

Reducing Youth Unemployment in South Africa

VIGNESH SHANKAR, ANSULIE COOPER, AND HARVEY KOH

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Introduction

High and rising youth unemployment is a serious concern in South Africa where only one in three young people of working age is employed.

Youth unemployment not only limits the earnings potential and future prospects of a new generation of South Africans, it also stymies business growth, threatens social cohesion, and puts pressure on government resources. Yet data shows that there are half a million entry-level jobs vacant in the country, and with it, a real opportunity to expand economic inclusion.

This paper looks at the efforts of government, employers, philanthropic funders, and training providers to bridge the gap between available jobs and first-time work-seekers.

It shows that the most impactful interventions take place when these actors join forces and highlights two examples of cross-sectoral partnerships: EOH Youth Job Creation Initiative and Mentec Foundation. These initiatives are helping to place thousands of young, disadvantaged South Africans into jobs each year.

The paper concludes with recommendations for employers, funders, training providers, and government to entrench and extend the impact of such cross-sectoral partnerships.

“There has been extensive debate on how [expanding work opportunities for young people] should be done, and the answer is that a wide range of measures are needed, including further education, training, public employment opportunities, and support for job creation in the private sector.”

*- Pravin Gordhan
Minister of Finance, South Africa¹*

¹ Sage Group blog, “Positive legislative changes made to the Learnership Allowance Incentive,” 6 March 2013, accessed 15 December 2015 from <http://blog.sagesouthafrica.co.za/tag/learnership-allowance-incentive/>

The Problem

With more than 12 million young people affected by the lack of job opportunities, South Africa faces an upcoming generation missing important work skills and relying on state grants for subsistence.

In October 2015, the frustration and anger of students at South Africa's University of the Witwatersrand (Wits) in Johannesburg about a decision to hike tuition fees lit up social media.¹ The protest quickly spread to campuses across the country and finally exploded in mass protests outside Parliament and the Union Buildings, drawing parallels to the 1976 Soweto uprisings and the Arab Spring. Commentators pointed out that the protests were about far more than fees. A presidential announcement on a fee-freeze did little to subdue the unrest, and students moved on to radically challenge the status and treatment of workers at universities. It became clear that what fueled this fire was a total revolt by young people about the future they face in South Africa.

Statistics South Africa released a report on youth unemployment in mid-2015.² News headlines ranged from "The grim situation facing SA's youth"³ to "Youth unemployment has worsened since 2008"⁴ and "Scraping a living where no jobs are to be found."⁵ The report shows the crisis levels of youth unemployment and underscores why the promise of a better life for all rings hollow for so many young people.

Only one in three young people of working age in South Africa is employed. Young people across the country do not seem to be reaping the benefits of job creation, while job losses hit this group the hardest. Between 2008 and 2015, one million more adults were employed in South Africa while youth job losses numbered over 200,000.⁶ In its 2011 diagnostic report, the National Planning Commission wrote, "Unemployment is mostly experienced by youth."⁷ For more than 12 million young people, this spells limited earnings potential and a life on the margins of the economy. South Africa faces the prospect of yet another lost generation through the erosion of skills and human capital that comes with prolonged unemployment, and with it, an ever-growing number of people who are reliant on state grants.

1 See the hashtag #feesmustfall on Twitter.

2 National and provincial labor market: Youth Q1: 2008–Q1: 2015, *Statistics South Africa*, 29 June 2015.

3 Marianne Merten, "The grim situation facing SA's youth," *The Star* (Business), 30 June 2015, accessed on 15 December 2015 at <http://sbeta.iol.co.za/business/news/the-grim-situation-facing-sa-s-youth-1878239>

4 Ntsakisi Maswanganyi, "Youth unemployment has worsened since 2008," *Business Day*, 29 June 2015, accessed on 15 December 2015 at <http://www.bdlive.co.za/national/labour/2015/06/29/youth-unemployment-has-worsened-since-2008-stats-sa-report-shows>

5 Lucky Biyase, "Scraping a living where no jobs are to be found," *Sunday Times* (Business), 29 November 2015 <http://www.timeslive.co.za/sundaytimes/businesstimes/2015/11/29/Scraping-a-living-where-no-jobs-are-to-be-found> (paid subscription).

6 Ntsakisi Maswanganyi, "Youth unemployment has worsened since 2008," *Business Day*, 29 June 2015, accessed on 15 December 2015 at <http://www.bdlive.co.za/national/labour/2015/06/29/youth-unemployment-has-worsened-since-2008-stats-sa-report-shows>

7 National Planning Commission, Diagnostic Overview, 9 June 2011, accessed on 15 December 2015 at <https://nationalplanningcommission.files.wordpress.com/2015/02/diagnostic-overview.pdf>

YOUTH UNEMPLOYMENT IN AFRICA

Africa has the youngest and fastest growing youth population in the world. The number of people aged between 15 and 24 is expected to double to 400 million by 2045. By 2050, the continent will have a larger working age population than India or China. Youth under the age of 25 represent 62 percent of sub-Saharan Africa's unemployed population, and nearly three-quarters live on less than \$2 a day.

World Bank, Jobs and South Africa's Changing Demographics, August 2015

The Effect of Youth Unemployment Ripples Across Interest Groups

Youth unemployment represents:

- A **moral tragedy** of lost young lives and livelihoods for young people and their families.
- A **business loss** for employers who struggle to fill entry-level jobs with good, skilled workers.
- A **public policy interest** in lost economic potential and a threat to social stability for the country.

By 2013, one in three South Africans received a social grant; expectations are that more than 16 million people will remain dependent on grants in the near future.⁸ This economic marginalization puts pressure on government resources but also creates concerns about social stability. Destructive and violent service delivery protests at the community level and increasing calls from the political left for economic revolution are stirring panic among ordinary South Africans and international rating agencies alike. In September 2015, South Africa's business confidence index fell to its lowest in 22 years, indicating the concern of companies about sub-par domestic and global economic growth.⁹ For many businesses, growth constraints are directly linked to a struggle to fill entry-level jobs with good, skilled workers.

The World Bank, in its most recent labor-market focused review of South Africa, concludes that the country needs job-intensive growth, and—in support of its youth—an education and training system that can produce a more skilled workforce that is better attuned to evolving labor market demands.¹⁰

8 "Social grants reach almost one third of South Africans," South Africa.info, 19 June 2014, accessed on 15 December 2015 at <http://www.southafrica.info/about/social/grants-190614.htm#.VIWwdXYrLDc>

9 "South Africa's business confidence hits 22-year low," *Times*, 6 October 2015, accessed 15 December 2015 at <http://www.timeslive.co.za/local/2015/10/06/South-Africas-business-confidence-hits-22-year-low>

10 World Bank, Jobs and South Africa's Changing Demographics, August 2015, accessed 15 December 2015 at <http://documents.worldbank.org/curated/en/2015/08/24910225/south-africa-economic-update-jobs-south-africa%E2%80%99s-changing-demographics>

“Don’t just think of those who are in the system and struggling to pay their escalating fees—think of the tens of thousands who obtained matric exemption and could not get in at all. Then think of the millions of young people with no jobs and no hope of employment. The questions are large.”

Ray Hartley¹

¹ Ray Hartley, “How Nelson Mandela’s brave new country became an anti-youth machine,” *Rand Daily Mail*, 26 October 2015, accessed on 15 December 2015 at <http://www.rdm.co.za/politics/2015/10/23/how-nelson-mandela-s-brave-new-country-became-an-anti-youth-machine>

The Opportunity

“South Africa isn’t short of jobs—in reality, it has a shortage of work-ready skills.”

—Asher Bohbot, CEO, EOH¹

¹ EOH Youth Job Creation Initiative Brochure, available online at <http://www.eoh.co.za/about-eoh/sustainability/job-creation-initiative#>

The mismatch between the skills required by employers and the skills of those entering the labor market is well documented. Due to fault lines in the education system, employers frequently find that youth, particularly from disadvantaged backgrounds, are underqualified and unprepared for available roles. Young people often lack the necessary problem-solving skills, business acumen, technological savvy, and communication skills that are needed for the workplace.¹

Adding to the skills challenges, poor market mechanisms/inadequate market information make it hard for disadvantaged youth to find job opportunities and for employers to find entry-level candidates. Frequently, HR systems, structures, and processes also keep disadvantaged youth locked out of opportunity. This happens because:

- Employers (naturally) engage in low-risk hiring practices, favoring experienced workers over first-time job seekers; disadvantaged youth lack work experience—often more so than other candidates entering the job market;
- The quality of the secondary school system is highly variable, causing employers to dismiss ‘matric’ (i.e., secondary-school-leaving qualifications) as a reliable indicator of competence and to insist on tertiary qualifications;
- Standard screening and selection tools and methodologies frequently filter out disadvantaged candidates; and
- On-the-job training, mentoring, and coaching is not standard practice or institutionalized in most workplaces.

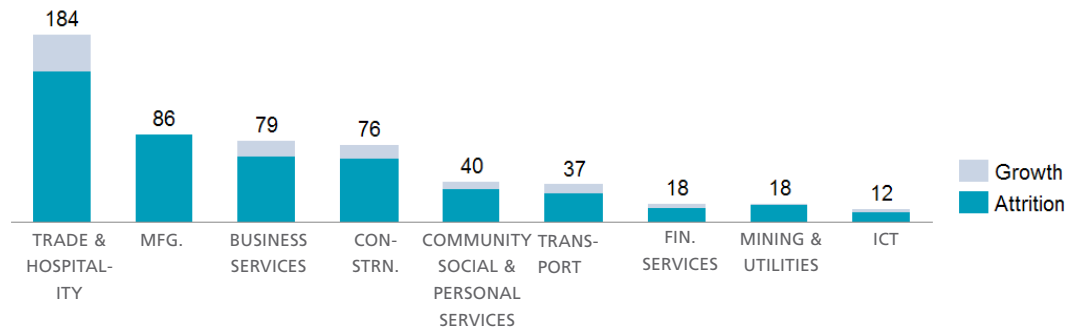
Closing these gaps represents a significant opportunity to address youth unemployment; estimates reveal that as many as 500,000 entry-level job positions are available today across a range of sectors in South Africa.

In recent years, stakeholders across different sectors have been acting to tap into this opportunity and in ways that are more complementary than often realized.

The government has put in place Broad-Based Black Economic Empowerment (BBBEE). While the framework is not new, changes to the Department of Trade and Industry’s Codes of Good Practice—through which BBBEE is governed—underscore the state’s ambition to address youth unemployment. BBBEE still encourages more inclusive hiring practices through measuring the number and professional level of black employees in a firm (management control, employment equity). It still provides incentive for skills development to support workplace transformation—but now the codes call for a substantial portion of skills development investment to benefit unemployed black people (as

¹ Daniel Grimm, Rachna Saxena, Mike Kubzansky, and Kurt Dassel. *Preparing the Poor and Vulnerable for Digital Jobs: Lessons from Eight Promising Demand-led Training Models*, Monitor, January 2013, accessed 15 December 2015 from <https://www.rockefellerfoundation.org/app/uploads/Preparing-the-Poor-and-Vulnerable-for-Digital-Jobs.pdf>

FIGURE 1. ATTRITION AND NEW JOBS GROWTH ACROSS SELECT SECTORS (NOT EXHAUSTIVE) ('000 VACANCIES)



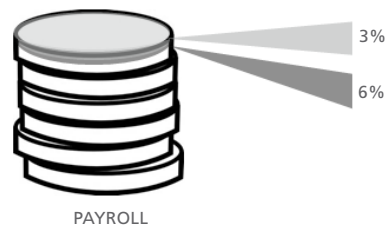
Sources: Statistics South Africa, data provided by Harambee, interviews with providers and industry experts

opposed to just existing employees). The skills development pillar of the codes has been identified as one of three priority elements, where non-compliance can be punitive. The compliance target for skills development has also doubled, requiring companies to spend six percent of payroll on skills development. This will create considerable additional resources for training and development.

The government has further introduced a Youth Wage Subsidy, which provides incentive for private firms to take on first-time work seekers by subsidizing the cost of such recruitment. Dating further back, the government continues to support “learnerships”²—a model that combines theoretical training, experiential learning, and workplace (on-the-job) learning—by offering tax breaks to companies hosting learners. More recently, the government has made the same incentives available for internships and apprenticeships along with a target that five percent of its own workforce should be interns, learners, or apprentices. As South Africa’s biggest employer, with around one million employees, this opens up at least 50,000 job opportunities for first-time work seekers.

Perhaps most critically, the government is increasingly focusing on a skills

FIGURE 2. SKILLS DEVELOPMENT INVESTMENT



Increasing the skills development investment target from 3% to 6% of payroll translates into ~R80-R90 billion corporate spending per year.

2 A “learnership” is a work-based route to a qualification. It includes both structured practical workplace (on-the-job) experience and structured theoretical training. The duration of a learnership is approximately 12 months and results in a full qualification.

development strategy and framework that puts occupations at the center of learning and qualification design. If rolled out successfully, this could go a long way towards eliminating the current systemic skills mismatch.

Businesses are also working towards employment equity targets which translates into more inclusive hiring practices. Internationally the drive towards more inclusive hiring, including recruitment of disadvantaged youth, is slowly gaining traction based on evidence-driven advocacy campaigns that highlight the business benefits of such practices.³ In South Africa, primarily due to BBBEE, such practices have become standard in most companies. In fact, many South African firms struggling to find and retain entry-level talent have taken this practice one step further and have created training and development programs that target disadvantaged youth.

Training providers, for their part, increasingly recognize the need to better align their training offering with private sector demand. This takes many forms, including adapting courses to market demand, shaping curricula with private sector input, and designing qualifications that more closely match industry needs. Research shows that trainees from poor and disadvantaged backgrounds struggle to translate training into a livelihood and that a critical requirement to unlock the value of training lies in providing a direct link to a job.⁴ In line with these findings, a new breed of training provider has emerged that embeds market demand in the training model by combining theory and experiential learning and works with businesses to place trainees in jobs on completion of training.

Taken in isolation, the interventions by different stakeholders look promising. However, the biggest impact on youth unemployment comes when these activities intersect. This paper considers two examples of cross-sectoral partnerships that address youth unemployment in South Africa.

CROSS-SECTORAL PARTNERSHIP	START DATE	SCALE
The EOH Youth Job Creation Initiative EOH, government, employers, philanthropic funders	2012	8,000+ young people placed in jobs
Mentec Foundation Mentec, City of Ekurhuleni, employers, philanthropic funders	2012	5,000+ young people placed in jobs

3 It has been shown that inclusive hiring results in candidates staying longer in a role (so churn and associated cost is reduced), and they are frequently more productive.

4 Ashish Karamchandani, "Making vocational learning job relevant," *Economic Times*, 17 February 2012.

Case Study 1:

The EOH Youth Job Creation Initiative

“A solution to South Africa’s unemployment crisis is in the business community’s hands.”

—Asher Bohbot, CEO, EOH¹

¹ EOH Youth Job Creation Initiative Brochure, available online at <http://www.eoh.co.za/about-eoh/sustainability/job-creation-initiative#>

The first example of multiple stakeholders joining forces comes from the EOH Youth Job Creation Initiative (YJCI). EOH provides training to disadvantaged young people who are then placed in jobs with participating private- and public-sector employers. These employers provide guided workplace experience to trainees while government provides incentive for the hiring of such candidates.

EOH is a leading provider of information and communications technology (ICT) consulting, systems integration, and outsourcing, comprising around 200 different entities/business units and employing more than 11,000 employees. It is also a fast growing business—the company has grown at an annual compound rate in excess of 40 percent since first listing on the Johannesburg Securities Exchange in 1998. This level of growth and the industries it operates in saw EOH face acute skills shortages in ICT, engineering, finance, and other disciplines.

Founder and current CEO of EOH Asher Bohbot is a strong believer in the role that the private sector can and should play to address social challenges. He drove the development of the YJCI launched by the group in 2012. It seeks to address his firm's skills shortages but operates in a way that also positively influences the country's youth unemployment problem. The initiative trains disadvantaged youth—typically first-time work seekers—over a period of 12 months through a program that includes theoretical, class-based instruction as well as a significant workplace learning component. It is structured in line with the government's "learnership" model and was envisioned as a multi-sector partnership from the start, with EOH intending to work with existing customers and government to train and place young people into jobs. The involvement of these different partners has helped to make the program a resounding success: by August 2015, the initiative had trained almost 10,000 individuals and placed more than 8,000 learners and interns into jobs.

Employers

The Birchwood Hotel & OR Tambo Conference Center is a major business-to-business conferencing facility that hosts some of South Africa's biggest corporate and government events. One of EOH's longstanding business partners, Birchwood has used learnerships for over 10 years as part of its HR strategy. The hotel sources entry-level staff through the EOH YJCI.

EOH's specialized training business delivers theoretical training to candidates. After their theoretical training, candidates participate in the workplace learning component of their qualification in a Birchwood-provided workplace. Birchwood is able to tap into existing

HOW THE EOH YOUTH JOB CREATION INITIATIVE WORKS

- An initial multimedia campaign and now word-of-mouth campaign encourages young people to apply to the program.
- A basic screening and selection process filters applicants for acceptance into the program.
- Candidates are matched to pre-existing job opportunities within EOH and its network of customers and business partners and are channeled into corresponding training programs.
- Training programs are accredited by and registered with the relevant Sector Education and Training Authorities; this means that employers taking on candidates qualify for tax rebates and that candidates who complete the program receive a formal, accredited qualification.
- Training involves 30 percent classroom or theoretical teaching, followed by structured workplace learning.
- Workplace learning involves the candidate being placed in a job and performing the functions associated with the role under the guidance of a mentor; throughout the period of workplace learning, a candidate is expected to demonstrate certain skills or competencies by compiling a “portfolio of evidence” in line with course requirements.
- On successful completion of this part of the training, 75 to 80 percent of candidates are typically absorbed into the workplace.
- Learners are placed in a variety of sectors including ICT, wholesale and retail, financial services, tourism and hospitality, and parastatals and government.

government incentives for hiring learners, which brings about cost advantages. Birchwood also found that learners quickly became valuable staff—they were more motivated to perform and assimilated fast. Patrick Hijlkema, Executive Human Capital/BPO at EOH, notes, “They provided better-quality service with fewer of the problems typically associated with new hires in the hospitality industry—due to the education relationship most learners show a high sense of belonging.” Birchwood puts the better performance down to the training that learners go through before and during their learnerships. This practice has been embedded in Birchwood’s business and many current senior managers are products of the learnership model.

The decision to partner with EOH came about due to cost pressures the hotel was facing. Hijlkema noted, “A big part of their business is public-sector conferencing and they experienced payment delays that put pressure on the cash flow of the business. They had to find ways to better manage their cost.” Hiring first-time work seekers meant lower labor costs; when these candidates came through learnerships, they were essentially subsidized drawing on the government incentives in place. While the firm has tried other hiring solutions, it has been difficult to achieve the same outcomes, and it now prefers to source learners through YJCI. Hijlkema said, “As a growing business, Birchwood has been able to take on learners in permanent positions on completion of learnerships. Today, the system is supported as much for its social impact as for the financial imperatives that drove its adoption a decade ago.”

The Birchwood example illustrates how the EOH YJCI offers access to entry-level candidates as well as reduced risk for participating employers taking on first-time work seekers. Through the learnership model, employers are able to assess candidate performance in the workplace over an extended period. The cost of taking the learner on is partially offset by available tax rebates, and workplace learning is supplemented by quality-assured theoretical training.

In the YJCI's first year of operation, EOH itself brought on board 600 learners and interns (representing 15 percent of staff at the time) and repeated these numbers in 2013 and 2014. Its own successful adoption of this approach has helped EOH to work with its business partners to expand the level of demand served beyond the firm's internal recruitment needs. Current anchor partners include EOH Microsoft Solutions, Transnet Engineering, Anglo American, Oceana, Pick n Pay, Dischem, and Oracle.

Oracle offers comprehensive cloud applications, platform services, and engineered systems and is regarded as an industry leader in cloud-based and on-premise solutions. In South Africa, more than 1,600 firms use Oracle's suite of financial and performance management cloud services. Like Birchwood, they partner with EOH to source entry-level talent through the Youth Job Creation Initiative.

For Oracle, the nature of their business was creating challenges to growth. Oracle solutions require extensive consultant support, and in South Africa the profile of the consultant base rendered such support prohibitively expensive for many prospective customers—the typical cost of a consultant is US \$71,000 (ZAR 1 million) per annum.¹ To make its solutions accessible to a wider market, Oracle needed to create a cheaper consulting resource. They had to develop a bigger pool of consultants with the necessary skills and knowledge to offer an alternative to the highly experienced but scarce and expensive existing set.

By building a pipeline of support talent, Oracle aims to unlock the attractive growth opportunities that other markets in Africa offer. For learners, benefits are also multi-fold: they find permanent employment and can earn high wages from the start—entry-level salaries range between US \$700 and US \$1,000 (ZAR 10,000 and ZAR 15,000) per month.

By working closely with Oracle, Birchwood, and other

¹ All currency conversions based on an exchange rate of US \$1 = ZAR 14. Numbers rounded.

WHAT EMPLOYERS SAY: HIRING DISADVANTAGED YOUTH

- “We need correctly talented resources but at the right price point to ensure our business process outsourcing (BPO) competitiveness.” *International BPO firm*
- “We first started hiring and upskilling disadvantaged youth due to a tender requirement. Nine years on, it is a critical part of how we solve for scarce skills in our business.” *South African ICT firm*
- “The only way for our business and the BPO industry to grow is to grow new talent. Our real competition is from other geographies, so we need to build a bigger and more cost-effective talent pool. We need more youth employment accelerators.” *South African BPO firm*
- “Taking on learners offers substantial tax benefits to the business.” *South African ICT firm*
- “For us, hiring disadvantaged youth is about providing opportunity. We recognize that you don't need a formal qualification to do call center work, so our HR philosophy considers our business needs as well as social impact.” *South African BPO firm*
- “The attitude and motivation of these hires distinguish them in the workplace. They are eager to learn, eager to do well.” *International accounting firm*

INSIGHTS FROM PATRICK HIJKEMA, EXECUTIVE HUMAN CAPITAL/BPO, EOH

“It is in the practical implementation that most employers experience challenges with the learnership system. In our experience, taking on learners is often an easy decision to make in the boardroom but much harder to execute on the ‘work floor.’”

“Oracle made a decision to invest in the training of new talent that is then injected into the support landscape. They cover 80 to 90 percent of the training investment while their consulting partners then assume responsibility for providing a workplace and salaries for learners.”

“Corporates need to pay attention [to the need for on-the-job training]. From our side, EOH can offer resources in the form of people, systems, and tools to enhance workplace learning.”

“Grant funding can play a catalytic role—it is important to support research and development in the training field.”

employers, EOH optimizes the training and matching of candidates to employer needs and deploys support to manage the workplace aspects of the learnership model.

The reasons for this are myriad. Work environments are not always optimized as learning places. Supervisors and mentors don’t always buy in to the process and peers are sometimes threatened by learners. Typically, a group of learners will enter a workplace at the same time and due to their number an “us versus them” dynamic can sometimes develop. The workplace learning component of the program is critical to making learnerships successful and this necessitates openness and acceptance from colleagues and line managers.

Government

From a government perspective, the EOH initiative creates perfect alignment with its stated intent to support youth job creation. Informed by South Africa’s National Skills Development Strategy and broader transformation goals, the government has created incentives (in the form of tax benefits) for companies to provide employment opportunities to first-time work seekers. Firms are naturally reluctant to hire workers without a record of accomplishment, and in South Africa the risk is heightened by the high cost of firing unsuitable employees. By offering incentives, the government actively encourages companies to take a fresh look and adapt hiring practices to benefit inexperienced workers who are often excluded from the workforce.

EOH unlocks the value of these government incentives by aligning its training program to the government framework of learnerships and internships.²

Overall, the case for corporates to participate in the YJCI is made more compelling as a result of government

² EOH works closely with relevant Sector Education and Training Authorities to ensure that training programs meet government standards for accreditation and to enhance job creation.

incentives. In a context where there is often distrust between government and the private sector, the EOH adoption of the learnership model has boosted the credibility of this approach and has helped the broader uptake of the model. EOH often facilitates corporate access to government incentives.³

EOH's partnership with the government extends beyond incentives. It often works with the government as an employer, supplying learners to different departments. For example, it has partnered with the Department of Public Works in this way, channeling more than 500 learners through the department.

The company also works actively with the government's Technical and Vocational Education and Training (TVET) colleges in a number of ways:

- Leveraging college facilities to offer training;
- Giving capacity to TVET staff to run the theory training component of learnership programs; and
- Providing access to workplace learning spots and offering in-workplace support to TVET learners.

TVET colleges have been widely regarded as dysfunctional and have historically had difficult (or non-existent) relationships with the private sector. Through its partnership with EOH, the government is able to address some of these issues.

In what may prove to be its most powerful partnership with the government to date, EOH has recently signed a multi-year contract with the Gauteng provincial government to project manage an ambitious youth development and job creation project called Tshepo 500,000. EOH will work with the government to chart supply and demand for jobs and development, connecting disadvantaged young people with employment and/or training opportunities in the public and private sector. The project is run out of the Premier's office.

³ Sage Group blog, "Positive legislative changes made to the Learnership Allowance Incentive," 6 March 2013, accessed 15 December 2015 from <http://blog.sagesouthafrica.co.za/tag/learnership-allowance-incentive/>

GOVERNMENT INCENTIVES

A learnership is a work-based route to a qualification. For each learner a company takes on, a US \$4,000 (ZAR 60,000) tax rebate is possible; there is a US \$2,000 (ZAR 30,000) allowance at the start of the learnership and a further US \$2,000 upon successful completion. For companies to access the rebates, learnerships must be registered with relevant Sector Education and Training Authorities. These rebates can make the implementation of learnerships virtually cost-free for the companies involved.

With this level of involvement, EOH anticipates high levels of interest and participation from public and private employers. Says Hijlkema, “Tshepo 500,000 consolidates much of the government’s existing efforts on youth job creation. It offers us a great platform to engage the private sector on opportunities for the youth.”

Philanthropy

“The program has been overwhelmingly well received by employers. We were informed that soft skills are a major gap that they identified. Employers were excited and willing to participate, seeing the program and all it offers as an ideal solution to fill this gap. The feedback after the program has been increasingly positive.”—EOH Project Coordinator for the Work Readiness Initiative⁴

The YJCI has benefited from another kind of partnership as well—philanthropic funding from entities such as The Rockefeller Foundation and JP Morgan Foundation. While the EOH training program is technically robust, given EOH’s credentials and record of accomplishment as a training provider and the accreditation of the content in line with government standards, it initially did not include a standalone focus on soft skills to ease the transition of trainees into the workplace. Yet such work readiness training is widely acknowledged as a critical component of the skills development needed among young people with limited workplace exposure. A one-off grant from The Rockefeller Foundation enabled EOH to develop and incorporate a work readiness module as part of the wider training program. This partnership is based on a clear overlap of purpose—getting disadvantaged youth into jobs—and it helped to extend the impact of the training, adding value to the EOH learners undergoing training as well as those who employ them.

Support from the JP Morgan Foundation is now helping EOH to align an International Youth Foundation (IYF) developed and internationally tested work readiness program to the South African Qualification Framework and provide this in a blended format. In this way, philanthropic funding helps to pilot approaches, test newer techniques, and innovate in the training space.

The true impact of the EOH partnerships lies in how it addresses youth unemployment. For candidates coming through the program, the immediate benefit is employment and formal sector wages. Data reveals that EOH trainees can earn upwards of US \$1,000 (ZAR 14,000) after a placement. This alone has important positive outcomes for the new employee. It enables them to contribute to their households (household size typically ranges from five to 11 people) instead of having to rely on the support of their families,

⁴ The EOH Work Readiness Initiative, Final Narrative Report For The Period 1 March 2014-28 February 2015.

MULTIPLE SECTORS NEEDED TO CREATE IMPACT

1. GOVERNMENT INCENTIVES SUPPORT CORPORATE UPTAKE	Government incentives in the form of tax benefits incentivize corporates for risk-taking by employing first-time work seekers
2. NETWORK OF CORPORATE DEMAND ENABLES SCALE	EOH customer base represents network of demand for trainees and offers a fast and effective way to scale job creation effort while meaningfully addressing employers' staffing challenges
3. PHILANTHROPIC FUNDING AMPLIFIES IMPACT	Philanthropic funding supports piloting, testing, and innovation that helps to amplify the impact of training, adding value to trainees and employers

who often struggle financially. Beyond the immediate wage benefit, first-time employment contributes to lifetime employment. Research shows that South Africans who get and keep a job for 12 months or more have an 85 percent chance of being employed for the rest of their lives.⁵ Other benefits are perhaps less obvious but are no less valuable: trainees report, and employers concur, that their confidence and motivation have been significantly increased through the EOH program. Trainees enter a job better prepared for the workplace as a result of soft skills training that focus on communication, workplace behavior, work organization, personal brand, and more. Finally, the network effect of being exposed to trainers, trainees in similar life situations, and corporate representatives is believed to be a further advantage to trainees. Even if they are not placed into a job after training, these new networks help them to maintain contact with the labor market—something they previously lacked.

⁵ Harambee. *Youth unemployment: the facts—young people from the poorest households struggle the most to find jobs*, accessed February 2016 from <http://harambee.co.za/harambee/funders/youth-unemployment-facts>

Case Study 2:

Mentec Foundation

A unique partnership with local government has opened the doors for unemployed youth.

Mentec is a nine-year old hybrid social enterprise offering commercial training services to corporate and government buyers on a fee-for-service basis. Part of this income— together with philanthropic and corporate social investment funding—is used to offer training to disadvantaged youth through the Mentec Foundation. Mentec focuses on specialized ICT training and adjusts its course offering in line with market demand. All training programs include a work readiness component, and Mentec partners with employers including Accenture, Microsoft, and Britehouse to support trainee job placement after training.

Located in Germiston to the east of Johannesburg, Mentec has partnered with local government—the City of Ekurhuleni (CoE)—in a unique way to leverage employer and philanthropic funding for youth job creation.

City of Ekurhuleni

“Ekurhuleni is a youthful city, but there is not enough work to go around. It would be a travesty of justice if we don’t focus on young people.”—Colin Ramogale, Youth Development Manager, City of Ekurhuleni

Ekurhuleni is South Africa’s fourth largest metropolitan municipality and is home to just over three million people,¹ two thirds of whom are young people.² The city houses South Africa’s largest airport (OR Tambo International Airport) and is a manufacturing hub.

The city has the fifth highest rate of youth unemployment nationally and the highest rate of youth unemployment in the Gauteng province.³ Like elsewhere in the country, unemployment affects young people disproportionately.⁴

Against this backdrop, the City of Ekurhuleni started a program in 2012 that matched unemployed graduates to available jobs in the private and public sector. Employers in need of graduates were encouraged to approach the city which had built a database of candidates. Once placed, the city would provide the graduate with a stipend for at least 12 months while the employer would be expected to provide mentorship and guidance. After a year, the employer could decide if they wanted to offer permanent employment

1 Statistics South Africa, Census 2011, accessed on 15 December 2015 at http://www.statssa.gov.za/?page_id=1021&id=ekurhuleni-municipality

2 State of the City Address, Ekurhuleni Metropolitan Municipality, 25 March 2015.

3 Statistics South Africa, Census 2011, accessed on 15 December 2015 at http://www.statssa.gov.za/?page_id=1021&id=ekurhuleni-municipality

4 The overall unemployment rate in Ekurhuleni is 28.8% while youth unemployment is 36.9%. Statistics South Africa, Census 2011, accessed on 15 December 2015 at http://www.statssa.gov.za/?page_id=1021&id=ekurhuleni-municipality

FIGURE 3. MENTEC FOUNDATION



Young people participating in a training program at the Mentec Foundation.

to the intern—at which point the responsibility for remuneration would also shift to the employer.

After hearing about the initiative on the radio, Mentec approached the city with a proposal to expand the program beyond graduates. Drawing on its trainee pool, Mentec could provide additional candidates for placement as well as placement opportunities through its existing network of private sector clients. In turn, the city could channel candidates to Mentec for training to enhance their employability.

Out of a total annual youth development budget of US \$4 million (ZAR 60 million), CoE spends approximately 40 percent on this placement program. The city's Youth Development Manager, Colin Ramogale, says, "We initially faced some criticism from others in government that we are providing free labor to the private sector. If you consider that more than 5,000 young people have come through this program in the last three years and that the bulk of them found permanent employment that now helps them to support at least four other people, the 12-month cost of stipends is a small price to pay."

The City of Ekurhuleni has adopted the program as part of its youth development policy, which means that within local government there are no further hurdles to program roll-out. Where the city feels challenged is in the loss of direct contact with program

beneficiaries due to the involvement of Mentec (and other third party training and placement service providers).

To remedy this loss of visibility, the city hosts workshops and events that allow beneficiaries to come together during the year. Structured as a value-added opportunity for beneficiaries, it also enables the city to gather direct feedback from young people about their experience in the workplace.

Employers

“The program helped companies to see the value of internships. It opened up employment opportunities for youth in SMEs that are highly risk-averse and resource constrained.”—Sarah Ntinezo, Stakeholder Manager, Mentec

Today, more than 100 employers based in Ekurhuleni participate in the program. Many of these firms are small- and medium-sized enterprises (SMEs) in need of staff but are typically short of resources. To such employers, the program lowers the cost and risk of hiring first-time work seekers. While the city funds the cost of recruits for at least a year (stipends range from US \$100 to US \$180 [ZAR 1,500 to ZAR 2,500] per month depending on the educational profile of a candidate), employers can use this time to assess candidates before taking them on permanently. Due to the Mentec training intervention, candidates are also much better equipped to enter the workplace.

Due to the Mentec training intervention, candidates are much better equipped to enter the workplace.

Philanthropy and Corporate Social Investment

The nature and quality of training delivered by Mentec as part of the CoE program boosts the performance of candidates in the workplace, frequently helping them to secure permanent employment after their internship. Mentec can partially fund the training of disadvantaged youth through its commercial training activities. However, it requires support from foundations and corporate actors in the form of grant funding to fully cover costs. Attracted by the link to job placements after training and the scale at which Mentec operates, corporate social investors (Microsoft, Accenture) as well as philanthropic givers (The Rockefeller Foundation) are partnering with Mentec to pursue the shared goal of lowering youth unemployment in South Africa.

The partnership is not without challenges. The city can only support candidates that come from and work in Ekurhuleni, and this imposes limits on the overall scale and impact of the program. As a government initiative, there is a fair amount of administration and bureaucracy involved for partners. Sometimes expectations between government and private sector employers about what interns should and should not be doing are misaligned.

Yet Mentec sees a major opportunity in replicating the program across different municipalities. It will require financial resources (where local government budgets cannot accommodate the cost of stipends, like in smaller cities or towns, there may be a further role for philanthropic funders), political will, and commercial savvy. Local governments have commercial relationships with many businesses; they often represent significant income to these firms. It is possible to leverage these relationships in new ways to create additional placement opportunities for interns.

New partnerships within existing relationships can build additional placement opportunities for unemployed youth.

“The City of Ekurhuleni got it right. They understand that the issue is unemployment, and they are working—and channeling money—to deliver employment. Others often spend the same or more on training that leads nowhere. Young people want jobs.”

Sarah Ntinezo

Stakeholder Manager, Mentec

Conclusion

The issue of youth unemployment extends beyond young people and their families; it impacts business, government, and society at large.

The interdependency along with the scale of youth unemployment suggests that different actors all have something to gain by joining together to open up the workplace to first-time work-seekers.

Employers face serious skills challenges; an estimated 500,000 entry-level vacancies exist in South Africa. By partnering with training providers that equip young people with technical and work-ready skills, employers have access to a previously untapped talent pool. Such recruits offer cost savings over more experienced hires, and research highlights multiple other benefits—more productive and better performing employees, higher employee loyalty, and lower churn rates. The cost benefit can be enhanced by tapping into existing government initiatives that encourage firms to employ disadvantaged first-time work seekers. Adopting such hiring practices allowed the firms showcased in this paper to grow their businesses in the face of specific challenges.

For the South African government—as for governments in many other developing countries—the high and rising rate of youth unemployment presents serious concerns. Statistics South Africa indicates that 37 percent of South African youth are unemployed in 2015;¹ according to the International Labor Organization’s classification, the youth unemployment rate is above 50 percent. The unemployment rate has continued to grow since 2008, and in a country where inequality remains high, the lack of opportunities for millions of young people creates social instability and represents lost economic potential for the country.

New partnerships with private-sector players and philanthropic funders amplify government funding and efforts, while working with training providers that deliberately link training to job placements creates tangible impact in an area that has long been flagged as a policy priority.

The moral and economic tragedy of youth unemployment and its impact on households and communities beyond the affected individuals confront philanthropic funders who are focusing on youth development, inclusive economies, and employment. Attempts to create employment opportunities or remove the barriers that keep disadvantaged young people out of the workforce necessarily intersects with private sector activity and often with government policies and plans; as such, the chance to officially partner with actors from both sides enables philanthropic funders to play a catalytic—rather than duplicative—role in tackling youth unemployment. By working together, the scale of interventions is frequently bigger and the impact more sustainable.

¹ National and provincial labor market: Youth Q1: 2008–Q1: 2015, Statistics South Africa, 29 June 2015.

The case studies in this paper reveal important considerations for growing or replicating cross-sectoral partnerships:

- Private sector involvement is most powerful and sustainable when driven by business imperatives. Employer commitment should encompass senior management buy-in and practical implementation capacity and willingness.
- Government can play a number of important roles. Typically a large-scale employer, governments can set the tone for youth-focused hiring and employment. More broadly, it should create legal and policy frameworks that actively encourage inclusive hiring. Incentives that directly address the cost and risk of hiring young people and are easily accessible by employers can be a powerful tool. Lastly, governments can fulfill an important coordination function by bringing together relevant stakeholders to direct activity towards the shared goal of lowering youth unemployment.
- Philanthropic funding is vital to support experimentation and innovation to remove some of the barriers that keep disadvantaged youth locked out of opportunity. Funders can also play an important role in building and popularizing the case for the expanded involvement of employers and government in partnership-based solutions to youth unemployment.

Tackling youth unemployment will require the action of multiple sectors.

The remarkable way that South Africa has transitioned to democracy in the early 1990s remains a beacon to many nations. With that achievement under its belt, it is no wonder that young people take to the streets in frustration about the seeming lack of ability to graduate from political to economic transformation and level the playing field of opportunity—particularly job opportunity—once and for all. Yet the kind of cross-sectoral partnerships outlined here show promise to place large numbers of young, disadvantaged, first-time job seekers into employment. By expanding and replicating such partnerships to entrench and extend early impact, the “Rainbow Nation” could show the way again in stamping out youth unemployment.

RECOMMENDATIONS FOR DIFFERENT ACTORS

<p>EMPLOYERS</p>	<ul style="list-style-type: none"> • Reform (traditional) HR practices to be more inclusive—reconsider sourcing, screening, and selection processes and tools. • Recognize importance of workplace learning and foster conditions that support it. • Partner with existing successful youth training/placement initiatives—not always necessary to reinvent or start own intervention. • Work with training providers that have a proven track record of trainee job placement.
<p>TRAINING PROVIDERS</p>	<ul style="list-style-type: none"> • Design training for employment (not for generic skill-building). • Recognize importance of on-the-job (workplace) learning and build it into qualifications/training. • Build work readiness/soft skills into training to ease trainee transition. • Understand how to align incentives of different stakeholders: qualification recognition and speed to income (trainees); access to government incentives via accreditation (employers). • Where possible, leverage government facilities and infrastructure to deliver/scale training efforts. • Cultivate connection amongst trainees to leverage network effect of people moving into job market.
<p>PHILANTHROPIC FUNDERS</p>	<ul style="list-style-type: none"> • Support greater transparency of entry level job opportunities. • Further refine and advocate the business case for inclusive hiring. • Facilitate partnership development—bring together relevant employers, trainers, and government agencies.
<p>GOVERNMENT</p>	<ul style="list-style-type: none"> • Design and implement an occupation-centered learning and qualification framework. • Explore innovative funding mechanisms for youth job creation (results-based funding; social impact bonds). • Look for constructive links between existing government initiatives (e.g., public colleges) and private sector activity (e.g., employer- or training provider-led job placement schemes).

Related Resources

Find additional reading, tools and resources, and information on our consulting services on our website at www.fsg.org.

Additional Reading

[THE GLOBAL STEM PARADOX](#)

Despite increasing numbers of science, technology, engineering, and math (STEM) graduates worldwide, STEM jobs remain unfilled in developed and developing countries. Through an exploration of the root causes of this global STEM paradox, FSG offers an answer to this growing crisis: a strong STEM ecosystem supported by enabling government policies, business incentives, and cultural attitudes.

[SHAPING GLOBAL PARTNERSHIPS FOR A POST-2015 WORLD](#)

As we discuss the post-2015 development agenda, how can we empower global partnerships to achieve the transformational change we need for a better future? This article provides lessons and best practices from six diverse initiatives on applying the collective impact approach on a global scale—how to develop a common agenda, operate effective shared measurement systems, support and coordinate activities, facilitate communication, and provide strong governance for global collaborative efforts.

[THE NEW ROLE OF BUSINESS IN GLOBAL EDUCATION](#)

Shared value defines a new role for business in helping to overcome the global education and unemployment crisis. By aligning profit with purpose, companies can become essential partners for schools, nonprofits, and governments while simultaneously discovering new ways to increase their productivity, strengthen industry clusters, and expand their markets.

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AUTHORS

Vignesh Shankar, Associate Director, FSG

Vignesh.Shankar@fsg.org

Ansulie Cooper, Consultant, Independent

Ansulie.Cooper@gmail.com

Harvey Koh, Managing Director, FSG

Harvey.Koh@fsg.org

RESEARCH SUPPORT

Johan Thuard, Consultant, FSG

Harshika Gupta, Associate, FSG

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