



# BREAKING BARRIERS

March 2021

Quarterly Report

## The Sector as a Gear for Inclusive Growth

The impact of COVID-19 on the South African economy is hard to overstate. GDP growth is projected to hit a 90-year low, and youth unemployment is at its highest ever rate of 63%. The effects of the pandemic may strip away critical gains made in the last 25 years in the fight against poverty and inequality. Despite modest recovery since hard lockdown regulations were lifted, there is still a long way to go.

In this edition of Breaking Barriers, we explore pragmatic solutions for driving recovery at the level of economic sectors. The evidence shows that individual companies – no matter how strong – can rarely rebound on their own. And, at the other end of the spectrum,

national plans are often so high-level, they become hard to implement. We have seen that sector-level coordination can bring together disparate actors, indeed even competitors, and direct them towards tangible outcomes and sustained growth. We share three insights drawn from Harambee's experience with our partners. For more, see The Harambee Approach: a toolkit and case study for growing sectors inclusively.

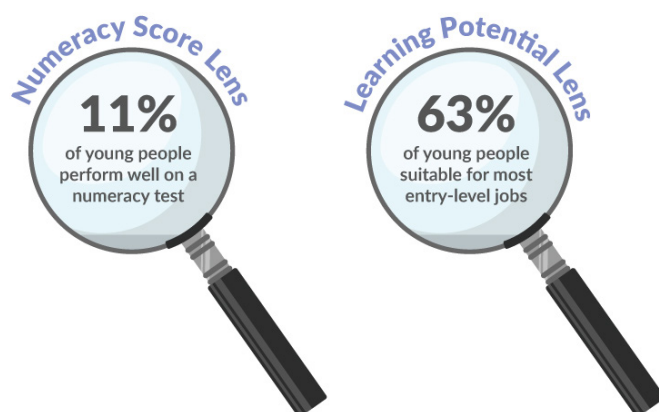


# KEY INSIGHTS FOR THIS QUARTER

## Individual companies must promote inclusive hiring. But this is not enough.

Since its founding 10 years ago, Harambee has partnered with over 500 businesses across all sectors of the South African economy to pathway excluded young into jobs. Employers who have walked this journey – including companies like Nando's, Hollard, Standard Bank, Unilever, Merchants – have acquired high-potential talent in more inclusive ways, and inspired others to follow their example. Many of these companies, and hundreds more like them, changed or even dropped unnecessary or exclusionary requirements to access a larger pool of applicants. Examples ranged from thinking hard about when a specific degree is really required to do the job (as opposed to using it as an easy way of filtering applicants) to measuring learning potential and problem solving (not just relying on school-based math marks). Yet, when these companies try to scale up what they are doing, they often run into barriers that they can't solve on their own – like trying to modernise accreditation requirements for their jobs or improving broadband access for their staff to work from home. We have seen that the scale of the challenge is such that even well-resourced and well-intentioned companies can make little headway against these systemic barriers like poor education systems, increasing transport costs, and high data costs that make it hard for excluded youth to find a foothold in the labour market.

**Figure 1:** Inclusionary hiring recognises that school results are not always a predictor of performance



Source: Harambee Youth Employment Accelerator, 2019

## Insight 2: Sector level solutions can deliver more scalable results

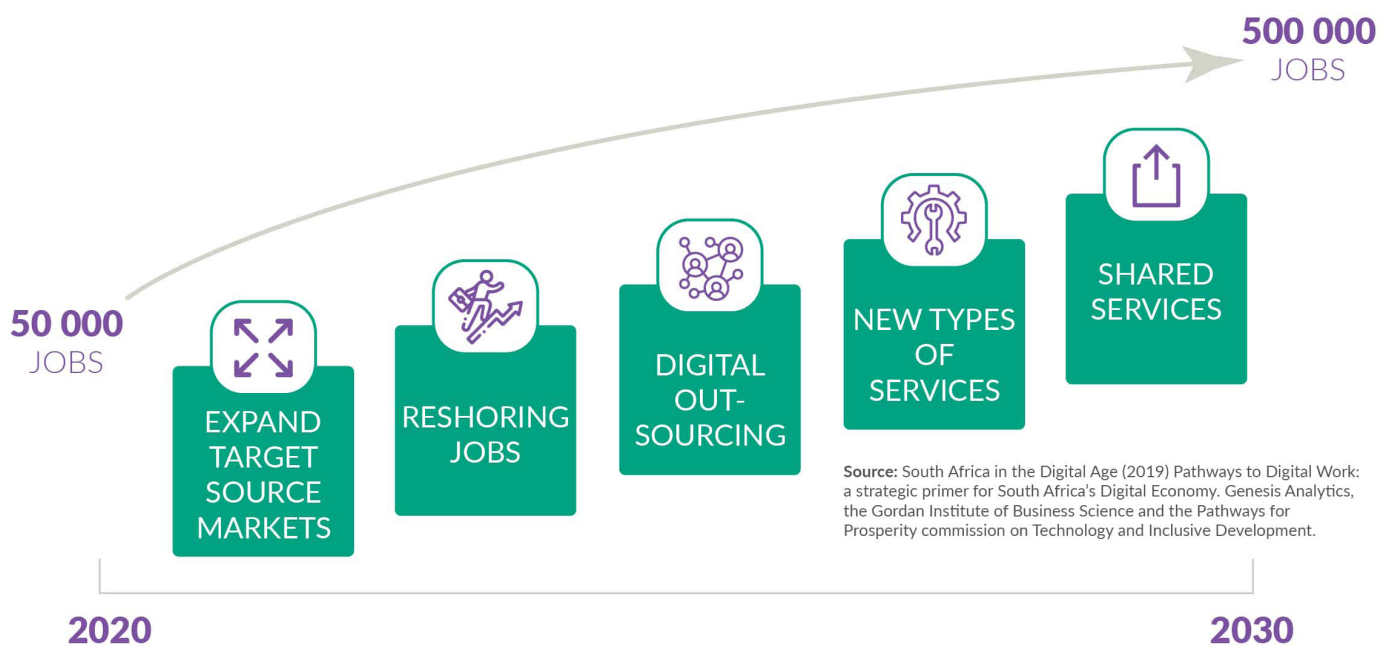
Individual companies are part of a broader ecosystem. Ecosystem facilitation in the natural or biological world refers to the interactions that benefit at least one—and often more than one—member of the ecosystem. In market ecosystems, however, these interactions do not happen automatically. Organisations typically compete for scarce resources, including labour and capital, and generally are not incentivised to taking a broader view beyond their own needs. To translate ambitious plans to concrete action, however, we need to generate returns beyond individual companies alone, while driving a mutually beneficial path to growth. That is the basis of a sector-level approach. Sector-level coordination supports industries to organise themselves into engines of inclusive growth, by harnessing the mutual interests of all players—even competing companies—to increase total investment, translate it into concrete jobs and fill them with skilled workers.

One example of our success is in the Global Business Services sector, which ranges from front-office call centres and customer service to back-office legal, technical and accounting services—an industry that offers good jobs for young people (87% of new recruits in 2019 were aged 18-35).

Historically, individual organisations did not fully capture the latent growth potential, due to insufficient coordination between players, and even internal competition. We have seen a doubling of jobs in this sector over the last five years, the result of improved coordination between the industry body (Business Process enabling South Africa) and government's Department of Trade, Industry, and Competition (dtic).

Coordination between business and government using sector-level facilitation has delivered concrete outcomes even in the face of the pandemic. While lockdowns the world over forced call centres to halt operations, timely sector-based intermediation motivated the South African government to categorise them as “essential services,” allowing them to support critical business functions and economic recovery. Many jobs were saved, and in fact, ~3700 new jobs were generated in this industry between July-September 2020 alone, where all other industries were hard hit. By actively shaping the incentives of individual organisations and institutions, this sector is on track to create half a million new jobs by 2030.

Figure 2: Jobs serving a global export market can be scaled ten times



Source: South Africa in the Digital Age (2019) Pathways to Digital Work: a strategic primer for South Africa's Digital Economy. Genesis Analytics, the Gordon Institute of Business Science and the Pathways for Prosperity commission on Technology and Inclusive Development.

### Insight 3: Early successes in one sector can be replicated in others

Active sector coordination begins by identifying the opportunity, convening the right set of stakeholders, and executing quick wins and building on the momentum. To shift these bold plans for economic recovery into reality—we need to apply lessons learned to other priority sectors. The Public Private Growth Initiative (PPGI) has identified opportunities in a range of high potential sectors such as tourism, agriculture, manufacturing, installation repair and maintenance, and automotive. By actively shaping these sectors with a focus on inclusion, growth and mutually beneficial gains, we could generate up to 500,000 new jobs in the formal and informal economy.

There are early learnings from the agricultural sector. Despite policy challenges, the sector grew by 13.1% in 2020. The Agricultural Development Agency (AGDA), formed in 2020 to provide access to finance, skills and technical expertise for black commercial farmers, has already identified a pipeline of catalytic projects such as township focused agricultural skills development programmes with innovative off take mechanisms.

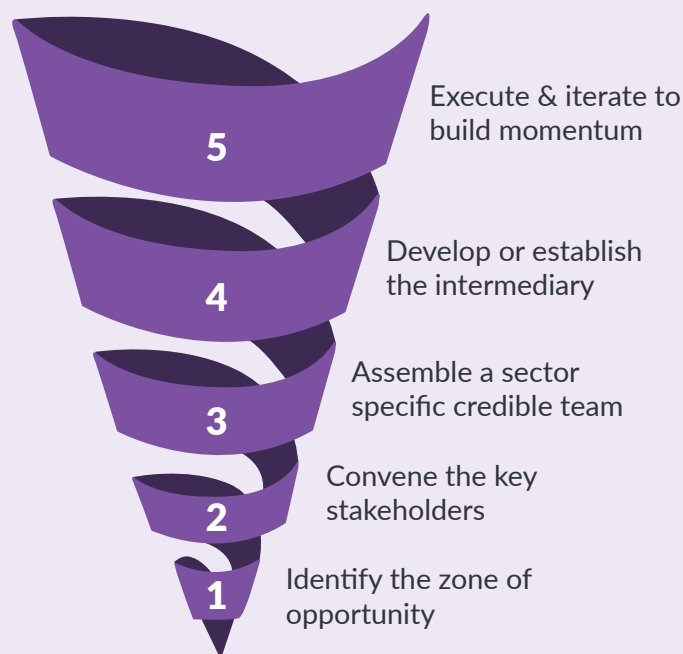
These projects are innovative, scalable, replicable and generate shared wealth for participants. They provide opportunities for people to participate in work in a variety of ways, in dignity, without the traditional employer-employee relationships typical of the past. Encouraged by the work of the ADGA, PPGI is supporting the organisation to expand its services; identify new opportunities; and work hand in hand with various government departments and programmes.

The automotive manufacturing sector is another proof point – collectively, at a sectoral level, and supported by carefully crafted policy and the establishment of a R6 bn industry led transformation fund, the sector is focused on building an inclusive South African value chain by

partnering on skills development, expanding township opportunities and developing the component manufacturing industry.

This will enable South Africa to produce a greater share of component parts for vehicles, many of which are destined for offshore markets.

**Figure 3:** A model to grow sectors inclusively; promoting job creation and inclusive hiring at scale



**Source:** The Harambee Youth Employment Accelerator approach: growing the economy inclusively through ecosystem facilitation and sector intermediaries, by Harambee Youth Employment Accelerator in conjunction with Genesis Analytics, August 2020.

## YOUTH VOICES

The coordination of the digital sector has delivered tangible results for Nothando Vilakazi, a young lady from Dube, Soweto who is full of potential, but with limited access to opportunities. She had been looking for a job for two years. However, working from home during the pandemic was not an option – she lacked connectivity and couldn't leave her family to look for jobs. Through ecosystem facilitation, the coordinated efforts of the national government, provincial government, sector bodies, and individual companies teamed up to bring high-speed internet into Nothando's home. She is now able to work as a call centre agent from home. Her job now allows her to earn an income while taking care of her family, including a dependent cousin and daughter.



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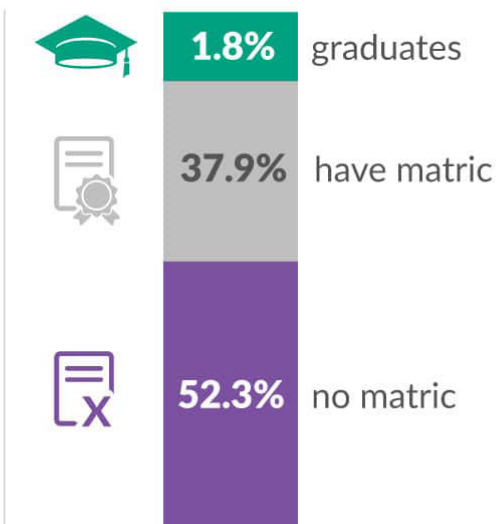
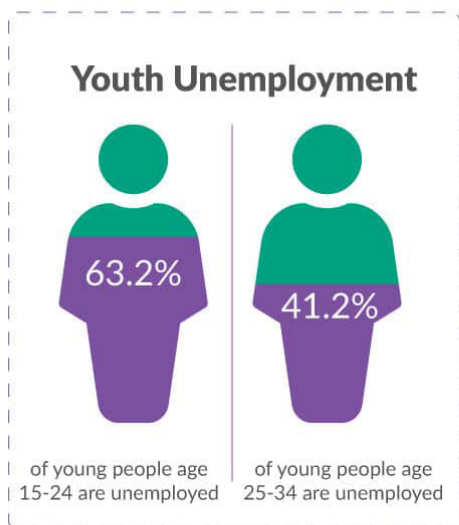
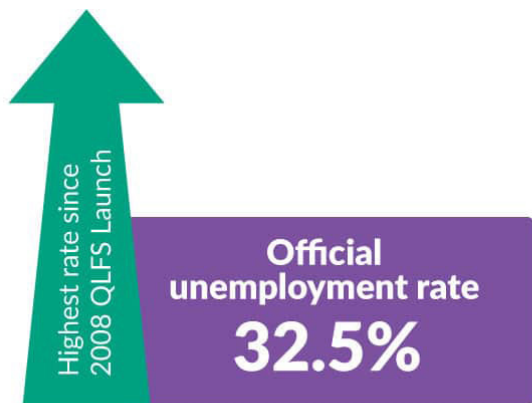


SOUTH AFRICA  
DIGITAL AGE

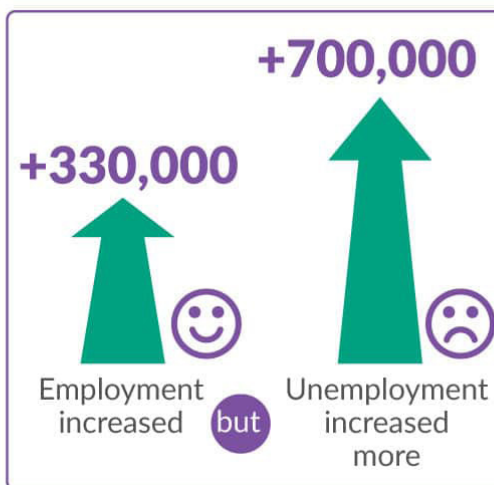
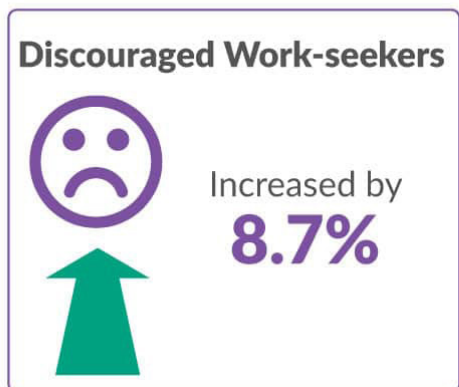


# YOUTH EMPLOYMENT TRENDS

The latest quarterly labour force data released by Statistics South Africa shows that the official employment rate has risen to 32.5% – the highest since the start of the QLFS in 2008. Nearly two thirds of youth between the ages of 15 and 24 and two out of every five youth between the ages of 25 and 34 are unemployed.



Education level of unemployed



Source: Stats SA Quarterly Labour Force Survey, Q4 2020

\* Youth includes all 18 – 34-year olds