

Transformation Audit

TA2012

The Youth Dividend

Unlocking the potential of young South Africans



Economic Governance:
Young South Africans and the
National Development Plan



The Labour Market:
The lasting legacy of the
financial crisis on youth
unemployment



Skills and Education:
A second chance for
school dropouts



Poverty and Inequality:
Breaking the cycle of
intergenerational poverty

The Youth Dividend

Unlocking the potential of young South Africans

Edited by Jan Hofmeyr



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Acronyms and abbreviations

ANC	African National Congress	NEC	National Executive Committee
BBBEE	broad-based black economic empowerment	NEDLAC	National Economic Development and Labour Council
COSATU	Congress of South African Trade Unions	NIDS	National Income Dynamics Study
CPI	Consumer Price Index	NIP	National Integrated Plan
CSG	Child Support Grant	NPC	National Planning Commission
DA	Democratic Alliance	NQF	National Qualifications Framework
DHET	Department of Higher Education and Training	NSFAS	National Student Financial Aid Scheme
ECD	early childhood development	NYDA	National Youth Development Agency
FET	further education and training	OECD	Organisation for Economic Co-operation and Development
FTE	full-time equivalent	OGP	Open Government Partnership
GDP	gross domestic product	QLFS	Quarterly Labour Force Survey
GEM	Global Entrepreneurship Monitor	SALDRU	Southern Africa Labour and Development Research Unit
HE	higher education	Stats SA	Statistics South Africa
HEI	higher education institution	TEFSA	Tertiary Education Fund of South Africa
ILO	International Labour Organization		
LFS	Labour Force Survey		
NDP	National Development Plan		

Preface

.....

South Africa's current economic and social woes may well be the result of too little reconciliation and not, as some claim, too much of it. They may be the result, in part at least, of increasing alienation and fragmentation within and between key role-players in the country as South Africa continues its arduous trek from truth to justice. Having faced our past through the Truth and Reconciliation Commission (TRC) process and Mandela's emphasis on reconciliation, we are yet to turn, decisively and together, towards a future where the dignity of all would be recognised. For this to become reality, South Africans would need to work together much more closely, rather than allowing historical divides or emergent conflicts to set the tone.

The need for co-operation on a mutually affirming basis, for tackling together some of the more resilient challenges, has never been cast in starker contrast than in 2012. This has been a turbulent year for the country and the rest of the world. The social implications of the global financial crisis some years back have become increasingly explicit in the form of social unrest and political violence internationally.

In these difficult conditions there are indications that South Africa may be ceding ground to its competitors – precisely because of divisions within the government, the unions, business and even civil society.

Such fragmentation does not generate much grassroots trust that things will get better, nor does it make for effective problem-solving or social development. It was, therefore, not surprising when South African miners, truck drivers, farm labourers and several other sectors, no longer willing to compromise on what they regard as unfairly low wages, embarked on rolling mass action throughout this tumultuous year. At the August 16 confrontation on Lonmin's platinum operation in Marikana, the South African police responded with excessive force, killing 34 miners. Memories of the TRC were evoked as a presidential commission of inquiry began to hold public hearings into the tragedy, the relatives of victims belatedly in attendance. Indeed, the Marikana Commission's motto, 'Truth, Restoration, Justice', closely mirrors the TRC mandate.

Within this context, the familiar acrimonious build-up to another ANC elective conference took place amidst major disruptions of provincial conferences in the Western Cape and Limpopo and even the occasional threat of political assassination. At the time of writing, there is still some uncertainty about how ANC politics will play itself out at and after the

party's national conference in Mangaung. While most South Africans look on, the personality politics in the ANC have gone hand in hand with a growing concern about levels of corruption in government and state structures.

Interestingly, however, this troubling environment has made for the emergence of several new, dynamic social movements and organisations. As long as the judiciary remains independent and effective, the media relatively free and vocal, and civil society vigorous, one feels that the current national malaise could be reversed.

However, if democratic gains were reversed instead, South Africa's future prospects would deteriorate significantly. Happily, the resolve to oppose such reversal of hard-fought democratic rights remains a source of major civic activity in South Africa. This does not make South Africa an easier country to govern, but perhaps a much more transparent and potentially fair society than would have been the case if these limits to power were not observed.

On another positive note, this year saw the publication of the important National Development Plan for 2030. At the heart of this plan is a vision of a better future for South African youth, black and white. The Institute for Justice and Reconciliation (IJR) has been working closely with the key role-players in the commission to help ensure that the recommendations acquire the necessary momentum to effect real change.

How we deal with the challenges listed above will have long-term consequences. When we respond, we should reflect on how our actions undermine or strengthen the prospects of a younger generation that unavoidably will inherit the consequences of our current policies. It is for this reason that the focus of this year's *Transformation Audit* on young people in the South African economy is so timely.

Once again, I would like to congratulate Jan Hofmeyr and the individual authors on a document that will undoubtedly stimulate the policy environment in South Africa. The aim remains a shared one: to create a fairer society by offering more South Africans basically decent living standards and the opportunity to participate in the economy. The IJR is proud to present the 2012 *Transformation Audit*, which offers indispensable reading for domestic and international decision-makers, managers and citizens alike who share this goal.

Fanie du Toit
Executive Director, Institute for Justice and Reconciliation

Introduction

Jan Hofmeyr

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We learnt that some of the striking miners were medicinally fortified by a sangoma with the assurance that bullets will not harm them. A tragic delusion! But their delusion was not substantially different from the delusions of the beneficiaries of intoxicating greed in the new orthodoxy who believe that with the power of government behind them they are invincible and undiscoverable, and thus beyond accountability. (Njabulo Ndebele 2012)

Twelve years ago, in 2000, South Africa was regarded as a notable outlier to what was otherwise dismissed as the 'Dark Continent'. While South Africa was still celebrating its peaceful democratic transition, which had occurred against all odds, *The Economist* (13.05.00), was unequivocal about its prognosis for the rest of sub-Saharan Africa. Branding Africa 'the hopeless continent', the weekly proclaimed that 'the new millennium brought more disaster than hope to Africa,' and, as a result, 'the next generation will be more numerous, poorer, less educated, and more desperate'.

That this cynicism was misplaced is now common cause. In the years that it was predicted to descend into misery, sub-Saharan Africa achieved an annual average growth rate of 4.9 per cent between 2000 and 2008 – after South-East Asia the second highest for any region. Although the global recession slowed momentum towards the end of decade, the region's progress continued to outpace that of most others; growth for 2012 is still expected to be in the region of 5.3 per cent, two percentage points higher than projected global growth.

Already in 2010, McKinsey, the management consultancy company, became one of the first to profile the new face of Africa with its *Lions on the Move* study (MGI 2010), and by the end of the following year *The Economist* (03.12.11) also conceded its misdiagnosis with the cover story, 'Africa Rising: The Hopeful Continent'. Both publications, together with many others, rejected the notion that Africa's growing fortunes were merely a consequence of the commodity boom of the first half of the new millennium, and pointed to an emerging middle class that had managed to sustain growth with its consumption, alongside the boom of commodity exports. Most significantly, and relevant to the work of the Institute for Justice and Reconciliation (IJR), all attributed this new sense of optimism to a more peaceful continent, where institutions and policy reforms have been given the room to consolidate and gain traction within their respective countries. For the first time since the wave of post-colonial independence, younger generations of Africans have the real prospect of a life that is exponentially better than that of their parents.

However, while investors continue to speak in buoyant terms about the rest of sub-Saharan Africa as the 'new frontier', the tables seem to have turned for South Africa. In comparative terms, South Africa's economy remains the largest on the continent, its infrastructure is still superior and, by African standards, its democracy continues to be vibrant. Yet, since the advent of democratic rule 18 years ago, the national mood has hardly been more downcast. Growth remained subdued at around 2.5 per cent in 2012; unemployment, which has never returned to pre-recession lows, hovered above 25 per cent; and substantial hikes in petrol and electricity prices further weighed down an already overburdened public. As a consequence, government revenues declined and, in October, the medium-term budget policy statement had to revise the projected deficit for 2012/13 upward to 4.8 per cent (National Treasury 2012). The external pressures that sustain these conditions will remain in place. As the year drew to a close, a web of uncertainty about the European crisis, the looming fiscal cliff in the United States, and slowed growth in emerging economies – largely as a result of the two former concerns – further dimmed prospects for a speedy domestic recovery.

However, the defining moment of 2012 that will remain imprinted on the minds of most South Africans was when riot police opened fire and killed 34 striking miners in full view of news cameras at the Marikana platinum mine, close to the town of Rustenburg in August. Ten people (including two policemen) were killed in the week running up to the tragedy, which brought the final death toll of the strike to 44.

At the time of writing, a judicial commission of enquiry, was investigating the causes and circumstances of the massacre, but, regardless of its outcome, the tragedy has already come to be regarded as a watershed moment, with many going as far as referring to the country in pre- and post-Marikana terms. It has also come to serve as a metaphor for the way in which poverty and gross social inequality will unravel the country if not addressed with more urgency. The Marikana tragedy was a direct consequence of low wages and material inequity, but it and other strikes in the mining sector, as well as those in the Western Cape Winelands during November

and December, revealed other fractured relations that extend beyond those between employer and employee.

When interrogated more closely, these protest actions of the latter half of 2012 expose a more worrying underlying phenomenon: a society that, in addition to its primary fault lines, appears to be fragmenting into an ever-growing number of polarised sub-strands, which make it increasingly difficult to arrest complex social conflicts as they arise. The IJR's annual SA Reconciliation Barometer Survey, which has been measuring public opinion on national reconciliation and social cohesion (as well as their determinants) for the past nine years, points to material inequality, race and contestation between political parties as the most significant driving forces behind social division in present-day South Africa. For six consecutive years now, material inequality has been the most frequently identified cause of division, ahead of party political differences and racial prejudice. However, it is not as simple as ranking each choice, because they are fluid, and manifest in unexpected ways that are often too difficult to distinguish from each other. What is evident is the way that they conspire to entrench trust deficits amongst citizens, which, in turn, raises the transaction costs incurred by the elusive search for consensus on almost any imaginable matter. Ultimately, these elaborate processes hold progress to ransom.

Yet, these same dynamics pervade relationships between, and within, the motive forces of our society. The Marikana tragedy not only showed up rifts between the government, political parties, business, labour and civil society, but also highlighted seemingly intransigent positions held by stakeholders at opposing ends within these constituencies. As a result, the search for common ground has become infinitely more complex. Since former president Thabo Mbeki first introduced William Butler Yeats' 'Second Coming' to our political discourse in his 2006 State of the Nation address, analysts have obsessed *ad infinitum* about whether 'the centre can hold' under the weight of the country's multiple developmental challenges, on the uncritical assumption that they actually knew where the 'centre' was located. Maybe the growing diffusion of stakeholder groups should lead us to question whether the centre still is where we always thought it was. More to the point, at least from an ideas perspective, has there been a coherent centre at all in recent years?

Business does not speak with one voice and once again is divided racially after the Black Management Forum (BMF), unhappy with the perceived inability of Business Unity South Africa (BUSA) to transform, terminated its membership of BUSA, and in 2012 reconstituted the Black Business Council (BBC), which had been disbanded with the creation of BUSA in 2003. Whether accurate or not, the grounds forwarded by the BMF are fundamental and go to the heart of the post-1994 nation-building project; they point to serious mistrust within a sector that should be instrumental in the creation of a more inclusive economy, and complicate any policy process that requires representative agreement by business. Not

surprisingly, the sectoral reaction to the Marikana incident, which affects it to the core, was disparate, inconclusive and devoid of the insights one would expect from a stakeholder that ought to provide leadership under circumstances like these.

The labour movement faces similar challenges. The emergence of more militant unions, like the Association of Mine-workers and Construction Union (AMCU), has challenged the hegemony of the largest affiliate of the Congress of South African Trade Unions (COSATU), the National Union of Mine-workers (NUM), and has implications for the leverage that the governing African National Congress (ANC) has over organised labour, through the tripartite alliance.

Marikana, after all, marked a departure from established centralised bargaining processes, resulted in an illegal strike that coincided with intimidation and, in the absence of a means to find consensus, culminated in a massacre. Neither the existing institutional processes for dealing with such conflicts, nor the social capital within the tripartite alliance, could be leveraged to achieve a peaceful outcome. As economic forecasts remain dim for the foreseeable future – and, as a consequence, to the earnings of workers – there will be pressure on COSATU affiliates to stymie the prospect of developments similar to those that have occurred in the mining sector. Should they do so by upping wage demands to keep pace with emerging union competitors, without commensurate productivity increases, it will have a profound impact on the country's competitiveness. Arguably, it will also strain relations within the tripartite alliance and jeopardise the degree of predictability that it has given to broader national policy processes over the years.

The sector probably most compromised by competing sources of power was the government itself. In last year's *Transformation Audit*, Neva Seidman-Makgetla illustrated how the government policy agenda gets hamstrung by incongruent priorities and conflicting vested interests, and concluded: 'Given this institutional fragmentation, it was easy for policy-makers to end up representing, not the majority in the democratic sense, but rather their key stakeholders' (2012: 12). In 2012, this was amplified by the ruling ANC's five-yearly national conference in Manguang, which loomed large, and (as was the case in the run-up to its previous conference in Polokwane in 2007) factionalism both indirectly affected and directly afflicted the government's ability to be decisive and provide leadership. During the most fragile period in the immediate wake of the Marikana shootings, ousted ANC Youth League (ANCYL) leader, Julius Malema, appeared to leverage worker discontent purposefully against his detractors in the government and in favour of those who backed him. While Malema was embraced by workers, television cameras captured anxious government ministers and their entourages, leaving the scene of the shootings hurriedly in clouds of dust. Equally difficult to ignore was the extent to which aspersions were cast over the role that ANC heavyweight and Lonmin director, Cyril Ramaphosa, played in the instigation of police

violence, at a time when he was regarded as a serious contender for the party's presidency in Mangaung.

To compound matters, the initial, and unfortunately predictable, knee-jerk response of the official opposition to the tragedy – calling for the head of the president, before it could commiserate with families of the slain workers – appeared more like political expediency than serious engagement with a national crisis. At a moment where it had the opportunity to show leadership, it added to the polarisation of the situation.

Not surprisingly, this confluence of events prompted the ratings agency Moody's to downgrade the country's credit rating, bringing it in line with that of Fitch and Standard and Poor's. All cited doubts about the country's longer-term political stability. To add insult to injury, a cover story in October by *The Economist* (20.10.12), titled 'Cry the Beloved Country' after the celebrated Alan Paton novel, offered a scathing assessment of the country's future. Citing high structural unemployment, the education crisis that sustains the mismatch between labour market demand and supply, the growing scourge of corruption and the resultant entrenchment of poverty and inequality, the publication asserts that 'South Africa is in a worse state than at any time since 1994' and concludes that 'the country is now moving backwards'.

While it is tempting to come to a similar conclusion under the present circumstances, *The Economist* may be premature in its assessment, as it was with its damning, but misguided, appraisal of Africa's future prospects in 2000. It has again drawn on incontrovertible facts that few can fault, but their selection, at the expense of some more encouraging ones, seems to force a conclusion that is more categorical than circumstances suggest. While it cites South Africa's dismal rankings of 132 and 143 out of 144 for primary education and maths and science teaching respectively in the 2012/13 *Global Competitiveness Report*, it omits to mention that the same report ranked the country 15th for the quality of its management schools and 34th for its research institutions. Other rankings included: 1st for regulation of securities exchanges; 2nd for the availability of financial services, after Switzerland and ahead of the United States; 2nd for the soundness of its banks; 2nd for the accountability of private institutions; 6th for the effectiveness of anti-monopoly policy; and 20th for intellectual property protection.

While these figures do not suffice to rebut claims that the country has serious (and game-changing) challenges to overcome, they imply a somewhat more open-ended future than that inferred by *The Economist*. What they do suggest is that, despite several setbacks over the past year, change is not unidirectional. Particular pockets of excellence exist and, in some instances, they have managed to improve their global standing over the past year. However, poor education rankings should alert South African policy-makers to the reality that the country's achievements can only be sustained and expanded if investment in the cognitive and skills development of young South Africans is taken seriously.

As worn out as the adage 'the youth represents a country's future' might be, it remains as relevant to South Africa as ever. In October, Statistics South Africa released the results of the country's 2011 Census, which shows that the country's population has grown from 40 million in 1996, when the first post-apartheid census was conducted, to 51 million today. For politicians, policy-makers, business and everybody else who has a stake in the country's future, the most notable take-away from these results should be that two-thirds of the population are 35 and younger. Unlike the developed north, this is 'no country for old men' (or women), but one that is endowed with a decidedly youthful population, brimming with energy that, if directed properly, has the potential to catapult our economy into sustained and higher growth rates than those we have experienced up to now. For this reason, this year's *Transformation Audit*, titled *The Youth Dividend*, hones in on the place of young people in the South African economy. Policy-making without taking this largest section of the population into consideration is bound to be futile.

We know that 70 per cent of the unemployed, economically active, working-age population are younger than 35, and 42 per cent of the 18–24 age cohort are neither in employment, nor in education or training. Not only is this a wasted opportunity of our demographic dividend, it also can become a liability to our social stability. This is recognised in the final version of the National Development Plan (NDP) of the National Planning Commission (NPC), which notes that this reality provides a 'window of opportunity', but in a context of low growth and unemployment it also has the makings of a 'perfect storm'.

The NDP, which projects its desired outcomes to 2030, is by its very nature a youth-oriented document and offers a well-considered assessment of the country's challenges, as well as integrated approaches to overcome them. Elsewhere in this publication NDP secretariat staff provide a more detailed analysis of the plan and how it proposes to enhance the ability of young people to take up a more active role in the economy and society at large. At this stage, it is important to underscore the utility of having a plan, regardless of shortcomings, that is the product of broad national consultation and offers a potential rallying point for more cohesive responses to South Africa's developmental challenges.

However, as also mentioned in relation to the draft version of the NDP in last year's *Transformation Audit*, it will stand and fall by its implementation. A deflated global economy certainly does not provide the ideal context for launching a development plan that has factored lofty growth expectations into its model for achieving national goals. Maybe there is a conversation to be had about a 'Plan B', which has the same objectives, but incorporates different growth scenarios. What happens if the economy continues to grow at a more modest rate of, say, 3.0 per cent, and how will we extract the optimum social returns from it?

The whims of the global economy aside, there are circum-

stances over which we should be able to exercise more control. In a recent address to the National Union of Metalworkers of South Africa (NUMSA), Reserve Bank Governor Gill Marcus cautioned the union and its fellow COSATU affiliates to weigh carefully the interests of their members against those of the country's longer-term objectives. Commenting on the sharp decline in third-quarter growth of just 1.2 per cent (revised down from 3.4 per cent) and predictions that fourth-quarter results may also be 'very low', she remarked that these declines have been self-inflicted by strike action during the third quarter, a period that included the Marikana massacre (Maswanganyi 2012). According to Marcus, the increasingly violent nature of these strikes has sown the seeds of 'great destruction'. In the same vein, she raised questions about the government's stated prioritisation of education, even though it has repeatedly failed to comply with court orders compelling it to deliver timeously on something as basic as school text books.

Many of these, and other, self-inflicted wounds cannot be attributed solely to one actor. Quite often, they are the product of the interplay between failed system and trust deficits. Closer analysis of the past six months' violence suggests complicity in different configurations. The actors include: employers who exploit workers; unions that seem to be more concerned about their hegemony than the interests of their workers; and a government that has failed to assert itself through the constitutional and legislative processes and procedures at its disposal. Ultimately, this social fragmentation, which manifests in a polarised winner-take-all mentality, is putting the proverbial brakes on our progress.

This complex interplay of social forces rubbishes claims that the ruling ANC is solely to blame for all the country's current problems. However, the ANC cannot be absolved for the role that its factionalism, sustained by a network of material patronage, has played in weakening the fragile cohesion that exists within our country. This, it must by now have observed, has come at the cost of its own credibility and ability to govern. Education offers a case in point. The text-book saga in Limpopo, the Eastern Cape Education Department's refusal to be called to order by the national government, and the creation of no-go areas in the Northern Cape, which prevented the Minister for Basic Education from intervening on behalf of children who were kept from attending school, suggests either a loss of influence or weak implementation capacity or both. The situations in Marikana and, to a lesser degree, the Winelands of the Western Cape, raise similar questions about the sustained strength of the tripartite alliance's combined influence in an even more direct way.

Only cynics would rub their hands with glee at the sight of the ANC's current internal turmoil. Its persuasive power may have declined, but it remains a powerful social force, which still – more than any other entity – has the ability to influence the developmental course of this country. During these challenging times, a functional and efficient ANC, serving

South Africans, is as important to its supporters as it is to its detractors. Consequently, all South Africans, many of them young and not yet of voting age, have a vested interest in the best possible outcomes at the Mangaung conference. However, in coming years, as they become part of the voting public, it will be up to these young people to pass the verdict on whether the leadership elected and policy choices made at Mangaung represented the rebirth of a modern future-oriented party that speaks to their needs, or whether it marked an endorsement of the self-destructive ways that may ultimately cost Africa's oldest liberation movement its dominance.

Chapter summaries

This edition of the *Transformation Audit* makes young people its focal point; accordingly, most of the articles have been written or co-written by emerging young scholars and practitioners. The review articles are incisive, and the opinion articles highly provocative, which is in line with our objective to provide deeper insight, but also to get South Africans talking. As in previous years, the format consists of four chapters that look at broader macro-economic developments, the labour market, skills and education, and poverty and equality. Unlike the previous edition, we did not include a public opinion chapter, given that the 2012 SA Reconciliation Barometer Survey only includes those questions relating to socio-economic justice on a biennial basis. This chapter, therefore, will feature once again in the 2013 *Transformation Audit*.

Chapter 1: Economic governance

Ashraf Kariem and Sithembile Mbete of the NPC invoke Thandi, a fictional character used by the commission to personify the challenges that South African youth face at present. Thandi and her real-life peer demographic can look forward to only a marginal chance of entering the job market or earning a salary that is either regular or above the poverty line, and may only look forward to income stability when eligible to receive a state old-age pension. The national economy, they write, is caught in a low-growth, middle-income trap, characterised by a lack of competition, little workforce participation, low savings and a poor skills profile. This is despite the formidable economic prospects that come with a young population. Kariem and Mbete map out three possible developmental scenarios, finding that a diversified economy with improvements in investment, exports, skills and human capital, and reduced costs of basic goods and services and to business operations, is the most appropriate path.

In the opinion section of the chapter, Mzukisi Qobo and Eusebius McKaiser reflect on whether generational change will have any impact on the brand of South African politics that is practised in years to come.

Eusebius McKaiser's assessments of political discourse and the quality of young leadership in both the ANC and DA are pessimistic: McKaiser's diagnosis is that the ANC has

employed 'fuzzy historicism' to gloss over corruption and weak governance, and has invoked legacy capital to bolster support at the polls – at the expense of appropriately managing citizen expectations and delivery. The DA, he suggests, has conversely adopted an 'overactive ahistoricism' that places party political ideals far above the conceptual and practical realities of achieving equality. McKaiser finds with both parties a lack of substantive difference, critical thought and open debate between young and older leaders. He proposes that far more intellectual energy be dedicated to building an effective bureaucracy over ideological squabbles, and finds more hope in emerging civil society organisations and leadership than in either party.

Qobo challenges the notion that South Africans will continue to wait patiently for economic transformation, and questions whether current leadership has the capacity to effect real change. Government, he argues, is plagued by maladministration and corruption, and despite the benefits to millions who have received new opportunities and better services, millions of others 'also feel aggrieved'. The author paints a picture of an ANC that is over-reliant on history, memory and struggle symbolism, and places little hope in the current crop of young leaders to change party culture. Will this translate into support for opposition parties? According to Qobo, the answer is not clear cut. Without broader, open debates on race, socio-economic cohesiveness and redress, he suggests, the official opposition, the DA, will be unable to capture the political support of most South Africans.

Chapter 2: The labour market

In the review section of this chapter, Neil Rankin, Gareth Roberts, Volker Schör and Debra Shepherd locate young South Africans at the periphery of the labour market. Many lack work experience or the social capital required to access jobs, and after the 2008 global financial crisis, labour market participation has dropped while the number of discouraged job-seekers has climbed. Rankin et al. find that most employed young South Africans work in the formal sector and, while new positions are scarce, tend to stay in their current jobs for longer. A lack of both savings and start-up capital presents an obstacle to moving into self-employment. Mobility between states of employment, from working in the informal sector to searching for a job and discouraged unemployment, have also dropped. The authors consider the merits and drawbacks of the youth wage subsidy, tabled by the government but opposed by COSATU, and the job-seekers grant proposed by the ANC at its 2012 policy conference. Both seem unlikely to be implemented in the short term, but in the interim, there is an urgent need for sensible policy interventions.

In the opinion section of this chapter, we ask whether entrepreneurship, as an alternative to formal employment, has been exploited sufficiently to get young people to work.

Jacqueline Kew points to Africa's impressive growth rates over the past decade, and particularly before the global

recession, but cautions that in many cases – as in South Africa – this has not been sufficiently jobs-producing. With predominantly young and increasingly urbanising populations in many African countries, frustrated youth without jobs have the potential to become a source of social instability. In South Africa, the formal and public sectors have not created enough employment, and Kew's article focuses on the critical importance of promoting entrepreneurship, enterprising behaviour and aspirations of self-employment. A common diagnostic, by, among others, the National Youth Development Agency (NYDA), has been that start-up finance is inadequate and should be supplemented. However, Kew also underscores the importance of inserting financial literacy and entrepreneurial training earlier on in the school system, the critical need for improvements in maths and science education, and skills development that allows young entrepreneurs to excel beyond merely establishing necessity or survival businesses.

Erica Penfold also asks whether or not South Africa has gone far enough in promoting entrepreneurship and establishing the necessary supportive infrastructure, in a time when self-employment has become tainted by the concept of 'tenderpreneurship' and a host of negative connotations of corruption and political patronage. Traditional sources of employment are drying up, she writes, and educational achievement, regulatory barriers and a lack of skills and awareness all hamper potential future entrepreneurs.

Chapter 3: Skills and education

The overview article of this chapter by Peliwe Lolwana underscores the importance of completion of senior secondary education, which offers a gateway to opportunities for individuals, especially those coming from previously disadvantaged backgrounds. In her assessment, passing the national senior certification examination, or 'matric', has become the minimum requirement for a better future for many young people and their families, who are struggling. Lolwana contends that limited access to education as a platform for social mobility exacerbates existing levels of inequality. Apart from the actual quality of education, she contends that the practical difficulties in obtaining a second chance at passing the senior certificate exams further exacerbate the travesty faced by many young people in trying to improve their future prospects.

However, even when young South Africans pass successfully through the schooling system, their challenges do not end. The cost of tertiary education is often beyond the means of those many that have worked diligently but come from disadvantaged backgrounds. In the opinion section of this chapter we ask whether enough has been done to provide financial assistance to the students that need it most.

The opinion article by Pierre de Villiers looks at the public financing of higher education in South Africa over the past two decades, and also provides an overview of the National Student Financial Aid Scheme (NSFAS), since its introduction in the mid-1990s. De Villiers contends that even though racial

obstacles were removed in terms of student access, economic woes replaced them and have become the primary cause of unequal access to higher education. The introduction of NSFAS was aimed at countering this. Although it has had growing pains, the scheme has rendered important results and, over time, the racial composition of the student population has changed markedly. For example, in 1995, 50.2 per cent of students in higher education were black, compared to the 37.5 per cent of white students. By 2008 black students represented 64.4 per cent of the total, and white students 22.3 per cent.

In the second opinion article, Gerald Wangenge-Ouma reflects on the funding challenges of achieving equity of access in South African higher education. He analyses the various factors that have impacted on access to education in the South African context and notes that access patterns in South African higher education reflect significant inter-group disparities. The higher education system is characterised by discrepancies in the participation rates of students from different population groups, with the African and the coloured sections being the worst affected. He delves into issues relating to funding, tuition fees and NSFAS, and notes that funding, which plays a key role in enhancing access, has not grown at levels that support the increase in demand for higher education by people from all walks of life. Consequently, many poor South Africans remain excluded from higher education. Given the challenges of funding higher education, as opposed to other national challenges, he highlights the need for the government, in collaboration with tertiary institutions, to develop credible alternative models.

Chapter 4: Poverty and inequality

Poverty is an inheritance that no one deserves, and no parent wishes on their children. However, in South Africa this is a sad reality for many households. In the overview article of this chapter, Katharine Hall describes the driving factors behind this phenomenon and considers ways to break the cycle.

Hall explains that our understanding is frequently clouded by datasets that are not entirely appropriate for a more nuanced perspective on child poverty. The high number of households in urban areas results in household-level statistics that, for example, mask patterns relating to child poverty. Many adults, who have migrated to urban areas for work, and are counted as single-headed households, may actually be supporting a family living in a rural area. Datasets that are more child-centred point out that poor children tend to live in households that are larger than the average household size, and are located primarily in rural areas. These areas are typified by high levels of access poverty, and low levels of service delivery, inferior infrastructure and few employment opportunities.

Ultimately, children rely on their adult caregivers and, under conditions where adults are either unemployed or working for low wages, intergenerational poverty proliferates. Poor economic and basic infrastructure (housing, water and sanitation,

healthcare and education) further compounds the obstacles that communities have to overcome to escape this cycle. Hall contends that although government grants have had a significant impact on reducing the degree of child poverty, measures such as the smaller child support and the foster child grants, as well as the larger grants, may not be sufficient to break the cycle and lift households out of poverty.

In the opinion section of this chapter, it is asked how poor young people can be helped to escape reinforcing circumstances that confine them to poverty. In their article, Eric Atmore, Lauren van Niekerk and Michaela Ashley-Cooper examine access to ECD as a means to combat child poverty. While the NDP emphasises the importance of ECD, Atmore et al. argue that it does not adequately address the challenges of political will, systemic challenges and implementation challenges. They contend that the implementation and success of ECD measures are being hampered by self-inflicted obstacles.

Lauren Graham proposes the use of youth cash transfers. Given the negative perception that exists around the attitudes of youth, and the resultant suspicion that these allocations would be squandered, such a measure remains controversial in some policy circles. According to Graham, current interventions, such as the youth wage subsidy and the job-seeker's grant, have the potential to make some inroads, but start from the premise that in order to create jobs the government has to stimulate the supply of and demand for labour. This approach frequently overlooks the real structural constraints that impede the efforts of young people. Instead, she suggests that by boosting young people's financial assets, alongside the development of other assets, young people can overcome financial obstacles and have more control over their own destiny.

The Youth Dividend

With the rapid pace of change, we tend to forget that our actions do not only have immediate consequences, but may have repercussions far into the future. This is as true of the policy environment as it is of individuals. South Africa's challenges are both immediate and long term. Poverty dictates that thousands of South Africa's face existential choices about housing, nourishment and healthcare on a daily basis. We need urgent solutions for these. At the same time, the country needs to consider the investments that it makes today in the hope that they will render a better society years from now. One way in which we can do this is in physical infrastructure, but its ability to render dividends is constrained when compared to the returns that proper investment in our human resources, our people, can bring. For this reason, this year's publication has focused squarely on young South Africans, their challenges, their views, and how they can be equipped to make this a better country for all who live in it. We believe that this publication can make an important contribution to this debate.



Chapter

1

Economic Governance

The proceeds of growth have to be enjoyed more equitably than has been the case in the past.



REVIEW: BUILDING A FUTURE FOR SOUTH AFRICA'S YOUTH

04

Ashraf Kariem and Sithembile Mbete

OPINION: GENERATIONAL CHANGE AND ITS IMPACT ON SOUTH AFRICA'S POLITICS

New generation, old politics

11

Eusebius McKaiser

Continuity at the expense of new politics

15

Mzukisi Qobo

The Economy at a Glance

Global growth remained subdued in the face of continued uncertainty around the resolution of the Eurozone crisis, and the prospect of the US economy tipping over the proverbial 'fiscal cliff'. Declining demand in developed economies has also put a damper on forecasts for emerging markets, with growth in dynamos such as China, India and Brazil slowing down much faster than expected. Given the necessity for growth rates in excess of 6.0 per cent to achieve its developmental objectives, the National Planning Commission could not have launched its *National Development Plan 2030* at a more challenging juncture. In October, growth prospects for 2012 were revised downward from 3.1 per cent to 2.5 per cent, with the budget deficit for the period widening to 4.8 per cent. Given these tough conditions, which are likely to persist, and the prospect that the internal social instability of 2012 may spill over into 2013, the country will have to draw on all the resources at its disposal to ensure that the inclusive growth agenda remains on course.

2.5%

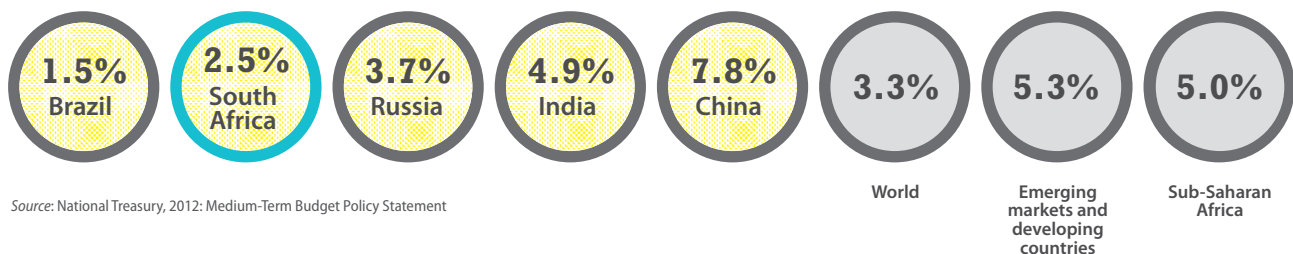
South Africa's
projected GDP
growth for 2012

South Africa's vital economic indicators

	2011/12	2012/13 (est.)
GDP Growth	3.1%	2.5%
Total Government Revenue in Rbn	R837.0	R900.6
Total Government Expenditure in Rbn	R964.4	R1 057.1
Non-interest Expenditure	92.1%	91.6%
State Debt Cost	7.9%	8.4%
Budget Balance	4.2%	4.8%
Current Account Balance (2011)	-3.3%	5.9%
Total Gross Debt as % of GDP	39.6%	41.3%
Headline CPI Inflation (2011)	5.6%	5.7%

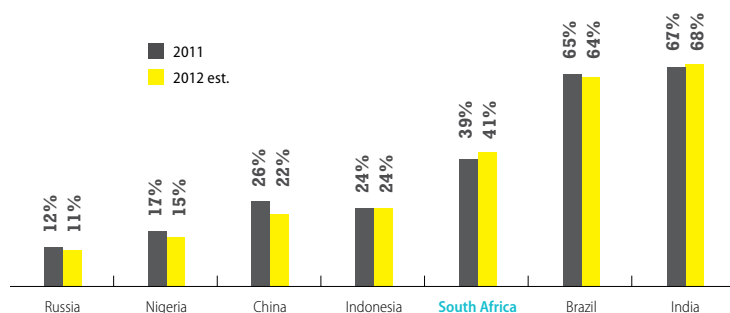
Source: National Treasury, 2012: National Budget Review and Medium-Term Budget Policy Statement

South Africa's projected GDP growth for 2012 in a comparative perspective



Source: National Treasury, 2012: Medium-Term Budget Policy Statement

South Africa's gross debt to GDP ratio in comparative perspective

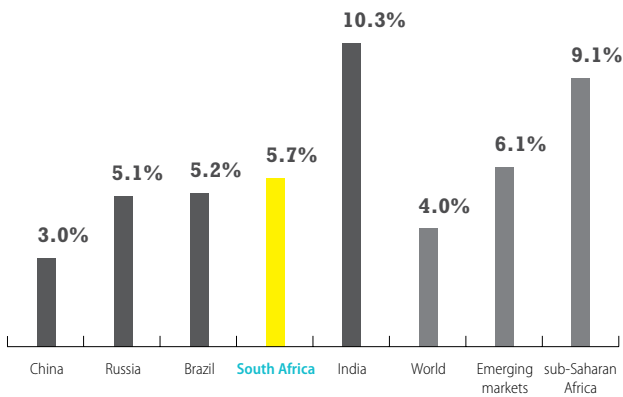


Source: International Monetary Fund, World Economic Outlook Database, October 2012

39%

South Africa's
public debt
as percentage
of GDP

Projected inflation for 2012



Source: National Treasury, 2012: Medium-Term Budget Policy Statement

The competitiveness of the South African economy in perspective

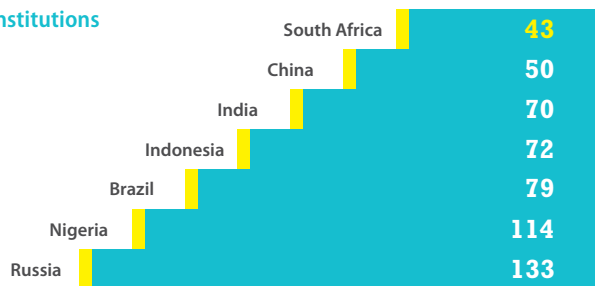
Country/Economy	Rank 2012/13	Rank 2011/12	Change	
Brazil	48	43	-5	↓
Russian Federation	67	68	-1	↓
China	26	29	-3	↓
South Africa	52	50	2	↑
Indonesia	50	54	4	↑
Botswana	79	78	-1	↓
India	59	62	3	↑
Nigeria	115	127	12	↑

Source: World Economic Forum, 2012: The Global Competitiveness Report 2012–2013

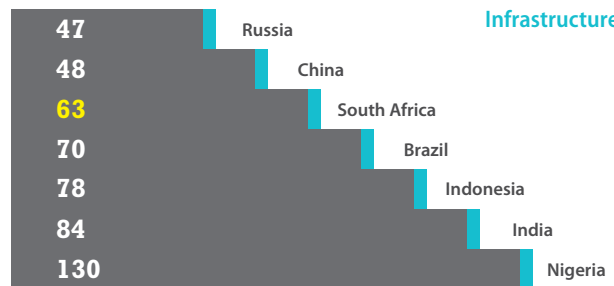
ONE

The four basic pillars for economic competitiveness: global competitiveness report (ranking out of 144 countries)

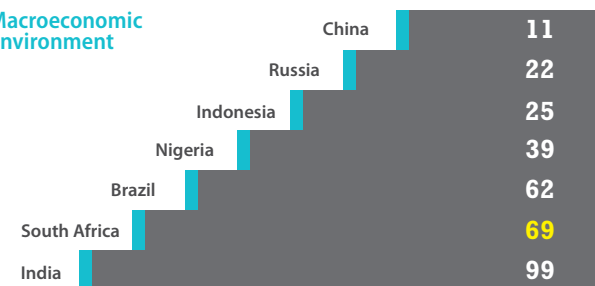
Institutions



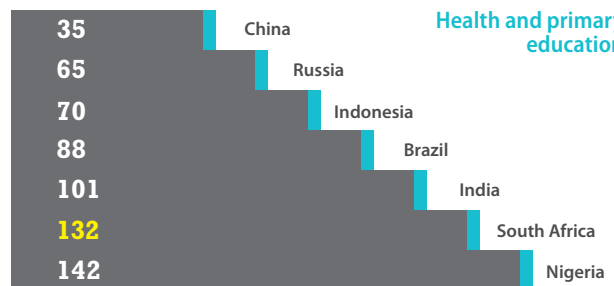
Infrastructure



Macroeconomic environment

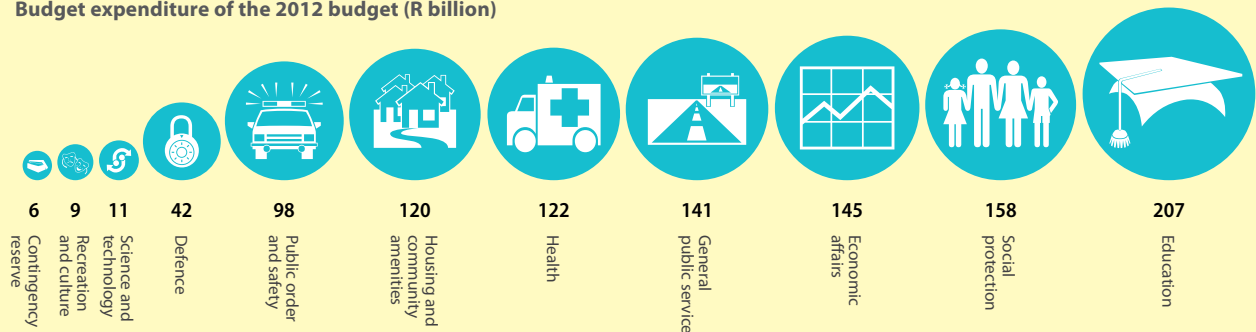


Health and primary education



Source: World Economic Forum, 2012: The Global Competitiveness Report 2012–2013

Budget expenditure of the 2012 budget (R billion)



Source: National Treasury, 2012: National Budget Review

REVIEW | Building a future for South Africa's youth

Ashraf Kariem and Sithembile Mbete

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Introduction

Thandi is a 20-year-old girl from a village in KwaZulu-Natal who matriculated in 2010. Although she started school with 1.4 million other learners in January 1999, only 600 000 of her peers sat to write their matric exams in 2010. Of these learners, only 25 per cent achieved the marks necessary to enter a university or a further education and training college. Someone like Thandi who is a poor African woman from a rural area had only a 4.0 per cent chance of attaining further education. As she could not further her education, Thandi joined the 114 000 new entrants in the labour market in the first quarter of 2011. In her first year out of school, Thandi had a 13 per cent chance of getting a job. If we project this to the first five years out of school, Thandi has only a 25 per cent chance of getting a job and a 2.0 per cent chance of earning more than an average income of R4 000 per month. In all likelihood, Thandi will subsist off short-term employment for much of her working life, earning no more than the poverty-line amount of R419 per person per month. The first time she will break through the poverty barrier is when she turns 60 and is eligible for the old age pension.¹

Thandi's story illustrates the significant challenges facing South Africa's economy. Many are excluded from economic activity and have no access to opportunities to improve their lives. Unemployment and poverty levels are extremely high and persistent, and while there have been some efforts since 1994 to diversify the structure of ownership and participation in the economy, these have benefited only a few. As a consequence, inequality has continued to grow, and South Africa, having surpassed Brazil, today is rated as the most unequal emerging economy in the world. The task of undoing these stubborn structural traits of the economy has been hamstrung by a public education system that has widened access but has underperformed in providing quality education that meets the needs of the economy. Once again, black learners from disadvantaged backgrounds are being marginalised from accessing the opportunities that could drastically change their future prospects. Young people, and poor black youths, in particular, bear the brunt of South Africa's structurally flawed economy.

Like Thandi, millions of young South Africans will probably spend most of their productive years with little opportunity of

gainful employment and self-development. Their prospects of escaping marginalisation through mobility in the labour market are dim, and maybe only in their twilight years will government grants and pensions allow them temporarily to elevate their living conditions to something better. A country that offers so little hope to its youth cannot count on a prosperous, safe and stable future.

It is for this reason that South Africa urgently needed a comprehensive, integrated long-term approach providing a promise of something better. The National Planning Commission (NPC) was established to produce such a vision and an accompanying development plan for South Africa's future. Recognising that young people suffer a disproportionate burden of unemployment and poverty, the Commission adopted a 'youth lens' in preparing its plan. This article summarises the NPC's approach to improving the life chances of Thandi and millions of others like her. The revised National Development Plan (NDP) released on 15 August 2012 aims to eliminate poverty and reduce inequality in South Africa by 2030. The NPC believes that this can be achieved by growing an inclusive economy, building the capabilities of individuals, enhancing the capacity of the state and promoting a more cohesive society. The first section discusses the structural composition of the South African economy, and examines its historical foundations and contemporary features. Central to this is a discussion of the problem of youth unemployment. The article then considers the proposals of the revised NDP to create a more prosperous, equal South Africa by 2030.

The structure of South Africa's economy

South Africa's classification as a middle-income economy is misleading. As aggregate figures that are based on per capita income often do, this label obscures the country's profound social inequalities. Few live comfortably, while the vast majority toil daily to fend off the existential threats that poverty poses. The country's working middle class is small and vulnerable to external shocks.

This imbalance represents a continuation of the skewed patterns of ownership and economic participation that were forged during apartheid. Mining and agriculture provided



In short, more learners have been exposed to a system that does not adequately prepare them for the demands of a labour market with a distinct skills bias.

ONE

the cornerstones upon which the South African economy was built, and its current configuration continues to bear evidence of this. During the twentieth century, state intervention contributed to the development of some manufacturing capacity to serve these industries and to provide consumer goods for the domestic and Western markets. The South African economy before 1994, thus, can be characterised as a mineral-energy complex in a dependent relationship with Western economies, based mainly on exports of minerals and agricultural produce and imports of capital and intermediate and finished goods (NPC 2011). Successive apartheid governments invested mainly in 'self-sufficiency' projects such as SASOL and ISCOR. These were highly capital- and resource-intensive enterprises, which, in turn, reproduced this complex of capital-intensive and energy-inefficient industries. The resilience of this model was sustained by cheap hydrocarbon energy. This path-dependency has proven stubborn and difficult for the post-apartheid government to change.

Global forces and the weak impact of domestic policies have served to reinforce these realities. Below-potential growth, and an inability to absorb more young entrants in the labour market have imposed a 'muddling through' scenario on the country, which has seen it struggling to keep pace with other emerging market peers. The NDP's diagnosis of the South African economy is that it is caught in a 'low-growth, middle-income trap' (NPC 2012: 110). The four features of this trap are: low levels of competition for goods and services; large numbers of workers that are excluded from the labour market; low savings; and a poor skills profile. As a result, the NPC contends that the economic legacy of apartheid has not yet been overcome, and that the majority of black people still struggle to find the opportunities to advance their living standards.

Low competition levels constitute one of the most stubborn remnants of South Africa's economic evolution under apartheid. Internally, economic exclusion kept the majority of citizens from competing on an equitable basis with their white counterparts. Because of apartheid laws, the consumer base was circumscribed, as was the labour profile. Racial laws constrained the growth of the domestic market and destroyed entrepreneurship among the majority black population, limiting the growth of small enterprises and the informal sector. Economic sanctions also precluded potential foreign investors from adding diversity to the market. In some instances, export substitution, the apartheid government's response to sanctions, gave rise to the development of oligopolistic relationships within specific industries. The result, uncompetitive goods and services markets, created relatively high profit margins

that were consumed by employers and existing employees, but resulted in limited innovation and investment. This legacy remains, which makes it difficult for new firms to enter the market; consequently, the potential for the creation of new jobs remains constricted.

Unemployment means that too many South Africans are excluded from actively participating in the formal economy. South Africa's economy is highly capital intensive, and highly biased against labour. Reversing this bias is the most critical economic challenge South Africa faces. Too few South Africans work, with about 27 per cent of the working-age population being unemployed. Despite making up just 0.5 per cent of the global labour force, South Africa accounts for 2.0 per cent of global unemployment (National Treasury 2011). Only about 41 per cent of the adult population (aged 15–64 years) is employed or self-employed in the formal or informal sector. The comparative figure for emerging market peers, such as Brazil and Malaysia, is 75 per cent; for developed economies, it is 70 per cent (NPC 2011). The only examples of countries with employment levels that are equally low are found in the Middle East where women are excluded from the workforce. The dependency ratio (the number of people depending on one wage earner) is very high at 3.9 (NPC 2012). This means that each employed person supports four other people. Because of the high dependency ratio, the majority of working people live near or below the poverty line of R419 per person per month.²

Low savings translate into low levels of domestic investment. South Africa's levels of private and public investment (including maintenance) are significantly lower than those of high-growth countries such as South Korea or China. Despite having peaked at 24 per cent in 2008, the country's investment level as a proportion of GDP has averaged below 20 per cent since the mid-1980s. South Korea, in comparison, had an investment rate of about one-third of GDP during its period of rapid economic growth (NPC 2012). Because of the low savings levels, South Africa is reliant on foreign capital inflows. This has reinforced the uncompetitive nature of the economy, as foreign capital has tended to invest in existing high-profit firms, as opposed to green-field investments that create new infrastructure and employment.

A weak skills base is one of the primary reasons why investment rates have remained low in South Africa (World Bank 2011). With the global economy becoming increasingly knowledge oriented, investors have sought destinations with skills bases that meet the demands of their industries. South Africa's shortage of critical skills can be attributed partly to the education policies under apartheid, which kept the majority

of the population from entering particular highly skilled occupations. This has been exacerbated by an underperforming education system since the end of apartheid. Although substantial resources have been pumped into public education over the past 18 years, the returns on this investment have been unsatisfactory. The system's major achievement has been close to universal access at the primary level, but, as indicated elsewhere in this publication, retention levels and the quality of outputs have been low. In short, more learners have been exposed to a system that does not adequately prepare them for the demands of a labour market with a distinct skills bias. For more than a decade now, employment for low-skilled workers has grown at a lower rate than for those with higher skills. This, in turn, reinforces income inequality, because the high premium on skills has pushed up wages of workers in this category in a disproportionate measure to that of low-skilled and unskilled workers.

In addition to these challenges, there are others, which we do not go into detail about here, but are worth mentioning. These include extreme pressures on natural resources, such as water, energy constraints, skewed spatial development and limited access to large global markets, because of geographical distance.

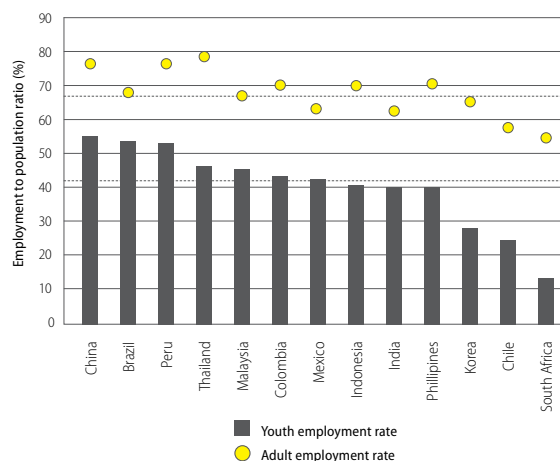
Youth unemployment: wasting the demographic dividend

While the extent of unemployment is a major concern in itself, the most frightening aspect of it is the proportion of young South Africans falling into this category. Youth unemployment may be a global phenomenon, particularly in a context of international economic stagnation, but the problem in South Africa far exceeds that of most of its peers.

Generally, youth unemployment levels are determined by several factors, including: a lack of work experience; insufficient entry-level jobs to match the number of entrants; a mismatch of available jobs to the skills of the available entrants; and a disconnect between education and the labour market (Moleke 2012). In South Africa, all of these factors are predominant; but, unlike in many other countries, youth in South Africa are not just 'hard to employ' – the majority are economically inactive. Using South Africa's official definition of youth (young people aged 15–34 years), the youth unemployment rate was about 34.5 per cent in December 2010, comprising about 72 per cent of overall unemployment. Using the International Labour Organisation's definition of youth (15–24 years), the youth unemployment rate was 49 per cent, which constituted 30 per cent of total unemployment (Altman 2102). Young black people are most affected by unemployment. In 2009, 53.4 per cent of black African youth between the ages of 15 and 24 years were unemployed, compared to 14.5 per cent of white youth (OECD 2010).

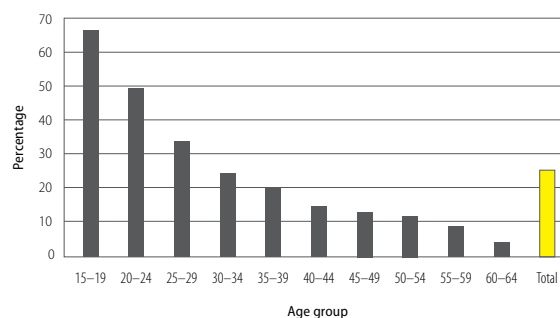
What makes this situation especially unfortunate is the fact that from a demographic perspective South Africa will never have a better opportunity to eradicate its developmental

Figure 1.1.1: Proportion of population in employment (youth aged 18–24, adults 24+)



Source: NPC (2011)

Figure 1.1.2: Unemployment rates by age, 2010 (Q3)



Source: Statistics South Africa (Stats SA) Quarterly Labour Force Survey (QLFS) (2010)

deficits. Like many developing nations, the country is experiencing a 'youth bulge', which means that the proportion of working-age people is high in comparison to the very old or the very young, who are not of working age. Under ideal conditions of full or high employment, this situation can be leveraged to direct revenue in the most optimal way for investment in infrastructure, skills and education, and support for the more vulnerable in society. As indicated above, unemployment precludes this from happening in South Africa. In the absence of better prospects for this country's young, the dependency ratio will remain high and, hence, the youth bulge, if unchecked, has the potential to become a liability rather than an opportunity. Long-term unemployment leads to alienation, increased risk behaviour and violence, which threatens social stability. At present, young people between the ages of 15 and 29 years are likely to make up more than a quarter of the total population until 2030 (NPC 2012). Therefore, there is a window of opportunity to work towards a decline in dependency rates and poverty levels. The cost of failure in this regard should serve as sufficient deterrent against complacency.

Several intertwined factors conspire to keep youth unemployment at its present levels. Firstly, economic growth has been outpaced by the growth of the labour market. While the economy expanded at an annual average of 3.2 per cent between 1993 and 2012, it could not keep up with the rate at which new entrants added to the size of the labour force. Secondly, a faltering education system has failed to keep abreast with the requirements of the new world of work. The system has struggled with high drop-out rates, especially from Grade 9 onwards. However, even those who have obtained a senior secondary certificate have come to realise that secondary schooling no longer guarantees upward mobility in the economy. Unfortunately, evidence suggests that secondary schooling is no longer perceived as a reliable signal of capabilities. While the schooling system has continued to produce weak outcomes, job opportunities for those with lower qualifications have continued to shrink. On the other hand, demand in high-skill sectors, such as finance and business services, have continued to grow, which has further amplified the mismatch between the skills-level requirements of industry and what the labour market can offer. A decade ago, a black African person with only a secondary certificate qualification had a 50 per cent chance of finding employment; the comparative figure today is 30 per cent. Eighty-six per cent of unemployed youth do not have education beyond Grade 12. Since 1995, employment for people with tertiary qualifications has increased by 7.1 per cent a year, while the comparative figure for those with only a senior secondary certificate has increased by an annual average of 4.8 per cent over the same period (Moleke 2012). The situation is even worse for those who have not obtained a senior certificate qualification. In 2012, 59.3 per cent of the unemployed had dropped out of school before obtaining their senior certificate (Stats SA 2012). Several other factors serve to compound the

youth unemployment problem. Among these are: lack of prior experience, which provides an important signal of ability to potential employers; weak social networks (especially for black youth), which link job seekers with employers; poor work-readiness; and a preference for hiring older people, which reduces the company's training bill, because of prior experience.

Given the distorted structure of the South African economy, which fails to create opportunities for the majority of citizens, and the youth in particular, targeted interventions are necessary to enable South Africa to be more prosperous and more equal in the future. The NDP aims to reverse the economic legacy of apartheid, eliminating poverty and reducing inequality by 2030. The following section provides a brief overview of some the NDP's proposed interventions to improve the prospects for young South Africans.

The NDP's vision for South Africa's economy

As intimated above, for South Africa to escape its current development trajectory, it will not only have to grow faster, but will have to do so in a more inclusive way. The proceeds of growth have to be enjoyed more equitably than has been the case in the past. In fact, higher levels of growth that are inequitably distributed can be as disruptive as no growth at all. In terms of the NDP's vision for 2030, the economy's best bet at becoming more inclusive is to ramp up employment levels to as close to full employment as possible, to diversify ownership, increase investment and foster a more capable, skilled workforce. To reach the goal of near full employment, the economy needs to grow by 5.4 per cent a year over the next 20 years and create some 11 million new jobs. The unemployment rate should fall from 25 per cent in 2011 to 14 per cent in 2020 and to 6 per cent in 2030 (NPC 2012).

Future scenarios

In pursuit of its objective of finding an appropriate vision for the country, the NPC prepared three employment scenarios to forecast the outcomes of different policy actions or development paths. In the baseline scenario (Scenario 1), South Africa will continue along the current trajectory, 'muddling through' with no improvement to the policy environment and with poor global economic conditions. The rate of investment will remain the same, and unemployment will only decline to 19 per cent, creating a shortfall of 3.3 million jobs (from the target of 11 million jobs by 2030). The jobs deficit will have to be met by the government through more than 5 million public-works job opportunities per year by 2030.

In the solid-minerals scenario (Scenario 2), an improved global environment and good performance in infrastructure programmes will increase the growth rate and expand employment. However, investment will continue to flow to the profitable capital-intensive activities, such as mining and energy, thus reinforcing the minerals-energy complex. Many of the jobs

created would be in low-paid domestically oriented services, such as retail and personal services. The creation of private sector jobs means that only 2.6 million public-works job opportunities will have to be created per year by 2030.

In Scenario 3, the NDP proposes a development path that will create a diversified dynamic economy. Here, substantial investment is made in new and expanding firms, education outcomes are improved to produce a skilled workforce, and state capabilities are enhanced to strengthen municipal infrastructure and services. Investments are made in research and development to increase the number of South African commercial innovations. Improved state capabilities contribute to a fall in living costs, improving the quality of peoples' lives. A fall in the costs of production stimulates local industries, and value-added exports constitute a larger share of sales.

Reaching vision 2030

No doubt, the achievement of a more prosperous and equal society is a long-term project. It requires building a more competitive, diversified economy that includes a greater number of South Africans in ownership and economic activity. This will require: improvements in economic infrastructure, particularly transport; more sophisticated telecommunications; the provision of energy and water; human resources investment, through better education and healthcare; removing the spatial legacy of apartheid, by improving human settlements and public transport; strengthening public service capabilities; and promoting regional development.

The NPC has identified three strategic interventions to develop a more competitive and diversified economy: raising levels of investment; improving skills and human capital formation; and increasing net exports. It is convinced that success in these areas will lead to rising employment, increased productivity, improved living standards and declining inequality.

Higher levels of investment will initially be state-led to address those infrastructure backlogs that have created disincentives to private sector investment. This should be infrastructure that promotes efficiency in the economy and reduces the cost of business and living. Several of the projects that were announced earlier this year by President Zuma in his State of the Nation Speech are intended to do just that. Yet, the provision of infrastructure per se is not enough. For private sector investment to follow, it also needs to be backed up by policy certainty that allows South African companies to plan and be more competitive. Private sector investment in infrastructure is most likely to occur if its expansion goes into consumer markets, also in the rest of Africa.

Improved skills and enhanced human capital require not only better quality education, but also improvements in health interventions, better located and maintained infrastructure, a sound social safety net, and more efficient public services. The NPC has identified the improvement of the accessibility and effectiveness of the post-school training system as the most important task in building human capital in the short

term. This, together with active labour market policies to match job seekers and employers, will be necessary to reduce unemployment, particularly amongst young people.

Increased export volumes will be pursued through a focus on those areas in which South Africa already has endowments and comparative advantage, such as mining, construction, mid-skill manufacturing, agriculture and agro-processing, higher education, tourism and business services. Given the modest pace of growth expected for the world economy, it will be necessary to focus not only on the areas in which we have comparative advantage but also where there is growing global demand. A greater proportion of exports will be directed to emerging markets, and more strategic efforts will be made to leverage our regional position to increase trade with the rest of the continent.

Other proposals include:

- » reducing the cost of living for poor households by focusing on reducing the costs of food, commuter transport and housing, as well as raising the quality of free or low-cost education and health care;
- » reducing the costs of doing business, especially for small and medium-sized firms, by reducing the cost of regulatory compliance;
- » positioning South Africa to attract offshore business services and leverage on the success of our telecommunications, banking and retail firms operating in other countries;
- » increasing rail, water and energy infrastructure;
- » broadening the expanded public works programme to cover 2 million full-time equivalent jobs by 2020;
- » adopting a more open immigration approach to expand the supply of high-level skills;
- » simplifying dismissal procedures for non-performance or misconduct, especially for smaller firms;
- » refining the approach to handling probationary periods to reflect the intention of probation;
- » strengthening dispute resolution mechanisms in the labour market in order to reduce tension and violence; and
- » creating a larger and more effective innovation system.

Building a future for South Africa's youth

As far as the position of young people is concerned, the NPC makes a number of proposals to improve their economic opportunities. Given the causal relationship between unemployment and low educational qualifications, it is important for young people to stay in the education system for as long as possible. The NDP aims to ensure that 80 to 90 per cent of learners stay in the education system up to Grade 12, or equivalent vocational education, with at least 80 per cent successfully completing the exit exams. Assuming that the quality of the system itself improves, this should also improve the employment prospects of young people.

In the medium term, strengthening the accessibility and effectiveness of the post-school training system will be an



Given the causal relationship between unemployment and low educational qualifications, it is important for young people to stay in the education system for as long as possible.

important step towards improving the capabilities of young people. The post-school system should be responsive to the needs of business and industry, produce highly skilled professionals and technicians, promote lifelong learning and enhance the country's research and innovation capacity. Training in entrepreneurial skills should be provided for school leavers and unemployed youth. Improvements to the education and skills system must be combined with active labour market interventions to be effective. One million learning opportunities should be provided through community education and training centres for youth to improve their qualifications. These opportunities should include non-formal education and a range of life skills.

For the short to medium term, various labour market interventions have been proposed to improve the employability of young people. The NPC proposes offering a tax subsidy to employers to reduce the initial cost of hiring young labour market entrants. This has the potential to provide many unemployed youth with that vital first work experience. In this regard, it would be important to facilitate agreement between employers and unions on entry-level wages to ensure that young, inexperienced labour does not crowd out older, experienced workers. Other short-term proposals include: providing driver's training for school leavers to increase their chance of employment; subsidising the placement sector to identify and prepare matriculants and place them in work opportunities; expanding learnerships and making training vouchers directly available to work seekers; and establishing a formalised graduate recruitment scheme for the public service to attract skilled young people to the public service.

It further suggests interventions aimed at the youth in areas outside of education and the labour market as well. Youth make up a large proportion of the urbanising population. The young people moving from rural areas to cities are largely of working age and mainly unemployed or involved in marginal enterprise. In reshaping South Africa's towns and cities, attention must be given to the needs and concerns of the youth. Rural areas should be made vibrant, productive sources of opportunity for youth. Youth-oriented spatial development includes putting in place the infrastructure they need to build their capabilities, access education and employment and engage in recreational activities. Furthermore, youth should be included in planning processes and encouraged to be active citizens.

Proposals have also been made to address the social circumstances that obstruct young people's participation in the economy. They are often the main victims and perpetrators

of crime, and, in order to build safer communities, the plan suggests mobilising the youth to participate in crime prevention and safety initiatives. Education about alcohol and substance abuse (as well as anger-management programmes) in schools from an early stage has been proposed as part of diversion initiatives for youth at risk of offending. The building of recreational facilities will also assist in this regard. In cases where crimes have been committed, the Department of Correctional Services will have to prioritise rehabilitation to increase young offenders' chances of making a meaningful contribution to society in future.

Finally, South Africa will be unable to reap the dividend of a young population if they do not remain healthy. The plan makes proposals for addressing lifestyle diseases such as diabetes, obesity and alcoholism. It also addresses the prevention and treatment of HIV/AIDS, which disproportionately affects young women.

Sequencing interventions for sustained growth

Achieving and sustaining GDP growth in excess of 5.0 per cent over the next 20 years will be a difficult feat. Most countries sustain accelerated growth for about eight years. Only 13 countries have achieved an average of 7.0 per cent a year for 20 years. To reach South Africa's growth targets, the NDP recommends adopting a binding-constraints approach – identifying the key constraints to growth, eliminating them, and then advancing to the next round of constraints. This sequencing of actions to remove those constraints to growth that are within the power of policy-makers to address can be an effective way to sustain growth.

The NDP makes proposals for the short, medium and long term. In the short term, the emphasis should be on absorbing the unemployed, especially youth, into economic activity. Ultimately, skilled labour should be the predominant feature of the workforce. Urgent investments must be made in rail, water and energy infrastructure to reduce business costs, and regulatory reforms must be implemented to reduce policy uncertainty. Opportunities for mass exports to sub-Saharan Africa and other emerging markets should be prioritised. To prepare for the next phase, the government will have to commit to: improving education standards and throughput at the primary and secondary levels; improving the labour relations environment; ensuring the supply of energy and water; changing the approach to land tenure systems to stimulate production and economic opportunity; and expanding public employment programmes.

In the medium term, the country should focus on the diversi-

fication of its economic base. This includes developing the resource-cluster to produce capital goods, provide engineering services and engage in beneficiation activities. Innovation across the state, business and social sectors should be prioritised to improve public services that serve low-income sectors, but also to increase efficiency across the economy.

In the long term, South Africa will have to consolidate the gains made in innovation, productivity and global market share.

What does all this mean for Thandi?

To improve Thandi's life chances, three priorities must be reached by 2030. The most critical of these is the sustained growth of the economy to raise employment. The state must support the development of new businesses that will be the main employers of the future. In the short term, improving the operation of public employment schemes will be important for enabling the state to service and support communities, while employing individuals. The upgrading of the education system will be critical to Thandi's chances of getting employment. For someone who has already left school, this requires improving post-school training, particularly through community education and training centres. Training in entrepreneurship and business skills will be crucial for enabling young people to create their own opportunities and employ themselves. Thandi needs the state to deliver the basic services necessary for building her capabilities; this means the efficient provision of electricity and water, public transport, social security and public employment schemes.

For the goals of the NDP to be realised, South Africa requires focused leadership, broad support across society, capable institutions and increased accountability. If each South African plays a role in their corner of the country, these goals can be achieved. Following the submission of the NDP to the government, the next challenge will be to galvanise the energies of the state and all citizens towards making it work.

Notes

1 Taken from *Planning for Thandi's future – Diagnostic report*, video produced by the National Planning Commission. Available at <http://www.youtube.com/watch?v=pliRsFYsRcg>.

2 In 2009 prices.

OPINION | Generational change and its impact on South Africa's politics

ONE

NEW GENERATION, OLD POLITICS

Eusebius McKaiser

Introduction

Many South Africans fervently believe that the quality of our political discourse – and the business of governing the country – will improve as people with apartheid memory die out and make way for a new generation, who have spent their formative years growing up in the post-apartheid era. Those who do so are likely to be disappointed. This article reflects on why the current character of our party-political contestation – a dominant but divided African National Congress (ANC), on the one hand, which covers up weak governance and corruption with fuzzy historicism, and the Democratic Alliance (DA), on the other, which compromises its support with approaches that are devoid of any historicism – is unlikely to be transformed by the replacement of stalwarts with more youthful faces. In both, party discipline trumps the fresh thinking that is required to challenge the status quo, and, until this changes, they will continue to reproduce a present that is stuck in a contested past.

The status quo: lazy historicism, overactive ahistoricism

To evaluate the prospects for political renewal accompanied by generational change, it is important to have a sense of the nature of current political contestation, the thinking that underpins it and the leadership that guides it. Given the steady demise of smaller political parties in successive elections, I will restrict myself here to the two major contenders, the ruling ANC and the DA, which seems to have absorbed much of the drift away from smaller parties.

Almost two decades after the country's political transition, the shine of the ANC's public image as a liberator, moral paragon and people's movement is gradually wearing off. Current president, Jacob Zuma, once famously remarked that the party would rule until Jesus Christ returns. Yet, today it increasingly has to contemplate its political mortality, as it comes to terms as a party with fierce and debilitating leader-

ship battles, and as a government with rampant corruption, skills deficits and weak implementation capacity. To counter the erosion of its social capital, the ANC has resorted to lazy historicism that it hopes will cover up for its shortcomings. For example, in his medium-term budget statement in October, Finance Minister Pravin Gordhan pointed out that South Africa's stunted economic performance, in comparison to booming African peers, is due to the global economic crisis impacting on South Africa more than it has on other developing economies. In other words, a recent historic structural factor is cited to soften underachievement by the state. (Gordhan did also mention weaknesses internal to the state but reference to historic structural factors is too often the more immediate explanatory narrative chosen by many ANC politicians.) The frequent citation of the longer political and socio-economic shadow cast by a history of colonialism and apartheid has become an enduring feature of government briefings on why targets have not been met. In many instances this has been done legitimately, but in others the cynical incantation of history, such as the president's recent attempt to absolve the government for its role in the Limpopo textbook crisis, has been opportunistic. In simple terms, this strategy suggests a sense of historical entitlement to be excused for underperformance.

Here is the problem with this historicism. While it appears empirically sound and politically coherent – some 20 years of democratic governance could not reasonably be considered an adequate time frame to fully undo the legacy of centuries of social, political and economic subjugation – the ruling party has become the architect of its own misery by failing to manage citizen expectations. Instead of asking for patience with gradual steps, it has postured – often for short-term electoral gain – in ways suggesting the capability of making gigantic leaps. Once looming deadlines appear on the horizon, sudden panic erupts about the message that has to be crafted in response to the visceral disappointment of its mainly black African constituency. While there is indeed a sense in which



Party discipline trumps the fresh thinking that is required to challenge the status quo.

present challenges can and must be historically situated, this has frequently been done in an irresponsible way.

Too often, this historicism is lazily trotted out to mask non-historic realities, such as the cadre deployment policy, and corrupt behaviour on the part of politicians and public servants. History might explain the desire to live well for the first time. It does not explain why some, but not others, loot the state. The fact that not every liberation movement hero is corrupt is evidence that some politicians simply choose to exercise their political agency in ways that are self-serving and often illegal. Instead of rooting out these rogue elements from the system, lazy historicism redeems their actions and allows them to continue stripping the state of its resources. In effect, this adds insult to injury to a state bureaucracy that is already limping along as a result of skills deficits.

The media chooses to focus frequently on titillating personality squabbles and, occasionally, on ideological debates, such as whether 'to privatise or to nationalise'. Rarely, however, does it ponder the impact of such stories on the institutional character of the state. While it may be more boring, our intellectual energies need to be directed towards building a bureaucracy that works. Without it, all policy and ideological battles of this generation and the ones to follow will be pointless. As far as personalities are concerned, it is naturally true that we are more likely to build a functioning bureaucracy if we have skilled political principals leading state departments and parastatals. However, there are thousands of men and women within the state who never meet a director-general or a minister in the course of their careers. We, therefore, cannot reduce the challenge of building a bureaucracy to the identity of top leaders of the ruling party, or who they appoint to act as the political heads of state departments. This is not to underestimate these appointments; it is rather to caution against an exclusive public focus on the most prominent positions within the ANC and the state at the risk of institutional meltdown.

Where does this leave us in terms of political leadership within the ANC? Too many current ANC leaders do not grasp this insight. They trade on struggle credentials. They hide behind lazy historicism to mask choices they make that have no foundation in history. Moreover, they are short on ideas about how to move from ideological and personality battles to pragmatic leadership focused on building a state that has men and women who are technically able to improve citizens' lives.

If the ANC suffers from the reflex historicism, the DA has the opposite problem – overactive ahistoricism. The DA's core philosophical belief is that equal opportunities ought to be created for all South Africans to have a shot at living fulfilling lives. While it may sound innocuous – spot-on, even – it is far

from that. Political philosophers have wrestled with many different conceptions of equality over the centuries, and the DA's neat repetition of the idea of 'equal opportunities' not only masks deep conceptual differences between philosophers, it also almost masks the ahistoricism behind their chosen philosophical foundation.

Countless classic texts have been written on equality. A critical engagement with that literature is beyond the scope of this article, but there are intuitive differences between various conceptions of equality that are relatively easy to make sense of, and which will suffice to show up the need for conceptual rigour in the DA's foundational principle. One interpretation of equal opportunities is to simply give every person the right to start a race, for example by placing everyone at the beginning of a marathon race, say. There is nothing stopping you from competing. You have an equal chance, in that sense, of winning the race. Of course, the problem is that in reality being allowed to enter the race does not mean that all have the same shot at winning. There are many other determinants of success, ranging from genetic luck (some are born with greater capacity to excel on the sports field) to environmental luck (including a range of fortuitous factors, such as diet consumed over the years, prior opportunities to practise, etc.) Once we flesh out the more complex array of determinants of athletic achievement, it is clear that a 'fair race' cannot be reduced simply to 'a race in which everyone is allowed to participate'.

That is precisely the problem with a basic, formalistic conception of equality: it takes inadequate account of the histories of individuals and communities. It is, in that regard, typically ahistorical, and it is this kind of conception of equality that the DA is infatuated with, and which leads to its overactive ahistoricism in how it analyses contemporary challenges in South Africa. It is almost as if merely placing everyone at the beginning of a race will suffice to guarantee a more just and equitable society. That is not just naïve; it is irresponsible and poorly thought through from an intellectual and political viewpoint.

How does this bear on the leadership challenges within the DA? The DA's challenge is to find leaders who do not let the ANC get away with lazy historicism, without becoming ahistorical themselves. That is very difficult: many older white leaders within the DA find comfort in conceptions of equality – like 'equality of opportunity' – that de-emphasise history's reach. This does not play well with the vast majority of black Africans, who still experience the structural impact of our ugly past. At the same time, one is tempted at least to empathise with the desire on the part of DA leaders to sketch a genuine post-democratic alternative vision for the country,

one that lets go of the past. Strategically, however, the DA makes the mistake of not engaging voters' current psychologies because it is so enamoured with the *ideal* of a colour-blind society founded on equal opportunities for all. Thus, the question for the DA is whether a new generation of leadership can take sufficient account of this balance between selling the electorate an ideal society not held hostage by our past and, simultaneously, embracing practical solutions to achieve a just society that take effective account of history.

This, then, is the party political backdrop to the generational question. The leadership challenges in our two largest political parties run deep, and the question is whether the mere fact that younger political leaders are younger, born into a new democracy rather than into a system of racial apartheid, should give us hope of a successful changing of the guard? I believe this is wishful thinking. I will first outline why in each party there is evidence that many of the younger politicians are inheriting the political sins of their mentors. Then, I will conclude with reflections on what it will take for the situation to change for the better.

New ANC generation, old politics

Inside the ANC, there is little visible talent in the under-40 age group. The most prominent exponent of the ANC Youth League in recent years, of course, has been Julius Malema. The fiery leader from Limpopo lives a lavish lifestyle that is near impossible to achieve, unless you are a trust-fund baby or *the* business whiz kid of your generation. Neither of these applies to Malema, and after persistent allegations of wrongdoing and excellent investigative journalism, the law caught up with him and he is currently being investigated for corruption, money laundering and tax evasion.

The point of the Malema example is this: he is not the first ANC leader that has fallen victim to the trappings of money in politics, and he will certainly not be the last. Its tentacles have spread from the older generations down to the youngest; hence, the assumption that political leaders under the age of 35 will be more responsive to the needs of South Africans than their elders have been is based on wishful thinking rather than grounded in reality.

Of course, Malema does not a winter maketh, one might say. The truth is, firstly, that he did not rise to senior positions within the Youth League structures by himself. Many of his contemporaries supported him and, consequently, their ability to judge quality leadership is also implicated; secondly, many of the Youth League leaders less prominent than Malema have also grossly underperformed. His sidekick and former spokesperson for the League, Floyd Shivambu, is a case in point. His insight on issues of national importance is limited and he routinely pronounces on them with stunning factual inaccuracy. At times, these flippant statements on crucial issues of national concern such as nationalisation encroach on some of the basic normative features of the constitutional

democracy the country has developed. Even the stand-in leader of the Youth League, Ronald Lamola, often gives the impression that he is (worse, in this regard) deliberately underplaying his formal education in law, glibly articulating views about policy issues such as land reform and nationalisation of the mines. (The most intellectually and politically impressive ANC Youth League leader I have met in recent years is undoubtedly its former secretary general, Vuyiswa Tulelo, who fortunately appears not to be lost to the state, at least, as a possible career diplomat.)

Not only is there a dearth of talent within the Youth League's top leadership structure, there is also an irritating habit of many talented young politicians – perhaps rationally so – doing what they need to in order to ensure career progress, rather than stirring the pot through more honest engagement with their elders. Take Buti Manamela, the Young Communist League boss. He is undoubtedly one of the most talented political brains among the younger politicians, but his slavish defence of the Zuma administration's weaknesses – including its bungling of the education system in Limpopo – is so spectacularly at odds with his more honest critiques of the status quo prior to his becoming a parliamentarian that one cannot help suspecting that, rather than being motivated by sheer intellectual and political integrity, career politicking is the more potent determinant of how he engaged political issues ahead of Mangaung. That, of course, is true of most politicians, but the point is that if you were hoping to find *a new kind of politics* among younger politicians, then you need to think again. Old habits die hard. As with all children who end up repeating their parents' mistakes, despite swearing that they will do better, so too young politicians often repeat the political sins of their leaders. A new politics in the ANC will clearly take more than a mere generational shift.

New DA generation, old politics

The DA has a better leadership incubation programme than that of the ANC. It produces young leaders that are well versed in the essentials of political communication, the basic philosophical foundations of the DA (or, at least, its 'core value') and some of the main policy debates in the country.

However, as with the ANC, older politicians in the DA often create clones of themselves, rather than nurturing a new generation of leaders who are inherently critical and sceptical – in a philosophical sense – of received wisdoms within the party. In public, many young DA leaders struggle to justify the party's de-emphasis of race in its policy prescriptions. In private, some are willing to confide their discomfort with this approach, which I have critiqued elsewhere in a *Mail & Guardian* essay that has caused a stir among DA politicians.¹

Yet, when pressed to explain publicly why they agree with these criticisms, there is awkward silence. The implication is clear: they do not feel up to the task of adopting a critical posture towards their political mentors and principals. How

much hope is there then of a different kind of DA leader emerging if this space for deep, open disagreement about even the fundamental positions within the party is smaller than many realise?

This is why it is difficult to draw an ideological wedge between the younger politicians and the older ones within the DA. In a sense, despite their insensitivity to evidence, it is easier to map out policy and value differences between ANC Youth League leaders and their 'elders' than it is to do so between young leaders within the DA and the older ones.

This is not to deny that there are differences among the leaders of the DA. Indeed, a leader like Athol Trollip has a very different take on how to grow the DA than does the party's leader, Helen Zille. The point, rather, is that there is no sharp break between these leaders' dialectic and what you would hear and see among those politicians under the age of 40. As with the ANC, this is suggestive of the truth that a mere change in demographics cannot be guaranteed to deliver a better quality of political leader than is currently the case.

It is surprising, for example, that the same ahistoricism and class-obsession (as a crude substitute for race-based analysis) in the politics of senior DA leaders should be found in the speeches of younger leaders. Where is the visible minority of young leaders with a different conception of what economic justice entails? Where, for that matter, is the visible minority of young DA leaders with alternative conceptions of equality, ones that are not formalistic at the core? Where, one wonders, are the young leaders who challenge policies unrelated to race – on social questions such as sex work, say – and who are fighting for a classic brand of liberalism, as opposed to the liberalism-lite of many older DA politicians (white *and* black)? The absence of these strands of alternative thinking about the DA and its future in younger DA politicians bears evidence of the fact that, like their ANC counterparts, too many young DA politicians simply inherit the political sins of their elders.

Where to from here?

The main insight of this article may not be particularly ground-breaking: a generational shift in demographics does not guarantee a positive transformation in the quality of political leadership in South Africa. It is, however, an insight worth reflecting on, because so many of us pin our hopes for a more responsive government on young people. We often straightforwardly assume that children born in the dying days of apartheid or, even better, during democracy, will naturally be endowed with great empathetic capacity to feel for those worse off than themselves. We conclude this hopeful projection by also imagining that they are, in practise, likely to actually demonstrate greater political leadership. The

tentative evidence, based on the performance of the current crop of young political leaders, is that such hopes are misplaced. The basic reason is simple: we reproduce, all too often, the worst weaknesses of those who have role-modelled leadership to us. This leaves us with a very difficult challenge: where to from here?

Most importantly, there needs to be an improvement in the quality of political mentorship. In theory, this should not be a massive challenge for the DA; it simply needs to tweak content on their cadet programme to orient those who undergo such training to engage the material critically. One gets the sense, however, that the DA's core philosophical value is taught as an ideological *fait accompli*, rather than presented in the context of a range of competing accounts of equality. The bigger challenge for the DA will be to attract a wider range of young people to the party's youth structures, beyond the self-selection that currently happens at tertiary institutions, which feed into the youth training programmes. South Africa is not going to be a colour-blind society in our lifetime (if ever), and indifference to the look and sound of the public faces and voices of the party is a losing political non-strategy.

Equally, inside the ANC and its alliance structures, political mentors have the near impossible task of mentoring younger politicians to stand up to them (the mentors), to not repeat their mistakes and to learn to be comfortable with the demands of a competitive, liberal democracy. This is 'near impossible' because it requires political mentors to have the capacity to step back from their own performances within the political space, and to selflessly instil a different style and approach to politics in their mentees. There is little reason to be optimistic that political players, who underperform grossly in their own careers, can still be brilliant private mentors to future generations of leaders.

Ultimately, we might have to look at leadership outside the formal space of party politics in order to sustain optimism about whether or not we, as a country, will turn around our dismal rankings on global poverty, inequality, unemployment and education indices. Here, fortunately, there is good news, which is criminally underreported – there are (despite enduring weaknesses in the sector) some excellent, vigorous and effective civil society organisations and young leaders within the civil society sector. It might be worth devoting more energy to reflect on this sector, rather than focusing solely on the more depressing reality that the younger politicians inside the main political parties look and sound uncannily like their elders.

Notes:

1. See <http://mg.co.za/article/2012-04-26-more-hugs-less-zille-will-help-the-da-to-grow>.

CONTINUITY AT THE EXPENSE OF NEW POLITICS

Mzukisi Qobo

The false imagery of liberation

Almost two decades have passed since South Africa became a democracy. It has been an uneasy journey. In part, it has been filled with a sense of idealism, driven by the promise of change and a better life, but, with time, hope has gradually made way for brutal realism. The honeymoon is long over and impatience with unfulfilled expectations and inept governance is increasingly bubbling to the surface.

The surplus social capital that the African National Congress (ANC) possessed during the early years of the transition is in deficit. The goodwill that excited and propelled the ruling party when it assumed power in 1994 has dissipated. Fragmented and politically compromised institutions are trembling under the weight of growing demands that range from jobs, education and quality healthcare to the provision of minimum basic services. As a result, trust in political leaders, the political custodians of these institutions, is at a nadir. Unlike in the earlier stages of the political transition, it is no longer possible to simply implore people to be patient. A change in leadership and the embracing of progressive values are what would bring healing to the country.

While the plight of the government must be viewed sympathetically against the backdrop of resource constraints, induced by a volatile global economic environment, there can be no excuse for the way in which weak governance compounds the problem. Every year, reports from the offices of the Special Investigating Unit and the Auditor-General paint a grim picture of maladministration and corruption that affect critical spheres of government. Their frequency and the seemingly lukewarm response from the authorities serve to deflate the hopes of citizens, as well as their confidence in the current political leadership to deliver the future that they have been promised.

South Africa's leadership transitions and national priorities

The challenges that confront South Africa today are the product of a volatile present, largely induced by factors related to globalisation; importantly, however, these have been superimposed upon an ugly past that fragmented the country along racial and economic lines. The traces of apartheid's social architecture are still evident in human settlement, educational

attainment, capacity for resilience in the face of economic adversity, access to opportunities for betterment that life has to offer, and the extent of participation in economic activity.

There is no doubt that the ruling party has had some notable achievements in reducing the socio-economic deficits created by the apartheid system, but these have not been consistent or of the required quality. According to data published by the South African Institute of Race Relations (SAIRR 2012), there were improvements in the delivery of key services between 1996 and 2010. The number of South African households living in formal houses increased from 5.8 million to 11 million, with the proportion of all households living in formal housing increasing from 64 to 76 per cent. The SAIRR (2012) study further noted that the number of South African households with access to electricity had increased from 58 to 83 per cent. Equally important gains were made with regard to access to clean tap water.

These absolute gains in service delivery, however, must not be regarded as something out of the ordinary. Given the promises that were made, South Africans expected nothing less than access to the most basic of services. With enhanced political awareness and a better sense of what is rightfully due to them, citizens have gained more confidence to demand better public services. They are also less inclined to tolerate gaps and inconsistencies in public service delivery. They know that they are living in a democracy and that it should deliver more effectively than in the past.

In fact, much of what has been achieved by way of public service delivery since democracy arguably falls short of expectations. Millions have benefitted, but millions also feel aggrieved. When bureaucrats parade their statistical gains in presentations to show progress, most fail to grasp that aggregated data do not soften the real day-to-day experiences of those who have not benefitted yet from healthcare services, access to education, public transport and policing, and still experience the trials of being unemployed and poor. What aggravates their sense of betrayal is the dysfunction of public institutions that interface with them at the local level. In the 2010/11 financial year, only 13 of 343 municipalities received clean audits from the Auditor-General, with capital budget underspending of 30 per cent during the same period. This is



With enhanced political awareness and a better sense of what is rightfully due to them, citizens have gained more confidence to demand better public services.

a sign of poor institutional capabilities and underperformance in meeting the reasonable expectations of citizens. In its recent downgrade of South Africa, Moody's rating agency underlined weak institutional capacity as one of the reasons for the downgrade, with political instability in the future as one of the major risks for the country.

Thus, despite the numerous percentage improvements that are often trumpeted by the ruling party, income levels and the quality of material well-being are perceived to be stagnating. Inequality is exacerbated by an underperforming education system that sustains the stark imbalance between the supply of and demand for better-paid skilled positions. Even with the continued improvement of services, the fact that the ruling party started off on a very low base means that it will become increasingly difficult to meet expectations. The dwindling fiscal resources will certainly add to social strain and fuel the cauldron of social discontent.

To avert implosion under the weight of rising expectations and constrained fiscal room, South Africa will have to develop a different kind of leadership, which can tackle current socio-economic difficulties and is ready to confront the coming economic battles. Such leadership would have to be in tune with the needs of the country's citizens – not only to regain their trust, but also to understand and act upon their expectations.

This raises important questions about the possibilities of change emerging from within a new, younger generation of leaders. Is there hope for a different ethos and approach within a younger generation of leaders that can shift the political discourse to become more inclusive and responsive? If not, where does the hope for change lie?

Generational change and a new kind of politics

Slowly but surely, new faces, which were too young to participate in the politics of the transitional years, are emerging on all sides of our political spectrum. They have lived most of their adult lives in a democratic South Africa, and while the remnants of the apartheid legacy are still there for everybody to see, their realities have been and are being shaped by a country in which the divisions of the past are increasingly blurred and where new social contradictions are constantly emerging.

South African politics, however, have become too static to respond with urgency to the demands that a fluid society imposes. This lack of responsiveness is underpinned by fragmentation and polarisation within and between political parties. The cost of concession seems too high, and factions,

parties and lobby groups have adopted an all-or-nothing approach as their way of conducting politics. This has come at the expense of the interests of citizens. The country desperately needs visionary leadership that is capable of navigating the realities and demands of an emerging society. As such, we need to ask whether and how these new leaders can work towards a more inclusive and just society that is informed, but not defined, by the experiences of generations before it. We need to ask this of the ruling ANC, but also of those that present themselves as an alternative government, the DA.

A major obstacle to more visionary leadership emerging from the ruling party is that its view of the future is deeply premised on an interpretation of the past that emphasises victims and villains, scripted on a black and white canvass. The ANC's definition of the future is limited to a negative discourse that seeks to construct a South Africa that is *anything* but apartheid. As such, the ANC sees itself as the ultimate bulwark against the return of the past, and uses history, memory and symbolism of the struggle as an ultimate mobilising tool. Because traces of our racial past are ever present, and marked in patterns of unemployment, human settlement, differential educational standards and participation in economic activity, the ruling party frames the present as a continuity of the apartheid social legacy. It insists that its character as a liberation movement remains relevant to remove all vestiges of the past.

Left unexamined is the ANC's own role in failing not only to create conditions that reduce the social legacy of apartheid but also to facilitate a continuation of a genuine and healthy dialogue, beyond the rhetoric of non-racialism, to allow for the healing of the scars of the past. Accordingly, it is only a step better than apartheid, and it wallows in such comparisons. So, there are no new minimum standards of what is acceptable to secure good governance and human dignity. For the ANC, the barometer is the apartheid past. In this way, the ruling party can deflect its own culpability for the current state of affairs by portraying it solely as a historical legacy, and by emphasising its historically bestowed task of delivering the economic spoils of freedom alongside political liberation. The reality, though, is that inequalities have deepened under the ruling party.

In rationalising its governance failures of the past 18 years, the ANC has presented a picture of itself as shackled by the post-1994 political compromise expressed in the country's liberal constitutional order. Some in the party, with President Jacob Zuma a vocal advocate, have pushed strongly for the adoption of a 'second transition' – a view suggesting that what has gone wrong in the past 18 years has little to do with the

internally degenerative state of the ANC, but much to do with the deformity of a political order that has imposed strictures on economic transformation (ANC 2012).

This perspective conveniently overlooks the fact that the ANC's political mandate entailed authority to manage economic transformation, which is why it was able in October 1998 to put in place a black economic empowerment (BEE) programme, and this goes through cycles of review by the Department of Trade and Industry. Further, the ANC has presided over government machinery and designed a welter of other economic policy instruments that could have been better shaped and directed towards improving the quality of services and producing better economic outcomes for the majority of citizens. That has not happened.

Ignoring the intricate linkage of the political and economic mandate, the ANC has argued, from its 'second transition' perspective, that an explicitly economic mandate would reposition it better as an economic liberator. This view misrepresents the complexity and causes of the country's socio-economic challenges, of which the youth carry a disproportionate burden with the unemployment rate in this category at 50 per cent. There is keen awareness in the ANC that the swelling of the ranks of the unemployed, the growing inequalities, the rise in crime and the sporadic incidents of public service delivery protest signal a weakening in the legitimacy of the ANC.

Improbabilities of generational shift in the ANC

Against this backdrop, it is inconceivable that generational change within the ANC will translate automatically into a change in the conduct of its politics. The younger generation that is currently coming through the ANC's ranks has been socialised too deeply into its culture and ideology to offer any hope of a clean break that would lead to the emergence of a new kind of politics. At the leadership level, the ANC Youth League is caught up in the web of the party's factional battles and is a product of the malaise rather than its cure. The breeding ground for a new layer of leadership in the ANC includes its youth league, branch structures and, to some extent, the student bodies at both high school (Congress of South African Students) and higher education levels (South African Students Congress). Such structures do not depart from the ANC's philosophy and practices. Not only do they continue its chaotic existence, they exacerbate it.

Given the limited extent to which generational shift within the ANC could bring about organisational renewal and a repositioning of the party and the state, prospects for change are more likely to emerge from two other sources. The first traces its origins from within the ANC, and has a potentially

populist-nationalistic character. It may take the form of a party that splits from the ANC, exploiting existing disaffection with the leadership, and presenting itself as a new hope for the poor. This may gain traction in the current climate of discontent over public service delivery and the wave of industrial strikes.

The second could be driven by a new breed of younger politicians, with the mobilising framework created by the existing opposition parties, and drawing upon active, politically inclined professionals who want to reverse the tidal drift experienced under the ruling party. The advantage of this possibility would lie not only in the youthfulness of its make-up, but in the ability to find a better balance between the interests of the middle classes and the underprivileged.

Possibilities of generational shift in the DA

The DA, the official opposition, faces different, but equally complex, challenges in ensuring that generational succession also brings with it the kind of renewal that will make it appeal to a broader range of voters. One of the things that gives succour to the ANC is the framing of the DA as a party representing the aspirations of those who benefitted from apartheid or whose interests exclude the poor. As such, the ANC constituency strongly associates the DA brand with being anti-poor and anti-black. What has lent credence to this view is the sense that the DA does not seem to consider itself as having a shared responsibility to offer meaningful solutions to the complex challenges of race and socio-economic inequality in a way that transcends ideology. As such, the ANC exploits this weakness of the DA and uses its lack of progress in overcoming racial and socio-economic divides in the Western Cape to frame it as a party of the rich, clamouring for a return to the past.

Perceptions have a greater force than reality, especially when one stacks these up against the fact that 57 per cent of the DA's total budget in Cape Town is spent on underprivileged black communities. Its public administration is run far better than municipalities and provinces under ANC control, which regularly receive qualified audits. Significantly, the DA's membership is also more racially diverse than any other party, including the ruling party. It has made serious inroads in traditional ANC constituencies, such as townships, some rural villages and predominantly black university campuses through its student movement, the DA Students Organisation. Its leadership mix at the top is also diverse, dynamic and youthful.

However, the DA has significant self-imposed limitations. Beyond the nitty-gritty of managing public administration and getting budgetary allocations right, the kind of leadership that is equal to the weight of the country's racial past is absent.

The country desperately needs visionary leadership that is capable of navigating the realities and demands of an emerging society.



Social mobility is happening at too slow a pace to make any significant dent in racially configured social inequalities.

There are no meaningful conversations within the DA on issues of race and socio-economic cohesiveness. Instead, it resorts to standard philosophical explanations leaning on liberalism, in particular placing emphasis on the phoney notion of an equal-opportunity society, without so much as an attempt to identify the root causes of inequalities in the first place and to address them vigorously at the core. This is made trickier by the strong association of social inequalities with the politics of race, even in the light of the growing middle class. You will encounter more blacks than whites amongst the poor, and more whites than blacks in the richer segments of our society.

The DA leaves answers to socio-economic inequalities to the trickle-down effects of GDP growth, according to which growing aggregate output leads to a levelling of social inequalities. Essentially, the DA has failed to hone a genuine transformational narrative that connects the aspirations of black communities and expectations of the well-off in the Western Cape. The DA does not need to adopt the ANC's or any populist thesis on race, but should have a deep internal conversation about it. Moreover, it should evolve its own philosophy, which it can present as more fluent and credible, and with more substance than anything we have had in the past. Being transformational does not mean looking more like the ANC; it entails taking the necessary step to connect deeply with social reality from the standpoint of legitimate social purpose, principle and a broadly supported governing programme.

In addition, to establish solid legitimacy, the DA will need to go beyond finesse in public administration and showcase a better picture of the future in the province it currently runs. That it has failed to capture hearts and minds in a sufficiently broad-based manner undermines any claim that it can be an alternative party of the future. It would also need to deal decisively with its own legacy challenges of being identified as a party pandering to a core constituency that has deep financial pockets, and is middle-aged and white, which restrains it from experimenting with fundamental and progressive change.

One of the biggest challenges that the current DA leader, Helen Zille has is to use her political capital with the white core constituency of the DA to challenge and persuade it to embrace an inclusive political and economic future for South Africa. The DA leader could play a role similar to Nelson Mandela's promotion of reconciliation by managing the expectations of the black majority. In this case, it would be challenging the DA's core constituency to buy into a new and well-defined compact that reflects active support by the

white sections of society for policies aimed at redressing the legacy of the past, their involvement in and support of a social dialogue about tackling the challenges of the present and painting an inclusive future, and their contribution as active citizens who participate in efforts or pioneer initiatives aimed at enhancing the well-being of the country beyond just politics.

Granted, there is a case to be made that most of these efforts and initiatives are not limited to the white community but are applicable to anyone who has the capacity to make a contribution towards the country's well-being. In the context where there remains a deep resentment around race and inequalities, and a growing sense amongst sections of the black community that Mandela's rainbow vision was an unreciprocated gesture to reassure the white population at the expense of black aspirations, positive gestures inspired by the leadership of the opposition could help promote better race relations and rebuild the platform of nation-building. The DA's core constituencies would have to be challenged to embrace such a vision, and if they cannot buy into it, they must be shown the door.

Elements of change in the DA's internal character would entail a radical shift in leadership at the top to broaden and deepen diversity in leadership across various structures. This would have to be undertaken authentically rather than through superficial means of merely co-opting black leaders as tokens. Secondly, the party would need to reframe its philosophical core with relevance to South Africa's unique social challenges. This would require tempering liberalism with an emphasis on social redress. As such, the party would need to locate its ideological commitments in the political centre – championing the politics of liberalism, while seizing ground on tackling social inequities. Finally, the party would need to rebrand, focusing strongly on presenting itself as an inclusive party, and a party of the present and the future. Skilful and empathetic management of diversity, rather than assimilation of new entrants, would enable the party to transcend its past and reposition it better in a changing social context. It cannot hope to remain culturally and philosophically the same and still have a moral claim to being a party for change.

Conclusion

There is a generational shift within the ANC, but this does not provide much comfort that there will be substantive change in how the party manages its affairs and governs the country. Its youth are deeply socialised in the party's culture from branch to national level. A hallmark of the ANC's succession processes is that it entrenches continuity.

While four of the top six office-bearers of the ANC are aged 60 years or more, there is a generational mix in the rest of the National Executive Committee (NEC) and various regional and provincial executive committees. This will continue to be the case as the Youth League pushes for more generational shift, but also as an adaptation to the demographic realities of a youthful country. There is a clear directional change in the ANC pointing towards a more youthful but radicalised leadership in future.

Leadership succession within the ANC may appear disorderly with respect to the top six NEC positions; however, there is a loosely structured internal succession process from branch to provincial to national that seems to signal a seamless passing of the baton. Most of the youth that the ANC draws its membership from, and who make the transition from its youth league to the mother body, are from tough conditions in the townships. They can draw parallels between their socio-economic circumstances and the relatively privileged existence of their peers across the colour line.

Given the low success rate of matriculants and that there are few who transition to a middle class life via higher education or commercial enterprise amongst black youth, this segment may be more ideologically inclined to the ANC or a radicalised alternative than to a party in the shape of the DA or similar option. Even though the average ANC Youth League member or sympathiser today would have been born a few years before the country became a democracy in 1994, the social legacy of apartheid is reproduced in the patterns of human settlement, educational attainment and participation in economic activity.

Even amongst those who successfully go through higher education, their socio-economic background remains the reference point of their political and ideological orientation,

and they are likely to be drawn towards ideas that promote radical change in society. Conditions of social inequality are reproduced by poor educational outcomes amongst the black population. Social mobility is happening at too slow a pace to make any significant dent in racially configured social inequalities. This lends the ANC greater appeal for those who see it as the ultimate liberator, on the strength of its liberationist rhetoric. Under the current social conditions, the ANC may even locate itself not just as a bulwark against the imaginary resurgence of apartheid, but also as a bulwark against a more radical alternative. Generational shift within the ANC is unlikely to deliver a society that overcomes the divides of the past, reduces social inequalities and improves quality of life.

While the ANC is showing signs of decline, the DA is not yet the party of the future. The future movement for change would be comprised largely of the black middle class, but would seek to reach for the kind of politics that could secure a stable future for generations to come, and that would be sensitive to the systemic political risks posed by deep socio-economic inequalities in society. Persisting inequalities, unemployment and poor standards of education undermine social stability. The effects of instability would be borne by the poor and middle classes alike, so it is in the interests of the middle classes to strive for a socio-political framework that is inclusive.

It must be stressed that it is not just good policies, in the technocratic sense, as important as these are, that would guarantee stability; transformational leadership that has legitimacy across society is also required. The ANC seized the centre-ground in 1994 not on the basis of coherent policies but on the promise of its moral leadership. The betrayal of this promise is symptomatic in governance failures, and it is this that needs to be seized and recast.



Chapter

2

The Labour Market

Young people are generally on the fringes of the labour market.



REVIEW: THE FINANCIAL CRISIS AND ITS ENDURING LEGACY FOR YOUTH UNEMPLOYMENT

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OPINION: OBSTACLES AND OPPORTUNITIES FOR YOUTH ENTREPRENEURSHIP

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The Labour Market at a Glance

The Marikana massacre in August, and the farm worker strikes in the Western Cape Winelands in November and December, put the position of workers at the centre of the public debate, probably more so than any national strike has done in recent memory. The social instability provided a glimpse of what may increasingly become a daily reality if the country does not succeed in arresting conditions where a poor education reinforces the oversupply of low-skilled and unskilled workers, which, in turn, exerts downward pressure on wages for those lucky enough to find employment. Unemployment edged higher to 25.5 per cent during the third quarter of 2012. More worrying is the fact that 71 per cent of the working age unemployed are 35 years and younger. This should serve as a stark warning that politicking over the means to provide young people with easier entrance to the labour market is done at the expense of the country's future.

South Africa's vital labour statistics

Unemployment (2012, Q3)	25.5%
Unemployed young South Africans (15–34) as percentage total unemployed	71.0%
Number of employed ('000)	13 645
Number of unemployed ('000)	4 667
Not economically active working-age population ('000)	14 705
Employment absorption rate	41.3%
Labour force participation rate	55.5%

Source: StatsSA, 2012: Quarterly Labour Force Survey, 3rd Quarter

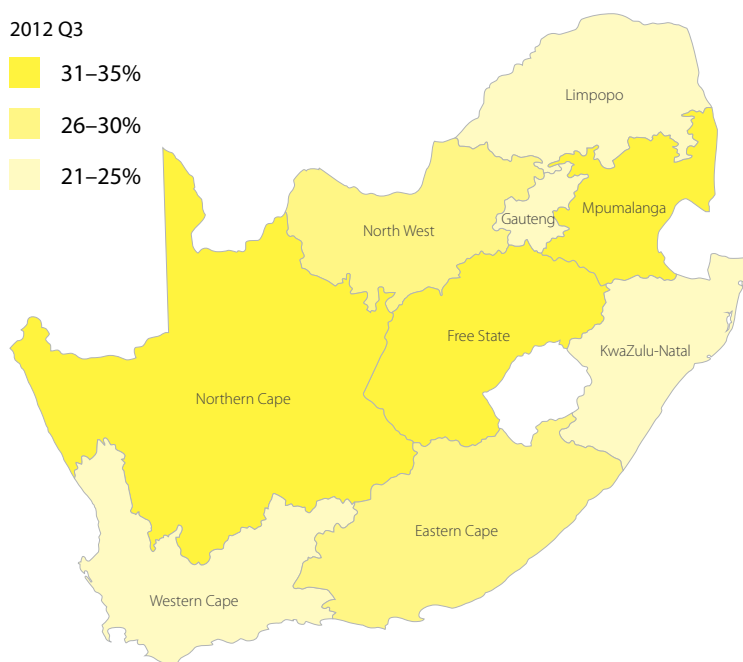
71%

Percentage of South Africans aged 15–34 who are unemployed

South Africa unemployment by province (% 2012)

2012 Q3

- 31–35%
- 26–30%
- 21–25%



Source: StatsSA Third Quarter Labour Force Surveys for 2008–2012

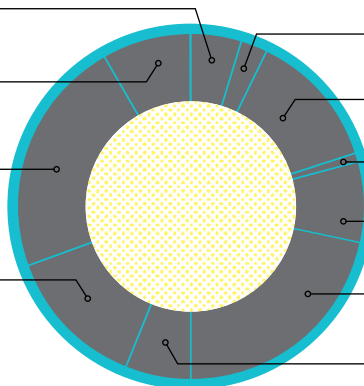
Sector profile of employed South Africans ('000)

4.8%
Agriculture

8.2%
Private households

22.2%
Community and social services

13.3%
Finance and other business services



2.6%
Mining

12.7%
Manufacturing

0.8%
Utilities

7.7%
Construction

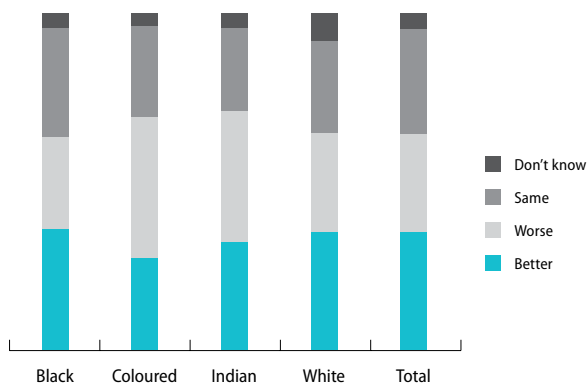
21.7%
Trade

6.1%
Transport

Source: StatsSA Third Quarter Labour Force Surveys for 2008–2012

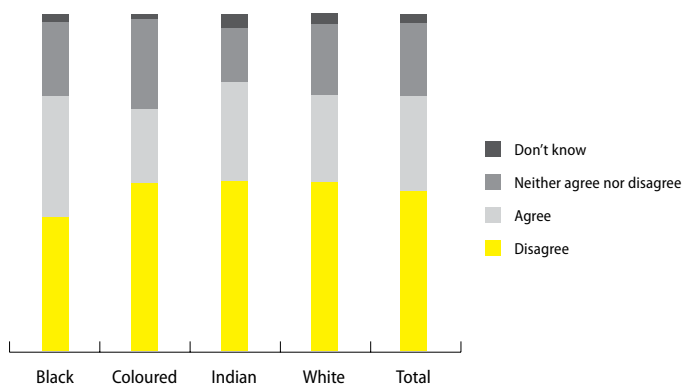
Whether you currently have a job or not, how do the chances of finding one compare to 12 months ago?

– IJR, SA Reconciliation Barometer, Round 9, April 2012



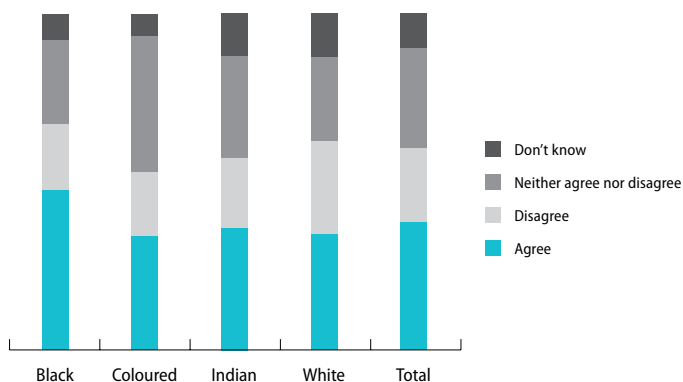
Is government doing well in getting young South Africans into jobs?

– IJR SA Reconciliation Barometer, Round 9, April 2012



Have employment equity policies been successful in creating a workforce that represents the South African population?

– IJR SA Reconciliation Barometer, Round 9, April 2012



REVIEW | The financial crisis and its enduring legacy for youth unemployment

Neil Rankin, Gareth Roberts, Volker Schöer and Debra Shepherd

Introduction

Young people are generally on the fringes of the labour market. They lack work experience and networks that can help them get jobs. If employed, their employment status is often tenuous – they are on temporary contracts, are frequently the first to be retrenched in times of economic hardship, and are in the types of firms or sectors most sensitive to fluctuations in the economy. For these and other reasons, they are disproportionately affected when the economy slows down.

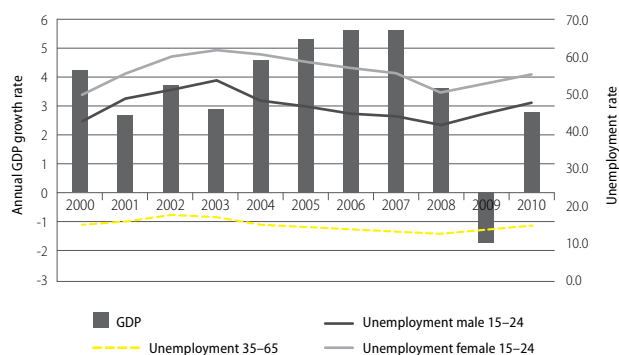
Between 2002 and 2007, South Africa's GDP growth steadily increased and unemployment rates dropped. As Figure 2.1.1 shows, unemployment fell dramatically during this period, particularly for those aged between 15 and 24 years – from 61.5 to 50.5 per cent for young females and from 53.5 to 41.4 per cent for young males. However, this trend was interrupted by the global financial crisis that began in the second half of 2008. Since then, unemployment rates have risen, especially for young people. By 2010, the unemployment rate for young females had increased by four percentage points, and for young males by over six percentage points, compared to less than two percentage points for those aged between 35 and 65 years.

The response of the labour market to the global financial crisis illustrates the volatility of employment for young people. In order to better design policies to deal with this volatility and to reduce the high unemployment rates young people face, it is useful to know more about the dynamics of employment among this age group. This article considers a number of questions: What types of jobs for young people have been particularly affected? How has demand for young people changed during this period? What processes have driven the increases in unemployment observed among young people? Are the current policy measures sufficient to deal with the challenges of youth unemployment, particularly when economic growth is sluggish.

Where are young people employed and how has this changed?

Much has been written in recent years about South Africa's youth unemployment crisis (see, for example, Banerjee et al.

Figure 2.1.1: GDP growth versus unemployment in South Africa by age and gender, 2000–2010



Source: GDP growth from World Bank country indicators; unemployment rates from own calculations using Statistics South Africa (Stats SA) Labour Force Survey (LFS) (2000–2007) and Quarterly Labour Force Survey (QLFS) (2008–2010)

2008). Its broad parameters are known: Africans, women, the unskilled and those in rural areas are the most likely to be unemployed. Unemployment among young people is also particularly high and, more worryingly, labour force participation is particularly low. The National Treasury (2011) estimates that only one in eight working-age adults under 25 years of age has a job (compared with 40 per cent on average in most other emerging economies). These high unemployment rates are disturbing, but we only view part of the picture if we ignore insights that are to be gained from patterns and dynamics relating to those young people who are in employment.

As Table 2.1.1 shows, in South Africa, approximately 80 per cent of employed young people work in formal sector jobs in the private sector. Throughout the crisis period, their proportion of the employed in the private sector also remained relatively constant at approximately 90 per cent of all formal sector jobs (see Table 2.1.2). The vast majority were employees or wage earners. Few in this category pursued their livelihood through self-employment; in 2008, prior to the crisis, only 1.4 per cent of employed young people were self-employed, compared with 10.0 per cent in the 35–65-year age group. Table 2.1.2 shows that this decreased further for both categories with the onset of the crisis, falling to 1.1 per cent and 8.8 per cent respectively in 2010.

There are several reasons why young South Africans struggle to make it in the entrepreneurial world. Firstly, they lack the savings and start-up capital. Self-employment generally requires some start-up costs, such as buying stock or equipment. In the early stages of a business, income may also be variable, requiring savings to meet living and other costs. Most young people have not had the opportunity to acquire the savings to start up a business, and friends, relatives and financial institutions are unwilling to extend credit on the basis of a limited employment track record. Secondly, they lack the experience and skills that are gained through work experience. Thirdly, they may prefer the guarantee of a regular, often higher, income over the uncertainty related to a new business venture that may, at least initially, require sacrifice in terms of income.

Although self-employment in the formal sector is limited for the reasons just mentioned, employment in the informal sector is not uncommon among the young and, as Table 2.1.1 shows, approximately one-fifth of employed young people work here. Yet, informal sector employment, particularly for the youth, is also more vulnerable to shocks than formal sector work. As a result, the proportion of young people employed in the informal sector fell by almost two percentage points with the onset of the crisis (see Table 2.1.1). However, due to the return to growth in 2010 and 2011, this figure expanded again by three percentage points.

When we look at employment patterns in the formal sector, there appears to have been a decisive shift in the size of companies that employ young South Africans. In 2008, 46 per cent of young people worked in companies that employed

Table 2.1.1: Formal and informal sector employment, 20–24 year olds (35–65 year olds in parentheses), weighted, 2008–2011 (Q1)

	Proportion of jobs			
	2008	2009	2010	2011
Formal sector	78.9 (80.2)	80.7 (81.2)	80.6 (82.0)	77.4 (82.0)
Informal sector	21.1 (19.8)	19.3 (18.8)	19.4 (18.0)	22.6 (18.0)
	Growth in jobs (percentage)			
	2008–2009	2009–2010	2010–2011	2008–2011 (ave.)
Formal sector	1.2	-5.0	2.7	-0.4
Informal sector	-7.7	-6.3	7.5	-2.4
Total	-0.6	-5.3	3.6	-0.8

Source: Own calculations from Stats SA QLFS (2008–2011)

Table 2.1.2: Formal sector employment, 20–24 year olds (35–65 year olds in parentheses), weighted, 2008–2011 (Q2)

	Proportion of formal sector jobs			
	2008	2009	2010	2011
Private sector	90.8 (66.3)	91.3 (65.8)	90.4 (66.7)	90.5 (65.5)
Public sector	7.7 (23.7)	7.6 (24.6)	8.6 (24.5)	8.3 (25.0)
Self-employed	1.4 (10.0)	1.1 (9.6)	1.1 (8.8)	1.2 (9.6)
	Growth in jobs (percentage)			
	2008–2009	2009–2010	2010–2011	2008–2011 (ave.)
Private sector	-0.4	-5.0	2.0	-1.2
Public sector	6.2	-1.0	2.8	2.6
Self-employed	5.2	-15.6	11.6	-0.3
Total	1.2	-5.0	2.7	-0.4

Source: Own calculations from Stats SA QLFS (2008–2011)

between 10 and 49 people (see Table 2.1.3). Older people were also most likely to be employed in firms of this size. Over the past four years, however, the proportion of young workers in this category has fallen dramatically to 38 per cent. Now firms with a workforce that exceeds 50 are more likely to employ people in the 20–24-year age group, with 40 per cent of young workers in businesses of this size. Only this category of business increased its employment intake between 2008 and 2011, suggesting that smaller businesses were far less resilient in weathering the impact of the economic contraction during the period.

Another key insight that has been reinforced by the financial crisis is the growing skills bias in our labour market. Evidence of this is presented in Table 2.1.4, which shows an increasing skills intensity across industries that has also been exacerbated by the financial crisis. This has been particularly apparent in industries that traditionally have absorbed most unskilled entrants to the labour market. Between 2000 and 2010, the ratio of semi- and low-skilled jobs to skilled jobs fell from 9.6 to 7.1 in mining and quarrying, 5.2 to 2.0 in manufacturing, 17.4 to 4.7 in construction and 7.3 to 3.7 in the wholesale and retail sector. The only recorded exception is in the community/personal services category. The impact of the growing prioritisation of skills affects young people most adversely, because semi- and low-skilled jobs are natural entry points into work in a country with a public education system that renders a varied, but overwhelmingly poor, education to its learners.

Table 2.1.5 also highlights the fact that the distribution of jobs has changed over the past four years in favour of those

Table 2.1.3: Formal sector employment by firm size, 20–24 year olds (35–65 year olds in parentheses), weighted, 2008–2011 (Q2)

	Proportion of formal sector jobs			
	2008	2009	2010	2011
Less than 5 employees	6.8 (12.4)	6.4 (10.9)	6.7 (11.0)	7.9 (11.8)
5–9 employees	16.4 (12.3)	15.6 (11.9)	15.1 (11.8)	14.5 (11.2)
10–19 employees	21.0 (17.8)	19.4 (17.3)	20.0 (16.8)	17.7 (16.9)
20–49 employees	24.5 (20.9)	21.8 (20.6)	20.3 (19.6)	20.0 (18.9)
50+ employees	31.3 (36.6)	36.8 (39.3)	37.9 (40.8)	39.9 (41.2)
	Growth in jobs (percentage)			
	2008–2009	2009–2010	2010–2011	2008–2011 (ave.)
Less than 5 employees	-8.4	-15.0	11.4	-4.6
5–9 employees	1.8	-5.8	-5.9	-3.4
10–19 employees	-4.1	-6.1	-1.6	-4.0
20–49 employees	-2.1	-12.9	-0.5	-5.4
50+ employees	10.1	-0.5	6.4	5.2
Total	1.2	-5.0	2.7	-0.4

Source: Own calculations from Stats SA QLFS (2008–2011)

Table 2.1.4: Skills intensity of employment (ratio of semi-/low-skilled to skilled jobs) by industry, 2000–2010

Year	Mining/ Quarrying	Manufacturing	Utilities	Construction	Wholesale/Retail	Transport/ Storage/ Communication	Financial/ Insurance/ Business Services	Community/ Social/ Personal Services
2000	9.6	5.2	2.7	17.4	7.3	3.9	1.6	0.9
2001	14.6	5.1	3.6	16.4	8.0	2.9	1.4	0.9
2002	14.2	4.3	3.3	13.9	6.9	2.4	1.3	0.9
2003	15.0	4.4	3.4	11.8	6.7	3.0	1.3	1.0
2004	14.0	4.5	1.9	11.3	5.8	3.0	1.5	1.0
2005	13.8	5.3	3.6	11.2	6.6	3.5	1.4	1.0
2006	14.8	5.1	2.2	12.6	5.7	3.9	1.4	1.0
2007	12.7	4.6	2.5	9.5	5.2	2.8	1.4	0.9
2008	7.7	4.1	2.3	5.7	3.7	2.5	1.4	0.9
2009	7.7	3.9	2.8	5.0	3.8	2.4	1.4	0.9
2010	7.1	3.3	2.0	4.7	3.7	2.3	1.5	1.0

Source: Own calculations from Stats SA LFS (2000–2007), QLFS (2008–2010)

with more education. Those in employment with a completed secondary or tertiary education have increased relative to those with an incomplete secondary or lower level of education. At the same time, the proportion of those in the 15–34-year age group with a matric or higher level of education has increased. This suggests that a completed secondary school education is now extremely important and a minimum qualification for young people to have a chance of finding a job. The primacy of skills in the current economic environment is further underscored by the fact that workers with a tertiary qualification were the only ones who benefitted from a significant expansion in job opportunities between 2008 and 2011, growing by 4.9 per cent over this period. Job opportunities on the other side of the spectrum for those with no education shrank by over 15 per cent.

In addition to the increase in unemployment rates during the crisis, labour market participation rates (those working or searching for a job) dropped among young people (see Tables 2.1.6 and 2.1.7). The largest decline in labour market participation has been among 15–19 year olds. In this age group, the proportions of economically inactive young people in education, as homemakers and as discouraged work seekers have remained constant over the past four years, although each has increased significantly in real numbers. In other words, the growth in economic inactivity within this age group has been absorbed proportionally across categories.

In contrast, labour market participation in the two older categories of youth (20–24 and 25–34 years of age) has fallen and the distribution of the categories within which these economically inactive young people have been absorbed have changed. The category of those officially out of the labour force, and who have given up searching for a job (discouraged work seekers), increased substantially over the period 2008–2011. This indicates that in addition to the strict unemployment rate increasing among the youth, there has been a substantial increase in the group of young people who would like to work but see no prospect of being able to do so and, thus, have given up looking for a job.

Labour market transitions among young people

From the above it is apparent that not only unemployment, but also discouragement increased among young people during the financial crisis. It is particularly the latter that is of concern, given that those who find themselves in a survivalist mode, without hope, might resort to illegal means to sustain themselves – a concern expressed about this demographic in the final version of the recently submitted National Development Plan.

But what is driving this pattern? Is it because young people are losing jobs, exiting unemployment and the labour force to become non-economically active, not able to attain employment in the first place, or a combination of the above? To answer this question, we draw on some recent work by Rankin

Table 2.1.5: Formal sector employment by level of education, 2008–2011

	Proportion of formal sector jobs			
	2008	2009	2010	2011
No school	1.9	1.6	1.3	1.1
Less than primary	6.0	5.3	4.6	4.6
Primary complete	3.5	3.4	2.9	2.9
Secondary incomplete	29.7	28.8	28.6	27.9
Secondary complete	34.4	34.6	35.7	35.6
Tertiary	23.4	25.2	25.7	26.8
Total	100.0	100.0	100.0	100.0
	Growth in jobs (percentage)			
	2008–2009	2009–2010	2010–2011	2008–2011 (ave.)
No school	-8.5	-23.1	-14.0	-15.4
Less than primary	-6.7	-23.1	-0.9	-10.7
Primary complete	2.4	-24.7	2.2	-7.6
Secondary incomplete	-1.3	-5.9	2.1	-1.8
Secondary complete	-1.0	1.2	0.3	0.1
Tertiary	11.7	-4.9	8.6	4.9

Source: Own calculations from Stats SA QLFS (2008–2011)

Table 2.1.6: Labour market participation rate by age group, 2008–2011

Age group	2008	2009	2010	2011	Percentage change 2008–2011
15–19	0.096	0.082	0.068	0.059	-14.98
20–24	0.540	0.514	0.474	0.455	-5.55
25–34	0.765	0.750	0.723	0.719	-2.05
35+	0.668	0.663	0.641	0.643	-1.26

Source: Own calculations from Stats SA QLFS (2008–2011)

et al. (2012), which uses a panel dataset constructed from Stats SA's *QLFS* to examine transitions between different labour market states.

Individuals in the *QLFS* have been grouped into six labour market states: *non-economically active (NEA)*, *discouraged unemployed*, *searching unemployed*, *self-employed*, *public sector employed* and *private sector employed*. Transitions between these states over two rounds of the survey (Quarter 1

and Quarter 2) are presented in Table 2.1.8. The on-diagonal elements in these tables (the shaded cells) show the proportion of people staying in the same state. For example, the first cell shows that 81 per cent of young people who were in formal private employment in Quarter 1 of 2008 remained in formal private employment in Quarter 2. The off-diagonal elements show transitions between states. The state in Quarter 1 is given in the first column and the state in Quarter 2 in the

Table 2.1.7: Reasons for inactivity in labour market by age, 2009–2011

	2009			2010			2011		
	15–19	20–24	25–34	15–19	20–24	25–34	15–19	20–24	25–34
Scholar/student	89.83	50.20	9.07	89.55	49.85	10.17	90.31	51.67	9.29
Homemaker	2.68	18.43	37.92	2.70	17.41	35.70	2.42	14.86	36.29
Discouraged	2.40	15.43	23.85	3.05	18.43	29.76	3.31	21.12	33.22
Other	5.09	15.94	29.16	4.70	14.31	24.37	3.96	12.35	21.20
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Own calculations from Stats SA *QLFS* (2008–2011)

Table 2.1.8: Transition matrices for individuals aged 20–24 years, 2008 Q1–Q2 and 2011 Q1–Q2

	P matrix: P_{ij} – ‘transition probabilities’						
	Formal private	Formal public	Informal	NEA	Discouraged	Searching	$P_{i.}$
Formal private	0.812, 0.834	0.007, 0.006	0.069, 0.073	0.031, 0.028	0.003, 0.014	0.077, 0.044	0.145, 0.114
Formal public	0.094, 0.083	0.753, 0.800	0.024, 0.017	0.047, 0.000	0.024, 0.033	0.059, 0.067	0.018, 0.014
Informal	0.144, 0.091	0.004, 0.013	0.619, 0.703	0.078, 0.044	0.038, 0.047	0.118, 0.102	0.097, 0.089
NEA	0.009, 0.011	0.002, 0.001	0.021, 0.014	0.807, 0.787	0.060, 0.081	0.102, 0.106	0.430, 0.446
Discouraged	0.019, 0.010	0.003, 0.004	0.052, 0.055	0.231, 0.197	0.505, 0.555	0.191, 0.179	0.070, 0.121
Searching	0.052, 0.046	0.005, 0.005	0.051, 0.030	0.200, 0.177	0.078, 0.082	0.614, 0.670	0.241, 0.216
$P_{.j}$	0.151, 0.121	0.017, 0.015	0.095, 0.090	0.424, 0.418	0.084, 0.127	0.229, 0.229	

Table 2.1.9: Transition matrices for individuals aged 25–34 years, 2008 Q1–Q2 and 2011 Q1–Q2

	P matrix: P_{ij} – ‘transition probabilities’						
	Formal private	Formal public	Informal	NEA	Discouraged	Searching	$P_{i.}$
Formal private	0.868, 0.875	0.022, 0.014	0.054, 0.051	0.015, 0.015	0.004, 0.006	0.037, 0.039	0.295, 0.253
Formal public	0.107, 0.069	0.833, 0.872	0.023, 0.020	0.005, 0.007	0.007, 0.010	0.025, 0.022	0.060, 0.060
Informal	0.118, 0.102	0.012, 0.006	0.717, 0.737	0.045, 0.048	0.026, 0.025	0.082, 0.082	0.166, 0.161
NEA	0.023, 0.016	0.003, 0.003	0.036, 0.031	0.717, 0.723	0.078, 0.096	0.142, 0.131	0.209, 0.197
Discouraged	0.030, 0.030	0.000, 0.004	0.063, 0.063	0.240, 0.158	0.495, 0.530	0.172, 0.215	0.059, 0.108
Searching	0.051, 0.041	0.006, 0.005	0.078, 0.067	0.145, 0.113	0.081, 0.084	0.640, 0.690	0.213, 0.222
$P_{.j}$	0.299, 0.257	0.060, 0.059	0.164, 0.160	0.207, 0.196	0.069, 0.101	0.202, 0.227	

second row. Thus, for example, 5.2 per cent of young people moved from searching unemployment in Quarter 1 of 2008 to formal private employment in Quarter 2 (4.6 per cent did likewise in 2011). The proportion of people in each state in Quarter 1 is given in the last column and the proportion in each state in Quarter 2 is given in the last row.

Comparisons have been made between the pre- and post-crisis states of each category in 2008 and 2011 respectively. The resultant data show that for both younger and older people, movement often referred to as 'churn' between states decreased between 2008 and 2011. This decrease in mobility between states is expected – finding employment has become more difficult and, for this reason, employed individuals are also disinclined to leave their current jobs. Not unexpectedly, therefore, younger people were less likely to leave the *formal private sector employed* category for the *searching unemployed* category.

For young people, the paths into formal, particularly private, employment have become especially troublesome to navigate. Movement from the three states of *informal sector*, *searching* and *discouraged unemployment* has fallen, even when compared to the transitions of older people.

These transition matrices indicate that the observed increases in unemployment and discouragement are driven more by falls in the rate of transition into employment and less by the shedding of existing jobs. In other words, the inability to access employment, more than lay-offs by employers, is determining the current unemployment levels of young people. As such, these findings strengthen the case for prioritising interventions that ease access into employment.

What about transitions over a longer period? (Rankin et al. 2012) consider these too. Despite the small numbers of people in the dataset for three concurrent observations rendering comparison across years impossible, sequences of nine months can be constructed. These indicate that, over the whole period, most sequences have no transitions. Among the 20–24-year age group, the most common sequence is continual employment (16 per cent of sequences), followed by continual searching unemployment (11 per cent) and then schooling (9.0 per cent).

Continual employment jumps substantially for people older than 25 years. Almost 40 per cent of sequences in the 25–34-year and 35-plus age groups are three periods of employment. Searching is the second most common sequence for those

Table 2.1.10: Three-quarter (nine-month) sequences in labour market states by age group

State wave 1	State wave 2	State wave 3	15–19	20–24	25–34	35+
D	D	D	0.45%	2.51%	2.47%	1.31%
E	E	E	1.14%	16.22% (1)	38.08% (1)	39.56% (1)
E	E	U	0.11%	0.84%	1.30%	0.64%
E	U	U	0.09%	0.88%	1.13%	0.50%
H	H	H	0.68%	3.25%	4.47% (3)	5.29%
N	H	H	0.23%	0.77%	0.79%	1.15%
N	N	H	0.36%	0.87%	0.92%	1.67%
N	N	N	1.50%	2.76%	3.54%	15.81% (2)
N	N	T ₁	10.48% (2)	2.02%	0.06%	0.03%
N	T1	T ₁	6.76% (3)	1.37%	0.04%	0.00%
N	U	U	0.25%	1.32%	0.83%	0.44%
S	S	S	0.05%	0.86%	3.80%	7.09% (3)
T ₁	T ₁	T ₁	56.15% (1)	9.41% (3)	0.23%	0.01%
T ₃	T ₃	T ₃	2.03%	4.78%	0.55%	0.02%
U	E	E	0.14%	1.41%	1.70%	0.77%
U	U	E	0.10%	1.17%	1.30%	0.49%
U	U	U	1.38%	10.83% (2)	10.47% (2)	3.64%
			81.93%	61.26%	71.67%	78.40%

Note: D = discouraged unemployment; E = employment; S = self-employment; U = searching unemployed; T₁ = non-active, in school with incomplete secondary education; T₃ = non-active, in school with complete matric education; H = non-active, homemaker; N = non-active, not studying; (1), (2) and (3) indicate the first, second and third ranked sequences

Source: Stats SA QLFS (2008–2011)

Table 2.1.11: School-to-work transitions

			Frequency	Percentage	Cumulative percentage	Sequence type
T1	N	T1	147	8.7	8.7	return
T1	U	U	143	8.5	17.2	rupture
T3	U	U	104	6.2	23.3	rupture
T1	N	N	103	6.1	29.4	rupture
T1	D	D	96	5.7	35.1	rupture
T1	U	T1	93	5.5	40.6	return
T1	D	T1	89	5.3	45.9	return
T1	H	H	81	4.8	50.7	rupture
T1	H	T1	73	4.3	55.0	return
T3	U	T3	67	4.0	59.0	return
T1	E	E	43	2.6	61.5	rupture
T3	E	E	36	2.1	63.7	rupture
T1	U	D	33	2.0	65.6	change
T1	E	T1	28	1.7	67.3	interruption
T1	U	N	26	1.5	68.8	change
T1	D	N	25	1.5	70.3	change
T1	D	U	21	1.2	71.5	change
T3	D	U	21	1.2	72.8	change
T1	N	U	20	1.2	74.0	change
T1	N	D	19	1.1	75.1	change
T3	D	D	18	1.1	76.1	rupture
T3	N	N	18	1.1	77.2	rupture
T1	H	D	16	1.0	78.2	change
T1	N	H	16	1.0	79.1	change

Note: D = discouraged unemployment; E = employment; U = searching unemployed; T₁ = non-active, in school with incomplete secondary education; T₂ = non-active, in school with incomplete secondary and NTCI/NTCII/diploma; T₃ = non-active, in educational institution with complete matric education; T₄ = non-active, in educational institution with post-matric diploma; T₅ = non-active, in educational institution with complete university degree; H = non-active, homemaker; N = non-active, not studying

Source: Stats SA QLFS (2008–2011)

just older than 25 years (11 per cent), followed by continual homemaking (4.0 per cent). Among those above 35 years, the second most common category is non-economically active (and not a homemaker) and the third most common is self-employment.

These sequences indicate that the period of early engagement with the labour market (at 20–24 years of age) is an important atage in an individual's labour market trajectory, since it is between this time and the age of 25–34 years that the opportunities for continuous employment increase. For the 25–34-year age group, searching is still a common activity, but many of these people presumably leave the labour market or become self-employed as they give up on the possibility of wage employment when they reach the age of 35 years.

The period immediately after leaving education is a key transitional point for young people to get into employment.

The *QLFS* panel also allows for analysis of this school-to-work transition. Rankin et al. (2012) focus on young people in the 15–24-year age range, who are observed to be in school during the first period of the sequence, followed immediately by a non-schooling state.

Table 2.1.11 summarises the 24 most frequent sequence types amongst 15–24 year olds. These account for just less than 80 per cent of all sequences. The most frequent sequences start with non-activity or unemployment (searching and discouraged) directly after leaving school, which either leads back to education or continues in non-activity or unemployment. The most common sequence type is 'rupture', which ends in a state of searching/discouraged unemployment (343 cases), followed by 'return' to education from inactivity (220 cases) and 'return' to education from unemployment (182 cases). Only 8.0 per cent of all sequences result in a state

of employment,² with approximately 3.0 per cent of these through 'detour'. These sequences illustrate that a transition into employment from education, even over a nine-month period, is a relatively uncommon occurrence for young people, suggesting that there could be a role for programmes which assist in this transition.

What lessons for policy?

The sharp rise in unemployment and discouragement among young people that resulted from the global financial crisis underscores the precarious position of the youth in the labour market. Many young people work in the types of jobs that are acutely sensitive to shocks – in the informal sector, in smaller firms and in low-skilled employment. Because they have little work experience and short histories with the companies that employ them, they are also the first to be made redundant.

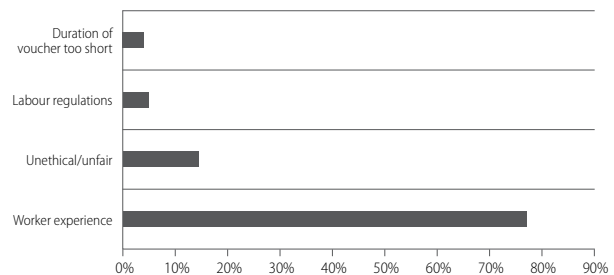
In addition to this vulnerability during times of economic uncertainty, young people face multiple challenges in accessing jobs anyway. They lack work experience, do not have good signals of their own productivity and are relatively less able to tap into networks of employed people who could provide them with information on vacancies (this is the most common method that firms use to advertise the type of jobs that would suit the majority of the unemployed).

There are several policy proposals in discussion that specifically target young people. We consider two specific ones here. The first is the youth wage subsidy, which has been proposed by the National Treasury and is supported by various constituencies, including organised business and the Democratic Alliance, but is opposed by the Congress of South African Trade Unions (COSATU). The second is the job-seekers' grant, which was mooted at the ANC's national policy conference in Mangaung earlier this year. Given young people's vulnerability to economic instability, it is important that we continue thinking about new ways to respond to youth unemployment, especially during periods of economic uncertainty.

The youth wage subsidy

In early 2010, President Jacob Zuma proposed a youth wage subsidy in his State of the Nation Address. This was followed by a mention in the Budget Speech of Finance Minister Pravin Gordhan, and the release in February 2011 of a discussion document on the policy by the National Treasury. A key motivation for this intervention is that firms are unwilling to risk hiring young people with limited work experience and, hence, little to offer in terms of signalling potential ability and productivity at current wage levels. A variety of institutional and historical factors prevent wages from falling to levels at which firms might hire more young people. These include institutional factors in the labour market, such as collective bargaining and bargaining councils, as well as historical factors, such as the apartheid legacy of vast geographical

Figure 2.1.2: Reasons for not replacing older workers with younger, wage-subsidised workers



Source: Rankin & Schoer (2011)

distances between where people live and work, and the high transport costs that deter people from accepting lower wages. A subsidy paid directly to firms would reduce their expenditure on young workers, without changing the wage earned by such workers. The National Treasury proposal would apply to: young people earning less than the tax threshold; jobs lasting up to two years; and new entrants into jobs aged 18–29 years, and young people aged 18–24 years in existing jobs. Businesses would claim the subsidy through the tax system.

Getting young people into jobs earlier can also have a dynamic effect on unemployment, given that one of the strongest correlates with current employment is previous work experience. It can also set young people on a different work trajectory. Importantly, the policy aims to create new jobs, since the cost of hiring young people would fall.

This policy has not been implemented yet, due to strong opposition from COSATU. Their main concerns are that older workers will be replaced by younger, subsidised workers and that the subsidy will create a class of cheap temporary workers. Of these two concerns, substitution of existing workers by younger, inexperienced workers seems less likely. In a survey of firms, which investigated this issue, over three quarters of the respondents stated that they would not replace existing workers with subsidy holders (see Figure 2.1.2). Of all the reasons given, business owners mentioned the premium that they put on the experience of older workers as the most common motivation.

Companies are also very hesitant about compromising existing labour relations through retrenchment, and list productivity and trust concerns as further barriers to hiring young workers.

A job-seekers' grant

Although the details of the second proposed policy response, a grant for young job seekers, are not as clearly distilled, it seems likely that the grant would function either as a cash

transfer to young people who are looking for work, or as a subsidy for expenses, such as transport, that are incurred in the job-search process. This would make it cheaper to search for jobs, and could serve as an incentive for those who have become discouraged to resume their search. The sentiment behind the policy is sound. Young people face large costs in looking for employment, because often they are located far away from potential jobs and lack the savings that could be used to pay for search costs. In addition, they generally lack networks of people in jobs who could be relied on for information about potential openings. As such, they often have to go from workplace to workplace looking for opportunities. Despite the good intentions of the policy, it is, however, unlikely to create new jobs.

If successful in encouraging job search, which is not certain since a direct cash transfer to the unemployed might actually discourage them from accepting a job, the job-seekers' grant would increase the number of people searching. Although this might improve the match between employers and employees, it would not create many new jobs because it would have little or no effect on the cost of employment that businesses face. In addition, it may also cause firms to change the way they recruit, since it could increase the costs associated with recruitment. Currently, most companies use word of mouth to advertise low-skilled jobs, because sorting through a large pool of applicants is expensive. By confining the flow of information to their own employees and networks, businesses limit the number of people that hear about and apply for employment. This strategy also provides a filtering mechanism, because existing employees are likely to tell only those who they deem to have the correct profile for the job. Although companies do hire direct applicants, this channel is used far less than recruitment through networks.

Aiding youth employment when times are tough

The transition matrices shown above indicate that unemployment rates among young people have increased over the past four years because 'churn' in the youth labour market has fallen. Higher unemployment rates are not a result of widespread retrenchments, but rather because previously successful pathways into employment are no longer as successful. Although policies that encourage firms to retain workers are likely to have some effect in helping those already in jobs,

they are unlikely to have a large impact in terms of reducing youth unemployment. Instead, different policies that encourage the hiring of young people are required. These policies would need to stimulate the demand for young people with little work experience and a low level of skills. This could be done in two broad ways.

The first would be to increase the demand for young people at existing wage rates. Policies of this nature would increase the output of firms and, thus, labour demand (given that this is a derived demand). Large increases in domestic consumption would be one way to do this, and could be achieved through cuts in personal income tax, increasing government social transfers or raising wage rates. However, these methods are unlikely to be sustainable in the long run.

The second approach would encourage the employment of young people by reducing the cost of hiring them. The youth wage subsidy is one such potential intervention. Others would include changing minimum or mandated wages for young people through the bargaining councils, or reducing the costs associated with the hiring and firing of young people. Such policies are not unusual. Various countries (such as France and Singapore) have separate minimum wages or employment legislation for young people. However, given the opposition to a fairly mild policy intervention to assist young people – the youth wage subsidy – it seems very unlikely that these more ambitious policies would be implemented.

What is clear is that young people have been disproportionately affected by the financial crisis. An already vulnerable group is now worse off and will bear the scars of the crisis for the rest of their working lives. Prompt, sensible policy interventions may mitigate the negative impact, but these seem unlikely given the competing constituencies within the government.

Notes

1. Throughout this chapter, we refer to those in the 20–24-year age group as young people. We exclude those younger than 20, because the bulk of this group are in education. For comparative purposes, we consider those aged 35–65 years, since individuals in this age group would be well entrenched in the labour market.
2. Not all sequences ending in employment are shown in Table 2.1.10.

OPINION | Obstacles and opportunities for youth entrepreneurship

TWO

A CO-ORDINATED APPROACH CRITICAL TO PROMOTE YOUTH ENTREPRENEURSHIP

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Over the past decade, sub-Saharan Africa has shown impressive growth rates, with gross domestic product (GDP) having increased by 4.9 per cent per year between 2001 and 2008 – more than twice its pace in the 1980s and 1990s (McKinsey & Co. 2012). However, the global crisis of 2009 slowed down growth for the region to approximately 3.0 per cent, and will limit the progress made in economic development and overcoming poverty (WEF 2009). Although many African countries have experienced an impressive expansion in the size of their economies, the growth has not led to the creation of sufficient employment – a situation that has been further exacerbated by the current financial crisis. With rapidly growing and urbanising populations across Africa, ensuring that they are both healthy and able to find employment is a key challenge.

The formal sector in many countries, especially in sub-Saharan Africa, is stagnant and unlikely to offer traditional jobs to the increasing number of young people looking for employment. The burgeoning young population, coupled with a growing sense of economic exclusion, represents a potentially explosive situation, which, if not effectively dealt with, could once again destabilise a continent that in recent years has become increasingly peaceful. Unless alternative employment options are encouraged, the number of unemployed and underemployed youth will continue to put pressure on their respective states. Youth unemployment, without doubt, is a pressing issue facing many African governments. The demographic profile of African countries has a significant youth bias, but due to the high and growing level of unemployment and underemployment amongst this section of the population, they are unable to fulfil these responsibilities in any meaningful manner. This has been emphasised by recent experiences in several North African countries such as Egypt and Tunisia. These developments, if left unchecked, can move into sub-Saharan Africa, and, if not correctly and timeously addressed, would have devastating effects on the social and economic spheres within the countries concerned (McKinsey & Co. 2012).

Entrepreneurship, job-creation and the potential to address poverty

South Africans have traditionally relied upon the government and the corporate sector to provide jobs. However, the growing inability of the formal and public sectors to absorb the increasing number of job-seekers means that South Africa needs to create an environment that stimulates job creation and economic growth.

Figure 2.2.1 shows that 66.5 per cent of South Africa's population is under the age of 35 years, with the largest 5-year grouping, the 0–4-year age group. The 2011 Census further estimates that 33.7 per cent of young South Africans in the 25–29-year age group, and 27.4 per cent in the 30–34-year age group are unemployed. This further emphasises the need to seriously consider alternative modes of job-creation. Entrepreneurship provides such an avenue and positively affects economic growth. Entrepreneurs create new businesses, drive and shape innovation, speed up structural changes in the economy and introduce new competition – thereby contributing to productivity. Such enterprises also drive job-creation; hence, it is a critical potential contributor to economic growth that is inclusive and reduces poverty. Especially in sub-Saharan African countries, it has the potential to bolster economic growth and increase productivity. As traditional jobs-for-life career paths becomes increasingly rare, youth entrepreneurship should become a focus for allowing the youth into the labour market, and ultimately for alleviating poverty.

While it is not necessarily an all-encompassing solution for youth unemployment, ensuring that South Africa has an enterprise culture that encourages, rather than discourages, entrepreneurial activity is important. An enterprise culture is a 'set of attitudes, values and beliefs operating within a particular community or environment that leads to both enterprising behaviour and aspiration towards self-employment' (White & Kenyon 2008: 18).



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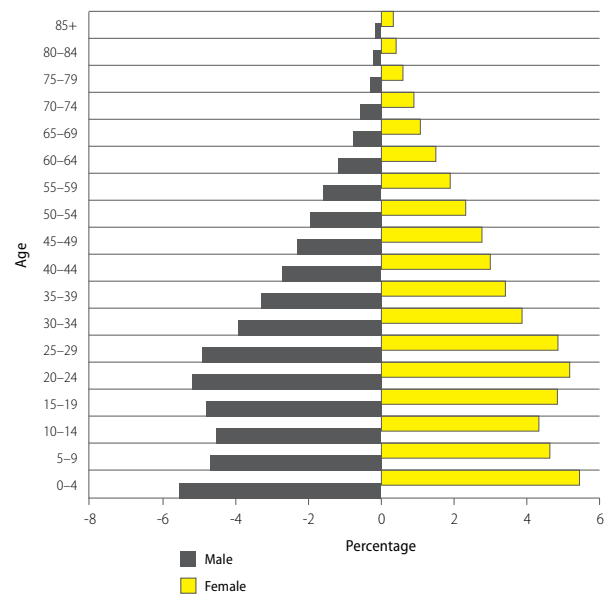
In order to encourage entrepreneurial behaviour, South Africa needs to develop and encourage an enterprise culture that leads to both enterprising behaviour and increasing aspirations towards self-employment. Several cultural traits that either encourage or inhibit entrepreneurial behaviour exist (Orford, Wood & Herrington 2004). In those cultures where innovation and creativity are not encouraged, entrepreneurial enterprises are unlikely to flourish. Conversely, those that see failure as a learning process are more likely to encourage entrepreneurial enterprises. Willingness to accept the possibility of business failure is a good indicator of entrepreneurial capacity (Orford et al. 2004). In South Africa, 40 per cent of young people indicated that fear of failure is a strong inhibiting factor in deciding to start their own business, with black African and coloured youths being more likely to be inhibited because of a fear that the business would fail (Herrington, Kew & Kew 2008b). At the outset there are, therefore, attitudinal obstacles to overcome before we can even think of addressing policy.

The importance of skills and education

While an enterprise culture enables entrepreneurship to flourish, the development of economies in the global knowledge environment is also intimately linked to education and, particularly, the development of mathematical skills. This is a South African weakness. The importance of developing mathematically based skills is further reinforced by the 2012 *Global Competitiveness Report* which ranks South Africa 138 out of 144 countries with respect to maths and science education. There are also strong links between the level of formal education and entrepreneurial activity. Tertiary study in South Africa prepares young adults relatively well in terms of the knowledge and skills required to start a business, with over 60 per cent of young people with tertiary education indicating that they had the knowledge and skills to start a business. Only 40 per cent of young people with secondary education, and one-third of young people without matric, indicated that they had the knowledge and skills to start a business (Von Broemsen, Wood & Herrington 2005).

In the 2012 *Global Competitiveness Report*, South Africa is also ranked low on primary (127 out of 144) and secondary education (133 out of 144) and, given that only 15 per cent of young people advance to tertiary education, the quality of primary and secondary schooling is becoming increasingly important (WEF 2012). Schooling is not only important for its effect on an individual's propensity for entrepreneurial

Figure 2.2.1: South Africa's population by age and gender, 2011



Source: Stats SA (2011)

behaviour, but it also improves an individual's ability to find employment and to be trainable. A high-quality general education serves to make people more trainable and, therefore, allows for greater flexibility and productivity in the labour market. Moreover, it also enhances the time and cost-effectiveness of training, as poorly educated entrepreneurs require more training at a greater cost and often with fewer demonstrable results.

Contextual factors that impact on entrepreneurship

A 2008 study done for the Western Cape Youth Commission found that two-thirds of young South Africans indicated an interest in starting a business (Herrington et al. 2008a). To determine whether such an interest could be interpreted as a predisposition towards entrepreneurial behaviour, the survey questioned their career option of choice. Formal employment, namely working in a corporate or large business (46 per cent), or the government (25 per cent), was cited as the career option of choice. Less than 10 per cent of the respondents indicated starting their own businesses as the career option of choice. Young people, whether studying, currently in the work force or unemployed, preferred the security of formal employment to the perceived risk of self-employment (Herrington et al. 2008a). These findings concur with the 2010 *Young Upstarts Report*, which found that while 65 per cent of young people indicated an interest in starting a business, the percentage of young people actively planning to turn this indicated interest into a reality was less than 10 per cent, with 8.0 per cent of the respondents indicating that they planned to start their business within a year (Herrington et al. 2011; see also Virgin Unite 2011).

The *Young Upstarts Report* also showed that younger, poorer respondents preferred to become a professional above starting their own business. The report argues that the lack of role models or networks that include business owners encourages young people to choose the stability of employment rather than seeking the risk of starting their own businesses (Herrington et al. 2011). The preference of previously disadvantaged young people for formal employment, particularly in a corporate setting, is also noted in the 2012 *Endavour Report* (Endavour 2012). In the past decade, there has been greater access to tertiary education for individuals who would have been denied it under apartheid, and, as a result, there has been an increase in the number of young black African and coloured individuals attending tertiary institutions. Equity targets for companies have led to growth in the demand for qualified black African applicants and, consequently, corporations have been willing to pay premium salaries to attract employees from designated categories. From an entrepreneurship perspective, however, this increases the opportunity cost for these individuals, should they consider starting their own business. This could, in part, explain why

the number of black African business owners, particularly those with tertiary qualifications, is lower than business owners with similar qualifications from other race groups (Herrington et al. 2008b). This is of concern as individuals with a tertiary education are more likely to start opportunity-motivated enterprises than they are to start a business due to a lack of other employment options. Necessity businesses (i.e. businesses that are started because the owner has no alternative for employment) generally only provide sufficient income for survival and employ significantly fewer people. Increasing the number of opportunity-motivated businesses would, therefore, have a positive impact on both the financial resources of the owners and, arguably, the unemployment rates in South Africa.

Entrepreneurial learning occurs through problem-solving, failure and learning from mistakes (Deakins 1999). As a result, individuals with access to family members who are business owners are likely to have a greater network of business people from whom they could learn and with whom they could discuss the problems and difficulties experienced by their enterprises. Exposure to entrepreneurial activity through personal networks provides strong role models, and individuals with entrepreneurial family members are more likely to start a business (Von Broemsen et al. 2005).

The Global Entrepreneurship Monitor (GEM) is a worldwide study on entrepreneurial activity started by London Business School and Babson University in 1999. South Africa joined it in 2001. GEM South Africa has shown that black women in South Africa are more likely to start a necessity-based than an opportunity-based business. More than half of the young women believe that businesses in South Africa are started because there is no other option to earn a livelihood, and this perception is compounded by the limited exposure that successful, opportunity-based female entrepreneurs enjoy in the media (Herrington et al. 2008b).

When asked to identify successful business people, young people almost exclusively pointed out male business owners, with Pam Golding being the only female entrepreneur identified. With the exception of Mark Shuttleworth and Mzoli Ngcawuzele, all of the business role models identified were mature adults (Herrington et al. 2008b). The media, therefore, has an important role to play to ensure that both male and female business people, as well as young business people, are featured prominently in all forms of media. Together with school entrepreneurship programmes, young successful entrepreneurs need to be promoted and profiled, in order to dispel the notion that businesses are started only out of necessity and that becoming successful – as an entrepreneur – is only possible much later in life.

At present, however, many young people view businesses merely as temporary income generators until a better income option in the formal sector is found (Herrington et al. 2008b). This is unfortunate, given that in economically depressed times, such as the present, young people are often unable to



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find better opportunities in the formal sector. This means that the number of people leaving school who need to rely on starting a business in order to survive is likely to increase. It is vital that the schooling system prepares students to see themselves as potential job-creators instead of merely job-seekers, and needs to provide subjects like entrepreneurship and financial literacy as core offerings for all pupils. Since many young South Africans do not complete secondary schooling, it is imperative that entrepreneurial skills are taught at primary school. Given the importance of education in influencing individuals' belief in their own abilities to start and run a successful business, it is possible that the South African education system directly contributes to the low level of early-stage entrepreneurial activity in the country. GEM South Africa has questioned the appropriateness of the kind of education offered at schools, and has noted that school-level training is failing a large proportion of the country's youth. Aside from the education system failing to prepare potential entrepreneurs for starting businesses, it has also done very little to address the massive skills shortage, which inevitably hampers economic growth (Herrington et al. 2011).

Access to technology is becoming an increasingly important requirement both for starting up a new business and for an existing business to remain competitive. It is, therefore, critical that young people become familiar with the necessary skills during their primary and early secondary schooling. Access to technology, particularly access to the Internet, remains limited for young South Africans, with 30 per cent never having used a computer and 55 per cent never having accessed the Internet or used email (Herrington et al. 2008b). This makes it difficult to obtain information about employment, as well as other business-related information. Young white South African's are more than three times more likely to have access to a computer and more than seven times more likely to have access to the Internet and email than are their black African counterparts. Given these low levels of access, it is imperative that government agencies, mandated with improving the entrepreneurial propensity of the youth, ensure that enough satellite offices have the required technology and sufficiently qualified people to assist them in efficiently using the technology.

Sustained government support is critical. With the higher than expected unemployment figures, reflected in the 2011 Census, job-creation will have to remain a key feature of government policy. A co-ordinated focus on small business development must be one of the core points of departure. However, the poor quality of education, a lack of appropriate

business skills, and poor financial literacy hampers the growth and sustainability of this sector. Steven Timm (2011) argues that South Africa can learn from Brazil in developing adequate support for small businesses. He shows that South Africa and Brazil, apart from being two of the most unequal societies, have other similar development challenges, such as a lack of quality education, a shortage of quality infrastructure and a low share of international trade. Despite these similarities, Brazil is ranked as the 12th most entrepreneurial country in the world, while SA is ranked 28th out of 56 countries (Herrington et al. 2011). What is of greater concern is that with respect to the rate of established businesses (i.e. businesses that have been in existence for more than 3.5 years) South Africa fares far worse. Brazil is ranked 4th and South Africa is ranked 54th out of the 56 participating countries. It is important to note that established businesses have a significantly greater impact on job-creation than new businesses. What is also evident is that although South Africa has an increasing number of individuals who are starting businesses, the number of businesses that have been in operation for 3.5 years or more has not increased. Focused business support, offered by well-qualified professionals, or retired business people, as well as clear policy directives, are desperately required in South Africa to enable more enterprises to become sustainable and to have a greater impact on job-creation and economic growth within the country. Setting clear, measurable goals, such as the number of loans provided, actual employment created by small businesses, the percentage of small businesses involved in the export sector, and ensuring that individuals in these organisations have the necessary skills, have been key in Brazil's success. In South Africa, support structures, aimed at small business development are not effective, and awareness of many of the government support schemes remains extremely low. A further concern is that clear, measurable goals are not set for all agencies and, where goals are set, they are not monitored by external organisations.

Young people lack the skills, knowledge and experience to navigate the adult, business-oriented world. Although they may earn enough to survive, their ability to move into more sustainable enterprises is hampered by their inexperience and age-related constraints. Business advice centres and secondary schools have a particularly important role to play in equipping young people with the necessary skills to be able to move into sustainable business enterprises. The quality of business services is largely dependent upon the quality of the business advisors employed. In order to be fully

effective, business advisors need to be well-versed in the business environment, and preferably need to have practical experience in running a business. A core differentiator in the success of business advice offered is the ability of the advisor to develop a rapport with the entrepreneur. This is developed partly through communication in the individual's home language (De Waal 1997) and partly through the advisor's ability to understand the particular needs of the individual and not offer generic advice. It is important, therefore, that youth-oriented business advice centres are staffed by people who have an understanding of the particular needs and developmental stages of young entrepreneurs.

The quantity and quality of financial support

Lack of finance and access to finance is often cited as the key constraint to entrepreneurial activity. This has led to academics and policy-makers questioning whether providing significantly more finance would increase the number of entrepreneurs. The GEM research has shown that young people regard lack of customers, insufficient skills and too little support as the main factors contributing to their reluctance to start up their own business (Herrington et al. 2008b). This seems to caution against an approach that views finance on its own as the panacea for a shortage of aspiring entrepreneurs. The *Young Upstarts Report*, conducted by the Branson Centre for Entrepreneurship in 2010, concurs and asserts that, for young people, access to finance and business skills have been the most significant obstacles to starting a new business. Significantly, most respondents recognised that providing funding, without the skills needed to run a successful business, would not help them to become successful entrepreneurs (Virgin Unite 2011). The infrastructure to support the efficient use of funding also needs to be in place. Yet, the GEM research reports that young people who have tried interacting with the various support institutions have found the service delivery to be poor, coupled with long lead times (Herrington et al. 2011).

In this regard, it needs to be asked how suited current government institutions are to provide the required services. The National Youth Development Agency (NYDA) is regarded as the government's primary vehicle for supporting young entrepreneurs. Thus far, its performance has not lived up to the requirements, with many questions being asked about the management of the resources at its disposal. For the budget year 2010/11, it was allocated R405 million, and according to the medium-term expenditure framework for 2012–2015, the comparative figure for the 2012/13 financial year will be R376 million. This decrease has been questioned by the NYDA, but a review of its 2011/12 annual report has led the National Treasury to query irregular expenditure amounting to R133 million. The same report showed that almost R142 million was paid in salaries and allowances, while the businesses to which it extended loans received a total of only

R14.2 million. This amount represents a mere 15 per cent of the funding that it allocated to hosting its highly controversial international youth conference in 2011 (McGluwa 2012).

The NYDA (2012) states that it created or sustained 15 810 jobs during 2010/11, and argued that these were a direct result of the micro-loans (totalling the R14.2m) offered. No information was provided as to whether these loans were linked with mentorship or whether contributions were made to sustainable industries. There was, furthermore, a lack of clarity on the longevity of the businesses that were funded, and whether they were start-ups or established businesses.

This information raises a number of additional questions, namely, whether the salaries of both key and other personnel are justified, what the measurable and tangible goals linked to these salaries are, how data is being collected on the number of new or sustained jobs created, and whether any independent research has been done on the number of new or sustained jobs that were created, assuming verification of the 15 000+ jobs. It also needs to be established what the cost per job created is and, if the NYDA aims to play a significant role in reducing unemployment, whether this is possible at the current cost-per-job rate. Arguably, more research needs to be done about the existence of other government-funded youth organisations in developing and emerging economies, and whether they have been more effective than the NYDA.

Conclusion

Entrepreneurship is not the sole solution to South African youth unemployment. It is important to remember that entrepreneurial ventures are risky and require a level of innovation, the ability to deal with adversity, the ability to work independently and a level of confidence that allows the business owner to believe that he or she has, or can acquire, the skills and knowledge necessary to be successful in business. However, it is equally important to ensure that the environment in which young people operate enhances, rather than limits, entrepreneurial choices. It is also critical that all young people are afforded the opportunity of receiving a decent education. The low maths and science ranking, the lack of computer and other facilities in many schools, and the 2012 textbook debacle, raise questions about the seriousness with which the government views education. The lack of adequate education is compounded by the questionable value of business support agencies, such as the NYDA. South Africa requires a co-ordinated approach to business support that is business-driven, not politically motivated, and staffed by people with personal business experience. Without this, unemployment, poverty and exclusion will constitute the only future South Africa can continue to offer many of its young people.

**Mpumi Mazibuko,
a lawyer, who carved
out a niche for himself
in intellectual property,
trademark and
copyright law.**



CREATE ENTREPRENEURS INSTEAD OF TENDERPRENEURS

Erica Penfold

Youth unemployment featured centrally in South Africa's policy debates during 2012. From the National Development Plan (NDP), which labelled it a 'potential time bomb', to the ANC Youth League's campaign for 'economic freedom in our lifetime', and the bloody clashes between DA and COSATU supporters about the youth wage subsidy on the streets of central Johannesburg, it became evident just how integral this theme has become to those who want to exert influence on developmental policy.

It is by no means a uniquely South African condition – as policy-makers in Spain and Greece can attest – but its character and potential consequences are exceptional and particularly disconcerting. South Africans between the ages of 15 and 34 years constitute 71 per cent of all unemployed South Africans (Stats SA 2012). A decrease in employment inevitably results in a decrease in further skills and experience transfer (National Treasury 2011; DGMT 2011). By not engaging in active skills development and learning through working, the potential for further employment diminishes. The spiralling effects of unemployment are therefore far-reaching, and the tools that the government and the private sector can leverage to stop it are limited. Assuming that these tools are being used optimally, we have to ask what else can be done to enhance people's own opportunities for employment? The promotion of an entrepreneurial spirit and the supporting infrastructure to encourage it should become central in our thinking about employment creation outside of the government and corporate South Africa.

The South African economy is in need of entrepreneurs. In 2012, major sectors, such as natural resources and manufacturing were in decline, while concern about a ballooning government salary bill also put a damper on job creation in this sphere. Given the current economic climate, the country will have to look beyond the established sectors to fire up job creation. For this reason, it remains puzzling why there seems to be so little momentum behind efforts to harmonise the creation of a stronger entrepreneurial culture.

Developments in our national discourse on this matter have not been helpful. As the infamous term 'tenderpreneur' made its way into our vocabulary, entrepreneurial enterprise became tainted with unwarranted cynicism. In loose terms, it has come to be associated with practices where individuals and/

or companies leverage their political connections, as opposed to their craftsmanship and skills, at the expense of more deserving candidates, and often also the citizens that stand to benefit from their deliverables. Although not implicit, connotations of corruption and the perversion of well-intended black economic empowerment (BEE) objectives have compounded the negative associations that many South Africans have with the concept.

Entrepreneurship and the threat posed by negative perceptions of tenderpreneurship raise interesting questions about how South Africa is fostering and promoting entrepreneurial activity. There is widespread concern that tenderpreneurs hinder the potential for non-government affiliated entrepreneurs to make their mark. It needs to be asked whether the government and other social stakeholders are doing enough to counter this perception and to promote entrepreneurship in South Africa. As successive cohorts of school leavers enter the labour market under the prevailing economic circumstances, many – especially those with lower qualifications – are doomed to join the ranks of the unemployed. The traditional sources of employment are drying up and, hence, we will have to sharpen our strategies to foster more job creators than prospective employees.

Why is our youth unemployed? Like other young people around the world who enter the labour market for the first time, they lack skill and experience. Education is no adequate substitute for experience and does not guarantee capability. If employers are not convinced that school leavers are capable of handling new tasks, they would rather not risk paying school leavers a wage, considering their relative inexperience.

The political opposition and the media frequently place blame on the government for worsening the employment situation of young people. The government has argued that miracles do not happen overnight; as far as progress is concerned, it points to public works programmes and related multibillion rand investments in infrastructure, which are likely to create more job opportunities and, importantly also, generate the acquisition of more skills and experience. These initiatives may provide the stage for entrepreneurs to step up to and show what they are capable of. Potentially, this can be the start of a flourishing post-apartheid entrepreneurial



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sector. We will have to ensure, however, that the persistence of tenderpreneurship does not thwart its huge potential.

Questioning numbers and neutrality

While there are approximate numbers of questionable transactions before regulators and prosecutors, authoritative statistics suggesting that most government tenders are swayed by political connections are in short supply. Without clear-cut figures on what determines the awarding of government contracts, we can only assume, and assumptions have their limitations; at their very worst, assumptions can cause unnecessary damage to the integrity of entities implicated through hearsay and innuendo. Too often, extensive coverage of individual cases creates the impression of pervasiveness; thus, for the present, it may be more advisable to rely on information provided by agencies, such as the Public Protector, the Auditor-General and the Public Service Commission. Responsible citizenship requires that we act upon evidence, and work towards the improvement of the sources that we have at our disposal. The Open Government Partnership (OGP) is a substantial initiative in this regard.

Open governance and opportunities for reform

The OGP is a project championed by several heads of state, which seeks to 'secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance'. Although South Africa is a member of the steering committee of the OGP, there is still very little public awareness of the project in the country (ODAC 2012).

It focuses on the broad areas of transparency and accountability, and, more particularly, on reform of transparency in government business practice. The OGP seeks to 'secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance'. By extension its emphasis, therefore, also speaks directly to the question of ethical and consistent government procurement procedures, which impacts on the degree to which prospective entrepreneurs are willing to take risks on the assumption that all tenders will be evaluated on a non-biased basis.

The initial results of the Monitor Group's *Accelerating Entrepreneurship in Africa Survey* provides another instructive source of insights into South African entrepreneurial activity (Omidyar Network 2012). The survey focused on

entrepreneurship trends in a number of countries, and the South African results, released in 2012, have provided a wealth of insights in this regard.

Together, sources like these, as well as the Global Entrepreneurship Monitor that is reported on elsewhere in this chapter, are valuable in informing our thinking about the challenges and opportunities for entrepreneurial growth in this country.

Limitations for entrepreneurial growth

The Monitor Group survey identified the following limitations to the growth of small business in South Africa:

- » lack of proper education
- » challenges in the form of legislative and regulatory barriers to business development; and
- » lack of entrepreneurial training and awareness.

These limitations demand a more in-depth assessment of several structural weaknesses in our business environment and services for citizens.

Education

The 2012 *School Realities* data sheet, published by the Department of Education, indicates that the highest proportion of learners (32 per cent) find themselves in the foundation phase (Grade R to Grade 3), while those in the senior phase (Grade 7 to Grade 9) represent a smaller contingent of 24 per cent (DBE 2012). This suggests high drop-out rates in the higher grades, which goes a long way in explaining the critical skills shortages that are experienced in certain sectors of the economy. This view is underscored by the World Economic Forum's latest *Global Competitiveness Report*. The report ranks South Africa 132nd out of 144 countries for the quality of its teaching and 115th with regard to access to schools (WEF 2012).

Legislation

The legislative and regulatory barriers to business development constitute the second identified limitation to growth. According to some observers, the new Companies Act 71 of 2008 has made great headway in simplifying the process of establishing new business ventures. The practice seems to confirm this. According to the *Ease of Doing Business Survey*, conducted by the World Bank, it takes approximately 19 days to a month to register your new business in South Africa, on condition that all the relevant documentation is provided (IFC

& World Bank 2012). This places the country 53rd out of a total of 185 countries surveyed. Compared to peer countries like Brazil, where the same process takes 119 days, this is a laudable achievement, but as columnist, Ivo Vegter (2012) points out, the rules for government tenders are often too detailed and 'intimidating to the uninitiated' and frequently do not prevent corruption. Irregular practices, such as tenderpreneurship, create an additional layer of unpredictability. In effect, it creates an environment where 'playing by the rules' and meeting the required standards do not give every contender a fair chance of success. As such, it discourages, rather than promotes, an entrepreneurial culture driven by product excellence.

Entrepreneurial training and awareness

Although a good start, the best qualifications and the highest level of education do not guarantee entrepreneurial success. Start-up businesses can fail just as quickly as they begin, because of a lack of solid entrepreneurial skills training. Addressing this situation necessitates the introduction of focused coursework on entrepreneurial development at school level. While it requires dedicated resources and may have to compete with lobbyists who correctly advocate for the prioritisation of mathematics and science training, a compelling argument can also be made for an entrepreneurship curriculum. If the objective of quality education is to create jobs, we cannot simply assume that there will be enough vacancies to be filled in traditional occupations. As recent research by the World Bank and World Economic Forum shows, entrepreneurial activity is more likely to have an impact on unemployment under the current deflated economic conditions than are industries in the traditional spheres (Holly 2012). This needs resources and co-ordination, backed up by stern commitment. All this is possible, but may be difficult, given the multiple challenges that both education departments are experiencing at present.

The contribution of government

Should we lay exclusive blame at the door of the government for the apparent lack of co-ordination and/or enthusiasm to create a conducive entrepreneurial environment? Given the complexity of government structures and processes, this question may be too simplistic. Yet, it is possible to identify certain areas where the government's action (or inaction) delays progress.

Proper education is a critical cog in the wheel, and there is no doubt that poor performance in this regard detracts from commensurate efforts elsewhere. The government has an obligation to provide education for all learners and to assist those who cannot go to school to obtain training and qualifications through other means. Assessments elsewhere in this publication show that much still needs to be done in this regard.

In addition, the government is responsible for passing

legislation that assists in the creation of small businesses and recognises the challenges that entrepreneurs face in getting their ventures off the ground. Such efforts have been made, but there is still a large gap between the provisions and their practical implementation. This has been the case particularly for many business owners from previously disadvantaged communities in their experience with broad-based black economic empowerment (BBBEE) legislation.

In theory, BBBEE aims to promote wealth creation across a broader spectrum of South African society, and to assist business owners from previously disadvantaged backgrounds to gain a foothold in the economy. Unfortunately, the practical implementation of these policies has drawn criticism from those who claim that a small group of politically connected individuals has exploited them for their own narrow benefit, thereby effectively linking tenderpreneurship to BBBEE. Such criticism has emerged from all sides of the political spectrum and, as a result, the government has come under increasing pressure to remedy this situation. In 2011, amendments were introduced to reduce the potential influence of tenderpreneurial practices in the procurement arena. These reforms were of critical importance, because an estimated 30 per cent of the economy is driven by state procurement activity alone. In terms of these new regulations, bidders will be required to present scorecards that prove their BBBEE compliance. Potentially, this will eliminate the most obvious irregularities associated with the awarding of tenders. In terms of the practice of 'fronting', where company governance structures are artificially restructured to give the false impression of black ownership, a company will have to provide a verified scorecard. Should companies be deemed to fall short in terms of compliance they will be disqualified from the tender process. In addition, these scorecards will force business owners to ensure that essential areas of business development, including skills and entrepreneurial acumen, are established and provisionally funded (Steyn 2011). Whether this policy has made any dent in irregular tender practices is unclear at this stage and is probably too early to ascertain.

The evidence suggests that the government is working to ensure that tender irregularities are accounted for, by introducing the relevant policy structures. Two important frameworks that have been rolled out thus far are:

- » the National Youth Economic Empowerment Policy and Implementation Framework (2008); and
- » the Integrated Youth Development Strategy (National Youth Development Agency) (2008).

Both documents have pushed for greater investment in youth development.

But more momentum is required. At present there is very little else that speaks to the urgency of supporting youth entrepreneurship.



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South Africa and the OGP

Encouraging government transparency and accountability is as essential to fostering growth as are the right economic policies. As a signatory to the OGP, which represents a commitment from 50 governments to promoting open, transparent and accountable governance, South Africa has much to gain from the development of uniform reporting standards (see OGP 2012a). Ultimately, the OGP seeks to ensure that governments act transparently and that their citizens are able to hold them to account. Investment by one signatory in another is therefore backed up by a common understanding (and guarantee) of the transparency and accountability practices to which both subscribe. Although significant steps have been taken to ensure South Africa's compliance with the objectives of the OGP, there are still some commitments that South Africa has not fully followed through. The controversy around the Protection of State Information Bill offers a case in point and has clouded perceptions of the country's full commitment to the spirit of the OGP's objectives (OGP 2012b). This potentially detracts from our ability to attract investment from those that seek guarantees for investment stability. A government that can be held to account would conduct its procurement processes transparently, thus eliminating the gap where undesirable practices, such as tenderpreneurship, could occur. As pointed out above, the newly introduced BBBEE legislation provides an example of attempts to fill this gap, but it must be asked whether this is indeed enough.

The promotion of more stringent checks and balances applies not only to tenderpreneurship, but also to financial management processes within the government. 'Nkandlagate', the alleged exorbitant expenditure of close to R250 million on the private home of the president, provides but one example in this regard. If we are to hold our government to account to ensure a transparent procurement process, it should be much easier to navigate through the smoke and mirrors created by different departments, apparently to sow confusion amongst critics of the Nkandla millions. Several observers have claimed that for all the opulence under construction, the price tag still suggests grossly overinflated prices.

Do incidents like these relate at all to the question of youth entrepreneurship? Without doubt, they do. The bad publicity serves to reinforce an impression that qualifications, training and financial risk do not matter as much as having the right connections. While such practices may offer short-term gains for the immediate beneficiaries, the country will pay the longer-term price for the erosion of its entrepreneurial talent and depth.

What needs to be done?

What would a supportive structure for promoting youth in the economy look like? At present, the following bodies are mandated, in differing degrees, to promote successful outcomes for small business development: the National Youth Development Agency (responsible for the promotion and co-ordination of youth development); the Small Enterprise Development Agency (working in collaboration with the government to advance small enterprises); and the National Small Business Chamber (promoting the growth of small business, by creating a network of small business owners). While each works towards its specific mandate, they mostly do so in isolation from each other, which leads to duplication and often wastage. As such, there is a need for more collaborative efforts, where the strengths and networks can complement each other. This would work best through the targeting and prioritisation of specific sectors and services. Working partnerships must be developed with the government, activities must be co-ordinated, and adequate resources must be secured. Part of the current problem lies with the difficulty of monitoring and evaluating the individual and collective efforts of the different stakeholders; consequently, a minimal monitoring and evaluation capacity will have to be developed to assess how well these bodies are working, together with the government, in advancing the interests of entrepreneurs.

Towards improved collaboration

Youth unemployment is always in danger of being over-politicised; therefore, we cannot rely solely on the government and opposition parties to frame how youth unemployment and the promotion of youth entrepreneurship will be tackled sustainably. It is therefore important that institutional pride is set aside in favour of collaboration between key stakeholders, such as the government, corporate enterprises, academia and civil society.

The government's *New Growth Path* (see SAGI 2012) document proposes a multi-faceted approach to reducing youth unemployment. It favours this kind of collaboration with all social stakeholders to resolve the unemployment question, and aims to increase levels of training, activity, employment and entrepreneurial opportunities for youth. The implementation of this strategy was identified as a priority for 2011 to 2012, and it would be useful for the government to assess how much progress has been made in this regard. Plans to review legislation, regulate budgetary requirements and monitor the implementation of the youth wage subsidy form part of

the strategy. Stated commitments to improving education, skills training and public employment services will also assist strategic implementation, to the extent that they actually take shape in practice. While increased collaboration between multiple sectors, as proposed, promises a better chance of success, much will depend on implementation, which is notoriously uneven within our bureaucracy.

Conclusion

Support for further entrepreneurial activity hinges on a number of factors. This article has highlighted some of the most pressing challenges, which include inadequate education, the legislative environment and focused entrepreneurship training. In addition, it has reflected on the challenges posed by a constraining global economic climate. The role of the

government has also been highlighted, and it has underscored how critical it is to generate greater momentum towards supporting small business ventures. Ultimately, though, action on all of these will be dependent on the extent to which accountability is built into the system. Whether we create entrepreneurs, who through their ambition and skill create growth, employment and more sustainable livelihoods, or tenderpreneurs, who seek to sway government procurement with money rather than ability, will depend on the extent to which government procurement is subjected to proper transparency and accountability practices. The introduction and consistent implementation of these measures have the potential not only to stimulate growth outside of the traditional employment sectors, but also to ensure that we continue to promote the potential of South African youth to succeed even under challenging conditions.



Chapter



Skills and Education

The huge quantitative growth in access witnessed since the collapse of apartheid has not impacted significantly on higher education participation rates.

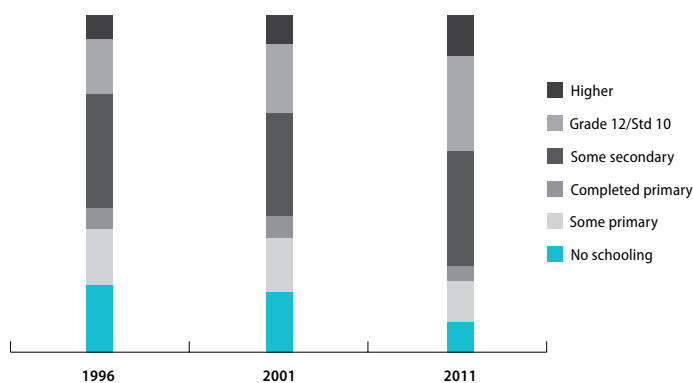


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Skills and Education at a Glance

At the end of November 2012, the Department of Basic Education released the results of its Annual National Assessment tests – a means to establish learner capacity in basic literacy and numeracy. While the results in some instances pointed to isolated improvements, the overall picture remains bleak. Findings such as the one suggesting that only 13 per cent of Grade 9 learners have the requisite mathematics skills for their age explain why South Africa was ranked 143 out of 144 countries for maths and science education in the World Economic Forum's 2012/13 *Global Competitiveness Index*. Although not the sole cause, a deficient education system still continues to entrench high levels of unemployment – and hence poverty – in an economy characterised by a stark imbalance between the demand for and supply of skilled labour.

Education level of persons aged 20 and older



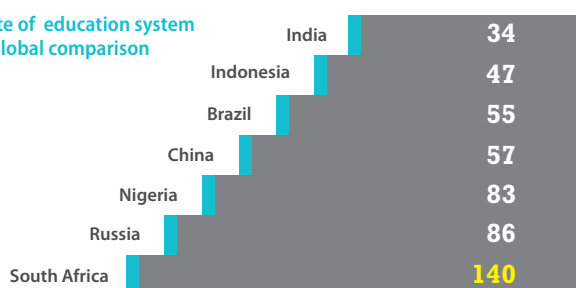
Source: Statistics South Africa, Census 2011

12.1%

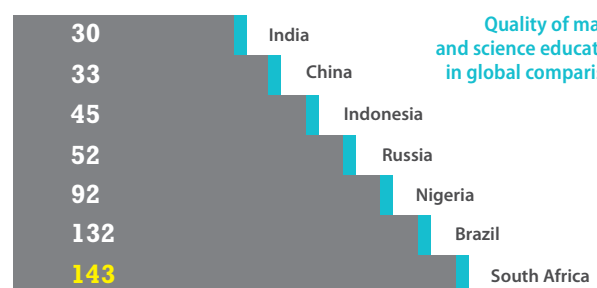
The proportion of South Africans 20 years and older with a tertiary education

South African skills and education in comparative perspective (ranking out of 144 countries)

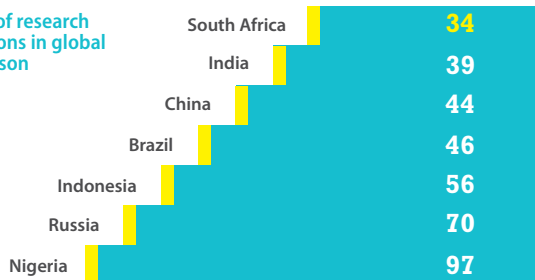
State of education system in global comparison



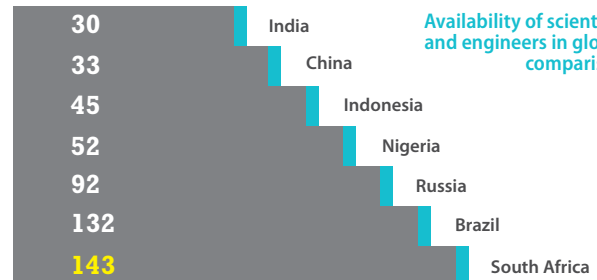
Quality of maths and science education in global comparison



Quality of research institutions in global comparison

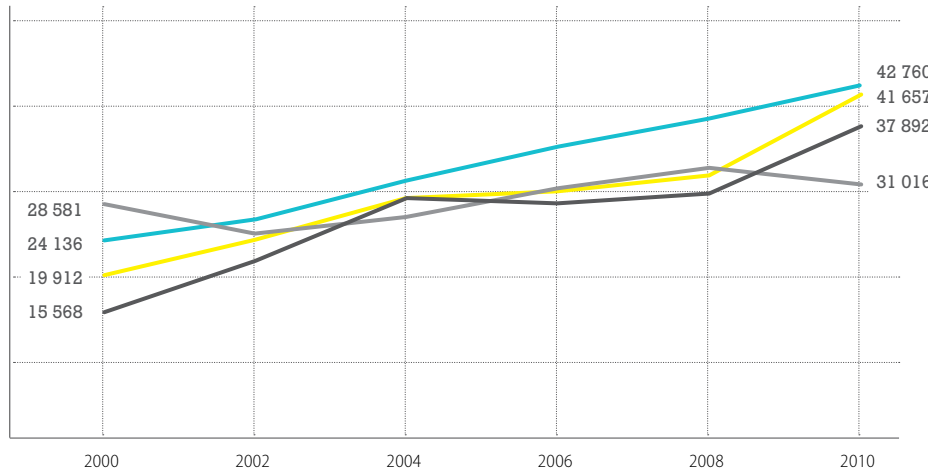


Availability of scientists and engineers in global comparison

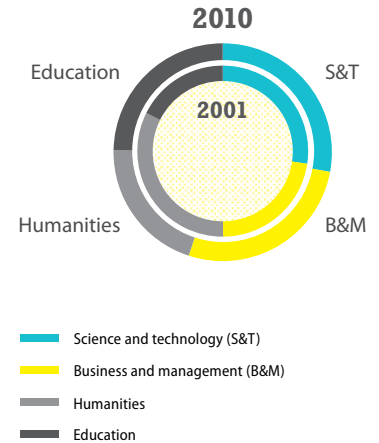


Source: World Economic Forum, 2012: Executive Opinion Survey

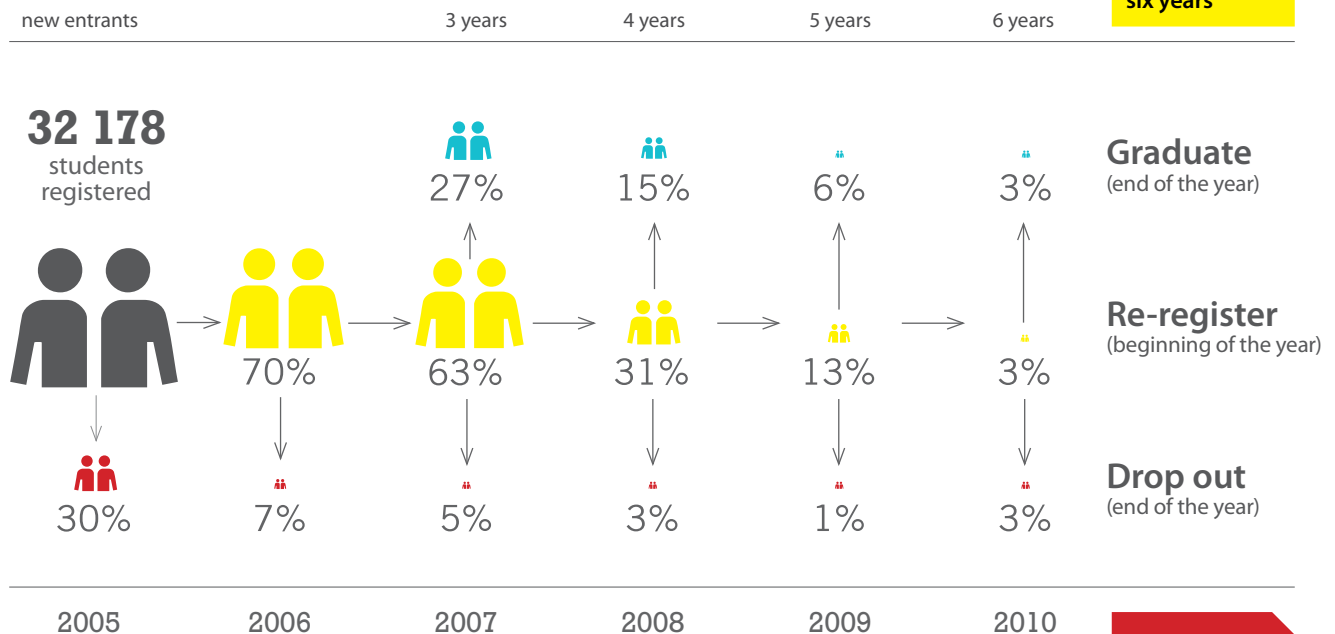
Graduates by broad fields of study 2000 to 2010



Source: Centre for Higher Education Transformation, 2012. 2013 South African Public Higher Education Key Statistics. www.chet.org.za/data



Undergraduate throughput rates 2005 cohort



Source: Centre for Higher Education Transformation, 2012. 2013 South African Public Higher Education Key Statistics. www.chet.org.za/data

49%
drop out in six years

REVIEW | Broadening the base for opportunity: A second chance for young people without matric

Peliwe Lolwana

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Introduction

Despite hopes to the contrary, South Africa has become a more unequal society since the demise of apartheid. In spite of the many interventions that the government has rolled out for the poor, such as social grants, subsidised water and electricity, housing, public health and free school education, inequality, as measured by the Gini coefficient, has continued to grow (Bosch et al. 2010).

What most of these interventions have in common is an emphasis on the redistribution of resources. While they are important within a context of inherited resource inequality, they cannot be implemented at the cost of an emphasis on the redistribution of opportunities. Over the past decade, some emerging economies, particularly those in Latin America, which share a history of inequality, have reaped the benefits of a growing focus on the latter by purposefully channelling opportunities towards the more disadvantaged sections of society (De Barros et al. 2009).

The principle of equal opportunity to level the playing field is, firstly, a more sustainable approach, and, secondly, a more appealing longer-term proposition to address income inequalities in contexts where high levels of emotive contestation exist around ownership of resources. De Barros et al. (2009) share this sentiment, arguing that although most people decry unequal outcomes, fewer are proactive in searching for ways to overcome unequal opportunities that give certain segments of a society a head start over others.

Access to opportunity works towards levelling the playing field, as it provides tools for social mobility. In other words, having opportunities in life prepares people for accessing further opportunities that provide social mobility. Hodge (1979) also views social mobility as a critical social mechanism, which contributes to a stable body politic. Social mobility, whether it occurs in small steps or great leaps, provides a measure of the gap between the social origins and social destinations of individuals. When the ultimate gap is small for those who start from a position of disadvantage, achievement reached reflects opportunities given and taken along the way, and thus provides the measure of mobility possible for individuals.

Education is one of the primary social resources offering

opportunity to individuals. Consequently, most countries strive to provide their citizens with access to education in order to enhance the quality of their citizenship, but also to provide a platform for social mobility. A distinctive feature that separates developed from developing societies is the extent to which such opportunity is extended to individuals. Frequently, developing countries limit this opportunity to a few years of mostly primary education.

The argument presented here is that such approaches are short-sighted, particularly in a country like South Africa, where social mobility is limited by insufficient education, which, in turn, exacerbates existing levels of inequality. This article, thus, underscores the importance of completion of senior secondary education, which is a gateway to opportunities for individuals, especially those coming from previously disadvantaged backgrounds.

Passing the national senior certification examination, or 'matric' as it is known in South Africa, has become the minimum requirement for a better future for many young people and their families, who struggle at great expense to obtain this qualification. Due to various social and political reasons, this key to a better life becomes more elusive if learners do not succeed at their first attempt, because the education system offers little opportunity for second chances. After a brief discussion of the importance of senior secondary education, we look at the patterns and reasons for non-completion of senior secondary schooling in South African schools. From here, we proceed to explore the progression options that are available for young people without 'matric'. This is followed by a discussion of the viability of these options and the implications of their implementation.

The importance of senior secondary education

Secondary education serves as a link between schooling and work, work-preparedness and higher education. Given that labour markets, in both South Africa and the rest of the world, have become more predisposed towards skilled workers in recent decades, there has been a corresponding requirement

regarding the capacity of education systems to produce larger numbers of skilled labour market entrants. In a context where post-secondary qualifications are increasingly in demand, a secondary education has become the absolute minimum requirement for those who want to improve their livelihoods through employment (Levy & Murnane 2004).

Secondary education is not only important as a necessary acquisition for trainability, it is also at this level that young people consolidate the disciplinary knowledge that guides them through their professional lives. Young (2007) regards the imparting of such disciplinary knowledge as one of the main functions of schools, and argues that it is this element of education, more than attendance, that has the capacity to equalise unequal societies. He is convinced that the acquisition of this 'powerful knowledge' enables children from disadvantaged backgrounds to move, intellectually at least, beyond their local and particular circumstances. Townsend and Dougherty (2006) also advance this argument, and regard disciplinary knowledge as a critical requirement for adapting to an increasingly knowledge-based global economy.

The provision of universal secondary education has been a common denominator amongst countries that have experienced economic booms in recent years. Brazil, which has experienced concurrent economic growth and a decline in its high inequality levels, provides one such example. Prior to its growth phase, many of its citizens were unskilled and poorly educated, which translated into highly differential pay scales. Economic growth coincided with an improvement in education, because the country's expanding welfare system attached conditionalities, such as completion of senior secondary schooling, to government support of poor households (De Moura Castro 2012a). Such measures contributed to the narrowing of inequality in Brazilian society, and produced sufficient skills for a rapidly expanding economy. Korea, once one of the world's poorest nations, offers another example of where educational development has been tied to economic development, allowing the country to shift its industrial base from heavy, capital-intensive industries to a knowledge-intensive economy (Sang-Hoon 2011; Young-Chu 2011; Young-Hyun 2011). The universalising of tertiary education, which provided the foundation for this transition, was predicated on an already universalised secondary education system.

Senior secondary schooling in South Africa

South Africa presents us with a complex range of contradictory scenarios in its school education system. To start with, the country bears the legacy of extreme inequality and, hence,

the driving force behind most of the post-apartheid state's programmes has been to erase this legacy. In the past 18 years, the state has taken lengthy strides in making school education more accessible to children. The country has not only expanded education provision, but has also been able to obtain what Holsinger and Cowell (2000) consider to be a precursor of successful massification of schooling, namely the adoption of a widespread cultural commitment to education. When the new government took office, the education cause was boosted immensely by the 'back to school' calls made by former President Mandela. Millions of students responded and enrolled *en masse*. Enrolment and retention numbers have continued to increase steadily, according to a recent study of the survival and drop-out rates in the country's 12-grade school system (Nyanda et al. 2008).

Further evidence of increased school participation and improved secondary schooling outcomes emerges from trend studies of the senior certificate examinations, which serve as the admission requirement for enrolment in the higher education system. The enrolment numbers for this examination have been increasing steadily, and the pass rates climbed from 47 per cent in 1997 to 73 per cent in 2003. In subsequent years, this figure dropped to the 60 per cent range, but increased again to 70 per cent in 2011 (Naidoo 2006; DBE 2012). Apart from a few exceptions in recent years, the number of students sitting for the senior certificate has increased, as is shown in Table 3.1.2. When the present government assumed office in 1994, the duration of compulsory education was pegged at nine years. This decision was informed largely by international practice, with developed countries making education available and compulsory until the age of 15 or 16 years (NEPI 1992). The structuring of school education into a system that distinguishes between basic, compulsory education, on the one hand, and senior secondary education, on the other, was a pragmatic consideration, given that the new government could not guarantee a budget able to accommodate 12 years of equitable education. Today, 18 years later, it is clear that the lower threshold of nine years has become a significant barrier hindering young people from becoming productive citizens (NYC 2008; Altman & Marock 2008). Altman and Marock (2008), for example, show that those who do not complete their senior secondary schooling or access higher education are the most vulnerable and their chances of being employed are greatly reduced. We have already demonstrated above that although the numbers are high for students who proceed beyond Grade 9, qualitative throughputs are still very small.

The provision of universal secondary education has been a common denominator amongst countries that have experienced economic booms in recent years.



Senior secondary completion

As indicated above, the issue of access is one of the lesser problems of the South African education system. More challenging is the question of learner retention, which becomes most pronounced after Grade 9. As Table 3.1.1 shows, the drop-out rate below Grade 9 is statistically insignificant, but then increases sharply from Grade 10 to 12.

Completion rates of the secondary education system can be measured in two ways: either by looking at the pass rate at the end of the schooling system (Grade 12) or by looking at the survival rates of the same cohort at the end of Grade 12. Table 3.1.2 reflects the first method for senior certificate pass rates between 1991 and 2011.

It can be seen from Table 3.1.2 that even though the matric pass rates have been improving, the composite pass rate masks other details in the system. For example, the growing number of matric candidates has resulted in increasing numbers of those who obtain this qualification (in relation to the numbers who enrol for this examination). We do not know why there has been a drop in students who actually enrol for this examination. We can speculate that there might be

Table 3.1.1: Survival and drop-out rates of the 1980–1984 birth cohort, aged 23–27 years in 2007

Grade	Mean survival rate*	Drop-out rate
Grade 1	984	0.2%
Grade 2	982	0.4%
Grade 3	979	0.7%
Grade 4	972	1.2%
Grade 5	960	1.7%
Grade 6	944	2.8%
Grade 7	917	4.8%
Grade 8	873	7.0%
Grade 9	811	11.5%
Grade 10	717	16.1%
Grade 11	602	24.2%
Grade 12	456	

Source: DoE (2009)

Note: * Calculated per thousand of birth groups

Table 3.1.2: Senior certificate, numbers passing and pass rate, 1991–2011

Year	Total candidates	Total passes	Percentage total passes	Endorsement passes	Percentage endorsement passes	Total failures	Percentage failures
1991	409 076	216 147	52.8	70 318	17.2	192 929	47.2
1992	447 904	243 611	54.4	73 328	16.4	204 293	45.6
1993	470 948	239 556	50.9	67 915	14.4	231 392	49.1
1994	495 408	287 343	58.0	88 497	17.9	208 065	42.0
1995	531 453	283 742	53.4	78 821	14.8	247 711	46.6
1996	518 032	278 958	53.8	79 768	15.4	239 074	46.2
1997	555 267	261 399	47.1	69 007	12.4	293 867	52.9
1998	553 151	279 986	50.6	71 808	13.0	273 165	49.4
1999	511 159	249 831	48.9	63 725	12.5	261 328	51.1
2000	489 941	283 294	57.8	68 626	14.0	206 004	42.0
2001	449 371	277 206	61.7	67 707	15.1	172 126	38.3
2002	443 821	305 774	68.9	75 048	19.9	137 991	31.1
2003	440 267	322 492	73.2	82 010	18.6	117 604	26.7
2004	467 985	330 717	70.7	85 117	18.2	137 173	29.3
2005	508 363	347 184	68.3	86 531	17.0	160 996	31.7
2006	528 525	351 503	66.5	85 830	16.2	177 022	33.5
2007	564 775	368 217	65.2	85 454	15.1	196 558	34.8
2008	533 561	333 604	62.5	107 274	20.1	199 817	37.5
2009	552 073	334 718	60.6	109 697	19.9	217 355	39.4
2010	537 543	364 513	67.8	126 371	23.5	173 030	32.2
2011	496 090	348 114	70.2	120 767	24.3	147 976	29.8

Source: DoE (2009); DBE (2009, 2011)

Table 3.1.3: Not employed, not in education, not severely disabled, 18–24-year age group, 2007

Education level	Age							Total
	18	19	20	21	22	23	24	
Unspecified	2 595	2 457	3 786	4 762	4 998	4 054	4 595	27 351
Primary or less	61 056	64 285	70 496	78 564	73 575	75 261	77 425	500 662
Secondary education less than Grade 10	51 192	59 643	73 194	79 050	83 367	81 502	80 699	508 597
Grade 10 or higher but less than Grade 12	65 228	94 608	132 158	164 596	176 733	174 325	183 146	990 794
Grade 12/NTCIII (no exemption)	47 447	65 190	89 292	99 797	100 711	96 139	100 080	598 657
Grade 12 (with exemption)	10 226	13 526	14 778	14 259	16 910	13 869	14 766	98 335
Certificate with Grade 12	2 732	4 025	6 229	8 157	9 672	8 340	7 811	47 035

Source: Adapted from Cloete (2009); Stats SA (2007)

changes in the numbers of young people who are at school, due to decreasing birth rates. At the same time, the numbers of those who obtain a certificate that qualifies them for university admission have remained constant, leaving a growing number of certificated individuals who have very few options to access work or further learning. Although the number of students who fail completely has been decreasing, the students who do not qualify for degree study or 'endorsements' are not significantly better off than those who fail, as further opportunities for them are limited.

The data reflected in Table 3.1.3 show that the number of young people without matric, or with a low-pass matric has been growing over the years, and constitutes approximately 41 per cent of the NEET (not in education, employment or training) group. In the light of this, Cloete (2009) contends that the two 'worst' things that can happen to a young person are either to drop out of school between Grade 10–12, or to get a national senior certificate that does not allow access to degree study. This, unfortunately, is the reality for the majority of young South Africans. Only a small minority completes high school with a degree-accessing senior certificate that allows them to proceed to higher education.

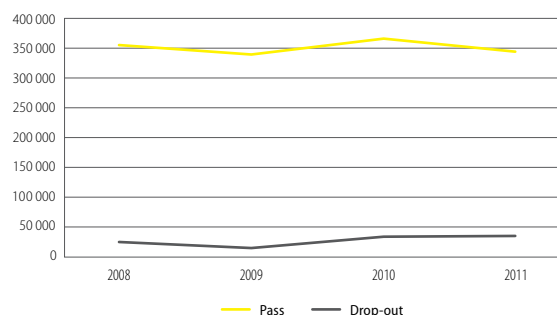
Table 3.1.4 illustrates a very disturbing trend of severe attrition, with the survival rate of cohorts between Grade 3 and 12 just above 40 per cent. Since the focus here is on completion rates for Grade 12, we will be honing in on the drop-out rates and failures in this grade and try to establish the possible causes. Firstly, we look at patterns of passes and drop-outs nationally (see Figure 3.1.1).

It is clear that while large numbers of learners enrol at the beginning of each year, many do not proceed to write the examination, and explanations for this have to be found. Figure 3.1.1 shows that in 2010 and 2011, there was a substantial increase on the number of drop-outs at this level. Reasons for this have not been researched yet, but it should be a serious concern to all involved with education in this country. Where do these young people disappear to? What

Table 3.1.4: Senior certificate completion rate, 1995–2007

Year	Grade 3	Grade 7	Grade 9	Grade 11	Grade 12
1995	97%	88%	75%	54%	39%
1997	97%	89%	75%	51%	37%
1999	98%	90%	76%	54%	41%
2001	99%	90%	77%	57%	42%
2002	99%	91%	79%	55%	40%
2003	99%	92%	79%	57%	42%
2004	99%	92%	82%	56%	42%
2005	99%	93%	81%	57%	42%
2006	99%	93%	82%	58%	43%
2007	99%	93%	83%	60%	43%

Source: DoE (2009)

Figure 3.1.1: Grade 12 passes and drop-outs nationally, 2008–2011

Source: Statistics provided by Umalusi (Council for Quality Assurance in General and Further Education and Training), 2012

prospects are there for them with this level of education?

When we analyse the data in further detail, in per school quintiles, we find that the lower quintiles have much higher drop-out numbers than do the higher quintiles, and this situation has not been improving in the lowest quintile.

Quintile 1 represents the schools in the poorest economic communities, while quintile 5 represents schools in the most affluent neighbourhoods. It is apparent from Figure 3.1.2 that the numbers of students who register for the national senior certificate examination, but drop out before writing the examination are larger for the lower quintiles than for the higher quintiles. However, there seems to be a trend of increasing numbers of students in all quintiles dropping out over the last four years.

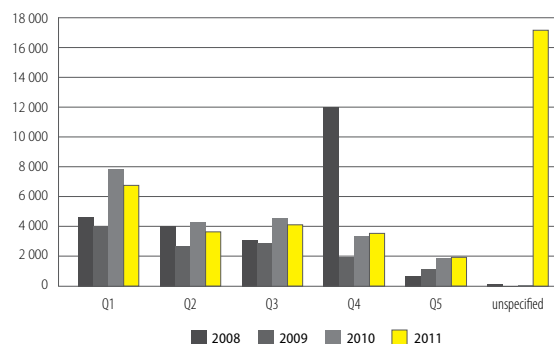
Considering that these data are derived by comparing the numbers of those who enrol for Grade 12 examinations and those who actually sit for the examinations, we have no reason to believe that students at this point would leave one school for another. In the first place, the information above suggests that poverty is a significant contributor to school drop-out rates, as the numbers of drop-outs are highest within the lower quintiles. However, the number of learners who drop out from the higher quintile schools cannot be ignored, and suggest that something more than poverty may be at play. The 2008 ministerial report (Nyanda et al. 2008) also states that one of the shortcomings in our understanding of high drop-out rates is the limited grasp of the interactions of the learner, family and school characteristics in influencing drop-out in schools, because they have always been studied separately.

What we do know, though, is that in South Africa we have some schools that are highly functional and several that are completely dysfunctional. Van der Berg (2011) describes the South African schooling system as 'dualistic' in that few schools (10 per cent in his calculation) can be regarded as quality schools, while the rest are of poor quality. The former category consists predominantly of former white schools with well-qualified teachers, functional administrations, good assessment procedures and active parental involvement, which produce strong cognitive skills in the learners. The remainder produce average to weak cognitive skills and have teachers who are less qualified and demotivated. It is to be expected, therefore, that the bulk of these learners, who experience problems in the senior secondary school, will complete their basic education with great difficulty.

Transition from school

Many of the problems relating to drop-out rates during the last three years of senior secondary education are rooted in the education policy shift of 1995, which was aimed at reducing the number of over-age learners in the schooling system. Its consequence was that large groups of young people, who previously would have remained in the schooling system, were pushed into the labour market with little education and

Figure 3.1.2: Drop-out rate per quintile, 2008–2011



Source: Statistics provided by Umalusi, 2012

few skills that matched the needs of the economy. Black schools, which had a history of higher rates of grade repetition, were disproportionately affected by this policy (Burger & Von Fintel 2010).

The fact that the state does not provide many opportunities for young people to re-enter the education system, therefore, exacerbates the travesty that is faced by many young people as they languish at the margins of society because they have missed their first opportunity to obtain a senior certificate qualification.

In theory, young people can choose from a variety of paths that connect education and work or further learning during their evolution from childhood to adulthood. These transition routes include:

- » from school to a post-school education institution, and then to work;
- » from school to an apprenticeship or learnership, and then to work; and
- » from school directly to work.

In instances where transition from one type of education provision to the next is clear and there is an established relationship, the connection with work is also better. For example, it is true that the school education system is actually mapped into the higher education system – the nature of the subjects learned in the upper part of the secondary education is often mirrored in the higher education system, and is, in fact, an extension and deepening of this knowledge. The senior certificate, therefore, has become the acknowledged selection tool for admission to higher education. Because universities are few, and selection takes place at the upper levels of the 'matric' pass range, a large number of students that have passed the senior certificate examinations cannot gain admission to these institutions.

The next post-school institutional option is the further education and training (FET) college, with a curriculum that is designed for admission after passing Grade 9 at secondary level. However, these colleges already have a large supply of students who have passed matric with low marks; hence, learners with senior certificates are cherry picked at the expense of those that have not obtained this qualification. In addition, questions that have been raised about the quality and administration of FET institutions have also made them a less desirable tertiary option for students and their parents who prefer the university route (DHET 2012). This is not a unique South African experience, as parents and their children all over the world realise that the more education one acquires, the higher one's earnings are likely to be, and the lower one's chances of unemployment (Wolf 2011).

Another transition route is a work-based learning pathway, like an apprenticeship or a learnership. Learnerships were introduced into the South African training system as an intervention to solve a number of problems experienced in the production of skills for the country. The list of these problems includes:

- » A need to create a work-based learning pathway of education and training qualifications and, thereby, move away from an entirely institution-based learning mode. The creation of this pathway was particularly important in the past decade, as the school system was underperforming, with less than 50 per cent of students who wrote the senior certificate examination passing. The alternative form of education was a compensatory education with a practical aim.
- » A need to replace artisan training, which took too long to complete for learners who were not able to access employment, due to partly completed credentials.
- » A need to formalise the skills programmes required by the labour market that were not easily accommodated in FET colleges.
- » The inadequacy of workshop facilities at FET colleges and the added need to include work experiences in the curriculum, in order to prepare learners better for the world of work.

When learnerships were introduced into the system, they were premised on these underlying assumptions, which have always been weakly articulated. The South African Qualifications Authority (SAQA) then designed unit standards-based qualifications, which were meant to be 'national qualifications' since they were not linked to any institutional provision and any provider could provide them. These qualifications have

been pegged at the level of some of the formal and institutionalised qualifications, such as the senior secondary certificate, but use lengthy and complex terminology to describe them. The intention of this model has been to provide an alternate route to obtaining a senior secondary school equivalent qualification or a qualification that would compensate for the non-acquisition of a national senior certificate.

There is, however, evidence that learnerships are not being used as an alternative to the national senior certificate (Allais 2007). This is the case primarily because schools have been picking up momentum in increasing the pool of Grade 12 qualifying students, as evidenced by improved overall pass rates. Even though students may drop out before they write the Grade 12 examination, they still have been staying at school longer (Nyanda et al. 2008). It is clear that for the majority of young people and their parents, completing Grade 12 is still the first priority and preferred route. Consequently, learnerships have been taken up mainly by young people who have attempted Grade 12, some of whom have failed and others who have passed weakly, instead of being used as an alternative pathway to obtaining a senior certificate. Recent research by the Human Sciences Research Council shows that the majority of learners in the learnership system are situated at the National Qualifications Framework (NQF) Level 2 (22 per cent) and NQF Level 4 (31 per cent), which coincide with formalised exit levels (HSRC 2008). As such, the study suggests that school leavers see learnerships as a way of improving their chances of accessing work and career opportunities, rather than compensatory education. Government regulations for qualifications have not yet accommodated any alternative route to obtaining a national senior certificate. Therefore, serious doubt exists about the ability of new compensatory programmes, like learnerships and now foundational learning, to compensate for a senior certificate qualification in our society.¹

In practice, it seems as if learnerships have come to serve as a repackaged form of artisan training. The fact that learner-ship qualifications are often without an institutional base has become problematic, because there are many questionable service providers in the market solely for the pursuit of profit, with little capacity to add meaningful value to the education system.²

A second problem has to do with the type of knowledge acquired in these training programmes, which are more practical and based on job tasks, as opposed to the general academic nature of a school curriculum (Gamble 2003; Young 2006). It is difficult to equate disciplinary knowledge with functional knowledge.

While large numbers of learners enrol at the beginning of each year, many do not proceed to write the examination.



A third problem is the fact that many of these learnerships tend to be 'dead-end pathways'. Just like the Youth Training Schemes of the United Kingdom (UK), learnerships here tend to be government-induced schemes that are meant to combat youth unemployment and not to further educate (Fuller & Unwin 2003). Like their counterparts in the UK, young people are churned through these learnerships primarily to provide a means of economic survival (HSRC 2008), without obtaining the skills that place them on a sustainable economic path.

There seems to be a renewed intention to reintroduce the artisanal development programme in South Africa. Again, we will have to draw on the experiences of the UK in this regard. The resuscitation of artisanal development is not any different from the modern apprenticeship programmes that surfaced at the end of the twentieth century in the UK. Fuller and Unwin (2003: 9) regard these efforts as government schemes designed to manage youth unemployment and entry to the labour market; they caution that:

the policy produces difficulties when there are more 'entitled' young people than there are employers willing to employ and train them. The gap can lead to the emergence of a sub-group of apprentices who do not have employed status and are consequently more vulnerable to the sorts of outcomes (e.g. moving around state-sponsored placements) associated with the youth training schemes of the past.

In South Africa, the Expanded Public Works and Community (EPWC) Programmes serve as short-term, government-sponsored programmes to create employment. There is, however, little evidence to suggest that these programmes equip young people to launch and build their careers and livelihoods around them.

The final option for young people without a senior certificate would be to attempt to enter employment directly after leaving school. This is the most challenging route in an economy that has become highly skills biased. It is even more challenging for learners from previously disadvantaged communities. Altman (2008) reports, for example, that in the Western Cape 75 per cent of the white, coloured and Indian population have achieved employment by the age of 22 years, compared with between 24 and 35 per cent of black Africans (depending on location). There are many reasons for this situation, but probably the most significant of these seems to be the limitation of workplace networks for young black people with lower education levels. In addition, this group seems to be in short supply of the life skills that are required to make them 'work ready' when they present themselves for job selection. In other words, since matric pass rates for white and Indian students are very high, the students from these population groups are already at an advantage, as the acquisition of a national senior certificate facilitates easier access to further opportunities. As this qualification is generally used as a

selection tool for further or higher learning, as well as employment, those not in possession of a senior certificate are at a distinct disadvantage. As mentioned above, this problem has been compounded by the fact that jobs that require high skills grew by 40 per cent over the past 18 years, while there has been a 20 per cent decline in the demand for low skills in the labour market, due to the shrinkage of the mining and agricultural industries. Few have been able to make the transition from low to higher levels of occupation (Moleke 2012).

Second-chance opportunities

There are many young people and adults who are in need of a second-chance senior certificate qualification, as it provides the gateway to most opportunities beyond schooling. Before 1994, government night schools and linked private centres offered the only officially recognised certification in adult education in South Africa – the Standard 5 adult examination and the matric for private candidates. The introduction of Curriculum 2005 for school-going learners and the growing status of the NQF led to a period of confusion, uncertainty, lack of direction, low motivation and poor quality in many public adult learning centres. It became clear that adults and out-of-school youth were increasingly losing ground in obtaining senior certificate qualifications.

In the light of the above, a national senior certificate for those outside the school system is sorely needed to provide more people with the minimum requirement for entering a competitive labour market. The South African Constitution and subsequent education legislation have promoted the notion of nine years of compulsory schooling, but unfortunately may have encouraged an incorrect perception that nine years of education is sufficient to access employment. Such perceptions are misguided, and the South African benchmark for basic education has moved to the successful completion of 12 years of education. This assertion is backed up by a number of studies done on transitions of young people (see Cloete 2009; Moleke 2012; Bhorat & Mayet 2011). As a result, there should be more urgency in finding ways to support those who have not succeeded at first in achieving the senior certificate qualification to do so at a later stage. It is not enough to merely provide an opportunity to rewrite these exams. Institutional teaching support, which does not leave students to their own devices, should also be encouraged.

In the early 1990s, the South African Council on Higher Education devoted significant resources to the development of an alternative secondary education curriculum for adults. Unfortunately, there was little uptake within the government for this programme and it died a silent death. Umalusi, the Quality Assurance Council for General and Further Education and Training, has been working towards the establishment of a national senior certificate for adults for more than six years now, but progress has been slow. Much energy and enthusiasm is needed to support and advocate for this to happen, because

it is the one single intervention that has the potential to open up many doors for so many people.

The need for a second-chance matric does not detract from the real problem of too few viable post-school options for learning. Those who do not qualify for higher education admission often find it difficult to continue with their education. This problem has been adequately highlighted in the Green Paper on post-school education (DHET 2012). It is hoped that current efforts by the DHET to address this will soon bear fruit. Nevertheless, it must be noted that the precursor to solving the problem of post-school education is still the acceleration of efforts for universal completion of senior secondary education. Of course, the ultimate solution to youth unemployment is increased employment. Visible opportunities in the labour market obviously serve as an educational incentive for learners who are about to enter the world of work. For this to happen, there will have to be greater cohesion between stakeholders, such as government, business and the labour movement, to ensure that the country is put on a growth trajectory that creates more opportunities for entrants to the labour market. In this regard, we should hope that the adoption of the National Development Plan by the government will create greater unity in purpose.

Conclusion

The senior certificate or 'matric' is the most recognised minimum education qualification that is required for success in the South African labour market. Some would say that it is almost as important as having an identity document. As the notion of school completion has become synonymous with passing matric, the senior certificate examinations have become a rite of passage for all citizens and foreign nationals residing in this country. Yet, despite its importance, it has become difficult to obtain for those who have either failed the first time around, or have postponed the completion of their secondary education.

The benefits of providing education at higher levels and to all citizens are numerous. Besides the objective of developing mental capacities in individuals, a highly educated society has many other benefits. Research has shown that educated societies are generally healthier and more tolerant, which stems from the capacity for reasoned thought and the nurturing of culture and scholarship. In this vein, Kennedy (1997) sees education as strengthening the ties that bind people, taking the fear out of difference and encouraging tolerance. In addition, it helps people to see what makes the world tick

and the ways in which they, individually and collectively, can make a difference. It is the likeliest means of creating a modern, well-skilled workforce, reducing levels of crime, and encouraging a participating citizenry.

As such, the problem of a large section of the population not attaining a senior certificate has economic consequences for the labour market, as employment conditions increasingly privilege individuals who have acquired a 'basic' education level, but this also has social costs as some individuals are limited by their low levels of education in accessing vital political and social information that allows them to participate fully as citizens. From this perspective, the need for a general education qualification, equivalent to high school completion, for most citizens remains a high educational priority in the country.

There are social justice imperatives that drive the agenda for continuing to provide education even to those who have left the formal schooling system in any given society. In the context of South Africa, it means that the greater the proportion of the population that has completed secondary education, the better opportunity will be distributed in the population in general. Concentrating all energies and resources in the trickling effects of a growing primary education system does not seem to be getting us to a point where educational opportunities are being distributed fairly in our society. Also, putting most of our resources in the university system still means the bypassing of millions of citizens. In order to equalise the opportunities given through educational access, much more effort must be put into the promotion of a completed senior secondary schooling. Equality of opportunity is about levelling the playing field for everyone during key stages of life, and the last three years of schooling are vital to this exercise. A shift in the debate towards equality of opportunity in this area promises to be a better guide for public policy and for providing similar chances to all citizens.

Notes

1. Foundational learning is a mathematics and English programme that is being advocated by the Quality Council on Trades and Occupations to serve as compensatory learning for those who have not acquired the fundamental skills in these areas before they enroll for occupational qualifications.
2. This observation is based on anecdotal conversations held with individuals working in this area.

A national senior certificate for those outside the school system is sorely needed to provide more people with the minimum requirement for entering a competitive labour market.



OPINION | Removing the financial obstacles for access to tertiary education

THE NATIONAL STUDENT FINANCIAL AID SCHEME: IMPORTANT GAINS, SIGNIFICANT CHALLENGES

Pierre de Villiers

Introduction

During apartheid, the vast majority of students at higher education institutions (HEIs) in South Africa were white. In 1980, for example, they constituted 74.8 per cent of students, compared to the 12.5 per cent that were black. A decade later, in 1990, black students still represented only 37.7 per cent of all the students (De Villiers 1996). This disproportionate relationship between demographic share and representation at tertiary institutions was a reflection of the broader injustice of the previous political dispensation. It had to change.

As a result, high expectations emerged around the time of the country's political transition that it would also herald in a period of increased access to those groups that were previously denied access on the basis of racial criteria. However, for reasons that will be discussed in this contribution, tuition fees of HEIs increased substantially in subsequent years, making affordability a new hurdle in access for the (mainly black) poor. With the overt racial obstacles removed, economic ones came to replace them. The introduction of the National Student Financial Aid Scheme (NSFAS) was an initiative to counter this and make higher education (HE) more affordable for the poor and more representative of the country's demographics.

This article looks briefly at the public financing of HE in South Africa over the past two decades, and then proceeds to outline the history of NSFAS since its introduction in the mid-1990s and how it grew and developed over time. It will highlight the demographic profile of the students that received NSFAS awards, as well as the academic achievements of these students.

Public financing of the South African higher education system

In the past two decades, the public financing of HE decreased in real per capita terms. State allocations increased from

R1 422 million in 1987 to R10 215 million in 2005, and to R19 534 million in 2010. However, this did not keep up with student numbers, and real state appropriation per weighted full-time equivalent (FTE) student decreased by 36 per cent for universities and by 43 per cent for technikons between 1987 and 2005. (Steyn & De Villiers 2006).¹ This trend continued during the period 2000–2009, when real state appropriations decreased by 1.1 per cent per annum per FTE student (Bunting 2011). The workload on lecturers also increased, because over the period 1987–2003 the number of weighted FTE students increased by 141.3 per cent (from 183 604 to 442 962), but the number of weighted FTE instruction/research personnel increased by only 53.5 per cent, from 14 036 to 21 510 (Steyn & De Villiers 2007).

These trends can be seen clearly in Figure 3.2.1. While about 0.83 per cent of GDP was spent on HE in 1987, this declined to only 0.68 per cent of GDP by 2009. Public spending on HE decreased from 3.03 per cent to 2.39 per cent of total public expenditure over the same period. Within the educational budget, HE's position deteriorated over time: in 1987, it received 15.43 per cent of the total education budget, but its share decreased quite substantially to 11.51 per cent in 2009.

Table 3.2.1 shows that public expenditure on HE in South Africa lags behind the rest of the world. While the government is currently spending 0.68 per cent (and 0.64 per cent in 2007) of GDP on HE, the international average is a much higher 0.82 per cent of GDP. Only the countries in East Asia and the Pacific spend a smaller percentage of GDP than South Africa. Compared to more developed regions like North America and Western Europe, South Africa lags even further behind. A disturbing fact is that even in the sub-Saharan Africa region, South Africa (which is frequently seen as the growth train of Africa) lags behind the average. Despite this, trends in public financing of HE suggest that this picture is unlikely to change

much in the immediate future. This clearly illustrates why HEIs have come under more financial pressure and have had to increase tuition fees (in real terms) to survive. Unfortunately, this has had very negative consequences for prospective students from poor communities, because it has made HE more unaffordable to the poor.

Owing to the decrease in real terms in state appropriations per student, tuition fees at universities increased in real terms by 49 per cent between 1986 and 2003 and by 85 per cent at technikons from 1987 to 2003 (Steyn & De Villiers 2006). From 2000 to 2010, tuition fees per FTE student increased by 2.5 per cent per annum in real terms (Bunting 2011). While universities were expected to become more inclusive in terms of attracting a more diverse student profile, these inevitable cost increases became a prohibitive factor for poor students to enter the system. Those who did become saddled with huge debts.

Although data on outstanding student debt at HEIs are not readily available, Steyn and De Villiers (2006) have shown that for the 26 (out of 36) HEIs with available data, student debt almost doubled from R669.0 million in 2001 to R1 337.4 million in 2003. Student debt written off increased from R94.2 million in 2000 to R190.2 million in 2003. This amply illustrates the problems students experience in financing HE, which is the very reason why NSFAS was introduced – to make HE more affordable for the poor and in this way to contribute to changing the demographic profile of students attending HEIs in South Africa.

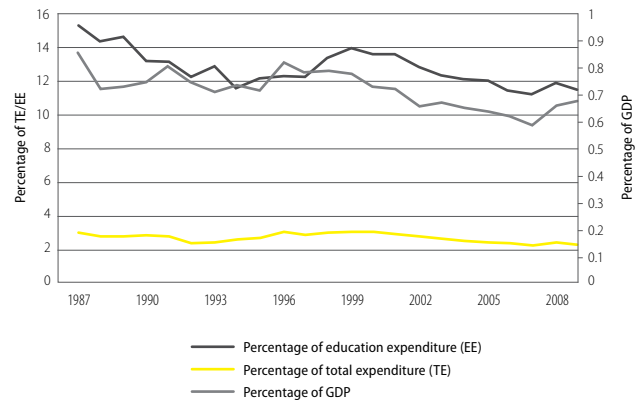
The National Student Financial Aid Scheme

Background

Since the early 1990s, when South Africa embarked on a reform process towards becoming a democracy, the problem of outstanding student debt threatened to create a situation where certain HE institutions would have been unable to continue their activities. Some form of financial aid had to be put in place to help students from previously disadvantaged communities to enter and complete HE. The provision of additional financial aid to poor students was an effort to create equal opportunities and access to HEIs and, by extension, to eradicate the extreme racial imbalances that characterised registration in these institutions.

The National Commission for Higher Education advocated a national financial aid scheme in its report of 1996 (European Commission 2000), a view that was fully endorsed in the Education White Paper 3 (RSA 1997). The Tertiary Education Fund of South Africa (TEFSA), established in 1991 by the Independent Development Trust as a not-for-profit company to provide loans to HE students, had the necessary infrastructure to administer the new aid scheme, which was to be funded primarily by the state. Therefore, TEFSA was contracted by the minister of education to administer NSFAS. The first state allocation for NSFAS was made in 1995. However, the need for financial assistance was so overwhelming that NSFAS was

Figure 3.2.1: Expenditure on higher education in South Africa, 1987–2009



Source: Steyn & De Villiers (2007); DoE (2007–2009); SARB (2007–2009)

Table 3.2.1: Total public expenditure on higher education as a percentage of GDP by continent/region, 2007

Continent/region	Number of countries	Percentage of GDP average
Sub-Saharan Africa	22	0.69
South and West Asia	5	0.72
North America and Western Europe	21	1.05
Latin America and the Caribbean	21	0.81
East Asia and the Pacific	10	0.62
Central and Eastern Europe	15	0.90
Arab states	6	0.85
South Africa*		0.64
Total	100	0.82

Note: *The value for 2007 (not the latest available figure) is used for the purpose of comparison with the other regions

Source: Own calculation using UNESCO (2009: 53 and Table 13)

unable to respond to the massive demand. For example, 223 000 students applied for loans in 1996, but only some 70 000 could be assisted. NSFAS was formally established by the National Student Financial Scheme Act 56 of 1999. In 2000, TEFSA was reconstituted as NSFAS – a statutory agency with a board, representing all major stakeholders in HE in South Africa, appointed by the minister of education. NSFAS could also collect and allocate donor funding to provide loans and bursaries for needy students.

In principle, NSFAS aims to ensure that most citizens have access to and can afford higher education and training. NSFAS receives allocations from the state as well as donations from local and international donors, and then provides assistance to disadvantaged students by means of bursaries and/or loans. According to the NSFAS Act, any student may apply in writing for financial assistance, but, in order to be eligible for a NSFAS loan, a student must:

- » be a citizen of South Africa;
- » be accepted as a registered student at a traditional university, comprehensive university or a university of technology in South Africa when the award is made;
- » be studying for a first tertiary qualification, or be studying for a second educational qualification provided that this second qualification would enable the student to practice a chosen profession;
- » be judged to have the potential to succeed; and
- » be regarded as financially needy.

For this process to be successfully undertaken, a means test has to be applied. HEIs have customised the means test to suit their specific contexts, but, in general, the test can be classified in terms of one or more of the following categories:

- » calculations of gross family income, with applicants qualifying if their income is below a certain predetermined maximum;
- » per capita income, which takes into account the gross income of the family and the number of dependents in the household;
- » a points system that takes account of the above, and takes into consideration if parents are divorced or other dependents in the household are also studying at an HEI;
- » a questionnaire and interview by a skilled interviewer to explore the complexities of the student's background; and
- » a calculation of notional disposable income that takes into account family size, what each member of the household needs to live on and the income available to finance the applicant's studies.

These criteria demand high levels of administrative capacity, and because NSFAS cannot handle all the administration, they rely on the financial-aid offices of the HEIs to act as local agents in executing the disbursement system. The institutions

finalise the written agreement with NSFAS, grant the bursaries or loans, report on the progress of these students and notify the board if the borrower discontinues his or her studies.

To ensure that NSFAS funds are divided equitably between the different HEIs, the institutional allocations are based on the number of disadvantaged students at the respective HEIs, as well as the costs of study (according to study programme) at each institution. The average full cost of study (FCS) for all academic programmes at an institution includes both tuition fees and residential fees. The weighted number of disadvantaged students (WDS) at each HEI is determined by means of the following formula:

$$\text{WDS} = (\text{FTE enrolled black students} \times 3) + (\text{FTE enrolled coloured students} \times 2) + (\text{FTE enrolled Indian students} \times 1)$$

Finally, the WDS and FCS measures for each institution are then used to apportion the total NSFAS allocation for a specific financial year between all the HEIs. Thus, the amount that each HEI receives is determined solely by the racial composition of the student body at the institution, especially the number of black students. However, at each institution itself, no distinction is made according to racial category, and the poorest students (those meeting the criteria of the means test) should receive NSFAS awards irrespective of their race group.

In determining the size of the award for qualifying students, HEIs are supposed to use the following formula (although the actual experience of most HEIs is that the maximum amount available through NSFAS is not enough to cover all the costs of a student):

$$\text{NSFAS award} = \text{costs} - \text{bursaries} - \text{expected family contribution}$$

Number of students helped

Table 3.2.2 provides a breakdown of the number of students that received financial support, as well as the amount that was paid out in NSFAS awards, between 1995 and 2011. It points to a significant expansion in the numbers of students with access to HE funding, averaging 91 888 students per year over the period.

The amount paid out in terms of awards increased substantially over the years, from a mere R154.0 million in 1995 to R3.3 billion in 2010. Over the period 1995–2010, R18.5 billion was granted to needy students in the form of NSFAS awards.

Table 3.2.3 shows that the maximum amount a student could receive in 1999 was R13 300; this increased substantially to R47 000 in 2010. Over the period 1999–2010, the maximum amount increased by an average of 12.2 per cent per annum, which meant that the monetary value of support also increased significantly in real terms.

Although the percentage splits between racial groups and sexes differ between years, on average about 54 per cent of recipients were women and 46 per cent were men. Approximately 93 per cent of recipients were black, 5 per cent

coloured, 2 per cent white and 1 per cent Indian (see <http://www.nsfas.org.za/profile-statistics.htm>). The government's contribution to NSFAS was a mere R40 million in 1995. Table 3.2.2 also illustrates unequivocally the significant growth in government contributions over time. From 1995 to 2010, no less than R12.9 billion was paid to NSFAS, and in 2011 R5.4 billion was budgeted for NSFAS. The government's intention to make HE more affordable for needy students through NSFAS awards is clear. As a result, very poor students should be able to afford HE if they receive the maximum amount as a NSFAS award.

Repayment of loans

NSFAS functions as an income-contingent loan and bursary scheme. This means that loan recipients only start repayments once they are in employment and earning above a threshold level of income. This threshold income level is currently set at R30 000 per annum. A student will then be liable to pay 3 per cent of his/her income as a premium on the loan (thus, a mere R75 per month). This percentage increases on a sliding scale until it reaches a maximum of 8 per cent of income once a person earns R59 300 (at this salary, it translates to R395 per month). According to the Council on Higher Education (CHE 2004), the initial student award is a 100 per cent loan. Up to a maximum of 40 per cent of the loan can be converted into a bursary, with the extent of the conversion determined by the student's academic results. If 25 per cent of the courses are passed, 10 per cent of the loan is converted into a bursary; if 50 per cent of the courses are passed, 20 per cent of the loan is converted into a bursary; and so on. Interest on loans used to accrue at approximately 2 per cent above the inflation rate (based on the previous year's CPI), but since 1 April 2008 it has been pegged on 80 per cent of the repo rate as determined by the South African Reserve Bank (5.2 per cent for 2010).

The repayment of loans after recipients have left the HEIs seems to be the biggest problem that such schemes experience internationally. NSFAS is no exception. The tracking of debtors between the time when they exit the HE system and their first place of employment has proved to be very complex and time-consuming. The situation is even worse for students that fail and drop out of the HE system. Frequently, the NSFAS office loses contact with these students, which makes the recovery of outstanding debt a difficult task. These problems are experienced despite the fact that employers are obliged by law to report when they employ NSFAS students.

Table 3.2.4 shows that despite these problems the capital payments received from former recipients of NSFAS awards increased substantially over the years, from R30.3 million in 1998 to R636.3 million in 2009. However, a personal enquiry at the NSFAS headquarters made it clear that information is lacking on how much it is owed, given the absence of a clear information system detailing repayment requirements and actual repayments. It is, therefore, unclear whether South

Table 3.2.2: NSFAS awards paid out, 1995–2010, and state budget, 1995–2011

Year	Number of students	Amount paid out (R million)	State budget (R million)
1995	40 002	154.0	40.0
1996	67 641	333.3	300.0
1997	63 272	350.9	200.0
1998	67 558	394.5	296.3
1999	68 363	441.1	384.8
2000	72 038	510.8	437.4
2001	80 513	635.1	440.0
2002	86 147	733.5	489.0
2003	96 552	893.7	533.0
2004	98 813	985.0	578.0
2005	106 852	1 217	864.0
2006	107 586	1 358	926.0
2007	113 519	1 791	1 113.0
2008	117 766	2 375	1 502.0
2009	135 208	3 154	2 015.0
2010	148 387	3 344	2 373.0*
2011	n/a	n/a	5 400.0**

Note: *MTEF estimates; **Announcement by Minister Blade Nzimande

Source: NSFAS (2007, 2008, 2010, 2011); Steyn & De Villiers (2006); MoE (2004, 2005, 2006); MoET (2009); SAPA (2011)

Table 3.2.3: Minimum and maximum amounts of NSFAS awards, 1999–2010

Year	Minimum	Maximum
1999	1 100	13 300
2000	1 200	14 600
2001	1 300	16 000
2002	1 400	17 600
2003	1 500	20 000
2004	2 000	25 000
2005	2 000	30 000
2006	2 000	32 500
2007	2 000	35 000
2008	n/a	38 000
2009	n/a	43 000
2010	n/a	47 000

Source: NSFAS (2007); <http://www.nsfas.org.za/profile-statistics.htm>

Africa is doing any better than countries elsewhere in the world that use a similar type of scheme. The percentage of capital payments received from former recipients that are re-injected into the fund to be paid out as new awards has remained fairly constant at around 29 per cent of the amount received. As a result, the amount received from former recipients, which is paid out in new awards, has increased substantially over the years. For example, in 2009 a healthy R580.1 million of receipts was re-injected into the pool of funds to be used for new awards. For the period 2001–2009, on average 20.4 per cent of disbursed funds were receipts re-injected into the fund.

The provision for doubtful debt (loans that are unlikely to be repaid) should give one an idea of the success with which repayment of loans takes place. Table 3.2.5 offers a summary of provision for doubtful debt since 2004. The percentage written off is derived by taking into account the economic status of the country (which determines the unemployment rate of recipients of NSFAS awards once they have completed their studies), the number of recipients that have died (HIV/AIDS played an important role in this regard), recipients that became permanently disabled and recipients that dropped out of the system. The lower rates from 2005 can probably be attributed to improved loan recovery strategies that were put into place, as well as lowered mortality from HIV/AIDS. In 2010, the scheme undertook a student loan-book review that took into consideration the impact of legislation and economic factors (NSFAS 2010). According to the NSFAS annual report for 2010, an impairment of R2.6 billion was effected on student loans. This explains the very low 2.9 per cent provision for doubtful debt in 2010, although it is not clear from the report why exactly this was the case.

Success of students that received NSFAS awards

As indicated above, an incentive is built into the scheme for students who are successful in their studies to convert part of the loan into a bursary. In terms of this model, up to 40 per cent of the loan can be converted into a bursary if a student passes all of his or her courses. From Table 3.2.6, it is clear that if the reported statistics of NSFAS are accurate, then their students are very successful with their studies. Over the period 1996–2009, NSFAS reports that students passed on average 74.3 per cent of the courses for which they entered. However, the ministerial committee on the review of NSFAS reported that of all the students NSFAS has funded over the years, 33 per cent are still studying while the other 67 per cent are not at HEIs anymore (DHET 2010). Of the students no longer studying, only 28 per cent had graduated, while the remaining 72 per cent had dropped out or did not complete their studies. If one takes into consideration that on average 28.5 per cent of loans of the maximum of 40 per cent that can be converted were converted into bursaries, this is consistent with an approximate 70 per cent success rate. Thus, the NSFAS and ministerial committee statistics seem to be contradictory.

Table 3.2.4: Funds recovered from former NSFAS award recipients, 1998–2009

Year	Amount (R million)	Amount re-injected from loan recovery (R million)
1998	30.3	–
1999	67.7	13.7
2000	91.7	9.2
2001	112.4	149.3
2002	155.8	150.0
2003	208.5	168.8
2004	245.3	246.5
2005	329.0	261.3
2006	392.4	296.0
2007	479.2	294.8
2008	555.7	396.9
2009	636.3	580.1

Source: NSFAS (2007, 2008, 2009, 2010)

Table 3.2.5: Provision for doubtful debt, 2004–2010

Year	Amount (R million)	Percentage
2004	1 239.9	38.4
2005	1 115.5	29.9
2006	1 264.3	27.4
2007	1 234.4	22.8
2008	1 464.9	23.2
2009	1 774.1	23.8
2010	174.9	2.9

Source: NSFAS (2008, 2010)

However, one must bear in mind that passing courses is not the same as obtaining a qualification. This may partly explain these apparently contradictory statistics.

Success of NSFAS students using individual data

This section deals with the results of a recent research report on the progress of students that received NSFAS awards in the period 2000–2004 using Higher Education Management and Information System (HEMIS) data up to 2009 (see De Villiers, Van Wyk & Van der Berg 2012). The researchers tracked students through the HE system by making use of *individual* student data. Students can be tracked through HEMIS to determine when they change courses or institutions, when they drop out of the HE system or drop back in again, whether they stay in the system without obtaining a qualification or whether they obtained a qualification. De Villiers et al. (2012) investigated how students that received a NSFAS award for the first time in 2000 progressed through the HE system for the time period 2000–2009. The same procedure was followed for the cohort groups that received a first award in 2001 to 2004. To make results comparable, they calculated the results for students that were first year students for the first time in those five years.

Of those that were first-time first-year students in 2000 and received a NSFAS award, 55 per cent obtained at least one qualification (diploma, certificate or degree) by the end of 2008. Of the original cohort group, 38 per cent dropped out of the system without any qualification, while 6 per cent were still in the system but had not obtained any qualification. Interestingly, this is better than the situation of the non-NSFAS students that started their studies in 2000. By 2008, 48 per cent obtained a qualification, 46 per cent dropped out without any qualification and 6 per cent were still in the system without obtaining a qualification. The other cohort groups showed remarkable consistency in success/failure rates, but only the 2004 group (compared with the 2000 group) will be discussed here. The success rate of the 2004 cohort group is slightly lower than that of the 2000 cohort, as fewer years had passed since they started with HE. By 2008, 44 per cent of NSFAS students obtained a qualification, 38 per cent dropped out without a qualification and 18 per cent of the original group were still in the system without obtaining a qualification. Of the non-NSFAS students, 42 per cent obtained a qualification, 43 per cent dropped out without a qualification and 15 per cent were still in the system without any qualification.

From this analysis, it seems that NSFAS students are more successful in the sense that a higher percentage of them obtain qualifications and a smaller percentage drop out of the HE system without a qualification. It appears that the financial support makes it possible for these students to continue with their studies even when not fully successful, whereas non-supported students tend to drop out more easily. Of the money spent on the 2000 cohort group, 71.2 per cent was spent on successful students (that obtained a qualification);

Table 3.2.6: Percentage of courses passed by recipients of NSFAS awards and of capital converted into bursaries, 1996–2009

Year	Percentage of courses passed	Percentage of capital converted into bursaries
1996	72.6	26.6
1997	75.3	28.9
1998	76.1	29.4
1999	73.8	28.8
2000	74.6	29.4
2001	73.1	28.9
2002	73.9	28.7
2003	72.3	28.2
2004	74.3	29.1
2005	73.9	28.6
2006	73.4	27.5
2007	74.7	27.9
2008	72.9	28.3
2009	73.9	28.0
Average	74.3	28.5

Source: NSFAS (2007, 2010); <http://www.nsfas.org.za/profi-statistics.htm>



Financial support makes it possible for these students to continue with their studies even when not fully successful, whereas non-supported students tend to drop out more easily.

this drops to 64.2 per cent of the money spent on the 2004 cohort group (mainly due to the shorter period of this cycle, 2004–2009). Although it seems that money was spent reasonably efficiently, it did take too long in some instances to identify unsuccessful students that are still receiving an award. Some students received an award for 9 years, without having obtained a qualification.

Conclusion

Over time, government spending on HE has decreased, both as a percentage of GDP and as a proportion of the education budget. This runs contrary to the international norm. Because government appropriations decreased in real per capita terms, HEIs had to increase their tuition fees by more than the inflation rate over the time period under discussion. While racial criteria fell away over this period, high fees introduced a new economic barrier to affordable education for the poor.

NSFAS was introduced in 1995 to change the racially skewed composition of the student population in South Africa by providing funds for disadvantaged but deserving students to afford HE. Since 1995, an average of 91 888 students have been financially supported each year with a NSFAS award; for the period 1995–2009, R18.5 billion was paid out to recipients. The state's contribution to NSFAS increased from a mere R40 million in 1995 to R2.7 billion in 2010. In total, R12.9 billion has been paid by the state towards NSFAS. Over time, the racial composition of the student population changed markedly.

In 1995, 50.2 per cent of students in HE were black and 37.5 per cent were white. By 2008, black students represented 64.4 per cent of the total and white students 22.3 per cent (SAIRR 2010). Although NSFAS is not the sole contributor to this phenomenon, it did play a positive anchoring role.

Over the years, NSFAS has contributed towards making HE more affordable to the poor, and has helped HEIs that traditionally serviced poorer communities to balance their books. Without question, the scheme has helped to make HE more accessible and affordable to the poor. NSFAS students performed better than non-NSFAS students. As NSFAS serves largely students from poorer backgrounds who are usually first-generation university students, the success of these students in progressing through the HE system is remarkable. There can be no question that NSFAS has played and is still playing a positive role in making HE more affordable and, thus, more accessible to the poor.

Notes

1. The aggregation of the standardised credit values of the different modules for which a student enrolls in a particular year is known as the full-time equivalent value. A full-time student taking the full complement of modules normally prescribed for an academic programme in a specific year will usually have an FTE value of 1.0, but this could differ depending on specific module choices. A student enrolled for only one or two modules, or a part-time student, will have an FTE value of less than 1.0.

IMPROVEMENTS IN ACCESS, BUT PARTICIPATION RATES STILL A PROBLEM

Gerald Wangenge-Ouma

Introduction

The collapse of apartheid in 1994 was a watershed moment in South Africa's history, not only because it marked the onset of democracy, but mainly because it signalled the beginning of a deliberate and necessary process of undoing the effects of the many years of institutionalised racism, marginalisation and deprivation of a significant section of South African society. Despite laudable advances having been made in transforming the post-apartheid state and expanding access to opportunities and services, some persistent challenges serve to reinforce and, in some instances, exacerbate a legacy of poverty and inequality.

One of these is the field of higher education. Although the causal factors are manifold, the discussion here concentrates on funding-related issues, which, as acknowledged by educational economists, are intricately linked with issues of accessibility. The discussion attempts to highlight the various ways in which issues related to funding have constrained poor people's access to higher education in South Africa. The analysis first maps the changes realised in higher education access in South Africa since the end of apartheid; this is

followed by a discussion of various funding factors that have impacted on equitable access. The article closes with some concluding observations.

Access to higher education

Several realities characterise the question of access to higher education in South Africa, and this has implications for its expansion and the achievement of equity. Compared to the total headcount enrolment of 525 000 in 1994 (Bunting & Cloete 2008), the figure for 2010 of 892 943 represents a remarkable improvement (see Table 3.3.1).

Table 3.3.1 also shows that the greatest quantitative expansion in enrolments was experienced in the African population group, from 353 327 in 2001 to 595 791 in 2010. However, this significant increase in enrolments has not translated into major changes in the participation rates of the African and coloured population groups, in particular, which stood at 14.1 per cent and 15.0 per cent respectively in 2010 (see Table 3.3.2).¹

Table 3.3.1: Total headcount enrolment by population group, 2001–2010

Year	African	Coloured	Indian	White	Unknown	Total headcount enrolment
2001	353 327	32 900	43 436	173 397	1 879	604 939
2002	377 072	37 906	47 567	178 871	1 832	643 248
2003	403 235	42 390	51 611	184 964	2 270	684 470
2004	453 621	46 091	54 326	188 714	1 692	744 444
2005	446 945	46 302	54 611	185 847	1 331	735 036
2006	451 107	48 538	54 859	184 667	2 209	741 380
2007	476 680	49 001	52 579	180 435	2 194	760 889
2008	515 058	51 647	52 401	178 140	2 245	799 491
2009	547 686	55 101	53 629	179 232	2 131	837 779
2010	595 791	58 176	54 492	178 190	6 294	892 943

Source: DHET (2011)



The huge quantitative growth in access witnessed since the collapse of apartheid has not impacted significantly on higher education participation rates.

An obvious conclusion to be drawn from Table 3.3.2 is that access patterns in South African higher education reflect significant inter-group disparities. Reading the two tables together, it can be concluded that the huge quantitative growth in access witnessed since the collapse of apartheid has not impacted significantly on higher education participation rates, especially those pertaining to the African and coloured population groups. There is, therefore, a significant segment of these two population groups for whom the promise of access to higher education remains a mirage. In theory, it is within reach; in practice, it is almost impossible to obtain. In recent research on the so-called NEET (not in education, employment or training) group, Nico Cloete and his colleagues went to great lengths to describe the magnitude of this problem (see Cloete 2009). Their study showed that out of the 5 756 003 South Africans in the 18–24-year age cohort an astounding 41.6 per cent were neither employed, nor in education or training. Twenty-seven per cent, about 770 000, however, had the requisite academic qualifications to attend tertiary education institutions.

The data in Tables 3.3.1 and 3.3.2 also raise concerns about the higher education system's ability to expand in a way that would promote equity of access for the two least represented population groups. Looking at the headcount enrolment figures in Table 3.3.1, the African and coloured population groups accounted for 72 per cent of the total headcount enrolments in 2010, yet their participation rate averaged only 14.55 per cent. This means, *inter alia*, that if the entire enrolment in South Africa's higher education were to be made up of African and coloured students only, the impact on the participation rates of these two groups would still not be significant. This reality is critical and, as noted in the recent Green Paper on post-school education, should encourage a diversified post-school sector with well-developed college and further education and training sectors. On a positive note, enrolments by female students have improved significantly. Female students accounted for 52 per cent of all enrolments in 2000 and had reached 56 per cent by 2010. This is a laudable achievement, especially in Africa where female students tend to be in a minority.

The access challenge is not limited to low participation rates; the higher education system also has unacceptably high internal inefficiencies, which are manifested in low throughput rates. A recent analysis shows that only 45.6 per cent of the undergraduate cohort that entered the tertiary system in 2004 graduated in 2009; 40.3 per cent had dropped out, while the remaining 14.1 per cent were still studying towards obtaining their qualification (DHET 2011). Black African students had the lowest graduation rates. Further

Table 3.3.2: Higher education participation rates by population group, 2001–2010

Year	African	Coloured	Indian	White	Total
2001	9.9%	8.3%	40.1%	50.0%	13.6%
2002	10.3%	9.8%	43.9%	54.7%	14.4%
2003	10.9%	11.1%	46.4%	57.1%	15.2%
2004	12.2%	12.1%	47.8%	58.7%	16.4%
2005	11.9%	12.3%	47.3%	58.1%	16.1%
2006	11.8%	12.9%	47.0%	58.2%	16.0%
2007	12.2%	13.0%	44.7%	57.5%	16.1%
2008	12.8%	13.6%	44.2%	57.4%	16.6%
2009	13.3%	14.3%	44.9%	58.4%	17.0%
2010	14.1%	15.0%	45.6%	58.9%	17.8%

Source: DHET (2011)

analysis in this study showed that by 2009 only 38.3 per cent of African students, 42.1 per cent of coloured students and 48.5 per cent of Indian students from the 2004 cohort had graduated. The comparative figure for white students was 63.5 per cent. These poor graduation rates, especially those of black African students, have been confirmed by several studies. For instance, Bhorat, Mayet and Visser (2010) have shown that under existing conditions half of African males in the university system are likely to drop out before graduating. Students receiving financial aid have not fared much better than those studying without support. The recent review of the National Student Financial Aid Scheme (NSFAS) reported that 48 per cent of NSFAS beneficiaries (316 320) had dropped out or otherwise had not completed their studies (DHET 2009). Dropping out of college not only amounts to 'wasted access' that stunts the system's ability to absorb the challenge, but it also has equity implications, considering that those affected most by low completion rates are students from disadvantaged backgrounds.

Therefore, although expanded access has been achieved in South Africa's higher education system since 1994, a huge unmet demand, especially by (previously) marginalised communities, still exists. The system's current carrying capacity is woefully inadequate to make a significant impact on the magnitude of the challenge. As for equity, the higher education system is still characterised by gross discrepancies in the participation rates of students from different population groups, with the African and coloured groups being the worst affected. Lastly, it would seem that any gains made in terms of increased enrolment are negated by the high internal inefficiencies in the system. Again, students from marginalised communities are the worst affected.

Funding

Inequalities in higher education participation in South Africa have been occasioned and sustained by several factors, which include historical considerations, unequal access to critical infrastructure and resources that provide opportunity, the mediocrity of the school system, and financial difficulties that put education out of the reach of many. A convergence of these factors has ensured that the majority of those from historically marginalised communities remain marginalised, even in the post-apartheid era where social justice and service delivery are supposed to be key policy imperatives. From a Rawlsian perspective, justice in the education system should be interpreted as improving the educational position of the most disadvantaged in society. Considering the nexus between

the funding of higher education and the attainment of important policy outcomes, such as equity of access, the following important question is worth posing: Has the higher education funding regime supported the improvement of the educational position of the most disadvantaged prospective students in society?

As indicated above, funding is a key determinant of access to higher education. This is especially the case in South Africa, where the greatest demand for higher education comes from those who are still struggling to overcome the effects of the many years of economic and social deprivation. Students from these communities, on average, are challenged financially, which means that significant state funding – to cover both tuition and living costs, as well as support programmes that seek to mitigate the effects of poor schooling – is required for any impact to be realised. In addition, as behavioural economists have shown, low-income students tend to respond negatively to the increasing costs of higher education and are averse to taking commercial loans to support their studies (Vossensteyn & De Jong 2006). The prohibitive terms of these commercial loans play a significant role in further excluding the poor from access to educational opportunities, which, in turn, puts additional pressure on the state to fill the gap. In such a context, the overall funding of higher education by the state, financial assistance for students, and tuition fee regimes are critical factors in the realisation of equitable access to higher education in South Africa. This section explores how these funding considerations have been supportive of the development of the most disadvantaged in South Africa.

State funding of higher education

Globally, the funding of higher education is in decline. This phenomenon has been underpinned either by state funding cuts or by stable allocations and increases that have not kept up with the rising expenditures involved in running universities. In addition, a combination of the following factors has increased the financial difficulty facing universities:

- » per-student costs increasing (worldwide) at rates in excess of the average rate of cost increases in the general economy;
- » an acceleration in student enrolments, acting on the above-mentioned per-student (unit) cost increases; and
- » public revenues that generally (again worldwide) are unable to keep up with the trajectory of cost increases (a function of the two factors mentioned above), due, mainly, to the intense competition from other, also rapidly increasing, public needs, such as health, housing and security. (Johnstone & Marcucci 2010).

Funding of higher education by the state, financial assistance for students, and tuition fee regimes are critical factors in the realisation of equitable access to higher education in South Africa.

To varying extents, the funding of higher education in South Africa has mirrored the above trends. State funding of higher education as a percentage of GDP declined from 0.72 per cent in 1995 to 0.69 per cent in 2012. The same downward trend was registered with regard to state funding of higher education as a percentage of total state finance. In addition to these two important indicators, it has been shown that state funding per full-time equivalent (FTE) student declined in real rands by 2.2 per cent per annum between 2000 and 2010 (DHET 2012).

Even though the diminishing state funding of public higher education in South Africa mirrors a global trend, this decline in state support for higher education is occurring at a time when the system is in great need of funding to achieve the policy goals articulated in the 2001 National Plan for Higher Education (MoE 2012). These include more equitable student access, improved quality of teaching and research, increased student progression and graduation rates, and greater responsiveness to social and economic needs.

To promote equitable access, through sustained high levels of enrolment, the government will have to make substantial investments. The introduction of enrolment caps in 2004 was probably the clearest indication that student enrolments in the sub-sector had exerted unsustainable pressure on the fiscus. The enrolment caps introduced in 2004 limited the number of students that institutions could enrol. In introducing the caps, the then Minister of Education, Naledi Pandor argued that the higher education system had grown more rapidly than the available resources. The enrolment caps effectively marked a shift from a policy of massifying higher education to one of affordability.

Declining state funding of higher education has meant that universities must seek income from alternative sources to make up for the shortfall. Since the emergence of the entrepreneurial university in the last years of the previous century, it is expected that universities increasingly tap income from various markets as a defence against 'government failure'. Despite the expectation that universities would seek income from so-called third-stream income sources, the South African experience has shown that students, through tuition fees, have become the most important source of non-government income. The heavy reliance on tuition-fee income by South African universities has obvious implications for equity of access.

Tuition fees

Tuition fees are essentially education prices and, as expected of prices, they impact on both the demand and supply of higher education. From the supply side, tuition fees are an important source of revenue to universities, especially in a context of declining or inadequate state funding. They impact on demand, too, since tuition fees are obligatory for student enrolment and participation in higher education. One reason why the state funds universities and provides financial aid

to students is to drive down tuition fee levels by enhancing purchasing power.

South African universities have increased tuition fees over the years, in part because of declining state funding. Between 2000 and 2009, student fee income per FTE enrolled student grew in real (2000) rand at an average rate of 2.5 per cent. Over the same period, government funding per FTE student declined at an average annual rate of 1.0 per cent (Wangenge-Ouma & Cloete 2008). However, the increases in tuition fees cannot be blamed entirely on declining state funding. Some universities, especially the historically advantaged institutions, have increased tuition fees, inter alia, to maintain parity with their so-called peer institutions, but also because a significant section of their students come from privileged backgrounds and can afford higher fees.

It should be noted, however, that these apparently 'high fees' often amount to a discount for a section of students and their parents, who paid even higher fees for secondary education. This is symptomatic of the unacceptably high levels of inequality in the country. Universities, especially historically advantaged universities, therefore, are confronted with the challenge of setting fees at levels that do not discourage poor students from accessing higher education, without making the fees unnecessarily cheap for students from privileged backgrounds.

The affordability of higher education in South Africa is a real challenge, considering NSFAS's inability to provide financial support to all deserving cases. In addition, while historically disadvantaged universities charge relatively low fees, most of their students, who come from poorly performing schools, still cannot afford these fees, as is evident in the high levels of student debt at these institutions. The bottom line here is that there are South Africans who are not able to afford any level of tuition fees, regardless of their ability as students. Overall, high student fees, though an important source of revenue to universities, have become an obstacle to widening access for the poor, especially in a context of inadequate financial aid. It is against this background that demands have been made recently for free higher education for the poor.

National Student Financial Aid Scheme

Student financial aid plays a critical role in expanding access, increasing the enrolment of economically disadvantaged students, and narrowing the access and achievement gaps between income and social groups. Generally, student aid is targeted at those who are regarded as poor for various reasons, with unaffordability of tuition fees, living costs and a relatively high price-sensitivity being considered.

NSFAS was established in 1999 to provide financial aid to intellectually talented but economically challenged students. Since its inception, NSFAS has provided financial aid to almost 700 000 students, and distributed more than R12 billion in student financial aid in the past ten years. The high number of students who have benefited from NSFAS support shows the



The achievement of expanded higher education access for South Africa's poor is an important policy imperative – not only as a social justice issue but also to address the skills shortages in the country.

THREE

crucial role the scheme has played in expediting access to higher education for South Africa's poor. Notwithstanding its laudable achievements, the scheme is confronted with challenges that have affected the scale of its impact. These challenges include inadequate state funding, which means that not all needy cases receive financial support or, in cases where it is offered, the amounts are insufficient to cover the full cost of studies.

The inadequate funding of NSFAS has been compounded by the increases in fees, discussed in the previous section. The impact of NSFAS has been diluted, because it cannot significantly increase the number of beneficiaries. This has implications for both the expansion of access and equity in the student population.

Conclusion

The achievement of expanded higher education access for South Africa's poor is an important policy imperative – not only as a social justice issue but also to address the skills shortages in the country. South Africa's unacceptably high levels of inequality, which are linked to the imbalance between the demand and supply of skills, require that concerted efforts be made to address access and retention of students in the higher education system.

As noted in this discussion, there have been significant achievements in terms of higher education access. Yet, the steady growth in enrolments has also been stymied by several interlinked and intractable factors. The mediocrity of the school system has kept many students from poor socio-economic backgrounds from qualifying to enter higher education. Furthermore, funding, which plays a key role in enhancing access, has not grown at levels that support the

increase in demand. Consequently, poor South Africans remain excluded from participation in higher education. This exclusion has been made worse by the high levels of wastage in the system, considering that almost 50 per cent of students who enrol drop out.

The funding challenge is a complex one, and is inimical to wider access and participation. For public universities, the challenge is how to provide expanded access in a context of declining state financial support and public disapproval of tuition fee increases. For the government, the challenge is how to support expanded access in an economic policy context that increasingly is leaning towards cost containment and is characterised by competing claims from other equally deserving sectors, such as basic education, health, security and infrastructure. To students, especially poor students, the challenge is to carry the costs of higher education in a context where tuition fees have increased and student financial aid remains inadequate.

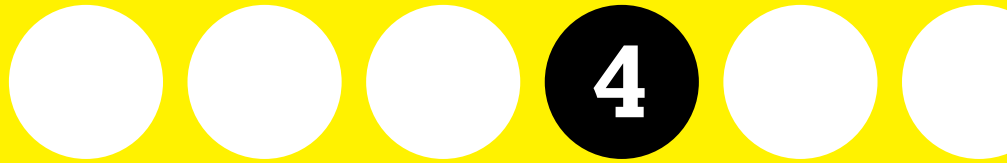
Thus, the present higher education funding context is one that requires significant interventions to support equitable access. Recent policy proposals to develop middle-level colleges and the further education and training sector seem to offer a viable strategy of alleviating pressure on the higher education system.

Notes

1. The gross higher education participation rate is calculated on the basis of the total headcount enrolment in each year and the total population in the 20–24-year age group. Therefore, the gross participation rate refers to the proportion of a population enrolled in universities as a percentage of the total population in the 20–24-year age group, the official university-going age group.



Chapter



Poverty and Inequality

The critical issue underlying child poverty is the high rate of adult unemployment and the low earnings of many of those who do work.



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Poverty and Inequality at a Glance

In October 2012, Statistics South Africa released the results of its Census 2011, the third official census since the advent of democracy (the previous censuses were conducted in 1996 and 2001). It revealed that between the first and the most recent post-apartheid census the population grew by just over 11 million to 51.7 million, that households increased in number, but became smaller in size, and that average household income more than doubled from R48 385 to R103 204. While these numbers offer cause to celebrate, they still reveal gross inequalities between the country's historically defined population groups. Black households, for example, earn only 16 per cent of average white household income. While this is an improvement of 5.0 percentage points from the 2001 Census, the degree of inequity remains unacceptably high. When analysing the levels of social stability that South Africa experienced in 2012, these material realities cannot be ignored.

Vital poverty and inequality statistics

Total population	51.7m
South Africans living under the poverty line *	41.4%
Gini coefficient	0.70
Average annual household income	R103 204
Average household size	3,4
Households living in a formal dwelling	77.6%
South Africans receiving government grant or pension support	15.6m

Sources: All Media Products Survey, 2009; National Income Dynamics Survey, 2008; South African Census 2011

* R3,864 per capita, per annum at 2000 prices

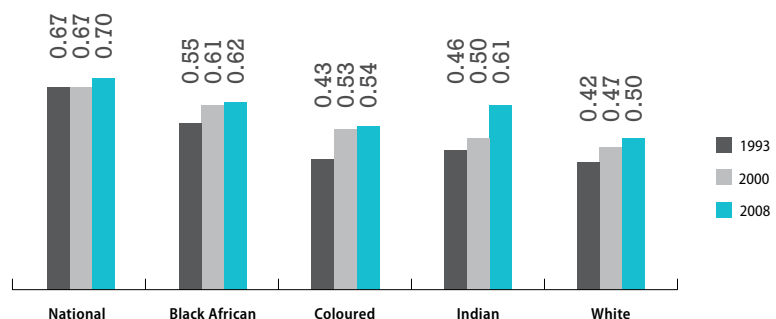
R103 204

The average annual household income (R '00)

0.70

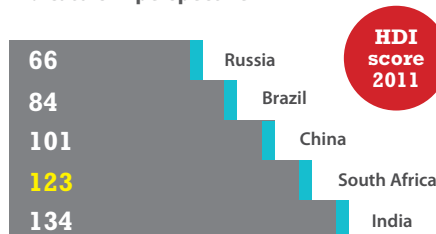
South Africa's Gini coefficient

Per capita income Gini coefficient



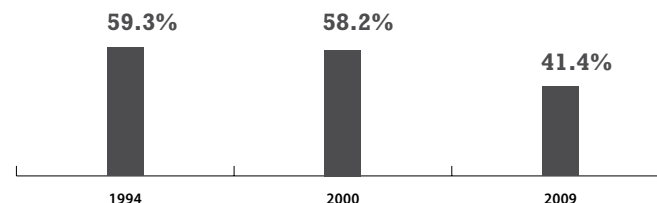
Source: National Income Dynamics Survey, 2008 (Calculations by Leibbrandt, M. et al.)

South Africa's human development indicators in perspective



Source: UNDP 2011 Human Development Report

South Africans living below the poverty line



Source: All Media Products Survey

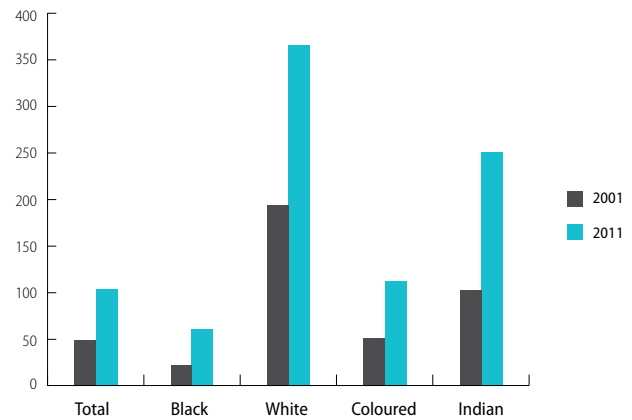
Note: The poverty line has been set at R3 864 per capita per annum in 2000 prices. This is the official poverty line proposed by Murray Leibbrandt and Ingrid Woolard

16%

Black household income in 2011 as a proportion of that of white households

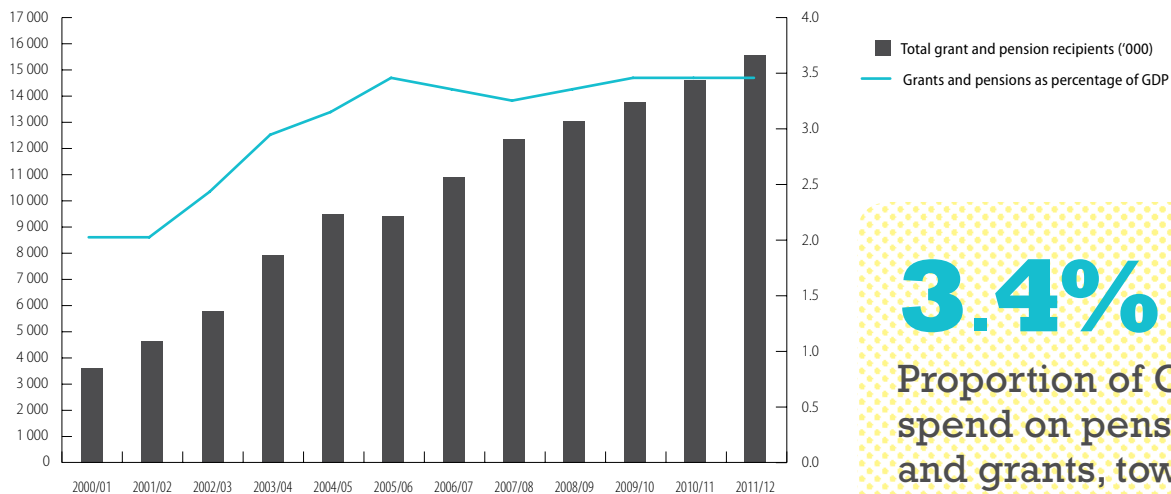
Statistics South Africa, Census 2011

Average annual household income (R '000)



FOUR

The number of pension and grant recipients, and its total cost as proportion of GDP



3.4%

Proportion of GDP spend on pensions and grants, toward vulnerable citizens

Source: National Treasury: Intergovernmental Fiscal Review, Editions 1999, 2003, 2005, 2007, and MTBS 2010 and 2011
Note: The figure for 2011/12 is an estimate

South African personal income taxpayers and their contributions 2011/12

Income categories	Number of taxpayers in income group	% taxpayers in income group	% of total taxable income earned	% of taxes paid
R 0	208 381	4.6%	-2.6%	0.0%
R1–R60 000	623 557	13.8%	2.4%	0.0%
R60 001–R120 000	1 087 178	24.0%	11.8%	3.2%
R120 001–R400 00	2 163 370	47.8%	51.3%	40.1%
R400 001+	440 206	9.7%	37.9%	56.6%

Source: National Treasury, 2012 tax statistics

REVIEW | Breaking the cycle of intergenerational poverty

Katharine Hall

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Introduction

There are 18.5 million children in South Africa, all of them born since the advent of democracy. Given this transition 18 years ago, the expectation would have been that their opportunities should be much better and more equal than those of previous generations. Yet, despite the development of an array of policies and programmes specifically aimed at improving opportunities and correcting the inequities of the past, stubbornly high rates of poverty and inequality persist and are likely to be reproduced in the next generation.

The critical issue underlying child poverty is the high rate of adult unemployment and the low earnings of many of those who do work. The labour market simply does not provide enough decently paying jobs for the adults who, in turn, need to provide for the children. In addition, huge differentials in the extent and quality of social infrastructure and services across the country serve to entrench inequalities in human development: many children, particularly those born to poor families, live in environments that are not conducive to healthy growth and development, and are deprived of good education and health services.

The consequences of these inequalities are a matter of grave concern – for the generation of children growing up now, who have intrinsic needs and rights, but also for the broader developmental prospects of South African society. The circular relationship between poverty, educational outcomes and labour market returns to education means that children who grow up poor are likely to become poor parents. In this way, the historic and structural patterns of poverty and inequality are reproduced. The importance of interrupting this cycle is widely acknowledged by policy-makers, and is one of the cornerstones of the National Planning Commission's 'Vision 2030', in which there is an explicit focus on building capabilities and substantially improving life chances.

This article examines recent trends in child poverty and discusses some of the reasons for the persistence of poverty and inequality across generations. It describes some of the policy interventions and anti-poverty efforts, and points to gaps which should be addressed if we are to significantly reduce child poverty and inequality in the future.

Children and poverty

A note on child-centred poverty rates

Most of the commonly available poverty statistics are at the level of the whole population, or at household level, or only for adults. For example, the Presidency's annual 'Development Indicators' report monitors poverty rates for the whole population, the proportion of households with access to potable water and sanitation, and the proportion of working-age adults who are unemployed. However, general population statistics are insufficient, even misleading, when it comes to monitoring the situation of children.

Child-focused analyses have the child (rather than the household, for example) as the unit of analysis. Quite different patterns emerge when we use child-focused analyses (the child poverty rate, the proportion of children with access to potable water and sanitation, and the proportion of children living in households where adults are unemployed). In general, when using these child-focused measures, we find that children are 'worse off' than adults and the population as a whole.

The prevalence and severity of child poverty is partly a reflection of where children live – in larger, poorer households, disproportionately located in areas with high unemployment rates. These arrangements reflect historic spatial and other inequalities.

How and why is the child population distributed so differently to the adult population and to households? Firstly, children tend to live in households that are larger than the national average (the average household size is 3.7 members, but households that consist only of adults have an average size of 1.9 members, while households with children have just over 5 members on average). Secondly, relative to adults and to the household distribution, children are under-represented in urban formal areas, and over-represented in the rural areas of the former homelands (29 per cent of households are in the rural former homelands, and 43 per cent of South Africa's children live in these households). Aggregated population or household-level statistics, therefore, tend to be skewed towards the urban setting, whereas child-centred statistics would reflect proportions based on a larger rural population, thereby revealing the relatively low levels of service delivery,



Many children continue to live out the effects of historic spatial planning and a migrant labour system in which adults seek work in cities and families are spread across households. A large burden of care for children falls on grandparents and other family members in unemployed rural households.

infrastructure and employment in households where children live.

The effect of the different distributions is apparent when examining income quintiles (see Figure 4.1.1). When ranked by income (using per capita income), households can be divided into equal quintiles, with the poorest 20 per cent in quintile one, the next 20 per cent in quintile two and so on. Adults are slightly over-represented in the poorest 20 per cent of households because these households tend to have more members, but the unequal distribution of children is much more striking, with 43 per cent of children in the poorest quintile and only 8.0 per cent in the top quintile.

This skewed distribution is not simply about reproductive choice. Nearly a third of children in the poorest quintile do not live with either of their parents but are cared for by their extended family. This is only in small part due to orphaning; a key reason for parental absence (including the absence of mothers) is the need to find work opportunities.

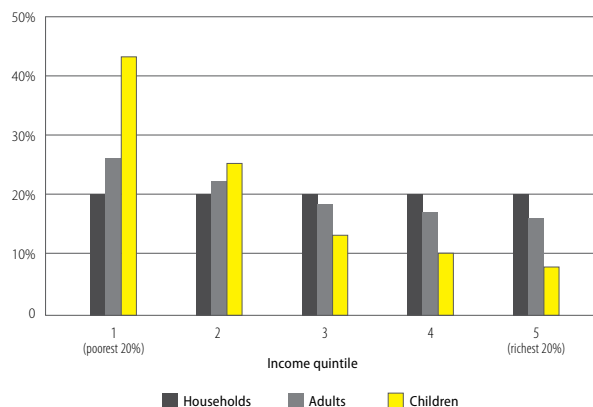
In comparison to adults, children are over-represented in the Eastern Cape, KwaZulu-Natal and Limpopo, and under-represented in Gauteng and the Western Cape. The provinces with disproportionately large child populations are also the main 'sending' provinces for adult migrants, while those with disproportionately small child populations have the largest metropolitan centres and are the main destinations for labour migrants. Many children continue to live out the effects of historic spatial planning and a migrant labour system in which adults seek work in cities and families are spread across households. A large burden of care for children falls on grandparents and other family members in unemployed rural households.

Trends in income poverty and inequality

The number and the proportion of children living in poverty (measured by per capita household income) have declined over the past decade (see Figure 4.1.2). This drop in child poverty rates corresponds with poverty trends for the population as a whole (see, for example, Leibbrandt et al. 2010; Bhorat, Van der Westhuizen & Jacobs 2009), although poverty rates for children remain higher than those for the general population.

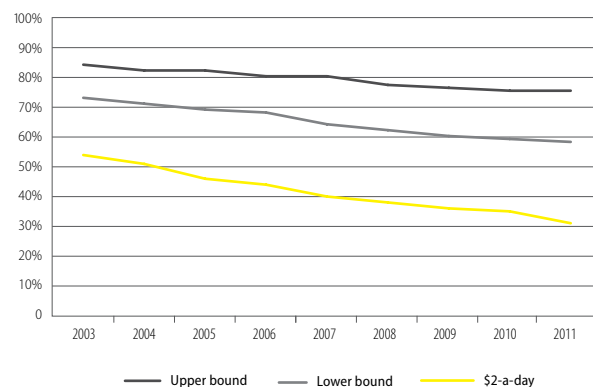
For children, as for the general population, decreasing income poverty rates have not been paralleled by a fall in inequality. On the contrary, levels of inequality have risen slightly since 1994, despite the introduction of redistributive policies such as progressive taxation and social grants (see

Figure 4.1.1: Quintile distributions of households, adults and children



Source: Stats SA (2011a), author's calculations

Figure 4.1.2: Income poverty trend for children in South Africa, 2003–2011



Source: Stats SA (2003–2011a), author's calculations

Note: The upper and lower bound poverty lines are those developed by Hoogeveen and Özler (2006); the upper poverty line is set at R593 per person per month in 2000 rands, and inflated to R1 113 in 2011 using headline CPI; the lower poverty line is set at R322 per person per month in 2000 rands, and inflated to R604 in 2011 using headline CPI; and the US\$2-a-day international poverty line is equivalent to R310 in 2011, using purchasing power parity

Table 4.1.1: Gini coefficients of per capita household income for the whole population and for children, 1993 and 2008

	Whole population	Children only	Children by population group			
			African	Coloured	Indian	White
1993	0.67	0.65	0.53	0.42	0.52	0.41
2008	0.70	0.69	0.58	0.55	0.61	0.50

Source: SALDRU (1993); National Income Dynamics Study (NIDS) 2008; calculations by Arden Finn, SADLRU

Table 4.1.1). Together, these two policies have resulted in a 6.0 per cent reduction in inequality (Leibbrandt et al. 2010), but this has not been enough to offset unequal employment opportunities and wages. The widening gap in labour market income has been the main cause of rising post-apartheid inequality.

Higher rates of inequality amongst children are associated with an increase in inequality *within*, rather than *between* population groups. This corresponds with patterns for the population as a whole, as described by Leibbrandt et al. (2010). However, the disparities in poverty rates between population groups remain very pronounced, as shown in Figure 4.1.3.

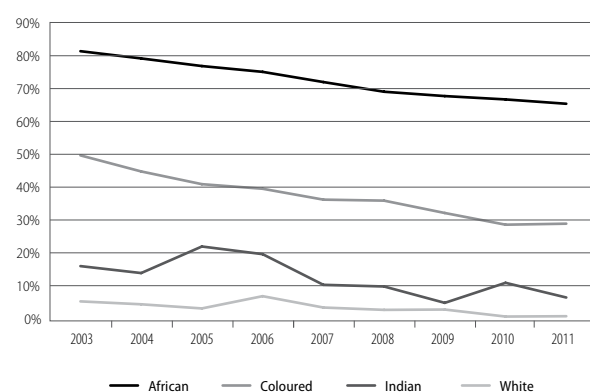
Multiple dimensions of child poverty

Income is one way of measuring poverty, but children are uniquely vulnerable to the multiple and mutually reinforcing forms of poverty. If we understand poverty to be multidimensional in nature (see, for example, Alkire & Foster 2007; Noble, Wright & Cluver 2007), then there is an array of more direct outcome measures that should be monitored. For example, early health, nutrition and educational investments are important for children's development. Conversely, the effects of deprivation in these areas can be detrimental to children's development and limit their long-term prospects.

Access to decent housing, safe water and sanitation are amongst the most basic requirements for healthy living. Yet, despite commitments reiterated over the years that at least the minimum requirement of adequacy will be met for everybody, change has been slow. There have been gradual improvements in children's access to adequate housing and services over the past decade (see Figure 4.1.4), but coverage remains far from universal. A third of all children in South Africa (around six million) do not have easy access to a safe and reliable water supply and five million do not have adequate sanitation (where the minimum 'adequacy' requirement is a ventilated pit latrine). As with many other measures of poverty, children are proportionately worse off: they are more likely than adults to live in households without access to adequate services because of differences in the spatial distribution of the population.

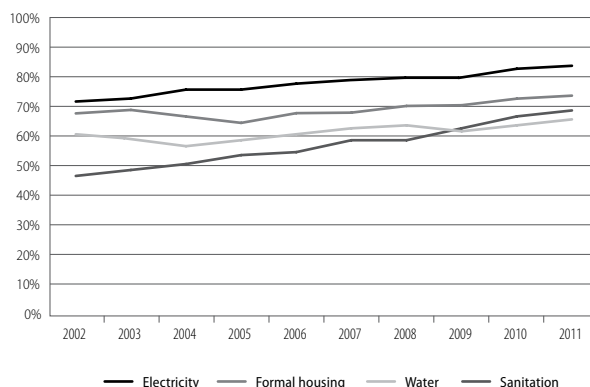
Many childhood diseases are related to substandard water and sanitation, and to the health risks associated with alternative

Figure 4.1.3: Income poverty headcount for children by population group, 2003–2011



Source: Stats SA (2003–2011a), author's calculations using the Hoozeven and Özler (2006) lower bound poverty line

Figure 4.1.4: Children's access to an adequate standard of living, 2002–2011



Source: Stats SA (2002–2011a), author's calculations



Higher rates of inequality amongst children are associated with an increase in inequality *within*, rather than *between* population groups.

FOUR

fuels (see, for example, Barnes et al. 2009; Bradshaw, Bourne & Nannan 2003). The very high child mortality rate in South Africa is the most severe consequence of poverty and inequality, and is driven partly by 'diseases of poverty' such as diarrhoea and respiratory infections. Child mortality rates definitely rose between 1996 and 2001, but there is some uncertainty around the trend since then, due to data quality issues. The most recent plausible national estimates, based on the 2007 Community Survey and vital registration data (adjusted for under-registration), put the under-5 mortality rate at 72 per 1 000 live births and the infant mortality rate at 49 per 1 000 live births (Nannan et al. 2012). These rates are much higher than the global medians of 23 and 21 respectively (WHO 2010).

Data on causes of death collected by Statistics South Africa reveal that, after peri-natal conditions (which account for a quarter of deaths in children under five years), diarrhoea (21 per cent) and lower respiratory infections (18 per cent) are the leading single causes of death (Nannan et al. 2012). This burden of disease, and its long-term impacts on children's development and on household economies, could be significantly reduced through the provision of adequate service infrastructure. The National Sanitation White Paper of 1996 acknowledged that poor health perpetuates poverty in numerous ways, and emphasised the importance of investing in infrastructure in order to address the social determinants of health (NSTT 1996). Yet, the economy of providing bulk municipal infrastructure depends on sufficient population density and ability to cross-subsidise through the tariff system. In areas with populations that are scattered and homogeneously poor, this economy simply does not work. The National Development Plan (NPC 2012) calls for 'innovative forms of service and infrastructure provision...where conventional, fixed infrastructure may be unaffordable'. It is important that suitable alternatives are explored and implemented as a matter of urgency to break the cycle of poor health and poverty.

Malnutrition is another important dimension of poverty, linked to child survival, health outcomes and life chances. Poor nutrition is both an outcome of poverty and household food insecurity, and a contributor to intergenerational poverty. Three main anthropometric measures are commonly used to identify malnutrition in children: stunting (height-for-age); underweight (weight-for-age) and wasting (weight-for-height). Of these, stunting is regarded as the best proxy for poverty, as it indicates prolonged malnutrition (including through pregnancy). A 2003 analysis of socio-economic inequities in malnutrition amongst children under five found that stunting was the most prevalent form of malnutrition in South Africa – in other words, child malnutrition tends to be associated with chronic poverty.

There were significant differences in nutritional outcomes amongst socio-economic groups: children from the poorest and most rural provinces (Eastern Cape and Limpopo) were most likely to be malnourished, and the poorest 10 per cent of households had rates of stunting about eight times those of the richest 10 per cent (Zere & McIntyre 2003).

A later study, based on the 2008 NIDS, replicated the method of Zere and McIntyre and found similar patterns in the provincial distribution of child malnutrition, and also found stunting to be the predominant form of malnutrition in young children. However, while the socio-economic inequalities in the distribution of stunting and underweight were still evident, they appeared to have declined considerably (May 2012).

Measurement of reported child hunger through household surveys is a notoriously unreliable way to monitor nutrition. However, assuming that reporting errors are reasonably consistent over time, the trend over the past decade shows a substantial drop in the number of children who go hungry 'sometimes', 'often' or 'always' (see Figure 4.1.5).

These patterns – declining hunger rates and reduced inequalities in nutritional outcomes – seem to be part of the same story: social grants have expanded rapidly over the last decade, and may have significantly reduced hunger and malnutrition. Indeed, a positive causal link between access to the Child Support Grant and children's anthropometric status has been established (Agüero, Carter & Woolard 2007).

Using income quintiles, it is possible to compare the poorest 20 per cent of children in South Africa with the least poor 20 per cent across a range of child-centred indicators, as has been done in Table 4.1.2.

While the socio-economic inequalities in chronic malnutrition may have declined, the disparities between rich and poor remain strong for most other non-monetary measures of poverty. In South Africa, these disparities are also racially and geographically defined. In this way, the structural patterns of apartheid are reproduced over generations: children born into relatively wealthy households are also consistently better off in a range of other ways and, therefore, are likely to have better opportunities in life.

Key drivers of the poverty trends

Many interrelated factors contribute to the reproduction of poverty and inequality over generations. These include the poor quality of education available to many children, unequal employment opportunities and earnings, unequal health risks and health services, and the poor quality of living environments in which many children grow up.

Table 4.1.2: Indicators of deprivation for children comparing poorest and richest quintiles

Dimension of deprivation	Measure	All children	Poorest 20%	Richest 20%
Rural home*	Household is situated in former-homeland ('traditional authority') area	47%	68%	9%
Inadequate housing*	Non-formal dwelling (informal settlement, backyard shack or traditional homestead)	27%	36%	4%
Inadequate water*	Household does not have piped water in dwelling or on site	36%	54%	3%
Inadequate sanitation*	Household does not have access to a flush toilet or improved pit latrine	33%	46%	3%
No electricity*	Household does not have a connection to main electricity supply	17%	23%	1%
Overcrowding*	Household has a ratio of more than two people per room, excluding bathroom but including kitchen	23%	30%	2%
Maternal absence*	Child's biological mother does not live in the household (deceased or absent)	27%	28%	15%
Maternal orphaning*	Child's biological mother is deceased or her vital status is unknown	8%	9%	1%
School accessibility*	Children who travel more than half an hour to reach school	18%	21%	12%
Educational attrition*	16–17-year-old children who have not completed basic education (Grade 9)	37%	46%	11%
Food insecurity*	Households where children sometimes or often go hungry	17%	25%	1%
Under-5 mortality rate**	Probability of dying before reaching 5 years, per 1 000 live births	68	87	22

Source: Reproduced from Hall et al. (2012)

Note: *Calculations by Katharine Hall, Children's Institute (UCT), using StatsSA (2010); **WHO (2007) in Bradshaw (2008)

Labour market

High rates of adult unemployment, coupled with low earnings, underlie the high child poverty rates. Children are by definition dependent on adults, but in the context of widespread poverty and unemployment, many parents and caregivers are unable to provide adequately for the children in their care.

While the official unemployment rate for adults remains around 25 per cent, the effects of unemployment are heightened for children because many children live in households where adults are unemployed. About 6.5 million children (35 per cent) are in households where there is no income at all from wages or self-employment. The differences between the official and child-centred unemployment rates are most pronounced in the Eastern Cape, Limpopo and KwaZulu-Natal – provinces with high rates of outward labour migration (Figure 4.1.6).

Unemployment rates remain considerably higher for women than for men. This is important from a child poverty perspective, as children are more likely to live with their mother than their father. However, there are indications that gendered patterns in the employment trends may be starting to change: although labour migration has been male dominated historically, female labour migration has increased in recent years. Although employment rates amongst women remain lower than for men, the gender difference is narrowing (see, for example, Collinson, Kok & Garenne 2006; Posel 2006; Posel & Casale 2006). In addition, it is particularly among prime-age women that labour migration rates appear to be rising (Posel & Van der Stoep 2008). This may have important consequences

for children, including decision-making about where children live in relation to their mothers.

As would be expected, income poverty status is associated with the presence of a working adult (see Table 4.1.3). More than 90 per cent of children living in 'unemployed' households fall below the lower-bound poverty line. However, 40 per cent of children in 'employed' households are also poor by this definition. In other words, while the presence of an employed adult does not guarantee that a household will be above the per-capita poverty line, the absence of any employed adult is a strong indicator of child poverty. This is despite the fact that many children live in households that receive social grants.

Income decompositions show some striking changes in the contribution of various income streams to household income between 1993 and 2008. In particular, the lower income deciles have recently derived substantially more of their income from social grants (whose contribution to household income in the poorest decile grew from 15 per cent in 1993 to 73 per cent in 2008), and less from wage income and remittances (Leibbrandt et al. 2010). This is the result of both a rapidly growing and well-targeted grant system, on the one hand, and a real decline in income from employment and remittances, on the other.

Spatial inequality

Location is key to many dimensions of poverty: the quality of living environments and level of services available to children is determined largely by where they happen to live. The previous homelands remain the poorest and most underresourced

parts of the country. In addition, pockets of extreme poverty occur on the outskirts of cities, where informal settlements tend to be inadequately serviced and are associated with particular risks to children's safety. Spatial poverty maps, which plot indices of multiple deprivations for children, confirm that the rural former homelands and settlements on the urban periphery are the areas where children are most deprived (Wright et al. 2009).

Nearly half of all children live in households located in rural areas. This is an important consideration from a child poverty perspective, because, while development imperatives prioritise centres that are economic hubs, this kind of spatial targeting risks leaving a large proportion of the population in places that are underserved and underdeveloped. The National Spatial Development Perspective (2006), while acknowledging that the government has an obligation to deliver services to people 'wherever they are', emphasised that 'future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or that link the main growth centres'. This approach is critiqued in the National Development Plan, which warns against a 'narrow view of the development potential of different places' and calls for a national spatial framework that differentiates in more nuanced ways between different types of human settlements and their development needs.

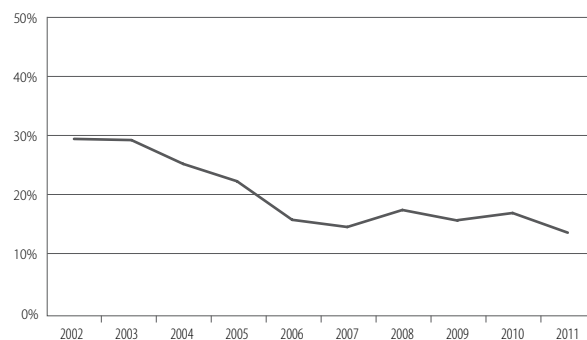
A common criticism of post-apartheid housing policy is that, while the housing subsidy scheme has delivered large numbers of housing units – over 3 million since 1994 – it has exacerbated inequalities by tending to place these houses in high-density townships on the outside of cities, effectively reproducing the spatial arrangements of apartheid. It is certainly not the intention of government policy to create homogeneously poor communities – on the contrary, the housing policy specifically refers to the importance of avoiding this situation through, for instance, the development of a more 'inclusionary' housing programme. However, inclusionary approaches such as social housing and rental options on well-located land have not been implemented on any meaningful scale.

Education

South Africa has almost universal rates of school enrolment and attendance until Grade 9, but educational outcomes are poor, even in comparison with other African countries, and are very unequal. While unemployment and wage differentials are the direct drivers of intergenerational poverty, education is a crucial underlying factor. Numerous studies have shown that employment status and occupation are strongly associated with education: the level of education that a person has attained is the key factor which determines not only their employment status, but also the type of occupation and the income they will earn.

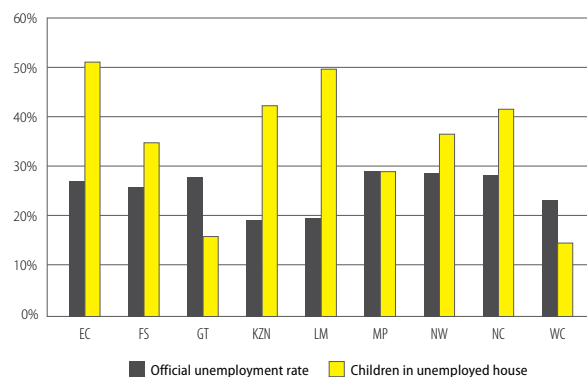
Despite a massive overhaul of the schooling system, starting with the amalgamation of the various apartheid-era edu-

Figure 4.1.5: Reported child hunger, 2002–2011



Source: Stats SA (2002–2011a), author's calculations

Figure 4.1.6: Comparison of official and child-centred unemployment rates by province



Source: Stats SA (2011a), author's calculations; Stats SA (2011b)

Table 4.1.3: Child poverty and employment status of the household

	No employed adults	At least one employed adult	Total
Non-poor	473 764 7%	7 266 796 60%	7 740 560 41.75%
Poor	6 039 522 93%	4 761 266 40%	10 800 788 58.25%
Total	6 513 286 35%	12 028 061 65%	18 541 347 100%

Source: Stats SA (2011a), author's calculations



In the context of high unemployment rates, social assistance (in the form of grants) is an essential form of poverty alleviation.

cation departments into a single department, unequal levels of educational attainment continue to be transmitted across generations. Therefore, educational attainment is ‘inherited’ to a certain extent. Comparisons of education levels over three successive generations show that, contrary to what might be expected, the intergenerational persistence of educational attainment is even more pronounced between the second and third generations (parent–child) than between the first and second generations (grandparent–parent) (Burns & Keswell 2011). This implies that the effects of better schooling will be compounded over multiple generations; there will be no silver bullet in a single generation. This increases the urgency to address failings in the education system.

While much emphasis has been placed on the need to improve education provision in schools, research in the area of neuroscience suggests that learning starts long before children reach school. The early years are a critical period for cognitive development, which sets the scene for later learning (see, for example, Grantham-McGregor et al. 2007; Walker et al. 2007). In South Africa, inequalities in learning ability are already evident in the foundation phase (Grade 1–3) and continue throughout the education system. In this way, education becomes part of the poverty trap (Van der Berg et al. 2011).

The role of social grants in reducing child poverty

Social security can take the form of social insurance or social assistance. Social insurance includes unemployment insurance, maternity benefits, pensions and other contributory schemes for people who are employed. In the context of high unemployment rates, social assistance (in the form of grants) is an essential form of poverty alleviation. It is generally used for people who fall outside the labour market because they are too young, too old or too disabled to work.

Social grants are a major contributor to the reduction of child poverty. By the end of September 2012, over 16 million grants were disbursed each month. Twelve million of these were grants for children (see Table 4.1.4).

The largest grant, in terms of numeric reach, is the Child Support Grant (CSG). It was introduced in 1998 with the explicit intention of alleviating child poverty – although it did not, at that time, carry the weighty objective of bringing about significant improvements in human capital. The CSG is a monthly cash grant paid to the primary caregiver (though not necessarily the mother) of the child. Initially targeted at children aged six years and under, the age threshold was

Table 4.1.4: Total number of social grants, 30 September 2012

Type of grant	Value in 2012	Grants to adults	Grants to children
Old Age Grant	R1 200	2 811 380	
War Veteran’s Grant	R1 200	641	
Disability Grant	R1 200	1 187 457	
Grant in Aid	R270	69 965	
Care Dependency Grant	R1 200		118 469
Foster Child Grant	R770		585 699
Child Support Grant	R270		11 306 024
Total		4 069 443	12 010 192

Source: SASSA (2012)

gradually raised through a series of phased extensions from 2003 onwards, and by 2012 the grant was available to children up to the age of 18. Changes to the means test have also served to expand the reach of the grant to include the originally envisaged 'poor' population, following a period in which a static income threshold effectively contracted eligibility. In addition to the expansion of the grant through revisions to the eligibility criteria, the simplicity and efficiency of the administrative system has made the grant an unparalleled success in terms of the sheer scale of its reach, including to large numbers of poor households in the most remote parts of the country.

Figure 4.1.7 illustrates the rapid expansion of the three social grants for children, with the CSG dwarfing the other two.

Several targeting challenges remain – including barriers around early access to the CSG (uptake rates are considerably lower for children under two than for older groups), and relatively low uptake amongst teenagers (a remnant of the previous age cut-offs). Perhaps the biggest consideration regarding the CSG is the question of its value.

The Foster Child Grant is designed to provide income support for the parents of children in court-ordered foster care as a result of abuse or neglect, although it has increasingly been used to support orphaned children in the care of relatives. The value of this grant was R770 per month in 2012.

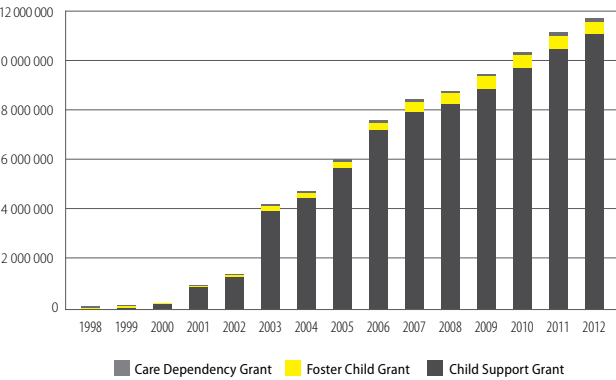
The Care Dependency Grant is available to caregivers of children up to the age of 18 who have severe mental or physical disabilities for which they need 'permanent home care'. The value of this grant is linked to its adult equivalent, the disability grant, and the Old Age Grant: R1 200 in 2012.

When it was introduced, the CSG had a cash value of R100. This has gradually increased over the years, more-or-less in line with inflation, and now stands at R270 per month. The CSG is, thus, substantially smaller than the other grants. As a result, the CSG, which is the only grant that is explicitly designed to alleviate child poverty, has had only a marginal impact on child poverty rates, as shown in Table 4.1.5.

The first column shows the child poverty headcount rate when including all income and grants to the household. The second column shows child poverty rates in the absence of the CSG, by deducting the CSG amount from the income of all households that report receiving it. At the higher poverty lines, the picture hardly changes at all: using the upper bound, the child poverty rate of 80 per cent when including the CSG would rise to 81 per cent if the CSG were taken away. It is only at the lower poverty lines that the CSG starts to make a noticeable difference to income poverty rates. Using the ultra-low dollar-a-day line, the child poverty rate would rise from 17 per cent to 26 per cent in the absence of the CSG.

Children do not benefit from child grants alone. Old age grants, in particular, have been shown to benefit children if they live with grandparents who are over 60 and receive the pension. If all grants (including the Old Age Pension and Disability Grant) were taken away, then 52 per cent of children

Figure 4.1.7: Grants for children, 1998–2012



Source: SASSA Social Pension System reports

Table 4.1.5: The impact of existing social grants on child poverty, 2008

Poverty line	Child poverty headcount rate based on		
	all household income	household income minus CSG	household income minus all social grants
Hoogeveen and Özler upper bound (R949)	80%	81%	93%
Hoogeveen and Özler lower bound (R515)	67%	69%	86%
\$2/day (R260)	40%	47%	70%
\$1/day (R130)	17%	26%	52%

Source: Reproduced from Hall and Wright (2010), based on analysis of NIDS 2008



The CSG, which is the only grant that is explicitly designed to alleviate child poverty, has had only a marginal impact on child poverty rates.

would fall below the dollar-a-day poverty, and 93 per cent would be defined as poor when using the upper bound. Although they are not generally targeted at children, it is the bigger grants that make a real difference to income poverty rates.

Grants are part of a basket of goods for children; beneficiaries of child support grants are automatically entitled to school fee exemptions at fee-paying schools, and to free health care.

Several researchers have found that receiving a Child Support Grant increases the chances that a child will attend school, and that it is associated with improved educational outcomes. The Child Support Grant has also been shown to have a positive impact on nutrition, growth and hunger (see, for example, Case, Hosegood & Lund 2001; Agüero et al. 2007). Studies conducted using the KwaZulu-Natal Income Dynamics Study (KIDS) by Woolard, Carter & Agüero (2005) found that receipt of the CSG for two-thirds of the period of a child's life before the age of 26 months resulted in a significant gain in height, an important indicator of nutritional status. This study also showed the importance of making grants accessible as soon as possible after a child's birth in order to be able to use this window of nutritional opportunity.

Grant effects on intergenerational poverty, via impacts on human capital development, may be greater than the immediate effects on income poverty rates. These human development outcomes are important because it is through better nutrition, health and education that patterns of intergenerational poverty and inequality may start to change.

Recommendations

The South African Constitution is regarded as one of the most progressive in the world. Transformative by nature, it holds the vision of a society in which everyone enjoys their right to social dignity, freedom and equality. The rights framework is not simply about protecting rights-bearers from infringements of their rights. Rather, a proactive approach is required to correct historical imbalances and achieve the vision of an equal society. This has to start with children.

Long-term poverty reduction will require the development of meaningful employment opportunities, with decent wages, together with improved quality of education.

In the meantime, while unemployment rates remain high and earnings are low, social grants play a crucial role in that

they buffer households (and children) against the worst effects of poverty. However, the role of poverty alleviation grants targeted at children (the CSG) is effectively that of a safety net. Child grants do not substantially reduce the rate of child poverty, except at the very lowest levels. Adult grants (mainly old age pensions) do a better job of reducing child poverty even though they are not meant for children. Even in combination, the 16 million grants paid each month have not been able to reduce inequality. They have simply mitigated rising inequality. This suggests a need to consider both the size of social assistance benefits, and the individuals or households at which they are targeted.

Alongside an urgent need to improve teaching and learning in schools, there is a need to focus on investments in early childhood in order to establish a healthy base for life-long learning.

Just as rights are interdependent, so are children's needs. A child cannot realise her right to education if she is in poor health. Health, in turn, may be adversely affected by poor nutrition, lack of access to clean water and inadequate sanitation. We need to address the relationship between poor living environments and child health outcomes. A good start is to get basic services ('upstream factors') right in order to reduce some of the most common childhood diseases. The most extreme effects of poverty can be seen in high child mortality rates. These could be reduced simply by ensuring that all children have access to adequate water and sanitation, that they have access to functional health services and are properly immunised, and that paediatric ARV programmes are available to all HIV-infected children.

There are some very practical things that could support poverty alleviation. Basic infrastructure is essential for the delivery of services. Many remote areas remain physically isolated, without easy road access. Poorly graded primary roads can become impassable in the rainy season, preventing mobile clinics, teachers and emergency services from reaching villages, and simultaneously cutting the population off from public transport that would enable them to access healthcare, schools and government offices where they might apply for birth certificates, identity documents and social grants.

Seen from this perspective, infrastructure and service deficits do not amount only to economic gains being forfeited in the present; they also have wider repercussions for the country's future in terms of the postponed social costs related to weak education and poor health.

EARLY CHILDHOOD EDUCATION: THE DIFFERENCE BETWEEN POLICY AND REALITY

Eric Atmore, Lauren van Niekerk and Michaela Ashley-Cooper

Introduction

The importance of early childhood development (ECD) has taken traction globally, with vocal proponents ranging from US President, Barack Obama, to Columbian pop star, Shakira. Globally, ECD is being regarded now as a critical ingredient for strategies that seek to reduce poverty and inequality. In South Africa, political leaders agree.

At the ANC 8 January 2008 conference, newly elected ANC president, Jacob Zuma, said: 'During the course of this year, we need to further enhance our efforts to improve the conditions of children and youth in poverty [and] the development of a comprehensive strategy on early childhood development' (Zuma 2008).

Prior to Zuma's commitment, former president, Thabo Mbeki, in his State of the Nation address on 8 February 2008, identified ECD as one of the 21 'apex priorities', saying that the government would 'massively speed up implementation of ECD programmes, expand the number of trained staff and double the number of sites and child beneficiaries by end-2009' (Mbeki 2008).

During this time, the importance of ECD was also underscored by Mbeki's finance minister, Trevor Manuel, in his budget speech on 20 February 2008, when he noted that 'social development programmes such as early childhood development, the expansion of Grade R enrolment...for which funds are allocated to provinces, are labour intensive and contribute strongly to social cohesion in poor communities' (Manuel 2008).

Despite these commitments, the then education minister, Naledi Pandor, introduced some reality to the debate when she said in her 2008 budget vote that, for the government, ECD is 'an area of frustration due to the slow pace of progress in extending full and adequate ECD to all children' (Pandor 2008).

More recently, in March 2012, Department of Social Development minister, Bathabile Dlamini hosted a national ECD conference with the theme *Tshwaragano Ka Bana* (Working

Together for Children), where she said that 'we always see communities protest over unemployment and lack of infrastructure, but never over children's rights to early development programmes. This is something we as a country must start to prioritise' (Dlamini 2012). She further stated in her keynote address to this conference that 'our provision of early childhood development services must be integrated to deal with structural effects of the apartheid education system'.

The importance of ECD

Poverty and inequality impact negatively on millions of people in urban and rural communities in South Africa. This has a particularly devastating effect on children, and their families, since it deprives them of their socio-economic rights and results in inadequate access to health care, education, social services and nutrition.

The provision of quality ECD can play a critical role in overcoming the effects of poverty on young children and their families. International research indicates that the early years are critical for development, leading to higher levels of social, emotional, cognitive and physical well-being in young children. These, in turn, translate into significant social and economic benefits to the country.

Recent studies have shown that focused expenditure on ECD programmes yields an 'extraordinary return, far exceeding the return on most investments' (Heckman 2008; see also Rolnick & Grunewald 2003). Investment in ECD has economic spin-offs, not only in terms of those beneficiaries being educated, but also for the ECD workforce being trained and supported. Generally, children from low-resource environments who have not participated in a quality ECD programme cannot regain the opportunities for development they have missed out on. It is, therefore, critical to introduce these programmes at an early stage.

A comprehensive range of ECD interventions, beginning in



Generally, children from low-resource environments who have not participated in a quality ECD programme cannot regain the opportunities for development they have missed out on.

pregnancy and lasting until the child enters formal schooling, produces the best results. The optimal approach to ECD provision, thus, includes prenatal support to mothers (including nutritional support), support and protection for families and parents, childcare and early cognitive stimulation for children, and preparation for children entering into formal schooling. In addition, these early years are recognised as the appropriate phase for young children to acquire the values, behaviour and attitudes, which are important for the building of a peaceful, prosperous and democratic society.

ECD provision in South Africa

South Africa has made notable progress since April 1994 as far as the position of children is concerned. The government has implemented a number of initiatives related to the well-being of children of which some have been successful, and others less so. The successful ones include: free medical and health-care services for pregnant women and for children from birth to 6 years of age; the establishment of a directorate for ECD within the then national Department of Education; the establishment of a children's section within the national Department of Social Development; the introduction of a Grade R system for children aged 5 years turning 6 years; and a nationwide ECD audit surveying ECD sites, which was completed in 2000. Furthermore: provincial social development departments have made subsidies available for ECD sites; the provincial education departments make Grade R grants-in-aid available; and 10.5 million children now receive the Child Support Grant each month.

The 2000 ECD audit found 23 482 ECD sites across South Africa with 1 030 473 children (16 per cent of the 0–6 age cohort) enrolled in them (see DoE 2001a). Of these children, 21 per cent were 5–6 year olds, 15 per cent were 3–5 year olds and only 5.0 per cent were under the age of 3 years. However, only 11 420 (53 per cent) of these sites had electricity, water and toilets; and 1 669 (8.0 per cent) had neither electricity, nor water nor toilets. Forty per cent of ECD services were located in rural areas and 60 per cent in urban areas. Only 1.36 per cent of disabled children were under ECD supervision. Access to ECD services was lower than the national average in the three provinces with the greatest number of poor children – Limpopo, Eastern Cape and KwaZulu-Natal. Quality was poorest at ECD sites catering predominantly for black African learners. The audit showed that of the 54 503 educators/practitioners working with children at ECD sites, 88 per cent required additional training

of some kind (with 23 per cent having no training at all), and a mere 12 per cent were fully qualified.

More recent statistics, from March 2012, show that 836 000 children were in 19 500 registered ECD centres nationwide, with 488 000 (58 per cent) of these receiving the ECD subsidy from the provincial Department of Social Development (Dlamini 2012); and by September 2012, 767 865 children were enrolled in a Grade R class (DBE 2012).

From the above statistics, it is clear that the leading challenge in ECD is to increase access to ECD programmes and to improve the quality of these programmes.

Policy initiatives since 1994

Since 1994, South Africa has put in place policies and legislation intended to prioritise ECD as a critical component in the country's overall social development. The South African government has signed a number of international and regional agreements, such as the African Charter on the Rights and Welfare of the Child, and the International Convention on the Rights of the Child, and has committed itself to meeting the aims of Education for All, and the Millennium Development Goals.

The government has committed itself to uphold the rights of children through the South African Constitution, and by introducing national legislation, policies and programmes, including the Children's Act 38 of 2005, Education White Paper 5, the National Integrated Plan for ECD, and the National Development Plan.

The Education White Paper 5 of 2001 on early childhood development sets out national policy on ECD and prioritises a reception year (Grade R) in South Africa. It adopts a poverty-targeted approach, and lists important areas to focus on, including: the extent to which ECD is provided in South Africa; the phasing in of a compulsory Grade R year for eligible children by the year 2010; the high level of inequality that exists in the provisioning of and access to ECD services and facilities; and the high degree of variance in terms of the quality of ECD services provided (TAU 2008).

The government's target in Education White Paper 5 was that by the year 2010, 945 000 of all 5-year-old children would have access to a Grade R year prior to entering Grade 1. Of these, 810 000 (85 per cent) would be in public schools and 135 000 (15 per cent) would be in independent schools and community-based schools. From figures released in various editions of *Statistics at a Glance*, and *School Realities* (see Table 4.2.1), it is clear that the Grade R provision target was

not reached by 2010, and President Zuma extended the target date to 2014. At the present take-up rate (see Table 4.2.1), it will take at least until 2018 to reach the government's target of a place in Grade R for every child before entering Grade 1.

Grade R funding is calculated according to norms and standards that were published by the Department of Education in 2006 and amended in 2008. Government expenditure on Grade R from 2006/7 to 2010/11 is shown in Table 4.2.2.

For children aged 0–4 years, Education White Paper 5 is particularly vague, mentioning only 'the development of a strategic plan for the inter-sectoral collaboration focusing on the quality of learning programmes' (DoE 2001b).

The National Integrated Plan (NIP) for ECD is the government's response to early childhood development programmes for children from birth to 4 years of age in South Africa, and calls for an integrated approach to ECD. The plan includes home-based, community-based and centre-based provision, as well as services in informal ECD settings, prisons, places of safety and youth centres. The NIP is comprehensive, but does not spell out its financial implications. Although the NIP is a strategic plan it has been interpreted as ECD policy in South Africa.

The National Development Plan and ECD

The National Planning Commission (NPC), through the National Development Plan (NDP) has acknowledged ECD as having a critical role to play in achieving socio-economic success in South Africa, and has recommended two years of universal ECD provision for children prior to Grade 1. Through 'direct and immediate measures to attack poverty' the NDP aims

'to reduce the acute effects of poverty of millions of South Africans over the short term' (NPC 2012). The plan proposes the introduction of a nutrition programme for pregnant woman and young children, and the extension of early childhood development services for children under 5 years of age. It sets specific objectives, of which the following relate to ECD:

- » ECD should be a top priority among the measures to improve the quality of education and long-term prospects of future generations;
- » dedicated resources should be channelled towards ensuring that all children are well cared for from an early age and receive appropriate emotional, cognitive and physical development stimulation; and
- » all children should have at least two years of pre-school education. (NPC 2012: 69)

In order to achieve this, the NDP has set out a number of actions that need to be implemented. These are:

- » to design and implement a nutrition programme for pregnant woman and young children, followed by a children development and care programme for all children under the age of 3 years;
- » to increase state funding and support to ensure universal access to two years of ECD exposure before Grade 1; and
- » to strengthen co-ordination between departments, as well as the private and non-profit sectors (the focus should be on routine, day-to-day co-ordination between units of departments that do similar work). (NPC 2012: 70)

Table 4.2.1: Grade R enrolment, 2000–2012

Year	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	North West	Northern Cape	Western Cape	Total
2012	158 363	30 639	95 374	189 169	117 950	59 202	44 489	15 036	57 643	767 865
2011	157 184	28 627	86 240	181 585	117 279	56 726	44 937	13 153	50 923	734 654
2010	164 803	27 209	76 460	175 541	113 432	51 758	42 010	12 387	43 603	707 203
2009	154 514	23 767	64 935	154 666	97 570	46 194	30 174	11 508	36 895	620 223
2008	133 249	23 699	54 979	124 742	98 963	40 671	22 294	9 575	30 627	543 799
2007	112 889	22 429	49 931	118 884	93 030	34 962	16 143	8 423	30 834	487 525
2006	96 384	20 072	47 314	92 948	102 969	25 734	15 311	7 259	33 650	441 641
2005	105 231	18 449	41 073	79 276	98 273	14 171	9 727	6 598	32 389	405 197
2004	75 571	16 482	34 690	73 098	89 725	23 695	5 625	5 875	31 726	356 487
2003	46 371	16 323	31 666	75 996	89 790	13 884	4 325	5 500	31 532	315 387
2002	23 562	17 220	28 189	72 312	90 332	12 148	3 142	3 744	28 077	278 726
2001	18 873	16 002	23 920	73 993	84 243	5 803	3 176	4 042	11 473	241 525
2000	19 555	15 025	21 368	66 031	75 219	10 922	3 193	3 972	11 346	226 631

Source: DoE (2002–2006b); DoE (2006a–2009); DBE (2010–2012)

Table 4.2.2: Government Grade R expenditure, 2006/7–2010/11

	2006/7 R'000	2007/8 R'000	2008/9 R'000	2009/10 R'000	2010/11 R'000
Eastern Cape	64 346	91 513	274 397	395 539	539 922
Free State	49 632	56 338	70 324	77 337	81 727
Gauteng	79 000	152 739	214 571	310 146	583 746
KwaZulu- Natal	102 658	167 736	208 234	336 202	608 363
Limpopo	68 868	63 935	155 759	228 615	445 775
Mpumalanga	41 827	64 211	91 551	143 375	243 195
North West	151 510	146 512	164 165	210 088	302 866
Northern Cape	18 141	24 692	57 251	73 350	115 264
Western Cape	107 397	164 804	226 792	274 011	320 922
National	683 379	932 480	1 463 044	2 048 663	3 241 780

Source: DoE (2008); Wildeman (2008); Wildeman & Lefko-Everett (2008) (from provincial budget statements)

The NDP is unambiguous about its commitment to ECD and its importance for reducing poverty and inequality. However, the plan's actual aims are confusing, as the terminology and phrasing that is used differs from section to section.

The plan starts with an overview in which the aims with regard to ECD are summarised. It states that the aim is to ensure 'universal access to two years of early childhood development' (NPC 2012: 30), 'at least two years of preschool education' (NPC 2012: 34) and 'two years of early childhood development exposure before grade 1' (NPC 2012: 70). The NDP uses 'early childhood development', 'preschool education' and 'early childhood development exposure' interchangeably, and in some cases speaks of 'exposure to' ECD, while in others of ensuring 'universal access' to ECD. These various phrases and terminologies are in reality very different, and create confusion as to what the NPC actually aims to achieve.

However, in Chapter Nine, under the section heading 'Early Childhood Development', the NDP states that 'universal access to quality early childhood development for children aged 0–3 must be made available, (NPC 2012: 300) and, thereafter, that it aims to 'make 2 years of quality preschool enrolment for 4 and 5 year olds compulsory before Grade 1' (NPC 2012: 300). Although this provides much needed clarity in terms of the specific programming the NDP proposes, an issue arises with the statement regarding the extension of Grade R by an additional year. By making these two years compulsory, this means that the two years of 'universal access to early childhood development' that the NDP initially proposes and focuses on is seemingly meaningless, as it actually proposes more than two years of universal access to ECD in the more detailed plans (Richter et al. 2012).

The implementation of the proposed objective of making two years of preschool enrolment compulsory, extending Grade R to include an additional year servicing 4 and 5 year olds, would result in several challenges. To extend Grade R in this way, an additional 33 000 classrooms would need to be built by 2030. At a modest estimate of R400 000 to construct and equip a Grade R classroom, it would cost the government R13.2 billion.

Over and above this, 33 000 teachers would need to be recruited and trained. Should these teachers earn a salary of R5 000 per month, the government would need to make provision for an additional R2 billion for teacher's salaries per year.

Making ECD opportunities a reality for South African children

In making ECD a reality for our children, several challenges emerge which need to be overcome if we are to ensure that young children have their constitutional, social, educational and economic rights met. The main challenges are: political will, systemic challenges and implementation challenges.

Political will

Notwithstanding the various endorsements by senior politicians and government officials, and the many ECD summits and conferences that have been held, there is clearly limited political will to prioritise ECD in South Africa. Political will implies active political authority to enforce its full implementation with sufficient financial resources to meet the needs of children and their families. In South Africa, we have the innovation and capacity to provide ECD, but the government

seems to lack the motivation to bring it about. Signing conventions and introducing legislation and high profile but short-lived programmes is not sufficient.

Systemic challenges

Several systemic challenges are evident in connection with ECD. These impact significantly on implementation and, no doubt, would also affect the plans in the NDP negatively.

Co-ordination across government departments and sectors

Although comprehensive ECD is accepted as a critical cog in the improvement of educational outcomes, government departments responsible for ECD work in isolation, resulting in substantial gaps in provision. There is an absence of government leadership in ECD, with no department significantly championing it. There is also limited co-ordination on norms and standards, monitoring and evaluating, programme delivery, quality assurance and accountability.

Model of delivery

The government lacks a clearly developed and articulated model for the delivery of ECD services for centre-based, home-based and community-based programmes. No model is in place that encompasses a broad range of interventions, offering a comprehensive package of ECD services. These do exist in small pockets across a range of communities, initiated by innovative non-profit providers. However, the government has not examined these, nor has it taken the many lessons learned on board.

Funding

ECD services, whether they are community-based, home-based, or centre-based, are inadequately funded, if they are funded at all. Generally, the government does not fund infrastructure costs or start-up costs for the establishment of ECD centres and programmes, with the result that in many isolated areas no ECD centres or programmes exist. There is yet to be an appropriately designed and implemented model for funding of ECD services. Lessons learnt from the roll-out of Grade R provisioning demonstrate the need for a funding model for all ECD services that is 'government-driven and pro-equity' (Richter et al. 2012). The NDP acknowledges that children of different age groups require different interventions, with children from birth to 3 years of age being 'best served through home- and community-based programmes that focus on working with families' (NPC 2012: 300), whereas children in the 4–5 age cohort 'benefit from more structured learning in group programmes' (NPC 2012: 300).

Inequality in the access to benefits

The government's current focus and funding model for ECD prioritises service provision for children from 3 years and older, and favours centre-based provision. This means that the most vulnerable of children are not reached, especially

those living in areas with few resources (typically, in sparse rural areas), and those with disabilities. If the government is to provide universal access to ECD, the most significant interventions should be targeted at the most vulnerable children.

The absence of sanctions to enforce provision

The government's policy priority and the NDP's ECD objectives do not impose an obligation on any level of government to ensure ECD provision for children from birth to 3 years of age; they merely commit the government to providing access to ECD services. This is vague and meaningless. With regard to children aged 4 and 5 years, the NDP proposes two years of compulsory preschool enrolment before Grade 1. Unlike the more general goal of providing *universal access* to ECD for younger children, the NDP promises two years of preschool programming which is *compulsory*, obliging the government to provide centre-based provision for all children in the 4–5 age cohort. In order to achieve compulsory provision, the state will have to mobilise substantial financial resources towards this end.

Lack of capacity to achieve objectives

There is a significant lack of capacity in national, provincial and local government, as well as in the other sectors involved in ECD, such as the NPO sector and higher education institutions. To achieve the vision of quality universal access to ECD, South Africa is going to need a substantial increase in human resource capacity in the ECD sector.

Implementation challenges

The absence of an implementation agenda

The NDP provides an overarching goal of reducing inequality and eradicating poverty, and sees ECD as part of a strategy for achieving this by 2030. Despite the commendable vision for the future of our country, the NDP does not provide any form of implementation plan for achieving its objectives. An explicit plan and costing, which specifically states the obligations, commitments and targets of the government, is required.

Home-based care system

The vast majority of children in the youngest age group (0–2 years of age) are not in ECD centres but in home-based care with child-minders that have no training and are unregistered; they are part of the system, but without a funding framework (Richter et al. 2012).

Inadequate human resource capacity

The dearth of quality ECD teachers in South Africa poses major problems in implementing ECD programmes and Grade R. South Africa is in need of ECD teachers who are well trained and have the knowledge and skills to educate children effectively. To ensure quality Grade R plus an additional year for 4 and 5 year olds, it is crucial that the processes for employing



It is essential that education equipment, materials, resources and infrastructure are provided so as to improve programme quality and delivery.

ECD teachers are examined so that posts are filled with people who are competent and skilled.

Teacher-child ratios

The government set a target of providing 945 000 learners with access to Grade R by 2010. With a teacher to child ratio of 1:30, a total of 31 500 Grade R teachers is required. Presently, the country produces fewer than 1 000 trained ECD teachers per year. In implementing two years of compulsory provision of ECD programming prior to Grade 1 for children in South Africa, it is essential that sufficient numbers of teachers are appropriately trained.

Teacher qualifications and conditions of service

A major gap in ECD provisioning is the absence of a comprehensive national strategy for the training of Grade R and ECD teachers. Different training programmes are conducted across the country by various institutions and organisations. It is of concern that there is no government strategy for the development of ECD and Grade R teachers (TAU 2008). Worryingly, too, there is no clear policy stating the qualification requirements of ECD and Grade R teachers. The norms and standards are structured in such a way that Grade R teacher salaries differ substantially from others in the schooling system. It is important that the level of teacher salaries is looked at and made uniform, as it has a negative effect on attracting and retaining Grade R and ECD teachers.

Variations in provincial budgets and per capita spending

There are variations in the funding of Grade R and ECD between provinces. Whereas the Western Cape and North West provinces provide a subsidy of R12 per child per day, the Eastern Cape provides an amount of R15 per child per day. This is because the Western Cape, for example, provides a smaller per capita amount but supports as many ECD centres as possible, whereas those provinces that provide a larger amount support fewer ECD centres but at a higher rate.

Registration costs and processes

Not all ECD centres are registered, and even fewer receive the per capita ECD subsidy. While registration is free, meeting the minimum standards can be costly and beyond the means of poor communities. Applications can take years to process, and as the government does not fund start-up costs or infrastructure upgrades, many centres cannot meet the minimum standards for registration. If two years of preschool enrolment

becomes compulsory, the government will have to provide a means for ECD centres to be constructed and for other ECD sites to be upgraded to meet the minimum standards and become registered.

Equipment, materials, resources and physical infrastructure

Quality ECD programming requires specific, age-appropriate educational equipment, materials and resources. It is clear from various provincial reports that quality educational materials and learning resources for children are not available and accessible in their home language. A further challenge experienced is the slow procurement processes. This has a negative impact on a number of areas including infrastructure, provision of equipment, and support (TAU 2008). It is essential that education equipment, materials, resources and infrastructure are provided so as to improve programme quality and delivery.

Recommendations going forward

In order to achieve the NDP vision and outcomes, a number of immediate actions are required. These include the following.

The mobilisation of political will

Notwithstanding the progress that the government has made to date, there must be more political will to provide ECD programmes. Commitment must go beyond lip service. ECD must be made a political priority, and financial resources must be made available to implement policies and programmes.

The crafting of targeted ECD legislation

To show the political will and ensure that plans are implemented, South Africa needs clear and unambiguous legislation on ECD programmes and services. Vague clauses in the Children's Act are inadequate. ECD must be legislated for, as in the United States of America, with *Head Start* and *No Child Left Behind*, and as in the United Kingdom, with *Sure Start*.

A substantial increase in funding

Clearly the budget allocations for Grade R and ECD are hopelessly inadequate. At between just 1.0 and 2.0 per cent of the education budget, the allocation for Grade R alone needs to increase at least four-fold immediately. The same should be the case for the Department of Social Development ECD budget. Again, these steps require determination and political will.

Increase in provision rates and ECD programme quality

To ensure that children have their rights met, South Africa urgently needs to increase access to ECD and Grade R and to improve the quality of ECD and Grade R.

Establishment of minimum training qualifications for ECD teachers

Even if universal access to ECD is achieved, there is no way to ensure that its provision is of a high standard, as there are no legislated minimum qualification standards for ECD and Grade R teachers. South Africa, therefore, needs to establish minimum and explicit training qualifications for these teachers, so that each child's right to a quality education is upheld.

Respect for ECD and Grade R teachers

Recognition needs to be given to the work done by ECD and Grade R teachers. It is critical to the future of ECD that those providing it should not feel exploited. No longer should they be paid salaries as low as R200 per month and denied decent conditions of service, such as medical aid and pension, adequate leave provision, protection against unfair dismissal and all the other rights enjoyed by teachers in formal schooling. One way to achieve this is to employ Grade R teachers (and possibly teachers of 4 and 5 year olds) in provincial education departments, and put them on the provincial education department payroll.

Increase in the competencies of government ECD officials

The skills of officials in the national and provincial departments of social development, education and health, as well as local authorities, must be improved. A proper administrative foundation should underpin a developmental state that cares for its youngest and most vulnerable citizens.

Co-operation with the non-profit sector

The government must seek closer co-operation with the ECD non-profit sector and communities which have vast knowledge, skills and experience in this field. The non-profit sector can add immense value to such programmes.

A realistic and effective ECD implementation plan and costing

A long-term ECD plan must be developed by the government, one that clearly sets out the steps it will take to ensure that universal access to ECD for children 3 years old or younger, and an additional year for the 4–5 age group, becomes a reality. It also needs to be costed so that the National Treasury can make fiscal provision for the plan to be implemented over time.

A national, integrated monitoring and evaluation system

To ensure effective implementation of the ECD goals set out in the NDP, a national, integrated monitoring and evaluation system needs to be put in place. This system would hold the government and all ECD service providers accountable in the implementation of ECD service provision, as well as provide a system for continuous review of progress, targets reached and appropriateness of modes of delivery, and ensure that the ECD services provided are of a high quality.

Conclusion

South Africa has made some progress in meeting the rights and needs of young children, but so much more needs to be done. Eighteen years after the historic democratic elections, we still fail our youngest children and their families in many respects. Millions of young children continue to be denied access to quality ECD programmes and services. Given the immense social, educational and economic benefits of quality ECD opportunities it is imperative that every child has such an opportunity. This is an opportunity that could determine not only the destiny of a child, but also that of a nation.

Millions of young children continue to be denied access to quality ECD programmes and services.



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JUST GIVE THEM THE MONEY? BUILDING YOUTH ASSETS AS AN OPTION TO ENHANCE YOUTH OUTCOMES

Lauren Graham

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Introduction

The many challenges facing South Africa's youth have received broad coverage during 2012, both in the media and in policy debates. In labour market debates, the youth wage subsidy – tabled by the ANC, supported by the DA, criticised by COSATU and now awaiting pronouncement by NEDLAC – has elicited most comment. Although a little belated, this attention that youth unemployment has been receiving is encouraging. Concern must be raised, however, over the way in which this particular debate has evolved, particularly in relation to the challenges that young people face and how they need to be supported in making the transition to employment or sustainable livelihoods.

In this article, a brief picture of the challenges facing young people is sketched. In doing so, a critical argument is made – that societal inequalities are perpetuated at the vital life phase of transitioning out of school, and that intervening at this point in a young person's life not only offers an opportunity to change its course, but also provides a leverage point at which to address inequalities. An intervention that may be particularly effective in breaking this inequality cycle is (borrowing from Hanlon, Barrientos & Hulme 2010) to just give money to the young. While the concept of just giving money to anyone, particularly those of a working age, may sound heretical to the establishment, it is argued in this article that once we make a mental shift towards both valuing young people and considering the benefits of cash transfers, we may be able to see the potential of such an intervention in South Africa.

The first part of the article depicts the situation facing many young South Africans and links this discussion with an analysis of data from the first wave of the National Income Dynamics Study (NIDS), demonstrating the relationship between inherited inequality and life chances for young people. In the second part, the case for cash transfers is briefly outlined before considering what 'just giving money to the young' might entail. Results from randomised control trials evaluating youth cash transfer schemes in other parts of Africa are provided before the article concludes with a consideration of the potential for building material assets for youth in South Africa.

Being young in South Africa

Each year, just over 1.1 million children enter the education system in Grade 1 (DBE 2010). Yet, it is also evident that almost half of these learners do not reach their matriculation year. While drop-out rates up to Grade 9 are low (cumulative percentage of 13 per cent across the grades to Grade 8 for 2007–2008), from Grade 9 onwards the percentage of learners dropping out of the system is 6.5 per cent, 11.5 per cent and 11.8 per cent for Grades 9, 10 and 11 respectively (DBE 2010). Thus, by Grade 12 around 40 per cent of learners have left the education system. These figures, in fact, may be under-reporting the issue. Others claim that the drop-out rates are much higher. Mamphela Ramphele states that in 2011 just over half of the cohort that should have matriculated had dropped out prior to reaching matric (*Mail & Guardian* 23.02.12); and Badat (2009) claims that just over 25 per cent of the original cohort reach matric each year. This means that annually between 400 000 and 750 000 learners leave school without a matriculation certificate. Some may go on to gain a further education and training certificate, but given the challenges in this sector these numbers are small (Perold, Cloete & Papier 2012).

Moreover, most young people exiting the further education and training band in the school system are ill equipped to enter the labour market (DoL 2011; Lam, Leibbrandt & Mlatsheni 2008). Not only do they fall short on the hard work skills required by employers, they also lack the skills necessary to search for jobs and plan a career. Skills and capabilities are an essential requirement for young people to transition to the workplace (Brewer 2004), to move into entrepreneurship, and to create livelihoods for themselves if they are unable to find work. Thus, from a demographic dividend perspective, we are unlikely to reap the rewards of our 'youth bulge' due to inadequate investment in education and learner retention.

On the other side of the equation is unemployment. South Africa's current narrow unemployment rate for the economically active population stands at 25.5 per cent (Stats SA 2012), but young people are disproportionately affected in this group of unemployed people. For the youth population (15–34 years), the unemployment rate is 70.9 per cent (National Treasury

2011), and if the ILO definition of youth (15–24 years) is used, this figure touches on 50 per cent.

Under challenging employment conditions, such as the present, many young people will typically defer employment in favour of extending their education. However, currently, less than an estimated 300 000–400 000 young people are engaged in further or higher education programmes in a given year (Sheppard & Sheppard 2012; Gibbon, Muller & Nel 2012). This means that post-school education options do little to soften the impact of such an unfavourable employment environment.

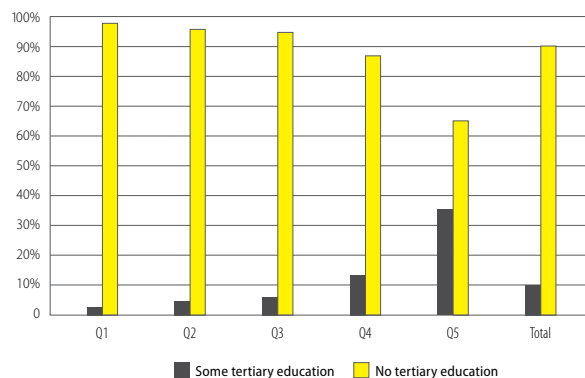
Given the prevailing circumstances, there is little chance of a dramatic improvement in the short to medium term, much needs to be done to reverse severe job losses over the past two to three years. There are no quick fixes. The weak capacity of the economy to create employment is structurally entrenched (Seidman-Makgetla 2010; Altman 2003), and because structural challenges require structural solutions, much time will have to pass before their benefits start to accumulate.

South Africa, therefore, is faced with a very large proportion of young people who are unskilled, unqualified and in most respects unemployable, searching for jobs in a market that cannot create enough jobs quickly enough for the general unemployed population. The structural solutions include an education system that promotes learner retention and ensures that young people leave school with skills, and a labour market regime that ensures job creation at a faster rate than the growth of the labour market. However, as indicated above, even if we implement the most optimal policies today, their results may be visible only in a number of years to come. Thus, the obvious question is: What can be done about the current generation of young people? Must we regard them as collateral damage? If not, what are the opportunities for dealing with the problem in the present? In answer, we need to understand what differentiates young people who do manage to make the transition into further education or employment from those who do not. It is to this that the article now turns.

Which young people do succeed?

While there are no doubt individual-level factors that shape whether a young person is able to access further or higher education and, thus, to have an increased chance of securing employment, household income seems to be significant. An analysis of the NIDS, focusing on young people between the ages of 16 and 35, demonstrates that the income of the household within which a young person lives strongly determines their ability to gain entrance to further and higher education. Figure 4.3.1 shows that when a young person's household falls within income quintiles 4 and 5, the chances of him or her entering tertiary education are significantly higher than those of an individual who resides in a household falling within income quintiles 1–3.

Figure 4.3.1: Access to tertiary education by income quintile



Note: A chi-square test was performed and a significant relationship was found to exist between household income quintile and access to some form of tertiary education $\chi^2(4, N = 7247) = 860.76$, $p < .001$



Far from breeding a population of lazy, dependent people, cash transfers offer access to vital financial assets that people are able to leverage for a range of other positive outcomes.

What this demonstrates is that access to financial assets, in the form of household income, does influence the ability of young people to enter tertiary education. We know, too, that access to tertiary education shapes the ability of individuals to gain employment and, in turn, to secure a higher income level. This suggests that income inequality experienced at the household level is a reliable predictor of the ability of young people to successfully move out of poverty. Therefore, young people who live in lower-income households are likely to remain in the lower-income quintiles throughout their lives, suggesting that inequality is perpetuated at this critical point of transition. If this is the case, we have to ask how these inequality cycles might be broken.

Considering financial assets: a case for cash transfers

It is clear that access to financial or material assets is one of the key determinants that enable certain young people to make the transition into further education or employment faster than others. No doubt, such access to assets is also linked with being aware of the cultural capital, social networks and information that facilitate easier entry to such opportunities, but the role of financial assets cannot be discounted. Qualitative research has highlighted the often unseen financial obstacles that young people face in accessing further education and employment. One such study of youth in a Gauteng informal settlement points to how lack of the smallest amounts of money to pay for the use of an internet café, to print documents and to post applications limits their ability to apply for positions in colleges and universities (Graham 2012). Should they clear these hurdles, such costs are tiny in comparison to the large application fees they are expected to pay with no guarantee of securing a position. The extent of reported household poverty means that borrowing the necessary money from family members who are also unemployed is very difficult, and certainly not possible should more than one application be required. Similarly, the road to accessing employment opportunities, even in the sectors that require very low-skilled labour, often involves the cost of taxi trips to labour brokers, the printing and faxing or posting of CVs and the like. Small amounts of money are certainly one of the assets necessary to break into the opportunities that otherwise seem so far away for so many young people. Against this backdrop, there seems to be a case to be made for a cash transfer to young people.

While popular discourse about cash transfers often suggests

that such mechanisms breed dependency and laziness, research repeatedly demonstrates the positive effects of this intervention. For instance, data on the child-support grant (CSG) demonstrates how it leads to better nutritional and educational outcomes for children (DSD, SASSA & UNICEF 2012), confirming earlier work done on the effects of the CSG (Delany et al. 2008). Other studies demonstrate the CSG's link with the empowerment of women, as well as the use of the grant for generating further income (Patel et al. 2012). Loeb et al. (2008) and Graham et al. (2010) demonstrate how the disability grant is a vital source of household income, helping not just the disabled person, but also their household members, to be food secure. Further afield, the link of cash transfers with other economic activity has been noted (Hanlon et al. 2010). The benefits of the basic income grant (BIG) piloted in Namibia are also well documented, and while questions have been raised about the evaluation of the programme, Kaufman (2010) suggests that there is still evidence that the grant has the potential to assist people out of poverty, particularly in countries where there is high income inequality. Clearly, far from breeding a population of lazy, dependent people, cash transfers offer access to vital financial assets that people are able to leverage for a range of other positive outcomes. While it may not mean that people fully escape poverty, it certainly does alleviate poverty, and in the case of cash transfers aimed at children, provides the possibility of meeting basic nutritional and health needs that are essential if such children are to be able to succeed in their education (Heckman 2008). So why is the question of cash transfers to young people still such a contentious issue?

Considering giving money to the young

Those opposing cash transfers to young people generally base their views on two popular, but erroneous, assumptions. The first relates to the role of social protection, and the second to the nature of young people. In terms of the former, social protection is considered in terms of the protection it offers to those members of the population unable to provide for themselves through employment. It is for this reason that the grants system in South Africa primarily targets those too young to work through the CSG, those too old to work, through the old-age pension, those who cannot work, due to the need to care for an ill or disabled child, through the care-dependency grant, and those who are unable to work due to disability, through the disability grant. Thus, social protection is intended to act as a safety net for those who cannot or

should not access the labour market. The problem with this view of social protection is that it is disconnected from the reality of high levels of structural unemployment, and particularly the very high levels of youth unemployment discussed above. Further, it ignores the potential of social protection measures to be viewed as assets that will assist people to escape poverty. Considering cash transfers to the young thus requires a shift in our assumptions about social protection to understand their potential to provide vital resources that are necessary for poverty alleviation and other outcomes.

In addition, the contention around cash transfers to the young may lie in views of young people that give them less credit than they are due. Often, young people are viewed as a 'ticking time bomb' (Medley et al. 2012) – as an unruly and uncontrollable group of people simply waiting to engage in violent behaviour should they not be able to access jobs. Such views are not confined to the media. Being party to policy discussions regarding youth also provides evidence of such a discourse in policy circles. Alternatively, young people are popularly viewed as being irresponsible – purposefully falling pregnant to qualify for the CSG, despite repeated evidence that debunks this notion (Makiwane & Udjo 2006; Devereaux & Lund 2010). Spending money on young people in the form of a cash transfer is, therefore, likely to be viewed as a high-risk venture. Will young people not simply spend the money in the local taverns or on clothes and cell phones? Will it not create perverse incentives?

Such views of young people suggest a disconnect between those writing about and thinking about young people, and the actual lived reality of young South Africans. Data from an ethnographic study of young people in Gauteng demonstrates that, in fact, young people may use the money wisely. Some already engage in positive community activities – running informal youth clubs, sports clubs and crèches. Others, when they are able to access some income, use the money to go out and look for work, or spend it on an application fee (Graham 2012). Spending time with young people offers insight into their lives and forces one to reconsider views of this sector of our population. Young people tend to demonstrate immense optimism and hope for the future (Morrow, Panday & Richter 2005) and want to invest in a better future for themselves. Once we are able to view them with a different lens, we may be more open to considering the possibility of just giving money to the young and leaving its spending to their discretion.

The case for just giving money to the young

The idea of cash transfers to benefit young people is not new. The proposed youth wage subsidy is a mechanism that makes funds available through tax benefits to companies that employ young people (National Treasury 2011). However, it effectively keeps the money out of the hands of young people by ensuring that it goes directly to the employer as a stimulus

to the labour market to employ young people. The proposed job-seeker's grant (proposed at the ANC policy conference earlier this year) may be an alternative or complimentary cash transfer to the youth wage subsidy. Such a grant is, however, likely to be targeted directly at the beneficiary, that is at unemployed people, in a transfer system conditional on job-seeking behaviour.

What both of these proposed cash transfers do is address the youth unemployment problem from a purely economic perspective, with a deficit view of both the private sector and young people. In the case of the youth wage subsidy, the youth unemployment challenge is viewed from a labour-demand perspective; it is seen as a problem of desirability – young people are undesirable employees when compared with their more experienced counterparts and, as a result, the private sector is unwilling to employ them. The private sector, consequently, needs to be incentivised to invest in employing and training young people. While there may be some level of truth to this premise, such an analysis avoids the tough questions of structural unemployment and institutionalised low-quality education, which are discussed above. A youth wage subsidy is unlikely to fundamentally shift youth unemployment, as it is likely to benefit those young people with some level of education who may already be able to enter the labour market. A job-seeker's grant looks at the supply side of the labour market equation and suggests that young people are not looking for jobs. Such a grant would stimulate young people to go out and look for jobs by imposing conditionality on the grant. This approach again ignores the structural challenges that young people face in seeking work – it is not that they refuse to seek employment; their low levels of skills make them largely unemployable.

Both of the proposed mechanisms fail to understand the challenge of youth unemployment from a youth perspective and do not grasp the immense difficulties facing young people as a result of the structural failures discussed above. Neither mechanism is able to acknowledge that young people are not supported to build the assets they need to make the transition from school to an autonomous adulthood. The education system has largely failed them and, in the absence of second-chance opportunities, they are unable to access the means for building the educational and skills assets needed to better negotiate the transition to the labour market. Clearly, an alternative option is necessary to support young people to make such a transition.

It is with this in mind that the option of youth savings accounts (YSAs) or individual development accounts (IDAs) should be considered. The model of IDAs or YSAs originates from the premise that young people 'need assets to make the transition to adulthood' (Beverly 2012), that as youth transition to adulthood, their ability to save and accumulate assets becomes very important as they begin to accept financial responsibilities and plan for the future (Chowa & Ansong 2010). Such models of cash transfers have been implemented

in various parts of the world, in both developed and developing contexts, and have demonstrated a great deal of success. YSAs or IDAs are essentially programmes in which young people and/or their households are encouraged to save towards their future in a matched savings scheme where for every amount saved by the individual or household, a matching amount is deposited into the same account. Matched amounts are secured either through private sector involvement or through government funds. Saved funds are intended to be withdrawn only for spending on asset accrual – that is, for investment in further assets, either in the form of education, employment or entrepreneurship activities, or in the gaining of additional assets such as land, livestock or housing. Such a model combines a cash transfer with an imperative to save.

Various models of IDA and YSA exist, many of which are tailored towards specific social and cultural contexts. In Ghana, for instance, savings were in the form of livestock instead of cash (Chowa et al. 2012) and in Uganda household savings were viewed as more socially acceptable than individual savings accounts (Chowa & Ansong 2010; Chowa & Elliott 2011). Key to all of these models is that cash transfers in the form of matched savings are viewed from an asset approach (Sen 1999; Nussbaum 2001), in which young people and/or their households are considered interested in investing in their own future outcomes, and as having the capability to do so, but being in need of support – including financial – to leverage their capabilities towards better future outcomes. This is in stark contrast to a youth wage subsidy or job-seeker's grant, which sees cash transfers as necessary mechanisms to stimulate engagement in employment amongst people who are otherwise unwilling to participate in the labour market.

Because of the emphasis on support and building of assets in general, such models are seldom focused exclusively on financial assets. Most often, matched savings schemes are combined with other interventions, such as information sharing, support for identifying education, entrepreneurship and employment opportunities, mentorship programmes and the like. Experience has shown that they, in fact, work best with such additional interventions (Beverly 2012). Far from detracting from the investment in financial assets, such an approach demonstrates how a suite of asset interventions, including access to financial assets, is necessary to support young people in breaking out of the cycle of poverty.

The results of such interventions in other parts of Africa are encouraging. In randomised control trials, matched savings schemes, in combination with other interventions aimed at building various types of youth assets, resulted in: higher rates of post-secondary schooling (Beverly 2012); a positive sense of self; planning for future security in times of shock; caution about unguarded consumption (Sherraden et al. 2007; Scanlon & Adams 2008); and higher academic achievement

(Chowa et al. 2012). However, such results are dependent on a range of variables, including parental attitudes towards savings, the perceived value of savings amongst young people, access to savings mechanisms and, of course, the amount of money available to save.

The above suggests that investing in building financial assets, alongside other asset development for young people, may be a key interim strategy for assisting young people to make the transition into tertiary education and/or to help them to gain a sustainable livelihood. How such a strategy might work in South Africa is open for debate. Will it take the form of another social grant? Will it use the grant system to connect with young people exiting school, in order to provide a savings start-up programme that they themselves can contribute towards? Is there a space for significant private sector involvement? These questions are unlikely even to be tabled before a shift in assumptions, as argued for in this paper, takes place. For a cash transfer to young working-age people to materialise, attitudes towards them need to change first.

While such a strategy does not address the low quality of education or the structural unemployment problems that young people face, it would offer a support base for young people to equip them to better survive once they have left school, and potentially to invest in their own futures in particular ways.

Conclusion

This article has sought to demonstrate that current thinking around youth unemployment fails to incorporate the very severe challenges that young people face once they leave school. Such challenges need to be recognised as being structurally rooted, and major investments are, therefore, required to deal with the education crisis. In the interim, however, we cannot afford to sacrifice another generation of young people. Strategies to assist them with the transition from school into some form of sustainable livelihood, if not employment, are essential. Current policy proposals, such as the youth wage subsidy, and the job-seeker's grant, may make some inroads in this regard, but as has been argued above, they start from a premise of stimulating supply of and demand for labour, rather than recognising the real structural constraints to gaining employment that young people face. As an alternative or complimentary strategy, this article argues that investments in young people's financial assets, alongside the development of other assets, could interrupt the cycle of poverty and inequality, particularly since inequality is perpetuated at this transitioning phase. Or perhaps, if such lofty ideals are out of reach, at the very least it might enable young people better to cope and survive in what must often be viewed as a bleak situation.

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2012 Transformation Audit: The Youth Dividend

Change is occurring at a blinding pace in almost every imaginable sphere around us. In some we are spectators and in others our cumulative actions and decisions contribute to shape the future. Overwhelmed by having to deal with the speed and complexity of the choices that they have to make, policy-makers are increasingly confronted with immediate – and often unprecedented – predicaments. As a result, there is often little opportunity to contemplate the long-term consequences of these choices. South Africa faces several pressing challenges. Poverty, for example, dictates that thousands of South African's face existential choices about housing, nourishment and healthcare on a daily basis. There is nothing more urgent than a choice between life and death. We need solutions to relieve the plight of those affected. Fast. At the same time, the country also needs to consider the investments

that it will have to make today in order to ensure that future generations do not have to toil with the same struggles that affect the present. Physical infrastructure may help, but its ability to render dividends is limited when compared to the returns that proper investment in our human resources, our people, can bring. Some view the South African youth as volatile, a ticking time bomb. And while they indeed have many serious obstacles to overcome, their proportion of our population and the energy they can potentially add to the economy also make them one of this country's greatest assets. It would be a pity if short-sighted thinking treats them any differently. For this reason, this year's publication focuses its attention squarely on young South Africans, their challenges, their views, and how they can be equipped to make this a better country for all who live in it.