

Extended Abstract
The impact of high levels of youth unemployment on transitions from school to work in South Africa: evidence from a panel study of youth in Cape Town.

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The South African labour market is characterized by levels of unemployment in excess of 30% using a narrow definition confined to those actively searching for employment and close to 50% using a broader definition that includes a group of non-search (discouraged) unemployed. Youth 15-30 years old make up over 40% of the economically active population and close to 60% of the unemployed. A stark feature of the South African labour market is the racial divide in outcomes. Close to 75% of all 15-30 year old youth labour market participants are African while only 11% are white. Furthermore, around 60% of African youth are unemployed compared to 10% of White youth.

At the same time, a major thrust of post-apartheid socio-economic policy has been directed at equalizing schooling possibilities across races and improving schooling outcomes for all. While there have been rapid gains in increasing average years of education of the youth and narrowing racial education gaps, this has yet to have a favourable impact on the labour market situation confronting the youth.

This paper investigates, in the first instance, how youth perceptions of the labour market in the Western Cape influence their decisions to leave school and to participate in the labour market and the nature and extent of their job search. Youth perceptions of the labour market are an important determinant of the effort they make in finding employment. These perceptions are in turn driven by the extent of unemployment in their location. To the extent that their perceptions are overly pessimistic, they will under-invest in job search. However this is a balancing act for youth as job search is costly both in terms of the resources required for search and in terms of education time that is foregone.

The Western Cape is an ideal setting for this study given that Cape Town is the only major city in South Africa to have substantial numbers of white, coloured, and African residents. We utilize a new youth panel data set covering the Cape Town metropolitan area, the Cape Area Panel Survey (CAPS) together with the Khayelitsha/Mitchell's Plain survey data set which has a particular focus on the labour market. Both of these data sets are described in more detail later.

Judging by the results of the first wave of the Cape Area Panel Survey conducted in 2002, youth perceptions of the labour market are very gloomy. Of 1279 youth

respondents between the ages of 16 and 22 who indicated that they wanted work, 61% had never looked for work. When asked what they thought the chances were that they would be working within a few months, 73% said 50/50 or less. When asked the same question with a reference period of three years, 44% still said 50/50 or less.

Even if these perceptions are realistic, this long time lag between leaving school and finding employment is of serious concern. Duration of unemployment has negative consequences for the esteem of the jobseeker. Furthermore, duration of unemployment has an effect on perceived productivity of an individual by prospective employers. Thus an individual that has remained unemployed for much of his/her youthful stage may remain unemployed for much of his/her adult life as well.

Some of these trade offs may be resolved through the use of networks as a cheap and efficient means of searching and finding employment. Evidence from a range of surveys indicates that most people get jobs through friends and relatives. The KMPS survey, for example, reveals that more than 55% of the respondents obtained their current job through friends and relatives. The Cape Area Panel Survey also indicates that by far the most common way of obtaining employment for youth is the use of networks in the form of friends and relatives.

However, even though most young individuals obtain employment through networks, relatively few claim to use this method when searching for work. The September 2002 Labour Force Survey, for example, indicates that only 9% of youth used networking in searching for work whereas the majority preferred to enquire directly at work places. This finding makes sense given that that 75% of the youth in this sample are black and that the contacts available to them are likely to be less influential in getting them jobs. Indeed, black youth often cite only their teachers and priests as references when applying for jobs in contrast to white youth who usually have strong networks of people in business. This asymmetric usefulness of network searching is problematic because it is possible for youth to stay in school while exploring job possibilities through such a search strategy.

The plan for the study is as follows:

- To explore the role of youth perceptions of the labour market on labour market participation. That is to look at the correlation between pessimistic views of finding employment and whether youth are searching or not. We would also use multivariate techniques to examine the extent to which views on finding employment impact on actually finding a job.
- Describe the methods of job search that youths are adopting and examine which are more successful in securing employment.
- Carry out an analysis of the extent of network searching by youth and determine the profile of networking youth.
- Examine the impacts of job search on schooling participation and achievement. That is to explore whether youth with an orientation towards the labour market fair any better or worse at school than those that are not searching for work.

We will make use of two data sets that are extraordinarily rich in terms of information on these issues.

The data sets

The first wave of the Cape Area Panel Study (CAPS) was conducted in late 2002. The CAPS is designed to provide rich, prospective data on the school, work and family transitions of young adults. African and white households have been oversampled in order to produce a sample with approximately equal numbers from the three major population groups in Cape Town – African, coloured, and white. The CAPS project focuses on a wide variety of youth outcomes, including school enrollment, grade repetition, completion of secondary school, transitions from school to work, early labour force experience, migration, sexual activity, childbearing, and a number of risk behaviors.

The second full wave of the panel goes into the field in 2005. However, in 2004 about two thirds of the base sample of CAPS youth were revisited in order to update schooling and labour market statuses. A calendar was used to gather detailed information on developments subsequent to the first visit in 2002. In addition, detailed information was gathered on time use of scholars as well as those who were not in school. The data from the 2004 revisits will be captured by the end October 2004 and the core analysis of this paper will make use of these 2002 and 2004 data sets.

In addition, use will be made of the Khayelitsha/Mitchell's Plain Survey (KMPS), which was conducted in the year 2000. This survey has a special focus on the supply side of the labour market for Cape Town's poorest socio-economic groups. From the outset a major purpose of this survey was to explore the extent to which livelihoods, and in particular labour market behaviour, involved individuals in multiple activities. This makes the data especially interesting and important.