



# BREAKING BARRIERS

**Quarterly Employment Report**  
*February 2022*

## **JOB CREATION IN PRIORITY SECTORS**

The President's recent State of the Nation Address offered a reminder that youth unemployment remains one of, if not the, central challenge for our nation in the years ahead. It also offered new insights and approaches for how we can address this challenge, informed by the collective data of the many partners working in this space, including Harambee.

In this issue of Breaking Barriers, we build on this by shifting our focus from what the data tells us about who is unemployed, to where demand for work is unmet and growing—and how to unlock it.

# KEY INSIGHTS FOR THIS QUARTER

## Insight 1: Demand exists, but it looks different

South Africa's acute COVID employment collapse, on a background of chronic jobless growth, looks like a story of blanket labour market contraction. A deeper dive into the data shows that we are, in fact, seeing the acceleration of a reshaping of demand that has been underway for decades.

Heavy industry is declining: the GDP contributions of mining, agriculture and manufacturing—industries that had traditionally absorbed large numbers of low-skilled workers—have all shrunk by double-digit percentages since 1994. Against the decline of these 'big industrial' sectors we see two trends, both of which contain the potential for new job creation: the contraction of the formal labour market as we know it, resulting in increased informalisation of economic activity; and the emergence of what we call 'sunrise sectors', that have the potential to grow and absorb young people.

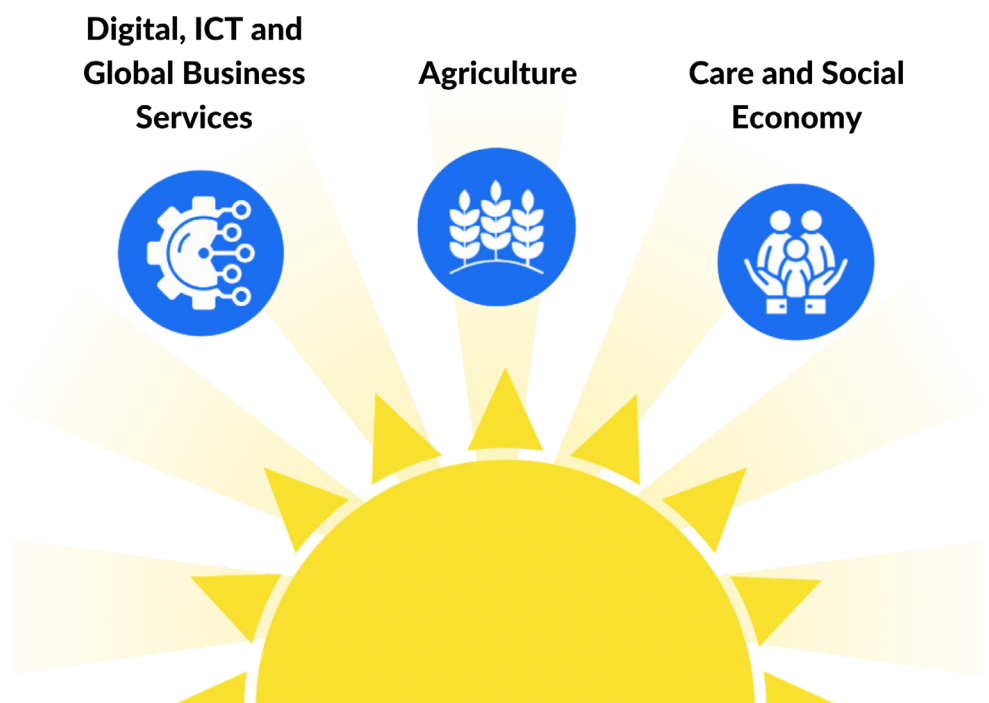
The most obvious sunrise sectors are the so-called 'industries without smokestacks', including financial, business and community services. These industries have a number of characteristics that make them a valuable focus for employment intervention. Firstly, like manufacturing, these are productive sectors, generating high value per worker relative to average economy-wide productivity. Secondly, they can employ large numbers of low- and moderately-skilled labour, giving them the potential to generate the number and type of jobs required to absorb young people at scale. Thirdly, these sectors are undergoing rapid digital transformation at the global level, creating high potential for sector-wide productivity growth which in turn drives up investment and employment growth, and enables the creation of viable pathways to higher earning. A great example here is the Digital, ICT and Global Business Services sector. Our research identified 60 000 high-skill digital job vacancies in the local economy, with the potential for 500 000 more by 2030. Though

agriculture's share of GDP is on the wane, agro-processing and horticulture contribute a growing 15% towards formal employment. High-value growth pockets within the sector offer the opportunity to unlock 300 000 potential jobs across agriculture, horticulture, agro-processing, and associated value chains.

Another, quite different, sector with high potential for job creation is the growing **care and social economy**, which includes Early Childhood Development, Health, and Community, Social and Personal services. Community, Social and Personal services is the second-largest absorber of young people in the labour market, comprising over 20% of all youth jobs. Investing in this sector can also unlock opportunities for young women, who were **significantly impacted by the COVID-19 pandemic**, and remain the most vulnerable to unemployment, with black African women experiencing the highest level of unemployment. Current projections suggest that 104,000 assistant and auxiliary roles can be created in ECD centres, and if we were to target full national ECD coverage, up to 400,000 new opportunities could be created. The success of innovative enterprise development programs in this sector suggests that partnership between private sector and ECD microenterprises can increase the pathways to sustainable income generation in places where formal economy jobs will be slower to arrive. The health care sector could unlock thousands of opportunities for young people over the next five years—including over 25,000 opportunities for counsellors and community mobilisers in public health facilities, and entry level positions in pharmacies across the country.

**These growth sectors form the core of economic activity that will now be prioritised for investment in job creation. The next question is 'how?'**

**Figure 1:** The most obvious sunrise sectors are the so-called 'industries without smokestacks', including financial, business and community services.



## Insight 2: Emerging sectors call for new, targeted employment interventions

The opportunities in each of the sunrise growth sectors can be unlocked with specific interventions—but these need to be targeted to the sector and to the opportunity.

With 500,000 opportunities on the horizon, unlocking demand within Digital and Global Business Services is a high priority. We know that **sector-led ecosystem facilitation** works. An orchestrated process is already underway through the Digital Work Accelerator—a public and private collaboration between government, industry and social partners that promotes aligned sector-wide efforts, resources and interests towards a common set of prioritised initiatives—to unlock job creation within the digital and ICT economy. Partnership with the DTIC to influence the sector master plan towards inclusive hiring succeeded in driving both job growth and inclusion. Further, the digitisation of government processes provides opportunities for work experience or employment opportunities for young people at scale.

The agriculture sector can create 300 000 jobs by expanding the production of export-oriented, high-value crops in Eastern Cape, Limpopo, North West and KwaZulu Natal. Of these, two-thirds would be direct jobs and the remainder indirectly created upstream and downstream in manufacturing and service. Levers that can unlock employment include resolving uncertainty around land rights and enabling improved infrastructure for efficient transport – critical in the export of fruit. Cannabis is another high-value crop where production has potential to lead to large-scale job creation, but legislation and regulation remain key constraints here. Addressing these

barriers will be a critical element of interventions targeting this cluster of sectors, in addition to a focus on market access and increased investment.

Opportunities in the care and social economy can be unlocked by supporting micro-enterprises with start-up and business management training and by reducing barriers to formalisation that in turn unlock access to funding. For example facilitating the registration of ECDs means they can enrol subsidised students. We also need to activate inclusive recruitment and matching networks to build mass pathways into the sector.

**Figure 2:** Sector specific interventions are required to unlock opportunity in sunrise sectors



Source: Harambee Youth Employment Accelerator, 2021

## Insight 3: Our most powerful employment levers aren't fit for an informalising economy

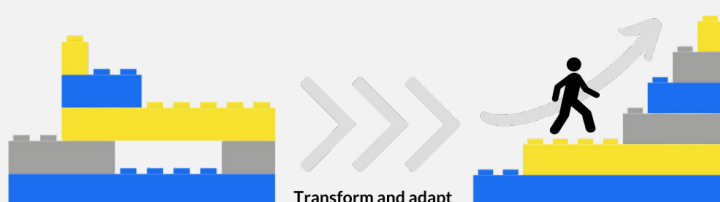
Our state employment incentive infrastructure – tax incentives, credits and training programs – was built for a different era of heavy industry, corporate stability and less complex value chains. Redesigning these incentives for a future of work that supports small, medium and micro-enterprise (SMME) will be vital, both to help these businesses bounce back from deep pandemic-related job losses and to harness their potential for growth. The last QLFS data shows that most job losses occurred in the SME sector, with about 70% occurring in age groups 15-to-44 years.

Our employment incentives also need to be recalibrated for greater administrative ease if SMMEs are to take advantage of them. For instance, allowing small businesses to participate in the Youth Employment Service (YES) programme with recognition via affidavit—sidestepping the

costly QSE verification process—could not only help unlock 200,000 jobs per annum but also mobilise value chains critical to economic revitalisation.

Across the economy at large, skills development levies provide many opportunities to facilitate inclusive hiring. But these can be administratively intensive to claim, and often incentivise skilling over job placements. As well, current skills incentives do not sharply target the most vulnerable youth (those youth at or below matric and who are not in education, employment and training). Instead, they bias towards tertiary and graduate youth. By recalibrating our system of skilling incentives to bias instead towards job placement and inclusion, we can encourage more corporates and industry associations to hire the most excluded youth.

**Figure 2:** Transforming and adapting existing interventions to support increased hiring of youth can reboot SMMEs which are vital to the economy.



Transform and adapt

**South Africa is on a path of structural transformation. Data shows us which industries and sectors are rising, as well as how to retool employment interventions for maximum effectiveness and impact within them. Moreover, doing so creates momentum for the digitisation of government processes, which itself provides further opportunities for work experience or employment for young people at scale. Tracking our effectiveness at unlocking job growth from these sunrise sectors becomes an important analytic lens to embed into our ongoing work as part of the coalition committed to deliver on the promise contained in the State of The Nation Address.**