

SABPP FACT SHEET SERIES

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EMPLOYING FIRST-TIME JOB MARKET ENTRANTS

1. Introduction

Each January, an estimated 500 000 young people leave the education system at the age of around 18 and enter the job market. This is estimated from the approximately 560 000 who write matric, less the approximately 525 000 who enter the higher education system (128 000 at full time universities, 396 000 at FETs) plus the approximately 500 000 who drop out at Grade 10 or 11. For those not proceeding to further education, they have a 25% chance of finding work within 5 years after leaving school. The unlucky ones will join approximately 3 million young people between the ages of 15 and 24 who are not in education, training or employment.



The National Development Plan Diagnostic Report showed how drop outs at all stages of the education system create a pool of unemployed people who have little or no chance of ever finding work because they have few or no skills relevant to the workplace. Research quoted in the Department of Higher Education and Training's 2012 Green Paper showed that of the 20 year olds who were not in education, training or employment, 71% had less than Grade 12 schooling.

"Empowering and employing youth must be at the centre of efforts to build a sustainable future for all South Africans."

Minister Ebrahim Patel, October 2013

"The matric certificate is a weak predictor of potential. [Matriculants from poor families who have been seeking work for two years] have high potential but have had poor teaching. With good teaching, Harambee is able to raise candidates' maths proficiency from a grade 10 to a grade 12 level in just eight weeks."

Tamera Campbell, Executive Director, Harambee, August 2013

Despite much talk about “graduate unemployment”, research has shown that graduates from universities are highly likely to find work, while graduates from FET colleges are much less likely to find work. Therefore, an employer looking for recruits is drawing from a pool of workseekers which is mostly poorly educated. This does not mean, however, that these workseekers have no potential to become productive and valuable members of the workforce.

Given the very limited availability of “employment-ready” skilled people in the labour market and given the social and economic problems that the large numbers of unemployed youth present in South African, HR practitioners should be knowledgeable about youth development and employment schemes so that they can find opportunities to bring young people into employment, and help them to overcome the employability gap.

This Fact Sheet will cover the youth employment schemes and will then cover important aspects of sourcing, recruitment, selection and development of first time workers. (For an exploration of important issues in graduate employment, see the SABPP’s research report into Employability of HR Graduates.)

2. Youth Employment Programmes

a. The Youth Employment Accord

The Youth Employment Accord was signed by government, business and labour in April 2013 and committed the social partners to a plan of action which includes:

- The public service will focus its internship programme, aiming at employing 20 000 interns over a period of time;
- State-owned enterprises will develop placement opportunities for FET and University students who need work experience as part of completing their studies;
- Business organisations undertook to discuss within their structures programmes which would improve the employment of young people;
- Targets for the employment of young people in growth sectors such as solar heating installation, the government infrastructure programme, and business process outsourcing companies such as call centres;
- The Expanded Public Works Programme and associated programmes such as Working for Water, health brigades and literacy brigades will set youth employment targets.

“We have to stop pussyfooting around .. we must solve the problem of businesses that would rather poach employees from other companies than employ and train talented people who lack skills and work experience but could add value in the long term. (This, in spite of the fact that while the unemployment rate in South Africa is astounding, businesses struggle to fill vacancies.)”

Thero Setiloane, CEO, Business Leadership
South Africa

3. Job Creation Incentive Schemes

a. The Employment Tax Incentive

Late in December 2013, the State President signed into law the Employment Tax Incentive Act 26/2013, which encourages employers to take on young people into additional posts by subsidising their salary over a two year period. This is intended as a first phase, experimental approach to get young people into work and the Department of Finance, which introduced the legislation, has undertaken to review success and consider further measures at a later stage. The Act is now operational, except that reimbursements will only commence at a date to be announced (they will be backdated to 1st October 2013 or the date of employment of the young person, whichever is the later).

Private sector employers in good standing regarding PAYE may, from 1st January 2014 until December 2017, claim a subsidy for 24 months for any person newly employed from 1st October 2013 onwards, who is between the ages of 18 and 29 and who has a valid South African identify document. Relatives or connections of the employer may not receive the subsidy, neither may employers of domestic workers. The employee must not earn more than R6 000 per month (and must earn the lesser of R2 000 or the minimum wage as per sectoral determination or collective agreements). The subsidy for the first year consists of a sliding scale depending on the employee's salary/wage, running from nil at a salary of R6000 per month to R 1000 at a salary of R2 001, and 50% of the salary where the salary is less than R2 000 . For the second year, the subsidy is halved.

Employers are prevented from abusing the subsidy by measures preventing payment of the subsidy where the employer has dismissed one or more other employees in order to employ the person in respect of whom the subsidy is claimed. The Minister of Finance has the discretion, if other forms of abuse are identified, to introduce other prevention mechanisms.

The subsidy can be accessed by employers immediately through the deduction of the calculated subsidy from the total amount due to the South African Revenue Service in respect of PAYE for all employees in that month.

b. The Jobs Fund

This fund was set up by the Department of Economic Development in 2011 with R9bn to facilitate job creation. One of the projects funded by the Jobs Fund has been the Harambee programme, with a target to place 3 000 young people into work during 2013 and up to 10 000 by the end of 2014.

An alternative pool of talent with social impact

Harambee is a business initiative that seeks to address youth unemployment through partnerships with local companies. It works with employers who identify jobs and commit to taking first time employees into entry level roles. Harambee then finds young disadvantaged people who have the attributes for success in the workplace but are struggling to access sustained employment. Harambee provides them with functional and behavioural bridging to get them work-ready and then engage with employers to ensure long term retention of our graduates.

A partnership with Harambee means that businesses do not have to incur the time or often excessive costs of sourcing and training employees.

The Harambee Youth Employment Accelerator is the brainchild of Yellowwoods, the holding company of local big brands Hollard, Clientele, Telesure, Direct Axis, and Nando's. It was established in January 2011 out of the recognition that employers have a valuable role to play in tackling youth unemployment.

Harambee does not operate exclusively with its founding brands. They look for partnerships where they can work for work and are happy to be associated with pioneering businesses who understand that bottom-line success doesn't have to be sacrificed to build social capital.

Because of the core business of their founding partners, Haramabee currently sources, assesses, bridges and ultimately places young people into two sectors: call centres (and associated roles) and restaurant and hospitality. However the process is flexible enough to be tailored to any industry's needs and they are already expanding their reach as new partners join the movement.

Other programmes among the 66 projects funded by the Jobs Fund include training and placement programmes such as the Southern African Wildlife College community ranger programme, Fetola Foundation's unemployed graduate programme and the South African National Biodiversity Institute's project placing school leavers and graduates in ecotourism and ecosystem management, and small business incubators such as the Awethu Project, Shanduka Black Umbrellas, Mondzi Zimele and Anglo Zimele.

The Jobs Fund is considered to be both highly effective and highly cost-effective. It works on a matched funding basis with the private sector and has created 93 000 permanent new jobs, 100 000 training opportunities and 54 000 placements into existing jobs, at an average cost of R63 704 per job, compared to other job creation investments which could range from R159 000 in the IDC's distressed companies fund, to R294 000 in the IDC's normal activities, to R10m in a capital intensive private sector investment.

4. Creating openings

The creation of the required bridges between the unemployed and work opportunities requires the use of imaginative programmes and projects on the part of employers. Whilst the ultimate aim is to create permanent new positions as companies grow, a more short term strategy can involve work sharing for entry level jobs, encouraging suppliers to take on young first time workers through procurement policy provisions, and viewing any temporary opening as a possible opportunity for a young person. Statistics

demonstrate that, where people have had one work opportunity (even if this is short term), nearly three quarters of them will find other work in the subsequent year.

It is important to give management a sound business case for employing young. Factors to be considered in building a business case could include:

- The change to the SETA regulations governing the payment of grants has introduced a major emphasis on PIVOTAL training. If employers are going to continue qualifying to receive the same level of SETA levy grant funding that they have enjoyed previously, more of their training spend needs to be focused on interventions leading to a qualification. This means that while we have enjoyed the luxury of placing an increasing number of graduates in positions that previously did not attract or require graduates, it could be cost-effective to rather employ matriculants who may earn a bit less and who are then sponsored by the employer (with grants from the SETA) to undertake their tertiary qualifications while employed. The focus on PIVOTAL interventions also provides employers with the potential to receive far larger grants than they have to date provided they are contributing to the acquisition of qualifications.
- Performance on the Skills Development and Employment Equity elements of the B-BBEE scorecard is influenced by the extent to which organisations are investing in learnerships, apprenticeships and internships. The employment of matriculants and the financing of their tertiary education can that enable employers to be awarded points under both elements for the same initiative. For example, employing a matriculant on a work experience contract and financing their education will get you points under Employment Equity where the number of black learners as a percentage of the total workforce is a criterion and under Skills Development in terms of the spend on black employees while making you eligible for a pivotal grant from your SETA. SETAs such as Fasset are encouraging employers to engage with them with a view to registering their work experience programmes in order that these can meet the criteria for grants.

It is often the case that the specification for qualifications for entry-level jobs is raised beyond what is strictly required. Some organisations have a blanket “Matric” entry-level requirement and often a degree is stipulated as necessary for an administrative position. This needs to be rethought to ensure that opportunities are provided for people with lesser qualifications who otherwise would be totally excluded for ever from the job market.

The much maligned temporary employment service industry (“labour brokers”) serves as a major bridge, allowing new labour market entrants to gain experience through a succession of temporary placements. Of necessity, the industry has had to develop expertise in training new workers and as such is a valuable source of new recruits for permanent placements as vacancies arise.

Another bridge is the work placement programme required of many college and university programmes. The national skills development strategy places great emphasis on work placement during training, to ensure that relevant skills are developed and preparing graduates for employment at the appropriate level.

Learnerships, apprenticeships and internships are excellent bridges and should be considered seriously by all employers as a good way to build a pipeline of skills for the future. If private sector employers could also adopt a target of 5% of total employees for such positions, the country and those employers would benefit considerably in the medium term future.¹

¹ See the SABPP Guide to Internships published in January 2014.

The use of Corporate Social Investment funds for projects involving youth employment could also be considered. These could be especially useful in providing employment outside urban areas.

Whilst many openings created through such bridging programmes benefit the employee more than the employer, at least in the short term, salaries and conditions of employment offered for such positions should at least enable the employee to survive, taking into account transport costs. Otherwise the openings will be suitable only for those people in the immediate neighbourhood of the employer's workplace, thus leaving township and rural candidates at a disadvantage once again.

5. Sourcing potential recruits

One of the lessons learned from successful job creation projects described above is that it is more effective to go out into the communities to find applicants rather than waiting for applicants to come to them. Recognising that new labour market entrants do not have the right sort of social networks nor the right sort of job-seeking skills nor the cash for travel, internet searches and so on that enable them to find work opportunities, projects put scouts into communities, and also use cell phone campaigns to link them to unemployed young people.

This echoes the approach used by the highly successful Thuthuka project of the SA Institute for Chartered Accountants where scouts are located in each province of the country and visit rural schools in search of talented youth.

Many companies have an Adopt a School project as part of their Corporate Social Investment programme, and this project could also be used to source school leavers as new employees.

A new sourcing channel is the network of Jobs Centres created by the Department of Labour under the Employment Services Act of 2013. Despite much scepticism about these Centres by organisations such as Business Unity South Africa, the experience of the Sugar Association of South Africa shows that using these Centres can bring real business benefits: *"Quietly but earnestly, the Department of Labour is positioning itself to fulfil the key role in the placement of job seekers. I have placed a work experience advert on ESSA and I received 6 candidates that met the requirements within 5 working days. Yes, you saw right, 5 working days! The system will be best for A Band and General Worker vacancies"*. The trick is to provide the Job Centre with a good job profile and person specification so that they can filter applicants for you. Courtesy of the Sugar Association, the SABPP has a guidelines document on how to access this service, available through the SABPP website [Kenneth, find a place for it and put the link].

Whilst many young people do not have the money for costly job searches, youngsters coming through now are very tech-savvy, including those from rural areas, and many unemployed matriculants are very happy to make online job applications via mobi-sites off their increasingly smart phones. Career Junction has a facility for employers to enable mobi applications, specifically for younger people without computers. They may come from a home that has never had a computer, but the functionality increasingly available on their phones and the decreasing cost of data means that a job seeker with a profile/CV on a job board, which automatically emails them jobs that may be of interest to them, means that employers have access to more young applicants than we can hope to accommodate. Many smaller employers use the free service of Gumtree to advertise for matriculants.

6. Assessment and Selection

There is a considerable body of research into the employability of school leavers and graduates and it is too often the case that skills such as numeracy, conversational and/or written English, social confidence and computer literacy are very poorly developed. The selection assessment processes of most employers are designed to screen for these skills and therefore the large majority of work seekers are screened out.

Harambee has worked with the Human Sciences Research Council to develop a culturally neutral learning potential test for entry level jobs. Of the applicants screened so far by Harambee, 71% have the required potential, even though 78% of them have failed the numeracy test.

Another method to eliminate the problem of screening out people with potential is to run “boot camps” or simulators. For example, a large call centre organisation has a simulator where applicants receive basic training, work in the simulator for one month (earning a very basic stipend to cover travel costs) and are then assessed at the end of the month. This process also allows the employer to screen for good work attendance, good work behaviour and other related aspects. For smaller employers, such projects may involve resources beyond their capabilities – in such cases, it is recommended either to work through an employer association, a local chamber of commerce, a SETA which might support such a project, or organisations such as Harambee.

“We’ve found the extraordinary change that happens when you take a township child and put him or her in touch with a competent teacher very encouraging – how quickly the child can be made employable.”

Brian Whittaker, Vice Chair, Jobs Fund

Another successful project has been run by SAICA to bridge B Comm graduates into more workplace related skills. The programme involves a first phase of being taught soft and hard skills in a simulated, virtual office environment. When they have successfully graduated from this phase, they work with the Small Enterprise Finance Agency to assist small businesses with financial support under supervision. This provides them with a track record, which support job applications thereafter and results in 70% of graduates of this project being placed in permanent employment.

- **Development and retention**

It is more likely than not that an employer of a first time work entrant will have to provide some form of bridging programme to enable the young person to understand what is expected in the workplace and to develop the required skills. HR practitioners should research what forms of accelerated development are available, for example, the Harambee project provides what they sometimes describe as a “finishing school”, including highly effective numeracy development programmes. On-line programmes such as the ones available to help young people improve their matric grades could also be suitable.

The extended induction programme should include topics such as: Exposure to different cultures; certain targeted behavioral skills; problem solving; and personal branding.

Other proven methods of developing new entrants include structured internship programmes, mentoring programmes and structured coaching.

First time employees should not be relegated to boring, routine tasks that no-one else wants to do. They must be exposed to real learning opportunities and the chance to demonstrate what they can contribute.

It is unfortunately the case that bringing under-skilled young people into the workplace does mean that extra resources must be allocated in order to compensate for their disadvantage. However, the return on that investment can be substantial in terms of a solid skills pipeline of engaged employees for the future.

The Harambee experience in relation to retention shows what can be done. In the financial call centre industry, the average turnover is normally 30%. For Harambee placements, it is 9%. And in the retail sector, Harambee placed employees are also much less likely to leave – 28% compared to the industry average of 70%. Research has shown that young people who stay in their first job for over a year, are more likely to remain employed over the large part of their working life.

7. Longer term strategies

Business Leadership SA points out that unless private sector employers get involved, as individual companies, as sectors/industries or through business organisations, in ensuring that schools, FET colleges

"Only when business and government work together to leverage their comparative advantages can we begin to address the problem of youth unemployment. Business needs to get its head in the game. As businesspeople, we must remember that youth unemployment is not just a problem for government; it is a problem for everyone. It is also not a problem that one group can solve alone. The solutions are not simple, but we have a common interest, and together we can make a start."

Thero Setiloane, CEO, Business Leadership South Africa

and universities align their curricula to the needs of employers, the skills deficit problem will not improve. One example is that of the five biggest construction companies which collaborated to help rewrite the syllabi of FET colleges to meet their industry's needs. The result: an increase in the percentage of graduates who found jobs.

8. Conclusion

The social partners (government, business, labour and communities) are all in agreement that the disaster of youth unemployment in South Africa must be tackled strenuously. There is, however, disagreement, particularly on the part of the trade unions, on specific measures to be adopted. Research into the effectiveness of wage subsidies for young people produces mixed results and it is unlikely that the Employment Tax Incentive Scheme will result in the creation of a significant number of new jobs, unless employers recognise this as an opportunity to build for the future.

Union officials and employee representatives in the work place will be vigilant for signals that an employer is favouring young workers over older, more experienced workers. These more experienced workers are clearly the source of an employer's competitive advantage in the here and now, but it is incumbent on management to ensure a sustainable flow of skills into the future, in a society which is prosperous and stable.

HR practitioners should assist their organisations to draw up, consult on and reach agreement on a fair and sustainable strategy and policy on the employment of young people, using knowledge gained from successful projects and moving forward sensibly through a series of well-planned steps.

SABPP would like to encourage HR Managers to embrace and support the youth through youth employment and empowerment strategies. Not only does it position HR in fulfilling HR professionals' duty to society in accordance with the SABPP HR Competency Model, it also affirms the socio-economic contribution that HR can make to the country.

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