



economic development

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Input to debate on youth wage subsidy

Ebrahim Patel, Minister of Economic Development, National Assembly, 16 August 2012.

Speaker,

Honourable members,

Youth unemployment is a major challenge, as millions of young people, the talent base of the society, are left without jobs, without hope.

International situation

Enormous as our challenge is, we are not alone. Youth unemployment is a growing crisis across the world.

The ILO estimates that internationally 75 million people between 15 and 24 years old cannot find work.

The OECD finds that high levels of youth unemployment have persisted in the wake of the financial crisis and threaten to scar young people, affecting their career paths and future income.

It is important to remember this because, regrettably, a blame-game has infused much of the discussion, as if we have policies perversely designed to keep young people out of jobs.

The “silver bullet”

There is a saying: Beware those who come with simplistic answers to complex problems.

I have listened to oppositions somewhat glib prescriptions, the praise-song to one silver bullet that will solve all our youth employment problems.

They promises everyone everything from one simple intervention, and then seeks to demonise and delegitimize anyone who disagrees – in this case, most of the main youth organisations as well as major unions.

It is of course the luxury of opposition to ignore practical realities. If only our world was that easy.

The Western Cape

And the Western Cape, after years of DA rule, would have a different record on youth unemployment, a record I wish briefly to share with this august house, based on the latest StatsSA surveys.

Currently there are 330 000 people under age 30 without jobs in the Western Cape. That is high. In 2009 there were 289 000. In other words, 41 000 young people joined the ranks of the unemployed under DA rule.

But that's not all.

In the past 12 months, notwithstanding the launch of a youth wage subsidy by the W Cape, the situation deteriorated sharply.

Youth unemployment in Gauteng dropped by 100 000 persons in this period. In the Eastern Cape, it fell 34 000, and in KwaZulu Natal, 28 000.

In contrast, in the Western Cape youth unemployment actually went **up** by 45 000 over the past 12 months.

I raise this simply to make the point that the introduction of a subsidy in itself is not the silver bullet that is often claimed.

A multi pronged and collaborative approach

This is not to say there is no place for subsidies to work seekers or work creators aimed at bringing young people into jobs.

However, in contrast to the DA, government is working on an inclusive, multi-pronged strategy suited to the scale of the challenge we face.

Our approach is inclusive.

In June this year, 185 governments assembled with the world's major business and trade union representatives to discuss youth unemployment. Their call for action says young people's voices should be heard, their creativity engaged and their rights respected in

dealing with the youth employment crisis.

Youth organizations have rightly said: no solution for us without us.

We need to forge a consensus on how to address youth employment, instead of a kragdadige approach to push through a single measure in the face of opposition from youth organisations and trade unions.

We have now ramped up social dialogue on youth employment.

From June this year we elevated the discussions to leadership level, called in the leaders of the leaders of BLSA, BBC and BUSA, the representatives of women, disabled persons, civic organizations, and above all, youth representatives drawn from the South African Youth Council, and the leaders of Cosatu, Fedusa and Nactu.

The parties have agreed on the importance of a compact on youth employment, and identified core principles and programmes.

They include current and potential private sector initiatives on skills, internships, work-readiness programmes, bridging measures, to draw young people into employment on scale.

They recognized the value of a public sector programme of youth brigades, focused on rural, environmental, literacy, health and other activities, drawing on the experience of current programmes.

Again, no single mechanism can address the challenge of youth unemployment. As the ILO says, we require an “integrated approach [that] combines macro-economic policies and targeted measures which address labour demand and supply, as well as the quantity and quality of employment.”

This is particularly true in South Africa, where we face both a demographic bulge and the extraordinary levels of joblessness and exclusion that apartheid left behind.

That is why we need a new growth path.

But structural change takes time. For that reason, we are looking to short as well as long term measures, and a package that is proportionate to the scale of the problem.

Short run proposals

Honourable Members,

We are taking action as government.

We have set targets for public employment schemes that should have a real effect on youth joblessness.

The Expanded Public Works Programme currently has around 800 000 participants. Moreover, Cabinet has decided to substantially grow the Community Work Programme tenfold to a million participants by 2015.

Youth brigades let young people serve their communities and work together. We are talking to our social partners and youth organisations about setting up health, education, rural and green brigades, amongst others.

The Skills Accord lays the basis for expanding apprenticeships and internships. The public service committed to 60 000 new internships, about seven times as many as today. The private sector and SOEs also set themselves stretch targets.

Finally, we are exploring work-seeker and work-creator subsidies with stakeholders.

Longer term measures

For the longer run, the New Growth Path identifies key jobs drivers in the economy, with the National Infrastructure Plan and the Industrial Policy Action Plan as key levers to support them.

Where jobs drivers benefit from government support, we will set targets for new entrants - for instance in the green economy and infrastructure, business process services and the digital migration in broadcasting.

We have tabled a proposal for a Youth Employment Committee under Nedlac to consider specific proposals to boost employment for young workers. By building in collaboration, it would avoid unnecessary conflict as well as exploitative programmes.

In addition, where young people want to start their own business, government will help them. Government is establishing specific programmes for youth entrepreneurs and co-ops, including a role in installing solar water heaters.

Education

Education counts. Today, under 10% of young people with a tertiary degree are unemployed, compared to 35% of those with matric and 40% of those who never finished secondary school.

The Skills and Education Accords capture strong commitments by the social partners. We will also accelerate work on the second-chance matric. Moreover, the Green Paper on Post-Secondary Education and Training foresees a tenfold expansion in FET to four million by 2030, while higher education doubles to 1,5 million. And we are working with social partners to improve the transition from school to work, including through expanded counselling and support for job searches.

Conclusion

We cannot address joblessness on the scale left by apartheid through tax incentives alone though the full range of measures, including carefully structured subsidies and grants have a role to play.

Nor can we help young people through measures that displace older workers. That approach would deepen social divisions and poverty. It has already failed the youth of the Western Cape.

Ultimately, we need collective action and solidarity to bring about systemic changes so that the economy can provide opportunities for all. That is the path foreseen in the Freedom Charter. That is the aim of the New Growth Path, the National Infrastructure Plan and the National Development Plan. That is why we need a multi-pronged strategy to deal with youth unemployment.