

South Africa's youth unemployment crisis

5 March 2014, Posted in NUMSA Bulletin

Lessons from Germany

South Africa's structural unemployment crisis which affects the youth in particular could do with a good dose of German training medicine says Boniswa Ntshingila.

South Africa's youth unemployment crisis

South Africa's youth unemployment rate is amongst the highest in the world. Therefore one of the greatest socio-economic problems currently facing South Africa is youth unemployment.

According to the Quarterly Labour Force Survey by Statistics South Africa, in the third quarter of 2013, 34.8% of young South Africans¹ could not find a job compared with less than 15% of adults over 34. If one breaks down the youth unemployment figures by race, the picture becomes more gloomy for African and coloured youth. In 2010, African youth unemployment hit 58%, coloured youth unemployment 45% while Indian and white youth unemployment were at 22% and 18% respectively. However, these figures do not correctly reflect the seriousness of the youth unemployment problem because it excludes young people that have not been looking for employment².

If all young people are considered in the calculation of youth unemployment then the actual youth unemployment rate was 47.5% for the third quarter of 2013. This means that 1 in every 2 young people cannot find a job and has very little chance of ever finding a job.

Since 1994, the South African government has implemented various policies and strategies aimed at tackling this serious

challenge. However these policies and strategies have failed to create enough jobs for young people and to dramatically reduce youth unemployment. Instead youth unemployment has continued to increase. Between January 2008 and September 2013 youth unemployment increased by 2%.

South Africa's unacceptable high youth unemployment figures are a ticking time bomb that pose a threat to the country's political stability. Recent events in North Africa and some Euro countries show the importance of creating job opportunities for young people and the need for inclusive growth in South Africa.

South Africa's youth unemployment challenge has increasingly become an important topic in policy discussion. The recent youth wage subsidy and employment tax incentive scheme are just some of the policy proposals from government that have created a lot of heated discussion about youth unemployment and ways in which it can be solved.

It has become very clear from the policy discussions that in order for South Africa to permanently and sustainably solve its youth unemployment crisis will require that the inherited structural problems that are hindering the creation of jobs for young people must be eliminated. South Africa can draw some key lessons from international experience in order to properly tackle the youth unemployment challenge.

Global youth unemployment

In most countries in the world, whether industrialised, developing or in transition, young people suffer from lower access to the labour market than the adult active population. The global youth unemployment rate increased by 1.1% between 2011 and 2013 and grew to 12.6% in 2013. Global unemployment is expected to continue to increase and by 2018 the global youth unemployment rate is expected to rise to 12.8 per cent. Furthermore, young people continue to be almost three times

more likely than adults to be unemployed.

Youth unemployment in the United States and Europe has seen a big increase since the beginning of the recent global financial crisis in late 2008. By the end of 2012, youth unemployment in the European Union stood at 23.3 percent, while it was at 16.3 percent in the United States.

International youth unemployment rates

Although there was a significant increase in youth unemployment for the European Union, however, not all countries in the European Union experienced increases in youth unemployment. Whilst many countries such as Greece, Spain and France witnessed significant and sustained increases in their youth unemployment figures, Germany on the other hand was able to escape this trend and its youth unemployment has continued to decrease. Germany's experiences should therefore be considered because they could draw some interesting lessons for South Africa.

The Case of France and Germany

France and Germany represent two opposites in the European debate about rising youth unemployment. Unlike France which has witnessed an increasing youth unemployment rate Germany's youth unemployment has been on a continuous decline for many years in spite of the recent global financial crisis. By the end of 2012, the French youth unemployment rate was at 25.5 percent. On the other hand, youth unemployment in Germany has been falling continuously since its peak at the beginning of 2005. It now stands at 7.9%.

How Germany was able to solve its youth unemployment problem and France was not?

Germany's institutional settings and public policies have played an important role in influencing school-to-work transitions and ensuring that enough jobs for young people are

created.

The labour market institutions and labour policies that explain the differing youth unemployment experience between France and Germany are namely:

- a) vocational education and training;
- b) minimum wages and employment protection; and
- c) activation measures and labour policies.

So how does the German dual apprenticeship program work?

German apprentices sign a training contract that last about three to four years with a firm. It alternates between school- and firm-based training. Over 50 percent of all companies with at least one employee have acquired an entitlement to train. Apprenticeship training is basically provided in all sectors of the economy. Firms bear the costs of work-place training facilities and pay apprentices a standardized salary (about €600 to €700 Euro per month in 2011).

Companies benefit from this type of training scheme because it allows them to work with new employees and to retain those that perform well. Firms can also show their social commitment. The returns to completing dual apprenticeship training are significant in Germany because 66% of those who successfully complete training subsequently enter employment. Additionally participants of the dual apprenticeship program also have faster entry into the labour market when compared to participants in school-based vocational training (Parey, 2011).

Furthermore, the dual apprenticeship system significantly improves wages and employment stability when compared to individuals with –schooling only|| (Adda et al., 2011). After about 3 to 4 years, about 80 percent are employed (of whom 60 to 70 percent are in –stable|| employment relationships). Their

wage profile is similar to university students in early years, but flatter in later years.

The dual apprenticeship systems rely on the broad support of employers, trade unions and the government regarding regulation and financing. In particular, their success critically depends on the trade unions' willingness to accept apprenticeship contracts which are paid below the level of standard contracts—in exchange for a commitment from employers to offer practical training.

The support of the government involves not only developing special vocational schools and training qualified teachers, but also offering preparatory training for young people who are not yet ready to start apprenticeship after leaving school.

This –pre-apprenticeship training is essential for low-qualified young people—in particular, when the access to the dual system is as competitive as in Germany (Caliendo et al., 2011). As a consequence of such a broad support, vocational training via apprenticeships is widely recognized by young people, their parents and society as a solid pathway to employment in Germany, Austria and Switzerland.

1. In South Africa youth are defined as individuals aged between 15 and 34.

2. This paper reports the narrow definition of unemployment (used as the official definition in South Africa by government). Individuals are narrowly unemployed if they “(a) did not work during the seven days prior to the interview, (b) want to work and are available to start work within a week of the interview, and (c) have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview”

Structural unemployment

Many countries in Europe and the US are facing cyclical

unemployment because of the global financial crisis from 2008 that affected economic growth in those countries. If the economies begin to pick up again, their unemployment figures will drop.

However, South Africa's unemployment crisis is often called "structural unemployment". This is because even if our economy is growing, there is still a problem of unemployment because of:

- the apartheid legacy of poor education – "out of a group of 100 Grade 1 pupils, only 40 will reach Grade 12. Of those, 28 will pass matric and four will enter university. Of the four, only one will graduate." (Eugene Daniels, a former district director in the Western Cape) The less education you have, the less likely you are to find a job.

- the mismatch of skills. Not enough people are acquiring education in the careers that are in demand. Therefore some students get a tertiary qualification but cannot find jobs because there is no demand for their kind of skills.

A comparison of France and Germany's policies for tackling youth unemployment

GERMANY **FRANCE**

Vocational education and training

Germany has established a dual apprenticeship system which allows combining work experience, on-the-job training and classroom teaching.

France does not have a dual apprenticeship system but only has traditional vocational education.

The youth that participate in the vocational education and training are low-skilled young people.

The youth that participate in the vocational education are

relatively qualified young people, i.e., youths who already have an equivalent or better diploma than the secondary school leaving exam.

This form of vocational training makes up the main path of transition from school to work in Germany. About 66% of the youths completing general schooling each year enter the dual apprenticeship system in Germany; and about 20% participate in full-time vocational schooling.

In France most young people are only exposed to the traditional vocational training program and apprenticeship system.

Businesses are open to hire apprentices.

Businesses are reluctant to hire apprentices.

The course contents and expectations are appropriate for vocational training which is developed through close and continuous engagement with the social partners, aimed at establishing and regularly updating training courses for each type of qualification.

The course contents and expectations for the final exam are too stringent and unsuitable for vocational training. The course content is similar to that of a professional qualification.

The apprenticeship pathway is viewed as a solid alternative in Germany. Every detail is discussed and negotiated, including the duration of apprenticeships, expectations for the final exam, course content and pay levels.

In France there is a negative attitude and perception regarding the apprenticeship programme. Apprenticeships in France suffer from the perception that this training path is only an inferior alternative to full-time vocational schooling.

Activation measures and labour policies

Germany has compulsory and specific systems requiring the public employment service to encourage low-qualified young job seekers to resume their studies, apprenticeships or training courses (i.e. activation measures). The public employment service assists job seekers in searching for employment, preparing for interviews etc.

In France however such a system does not currently exist. This essentially means that young people in France are not afforded the same support in finding employment and becoming employable as in Germany.

Almost everywhere in Europe including Germany young people have access to a minimum income scheme before turning 25 years.

This income ensures that whilst young people are seeking employment with the assistance of the public employment service, they are not plunged into poverty.

France is furthermore an exception amongst European countries because it restricts its minimum income scheme to people who are 25 years and older. The consequence is that currently half of the poorest 20 percent of the French population are between 15 and 29 years old (Cahuc et al., 2013)