THE #OG_Gangsters

Youth Unemployment in South Africa

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Background

- SA Youth population (aged 15–34) increased from 20,4 million in 2014 to 20,9 million 2024 - 33.1% of the entire population.

- Marginal decrease in unemployment and inactivity rate for youth between 2014 and 2024 , but still high unemployment rate (at 45,5%) compared to the national average of 32,9% 2024Q1.

- Youth with less than a matric were most likely to be unemployed, while graduates and those with other qualifications had the lowest unemployment rates.

- Despite comprising a large share of the labor force, youth unemployment is driven by low education levels, skills mismatches, and low household income.

- High youth unemployment weakens economic growth, productivity, and community development while exacerbating poverty, crime rate, joblessness, and political instability.

- Assume disutility of labour for youth.

Education levels	Education attainment in population	Youth unemployment by education attainment
Graduates	4.6%	3.1%
Other Tertiary	5.4%	7.3%
Matric	36.4%	46.3%
Less than matric	53%	42.6%

Policy Question

Given the DPME report:

- "It can be quantified that in order to have taken the youth unemployment rate for 15–34-yearolds in South Africa to 0% (only considering unemployed and not considering those not in employment, education or training (NEET)) would require an average annual spend of R114.7 billion which equates to 7.1% of government expenditure on average (based on 2015-2023 expend. Values)".

What is the impact of government spending on youth education on inequality?

Calibration

Increase government expenditure for education, skills development and training.
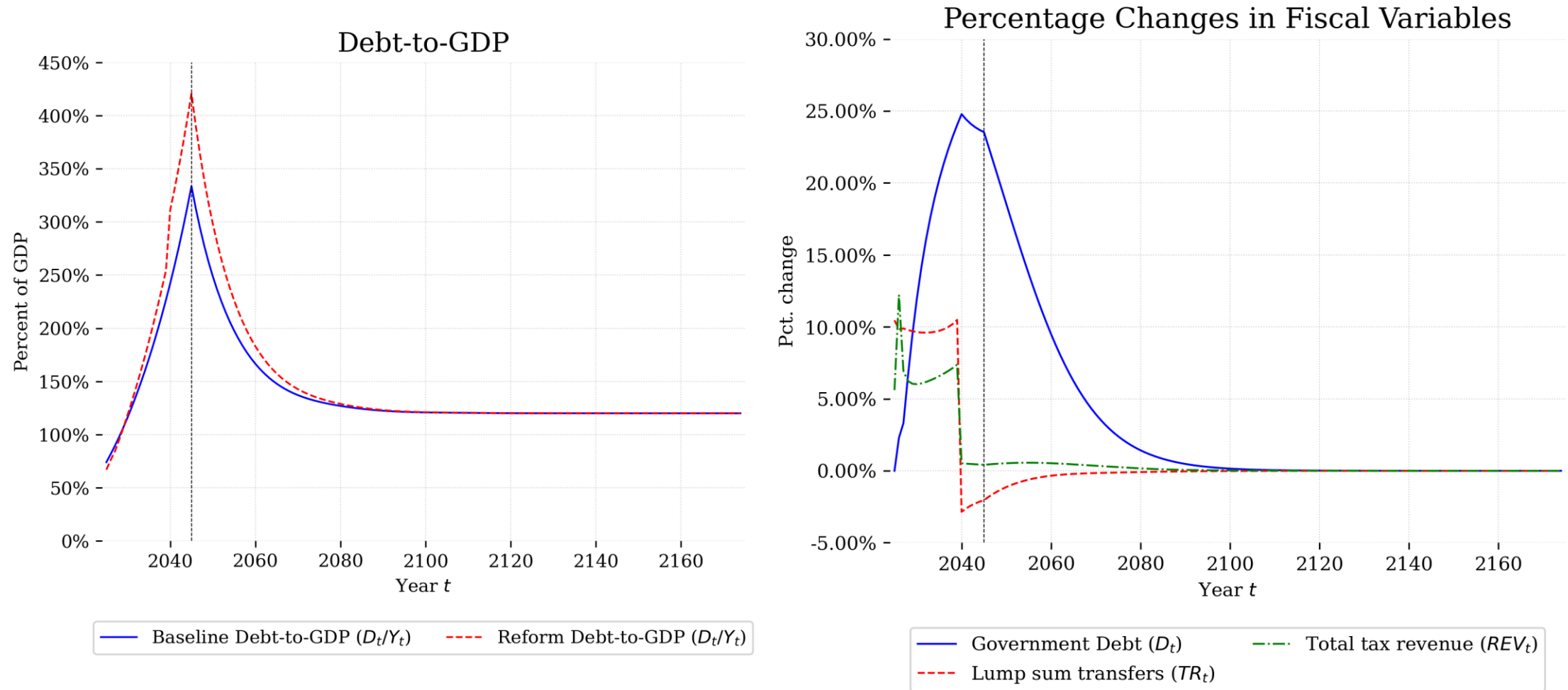
In baseline, younger people tend to have higher dul.

In reform, ass. that increase in government spending will increase labour supply of youth.
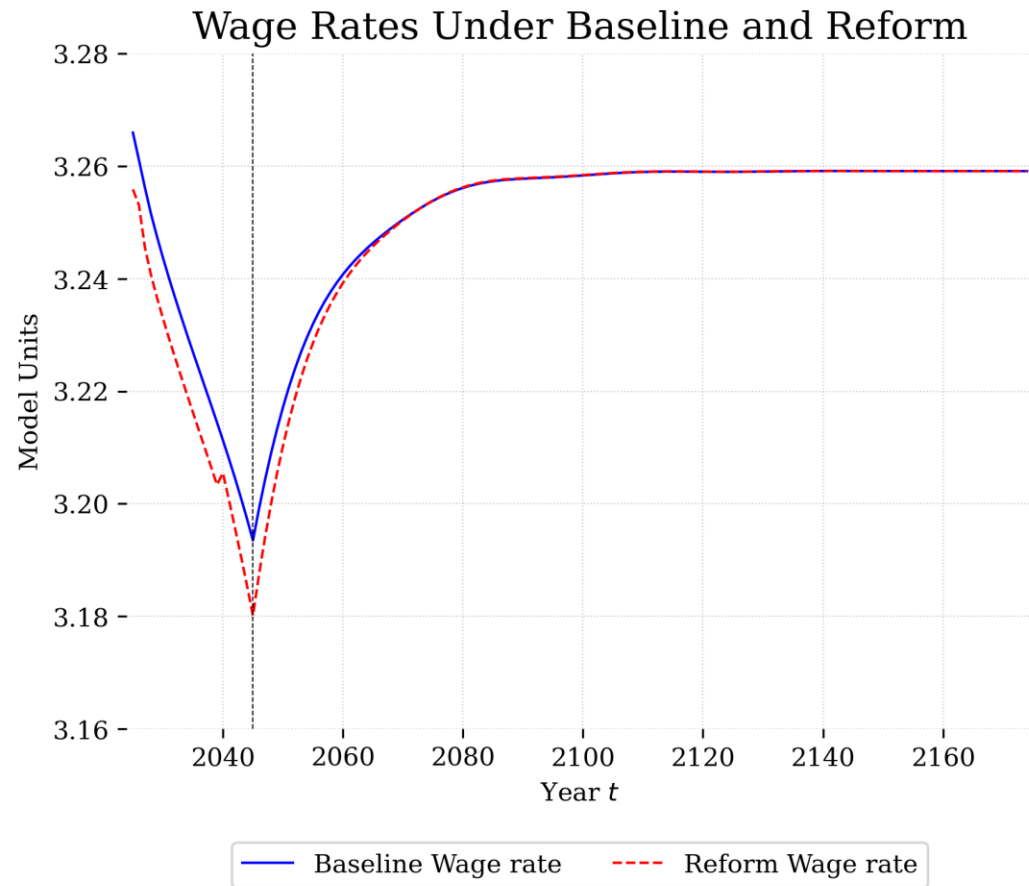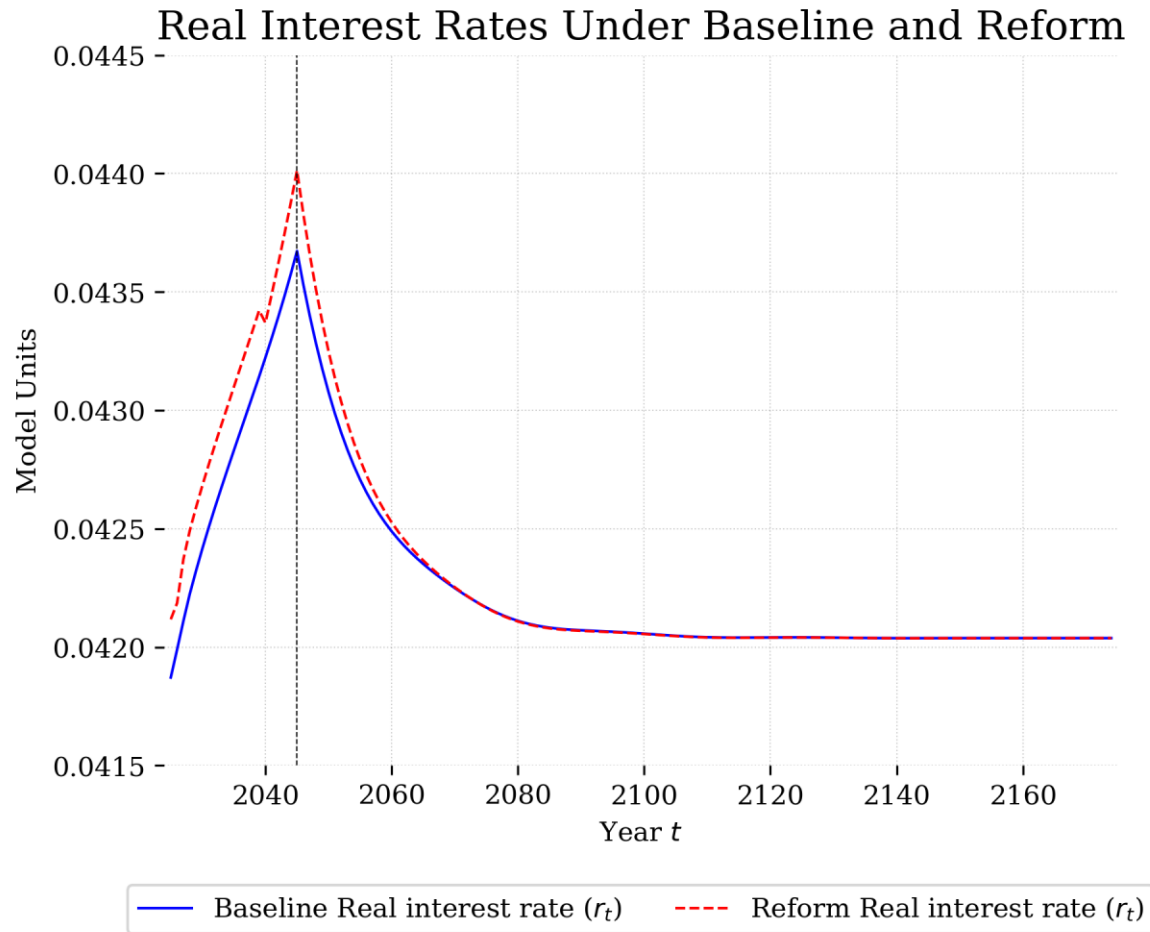
Mechanism 1: Staggered increase of alpha_G to 7.1% over 3 years [2%, 3.5%, 7.1%] + decrease chi_n by 5.

Mechanism 2: Staggered increase of alpha_G to 7.1% over 3 years [2%, 3.5%, 7.1%] + decrease chi_n by 5 + increase eta_n.
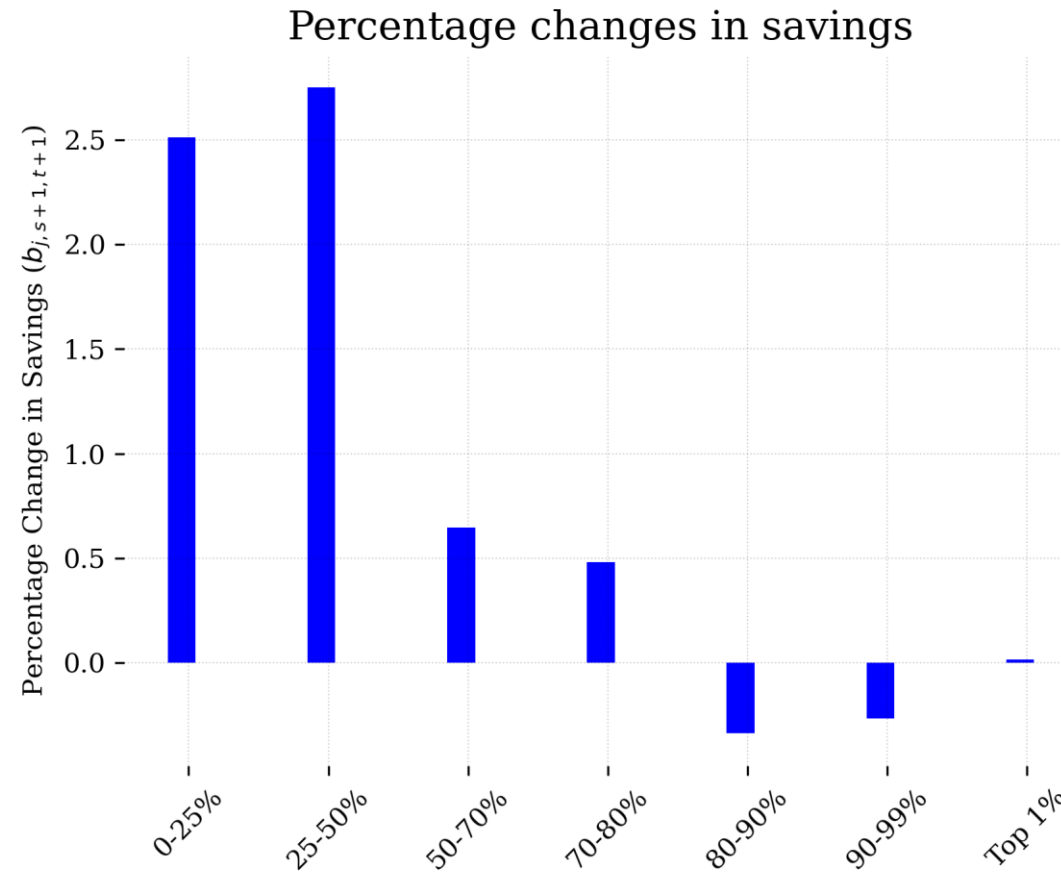
Reform: Government Expenditure Increase

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Percentage changes in savings

Conclusion

What we did?

- Increased alpha_G to 7.1% of total expenditure, decreased disutility of labour for youth, targeted low income groups.

Results & Implications

- Debt-to-GDP ratio – higher (not much higher than baseline)
- Wage rates – reduction (not much lower than baseline)
- Fiscal changes – rising government debt and interest rates (not much higher baseline)
- Savings – redistributive and benefits all

Weakness

- Model does not specify that the increase in government expenditure is not necessarily going to education component. i.e. government spending is not disaggregated.
- Better justification of disutility of youth employment by 5.

What to do in future?

- Model disaggregate government spending (alpha_G).

DM ADMINS FOR ALL QUESTIONS