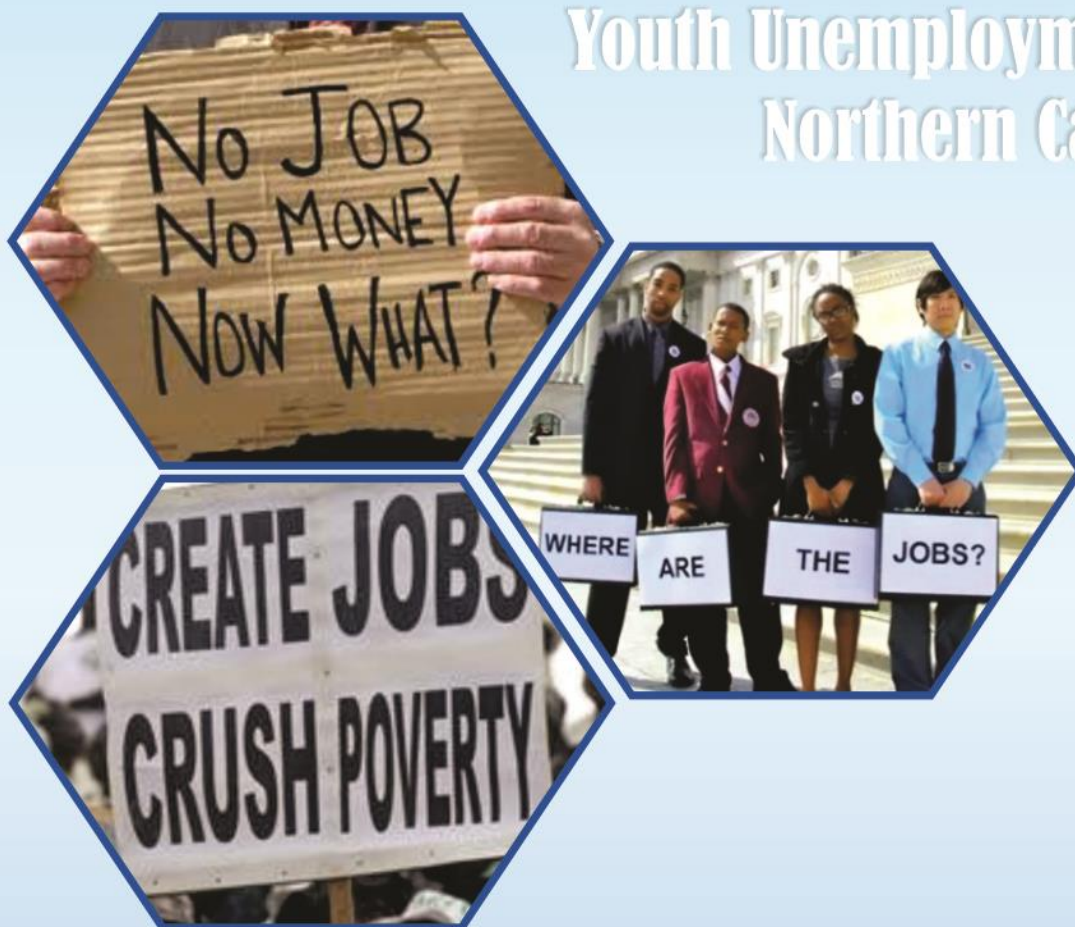




**NCPT**

NORTHERN CAPE PROVINCIAL TREASURY

## Policy Brief: Youth Unemployment in the Northern Cape



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## 1. Introduction

Unemployment is a socio-economic issue that has a negative influence on the standing of an economy as well as an individual's economic activity. The youth is particularly vulnerable to the negative effects of unemployment. For this reason, remedying high unemployment by creating decent work, reducing inequality and combating poverty were prioritised nationally through the New Growth Path. The New Growth Path commits government to provide bold, imaginative and effective strategies to create millions of new jobs needed by the South African economy; its objective is to grow employment by five million jobs by 2020, by focusing consistently on areas that have the potential for creating employment on a large scale – also termed jobs drivers. The following are some of key sectors have been identified for prioritisation of support in employment creation: infrastructure, agricultural value chain, mining value chain, the knowledge and green economies, manufacturing sector and tourism. In 2012, the National Development Plan (NDP) was launched, which is a long-term development plan and a detailed blueprint for how the country can eliminate poverty and reduce inequality by 2030. Among the NDP's objectives is to create an additional 11 million jobs by 2030 with an aim to subsequently reduce the unemployment rate from 25 per cent to 14 per cent in 2020 and 6 per cent by 2030 (NDP, 2012). The NDP also targets to increase the labour force participation rate from 54 per cent to 65 per cent.

One of the challenges the South African economy has faced since the transition is that of persistently high unemployment. A closer inspection of the unemployment predicament reveals that unemployment is most serious amongst the youth cohort of the population. There have been a number of interventions by the public and private sectors at national, provincial and local level, but there are still limitations to the progress that has been realised in relieving youth unemployment.

This Policy Brief seeks to contextualise the issue of youth unemployment in the Northern Cape, using adult unemployment in the province as a comparator. The aim of this exercise is to quantify the degree to which the youth of the Northern Cape are most affected by unemployment in comparison to their adult counterparts. In this Policy Brief, the youth refers to the age group of 15 to 34 years. The analysis will be conducted by providing a background to youth unemployment followed by an overview of the key national unemployment indicators and lastly by looking at a detailed analysis of the age groups of 15 to 34 years

(referred to as youth) as compared the 35 to 64 years age group's (referred to as adults) labour indicators for the Northern Cape focussing on the third quarters of 2008 to 2017. The Policy Brief will then provide implications and recommendations.

## 2. Background

Freeman and Wise (1982) identified key distinguishing features between youth unemployment and unemployment affecting the older cohorts of the population. It found that the youth displayed more volatile patterns of alternating between job seeking and non-economic activities such as education. It was also found that young people can be less active job seekers than their older counterparts. Some of the material implications of youth unemployment identified by Freeman and Wise (1982) indicated that the effects of youth unemployment go beyond the immediate social and psychological effects of idleness in that early unemployment is associated with a negative effect on wages later in life. Kahraman (2011) highlights how the early youth ages of 15 to 24 years are crucial to the development of human capital as this is the stage at which decisions which impact the rest of one's life are made. Economically, unemployment means that the youth have less money at their disposal to spend as consumers and less to contribute to investment as savers (ILO, 2016).

In the South African context, the youth unemployment rate of the country is roughly twice that of the adult unemployment rate (Mlatsheni and Ranchhod, 2017). This is an indication of the severity of the problem in South Africa. Mlatsheni and Ranchhod (2017) identified education, job search, networks and geographical isolation from employment as some of the supply side factors that influence labour market success. They highlight the importance of bettering a person's level of education to improve their chance of finding employment and in turn creating employment. Active job search may become costly at times. This also highlights the importance of networks in acquiring a job. Also, the inability to access areas with the possibility of employment could be due to geographical isolation from employment.

## 3. Analysis of Youth Unemployment in South Africa and Northern Cape

### 3.1 The South African Labour Market: Youth vs Adults

Table 1 below provides an overview of the South African labour market comparing the labour market characteristics of the youth (15 to 34 years old) to that of the rest of the working age population (ages 35 to 64), referred to as adults, for the third quarters of 2008 to 2017.

**Table 1: Overview of the South African Labour Market: Comparing age groups 15-34 and 35-64, 2008Q3-2017Q3**

	2008Q3	2009Q3	2010Q3	2011Q3	2012Q3	2013Q3	2014Q3	2015Q3	2016Q3	2017Q3
	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
<b>Youth (15 - 34 years)</b>										
<b>Working-age population</b>	18 305	18 505	18 713	18 937	19 169	19 397	19 610	19 801	19 978	20 133
<b>Labour Force</b>	9 527	8 979	8 917	9 018	9 286	9 335	9 452	9 889	9 977	10 090
Employed	6 448	5 861	5 679	5 779	5 926	6 070	5 977	6 352	6 161	6 193
Unemployed	3 079	3 118	3 238	3 240	3 360	3 265	3 474	3 537	3 816	3 897
Not economically active	8 778	9 526	9 796	9 919	9 883	10 062	10 159	9 913	10 001	10 042
<b>Rates (%)</b>										
Unemployment rate	32.3	34.7	36.3	35.9	36.2	35.0	36.8	35.8	38.2	38.6
Employed/Population ratio (Absorption)	35.2	31.7	30.3	30.5	30.9	31.3	30.5	32.1	30.8	30.8
Labour force participation rate	52.0	48.5	47.7	47.6	48.4	48.1	48.2	49.9	49.9	50.1
<b>Adults (35 - 64 years)</b>										
<b>Working-age population</b>	13 533	13 930	14 320	14 703	15 084	15 472	15 878	16 312	16 772	17 241
<b>Labour Force</b>	9 321	9 327	9 385	9 799	10 177	10 581	10 816	11 357	11 729	12 312
Employed	8 100	7 969	7 969	8 340	8 636	8 966	9 140	9 477	9 672	9 999
Unemployed	1 220	1 358	1 416	1 460	1 541	1 615	1 677	1 881	2 057	2 313
Not economically active	4 212	4 603	4 935	4 904	4 907	4 890	5 062	4 955	5 043	4 929
<b>Rates (%)</b>										
Unemployment rate	13.1	14.6	15.1	14.9	15.1	15.3	15.5	16.6	17.5	18.8
Employed/Population ratio (Absorption)	59.9	57.2	55.6	56.7	57.3	58.0	57.6	58.1	57.7	58.0
Labour force participation rate	68.9	67.0	65.5	66.6	67.5	68.4	68.1	69.6	69.9	71.4
<b>Working age (15-64 years)</b>										
<b>Working-age population</b>	31 839	32 435	33 033	33 640	34 253	34 868	35 489	36 114	36 750	37 373
<b>Labour Force</b>	18 848	18 306	18 303	18 818	19 463	19 916	20 268	21 246	21 706	22 402
Employed	14 549	13 830	13 648	14 118	14 562	15 036	15 117	15 828	15 833	16 192
Unemployed	4 299	4 476	4 655	4 699	4 901	4 880	5 151	5 418	5 873	6 210
Not economically active	12 991	14 129	14 731	14 822	14 790	14 952	15 221	14 867	15 044	14 971
<b>Rates (%)</b>										
Unemployment rate	22.8	24.5	25.4	25.0	25.2	24.5	25.4	25.5	27.1	27.7
Employed/Population ratio (Absorption)	45.7	42.6	41.3	42.0	42.5	43.1	42.6	43.8	43.1	43.3
Labour force participation rate	59.2	56.4	55.4	55.9	56.8	57.1	57.1	58.8	59.1	59.9

Source: StatsSA P0211 3rd Quarter (QLFS) (2017a)

In quarter 3 of 2017, the total population of South Africans considered to be of working age (15 to 64 years) was 37.373 million and of that number, 17.241 million were adults (35 to 64 years) and 20.133 million were youth (15 to 34 years). This illustrates that nationally the working age population was dominated by the youth. A consideration of the labour force participation rate reveals that there were significantly fewer youth participating in the labour force than adults. The labour force participation rate for adults was 71.4 per cent whereas that of youth was 50.1 per cent. This could in part be due to more youth attending school or other training. The same concern is also highlighted by the disparities in the unemployment rates

between the two age groups; while overall the unemployment rate was 27.7 per cent it was more pronounced in the youth at 38.6 per cent. From quarter 3 of 2008 to quarter 3 of 2017 there was an increase in the youth, adult and overall unemployment rates respectively. The youth unemployment rate for the period under review ranged between a low of 32.3 per cent in quarter 3 of 2008 and a high of 38.6 per cent quarter 3 of 2017. This is an increase of 6.3 percentage points. The unemployment rate of adults was lower than the youth unemployment rate. This age group recorded its highest unemployment rate during the review period in quarter 3 of 2017 at 18.8 per cent and its lowest in quarter 3 of 2008 at 13.1 per cent. From analysing the two sets of unemployment rates in the table above, one can see that the unemployment rate of the youth is much higher than it is for the remainder of the working age population.

### 3.2 The Northern Cape Labour Market: Youth vs Adults

This section looks at the main trends in the labour market of the Northern Cape, considering the youth population (15 to 34 years) as compared to that of adults (ages 35 to 64) for quarters 3 of 2008 to 2017

Table 2 below provides an overview of the Northern Cape labour market comparing the labour market characteristics of the youth (15 to 34 years old) to that of adults (ages 35 to 64) for the third quarters of 2008 to 2017.

**Table 2: Overview of the Northern Cape Labour Market: Comparing Age Groups 15-34 and 35-64, 2008Q3-2017Q3**

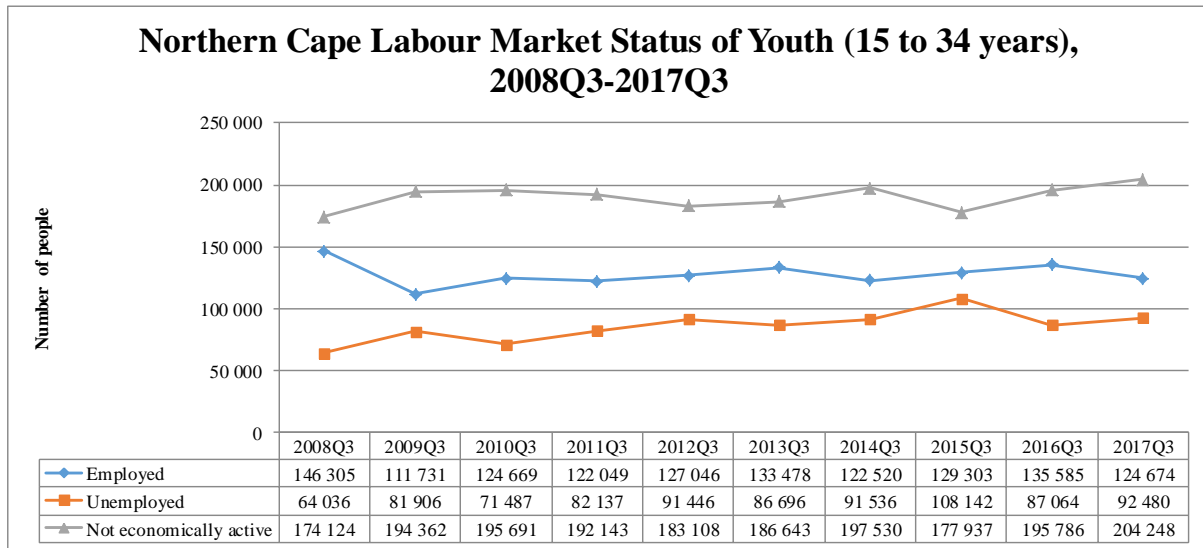
	2008Q3	2009Q3	2010Q3	2011Q3	2012Q3	2013Q3	2014Q3	2015Q3	2016Q3	2017Q3
	<b>Youth (15 - 34 years)</b>									
<b>Working-age population</b>	<b>384 465</b>	<b>387 999</b>	<b>391 847</b>	<b>396 329</b>	<b>401 600</b>	<b>406 817</b>	<b>411 586</b>	<b>415 382</b>	<b>418 435</b>	<b>421 402</b>
<b>Labour Force</b>	<b>210 341</b>	<b>193 637</b>	<b>196 156</b>	<b>204 186</b>	<b>218 492</b>	<b>220 174</b>	<b>214 056</b>	<b>237 445</b>	<b>222 649</b>	<b>217 154</b>
Employed	146 305	111 731	124 669	122 049	127 046	133 478	122 520	129 303	135 585	124 674
Unemployed	64 036	81 906	71 487	82 137	91 446	86 696	91 536	108 142	87 064	92 480
Not economically active	174 124	194 362	195 691	192 143	183 108	186 643	197 530	177 937	195 786	204 248
<b>Rates (%)</b>										
Unemployment rate	30.4	42.3	36.4	40.2	41.9	39.4	42.8	45.5	39.1	42.6
Employed/Population ratio (Absorption)	38.1	28.8	31.8	30.8	31.6	32.8	29.8	31.1	32.4	29.6
Labour force participation rate	54.7	49.9	50.1	51.5	54.4	54.1	52.0	57.2	53.2	51.5
	<b>Adults (35 - 64 years)</b>									
<b>Working-age population</b>	<b>317 393</b>	<b>322 597</b>	<b>327 572</b>	<b>332 515</b>	<b>337 296</b>	<b>342 165</b>	<b>347 312</b>	<b>352 967</b>	<b>359 221</b>	<b>365 950</b>
<b>Labour Force</b>	<b>195 442</b>	<b>177 642</b>	<b>186 596</b>	<b>191 692</b>	<b>206 025</b>	<b>218 876</b>	<b>216 154</b>	<b>190 101</b>	<b>215 491</b>	<b>220 452</b>
Employed	170 224	150 593	161 369	163 092	171 950	182 971	179 868	137 115	173 369	182 172
Unemployed	25 218	27 049	25 227	28 600	34 075	35 905	36 286	52 986	42 122	38 280
Not economically active	121 951	144 955	140 976	140 823	131 271	123 289	131 158	162 866	143 730	145 498
<b>Rates (%)</b>										
Unemployment rate	12.9	15.2	13.5	14.9	16.5	16.4	16.8	27.9	19.5	17.4
Employed/Population ratio (Absorption)	53.6	46.7	49.3	49.0	51.0	53.5	51.8	38.8	48.3	49.8
Labour force participation rate	61.6	55.1	57.0	57.6	61.1	64.0	62.2	53.9	60.0	60.2
	<b>Working age (15-64 years)</b>									
<b>Working-age population</b>	<b>701 858</b>	<b>710 596</b>	<b>719 419</b>	<b>728 845</b>	<b>738 896</b>	<b>748 982</b>	<b>758 897</b>	<b>768 350</b>	<b>777 656</b>	<b>787 351</b>
<b>Labour Force</b>	<b>405 784</b>	<b>371 279</b>	<b>382 752</b>	<b>395 878</b>	<b>424 517</b>	<b>439 050</b>	<b>430 241</b>	<b>463 546</b>	<b>437 142</b>	<b>437 606</b>
Employed	316 530	262 324	286 038	285 141	298 996	316 449	302 418	302 418	307 955	306 846
Unemployed	89 254	108 955	96 714	110 737	125 521	122 601	127 823	161 128	129 187	130 760
Not economically active	296 074	339 317	336 667	332 967	314 379	309 932	328 656	304 804	340 514	349 745
<b>Rates (%)</b>										
Unemployment rate	22.0	29.3	25.3	28.0	29.6	27.9	29.7	34.8	29.6	29.9
Employed/Population ratio (Absorption)	45.1	36.9	39.8	39.1	40.5	42.3	39.8	39.4	39.6	39.0
Labour force participation rate	57.8	52.2	53.2	54.3	57.5	58.6	56.7	60.3	56.2	55.6

Source: StatsSA (2017b)

As at the third quarter of 2017, there were 787 351 people of working age in the Northern Cape, with the youth making up 53.5 per cent of it. It is similar to the national age breakdown of the working age population in that there are more youth in the working age population. The absorption rate of adults in the Northern Cape was substantially higher (49.8 per cent) than that of the youth (29.6 per cent). The youth unemployment rate was significantly higher than the adult unemployment rate. From quarter 3 of 2008 to quarter 3 of 2017, the youth unemployment rate increased from 30.4 to 42.6 per cent.

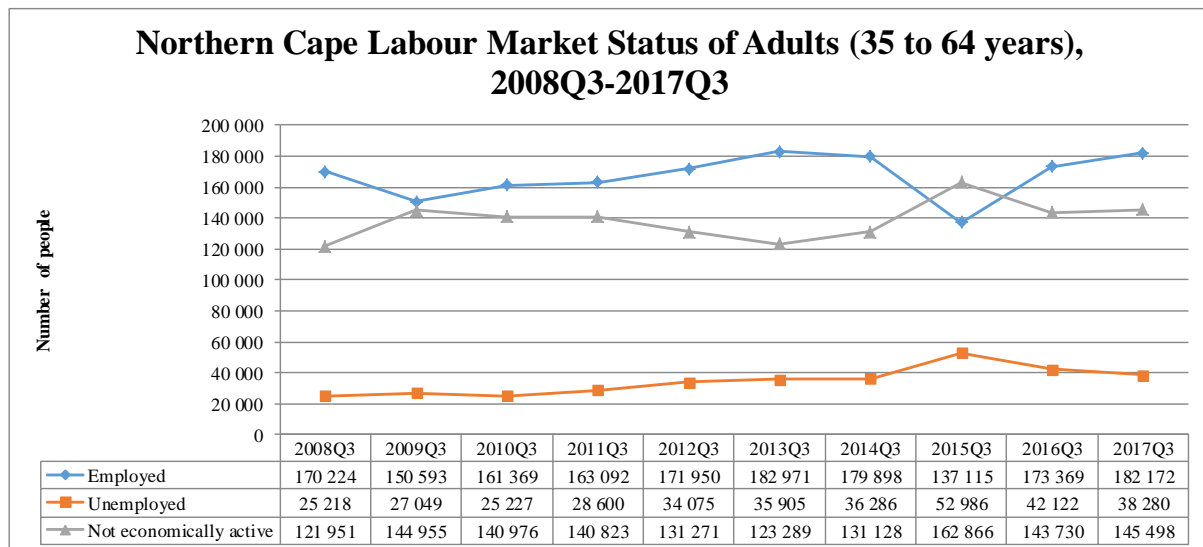
Figures 1 and 2 show whether the youth and adults of working age are employed, unemployed or not economically active in the Northern Cape over the same ten-year time period for quarters 3 of 2008 to 2017.

**Figure 1: Northern Cape Labour Market Status of Youth (15 to 34 years), 2008Q3-2017Q3**



Source: StatsSA (2017b)

**Figure 2: Northern Cape Labour Market Status of Adults (35 to 64 years), 2008Q3-2017Q3**



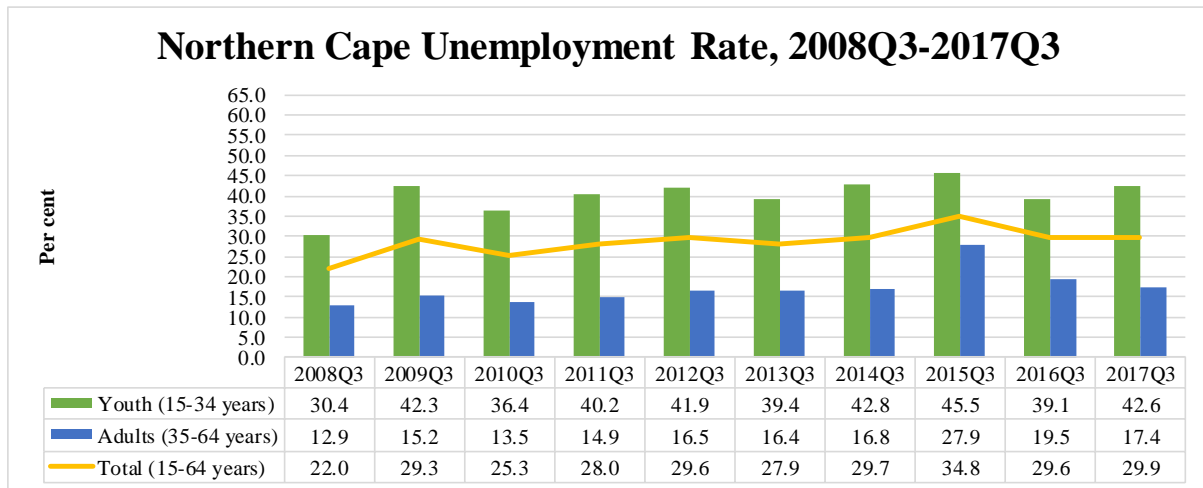
Source: StatsSA (2017b)

From the figures above, it is clear how much greater the proportion of not economically active youth is, compared to the relatively lower proportion of adults that are not economically active. In quarter 3 of 2017, 204 248 young people were not economically active, which is the highest it has been in the ten years under review. The number of youth who were unemployed increased between quarter 3 of 2008 and quarter 3 of 2017, while the employed youth decreased. There was an increase in both the number of employed and unemployed adults between quarter 3 of 2008 and quarter 3 of 2017.



Figure 3 below provides a comparison of the unemployment rate of the youth, adults and the whole working age population for the period of quarters 3 of 2008 to 2017 in the Northern Cape.

**Figure 3: Northern Cape Unemployment Rate, 2008Q3-2017Q3**



Source: StatsSA (2017b)

The overall unemployment rate for the Northern Cape peaked at 34.8 per cent in quarter 3 of 2015. This coincided with a peak in the adult unemployment rate (27.9 per cent) and a peak in the youth unemployment rate of 45.5 per cent.

#### 4. Implications and Recommendations

From the analysis above it is clear that youth unemployment is a big challenge in the South African economy and in the Northern Cape. Youth unemployment is particularly detrimental to the long run economic prospects of an economy as it erodes existing human capital. Being unemployed denies young citizens the opportunity to develop their skills thus limiting their potential to attain gainful employment and earn an income. This could lead to further social problems that are associated with poverty as well as putting an increased burden on the fiscus through a rising number of people dependent on government social support over the long term.

The issue of youth unemployment is one of global concern as “Young men and women today face increasing uncertainty in their hopes of undergoing a satisfactory entry to the labour market, and this uncertainty and disillusionment can, in turn, have damaging effects on individuals, communities, economies and society at large. Unemployed or underemployed youth are less able to contribute effectively to national development and have fewer

opportunities to exercise their rights as citizens. They have less to spend as consumers, less to invest as savers and often have no “voice” to bring about change in their lives and communities” (ILO, 2016).

Government and the private sector should thus accelerate all efforts to stimulate economic growth as a means to increase the demand for labour, as well as focus on labour intensive industries. Although there are internship and learnership programmes, efforts can still be intensified to maximise the impact on the youth of the province. Some of the supply side factors that affect the level of employment are education, the cost of job search, networks and geographical isolation. Although the link between education and probabilities of employment are not thoroughly discussed in this policy brief, it is imperative that government provides quality education and supports the ability of the poor to access tertiary education. In a vast and scattered province like the Northern Cape, improving access to technology and the internet is a viable way to reduce the cost of searching for a job. Upskilling the youth and providing them with the much needed experience to find employment is thus of utmost importance.

## 5. Conclusion

The labour market status of the youth of South Africa is worse off than that of their adult counterparts. The scenario is also similar in the Northern Cape where the youth constitute a bigger proportion of the working age population, and their unemployment rate is substantially higher than that of the adults in the province. Government and the private sector should join efforts in trying to minimise both supply-side and demand-side factors that negatively impact on employment.

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