

BOOSTING YOUTH EMPLOYMENT THROUGH ENTREPRENEURSHIP

A response to the National Youth Development Agency

Can the creative energies of South Africa's young people be turned into one of the country's greatest assets, and a source of economic growth and prosperity?

South Africa faces an enormous unemployment challenge. The problem is particularly concentrated among the country's youth, for whom lack of experience is all too often compounded by lack of skills. The result is a growing cohort of young people with severely limited access to formal sector employment, and limited means to do anything about it.

The government has put the issue high on its agenda. New policy and institutional frameworks have been introduced. But the scope of the problem is vast. Government cannot tackle it alone. Nor can it do it all at once. If the recently launched National Youth Development Agency is going to demonstrate that it is truly different from its predecessors and is able to make a visible impact, it will have to prioritise its interventions based on a careful review of how best it can target its resources.

SBP's extensive experience in the field of enterprise development suggests to us that a strong focus on entrepreneurship should be among the Agency's top priorities. We believe that the NYDA has the potential to play a critical role as a facilitator and catalyst, enabling social partners – from community groups to corporations – to develop and implement practical and effective programmes to build the culture, skills, operating environment and networks necessary to support entrepreneurial growth.

This SBP Alert makes a suggestion about how this might be achieved, through creation of a dedicated grant mechanism, managed by the NYDA, on the basis of competitive tendering and clear, outcome-focused selection criteria.

The challenge

Africa's population of young people is growing exponentially. While Africa's youth currently comprise 37 percent of the continent's working age population, they account for 60 percent of the total unemployed.¹

To make a visible
impact, the NYDA
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its interventions

South Africa reflects the continental pattern. In March 2006, the Labour Force Survey estimated the country's youth unemployment rate at 50 percent among 14 to 24 years olds – almost double the general unemployment rate. Thirty percent of 25 to 35 year olds were unemployed. Among young people who had left secondary school before completing senior secondary education, unemployment is as high as 59 percent.

The chances of these young people finding employment through networks or further education are minimal – the majority of them live in poverty-stricken households where older family members are also likely to be unemployed. According to the Labour Force Survey, almost two thirds of South Africa's young people aged 15 to 24 live in households with expenditure of less than R1200 per month, as do 60 percent of youth aged 25 to 34.²

The policy context

The problem is well recognised and well researched. Over the past decade, the South African policy discourse has included a dedicated focus on the issue of youth unemployment, and the importance of targeted strategies and interventions to address the marginalisation of young people, support skills development, and create mechanisms to encourage youth employability.

An early initiative was the National Youth Commission, created in 1996, although it largely failed to live up to expectations. In 2000, a National Youth Policy was developed, but was never formally adopted by government. It did give momentum to further policy initiatives, however. The Umsobomvu Youth Fund was established in 2001, tasked with promoting entrepreneurship, job creation and skills development among young people; and in 2002 a National Youth Policy Framework, covering the next five years, was launched.

Institutional mechanisms such as the Youth Commission and the Umsobomvu Youth Fund were criticised for under-delivering, however, while the numbers of unemployed young people continued to grow. In June 2006 a multi-stakeholder National Youth Convention was convened, to review the policies and institutional arrangements created to advance the youth agenda. The result was an agreement on the need for an integrated and holistic approach to youth development, and a call for the creation of an integrated youth development strategy, to be developed by a new national youth development agency.

Following two years of extensive consultation across government, the private sector and civil society, the structures and institutions envisaged by the June 2006 Convention are now coming into play.

In March 2009, the Presidency published the second generation *National Youth Policy 2009-2014*. The Policy describes a variety of interventions and services that need to be rolled out in order to ensure effective and efficient mainstreaming of youth development.

The body tasked with translating the policy into action, the National Youth Development Agency (NYDA), was established by Act of Parliament at the end of 2008. The Agency was formally launched by President Zuma on Youth Day, 16 June 2009. In his State of the Nation Address on 3 June 2009, the President promised that the Agency will among other things link unemployed young graduates with economic opportunities, strengthen efforts to expand the National Youth Service Programme and support young entrepreneurs.

The mandate of the NYDA is enormous (see box). The development and implementation of a youth development plan and strategy for the country, based on the very wide-ranging National Youth Policy, is a daunting task. In the specific area of youth unemployment, a diverse array of stakeholders, from the Alliance partners to business and opposition parties, will be looking to the Agency to tackle the problem energetically and demonstrate tangible, convincing and speedy impacts.

There is a growing cohort of young people with severely limited access to formal sector employment

A VAST AND POTENTIALLY OVERWHELMING MANDATE

According to the National Youth Development Agency Act 2008, the objects of the Agency are to:

- Develop an integrated youth development plan and strategy for South Africa
- Develop guidelines for the implementation of an integrated national youth development policy and make recommendations to the President
- Initiate, design, coordinate, evaluate and monitor all programmes aimed at integrating the youth into the economy and society in general
- Guide efforts and facilitate economic participation and empowerment, and achievement of education and training
- Partner and assist organs of state, the private sector, and NGOs and community based organisations on initiatives directed at attainment of employment and skills development
- Initiate programmes directed at poverty alleviation, urban and rural development and the combating of crime, substance abuse and social decay amongst youth
- Establish annual national priority programmes in respect of youth development
- Promote a uniform approach by all organs of state, the private sector and NGOs to matters relating to or involving youth
- Endeavour to promote the interest generally of the youth, particularly young people with disabilities

The Agency takes on the functions and responsibilities of the Umsobomvu Fund and the National Youth Commission. Its tasks include the management and administration of the Umsobomvu Fund, provision of direct financial support to individuals and youth owned businesses, provision of mentoring and training programmes, and the creation and administration of databases of employment opportunities.

Given the Agency's potentially overwhelming scope of work, it is critical that it establishes a defined set of priorities, in areas where it can make a real impact. It is to this end that SBP recommends entrepreneurship as a core priority for the Agency. By focusing on building a culture of entrepreneurship among young people in the country, and providing them with the necessary skills and networks to pursue an entrepreneurial path, the Agency has the potential to support a medium term programme of enterprise development and job creation led by young people themselves. This ties in directly with the vision of the National Youth Policy, which insists that "young people should be considered as beneficiaries and as *agents of change* and not as passive recipients of government services."

Priority # 1: Growing entrepreneurship

The second generation National Youth Policy defines youth development as "an intentional comprehensive approach that provides space, opportunities and support for young people to maximise their individual and collective creative energies for personal development as well as development of the broader society of which they are an integral part." This approach, that sees young South Africans as an integral part of the solution, is to be welcomed.

A culture of entrepreneurship can unleash the economic potential of young people

The Policy deals explicitly with the need to promote entrepreneurship – although it approaches this particular issue with some caution – perhaps even trepidation. Self-employment and entrepreneurship are described as “challenging strategies” fraught with “a variety of barriers,” including lack of appropriate education, limited access to capital and lack of social networks, which “prevent entrepreneurship from becoming a solution to youth unemployment.” The Policy argues for “appropriate qualification and support” to help address these challenges.³

ENTREPRENEURSHIP IN SOUTH AFRICA

South Africa’s performance in international comparisons of entrepreneurial activity tends to be rather poor.

The Global Entrepreneurship Monitor (GEM) has developed a systematic approach, which enables comparison of entrepreneurship across almost 50 different countries. GEM’s most recent South Africa data show a considerable increase in entrepreneurial levels, but from a very low base. The 2008 figures show that almost eight in 100 adult South Africans own a business less than 3.5 years old. This is significantly behind other low to middle income countries, where, on average, 13 out of 100 adults are building new businesses. The GEM study also reports that only 2.3 percent of South Africans own businesses that have been established for over 3.5 years, indicating a high failure rate among start up businesses.

On the upside, however, it appears that the proportion of opportunity driven entrepreneurs – individuals who have established a new business because they have recognised an opportunity that makes self-employment more attractive – is up from 55 percent of total respondents in 2004 to 79 percent in 2008. Only 21 percent of 2008 respondents said they were running their own businesses because they lacked other options.

This is excellent news in terms of job creation potential. The mean number of jobs created by opportunity driven firms is 4.4 per business, compared to just 1.6 for necessity firms.⁴

Opportunity driven entrepreneurs drive new business ideas, mobilise resources and ultimately create jobs. A culture of entrepreneurship can unleash the economic potential of young people. As the World Bank puts it, “societies that appreciate entrepreneurship and promote its values and norms can create a dynamic and vibrant class of young entrepreneurs.”⁵

A commitment to working with social partners

SBP strongly welcomes the emphasis on partnership with business and civil society evident in the new policy framework. A major objective of the NYDA as established by the Act is to “partner and assist organs of state, the private sector and non-governmental organisations and community based organisations on initiatives directed at attainment of employment and skills development.”

In the same vein, the National Youth Policy calls for extensive participation and support from the private sector and civil society, noting that “a multi-sectoral approach involving stakeholders in the public sector, civil society and the private sector where all

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these key role players work together in promoting youth development and providing youth services is essential." The policy also calls for key role players such as government, civil society and business "to coordinate their efforts to ensure greater impact in developing young people."

If the NYDA is able to foster genuine partnerships and networks across a range of interest groups, it has the potential to create a genuinely supportive and nurturing environment for young entrepreneurs.

However, we would caution the Agency to recognise that simply calling on the private sector and civil society to share accountability and deliver the goods is not enough. Practical mechanisms are needed to enable social partners to provide support in ways that draw upon their particular strengths and competencies, and dovetail with their own priorities and objectives. One possible mechanism is discussed below.

A dedicated resource to facilitate interventions

SBP suggests that the National Youth Fund, created under the NYDA Act, presents one useful mechanism to provide this support. According to the provisions of the Act, the NYDA must manage and administer the Umsobomvu Fund, provide financial assistance to youths to help them further their careers, and provide financial assistance to SMMEs owned by youth.

As currently envisaged, this doesn't differ very much from what Umsobomvu was supposed to do. We would like to see the new National Youth Fund doing something more.

Funding to individuals and small business is undoubtedly a useful mechanism for support. However, given the NYDA's strong commitment to working with social partners, and the importance of maximising the scale of impact, it's not sufficient. SBP recommends that the National Youth Fund should be structured to include a new component for competitive grant funding, dedicated to developing entrepreneurship through project specific allocations to social partners. This component would provide support *not to individuals, but to initiatives* that develop and support entrepreneurship among young people in South Africa.

The mechanism is a tried and tested one, used by development agencies in a variety of contexts, and, where applied correctly, with much success. NYDA would make available a specific pool of money, to be allocated to fund project/programme proposals submitted by external organisations. The Agency would operate regular application rounds (on a half yearly basis, for example). Each application round would see the NYDA publishing an open invitation to submit bids, together with a clear description of selection criteria and relevant qualification requirements. The process would be open to a diverse range of bidders, from community groups and NGOs, to research institutions, business associations, multi-sector partnerships and individual companies.

Selection would be based on a process of competitive bidding. All proposals would be assessed against transparent and specific selection criteria. These would include the extent to which the project is likely to deliver on the objective of promoting entrepreneurship among young people, and the extent to which it is able to provide measurable impacts within a reasonable time period. Financing thresholds could be specified for different types of activities, as appropriate. A premium could also be placed on highly desirable attributes such as medium to long term sustainability and the potential for replication and/or scaling up if the project proves a success. Successful projects would be required to incorporate a strong monitoring and evaluation component.

The NYDA would play an active role in collating and reporting on M&E data, analysing success factors and pitfalls, and feeding this information into broader policy discussions and strategy design.

The core objective of promoting young entrepreneurs requires a diverse array of creative, out of the ordinary approaches

Particular types of projects that could potentially be supported by the proposed mechanism are in fact outlined in the National Youth Policy. They include “training regarding the concepts and principles of entrepreneurship and business to youths” and the promotion of “a wider and more flexible range of learning pathways,” through further education and vocational training, and the development of business skills, incubation and mentoring of budding entrepreneurs in high growth industries. They potentially extend to working with schools to “provide young people with the knowledge and skills that foster an entrepreneurial culture,” and to companies taking the initiative to “actively develop business linkages with youth owned small businesses,” very likely with built in systems for knowledge sharing and capacity building.

It is important to stress that the types of activities identified by the Youth Policy are not exhaustive. The core objective of promoting young entrepreneurs requires a diverse array of creative, out of the ordinary approaches.

The NYDA must be a catalyst to unlock and support new ideas and to nurture creative partnerships. ■

Endnotes

1. World Bank, *Youth and Employment in Africa: The Potential, The Problem, The Promise*, 2008
2. Labour Force Survey March 2007
3. *National Youth Policy 2009 – 2014*, March 2009 p.25
4. Global Entrepreneurship Monitor South Africa, 2008 Report, www.gemconsortium.org
5. World Bank, *Youth and Employment in Africa: The Potential, The Problem, The Promise*, 2008



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