

MONITORING THE PERFORMANCE
OF THE SOUTH AFRICAN LABOUR MARKET

AN OVERVIEW OF THE
YOUTH LABOUR MARKET
SINCE 2008

FACTSHEET 7

AUGUST 2012



DEVELOPMENT POLICY
RESEARCH UNIT



EMPLOYMENT
PROMOTION
PROGRAMME

THE YOUTH LABOUR MARKET

While the International Labour Organisation and the United Nations define 'youth' to include those between the ages of 15 and 24 years of age, South Africa's National Youth Development Agency Act of 2008 includes all individuals between the ages of 14 and 35 years (Republic of South Africa, 2009). In this factsheet, the youth are defined as individuals between the ages of 15 and 34 years inclusive, covering the youngest 20 cohorts (in terms of years of age) of the working age population.

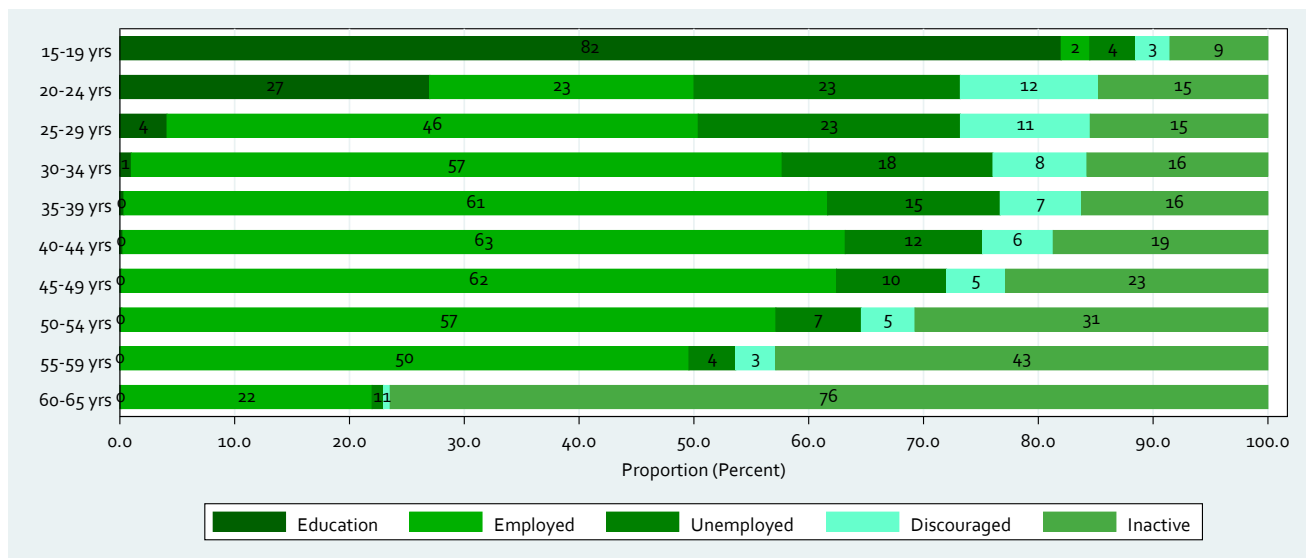
The youth categorisation covers an age range that is characterised by a vital transitional process, namely the transition from education to the labour market and, hopefully, employment. This means that the youth age group differs significantly from others, with labour force participation directly linked with investment in human capital. As Figure 1 indicates, more than four-fifths of 15 to 19 year olds and more than one-quarter of 20 to 24 year olds are involved in education. Importantly, the proportion of youth not in education or employment is 50 percent for 20 to 24 year olds and 25 to 29 year olds, and more than 40 percent amongst 30 to 34 year olds.

The perception is that the youth population is growing rapidly. However, although the South African population is relatively young, the youth population is actually growing less rapidly than the working age population as a

whole. Over the past two decades or more, however, growth amongst this group has been rapid and, as growing numbers of young jobseekers entered the labour force, the economy was unable to create sufficient numbers of new jobs. This inability to absorb the rapid growth of the youth labour force into employment means that youth unemployment is now one of the most pressing issues within the South African labour market.

As in many other countries, unemployment in South Africa has a strong gender dimension. In addition, South Africa is characterised by stark racial inequalities in labour market outcomes. Unemployment rates amongst Africans and women are above the national mean, with African women having the highest rate for any race-gender pairing. Inequality in labour market outcomes extends to age: young people are far more likely to be unemployed than their older counterparts. South Africa's ratio of adult-to-youth unemployment rates – a useful measure of the extent of labour market discrimination against young people – of 1.9 in 2005 indicates that the youth unemployment rate was almost twice that of the non-youth population, although only five out of 14 sub-Saharan African countries for which there was data available had lower ratios (Bhorat and Oosthuizen, 2007).

Figure 1: Activities of the Working Age Population, 2012Q1



Source: Own calculations, (Statistics South Africa, 2012)

Young workseekers often find themselves in weak positions vis-à-vis potential employers. Workseekers vastly outnumber job opportunities, there is suspicion amongst employers relating to educational quality and, as new entrants, young people tend to enter employment at

relatively low levels within firms. The situation is made more complex by employers' stated preference for work experience. This increased demand for prior experience puts young workseekers at a disadvantage. As a result, young people are increasingly finding themselves unable

to secure employment without prior experience, but are unable to acquire experience without employment.

Nonetheless, almost 44 percent of total employment is accounted for by the youth, constituting a significant component of the workforce. With appropriate policy interventions and fair working conditions amongst the youth, the labour market will be able to better fulfil its

transformative potential, contributing to poverty and inequality reduction.

This factsheet provides a concise view of trends and characteristics of the youth labour market in South Africa, detailing the labour force, employment and unemployment.

OVERVIEW OF RECENT LABOUR MARKET TRENDS

More than three years after the onset of the recession in South Africa, GDP growth continues to be uninspiring. Seasonally adjusted real GDP growth rates have remained below four percent since the third quarter of 2008. Indeed, since peaking at 3.7 percent in 2011Q1, GDP growth has declined to 2.1 percent in 2012Q1 and the last time growth was this low was in 2004Q1 (own calculations, South African Reserve Bank, 2012).

The recession was accompanied by a sharp reduction in employment in the South African economy. From a peak of 14.1 million jobs in 2008Q4, 900 000 jobs had been lost by 2009Q3 and a further 150 000 were lost over the course of following 12 months. Although 2011 saw the first tentative signs of a labour market recovery, the most recent data from 2012Q1 points to a weakening of the recovery (see Development Policy Research Unit, 2012a). Between 2008Q1 and 2012Q1, employment has declined slightly from 13.8 million to 13.4 million, although this change is not statistically significant.

However, unemployment – both its level and its rate – continues to increase. Expanded unemployment reached 6.7 million by 2011Q3, up over 1.4 million since 2008Q3, while the unemployment rate has risen 5.8 percentage points over the same period to reach 33.2 percent.

The working age population grew by 1.6 percent annually between 2008Q3 and 2011Q3, while employment declined by 1.2 percent per annum over the same period (not statistically significant). Although the economy has shed about 495 000 jobs over the past three years, since early 2011 employment has been steadily increasing, year-on-year employment has grown by 2.6 percent while quarter-on-quarter growth was 1.5 percent. The labour absorption rate in 2011Q3 of 40.7 percent however is still significantly below pre-recession levels of 44.3 percent experienced in 2008Q3. Even though 2011 seems to be the turning point for job creation, reaching the pre-recession employment levels may still take some time.

Table 1: Overview of the South African Labour Market, 2008Q1-2012Q1

	2008 Quarter 1	2009 Quarter 1	2010 Quarter 1	2011 Quarter 1	2012 Quarter 1	Change (2008-2012)	
						Absolute	Relative
Labour Market Aggregates (Thousands)							
Working Age Population	30 963	31 490	32 039	32 520	33 000	2 037	1.6
Employment	13 778	13 873	13 112	13 145	13 447	-332	-0.6
Narrow Unemployment	4 222	4 223	4 396	4 365	4 526	305	1.8
Narrow Labour Force	18 000	18 096	17 509	17 510	17 973	-27	0.0
Expanded Unemployment	5 400	5 450	6 267	6 588	6 862	1 461	6.2 *
Expanded Labour Force	19 178	19 323	19 379	19 733	20 308	1 130	1.4 *
Discouraged Workseekers	1 179	1 227	1 871	2 223	2 335	1 157	18.6 *
Labour Force Participation Rate (Percent)							
Narrow LFPR	58.1	57.5	54.6	53.8	54.5	-3.7	-1.6 *
Expanded LFPR	61.9	61.4	60.5	60.7	61.5	-0.4	-0.2
Unemployment Rate (Percent)							
Narrow Unemployment Rate	23.5	23.3	25.1	24.9	25.2	1.7	1.8 *
Expanded Unemployment Rate	28.2	28.2	32.3	33.4	33.8	5.6	4.7 *

Source: Own calculations, Statistics South Africa (2008, 2009, 2010, 2011, 2012).

The recession was also accompanied by a slight contraction in the narrow labour force as a considerable amount of individuals moved into non-searching unemployment. Discouraged workseekers grew by more than 1.1 million (or 26.8 percent per annum) between 2008 and 2011, the bulk of which occurred from 2009 onwards, with expanded unemployment growing by 1.4 million. Although the number of discouraged workseekers continues to rise: it is up by 170 000 over the past year, the rate of growth has

decreased from peak recession of 52.8 percent to 8.4 percent. As non-searching unemployment became more common, the narrow LFPR declined from 57.6 percent in 2008Q3 to 54.3 percent in 2011Q3, however, between 2010Q3 and 2011Q3 the narrow LFPR increased by 0.4 percentage points: further reinforcing the decreased rate of growth in discouraged workseekers. The expanded LFPR has remained unchanged over this three year period. The recession has created upward pressure on the

unemployment rate. The expanded unemployment rate rose by 5.8 percentage points between 2008Q3 and 2011Q3,

while the narrow rate rose by 1.9 percentage points.

OVERVIEW OF YOUTH LABOUR MARKET TRENDS

Despite the perception of rapid population growth, the youth population is actually not growing particularly rapidly. The youth population – synonymous with the youth working age population – grew by roughly 860 000 between 2008Q1 and 2012Q1, equivalent to 1.2 percent per

annum (Table 2). This is one-quarter lower than the rate of growth in the overall working age population of 1.6 percent per annum. Nevertheless, the youth age group accounts for roughly 42 percent of the growth in the overall working age population since 2008Q1.

Table 2: Overview of the South African Youth Labour Market, 2008Q1-2012Q1

	2008	2009	2010	2011	2012	Change (2008-2012)	
	Quarter 1	Quarter 1	Quarter 1	Quarter 1	Quarter 1	Absolute	Relative
Labour Market Aggregates (Thousands)							
Working Age Population	18 271	18 495	18 717	18 930	19 132	861	1.2
Employment	6 353	6 191	5 728	5 637	5 796	-557	-2.3 *
Narrow Unemployment	3 104	3 175	3 157	3 158	3 213	109	0.9
Narrow Labour Force	9 457	9 366	8 885	8 794	9 009	-448	-1.2
Expanded Unemployment	3 924	4 051	4 479	4 720	4 848	924	5.4 *
Expanded Labour Force	10 277	10 242	10 207	10 357	10 644	367	0.9
Discouraged Workseekers	820	876	1 322	1 562	1 635	816	18.8 *
Labour Force Participation Rate (Percent)							
Narrow LFPR	51.8	50.6	47.5	46.5	47.1	-4.7	-2.3 *
Expanded LFPR	56.2	55.4	54.5	54.7	55.6	-0.6	-0.3
Unemployment Rate (Percent)							
Narrow Unemployment Rate	32.8	33.9	35.5	35.9	35.7	2.8	2.1 *
Expanded Unemployment Rate	38.2	39.6	43.9	45.6	45.5	7.4	4.5 *

Source: Own calculations, Statistics South Africa (2008, 2009, 2010, 2011, 2012).

Notes: Statistically significant changes at the 95 percent level between 2008Q1 and 2012Q1 are indicated by an asterisk (*).

As noted earlier, the economy has been unable to absorb the large cohorts of young people entering the labour market into employment. Indeed, youth employment has declined by an average of 2.3 percent per annum since 2008. This decline in unemployment has been accompanied by increases in unemployment, particularly non-searching unemployment. Narrow unemployment, which requires active job search in order to be classified as unemployed, is just 3.5 percent higher in 2012 than in 2008. However, it is in expanded unemployment that the effect has been most visible. Expanded unemployment has grown by 5.4 percent per annum over the four-year period, rising by more than 900 000 individuals to more than 4.8 million. Underlying this rapid growth has been the doubling of so-called discouraged workseekers from 820 000 in 2008Q1 to more than 1.6 million in 2012Q1. This is a very similar rate of growth to that observed amongst discouraged workseekers across the entire working age population and the youth population has therefore maintained its 70 percent share of discouraged workseekers.

Consistent with the overall picture of the labour market, the narrow LFPR for the youth declined from 51.8 percent to 47.1 percent. This decline is larger in both absolute and relative terms than that experienced within the total labour force. In contrast, the expanded LFPR is little changed. The youth unemployment rate, irrespective of definition, is higher in 2012Q1: the narrow unemployment rate stands at 35.7 percent, up 2.8 percentage points from 2008Q1, while 45.5 percent of the expanded labour force are unemployed (up 7.4 percentage points in the past four years).

Declining employment levels amidst a growing population means that the youth employment-to-population ratio has fallen from 34.8 percent in 2008Q1 to just 30.3 percent in 2012Q1, a more substantial decline than is observed amongst the non-youth population. The latter figure is almost 25 percentage points lower than that for the non-youth population (55.2 percent) and more than ten percentage points below that of the total labour market (40.7 percent).

THE YOUTH LABOUR FORCE

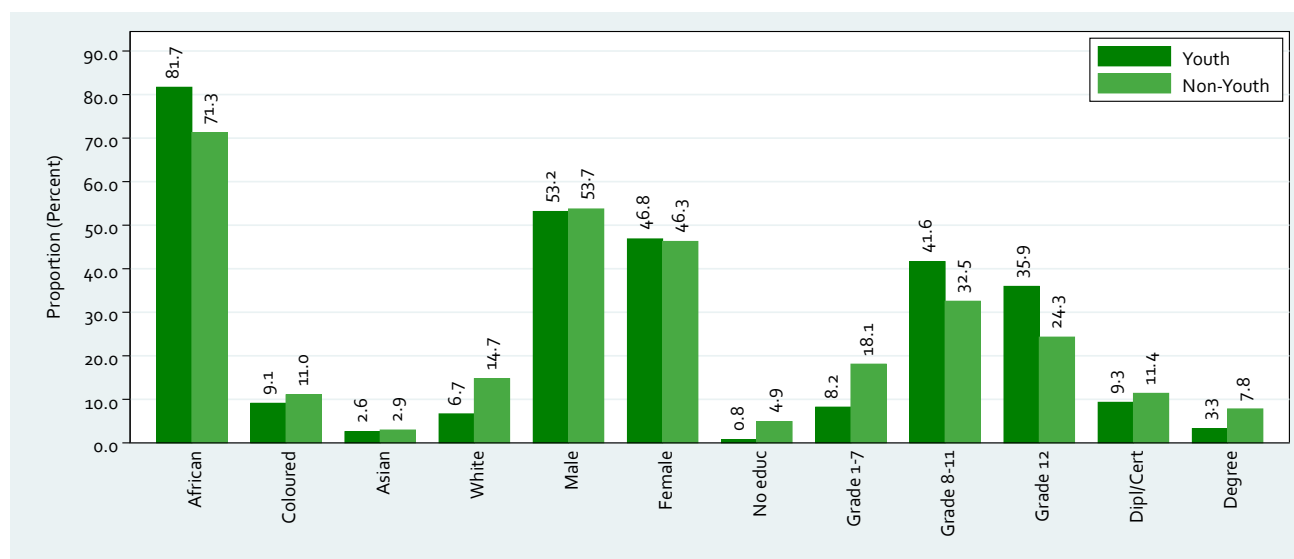
Figure 2 presents the demographic composition of the youth labour force relative to that of the non-youth labour force in 2012Q1, using the expanded definition of unemployment. The racial structure of the youth labour

force is slightly different to that of the non-youth labour force. This is the result of differing demographic trends across race groups, as well as varying propensities to engage in the labour force (i.e. differing LFPRs). Africans

account for a relatively larger share of the youth labour force relative to the non-youth labour force (81.7 percent *vs.* 71.3 percent), while the proportion of Whites amongst the youth labour force at 6.7 percent is less than half the 14.7 percent observed within the non-youth labour force. This is partly the result of lower population growth rates amongst the White population, but is also related to higher rates of enrolment in secondary and post-secondary

education amongst Whites (classified as economically inactive rather than as part of the labour force). By gender, however, there is no statistically significant difference in the structure of the youth and non-youth labour forces. Women are outnumbered by men by a ratio of almost 114 to 100 in the youth labour force, and by 116 to 100 within the non-youth labour force.

Figure 2: Structure of the Expanded Labour Force, 2012Q1



Source: Own calculations, Statistics South Africa (2012).

Broadly speaking, the youth labour force resembles the non-youth labour force in that incomplete and complete secondary education account for the bulk of the labour force. Amongst the youth, however, this proportion is higher than amongst the non-youth: 77.5 percent *vs.* 56.8 percent respectively. On the positive side, it is far less common to find someone without any formal education or without any secondary education amongst the youth labour force than it is amongst the non-youth labour force. This is the result of the gradual improvement in levels of educational attainment within the overall population over

the past half-century and more. Diplomas or certificates and degrees, though, are less common amongst the youth labour force, largely because many of those within the youth age group are still engaged in post-secondary education rather than being economically active. The youth are, then, an unusual cohort due to enrolment in the education system, which results in a downward bias in the education attainment profile of its labour force relative to the non-youth labour force and relative to its own profile in 10 to 15 years' time.

YOUTH EMPLOYMENT

Figure 3 presents the structure of youth and non-youth employment according to three demographic variables, namely race, gender and educational attainment. Almost three-quarters (73.2 percent) of the employed below the age of 35 years are African, a statistically higher proportion than observed amongst older employed individuals. Conversely, Whites account for a smaller proportion of youth, as opposed to non-youth, employment: 11.0 percent *vs.* 16.1 percent respectively. Despite this, relative to their shares of the labour force, African youth remain under-represented within employment, while the opposite is true

of Asian and White, and to a much lesser extent Coloured, youth.

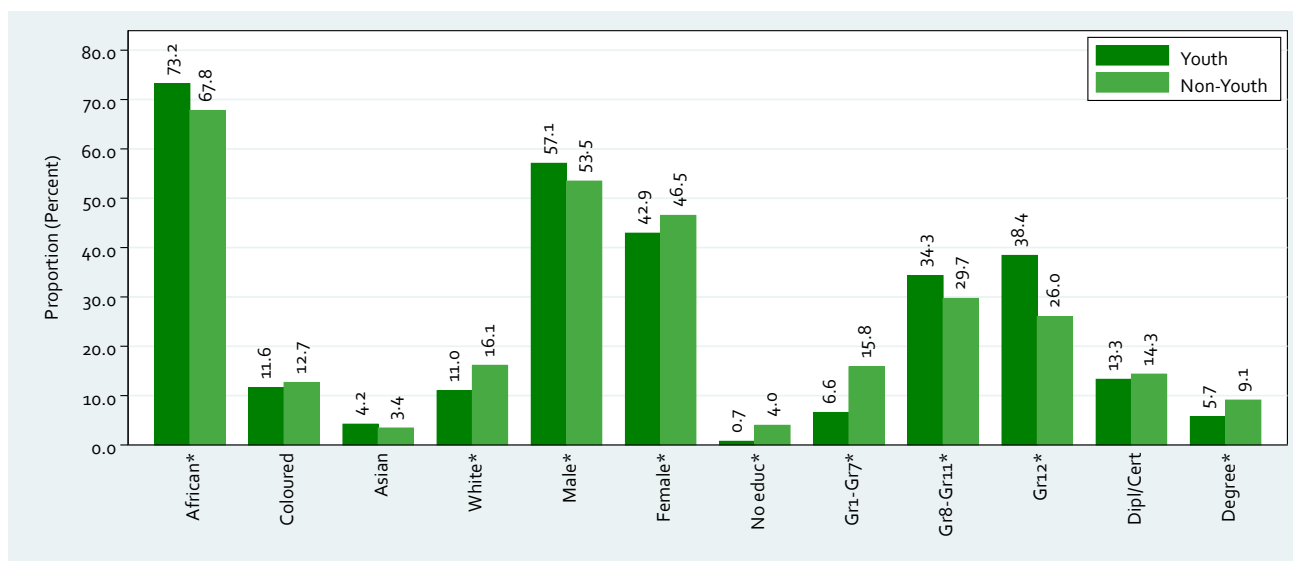
Nationally, men outnumber women within employment. Amongst the non-youth, men account for 53.5 percent of the employed, while the proportion amongst the youth population is higher at 57.1 percent. This means that women account for just 42.9 percent of youth employment. This relatively low proportion relative to the non-youth population should not be surprising given that it is particularly within the youth age category that women's participation within the labour force (and therefore within

employment) is disrupted by child-bearing and related responsibilities.

Educationally, considering only up to grade 12, the youth profile of educational attainment within employment is superior to that of the non-youth population. Amongst the youth, the proportion of the employed with no education is just 0.7 percent, while just 6.6 percent have only primary education. Amongst the non-youth population, though, these proportions are significantly higher at 4.0 percent and 15.8 percent respectively. Overall, 72.7 percent of the employed under the age of 35 years have either incomplete

or complete secondary education, compared to 55.7 percent of those aged 35 years or more. Interestingly, the proportion of the employed with diplomas and/or certificates is very similar across the two age groups, although non-youth are more likely to have degrees (for the same reasons noted earlier). This gradual improvement in the educational attainment profile of the labour force and of the employed, combined with technological change across all industries, points to continued pressure on young people to raise their qualification levels in order to find employment in the future

Figure 3: Structure of Employment, 2012Q1



Source: Own calculations, Statistics South Africa (2012).

The formal sector accounts for the vast majority of employment, irrespective of age. Roughly three-quarters of both youth and non-youth are employed in the formal sector. Amongst the youth, the informal sector accounts for 17.0 percent of total employment, a slightly higher proportion than observed for non-youth, although the difference is not statistically significant. Almost one in ten non-youth workers are employed in private households, a statistically significant three percentage points higher than the proportion for youth.

Within the formal sector, non-agricultural employment is dominant, employing 71.4 percent of all youth workers and representing 94 percent of formal employment. A similar breakdown is observed within the informal sector: the non-agricultural informal sector accounts for 16.6 percent of total youth employment, compared to 0.4 percent for the informal agricultural sector. These are similar proportions to those observed for non-youth employment, although non-youth appear to be slightly less likely to be employed in formal agriculture and slightly more likely to be employed in informal agriculture than is

the case within youth employment, although these differences are not statistically significant.

Total youth employment contracted by a statistically significant 2.3 percent per annum over the period. While formal sector youth employment appears to have declined, this contraction is not found to be statistically significant. However, youth employment in the informal sector contracted by 4.6 percent per annum, the result of falling employment in both agriculture (-20.4 percent per annum) and non-agriculture (-3.9 percent per annum). Both reductions are found to be statistically significant. While non-youth employment in informal agriculture also contracted significantly over the period, the decline in the informal non-agriculture sector is not statistically significant. An important difference between youth and non-youth employment, however, is observed in the formal non-agricultural sector: while youth employment in this sector declined by a statistically insignificant 1.8 percent per annum, non-youth employment increased by a statistically significant 1.8 percent per annum. Indeed, it is this difference that largely explains the difference in the overall employment trends between youth and non-youth.

Table 3: Distribution of Employment across the Formal and Informal Sectors, 2008Q1-2012Q1

	Employment 2012Q1				Employment Growth 2008-2012	
	Youth		Non-Youth		Youth	Non-Youth
	'000s	Share	'000s	Share	Percent	Percent
Total Employment ('000s)	5 796	100.0	7 650	100.0	-2.3 *	0.7
<i>Formal Sector</i>	4 409	76.1	5 686	74.3	-2.0	1.5
Agriculture	270	4.7	302	4.0	-3.9	-2.0
Non-Agriculture	4 139	71.4	5 384	70.4	-1.8	1.8 *
<i>Informal Sector</i>	987	17.0	1 210	15.8	-4.6 *	-2.3
Agriculture	25	0.4	59	0.8	-20.4 *	-12.7 *
Non-Agriculture	961	16.6	1 151	15.0	-3.9 *	-1.6
<i>Private Households</i>	401	6.9	754	9.9 †	0.6	0.1

Source: Own calculations, Statistics South Africa (2008, 2012).

Notes: Statistically significant changes at the 95 percent level between 2008Q1 and 2012Q1 are indicated by an asterisk (*). A dagger (†) designates a statistically significant difference between the proportions of youth and non-youth.

The sectoral distributions of youth and non-youth employment are broadly similar in terms of the split between the primary, secondary and tertiary sectors (Table 4). The tertiary sector is the largest sector in terms of employment in the South African economy, employing 71.3 percent of workers aged 15 to 34 years and 72.1 percent of workers aged 35 years or more. This is followed by the secondary sector, employing just over one-fifth of both youth and non-youth workers, and the primary sector (7.6 percent and 7.2 percent respectively).

Significant structural differences in employment are observed once employment is disaggregated into the ten major sectors. Amongst the youth, the largest employment sector is wholesale and retail trade (27.3 percent). This means that within youth employment, this sector is larger than the entire secondary sector. Wholesale and retail trade is followed by community, social and personal (CSP)

services (16.3 percent of youth employment), financial and business services (15.0 percent) and manufacturing (12.7 percent).

While these are also the four sectors that account for the majority of non-youth employment, their relative importance is quite different. The largest employment sector for non-youth workers is CSP services, which accounts for 25.5 percent of non-youth employment, 9.2 percentage points higher than the proportion for youth. This is followed by wholesale and retail trade (19.4 percent, 7.9 percentage points higher than the youth share), and manufacturing (12.9 percent). The only other statistically significant difference in the industrial structure of employment is in the share of employment accounted for by the private households sector: 6.9 percent of youth employment vs. 9.9 percent of non-youth employment.

Table 4: Sectoral Distribution of Employment, 2008Q1-2012Q1

	Employment 2012Q1				Employment Growth 2008-2012	
	Youth		Non-Youth		Youth	Non-Youth
	'000s	Share	'000s	Share	Percent	Percent
Total Employment ('000s)	5 796	100.0	7 650	100.0	-2.3 *	0.7
Agriculture	295	5.1	361	4.7	-6.1	-4.2
Mining and Quarrying	145	2.5	191	2.5	-0.4	0.8
<i>Primary Sector</i>	441	7.6	552	7.2	-4.4	-2.6
Manufacturing	739	12.7	984	12.9	-4.0	-3.8 *
Utilities	35	0.6	57	0.7	-3.1	-0.7
Construction	450	7.8	537	7.0	-7.0 *	-0.0
<i>Secondary Sector</i>	1 224	21.1	1 578	20.6	-5.1 *	-2.5
Wholesale and Retail Trade	1 581	27.3	1 484	19.4 †	-2.3	0.5
Transport	335	5.8	450	5.9	-0.7	1.6
Financial & Business Services	869	15.0	877	11.5 †	-1.8	3.4
CSP Services	945	16.3	1 950	25.5 †	0.9	3.9 *
Private Households	401	6.9	754	9.9 †	0.6	0.1
<i>Tertiary Sector</i>	4 131	71.3	5 514	72.1	-1.1	2.1 *

Source: Own calculations, (Statistics South Africa, 2008); Statistics South Africa (2012).

Notes: Statistically significant changes at the 95 percent level between 2008Q1 and 2012Q1 are indicated by an asterisk (*). A dagger (†) designates a statistically significant difference between the proportions of youth and non-youth.

Employment across industries has followed broadly similar trends for both youth and non-youth between 2008 and 2012, although there are some important differences. Employment growth has been weak across industries for

youth, with no statistically significant positive growth observed. The weakest industry-level performance in terms of youth employment is in construction, where employment contracted by 7.0 percent per annum across

the four-year period, compared to virtually no change for non-youth. Weak performance across all three industries within the secondary sector means that employment in the secondary sector contracted by an average of 5.1 percent per annum. This is twice the rate of contraction observed amongst the non-youth, which is also not statistically significant. Employment growth has, though, been better in the tertiary sector for both youth and non-youth relative to other sectors, but has also generally been better for non-youth. In CSP services, non-youth employment growth averaged 3.9 percent per annum over the period, compared to a statistically insignificant 0.9 percent per annum for youth. Overall, non-youth employment grew by 2.1 percent per annum in the tertiary sector, compared to a statistically insignificant contraction of 1.1 percent per annum amongst the youth. Ignoring statistical significance,

it is only in private households that employment trends since 2008 have been superior for youth as opposed to non-youth.

While the industrial structure of employment is relatively similar for youth and non-youth, the occupational distribution is very dissimilar across the two groups. Table 5 indicates that skilled occupations account for 60.8 percent of youth employment, followed by low skilled occupations (28.4 percent). High skilled occupations account for 10.8 percent of youth employment. Non-youth employment is less concentrated in skilled occupations and more likely to be in high skilled occupations. These two occupational categories account for 54.6 percent and 16.1 percent of non-youth employment respectively, both proportions being statistically significantly different from those of youth employment.

Table 5: Occupational Distribution of Employment, 2008Q1-2012Q1

	Employment 2012Q1				Employment Growth 2008-2012	
	Youth		Non-Youth		Youth	Non-Youth
	'000s	Share	'000s	Share	Percent	Percent
Total Employment ('000s)	5 796	100.0	7 650	100.0	-2.3	0.7
Managers	292	5.0	815	10.7 †	1.0	3.9
Professionals	333	5.7	420	5.5	0.5	-0.6
<i>High Skilled</i>	625	10.8	1 234	16.1 †	0.7	2.3
Technicians	548	9.4	987	12.9 †	-0.1	2.2
Clerks	744	12.8	675	8.8 †	-3.6	1.5
Service and sales workers	1 022	17.6	949	12.4 †	-1.5	6.5 *
Skilled agricultural	13	0.2	48	0.6 †	-16.4	-16.2 *
Craft and related trades	738	12.7	868	11.4	-6.3 *	-4.3 *
Operators and assemblers	457	7.9	649	8.5	-1.8	-1.0
<i>Skilled</i>	3 522	60.8	4 177	54.6 †	-2.9 *	0.5
Elementary Occupations	1 361	23.5	1 626	21.3	-2.3	0.6
Domestic Workers	288	5.0	612	8.0 †	0.5	-0.4
<i>Low Skilled</i>	1 649	28.4	2 238	29.3	-1.8	0.4

Source: Own calculations, Statistics South Africa (2008, 2012).

Notes: Statistically significant changes at the 95 percent level between 2008Q1 and 2012Q1 are indicated by an asterisk (*). A dagger (†) designates a statistically significant difference between the proportions of youth and non-youth.

At a more disaggregated level, the largest occupational category for both youth and non-youth workers is elementary occupations. This category accounts for between one-fifth and one-quarter of employment in both age groups. Amongst youth, service and sales workers are the second-largest occupational category, accounting for 17.6 percent of employment, followed by clerks (12.8 percent) and craft and related trades (12.7 percent). For non-youth, however, employment is more evenly distributed across occupations, with technicians (12.9 percent of employment), service and sales workers (12.4 percent) and craft and related trades (11.4 percent) being the most common occupations after elementary occupations. Non-youth are twice as likely as youth to be managers (10.7 percent *vs.* 5.0 percent), no doubt a direct result of the age difference between the groups. Youth are also less likely to be employed as technicians, skilled agricultural workers and domestic workers than their older counterparts. Conversely, youth are more likely to be

employed as clerks and service and sales workers than non-youth.

Employment growth has been particularly weak for youth in skilled occupations, which contracted by 2.9 percent per annum between 2008Q1 and 2012Q1. While employment in all individual skilled occupational categories appears to have declined for youth, the only statistically significant change occurred in craft and related trades (-6.3 percent per annum). Positive though statistically insignificant growth was observed for youth in high skilled occupations – both managers and professionals) and in domestic work. For non-youth, however, the picture appears more positive. For this group, employment in craft and related trades declined by 4.3 percent per annum and expanded for service and sales workers at 6.5 percent per annum. Positive but statistically insignificant growth in non-youth employment is observed amongst managers, technicians, clerks and elementary occupations.

YOUTH EMPLOYMENT CHARACTERISTICS

There is significant variation in employment characteristics between youth and non-youth workers. Table 6 presents a range of variables according to which the 'quality' of employment may be judged, including contract duration

and type, access to various benefits, hours of work, union membership and the nature of the employment relationship.

Table 6: Employment Characteristics of Youth and Non-Youth Employees, 2008Q1-2012Q1

	Youth		*	Non-Youth			Youth vs. Non-Youth	
	2008Q1	2012Q1		2008Q1	2012Q1		2008Q1	2012Q1
Total Employment ('000s)	6 353	5 796		7 425	7 650			
Contract Duration (Percent)								
Limited Duration	13.6	15.6		6.4	7.5	*	†	†
Permanent Nature	47.2	49.0		56.8	59.3	*	†	†
Unspecified duration	27.8	24.0	*	17.5	15.4	*	†	†
Self-employed	11.4	11.4		19.2	17.8		†	†
Total Employees ('000s)	5 632	5 133		5 996	6 285			
Contract Type (Percent)								
Written contract	70.8	77.8	*	76.9	82.4	*	†	†
Verbal contract	29.2	22.2	*	23.1	17.6	*	†	†
Access to Benefits (Percent)								
Medical aid	21.2	24.1		34.8	39.1	*	†	†
UIF contributions	56.4	60.0	*	54.0	55.1			†
Pension contributions	35.8	39.5	*	53.5	55.5		†	†
Paid (annual) leave	50.0	60.4	*	63.4	71.9	*	†	†
Paid sick leave	-	64.1	-	-	73.6	-		†
Paid maternity leave (females only)	-	53.7	-	-	59.1	-		†
Hours of Work (Percent)								
1 to 19 hours	3.0	2.4		3.7	3.3			†
20 to 39 hours	8.2	7.9		12.3	12.3		†	†
40 to 44 hours	32.1	38.1	*	36.1	42.1	*	†	†
45 to 49 hours	26.8	29.6		24.1	25.6		†	†
50 hours or more	29.9	21.8	*	23.8	16.3	*	†	†
Mean hours worked (hours)	45.7	44.4	*	43.4	42.7	*		
Other (Percent)								
Trade union membership	-	22.1		-	35.0			†
Formal employment	68.5	75.8	*	75.1	80.2	*	†	†
Informal employment	31.5	24.2	*	24.9	19.8	*	†	†

Source: Own calculations, Statistics South Africa (2008, 2012).

Just under half (49.0 percent) of young workers are employed on a permanent basis in 2012, compared to 59.3 percent of older workers. Conversely, employed youth are twice as likely as their older counterparts to be employed on contracts of limited duration. Employment contracts for young workers are more likely to be of unspecified duration (24.0 percent *vs.* 15.4 percent), while fewer youth are self-employed (11.4 percent *vs.* 17.8 percent) compared to non-youth. All these differences are statistically significant. Thus, youth employment is typically less secure than that of older workers. Between 2008 and 2012, the distribution of non-youth employment across the different contract durations has changed statistically significantly. The proportion of non-youth employed on contracts of a permanent nature has increased, as has those on limited duration contracts, while the proportions of self-employment and contracts of unspecified duration have declined. For youth, however, the only statistically significant change has been a decrease in the incidence of contracts of unspecified duration.

Evidence suggests that employment relationships are generally formalised for both youth and non-youth employees, although young employees lag older employees. More than three-quarters (77.8 percent) of youth employees report having written contracts, whereas for non-youth employees this proportion is 82.4 percent, a difference of almost five percentage points. Young employees are, therefore, slightly disadvantaged relative to older employees as they are more likely to have verbal employment contracts, which may be more easily abrogated by employers. Since 2008, however, there has been a significant movement away from verbal contracts, towards written contracts recorded for both the youth and non-youth employees.

The Basic Conditions of Employment Act (BCEA) and the various sectoral determinations issued by the Minister of Labour mean that a large proportion of employees have at least some protections in the form of minimum benefits. Table 6 indicates the proportions of youth and non-youth employees with access to medical aid, unemployment

insurance (UIF) and pension contributions, and three types of paid leave.

Access to these six benefits differs statistically significantly between youth and non-youth employees, with the former generally lagging the latter. Amongst employees under the age of 35 years in 2012, 24.1 percent report having deductions made for medical aid and 39.5 percent report this for pensions. These proportions are substantially lower than observed for older employees, namely 39.1 percent and 55.5 percent respectively, roughly 15 percentage points higher than the access rates for young employees. However, young employees are more likely to be covered by the UIF than older employees: 60.0 percent compared to 55.1 percent. The reason for this is unclear, but perhaps it may relate to a view that compliance with UIF legislation is viewed as least onerous (or more important) than administering medical aid and pension deductions. Younger employees may be less focussed on medical aid and pension, or the difference may relate to the differing sectoral and occupational mixes of the two groups of employees (for example, the higher proportion of older workers in CSP services, which includes government, where UIF contributions are not made).

Older employees are more likely to have access to paid leave of all types than their younger counterparts. Nearly three out of four non-youth employees are entitled to paid (annual) leave and paid sick leave, 71.9 percent and 73.6 percent respectively. Further, almost 60 percent of female employees in this age group are entitled to paid maternity leave. The difference in the rate of entitlement to paid maternity leave between youth and non-youth employees is relatively small (5.4 percentage points), but for paid annual leave and paid sick leave it is 11.5 percentage points and 9.5 percentage points respectively. The proportion of employees entitled to paid annual leave has increased substantially over the four-year period, particularly for younger employees. For employees under the age of 35 years, the proportion entitled to paid leave has increased by 10.4 percentage points, while for those aged 35 years or more the proportion has increased by 7.5 percentage points. Unfortunately, the QLFS did not collect information on paid sick leave or paid maternity leave in 2008 and it is therefore not possible to determine whether there have been changes to entitlement to these types of leave over the period.

Table 6 also reports the distribution of employees across categories of hours usually worked per week. The majority of employees report working between 40 and 49 hours per week. Amongst both youth and non-youth employees, the proportion reporting working between 40 and 49 hours is 67.7 percent. Within this category, though, younger workers are more likely to work longer hours: 29.6 percent report working 45 to 49 hours, compared to 25.6 percent of their older counterparts. Similarly, more than one-fifth (21.8 percent) of youth employees report usually working 50 hours or more per week, compared to 16.3 percent of

non-youth employees. As a result, younger employees are considerably less likely to work less than 40 hours per week than non-youth employees: 10.3 percent compared with 15.6 percent. Interestingly, however, while youth employees are estimated to work longer hours on average, the difference between the youth and non-youth estimates is not statistically significant.

Between 2008 and 2012, however, there has been a significant change in working hours that is evident for both age groups. Mean hours usually worked declined for both youth and non-youth employees, falling by 1.3 hours per week to 44.4 hours per week for youth and by 0.7 hours per week to 42.7 hours per week for non-youth. This is linked to substantial declines in the proportion of employees in both age groups that report usually working 50 hours or more per week and increases in the proportion of employees working 40 to 44 hours per week. In the context of the weak economic conditions that characterised the period, this reduction in hours worked is not particularly surprising, although it would have been useful to understand what has happened to wages over this period too.

Trade union membership is substantially more common amongst older employees: 35.0 percent of non-youth employees are union members, compared to just 22.1 percent of youth. This may relate to differing views on the benefits of membership between the two age groups, but may again relate to the differing occupational and sectoral distributions of youth and non-youth employees.

The final pair of variables – formal and informal employment – describe the nature of the employment relationship rather than the employment sector and incorporate some of the variables discussed already in their definition. Informal employment is defined as including all individuals employed in the informal sector; all persons working unpaid in household businesses; and all formal sector workers and workers in private households who receive neither pension nor medical aid benefits and who also do not have written contracts. Employers and own account workers, in this definition, are placed in a third category, which is not shown here since the focus here is on employees only. Formal employment refers to all employed individuals who do not fulfil the criteria for either informal or other employment.

Although formal employment accounts for the majority of employment for both youth and non-youth employees, the proportion is slightly higher for non-youth (80.2 percent compared to 75.8 percent of youth employees). This means that nearly one-quarter (24.2 percent of youth employees) are employed informally and are therefore insecure in their employment. On the positive side, however, there has been a statistically significant reduction in the incidence of informal employment over the four-year period. Amongst youth, informal employment has fallen by 7.3 percentage points, while amongst the non-youth it has declined by 5.1

percentage points. This improvement is congruent with the improvements observed in terms of access to benefits and

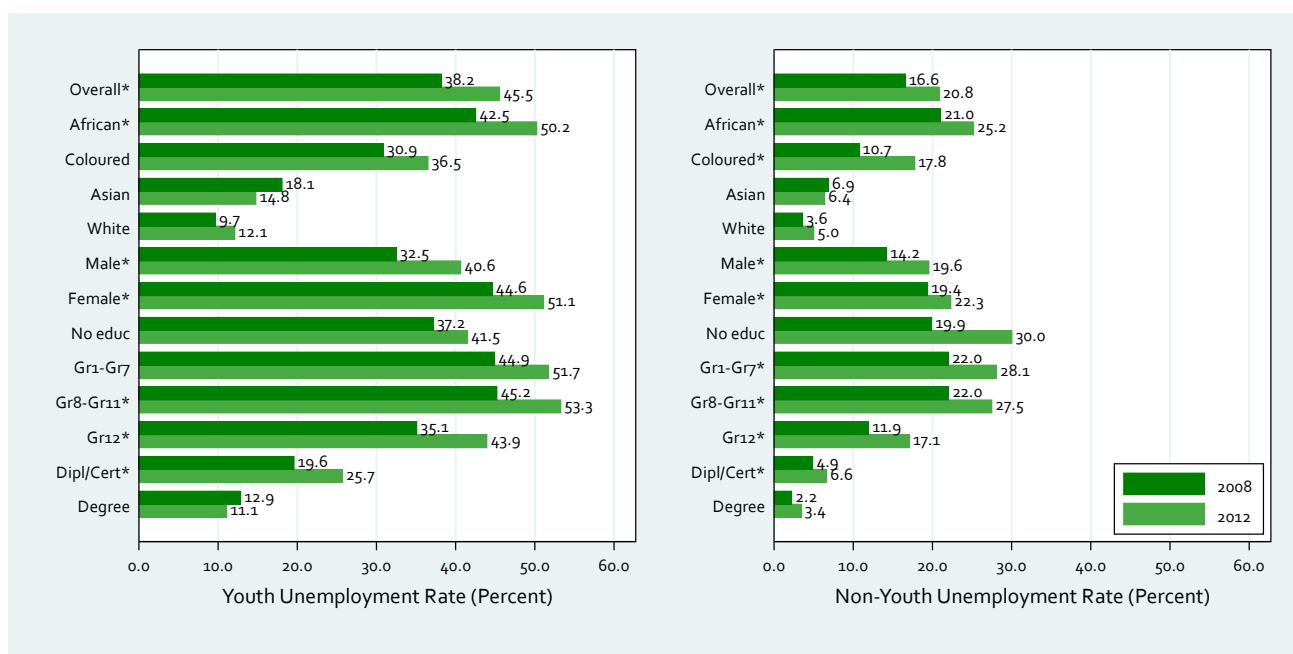
the proportion of employees with written contracts.

YOUTH UNEMPLOYMENT

As shown above, the youth unemployment rate is approximately 12 percentage points higher than the national average, irrespective of the definition of unemployment used. Figure 4 presents the expanded unemployment rates for the youth and non-youth segments of the labour force across race, gender and educational attainment. The figure clearly shows the extent of labour market disadvantage experienced by the youth in

terms of unemployment rates: the youth unemployment rate of 45.5 percent in 2012 is more than twice that of the non-youth population (20.8 percent). Since 2008Q1, the youth unemployment rate has risen by 7.3 percentage points, compared to 4.2 percentage points for the non-youth unemployment rate. In both cases, the increase is found to be statistically significant.

Figure 4: Expanded Unemployment Rates, 2008Q1 and 2012Q1



Source: Own calculations, Statistics South Africa (2008, 2012).

Notes: 1. Statistically significant differences at the 95 percent level between 2008Q1 and 2012Q1 are indicated by asterisks (*) next to axis categories. For all categories, differences between youth and non-youth for both years are statistically significant.

Youth unemployment rates are consistently higher than those of the non-youth labour force across all three sets of demographic covariates presented, with all differences found to be statistically significant. One out of two Africans (50.2 percent) under the age of 35 years are unemployed according to the expanded definition of unemployment, compared to 36.5 percent of Coloureds, 14.8 percent of Asians and 12.1 percent of Whites in this age category. In each case, the unemployment rate is at least twice that observed for the corresponding non-youth labour force. While estimates of the unemployment rate are higher for Africans, Coloureds and Whites, both youth and non-youth, it is only in the case of Africans that there has been a statistically significant increase in the unemployment rate over the period.

The unemployment rate for males aged 35 years or more is 19.6 percent and is just under half the rate for males under the age of 35 years. The gap, though, is larger for females: the female youth unemployment rate, at 51.1 percent, is roughly 1.3 times that of their older counterparts, suggesting that it is particularly female youth that are unemployed. Despite this, the unemployment rate has risen more rapidly for men, narrowing the gender gap in both youth and non-youth unemployment rates.

In terms of educational attainment, youth and non-youth unemployment rates display quite different patterns. Previous analyses of unemployment rates by educational attainment show that unemployment rates rise as one moves from no education to incomplete secondary education and falls again as one moves to complete

secondary and, in particular, post-secondary education (see, for example, Development Policy Research Unit, 2012b: 10). What is interesting is that this pattern is driven entirely by youth unemployment. Amongst the youth, the unemployment rate for those with no education is 41.5 percent in 2012, rising to 53.3 percent for incomplete secondary education, falling to 43.9 percent for matriculants and just 11.1 percent for tertiary graduates. In contrast, unemployment amongst older individuals is very similar for those with no formal education, those with only primary education and those with incomplete secondary education (between 27 percent and 30 percent). However, the unemployment rate drops more than ten percentage points to 17.1 percent for matriculants, and to 6.6 percent and 3.4 percent for those with diplomas and/or certificates and those with degrees respectively.

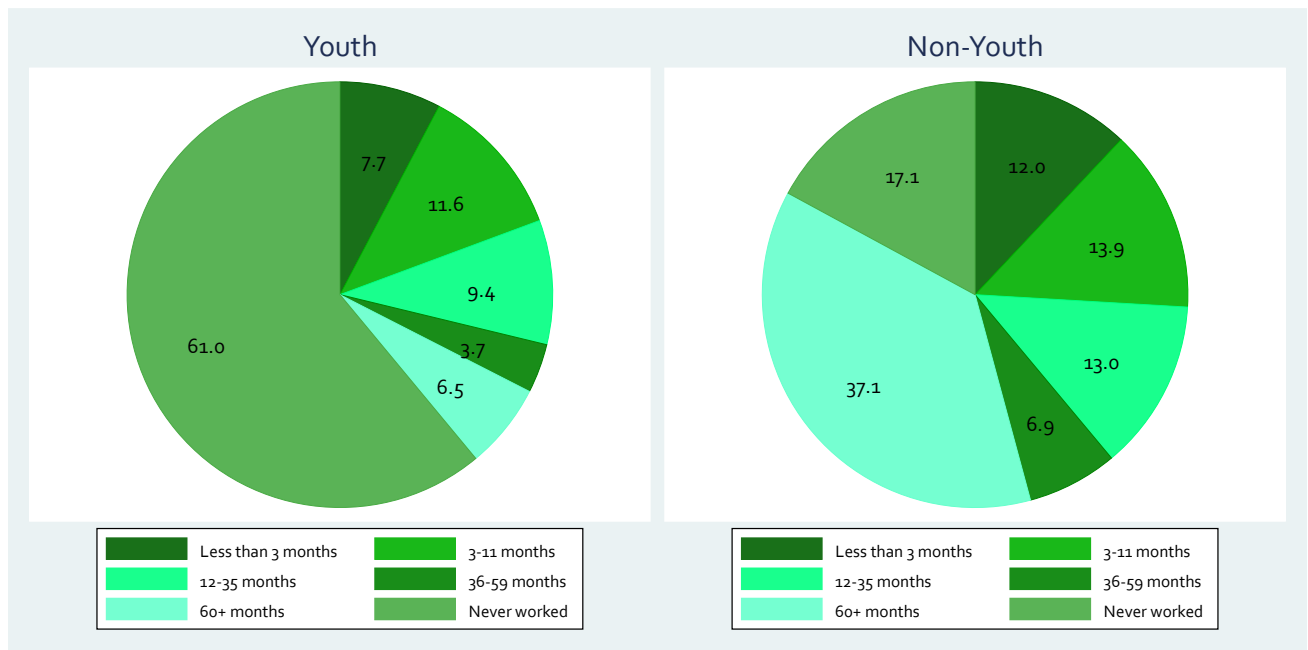
Part of the reason for this difference relates to the number of individuals in each of these categories. For example, amongst youth, those with no formal education account for 0.7 percent of the unemployed, one-tenth the proportion amongst the non-youth unemployed. Even given that youth outnumber non-youth amongst the unemployed by a ratio of 2.4 to 1, this means that amongst the unemployed non-youth number more than four times the number of youth in this educational category. Similarly, those with only primary education account for 9.3 percent of the youth unemployed, but 24.3 percent of the non-youth unemployed, while the shares accounted for by tertiary graduates in youth and non-youth unemployment are

statistically indistinguishable from each other at around one percent. It is clear, therefore, that the profile of educational attainment of unemployed youth is substantially better than that of their non-youth counterparts.

Higher rates of unemployment for youth relative to non-youth within particular educational categories are typically attributed to two key factors. First, youth are more often unemployed because employers do not view their qualifications as equivalent to those held by older workers. In other words, quantity of education may be the same, but employers view the quality of more recently obtained qualifications (i.e. those held by young people) as inferior. This, though, is unverifiable in terms of the QLFS data. The second explanation for higher rates of unemployment amongst the youth is that young people lack experience, an unfortunately circular argument.

The extent of the prevalence of a lack of experience amongst the youth can be gauged from the QLFS. Figure 5 presents the breakdown of youth and non-youth unemployment according to the time since the individual last worked. The differences between the two groups are stark at first sight. Three out of every five unemployed people under the age of 35 years report never having worked before. In contrast, amongst unemployed people aged 35 years or more, the proportion is 17.1 percent, a difference of roughly 44 percentage points.

Figure 5: Time Since Last Worked, 2012Q1



Source: Own calculations, Statistics South Africa (2012).

Amongst the non-youth, though, close to two out of five unemployed individuals (37.1 percent) have been unemployed for at least five years. Given their age, it is not surprising that this proportion is very low for youth (6.5 percent). However, long-term unemployment such as this has important negative consequences for future employability as workers skills are eroded through lack of opportunity to exercise them, while technological change may make the existing skills of the long-term unemployed

obsolete. Adding these two categories together – those who have never worked and those who have been unemployed for at least five years – yields proportions of 67.5 percent of unemployed youth and 54.2 percent of their older counterparts. Although there is a gap of more than 13 percentage points between the two groups, it indicates the extent of the unemployment problem with one-half to two-thirds of the unemployed having either no experience or potentially significantly out-dated skill sets.

CONCLUSION

While the unemployment problem in South Africa remains one of the country's most pressing socioeconomic problems, young labour market participants face even greater challenges in terms of finding decent employment than their older counterparts. This factsheet has described the labour market outcomes of young people in comparison to those of individuals aged 35 years of older, confirming the existence of considerably poorer labour market outcomes almost across the board for the former.

While total employment in South Africa is marginally lower in 2012Q1 than four years earlier, employment amongst the youth population has fallen at an average annual rate of 2.3 percent per annum. In total, net job losses amongst the youth numbered roughly 560 000, indicating that the employment impact of the recession has been felt in the form of job losses primarily by young workers. The effect of this decline in youth employment has been the rapid growth of discouraged workseekers (the non-searching unemployed), whose numbers have doubled to more than 1.6 million during the four-year period.

A large proportion of the youth are neither employed nor engaged in education or training. Amongst 20 to 24 year olds and 25 to 29 year olds, half the population are not in employment or education, while this is true of more than 40 percent of 30 to 34 year olds. A large proportion of the youth population are, therefore, neither economically productive nor actively investing in their own human capital to improve their future employment prospects. This means that, in 2012, just three in ten young people were employed, down from 34.8 percent in 2008.

Within the expanded youth labour force, Africans account for a relatively large share and Whites a relatively small share, partly related to differing demographic trends within each race group, but also related to differing rates of enrolment in education. More than three-quarters of the youth labour force have incomplete or complete secondary education, compared to 56.8 percent of their older counterparts, as many young people are still furthering their education. However, the profile of educational attainment amongst the youth labour force is clearly superior to that of the non-youth labour force for education up to completed secondary education.

The formal sector is the largest sector within total employment for both youth and non-youth, followed by the informal sector and private households. While the composition of youth and non-youth employment is broadly similar across these categories, young people are found to be less likely to be employed in private households than their older counterparts. Perhaps the most important trend observed is in the non-agricultural formal sector, where non-youth employment expanded by 1.8 percent per annum over the four-year period, while that of youth declined by 1.8 percent per annum (although the latter is not statistically significant). Given that this sector dominates total employment and is, on average, higher paying than the other sectors, this is of concern.

Youth are over-represented within wholesale and retail trade and financial and business services, while being particularly under-represented within CSP services. Given the dominance of government within CSP services and the cyclical nature of the trade and finance sectors, this indicates a somewhat greater exposure of youth to cyclical fluctuations in employment and earnings.

The occupational structure of youth employment differs quite substantially from that of non-youth, with youth more concentrated in skilled occupations and substantially under-represented in high skilled occupations. In particular, youth are under-represented in managerial occupations, as well as being less likely than non-youth to be employed as technicians. Conversely, youth are considerably more likely to be clerks or service and sales workers. This can, again, be argued to reflect the particular dynamic associated with the youth population where a significant proportion of the population are still engaged in education, resulting in a change in the occupational structure of this cohort's employment over time. While young people are most often employed in skilled occupations, it is in this sector that employment growth has been particularly weak over the period, contracting by 2.9 percent per annum.

Overall, young people tend to lag their older counterparts in terms of the various characteristics of employment presented, such as contract duration and type, access to benefits and hours of work. They are less likely to be employed permanently, to have a written contract or to

have access to the various benefits and protections specified. Young people, on average, work longer hours, and are less likely to belong to trade unions. In 2012, the only area in which youth are better-off than non-youth is in the proportion for whom UIF contributions are being made by employers. As a result, youth employees are more likely to be informally employed. However, across all of these indicators, there have been improvements for youth employees, with the majority being statistically significant. While there have been many significant improvements for non-youth employees, the gaps between youth and non-youth have often narrowed.

Youth unemployment rates remain significantly higher than those of the non-youth population. Across the various demographic cohorts presented, expanded unemployment rates for youth are typically at least twice as high as those for non-youth, and sometimes three or more times higher. The general patterns of labour market disadvantage prevalent in South Africa – by race and gender – are also evident in the unemployment rates of youth, with Africans

and women particularly affected. An important observation is that it is the youth population that is responsible for the overall pattern of rising unemployment rates as one moves from no education to incomplete secondary education, and falling rates above that. Amongst the non-youth population, unemployment rates are similar across those with no education, primary education only and incomplete secondary education.

Amongst the unemployed, three-fifths of the youth report never having worked before, while a further 6.5 percent report having not worked for more than five years. Thus, two-thirds of unemployed people under the age of 35 years have either no work experience or may have significantly eroded (or outdated) skill sets, hampering them in their search for employment. Long-term unemployment is also a significant problem for non-youth.

BIBLIOGRAPHY

- BHORAT, H. & OOSTHUIZEN, M. 2007. Young People and the Labour Market. *Africa Insight*, 37(3), 388-403.
- DEVELOPMENT POLICY RESEARCH UNIT 2012a. *An Overview of the South African Labour Market for the Year ending 2011 Quarter 4. Monitoring the Performance of the South African Labour Market*. May 2012. Cape Town: DPRU, University of Cape Town. Available: <http://www.dpru.uct.ac.za> [Accessed: 27 June 2012].
- 2012b. *An Overview of the South African Labour Market for the Year Ending 2012 Quarter 1. Monitoring the Performance of the South African Labour Market*. Cape Town: DPRU, University of Cape Town. Available: <http://www.dpru.uct.ac.za/> [Accessed: 2 July 2012].
- REPUBLIC OF SOUTH AFRICA 2009. *National Youth Development Agency Act (Act No. 54 of 2008)*.
- SOUTH AFRICAN RESERVE BANK 2012. *Online Statistical Query (Historical Macroeconomic Timeseries Information)*. Pretoria: South African Reserve Bank. Available: <http://www.resbank.co.za>
- STATISTICS SOUTH AFRICA 2008. *Quarterly Labour Force Survey 2008Q1* [dataset]. Available: <http://www.statssa.gov.za>
- 2009. *Quarterly Labour Force Survey 2009Q1* [dataset]. Available: <http://www.statssa.gov.za>
- 2010. *Quarterly Labour Force Survey 2010Q1* [dataset]. Available: <http://www.statssa.gov.za>
- 2011. *Quarterly Labour Force Survey 2011Q1* [dataset]. Available: <http://www.statssa.gov.za>
- 2012. *Quarterly Labour Force Survey 2012Q1* [dataset]. Available: <http://www.statssa.gov.za>

