

# Generation jobless and the high inequality economy

By  Leigh Andrews

7 Sep 2018

Professor Haroon Borhat, director of the UCT Development Policy Research Unit, senior fellow at the Brookings Institute, as well as presidential and ministerial advisor and consultant to the World Bank, UN and ratings agencies, shared the harsh economic realities of growing up in South Africa today, at the launch of the UCT Unilever Institute of Strategic Marketing's Youth Report 2018.



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Lappeman's 'Millennial terminology' point taken, we were ready for Professor Haroon Borhat's powerful presentation.

Titled, 'Youth: An economic perspective,' it put the numbers we think we know about growing up in SA under the spotlight.



#YouthReport2018: Who are those 'SA millennials' you're marketing to?

Leigh Andrews 6 Sep 2018



Bhorat said it's a challenge to focus on youth here, as South Africa is "a bit of Australia and a lot of Bangladesh," so he focused on strands common across the economic spectrum rather than drawing on LSMs.

He shared the five biggest stories affecting South African youth today:

1. The first is **population trends**, and being careful of what the numbers say;
2. Next is to look beyond age to the **specific context** of SA children;
3. This is followed by the specific challenges faced by **children in schooling and education**;
4. Then **“it’s about the economy, stupid”**; and
5. Last, the **fourth industrial revolution** and clawing back from fears that 'the robots are coming'.

Bhorat began with a look at demographic transitions, from Africa to South Africa. He said the demographic story of sub-Saharan Africa suggests the rise of the African worker.

## African economic myths and misconceptions

But, looking at total populations and working-age population projections for the world and sub-Saharan Africa from the years 2015 to 2100, based on Bhorat’s own calculations using the UN’s World Population Database, he says it’s actually a battle similar to that we face with those who talk about Africa as a country.



### Unearthing the true 'kasi truths'

Leigh Andrews 16 May 2016



It’s the African countries with the largest populations, like Tanzania and Ghana that will drive that rise – it won’t necessarily apply to all 54 countries on the continent, nor to South Africa.

Another misconception addressed by Bhorat is that the working age population isn’t actually growing dramatically. We have a stable, fairly low growth rate in SA, but we are a youthful population, with 26.8m, or 46% of our citizens, under the age of 24.

This is why Bhorat prefers to steer clear of LSMs and rather uses income quintiles for this type of work.



### Understanding growth power in sub-Saharan Africa and defining Africa's middle class

Juanita Pienaar 23 May 2017



He says to also note three reality checks on growing up in SA:

1. They’re mostly poor.
2. Nuclear families are not the norm.
3. They’re better educated, yet...

Taking a deeper dive raises the disturbing figure that 64% of children in South Africa live in the poorer income quintile households, according to the Child Gauge Report of 2017.

## Harsh reality: We're hardwiring disadvantages into SA youth

This leads to the topic of the South African Social Security Agency’s (Sassa) child support grants – 1999 Child Support stats and 2017 Sassa stats show the recipients have grown from 22,000 in 1999 to more than 12m in 2017. The age limit is 18, and the amount of R410 per child per month is obviously not enough, but it’s what is fiscally possible.

Bhorat said, “The consequences of living in a poor household are clear, hardwiring disadvantages into the child’s health, which impacts on learning and grade progression, with long-term consequences.”

“ ‘Inequality starts before birth.’ - David Harrison, CEO @DGMurrayTrust #YouthReport2018 #UUISM #InstantGrass [pic.twitter.com/NC6iLWol5h](https://pic.twitter.com/NC6iLWol5h)— UCT Unilever (@UCTunilever) August 31, 2018 ”

Painting an even bleaker picture, Bhorat moved on to nuclear not being the norm, and said that figures from Stats SA 2016 and the General Household Survey of 2015, as analysed by the Children’s Institute, show the following:

“ 40% of SA children live in a household with just their mother, 3% with just their father, 21% with neither parent, and there are a whopping 35,000 child-headed households. ”

Think of the consequences of that for the child.

On his third reality check, that we’re ‘better educated, yet...’, Bhorat quoted an IRR report from May this year, that 70% of schools have no functioning library. You may respond, ‘So what, it’s the digital age’, but the same report shows 60% of schools don’t have a computer lab, either.

“ This report is so heavy. Even the slightest #privilege blinds us to what’s really going on in SA. Our privileged norm is not average South Africans’ norm and it’s crucial that players in education, business and entrepreneurship understand that. #UCTUnilever #YouthReport2018 [pic.twitter.com/Uq042ztziv](https://pic.twitter.com/Uq042ztziv)— Bongsi MaMvuyana Simelane (@BongsiMvuyana) August 30, 2018 ”

Bhorat says the silver lining here is that the UCT Children’s Institute data from 2016 also shows a rise from just 55% in 2002 to 92% in 2015 for children aged five and six attending schools or early-childhood development facilities, but quality education for all is still far off.

## From learning to earning: Impact of learning deficits on the economy

Shifting focus from demography to economic opportunity, Bhorat added that the Southern African SACMEQ III comparison study of standardised test scores for reading and maths tend to be higher in Tanzania, the Seychelles, Mauritius, Swaziland and Kenya than here in South Africa.

“ Those are the basic skills needed to develop human capital. As a result, we have learning deficits in the arts and sciences that tend to increase over time and shape the economic growth opportunities and outcomes for the country. ”

In addition, stats from the CDE in 2017 show that for every ten learners put through the SA education system, only three will end up in higher education – the other seven supposedly end up in the technical vocational education and training (TVET) sector.

Stats SA’s Vulnerable Group Indicators Report of 2016 lists the top three reasons for those high drop-out rates are poor academic performance, disability and not having the money for school fees.



### Funding gap at crowded colleges ‘set to widen’

Michelle Gumede 13 Jul 2017



This only snowballs if those scholars get into the tertiary education system, as research shows the triangle of higher education systems is the wrong way around – there are too many in university and too few in TVET. It’s a schooling

pipeline challenge that results in **generation jobless**.

“ We have the highest unemployment rate by far in the world at roughly a quarter, and inequality of household income is the grand figure. The main determinant is the fact that we have so many zero earners. ”

So young work seekers confront terrible odds, as CDE 2017 shows there's a daily increase in youth unemployment of 380.

“ What are NEETs?

Not in  
Employment  
Education or  
Training.

\*Also not self-employed. [#YouthReport2018](#) [#InstantGrass](#) [#UUISM](#) [pic.twitter.com/BG3xaN5wSL](https://pic.twitter.com/BG3xaN5wSL)— UCT Unilever (@UCTunilever) [September 5, 2018](#) ”

There are more of these 'Neets' under the age of 35 in South Africa than the country's entire female workforce.

Explaining the genesis of this growth trap, Borhat added that we are only creating 63 jobs for every 100 seekers, so we need to look at what's going wrong in the economy. In a nutshell, Borhat said what lies behind that unemployment number is that for the past 25 years, South Africa's annual GDP has only been growing at 1% a year – there's a definite lack of formal growth opportunities.

So it's a **high inequality economy**, with the majority of the youth unemployed, and therefore not contributing to the economy – and that's the bulk of the so-called “millennial market” our brands keep targeting.

## Impact of the Fourth Industrial Revolution, job automation on the missing middle

Depending on your age, you'll fill in the blank accordingly: “Turn over a plastic toy and you'll see a sticker saying 'Made in...?' The response for the older set shifted from Japan to Taiwan and China, but it's increasingly Bangladesh and Vietnam.

Bhorat explained this against his own calculations of the South African Reserve Bank's 2017 data on which sectors are creating jobs and which skills are actually in demand today as showing the shift in low-wage manufacturing and much-needed growth of the SME and informal sector instead toward massive growth of the services industries.

“ The jobs being created in S.A. are disproportionately for the skilled. In becoming a services based economy we're becoming a skills-biased economy and eroding opportunities for those who are not very skilled. [#UCTUnilever](#) [#YouthReport2018](#) [#JobSeekers](#) [#JobSeekersSA](#)— Bongi MaMvuyana Simelane (@BongiMvuyana) [August 30, 2018](#) ”

This means we have an economy dominated by the public sector, telecommunications, retail, financial and business services, with very little in manufacturing – and manufacturing is the lifeblood of a growing economy. So Borhat says the challenge is to regenerate the manufacturing sector, in order to create more low-wage jobs and get those youth employed.

Wanting to do shopping in a mall also negates the impact of the informal sector, which has a low barrier to entry and can boost the country's entrepreneurs.

“ We need that ‘dirty development’. We can’t just remove the informal traders in poor areas, replace them with shopping malls and call that development. ”

Looking further into the future of the country’s young people, Bhorat said technology and automation is increasingly replacing jobs ‘in the middle’.



### Big money in little spazas; accessing informal sector spend

11 Aug 2016



Similarly, the #FeesMustFall movement was about the middle, not the bottom of the market, and it’s a mix of high-school graduates and dropouts that still can’t find jobs.

Hence the ‘missing middle’, which sees a fall in annual average growth rate of real wages in South Africa.

Bhorat recommends reading up on the future of work and concluded that currently, in recruitment we see an increased demand for soft skills and an ability to work with technology.



### Back to the drawing board on unemployment eradication

Leigh Andrews 28 Nov 2016



In order to see a future that’s neither a case of continuing with the status quo nor merely entrenching that missing middle, he says we need to fix the schooling system, add employment incentives and create more low-wage jobs in order for the new normal to be more positive than what we see at the tail-end of 2018.

Watch for more coverage of the UCT Unilever Institute of Strategic Marketing’s Youth Report 2018, and follow them on [Twitter](#) for the latest updates.

## ABOUT LEIGH ANDREWS

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