relatively older, as the proportion of them aged 25-29 years was higher, as compared to the discouraged workseekers. This finding is expected, as the narrow unemployed were more educated so they probably enter the labour market for work at an older age after completing their education. Finally, the proportion of people with previous work experience increased between the two years in both groups, but this proportion was always higher in the narrow unemployed.

The preceding analysis is limited in that it takes into account only one or two demographic variables when describing the characteristics of youth narrowed unemployment 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 and 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 which is equal to one if the individual is an employee, two if he/she is self-employed, three if he/she is a discouraged workseeker, and four if he/she is narrowly unemployed. The independent variables in the regressions include the demographic information (gender, race and age), educational attainment, geographical location (province), marital status, household headship status, number of children and elderly in the household, as well as the number of other employees, self-employed and unemployed in the household.

Table 4 displays the results on LFS 2000 and QLFS 2011 by reporting the ratio of relative risk for one-unit change in the independent variable, where the risk is measured as the risk of the category relative to the base category, namely the narrow unemployed. Being male increases the probabilities of being employees, self-employed and discouraged workseekers (compared to narrow unemployed). Coloureds, Indians and whites had greater access to employment than blacks, but the odds of being employed in these three population groups decreased between 2000 and 2011. For instance, whites were 3.7 times more likely to be employed than blacks in 2000, but only 2.4 times more likely in 2011. This could be due to the impact of Affirmative Action and Employment Equity Act to promote the employment of previously disadvantaged blacks. Furthermore, people from these three population groups were associated with a lower likelihood of being discouraged workseekers in 2000. The same finding is observed in 2011, except that the odds of coloureds being discouraged workseekers were greater than blacks by 21.8%.

Table 4: The determinants of employment for youths, LFS 2000 and QLFS 2011

	Ratio of relative risk					
	LFS 2000 March and September			QLFS 2011 Q1-Q4		
	Employees	Self-employed	Discouraged workseekers#	Employees	Self-employed	Discouraged workseekers#
Gender: Male	1.668***	1.496***	1.084***	1.646***	1.939***	1.085***
Race: Coloured	2.336***	0.416***	0.936***	1.646***	0.558***	1.218***
Race: Indian	2.462***	1.393***	0.237***	1.774***	0.970**	0.322***
Race: White	3.723***	1.322***	0.276***	2.415***	0.831***	0.269***
Province: Western Cape	2.259***	0.861***	0.499***	1.613***	0.916***	0.094***
Province: Northern Cape	1.546***	0.610***	0.855***	1.119***	0.996	0.513***
Province: Free State	1.310***	1.279***	0.698***	1.058***	0.845***	0.448***
Province: KwaZulu-Natal	1.517***	1.025***	0.958***	1.289***	1.193***	1.078***
Province: North West	1.474***	0.536***	1.076**	0.806**	0.430***	1.203***
Province: Gauteng	1.428***	0.509***	0.768***	1.158***	1.506***	0.482***
Province: Mpumalanga	1.314***	0.910***	0.608***	0.970**	1.272***	0.937***
Province: Limpopo	0.879**	0.631***	1.186**	0.848**	1.035***	1.387***
Age: 25-29 years	1.836***	1.309***	0.790**	1.730**	1.561***	0.817***
Education spline: Primary	0.940***	0.961***	0.981***	1.047***	1.269***	1.054***
Education spline: Secondary	0.955***	1.075***	0.983***	0.982***	1.015***	0.922***
Education: Matric	1.241***	0.687***	0.805***	1.205***	0.587***	0.706***
Education: Matric + Certificate/Diploma	1.630***	0.666***	0.401***	1.485***	0.385***	0.420***
Education: Degree	2.280***	1.519***	0.351***	1.485***	0.349***	0.113***
Marital status: Married / Live together with a partner	2.029**	3.044***	0.990	1.318**	0.981	1.367***
Household head dummy	2.259**	0.894**	0.276**	1.240**	0.599**	0.354**
Number of children 0-14 years in the household	1.114***	1.477***	1.350**	1.092**	1.233***	1.293***
Number of elderly aged 60+ years in the household	1.050***	1.289***	1.345**	0.971**	0.817**	1.228**
Number of other employees	1.526**	0.674**	0.620**	1.334**	0.828**	0.718**
Number of other self-employed	1.184**	2.011**	0.642**	1.096**	1.913**	0.846**
Number of other unemployed	0.140**	0.000**	0.041**	0.079**	0.000**	0.033**
Sample size (weighted)	12 999 098			27 525 571		
Pseudo R-squared	0.5289			0.4637		

*** Statistically significant at 1% ** Statistically significant at 5% * Statistically significant at 10%

The discouraged workseekers are derived by applying the revised QLFS methodology.

Note: Reference categories: Gender – female; Race: Black; Province: Eastern Cape; Age: 18-24 years; Marital status: Not married / Not living together with a partner.

Considering the impact of location on the probability of employment, Table 4 shows that those residing in Western Cape were associated with the greatest likelihood of being employed, compared with the reference category (Eastern Cape), at 125.9% and 61.3% in 2000 and 2011 respectively. In contrast, the odds of the labour force being discouraged workseekers were the lowest in Western Cape compared with Eastern Cape, as the likelihood decreased by 50.1% in 2000 and a very high 90.6% in 2011. In addition, the probability of being discouraged workseekers was the highest in North West and Limpopo. This confirms the findings of Table 3 that the majority of the discouraged workseekers reside in the poorer provinces. With regard to the impact of age of the youths, being 25-29 years (compared to 18-24 years) increases the probability of finding employment by 83.6% in 2000 and 73.0% in 2011, increases the probability of being self-employed by 30.9% and 56.1% in 2000 and 2011 respectively, but decreases the likelihood of being discouraged workseekers by about 20% in both years, compared with the reference category (narrow unemployed).

Table 4 also shows that young people with incomplete secondary education did not have a significantly better chance to get a job than people with no schooling. In contrast, for those with at least Matric, the odds of being employed were higher compared with the reference category, but these probabilities decreased between the two years under study. For instance, having Matric increased the likelihood of being employed by 24.1% in 2000 but 20.5% in 2011; having post-Matric certificate or diploma qualification was associated with a 63% greater likelihood of being employed, but it was only 48.5% in 2011; those having a bachelor degree had their probabilities of being employed increased by 128% in 2010 but only 48.5% in 2011. These results suggest the possibility of graduate unemployment in recent years.

Turning to the variables linked to the individual's family background, being married or the head of the family favours access to employment. In addition, the presence of children leads to a reduced likelihood of being unemployed, while the presence of elderly (who are likely to receive old-age social grant income) increased the probability of an individual being a discouraged workseeker. Having employed household members increased the likelihood of finding employment, while having self-employed household members increased the probability of the youths being self-employed, as also found by Mlatsheni and Rospabé (2002). Finally, the presence of unemployed members drastically reduced the probability of being employed, self-employed or discouraged to seek work, that is, the youths were more likely to seek work actively.

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 these studies only briefly looked at the youths, and the discouraged workseekers were hardly compared with the narrow unemployed. Also, the discouraged workseekers were derived very differently since the introduction of the labour market status derivation methodology in the QLFSs. Hence, a revised QLFS methodology was applied on all LFSs and QLFSs to derive comparable labour market estimates, and after the application of a consistent labour market status derivation in all surveys, it was found that youths still accounted for a higher proportion of discouraged workseekers and narrow unemployed than the adults, and the unemployment rate was the highest amongst youths. Also, youth narrow unemployed and discouraged workseekers differ in their characteristics, as the former people were more likely to reside in the richer provinces like Gauteng and Western Cape, more educated and older, and more likely to have previous work experience, compared with youth discouraged workseekers, who were more likely to reside in poorer provinces associated with lower employment likelihood, such as Limpopo, Eastern Cape and KwaZulu-Natal.

As the youth wage subsidy is being proposed to boost youth employment, but the analyses in this paper have shown that the narrow unemployed and discouraged workseekers are very different in

terms of demographic, location and educational attainment characteristics, an important question that arises is whether this subsidy program is likely to be effective to boost employment to both groups of youths. The narrowed unemployed are more likely to be the primary beneficiaries of the subsidy program. With regard to the discouraged workseekers, who are more likely to be poor, less mobile, not highly educated and do not have previous work experience, the youth wage subsidy alone might not be sufficient to encourage them to seek work actively, not to say to increase the employers' demand for these people. Other active labour market policies are required to complement the youth wage subsidy program. For instance, providing more financial support to fund studies in critical skills; direct public sector employment creation projects that could improve the participants' subsequent transition to more secure formal private sector employment; better management of the NSF and SETAs; provision of better assistance to improve job search, promotion of self-employment.

For both groups of youths, employment and wage rigidities must be addressed, or it would be difficult for the youth wage subsidy program 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 basis⁶. 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 quality of education, increasing the enrolment and passes in mathematics and science, and reducing drop-out before Matric. Without addressing these important issues, the youth wage subsidy program might end up merely promoting the active job seeking behaviour of the young labour force, thereby only decreasing the number of discouraged workseekers but increasing the number of narrow unemployed, while having a temporary and weak positive impact on youth employment.

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⁶ A recent breakthrough is that, in the clothing industry, a three-year wage deal is secured by the South African Clothing and Textile Workers' Union that it becomes possible to pay new workers 20%-30% less than existing workers in order to boost youth employment (Financial Mail, 2011).

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