Currents of Opportunity: How to Reverse the Tide on Youth Employment

BREAKING BARRIERS

Quarterly Employment Report

16 June 2025

South Africa's macroeconomic picture remains one of sluggish, jobless growth. In the first quarter of 2025, the economy **expanded by a mere 0.1%**, and while accelerating growth is a priority, evidence shows that **this alone will not fix our youth employment crisis.** Even with marginal increases, many are still losing jobs and young people are especially hard hit. The Quarterly Labour Force Survey (QLFS) results from Q1 2025 show youth unemployment for those aged 18-34 years at 56.3%, and the number of those not in employment, education or training (NEETs) breaching 9.2 million.

Young people need to work. They cannot wait. And they *want* to work, as evidenced by the 1.9 million applications received for just 205,000 opportunities, which came by way of Phase V of the Basic Education Employment Initiative (BEEI) launched in June. Time and time again, we see evidence of young people's desire, drive and potential to be included in the economy: when we create doors, they run through them.

It's vital we find the currents of growth to keep a constant flow of young people moving into the labour market: we should be looking to **sunrise sectors to provide the bright spots of opportunity.** These sectors are experiencing significant growth relative to the economy as a whole, have high potential for youth employment, and feature clear levers to maximise this potential.

Our evidence also continues to highlight the effectiveness of solutions that support self-enterprise work, non-formal jobs, like Public Employment Programmes (BEEI, among others), and inclusive hiring (such as SA Youth and YES). At their current scale, **these interventions contribute to stemming the tide of the youth employment crisis. But they have not yet reversed it**. To do so, existing stakeholders and new partners must work together to bring them to full scale.

These solutions are backed by robust data, and together they create viable pathways to achieve a 10-20% reduction in youth unemployment over the next 5 years, if GDP grows between 1-3%. This is what is foreseen by the National Pathway Management Network's Vision 2030: a national strategy to address youth unemployment. It calls for urgent and coordinated action across four areas of intervention: employer-led inclusive hiring; sector-specific interventions; youth entrepreneurship in the informal economy; and optimising Public Employment Programmes (PEPs).

Insight 1: Where are the jobs? Although the economy is sluggish, it is not uniformly slow. Currents of growth can help youth keep moving forward.

While South Africa has experienced muted growth in the long term, averaging less than 1% over the past decade [World Bank, 2025], this growth rate is not uniform. The economy contains both **stagnant pools**, such as manufacturing and construction, where the youth share of jobs is declining disproportionately, and **faster-moving currents (emerging or dynamic "sunrise sectors")** where youth employment is fueled by outsized growth.

SA Youth, together with the Business-Government partnership, researched these sunrise sectors to identify which can generate jobs for youth and how they can be unlocked. **Global Business Services (GBS) is the most fully developed of these sectors** and has established itself as a proven employer of youth, particularly young women. The sector is on track to create a minimum of 300,000 additional youth jobs by 2030.

Tourism is another well-developed sunrise sector with the potential to create an additional 228,000 youth jobs, if it maintains a feasible growth rate of 5%. Rich in entry-level employment opportunities (in accommodation, travel, entertainment and food), new jobs are driven by foreign visitors to South Africa, with every 12 arrivals estimated to lead towards one local earning opportunity. Plans are in place to expedite the visa process for Indian and Chinese tourists, which will increase arrivals.

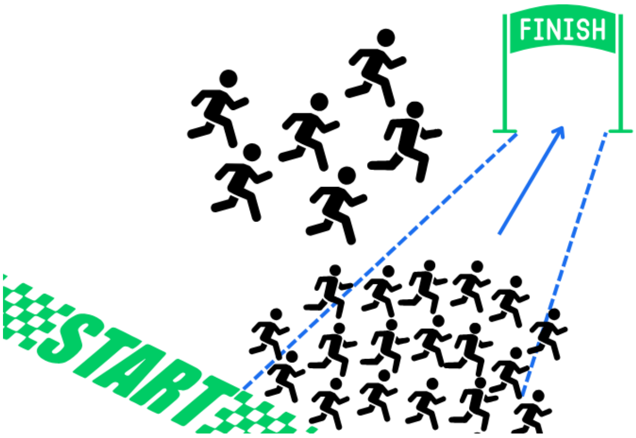
The Digital sector is both a major enabler across the economy and a standalone industry with an estimated demand for 66,000 people, approximately 66% of which are for entry-level positions. African youth are well-positioned to meet rising global demand with a digitally-skilled workforce, offshoring capabilities and labour mobility. Innovative models using demand-led funding are emerging to get young people into digital jobs. For instance, new partnerships established by Collective X - an initiative incubated by Harambee - aim to get 1,000 youth into jobs over the next year, scaling to 4,000 the year after.

The **Green economy** is another growth area, and it too, can absorb large numbers of youth into construction, site support, operations, and maintenance roles. Some areas, such as solar, wind, battery and waste management, will see short-term job growth. The solar and wind subsectors alone could generate up to 174,000 jobs by 2030, many of which are accessible to young people with limited formal education. Realising this potential, however, requires us to tackle systemic barriers like fragmented skills development, the underrepresentation of women, and regulatory uncertainty.

Other promising sectors include Early Childhood Development (ECD), Last Mile Delivery/the Platform economy, and the Fruit Value Chain - all growing faster than the economy. However, even if that growth continues, the jobs for young people will not materialise organically. The lesson from GBS is that **unlocking youth jobs in growth sectors takes deliberate incubation, intensive collaboration, and coordinated investment from many stakeholders**. Sector-specific barriers and binding constraints operate in many of these growth sectors, and these must be addressed to avoid leaving jobs on the table.

Some sunrise sectors are in fact employing fewer youth. QLFS data show that manufacturing, mining, and construction have reduced their proportion of youth employment, strongly impacting young men, since these sectors predominantly employ men. Employment of young men is falling fast, with approximately 400,000 fewer young men aged 18-34 in jobs compared to a decade ago. We need to increase opportunities that can absorb these youth, particularly in craft and related occupations. However, shifting the underlying dynamics behind the decline in these sectors **will take time and strategic investment.** In the meantime, medium-term interventions, such as the promised digitisation, decarbonisation and diversification priorities of the Department of Trade and Industry (dtic's) new industrial policy, will help stem the losses.

INSIGHT ONE | Finding the currents that move youth forward



Insight 2: GDP growth alone will not create enough youth jobs. We need targeted and scaled interventions to bring youth into the economy.

Catalysing sector growth will still not absorb enough of the millions of hopeful young people entering the economy over the next 5 years. The biggest sectors of the economy must also become more accessible to youth, yet many of these have a declining youth share of jobs. Reversing that trend is a vital element of the national youth unemployment strategy.

With over a decade of interventions, SA Youth has built a deep evidence base for what works to identify opportunities suitable for youth, break barriers to entry, and demonstrate the upside to employers of prioritising young people for new opportunities. **The key is inclusive hiring**: filling new roles with ready, willing and capable young people (without displacing older workers), using an array of proven strategies.

This includes:

- **Inclusive recruitment practices that use better labour market signals** to recognise young people's ability to succeed in entry-level roles. Through SA Youth, we have learnt that deploying inclusive hiring mechanisms connects the right youth to the right opportunity, generating value for both. One tool, The 'SA Youth behaviours screener' has shown early evidence of a 38% increase in hires — mostly for young workers with no experience, who may otherwise not have made it through traditional recruitment channels.
- **Work readiness solutions** that properly onboard, set expectations and prepare new hires for the world of work. As highlighted in previous Breaking Barriers, many employers are already developing in-house

work readiness programmes or incorporating them into learnerships. Harambee has developed its work readiness content as an enabler for employer partners wanting support with this solution.

- **Incentive schemes** such as the Employment Tax Incentives and others are targeted at barriers like transport and data costs.
- **Sector coordination** that addresses systemic barriers and creates a virtuous cycle promoting economic growth. Examples include intermediaries such as Business Process Enabling South Africa (BPESA) and Collective X, and initiatives like the "Do More" campaign, which brings together private companies, led by Business Unity South Africa (BUSA), to scale up existing youth employment programmes.
- **Platforms such as SA Youth,** which has already connected 4.8 million young people to work-seeking support and secured 1.8 million income-earning opportunities, and has clear potential to scale further.

We know these strategies work: individual employers have used them to increase their share of youth jobs. In the Retail sector, for example, Queenspark has adopted inclusive hiring as a priority, employing qualified unemployed youth graduates in various professional fields annually. Another retailer, Verimark, has tripled the number of youth hired over the past year and sees a range of benefits, from greater cultural diversity that yields a range of perspectives and experiences, to better problem-solving and decision-making. For successes like these to become a national win, we need employers to shift their stance across the board, embracing inclusive hiring strategies as need-to-have norms, not nice-to-have exceptions. Our modelling shows that with an overall economic growth rate of 1-3%, scaling up these strategies would enable an additional 700,000–1.36 million young people to access employment by 2030. Boosting hiring in stagnant sectors has the overall potential to shift the youth unemployment needle by 5-10%.

INSIGHT TWO | Targeted and scaled interventions

Insight 3: All work matters. In the absence of youth-inclusive job growth, the informal economy needs to expand, and PEPs must be sustained and optimised.

South Africa's informal economy is small and weak, contributing only a 16% labour market share compared to the norm for middle-income countries at 45% [Bhorat, 2022]. It is made up largely of self-employed workers in unregistered or small-scale enterprises, many operating from homes, street stalls, or other non-formal locations. Some believe that our informal economy is severely undercounted. **But merely counting the informal economy more accurately will not make the jobs crisis disappear.** We need to better understand, expand and de-risk the full breadth of informal economic activity to make it a viable pathway for youth.

South Africa's formal economy is top-heavy: SARS company income tax data indicates that companies employing less than 50 individuals contribute the smallest share of total formal employment. SMME expansion, starting with entrepreneurship and self-enterprise, is a critical unlock for jobs. This must begin with cutting red tape. The first step should be around the licensing conditions and costs that restrict access to informal trade. Second, removing barriers that stop young people from accessing trading spaces in cities and in townships, where 60% of the unemployed reside. This means investing in basic infrastructure and services, effective policing and crime prevention measures, and affordable and efficient transport services, all of which stimulate informal business activity. Shifting these broken systems to make the informal economy less precarious can help an additional 220,000-580,000 young people into work, contributing a 2-5% reduction in youth unemployment.

Even with all these strategies deployed at maximum effectiveness, many young people will still be left out and lacking opportunities to generate income if those jobs and trading spaces are simply not within reach. Public Employment Programmes (PEPs) remain vital enablers and stabilisers to labour market engagement, none more so than the BEEI, South Africa's largest youth employment programme. From 2008 to 2024, the youth employment share in the Education sector increased by 9%. The bulk of this - 6% - occurred during the period the BEEI programme was running, suggesting its strong contribution. The 5th phase of the BEEI, launched in June this year, saw 1.9 million unique work-seekers apply for 205,000 vacancies across 22,000 schools throughout the country, all in a period of 3 weeks. With a total of 17.9 million applications, of which 75% were from women and 28% from rural areas, the scale of demand is clear: young people want to work. Fully inclusive programmes such as the BEEI offer an accessible labour market entry point that they cannot do without.

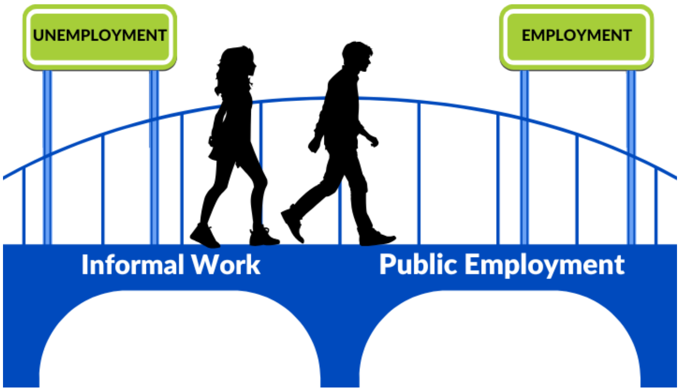
A growing economy powers youth employment, but the reverse is also true: prioritising youth employment can raise the tide that floats all boats.

SA Youth is undertaking robust sector-level analysis of youth employment trends and potential. This will help inform the strategies and investments of the Department of Trade, Industry and Competition (dtic), the Department of Employment and Labour (DEL) and other government departments. The resulting sector-specific interventions, alongside investments to bolster youth entrepreneurship in the informal economy and participation in PEPs, form the pillars of "Vision 2030".

With the aim of reducing youth unemployment by between 10 and 20% by 2030, the target is ambitious. Supported by data, Vision 2030 hinges on collaborative action. It represents an unprecedented level of coordinated action across government, organisations like Harambee and its partners, and, most importantly, employers, many of whom are fully embracing their role in solving the crisis.

These sector-level insights tell us they are wise to do so: the proportion of young people being hired into a sector correlates with its growth rate. It's easy to assume that the growth is driving the hiring, but the ripples of causation are more complex than that—something we will explore in future editions of Breaking Barriers. What's clear is that having more young people in the workforce stirs up the waters of an economy, which is good for everybody.

INSIGHT THREE | Sustain and optimise bridges to employment



Quarterly Labour Force Survey Release – 13 May 2025

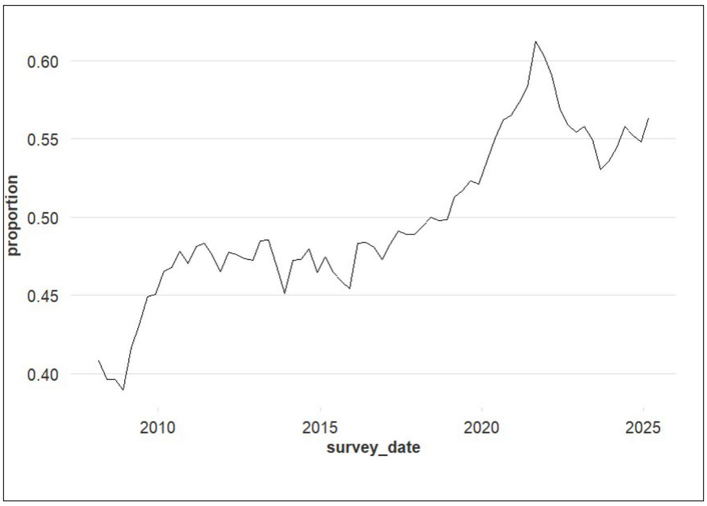
The QLFS data delivered its bleakest message yet for youth: **expanded youth unemployment for 18–34-year-olds has, in the first quarter of 2025, reached one its highest points ever, clocking at 56.3%**. This is a continuation of the downward spiral that began in 2015 and was only interrupted by an even steeper fall during the COVID-19 pandemic. We are haunted by those dark days, as the number of youth who are unemployed now – 7.28 million – creeps closer to the number of youth who were unemployed then – 7.3 million. In a further, daunting comparison, the number of youth who were unemployed just a year ago was 6.98 million.

Zooming out, the longer-term trend of falling employment is mostly driven by a **fall in young men in employmen**t, as referenced above. Ten years ago, in the first quarter of 2015, there were 3.6 million young men in employment. In the first quarter of this year, however, there were only 3.2 million employed. High youth unemployment, particularly among men, presents several risks to a country's economic and social stability, including increased poverty, social unrest, decreased consumer spending, lower tax revenue, and ultimately hampered economic growth. Over the long term, the country faces an unquantifiable loss of human capital, a generational disconnect and a loss of trust in social and political systems.

The urgency for radical action is highlighted by the NEET population for youth aged 18-34 years which has now reached **9.2 million** in a **total youth population of 17.6 million.**

Changes in employment figures by sector also provide pointers for where action should be prioritised. South Africa's formal sector is the main employment contributor, accounting for 68.1% of total employment in Q1 2025. Yet, the number of persons employed in the formal sector – the sector that provides the most stable and well-paid employment and promising pathways into the labour market - decreased by 245,000. Whilst this was offset by an increase of 17,000 in the informal sector, the quantity does not make up for this loss, but it does raise a flag even higher for where to focus energies for development.

Expanded Youth Unemployment rate:



Youth Employment by Gender