

# Policy In Focus



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## YOUTH AND EMPLOYMENT AMONG THE BRICS





The International Policy Centre for Inclusive Growth (IPC-IG) is a joint project between the United Nations and Brazil to promote South-South learning on social policies. It specialises in research-based policy recommendations on how to reduce poverty and inequality as well as boost inclusive development. The IPC-IG is linked to the UNDP Brazil Country Office, the Secretariat of Strategic Affairs (SAE) and the Institute for Applied Economic Research (IPEA) of the Government of Brazil.

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## Policy in Focus

*Policy in Focus* is a regular publication of the International Policy Centre for Inclusive Growth (IPC-IG). This edition brings together a diverse range of opinions and experts on the subject of social policies designed to promote youth employment within the BRICS nations (Brazil, Russia, India, China and South Africa). This special edition was developed in partnership with the Brazilian Institute for Applied Economic Research (IPEA) and the Secretariat of Strategic Affairs (SAE).

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**Come and Hope with Me!**" This was the rallying call by South African Mongane Serote to draw the world's attention to the battle fought by his people against Apartheid. It is in this spirit that we invite readers to explore this special edition of Policy in Focus. This issue is dedicated to the analysis of the usage of social

programmes to promote youth employment in the BRICS (Brazil, Russia, India, China and South Africa) countries. In light of the 2014 BRICS Academic Forum, which will officially transfer the responsibilities of host country from South Africa to Brazil, we have set out to understand how the BRICS countries have made use of their extensive expertise in social policies and programmes to go beyond mitigation of crisis, towards the realisation of young people's ambitions.

This special issue commences with a comparative article from the editors, followed by an article by UNICEF on adolescence. It then introduces specific sections dedicated to each BRICS country as per their respective order within the BRICS acronym. The opening articles of each section provide a general overview of social programmes and the creation of jobs for young people, while the closing articles from each section provide studies focused on the promotion of youth employment through more specific social programmes.

In an analysis of Brazil's youth employment situation, Corseuil et al. point out that keeping a job is more of a problem than getting one. Ana Lobato and Valéria Labrea qualify other social characteristics that lead to youth unemployment, such as race, gender and educational background in Brazil. Anna Bilous, Alexandra Karpova and Michael MacLennan then provide an overview of the Russian Federation's changing demographic composition, its federative set-up and other structural challenges that have an impact on youth employment/unemployment.

Two articles on India offer an interesting contrast: Jayati Gosh highlights the weaknesses of the Indian government and its recent setbacks in its attempt to promote social protection for young people, while Ravi Shrivastava presents encouraging findings from his study on the possibilities of India building a youth-friendly Social Protection Floor by the end of its 13th Five Year Plan (2021-22).

The section dedicated to China presents two complementary articles. The first, by Minquan Liu, shows how the pre-economic-liberalisation social investment in youth created human capital crucial to China's recent economic boom. The author also discusses the future of this human capital in light of the challenges entailed in China's federative set-up (the hukou system) and how this affects the provision of social programmes for young people. Zhu Ling then emphasises the improvements in job creation programmes that were possible due to the enhanced role the market played in the strategies adopted since the 1990s.

Finally, the issue turns to an examination of South Africa, which faces the biggest challenges in terms of youth unemployment among the BRICS countries. The country has a plethora of social programmes dedicated to improving this scenario, covered in the last four articles of the issue. The first one, by Avinash Govindje, provides an overview of the South African situation vis-a-vis other countries and its BRICS partners, while at the same time introducing four national initiatives. Marianne Ulriksen and Lauren Graham highlight the gap in safety nets that affects South Africans as they turn 18 years old. The authors advance an argument that favours the usage of social programmes as pathways to youth employment. Letlhokwa Mpedi also presents an extensive description of social programmes that promote jobs for young people in South Africa, while at the same time debating proposed laws in this regard, and evaluating the extent to which beneficiaries of such programmes successfully find stable jobs afterwards. Finally, Maikel Lieuw-Kie-Song looks at the Expanded Public Works Programme to understand how it succeeds at targeting opportunities for young people and, at the same time, also fosters communitarian initiatives, which are necessary to buffer the high unemployment rates South Africa is expected to face, even in the best case scenario.

It is hoped that these articles further emphasise the strategic importance of relating social programmes that promote employment to the ultimate goal of protecting the youth of the BRICS countries.

# To BRICS or not to BRICS: the Dilemma of Youth Unemployment

by Rafael Guerreiro Osório, Director of Social Policies and Studies, Institute for Applied Economic Research (IPEA - DISOC) and Pedro Lara de Arruda, International Policy Centre for Inclusive Growth (IPC-IG/UNDP)

## Conceptualising youth

History and anthropology inform us that in many societies the concept of 'youth' has been considered either non-existent or newly constructed. Indeed, throughout human history, the age of reason, or adulthood, came right after that of childhood, normally accompanying physiological transformations of puberty or the acquisition of socially valued skills. Becoming an adult was simply a matter of surviving long enough to become one, often marked by a rite of passage clearly demarcating the change from childhood to adulthood. People considered to be children today were known to be fully fledged adult members of societies in these other contexts. However, in the contemporary world the transition to adulthood is not performed in a single event; it unfolds during a separate stage of life: youth.

Just as Baby Jesus started to be depicted as a child instead of as a small adult in the paintings analysed by Ariès (1960), so too are the youth no longer perceived as new adults nor as children. Thus, youth emerged as a new life stage consisting of people who were no longer infants or children but not yet fully psychologically, emotionally or socially developed, nor equipped or prepared for adulthood—and, as a consequence, not considered as such.

Therefore, today, youth can be defined as the transformational stage of the life cycle when individuals experience the transition from childhood to adulthood. In most contemporary societies—and the BRICS nations (Brazil, Russia, India, China and South Africa) are no exception—it is the stage of life when people begin to make conscious decisions about their life, such as deciding to finish their formal education or to quit school; or to leave their parental home to form a new household and start working. This is also the stage at which

individuals become fully responsible socially and, in most jurisdictions, legally liable for their actions.

Ariès related the change in the social approach to childhood and adolescence in the Renaissance to the ascension of the nuclear family and its private domestic realm. He also related it to the novelty of education as preparation for an unknown future in non-hierarchical societies, where status—based on labour market positioning—is not fully transmitted from one generation to the next but is, rather, the result of a competitive attainment process. Thus, the creation of the life stage of youth can be seen as the historical development of such change as well.

The United Nations (UN) currently defines youth by an age bracket of those 15–24 years of age. This is obviously a proxy, because the age bracket by itself is meaningless. There have always been people 15–24 years of age. What matters is that, presently, it is precisely within this stage of life that most individuals transition to adulthood. The UN definition dates back to 1985—International Youth Year. However, given the increase in life expectancy and the delaying of previously fixed life stage events, such as leaving home and other processes related to the transition to adulthood, the UN definition may now be considered to be too narrow.

For reasons that reflect the socio-political particularities and contexts of each BRICS country, the official definitions of youth among its members vary a great deal, and the age ranges are all larger than that of the UN definition. For instance, youth policies are aimed at those 15–29 years of age in Brazil; 14–30 years of age in Russia; and 15–35 years of age in South Africa on account of following the African Youth Charter. In India and China there exists a plurality of youth definitions; however, that outlined by the Indian 12<sup>th</sup> Five Year Plan considers youth to be between 10 and 35

years of age. Admittedly, it does recognise that there is a need to narrow the concept in the same document. The Chinese National Bureau of Statistics considers those aged 15–30 to be youth, while the China Youth Federation considers the age range to be 18–40 years of age.

## Labour market and demographic concerns

Except for South Africa, all the other BRICS nations have contradicted the global trend of experiencing labour market contractions following the 2008 financial crisis. There was, however, a slowdown in employment generation among all BRICS countries between 2007 and 2012, which was particularly felt by their respective youth populations, as Table 1 shows. This is highlighted by an increase in the Youth to Adult Unemployment Ratio (YEUR) in all BRICS countries between 2007 and 2012 despite a stabilisation of the indicator at the global level. With the exception of Brazil, the Youth Unemployment Rate (YUR) of the BRICS countries also followed a similar global downward trend.

The particular effects of the job crisis on youth across the BRICS nations is even more apparent when observing the relationship between the Youth Employment to Population Rate (YEPR) and the Employment to Population Rate (EPR), wherein youth lagged far behind the broader working-age population.

Of the BRICS, only Brazil has demonstrated proportionally equal advances for these two indices (YEPR and EPR), while China has maintained its standing among both indices. Russia, India and South Africa, however, have witnessed respective gaps between YEPR and EPR, of four, two and one percentage points.

The policies concerning youth around the world and in the BRICS countries are driven, among other factors, by demographic changes. As shown in

TABLE 1

Youth Employment/Unemployment –  
Global Trends and the BRICS Countries

	Youth Unemployment rate (%)		Youth employment-to-population rate (%)			Employment-to-population rate (%)			Youth to adult unemployment ratio	
	2007	2011/2012	2007	2011	% of variation	2007	2011	% of variation	2007	2011/2012
<b>Global averages</b>	11.5*	--/14.8*	44.0	41.8	(-)2.2	60.7	59.7	(-)1	2.7*	2.7/--*
<b>Brazil</b>	16.8	15.4/--	52	53	(+)1	64	65	(+)1	2.1	2.3/--
<b>Russia</b>	14.4	15.2 / 14.8	35	33	(-)2	58	60	(+)2	2.4	2.3/2.7
<b>India</b>	--(1)	-- / 10.7	36	34	(-)2	54	54	0	2.3	--/3.2
<b>China</b>	--	7.6**	51	51	0	68	68	0	--	1.9**
<b>South Africa</b>	46.5	49.8/54.5	15	13	(-)2	40	39	(-)1	2.1	2.0/2.2

Sources: Table organized by the authors based on data from the World Bank. Only data for Global Youth Unemployment Rate and Global Youth to Adult Unemployment Ratio are from the ILO, because the World Bank does not provide such data.

\* Based on ILO data, and not World Bank data.

\*\* These are not Chinese official numbers but ILO estimations. There are no Chinese official numbers available for these data sets.

(1) Available data for India refers to the year 2005, indicating a Youth Unemployment Rate of 10.0 per cent.

Figure 1, due to the combination of the decline in fertility rates and the increase in life expectancy in the BRICS countries, the share of the dependent population (those up to 14 years of age and those 65 years of age or older) has declined over the past few decades. Nevertheless, the projections suggest that after 2015 this share of the BRICS population will increase. Countries are aging at different rates, and for some BRICS countries—namely, Russia and China—the share of their respective dependent population has been increasing since 2010. The same might happen in Brazil after 2020, while India and South Africa will benefit far longer from an increasing working-age population (15–64 years old).

As the population of the world and BRICS nations ages and fertility rates decline, the share of the youth population tends to decrease, as represented in the second column of Figure 1. In the third column, one may note that the working-age population will also age, so, relatively speaking, the youth will become less significant as a share of labour markets.

But if the youth as a category will have a lesser, though still very important, demographic weight on the labour markets of tomorrow, the persons who belong to the youth of today will grow in importance as they age and become the

mainstay of the labour forces and broader societies of tomorrow's BRICS countries. This is clearly illustrated by the fourth column of Figure 1, which shows how a single cohort, those born between 1991 and 2000, who will make up the 15–24 age group in 2015, will account for about one fifth of the working-age population in 2015. For the BRICS countries that are ahead in this demographic transition, Russia and China, this share could potentially start to grow in the next two decades, while for Brazil it will remain stable. However, for India and South Africa the slower decline in the fertility rate will keep the working-age population growing, so the share of the working-age population of those born between 1991 and 2000 will fall, albeit not by much.

These changes could impose a heavy future burden on today's youth. A very obvious challenge will be that of financing social policies, particularly pensions and health care systems. If no reforms are made, the productivity of the labour force will have to increase substantially to maintain the status quo. This may be pessimistic; however, it appears patently clear that productivity gains alone will not suffice. Furthermore, some of the reforms that have been presented, such as stipulating an increased minimum age for retirement or limiting public health care, are not

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only unpopular but against the interest of elderly people, which could potentially exaggerate intergenerational conflict.

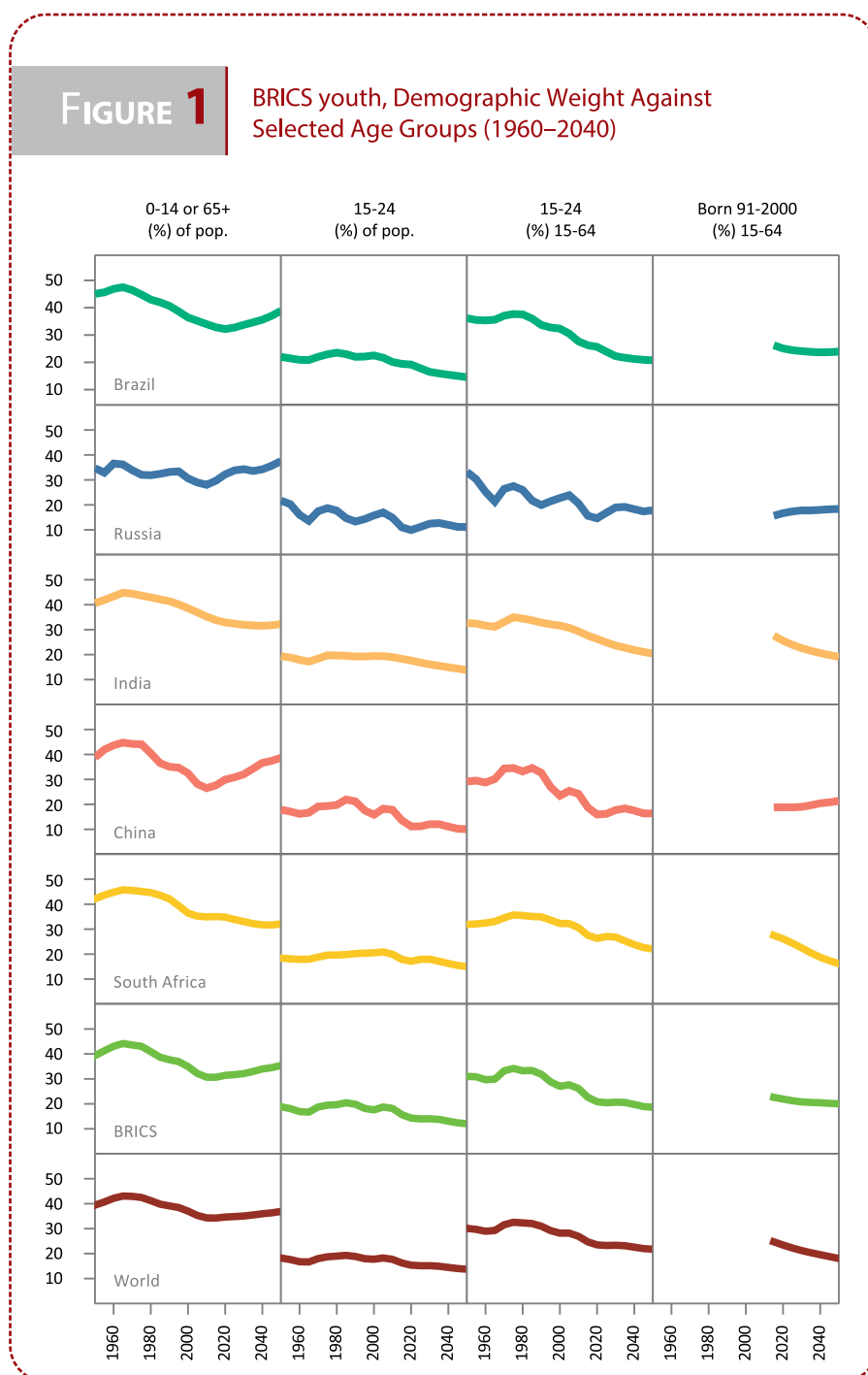
Conventional wisdom would dictate that there are basically two paths towards increasing the productivity/efficiency of a labour force: to augment the technology available to workers, or to increase human capital. Although an increase in human capital should result in an increase in technology, increased investment in technology is less likely to result in increased human development. As a result, all BRICS countries have been investing, with heterogeneous results, in increasing human capital. This includes investments and improvements in education systems, and also in programmes designed to directly increase the capacity of the workforce. In this article our focus will be on those programmes directly related to the promotion of jobs for youth.

### Youth-oriented social programmes of the BRICS countries

Programmes to create jobs for young people in the BRICS countries fall into three broad categories: workfare; technical or professional training; and access to credit to promote self-employment and entrepreneurship.

Workfare programmes are particularly important in South Africa and India. South Africa's Expanded Public Works Programme (EPWP) has a quota of 40 per cent of its positions for young people and also offers some on-the-job training. The Indian Mahatma Gandhi National Rural Employment Guaranteed Act (MGNREGA), the biggest workfare programme in the world, does not have a specific focus or quota for youth, yet does still actively employ and serve young people, as well as other groups.

This programme aims to guarantee 100 days of unskilled labour per household, mostly in the form of construction jobs to build public infrastructure. In certain Indian states for which data is available, such as Tamil Nadu, the proportion of young people employed in the programme can reach as high as 35 per cent of the total. Similar to the MGNREGA, another effective Indian initiative is the *Sampoorna Grameen Rozgar Yojana*, though it also seeks to provide food security for the Indian population by way



Source: Authors elaboration based on data from the United Nations, Department of Economic and Social Affairs, Population Division (2013). (accessed 10 February, 2014).

of its payment scheme, half of which is made in kind in the form of 'food grains' provided by the national food procurement agency (the Food Corporation of India—FCI). Programmes that promote access to credit to stimulate self-employment and entrepreneurship, such as the *Swarna Jayanti Shahari Rozgar Yojana* (SJSRY) and the Prime Minister's Employment Generation Programme (PMEGP), are also central social policies in India.

In South Africa the National Youth Development Agency (NYDA) serves as the main organisation in charge of facilitating professional training and access to credit.

China has a tradition of workfare programmes which dates back to 1984, when the government launched the nationwide *Yigong-daizhen* ('To offer job opportunities to replace sheer relief') programme. Workfare programmes in China today focus on activities requiring



low skills. Remuneration, which is now mandatory and must be made in cash, varies depending on the skill level of the worker. Estimates suggest that currently 70 per cent of jobs are allocated to youth. There are also important youth capacity-building initiatives for less developed counties, and other initiatives to provide employer incentives to hire substantial numbers of otherwise would-be-unemployed youth.

The Russian Federation has also taken up the mantle of reducing youth unemployment, by devising a new approach to active employment promotion. The New Employment Programme, announced in September 2013, will aim to stimulate the employment of young people, persons with disabilities, and residents of depressed regions. It is expected to benefit 100,000 Russians in 2014 alone through annual funds to support employment generation among these target groups. An interesting aspect of this programme is that it will also promote intra-state flows of young professionals to fight the mismatching of skills and geographical inequalities.

Brazil does not have a workfare programme but is investing heavily in training schemes. According to its *Plano Plurianual* (PPA 2012–15), there are 16 federal youth-oriented programmes. However, Brazil has had some negative experiences with training programmes in the past, which is why one of its flagship training programmes, the *Programa Nacional de Acesso ao Ensino Técnico e Emprego* (PRONATEC), has sought to increase training programmes within proven quality institutions, such as Federal Professional and Scientific and Technological Education Schools. It has also concluded an agreement with the National Learning Services (Sistema S), which has offered quality paid courses which were otherwise beyond the reach of poor people. PRONATEC not only finances the offer of free training courses to low-income workers but also includes a training grant to provide young people with access to paid training courses.

### Concluding remarks

Despite the importance of workfare programmes in combating poverty, particularly among young people, they have little impact in increasing labour



Photo: Striking youth workers in South Africa, IPC-IG Photo/Bazil Raubach.

productivity. In fact, these programmes are often devised specifically to employ low-skilled labour in low-productivity activities. And if training and credit-based programmes have the potential to foster labour productivity where workfare programmes come up short, they still lack frequent and rigorous impact evaluation studies, making it difficult to judge whether they are successful in increasing human capital. In many cases they are only mitigating programmes, in the sense that they frequently compensate—or try to compensate—for the deficits of formal basic education. Also, many training programmes fail to tackle the demand for youth labour, as they focus on the supply side of the equation. Evidence from a few evaluations, however, indicates that on-the-job training is perhaps more prone to increased labour productivity than stand-alone classroom training. Successful initiatives must be scaled up and reproduced.

Promoting decent jobs to protect today's youth is vital for the five BRICS countries to live up to the best projections made for their economies and societies up to the middle of the 21<sup>st</sup> century. To be or not to be the BRICS of inclusive wealth generation and growth is not a question but, rather, a challenge that will only be overcome if public policies effectively succeed in reflecting the particularities of

youth within policy development across the BRICS countries.

From a life cycle development perspective, the investments made in youth will yield lower returns if no investments are made in children's stages of development too.

The demography of BRICS countries leaves them without a choice: they must invest more heavily in their children, but also in youth, to help them develop. For today's youth are the bearers of tomorrow's dream. ■

All data for official youth age brackets and for specific social programmes are based on: Arruda, P. L., Slingsby, A. K. (2014 forthcoming). 'Social programmes and job promotion for the BRICS youth'. *IPC Working Paper Series*. Brasília, International Policy Centre for Inclusive Growth.

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# Why to Invest in Adolescents

by Mário Volpi, UNICEF National Program on Adolescence<sup>1</sup>

**There are many** assumptions within development organisations and society at large related to a life cycle development approach. The most common assumption is that the first three years of life are decisive and play a crucial role for the future of a human being. Issues related to brain development and formation of the synapses are frequently used in an isolated context of neuro-scientific studies to highlight the importance of early childhood development (ECD).

Although ECD is indeed highly important for human development, it is not the only determining factor. Each developmental phase of life has its own specific demands, and each life cycle complements another.

Development discourses have for many years been following a common understanding that a 'good start in life' will ensure a positive developmental process throughout the following stages of life. However, if specific and adequate investments in each life phase are not made, such assumptions do not come true.

A concrete example of such a conclusion can be found in Brazil. Whereas Brazil has witnessed a significant decrease in infant

mortality rates between 1998 and 2008, adding up to over 26,000 children's lives saved, while 81,000 Brazilian adolescents (15–19 years old) lost their lives due to homicide throughout the same period. Similar examples can also be found in other countries.

Analysed within the framework of the Convention on the Rights of the Child, this scenario strongly indicates a great and urgent need to invest in adolescents, as it will not be possible to fully achieve the objectives of the Convention without a strong investment in this age group.

Thus, to ensure that the investments in the first decade of a child's life are effective, they need to be consolidated with further investment in the second decade. In addition, the adolescent development approach needs to be based on the main characteristics of adolescence: interaction, autonomy and identity building—where girls and boys have the right to live out the full potential of this unique stage of their lives. All BRICS countries are facing this scenario in which past investments will only result in societal improvement if new investments are made now.

## Ten reasons to invest in adolescents

Although adolescence can be linked to a series of traditional areas of development cooperation, such as health, education and protection, it needs to be addressed as a development agenda that is not necessarily dependent on such thematic areas. The following 10 points serve as an initial effort to systematise the arguments in favour of making specific investments in adolescent development.

- 1. Adolescence as a demographic bonus:** Many countries around the world must take advantage of the demographic bonus represented by the percentage of the population living in this life cycle. Using Brazil as an example among other BRICS nations, it is clear that the country will never again have such a relevant presence of adolescents in its population. Demographic trends are indicating that in 2050 the population of Brazil will mainly comprise people aged above 35 years of age.
- 2. Adolescence as an important phase of life to consolidate achievements and investments made in the first decade:** There is no magic; if new investments for adolescents are not made, the risks of losing previous investments are high. Data from 2011 shows that in Brazil, 95 per cent of six-year-old children were attending school. In the same year only 76 per cent of 12-year-olds were attending school, and only 48 per cent of 19-year-old adolescents had concluded secondary school).
- 3. The age of interaction, autonomy and identity building:** Different areas such as sociology, neurology, psychology, pedagogy and anthropology have different approaches to adolescence; however, the consensus is that adolescence is an age characterised by interaction, autonomy and identity.

This common conclusion represents a huge opportunity to engage with adolescents in a variety of arenas, areas and processes to jointly build a development agenda in which the adolescents themselves are the



Photo: These adolescents are developing new skills and learning about electronics from a University student as part of a greater vocational training programme for underprivileged youth, IPC-IG Photo/James Gilbert.



main protagonists to ensure the fulfilment of their fundamental human rights.

4. **Adolescents represent an opportunity to break the cycle of intergenerational poverty:** Adolescents have a critical role to play in breaking the transmission of intergenerational poverty. Early labour, pregnancy, school drop-outs and lack of choices and opportunities to build life projects are the main reasons why adolescents are likely to reproduce poverty patterns when forming their own families. Investing in adolescents is, therefore, strategic for development and for an overall reduction of poverty.
5. **The openness and ability to deal with the new information and communication technologies (ICTs):** Adolescents have been introduced to new ways of studying, researching, playing, dialoguing and interacting. A new approach to building knowledge is ongoing and represents a great opportunity for countries to prepare this generation to optimise the potential of ICTs to promote development with equity.
6. **Increase participation to strengthen democracy:** Europe, the Middle East, Chile, Argentina and, most recently, Brazil have witnessed streets populated by demonstrators asking for more accountable governments, democracy, economic and social rights, freedom and participation. The presence of adolescents showed their potential to contribute to building a more democratic society and strengthened their role as new social actors.
7. **The adolescent phase of life as crucial and unique to develop specific life skills:** Adolescents can play an important role in their own developmental process by acquiring fundamental skills, from social participation to self-protective skills. Many actors can support the development of such skills, including families, schools, peers, communities and governments.

The UNICEF Brazil office and partners have systematised 20 competencies for life which could help adolescents to improve their own development. These competencies are aligned with adolescents' life projects and

expectations and take into account the importance of peer education.

8. **Critical thinking and the tendency to break patterns:** Due to stigma, stereotypes and discrimination, the adolescent tendency to break patterns and criticise was seen as a problem for a long time. Nowadays it is clear that innovation depends on 'thinking outside the box'. Adolescents, when stimulated to innovate, can strongly contribute to produce positive social changes.
9. **The current adolescent generation was born under a human rights framework, with human rights principles and democratic standards:** Tools must be developed to better promote and facilitate adolescent development and participation based on the existing human rights framework, opening spaces in public policies to consolidate this framework and dialogue with governments to fully recognise adolescents as rights holders.
10. **Adolescents can contribute to promote creative solutions to resolve intergenerational conflicts:** Adolescents of today are healthier and better educated than their parents, in particular those from poor families, and will also benefit from better access to opportunities, resources and services. Therefore, this age group has a wider repertoire to face intergenerational conflicts and produce new and healthier relationships with adults.

### Concluding remarks

The human-rights-based approach applied to children's rights transform children and adolescents as subjects of rights, demanding special protection for the condition of each specific developing stage of their lives, and the responsibility of governments, society and families to fulfill their rights as the main social priority.

This turning point can be observed by an impressive level of investment in public policies, social mobilisation, the multitude of initiatives from civil society organisation such as non-governmental organisations, institutes and foundations, the involvement of adolescents in participatory processes, new studies, research and the generation of public policy proposals and plans.

The BRICS countries are faced with the challenge of including these issues in their agenda if the development project they are implementing is intended to be sustainable and efficient to break the intergenerational cycle of poverty reproduction. ■

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1. Mário Volpi is an Adolescent and Youth Specialist and coordinates the UNICEF National Programme on Adolescence. This article received contributions from Niklas Stephan, Assessor of South-South Cooperation, UNICEF Brazil.

# A Brief Overview of Youth Turnover in the Brazilian Formal Labour Market<sup>1</sup>

by Carlos Henrique Corseuil and Miguel Foguel, Institute for Applied Economic Research (IPEA);  
Gustavo Gonzaga, Catholic University of Rio (PUC-Rio) and Eduardo P. Ribeiro, Federal University of Rio de Janeiro (UFRJ)

**Some of the most worrisome** and widespread stylised facts in economics are the low employment rates and the related high unemployment rates of young workers. Brazil is no exception in this regard. According to a nationwide household survey (PNAD/IBGE), the unemployment rate for 15–24-year-olds was 16.3 per cent in 2011, while the rates observed for ages 25–49 and 50+ were 5.7 per cent and 2.8 per cent, respectively.

Unemployment and employment levels can be understood as the workings of a water tank, with inflows to and outflows from employment representing a faucet and a drain, respectively. Employment levels (the water levels in the tank) rise if inflows are larger than outflows. Employment levels decrease if outflows are larger than inflows. Large outflows signal short periods of employment, on average, accompanied by job insecurity,

low levels of training and the destruction of job-specific human capital.

The contribution made by this article to the policy debate on the issue is the provision of a sharper picture of the youth labour market through little-used but important lenses: worker flows in and out of jobs (hiring and firing) and job openings and closings. We overcome the lack of appropriate data by exploring a very rich set of data (RAIS/MTE) that tracks new hires and separations (either those fired or who quit), with detailed information from both companies and workers, with a long-term look over the period from 1996 to 2010.<sup>2</sup> Here, young workers are considered those from 14 to 23 years of age. Older workers are those from 24 to 60 years of age.

The first startling fact is that it is not hard for a young worker to enter the labour market. In any given year the number of

young workers hired as a share of the age category is double the figure for adults. The average 92.6 per cent hiring rate for young people suggests that for any 10 employed youths, nine were hired over the course of the year, allowing for the same person to be hired more than once over the year.

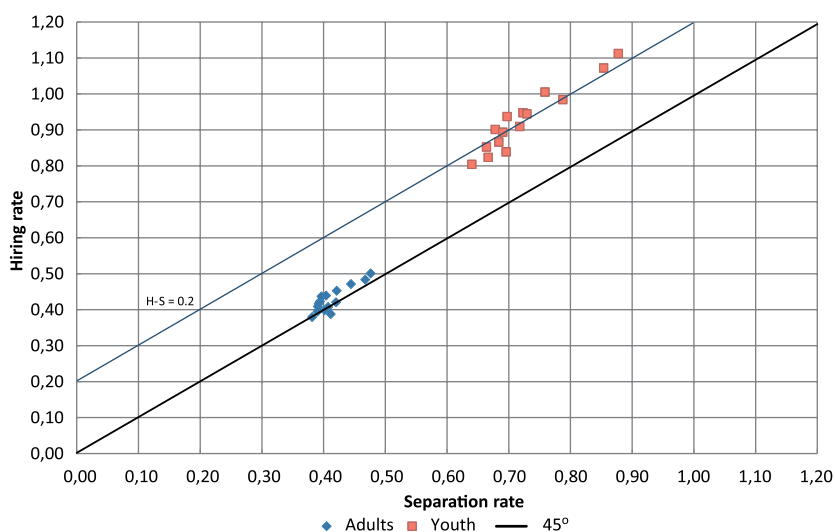
The same figure for adults is less than half, at 42.8 per cent. Using the water tank example, twice as much water flows from the youth faucet as the faucet for older workers.

Yet very often, young people will quit or be laid off. Younger workers lose their jobs far more frequently than older workers. The separation rate, which measures the number of workers leaving their jobs, either because they were fired or quit, relative to the number of employed youths is as high as 72.4 per cent. Seven of every 10 workers, on average, may leave their jobs over the course of a year. Alternatively, there are workers that leave their jobs much more often than once a year. The separation rate for older workers is a little less than half, fluctuating around 41.3 per cent.

Net employment growth rates are always 15 percentage points higher for younger workers than for older workers. Continuing with our analogy, the faucet for younger workers is open far wider than that of older workers. However, while the youth faucet is open wider, the outflow (or drainage rate) is much smaller relative to the inflow, raising the level of the water tank much faster for young people.

Together, both the higher hiring and separation rates indicate a more turbulent job market for young workers, with short periods of employment, associated with higher separation rates, coexisting with quick entry into employment, on average, via higher hiring rates. These conditions present trade-offs. On the one hand,

**FIGURE 1** Hiring and Separation Rates for Brazilian Adults and Youth



Source: Couseuil, C.H., Foguel, G., Gonzaga, G. and Ribeiro E. (2013).



Photo: A sugar cane cutter: One example of the kinds of temporary, unstable jobs available to youth in Brazil, UN Photo/Eskinder Debebe.

transiting across many different jobs may enhance better employer–employee matching with firms. On the other hand, entering and leaving jobs very easily tends to depress the acquisition of general and company-specific labour experience. Since the accumulation of this type of human capital is important, the elevated turnover experienced by young workers in Brazil is a factor that hinders the increase in their (future) productivity and wages.

The sheer number of youth transitions into and out of jobs has raised some questions. First, whether some firms are consistently replacing older workers with young ones, or, actually, whether their job opportunities are segregated.

From the set of all young worker separations in the country, in any given formal company, we estimate that the share of substitution of one type of worker for the other (youth and adults) for these separations never surpasses the 5 per cent level over the entire period of analysis. Replacement within the same age category is the more common prospect after a separation. About 30–40 per cent of the separations are not replaced—i.e. the position is terminated.

Jobs for workers seem to be segregated by age. Surprisingly however, the pattern of young workers hired either through temporary contracts or via cooperative schemes is similar across age groups and accounts for a small share of jobs. These low-quality jobs, which provide little on-the-job training and no labour benefits, do not explain the high rates of worker turnover.

**This leads to one important policy question: Should one consider worker- or company-oriented policies to foster youth employment?**

The answer to this question depends on whether younger workers are disproportionately found in companies that possess high turnover rates, compared to older workers. For instance, young workers may be employed in industries with a high turnover of employees, such as construction or the retail trade. Our estimates clearly show that businesses in high-turnover sectors tend to employ a higher share of young workers (see Corseuil et al., 2013). Therefore, the high turnover rates for young workers may be, at least in part, due to the presence of this group across certain industries and demonstrate that labour turnover may be reduced by focusing on policies for high-turnover companies. Before moving to our final comments, one must first recognise that there are other significant factors at play, as we found out, such as the worker's education level. In this sense, the more the education policy accelerates the increase of the schooling level of the new cohorts of workers, the lower the expected turnover rates for such groups should be.

Considering our results for policy purposes, it is evident that young workers experience very high turnover rates in Brazil due to both hiring and separation rates, even in the face of relatively high costs of firing workers by international standards. To reduce labour turnover, the main focus of policy should be the separation rate. Though hires and

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Though hires and separations are interrelated, tackling the high rate of separations looks more efficient, as it directly attempts to keep workers employed for longer periods of time.

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Job search assistance initiatives thus will be rather ineffective, unless they are capable of generating pairings of workers and companies that produce longer periods of employment.

The focus should be on creating incentives for companies and young workers to increase the value of longer working relationships. Company subsidies to extend the tenure of younger workers should be thought about very carefully, in particular because of the potentially high associated fiscal costs. Finally, training programmes partially funded by the worker and the employer may create incentives for both parties to invest in each other in the longer term. ■

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1. This is a summary based on the results from our paper, *Youth labor market through the lens of the flow approach*, with partial support from IDRC. The opinions expressed here do not represent the official positions of the institutions with which we are affiliated.

2. Relação Anual de Informações Sociais (RAIS) is an administrative data set that is maintained by the Ministry of Labour and Employment in Brazil (MTE). It gathers information provided every year by all registered companies in the country.



# Youth and Employment: a Contribution to the Dialogue on Public Policy

by Ana Laura Lobato<sup>1</sup> and Valéria Viana Labrea,<sup>2</sup> General Secretariat of the Brazilian Presidency (SG-PR)

**Poverty**, and the social exclusion stemming from it, is one of the main reasons why Brazilian youth are somewhat disengaged from society and the national labour market. Participation in the labour market is strongly influenced by the characteristics of structural inequality in Brazilian society—be it by gender, age, colour or geography.

The 2010 Census of The Brazilian Institute of Geography and Statistics (IBGE) shows that men enjoy greater access to work than women, and the older the individual, the greater their chances seem to be of finding a job. Additionally, white urban youth have greater access to employment than black youth or those living in rural areas. (Lobato & Labrea, 2013).

Young people currently account for 26.9 per cent of Brazil's population—the highest share of the country's demographic curve. This scenario, however, will not persist, given declining fertility rates. This segment of the population is predominantly urban (84.7 per cent) and almost evenly distributed between blacks and whites (53.7 per cent and 44.7 per cent, respectively). Young people are mostly single (83.9 per cent). This may in part be explained by the increase in pre-marital sex, greater access to contraception, and, thus, a tendency to marry or have stable relationships later in life (IBGE, 2010).

The expansion of the basic education network has led to a national literacy rate of 97.2 per cent among young people, although only 35.8 per cent of the total are currently attending school. From 2000 to 2010, there was an increase in the proportion of young people entering the labour market—a total of 53.5 per cent versus 44.8 per cent in the previous decade (IBGE, 2010).

This observation suggests that education is directly linked to access to the labour market. However, combining work and studies is difficult for young people,

especially those in low-income families, as completing high school does not seemingly translate into obtaining a good job.

The vast majority of young people enter the labour market precariously, and, once they start working, their investment in studies is seen to decline, making the prospects of finding a better job in the future more difficult. This situation creates a cycle of insecurity and instability that follows such individuals into adulthood.

This is why it is so important to have public policies in place that promote the continuation of studies, staying in school and enrolment in higher education among young people, that is, to increase the possibility of landing steady jobs and enabling young people to gain experience and break the cycle of exclusion.

According to the 2010 Census of IBGE, the majority of young people (40.5 per cent) only work, 23.7 per cent neither study nor work, and 13 per cent study and work. Few young people can afford to only study (22 per cent).

This finding lends further weight to the argument that the State needs to invest in policies that focus on keeping young people in school, ensuring access to universities and inclusion strategies of quality and safe entry into the labour market.

Another factor that showcases the need for policies that focus on education and employment in Brazil is the concentration of young people with only primary- or secondary-level schooling (34.7 and 46.3 per cent, respectively).

For young people who have completed elementary or middle school, the likelihood of working is almost 50 per cent higher, in both cases.<sup>3</sup> That means the chances of entering the labour market will only increase once the individual enters systems of higher education.

When we consider that 53.5 per cent of young people work, and only 52.7 per cent of these hold formal jobs, Figure 1 shows that those with formal jobs are well distributed across schooling levels, with the figure increasing proportionally among those who continue their studies after high school.

It should be noted that work solely for one's own consumption is restricted to those with little or no education. Programmes for strengthening family farming have had a significant effect on ensuring the livelihoods of those who live in rural areas, who are also the least likely to stay in school.

Given the above scenario, it can be stated that government social programmes that work with families are fundamental to combating poverty, as they offer conditions for families to restructure themselves by ensuring the livelihood of family members. In general, both young people and adults need public policies that provide them with better living conditions, a return to school, vocational training and, consequently, better qualifications for entering or returning to the labour market.

It is understood that access to quality education and entering the labour market safely and with more qualifications are the main mechanisms for promoting social inclusion, personal autonomy and socialised entry into adulthood. Alternatives need to be developed and offered so that the educational process can provide suitable conditions for safe and qualified participation in the labour market.

Public policies that favour the inclusion of professional training as early as in basic education, to promote actual chances of employment upon graduation from high school, should be prioritised.

Guaranteed employment offers, as indicated by the Organisation for

Economic Co-operation and Development (OECD, 2012), are ways of offering work experience, a key element not only for generating employment but for building a career, to the extent that learning a craft stimulates further training focused on certain occupations.

Professional internship and learning programmes must be monitored and evaluated frequently in Brazil by educational coordinators, so that companies and young people can forge a relationship with transparency in respect to the roles and responsibilities of each party under this type of contract.

This also increases the job opportunities available for young people to engage in, thus decreasing their likelihood of abandoning jobs due to dissatisfaction.

However, the offer of professional courses must be accompanied by mapping out territorial occupations, thus optimising the interest and employability of young people in such activities. Gender-neutral stimuli provided to men and women alike are a decisive factor in reducing gender inequality in the labour market.

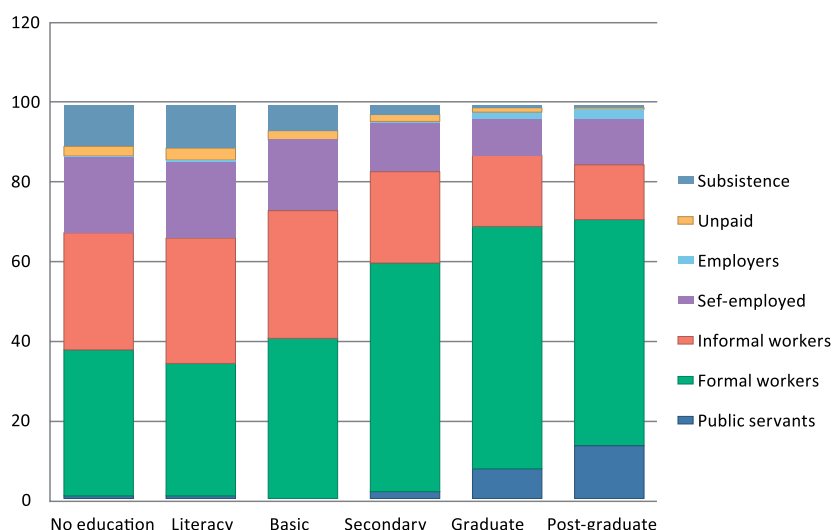
Such priorities are aimed at the comprehensive development of Brazilian youth, by ensuring quality of life and access to human rights as well as significant social and civic engagement. They require an inter-sectoral effort, as they involve different secretariats and ministries of the federal government and coordination and partnerships with the private sector.

To face the difficulties involved with students accessing and remaining in the school system, as well as the violence and barriers to the productive and social integration of young people into the greater Brazilian society, the Brazilian government has been developing programmes and actions that reach beyond the National Youth Secretariat and involve the ministries of Education, Health, the Environment, Culture, Sports, Labour and Employment, as well as Social Development and Fight against Hunger—among others.

According to data from the Ministry of Planning, Budgeting and Management, the Multi-Year Plan (PPA 2012–2015)

**FIGURE 1**

**Types of Jobs for Youth by Level of Education**



Source: (IBGE, 2010).

encompasses 16 programmes and 26 goals, which, together, amount to 83 strategic youth-oriented goals.<sup>4</sup>

The National Youth Secretariat acts as a coordinator of the National Youth Policy, to strengthen awareness of the youth agenda within other agencies and to promote an understanding of the issues surrounding the condition, the experience and the promotion of civic engagement among young people (Ministry of Planning, Budget and Management, 2011). It is believed that, by reconciling educational processes of an emancipatory nature with technical and vocational training, learning will become a viable alternative and an opportunity for young people to enter the labour market with better qualifications.



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1. Centre for Research and Documentation of *Participatório* (Participatory Youth Observatory). National Youth Secretariat (SNJ), General Secretariat of the Brazilian Presidency (SG-PR)

2. Centre for Sustainable Development at the University of Brasília (CDS/UNB), linked to the Centre for Research and Documentation of *Participatório* SNJ/SG-PR.

3. It could be argued that this information is skewed by the pupils' age. However, young people in Brazil today are equally distributed between the three five-year age groups: 15–19, 20–24 and 25–29. Each group accounts for 33.3 per cent of the total.

4. See: <[http://www.planejamento.gov.br/secretarias/upload/Arquivos/spi/publicacoes/Orientacoes\\_para\\_Elaboracao\\_do\\_PPA\\_2012-2015.pdf](http://www.planejamento.gov.br/secretarias/upload/Arquivos/spi/publicacoes/Orientacoes_para_Elaboracao_do_PPA_2012-2015.pdf)>. For a description and analysis of these programmes, see Ministry of Planning, Budget and Management (2011).

# Youth Employment Policies of the Russian Federation: Opportunities and Challenges<sup>1</sup>

by Alexandra Karpova, Universitat Autònoma Barcelona; Anna Bilous, University of Cambridge & Michael MacLennan, IPC-IG/UNDP

**The world is witnessing** the largest youth population in its history; as of 2014 there are more than 1.2 billion young people between 15 and 24 years of age. Simultaneously, unemployment among young people has emerged as a significant problem the world over. According to the International Labour Organization *Global Employment Trends for Youth* 2013 report, two thirds of youth in some developing countries are unemployed or working in low-quality, irregular or low-wage jobs. In light of this present-day demographic situation, problems of youth unemployment have become more of a central issue within broader socio-economic agendas of the Russian Federation as in other countries.

Policymakers all over the world are trying to develop appropriate social policies to address the core challenges that today's youth population is facing. Such policies include those aiming to fight

unemployment, to create an integrated and safe society with more equal opportunities for young people from various backgrounds, to provide broader access to education and to stimulate the personal and professional development of young people.

The social and political transformations of the 1980s and 1990s of both the Russian Federation and the former Soviet Union, resulted in a dramatic decline in birth rates, creating a significant decline in the number of young people in the Russian Federation from 2004 onwards. A report by the United Nations Development Programme (UNDP) on the Russian Federation's demographic challenges illustrates that even if birth rates were to continue to rise (as they have since the end of the 1990s) over the course of several years, the Russian working-age population would still continue to shrink over the long term due to broader demographic changes and population decline. This has

important implications for both Russian economic growth and employment prospects (UNDP, 2010).

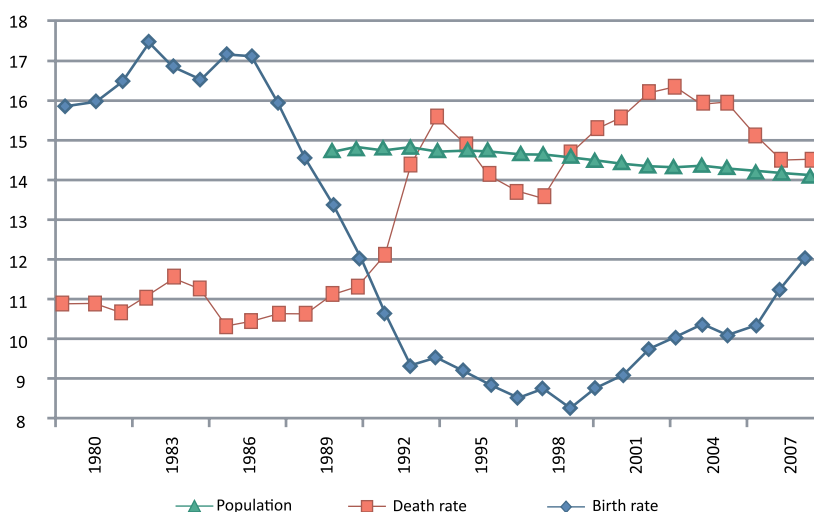
In addition to demographic issues, inequality both within and between regions has produced particular realities that are reflected in the picture of youth unemployment in the Russian Federation. Such particularities, as well as some of the challenges that young people face, will be explored alongside some of the youth policies in place to tackle such issues in the country, to gain a better understanding of the value of acknowledging structural inequalities among youth within the process of policy development to address unemployment.

Although the economic situation in the Russian Federation has significantly improved since the 1990s, there are estimates that indicate that up to 30 per cent of the Russian population is still living in poverty and that the Russian economy is by no means immune to external shocks, such as the global economic crisis of 2008 (Russian Academy of Science, 2013). Moreover, there continue to be significant disparities in living conditions and broader life opportunities among young people living in different regions of the country. High levels of inequality between regions as well as between households and individuals can dramatically affect many young people due to the economic situation of their respective regions, as well as their socio-economic or family profiles.

Nevertheless, education seems to be a way forward to rectify such inequalities, and can be one of the most important factors to influence the capacity of young people to enter and sustain themselves in the labour market.

Focusing on youth unemployment, as reported by Rosstat, in December 2013 the rate of unemployment among young people 15–24 years of age was 20.73 per cent. Unemployment rates among young

**FIGURE 1** Birth and Death Rates per 1000 People (Population of 10 Million People), Russia, 1980-2008



Source: UNDP, 2010.



## BOX 1

### Level of Education and Employment Prospects

Data from the Federal Service of Governmental Statistics (Rosstat, 2011) shows that higher educational attainment in the Russian Federation generally translates into better employment prospects. In 2011:

- the rate of employment for people with higher education was 81.5 per cent, while only 3.6 per cent of them were unemployed;
- the level of employment for people with professional education was 73.7 per cent, while their unemployment rate was around 5.1 per cent; and
- the rate of employment among people without professional education was much lower (41.9 per cent), while their unemployment rate was higher, at 11.5 per cent.

Source: Rosstat, 2011.

people are relatively similar between urban and rural areas. In urban areas it was lower, at 19.85 per cent, while in rural areas it was 21.6 per cent. The percentage of unemployed people tends to decrease rapidly after people reach 25 years of age. Based on the same data, the unemployment rate among youth of 15–24 years of age is seen to be 2.9 times higher than the unemployment rate among people 30–49 years of age. To contextualise these figures, the level of unemployment for the whole Russian population of working age (15–72 years old) at the same time was only 5.6 per cent.

It becomes quite clear that the level of youth unemployment can vary greatly by region. The three regions with the highest levels of youth unemployment are the Republic of Ingushetia, the Chechen Republic and the Republic Tyva (Rosstat, 2014). Yet it is interesting to note that around 30 per cent of all unemployed people in Russia use the services of the Russian Employment Service to find a new job, which shows the relative popularity of the system of measures adopted by the State to address this problem.

Data has shown that the structural and regional inequalities at play within the Russian Federation have created a dramatic mismatch between the skills needed in the labour market and the education received by young people in particular regions and professions. This seemingly complex environment is riddled with obstacles that need to be overcome. Among other initiatives, Russian social policy may provide some assistance to do so.

The Russian Federation's youth-oriented policies to address these structural challenges are framed within the Strategy of State Policies Concerning Youth. The current strategy was adopted in 2006 for a period of 10 years. The next strategy is currently being developed and will be launched in 2016. The strategy seeks to stimulate the systemic integration of young people and build awareness about the various possibilities of personal and professional growth available, supporting and promoting active and talented youth, and integrating and providing equal opportunities for people from various backgrounds and groups. The way the 2006 strategy connects with other state initiatives is described in Box 2.

A fundamental step towards achieving the goals of the 2006 youth strategy is to identify, promote and otherwise support active youth and their achievements in socio-economic, civic and political spheres as well as the arts and sport. The current strategy introduced a set of policies directed towards youth employment and preparing young people for their future social and professional lives. Box 3 introduces the main social programmes created to promote such goals.

Apart from the programmes identified in the strategy, the aforementioned importance of education is something of which the Russian government seems to be well aware,

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Data has shown that the structural and regional inequalities at play within the Russian Federation have created a dramatic mismatch between the skills needed in the labour market and the education received by young people in particular regions and professions.

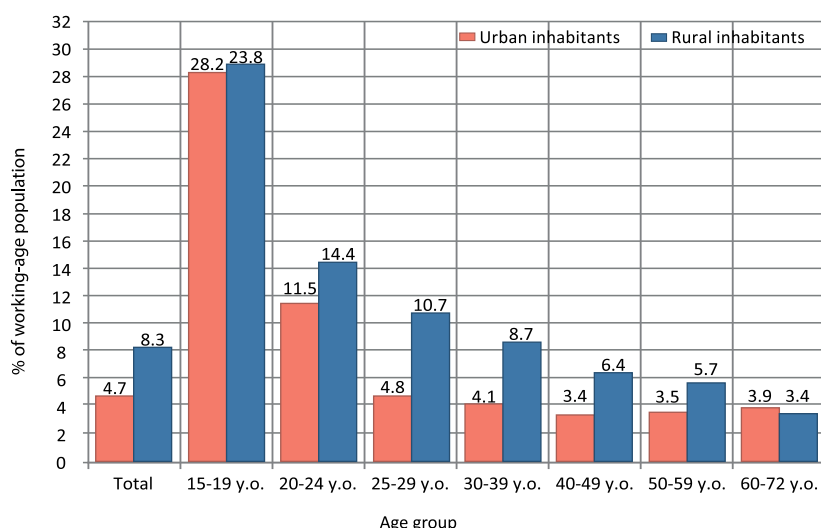
## BOX 2

### Key Facts About the Management of Russian Youth Policies

- In the Russian Federation all matters related to youth policies and social policies considering young people more specifically are decided at the Ministry of Education and Science, the Ministry of Sports and the Ministry of Labour and Social Security.
- Budgetary relations between the federal and regional authorities are governed according to the principles of budgetary federalism. Thus, the regional agenda and financial allocations related to it are set at the local level. In the field of youth policies this means that each region has its own programmes, strategies and bodies (and often even special ministries for youth policies) dealing with the pressing issues related to promoting youth employment.
- Youth policies are framed within the Strategy of State Policies Concerning Youth, adopted for a period of 10 years. The main executive body consolidating activities concerning youth employment promotion at the federal level is the Federal Agency for Youth Affairs.

Source: Tsogoev, 2013.

**FIGURE 2** Levels of Unemployment across Urban and Rural Areas - December 2013



Source: Rosstat, 2014.

in addition to the importance of continued economic and social development. As such, in 2005, President Vladimir Putin launched four national priority projects to foster the development of human capital. One of these national projects was aptly named 'Education', aimed at developing the conditions for exploring the potential for innovation among Russian youth, through the development of state universities, programmes and initiatives to help foster innovation. The programme was set up to provide financial aid on a competitive basis to the best students, teachers, schools and universities through a system of contests and grants.

An emphasis on education is by no means wrong, but perhaps more could be done to address the particular nature of regional as well as socio-economic inequality in the Russian Federation.

Due to the incentives at play and the differences in education provision across the country, such financial aid provided on a competitive basis may indeed fail to reach those who need it most, and the goal of developing the potential of youth that are boxed out of access to funds based solely on their success in contests or grant writing.

The high levels of unemployment among young people demand new solutions from the Russian authorities. Now that the new youth strategy for 2016 is being actively debated, some improvements at the policy level may be in the process of being made. For instance, in September 2013 Russian Deputy Premier Minister Olga Golodets announced plans that the Russian government would adopt a new employment programme to stimulate the employment of young people, persons with disabilities, and residents of

economically depressed regions.

The programme is set to provide annual funding of RUB45 billion (approximately US\$1.28 billion) over three years to support the employment of disadvantaged groups (Golodets, 2013). Funds will be used to encourage entrepreneurs to hire socially vulnerable groups (residents of depressed regions, young people, first-time job seekers, and persons with disabilities). The Deputy Prime Minister expects that about 100,000 Russians will be able to obtain government aid in 2014 under this 'New Employment' programme.

According to Olga Golodets, the economy and industry in many regions of the country are currently hampered by a lack of personnel. The federal New Employment Programme has been designed to help to resolve this issue. The project will help regions experiencing shortages of highly qualified specialists and skilled workers to attract skilled young people from other regions. Nevertheless, the programme has not yet been approved, and there is the concern that it could be postponed due to a lack of funding available in the federal budget. In any case, the move to address different types of inequalities in existence in the Russian Federation within a policy or programme is a good step forward to begin to address such issues.

However, taking into account the huge disparities between urban and rural areas, and between different regions of the Russian Federation, it is questionable to what extent the federal level is appropriate for decision-making and

### BOX 3

#### Youth-oriented Social Policies and Programmes to Reduce Unemployment in the Russian Federation

- The Russian information network 'New Look' and the 'Career' programme both provide youth labour databases to promote the matching of labour supply and demand. The Career programme also promotes the self-organisation of student unions to provide vocational training.
- The 'Team' programme aims to find and train people for managerial positions, both at community and governmental levels.
- The 'Russian Volunteer Programme' promotes the placement of young people as volunteers in private firms, public institutions and, mostly, in non-governmental organisations.
- The programme 'A Step Forward', designed for vulnerable youth, aims to promote self-help groups to address socio-economical challenges.

Source: Federal Agency for Youth Affairs, 2006.

implementation of all aspects of youth policy. It seems important for Russian regions to develop their own programmes aimed at increasing youth employment based on local realities. The involvement of young people as well as educational institutions and local businesses in the development of programmes could be beneficial for identifying existing needs and finding appropriate solutions.

The development of internships for students, support for entrepreneurial initiatives for young people, advice about job opportunities and additional professional training or young people may be other prospective activities that local or regional agencies may be able to take part in designing.

Moreover, programmes that provide further assistance to vulnerable groups such as those of particular marginalised groups, in addition to persons with disabilities, orphans and children from large families, are needed to deal with poverty and improve living standards for young people in every part of the country.

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Source: This young woman is employed at a Bakery near the Magas Collective Centre for displaced Ingush people from North Ossetia. The Republic of Ingushetia has one of the highest regional youth unemployment rates in the Russian Federation, UN Photo/T. Bolstad.

1. Please note that all programme and policy names are the authors' translations from their original titles in Russian.



# Social Policy in India: Impacts and Challenges for Youth

by Jayati Ghosh, Centre for Economic Studies and Planning, Jawaharlal Nehru University

## Defining social policy

Social policy refers broadly to the set of state interventions that directly affects social welfare, social institutions and social relations. This is not just the outcome of simple welfare considerations but, rather, a key instrument in the process of development, which works in association with economic policy as part of a broader strategy. Thus, it is important not only from a humanitarian perspective; rather, it also responds to the economic and political imperative for future growth and political stability, and is particularly significant in maintaining broader public support for governments that are engaged in the process of economic transformations.

At the most basic level, social policies of different types are crucial to the State's capacity to 'manage' modernisation, and along with it the huge economic and social shocks that are necessarily generated. They provide sources of legitimisation—not only of the State, but also of the development project itself—and serve as cushions to dampen the worst social effects of cyclical volatility and crisis. Effective social policy can increase the

aggregate social productivity of labour through the universal provision of good education and basic health services. Overall, therefore, social policy can increase social cohesion, reduce gender discrimination, ensure the legitimacy of the political order and contribute to political stability, which in turn is essential for any sustainable economic growth process.

The latter impact makes it particularly important for dealing with the problems faced by youth, especially in developing countries. It becomes especially important for countries that could be reaping the advantages of a demographic dividend because of a youth population bulge but do not have other conducive features such as adequate nutrition and health, or good-quality education and skills training.

## Social policy in India

In India, however, social policy has not really been used as a basic instrument of development strategies in this manner. Rather, it has emerged essentially in the form of *ad hoc* responses to particular demands emanating from groups that (at least temporarily) have acquired

some degree of political voice. Even so, at least some of the social effects of modernisation have been achieved, in that the most destabilising effects have been avoided. The legitimisation of and, indeed, the social acceptance of the suppression of current consumption on the part of workers and peasants has also been achieved; however, this has not been equally true of the economic elites, who have been unwilling to accept the economic discipline necessary for a sustained path of aggregate development. In a longer-term sense the economic regime and associated social policy has failed miserably at raising aggregate social labour productivity and reducing the employment slack in the system.

The more significant forms of social policy in the Indian context have included agrarian reform; food procurement and distribution; education; employment creation through public works; affirmative action for employment in public services and educational institutions; anti-poverty programmes directed towards small asset creation or micro credit; and changes in the forms and structures of governance

**TABLE 1**

Nutritional Status of Women (Percentage of Women Age 15–49 Below 145 cm, Mean Body Mass Index (BMI), and Percentage with Specific BMI Levels, India, 2005–06)

Body Mass Index (BMI)* in Kg/m <sup>2</sup>									
Age	Height		Mean BMI	18.5–24.9 (normal)	Thin			Overweight/obese	
	% below 145 cm	Number of Woman			<18.5 (total thin)	17.0–18.4 (mildly thin)	<17.0 (moderately / severely thin)	≥ 25.0 (overweight or obese)	Number of Woman
15–19	11.7	23,679	19.0	50.8	46.8	25.9	20.9	2.4	22,147
20–29	10.9	41,332	20.0	53.7	38.1	21.7	16.4	8.2	36,413
30–39	10.9	32,233	21.1	51.6	31.0	17.0	14.0	17.4	31,321
40–49	12.8	21,975	21.9	49.8	26.4	14.1	12.3	23.7	21,900
Total	11.4	119,219	20.5	51.8	35.6	19.7	15.8	12.6	111,781

Source: Extracted from IIPS and Macro International (2007a): Table 10.22.1. Please refer to the original table for further information disaggregated by background characteristics (i.e. marital status; residence; education; religion; caste/tribe; and wealth index).

\* Excludes pregnant women and women who have given birth in the preceding two months.

TABLE 2

Nutritional Status of Men (Among Men Age 15–49, Mean Body Mass Index (BMI), and Percentage with Specific BMI Levels by Background Characteristics, India, 2005–06)

Body Mass Index (BMI)* in Kg/m <sup>2</sup>							
Age	Mean BMI	18.5–24.9 (normal)	Thin			Overweight/obese	Number of Men
			<18.5 (total thin)	17.0–18.4 (mildly thin)	<17.0 (moderately / severely thin)	≥ 25.0 (overweight or obese)	
15–19	18.3	40.2	58.1	28.8	29.3	1.7	12,251
20–29	20.1	60.4	53.0	21.8	11.3	6.5	21,396
30–39	21.0	61.4	25.5	16.7	8.9	13.0	18,015
40–49	21.2	58.6	26.2	15.8	10.4	15.2	14,079
Total	20.2	56.5	34.2	20.4	13.8	9.3	65,742

Source: Extracted from IIPS and Macro International (2007a): Table 10.22.2. Please refer to the original table for further information disaggregated by background characteristics (i.e. marital status; residence; education; religion; caste/tribe; and wealth index).

through decentralisation and some devolution of resources.

#### Land ownership and credit

There has been no substantial transformation of landholding patterns and agrarian relations across the country through government action, in the same way as occurred in some countries of East Asia, except for a few states such as Kerala and West Bengal. Instead, wealth distribution has become even more unequal, as land and other natural resources have become more concentrated in private hands, displacing small producers, creating another severe form of inequality based on financial wealth. The vast numbers of young people are excluded from most assets, and this combines with an inadequate formal credit system to severely constrain their income-generating opportunities.

#### Food security and smallholder agriculture

Food security has emerged as a major constraint to growth and a defining political issue. India's public food management system was originally designed to maintain a reasonable degree of price stability; to provide some producer incentives to cultivators by ensuring that prices remained above estimated costs; and to provide a degree of food security to consumers. These were never fully achieved, but they were further undermined by economic reforms and trade liberalisation from the early 1990s that reduced the viability of smallholder cultivation in the context of an overall

deterioration of per capita availability of food grains. According to the most recent National Family Health Survey of 2005–06, 46 per cent of children below 3 years of age were underweight; 36 per cent of women and 34 per cent of men had Body Mass Index (BMI) below normal; 79 per cent of children aged 6–35 months had anaemia, as did 56 per cent of every married women aged 15–49 years of age and 24 per cent of similar men; and that 58 per cent of pregnant women had anaemia. All these indicators were much worse in rural India, especially in states such as Madhya Pradesh, Bihar and Jharkhand. Table 1 and 2 illustrate the food insecurity of young people in rural areas of India, showing that around 40 per cent of women between 15 and 29 years of age possess BMIs below normal. The same averages apply to the young male rural population, which has even worse BMI figures for those between 15 and 29 years of age.

These poor nutrition outcomes refer to the period before food prices rose significantly in India. Since 2006 the price of basic food items has tripled in most major markets in India. The recent Food Security Act, which extends access to subsidised food to around two thirds of the Indian population, is a partial attempt to remedy this, but it focuses only on subsidised distribution to around two thirds of the population, without adequate provisions for ensuring domestic production, nor specific recommendations to focus on the food security of or job creation for young people.

#### Employment generation

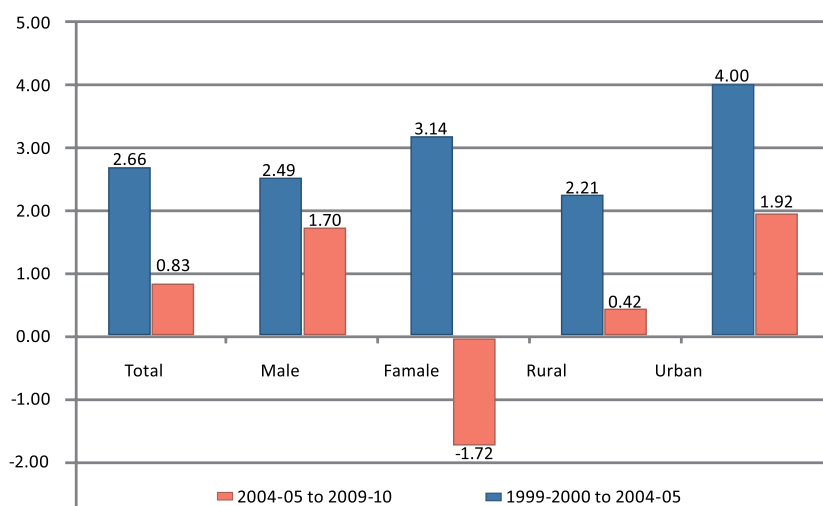
Lack of sufficient employment generation and economic diversification are major failures of successive growth trajectories in India. One attempt to deal with this has come in the form of a rural employment guarantee programme that currently provides an average of around 45 days of employment per year to nearly 50 million rural households. This has a lot of potential, but it has been unevenly implemented across states and recently has faced waning interest from the central government. The peak financial year for both spending and employment generation under this programme was 2009–10, and since then it has somewhat declined. However, if imaginatively and effectively utilised, this could become an important means of increasing local demand and improving conditions of rural productivity. Widespread informality of working conditions further complicates the problem: in 2004–05, only 4 per cent of India's workforce was employed in formal jobs subject to labour protection.

#### Education and health

Education has, unfortunately, not been a priority of government policy or a major instrument of social policy, and this has resulted in slow improvements in literacy and education for both men and women, and significant gender gaps. There has been a recent improvement in educational enrolment at all levels, which is certainly required: the young citizens of India deserve to be better educated, and the economy desperately needs more skilled workers. However, the 55 million youth

**FIGURE 1**

**Rates of Total Employment Growth  
(15 + Age Group, Annual Compound Rates %)**



Source: Chandrasekhar and Ghosh (2011a).

who are currently in secondary and tertiary education are soon likely to enter the job market and expect to access employment that is at least minimally commensurate with the efforts and expense they have put in to receive more education. But in the past six years formal employment has not increased at all, and other forms of employment (regular and casual paid work as well as self-employment) only increased by around 30 million jobs. If this sluggish pace of job creation continues, there will be even larger gaps between aspiration and reality in India's labour markets.

Meanwhile, basic, adequate health coverage and universal social pensions remain hugely underprovided. This affects not only people's labour market prospects but also their quality of life and potential for the future.

#### **Affirmative actions and job reservations**

The Indian government has sought to address social discrimination through affirmative action in public employment and public education for disadvantaged groups, such as certain castes and tribes. There have been no attempts to force or

encourage similar action in the private sector. Overall, such affirmative action has had relatively little impact on the broader socio-economic position of the population belonging to the defined social groups, such as Scheduled Castes and Tribes and Other Backward Classes, but this may change over time.

Social policy can play an important role in reversing these failures, from both the supply and demand sides, since it is usually employment-intensive, generates more good-quality jobs and creates a healthier, better educated and productive labour force. These demands—as well as those for an increased provision and better accountability of public services—are increasingly being made by a more aware and dominantly young populace. ■

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## India: Social Protection and Youth

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### **Introduction**

Social protection measures and social protection systems emanate from chronic as well as contingent insecurities, and the obligation of social systems to mitigate such insecurities within the limit of their competence and capabilities. Since social protection covers various dimensions through the life cycle of the population, its coverage extends to the entire

population, through its entire life span. The report of the ILO Advisory Group points out that social protection represents a "win-win investment that pays off both in the short term, given its effects as a macroeconomic stabilizer, and in the long term, due to the impact on human development and productivity" (ILO, 2011a: XXII).

The concept of social protection is anchored in human rights, set out in the Universal Declaration of Human Rights and subsequent UN conventions. Following the economic crisis of 2008, the UN has also mooted the concept of the Social Protection Floor (SPF). The term has been used to mean a set of basic social rights, services and facilities that the global citizen



should enjoy. The 2011 International Labour Conference has further elaborated on an integrated approach to social protection, which emphasises its link with labour-market and other policies which reduce informality, improve productivity and create decent jobs (ILO, 2011b).

### Social protection in India

India's GDP grew by over 18 times its size in the more than 60 years since 1951-52. However, even by the World Bank's meagre \$1.25 a day standard, 42 per cent of the Indian population was poor in 2005, and this figure was higher at 75 per cent by the \$2 per day criterion. In 2005-06, 43 per cent of children below the age of 5 were underweight, along with 48 per cent who were experiencing stunted growth. Since 1993-94 there has also been a rise in both rural and urban inequality (measured by inequality in consumption expenditure, which understates its actual extent).

These features of the economy are closely linked with the nature of the workforce in India, which is characterised by extreme inequalities in outcomes and incomes, the predominance of agriculture and self-employment, as well as increasing informality. Between 2004-05 and 2009-10, the percentage of regular workers in non-agriculture activities, with no written contract, increased from 59.2 per cent to 63.2 per cent (Srivastava, 2012). At the time of publication, nearly 93 per cent of India's workforce is informal.

India is not a signatory to International Labour Organization (ILO) Convention 102 but has well-established social security systems providing varying degrees of coverage in several of the nine branches of the Convention which principally aim to cover workers in the formal sector.

Direct estimates of the number and type of employees availing employer-managed social security can be estimated from recent National Sample Survey Rounds; they show that the proportion of all wage workers outside of agriculture covered under any social security provision declined from 32.6 per cent in 1999-2000 to 28.6 per cent in 2004-05 and further to 26.4 per cent in 2009-10.

India also has a plethora of publicly funded social protection programmes which span the entire life cycle of poor individuals and can be grouped under the following

categories: (1) education, nutrition and health support for pre-school and school-aged children up to the age of 14; (2) social health protection; (3) food security; (4) employment and livelihood security for poor people in both rural and urban areas; (5) state-assisted pensions for poor people; (6) housing; and (7) life and disability coverage.

The central government has increased its expenditures on social protection programmes in recent years. As a result, the share of central expenditures in major sectors related to social protection went up from about one fourth in 1995-96 to about one third in 2011-12. Central expenditures on these sectors went up from 1.06 per cent of GDP in 1995-96 to 1.75 per cent of GDP in 2010-11. However, the total combined expenditures of central and state governments, while remaining more or less stagnant between 1995-96 and 2000-01, subsequently increased from 4.45 per cent in 2000-01 to 5.25 per cent of GDP in 2010-11.

### A rights-based social protection floor for India

The extension of social protection in India over the last few years in a rights-based direction, guided by the Directive Principles of the Indian Constitution, can provide the basis for the institution of a social protection floor. Of the programmes discussed, education for children up to the age of 14, food security and nutrition support, and rural unskilled employment are now covered by legislative guarantees. We have considered these, along with three other dimensions—social pensions, health and housing—as elements of a rights-based social protection floor for India (Srivastava, 2013).

We have estimated the financial costs of achieving such a social protection floor for the period up to 2021-22 (the end of India's 13th Five-Year Plan) based on plausible assumptions regarding rates of growth and other parameters.

We estimate that the additional average projected financial requirements would be 0.99 per cent of GDP in the 12<sup>th</sup> Plan and 2.24 per cent in the 13<sup>th</sup> Plan. These requirements could go up with assumptions of greater adequacy, particularly for social pensions. We have also considered the financial resources of the government, as well as the possibilities of additional resource

mobilisation, and we consider these to be feasible goals (*Ibid*).

### Youth and social protection

The Registrar General of India estimates that the dependent population will decline from 42.1 per cent of the total population in 2001 to 37.2 per cent in 2011 and 35.7 per cent in 2021, a potential source of a demographic dividend. The new National Youth Policy (2014) approved by the Cabinet in January 2014, will focus on youth in the age group of 15–29 years of age, constituting about 28 per cent of the population or 333 million persons in 2011.

However, 44 million Indian youth are undernourished, which constitutes 23 per cent of the youth population of India. A large proportion of young people have low levels of education and skills, live in poverty, are unemployed or work in low-skilled, precarious jobs in the informal sector (Sinha, 2013).

The recent National Sample Survey Rounds on employment/unemployment show that unemployment rates among young people are much higher than among the general working-age population, especially in the age group 15–24, and more so among young females. Unemployment rates also rise with education levels, and are much higher for women at high school and higher levels of education—indicative of a serious mismatch between the nature of supply and demand. Unemployed youth make up almost half of the total of unemployed people, even though young people constitute only 21 per cent of the total number of adult workers (*Ibid*).

Among the employed, young men are more likely to be in casual employment than any other workers. Although both young men and young women tend to be employed less in agriculture, young men are much more likely to be working outside agriculture, especially in the construction sector, and are heavily represented in long-distance seasonal migration streams (*Ibid*; Mitra and Verick, 2013).

The need to provide jobs for young people has to be combined with adequate social security, enhancement in education and skills, and the creation of decent jobs in the formal sector. As already mentioned, the most noteworthy of the employment programmes launched by the Indian government is the programme launched

under the National Rural Employment Guarantee Act. This guarantees up to 100 days of unskilled work per rural household per year on public works projects. Since 2008-09 it has provided an average of 2.31 billion *person-days* (persons working per day x days worked) of employment to 50.2 million households each year.

Two other employment programmes—the National Rural Livelihood Mission (or Ajeevika) and the Swarna Jayanti Shahri Rozgar Yojana—operate in rural and urban areas, respectively, and focus on job creation through self-employment promotion, skills development, group empowerment, and wage employment in the case of the latter (Srivastava, 2013).

Skills development initiatives have been significantly upscaled since 2008-09, in

addition to the fact that a Council of the Prime Minister's Office now coordinates multisectoral initiatives. The National Skill Development Corporation, structured as a public-private partnership, has been set up to set curricula, standards and certifications, and to finance initiatives with the close participation of industry, to help boost the employability of those seeking to do so.

The social protection strategies described earlier have led to an increase in real incomes and declining poverty, along with some improvement in the capabilities of poorer young people. However, the major challenge in India today is to pursue economic strategies, which increase employment and to further sustain the expansion of social protection in the face of the slowing of growth that has occurred since 2011-12. ■

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# China, Social Protection and Implications for Youth Employment

by Minquan Liu, Peking University and Asian Development Bank Institute

**Issues of social protection** confront every country both during and after its Lewisian development process. The onset of the international financial crisis in 2008 has further forced these issues to the forefront of the international development agenda. Increasing informalisation of jobs in response to the crisis in many countries has meant a serious scaling back of social protections previously available. Much of the recent discussion of the role and impact of social protection has proceeded in these terms. However, there is a real need to go beyond this short-term, crisis-oriented framework and examine the role and impact of social protection from a longer-term perspective. This is especially necessary in relation to developing countries, whose economic challenges are not only how to respond to the crisis in the short run but, more importantly, how to promote development in the long run. In this article, I shall first conceptually outline a long-term view of the role of social protection, then relate that to the recent history of Chinese economic

development, and finally point to some key future challenges China must address in the area of social protection and how these elements affect youth unemployment.

## The long-term role of social protection

Figure 1 provides a simple conceptual model. In the short run, social protection may, indeed, have a negative impact on economic growth/development. Presumably that is why many developed countries began to introduce labour market reforms a few decades ago that delinked employment from various social protections, and why many developing countries, including China, have been reluctant to introduce large-scale social protection measures for employment, health, safety nets etc.

But this is a rather short-term view of the impact of social protection. In the long run, social protection can have important positive effects on a country's human capital accumulation. Two key channels of human capital accumulation are

investments in health and in education. Both these types of investments can be supported by social protection provided to people with a low income. Health insurance is a case in point, but so is the provision of a social safety net. In many societies, poor people are also likely to use most of the extra money they receive for children's education. Indeed, the receipt of social protection benefits, in the case of direct cash transfers, by a poor family can also be made conditional on their children's education, as has been tried in some Latin American countries. Benefits directly supporting the education of children from poor households can also make an impact.

For a developing country aiming to complete its Lewisian development process, and to transform itself into a modern, developed one, there is nothing more important than human capital accumulation. Unless this is done, no external input of physical capital, technology or modern management know-hows can be effectively utilised.

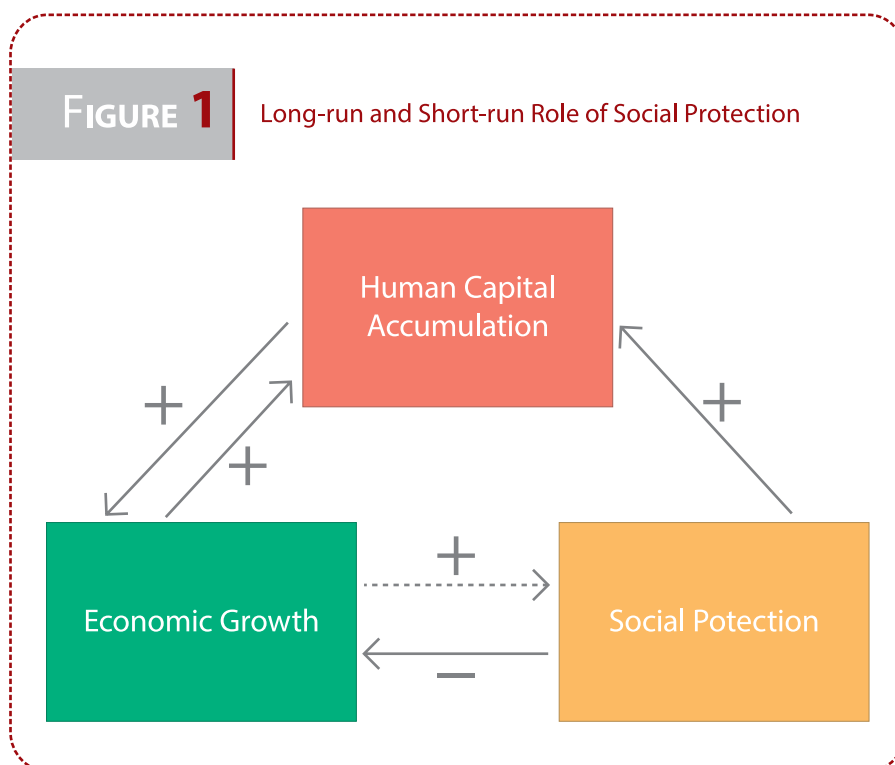
Figure 1 indicates this second channel of effect leading from social protection to human capital accumulation and, through that, to economic growth and development. As human capital accumulation is necessarily a long-term process, this second channel must be long-term as well. It is important to recognise that social protections will not just be used for increased consumption by recipients here and now; at least part of them can be turned into investments into human capital. In turn, such investments can have a favourable effect, in the long run, on economic growth and development.

In addition to the two aforementioned effects, there can also be a reverse effect from economic growth to social protection and to human capital accumulation (as represented by the two dotted arrows). These reverse effects are also the ones which have traditionally been emphasised in literature on the subject. However, it is important to recognise the important role of social protection on long-term economic growth through increased human capital accumulation.

### Social-sector investments and China's record growth

China has had unprecedented rates of economic growth over the last three decades when compared with the record both of its own past and most other countries over the same period. Over roughly the three decades of 1980–2010 its average growth rate was 9.9 per cent, while the average of the world growth rates was around 2.9 per cent, a difference of seven percentage points. What light does the conception of the role of social protection proposed above shed on understanding this record growth achieved by China?

Existing explanations commonly attribute it to factors such as market-oriented reforms, ownership changes, and the adoption of a development strategy based on export and foreign direct investment (FDI). While these have undoubtedly contributed to China's recent growth, to attribute its entire growth performance to these factors would not seem to be justified. One must ask if these factors independently or combined constituted a necessary or sufficient set of conditions for China's economic growth. If they were necessary conditions, what other crucial factors were involved to ensure this success? If, however, they represent sufficient conditions, then why are there countries whose economies



have been much more market-oriented, whose ownership structure has been a lot more privately based, and which have similarly followed an export- and FDI-led development strategy that have not recorded such resounding growth as China, whether contemporaneously with China, before it or after it?

Once one begins to deliberate over these questions it becomes clear that other factors may have a part to play, not necessarily as alternatives to the ones mentioned above but as complementary to them. One factor which will be emphasised in this article is the extensive human capital accumulation achieved before the decades of reform, through a combination of social-sector investments, including various social protection measures. When this coupled with the other aforementioned factors, it unleashed the unprecedented forces that led to the unprecedented growth of the economy that the world has witnessed.

Over the two decades from the first half of the 1950s to the first half of the 1970s, China's life expectancy increased by a dramatic 22 years, surpassing even the next best performing country by seven years. Over roughly the same period, China successively achieved vast expansions in general education—first in basic literacy, then in primary, junior secondary

and senior secondary education. Thus, according to its 1990 national census data, the completion rate of senior secondary education of the 1956–1960 cohort was 20.77 per cent, compared with a mere 8.61 per cent for the 1951–1955 cohort—a difference of 12 percentage points over five years. For further details, see Liu (2011).

These extraordinary achievements in human capital accumulation were due to a combination of social-sector investment policies, including direct public investment in health and education, but also spending on social protections. These early achievements are important complementary factors to the subsequent reform policies which together led to China's record economic growth rates in the post-reform decades.

### Social protection in China: future challenges

China has now reached a crucial juncture where it must decide if and how it will vastly expand its social protection coverage and if and how it should radically reform its social protection systems. Among the challenges it faces, the most important one is how to unify the two key parts of the system—that for the urban residents, and that for the rural farmers. With rapid urbanisation in some parts of the country (principally along the eastern coast) and widespread migration of rural residents



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Its [China's] wide-scale social-sector investments, including various social protections, in the pre-reform decades created a robust and highly educated young workforce.

from other regions, from across the country, to eastern coastal areas, it also means how to unify social protections offered to the locals and those to the incoming migrants in a city or county. Aside from the deeply ethical issues these divides inevitably raise, there are also issues about the economic impact these divides have on the continued development of the economy.

In this respect, the case of the migrants is particularly striking. The social protections to which they are entitled are provided by their home village, township or county, be it the land they are eligible to receive or subcontract or the opportunity to send children to schools or to join a home-county new cooperative rural medical insurance scheme. On the other hand, the place of their economic activity, and hence also where ideally they should receive their social protection benefits, is their adopted city or county. This de-coupling of the two locations has caused many families to be split, with some members (usually one or both parents) living in an adopted city, but others (sons and daughters) living in home villages. The longer-term impact of this on human capital accumulation, in terms of missed education and skewed physical and mental health development of the children, can potentially be huge, which can in turn have serious negative repercussions on China's future development potential.

Even for those children who do move with parents to a newly adopted city, their opportunities to receive normal education and health care as local children can be compromised because they do not have local *hukou* (i.e. local registration). In part because of this, many parents migrating to urban areas often decide to leave their children behind in their home village to ensure their access to such services. However, this has a negative effect on the family unit, leading families into such voluntary separation of parents from children.

Many analysts have laid the blame for this squarely on the discriminatory policies of the migrant-receiving city or county. However, this is only one side of the story. In one eastern county where the present author carried out a study (Liu, 2012), the ratio of local to migrant population was 1:1. Under the current Chinese system of decentralised fiscal responsibilities, social-sector spending is entirely to be borne by local authorities. As such it would be difficult to expect any county authority in these cases to adopt a completely non-discriminatory social protection policy towards its local citizens and the migrant population.

As China attempts to reform its social protection system, attention will have to be paid to also reforming the current system of decentralised fiscal responsibilities. The other tiers of government, including the municipality, provincial and even the central government, will have to shoulder greater responsibilities before the current fractures of the system can be removed.

How to make social protection benefits that are enjoyed by urban residents also available to its rural residents, while not pulling down the levels now enjoyed by urban residents, and how to make the social protection benefits enjoyed by local residents also available to the migrant population, while not pulling down the levels now enjoyed by local residents, are the two twin challenges facing the new Chinese government as it attempts to build up a new, more equitable system of social protection. Given their important role in promoting human capital investment, these issues are both about equity and about the prospect of long-term sustained economic development of the country.

### **Social protection and youth employment**

For a developing economy such as China, but also other BRICS countries, the Lewinian process would entail high rates of rural-to-urban and/or regional migration. Long-term development policies aimed to achieve poverty reduction/eradication and employment creation would have to be framed and designed on this basis. But such migrations are often age-specific and education-specific. According to a study by the Chinese Academy of Social Sciences (CASS) (Du, 2009), predicted probability of migration of a rural resident is highest (0.29) when s/he is between 16 and 20 years of age, and then rapidly

falls as age increases (thus a mere 0.06 for people aged 50 and above). In some way, this is only expected, as it would primarily be young people who would migrate away from their home village, township and county. However, the CASS study also reveals important differences in the predicted probability of migration according to education status. Thus for the 16–20 age cohort, while a person with senior secondary education has a probability of migrating of 0.505, a person with primary education has a probability of 0.189. This, of course, reveals the great needs of employers in cities and in the more developed regions of China for a better-educated workforce. It is not clear if their demands are already being met.

For China, the education of young people has a particular significance. It could mean the success or failure of that development process being completed, and yet no country can succeed in its development ambitions until and unless this education process is completed. Thus, while for a developed country more or less education for young people would simply mean more or less youth employment, for a developing country more or less education for young people would mean both this and, importantly, the success or failure of its development efforts.

The case of China appears to illustrate exactly this point. Its wide-scale social-sector investments, including various social protections, in the pre-reform decades created a robust and highly educated young workforce, which would later be needed in the post-reform decades of reform and development, thereby contributing crucially to China's record growth. The case of China also indicates its current challenges. Further expansion and unification of its dualistic social protection system would appear to be central tasks as China seeks to find new ways of ensuring continued development.



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# Public Works, Job Creation and Poverty Reduction in Rural China

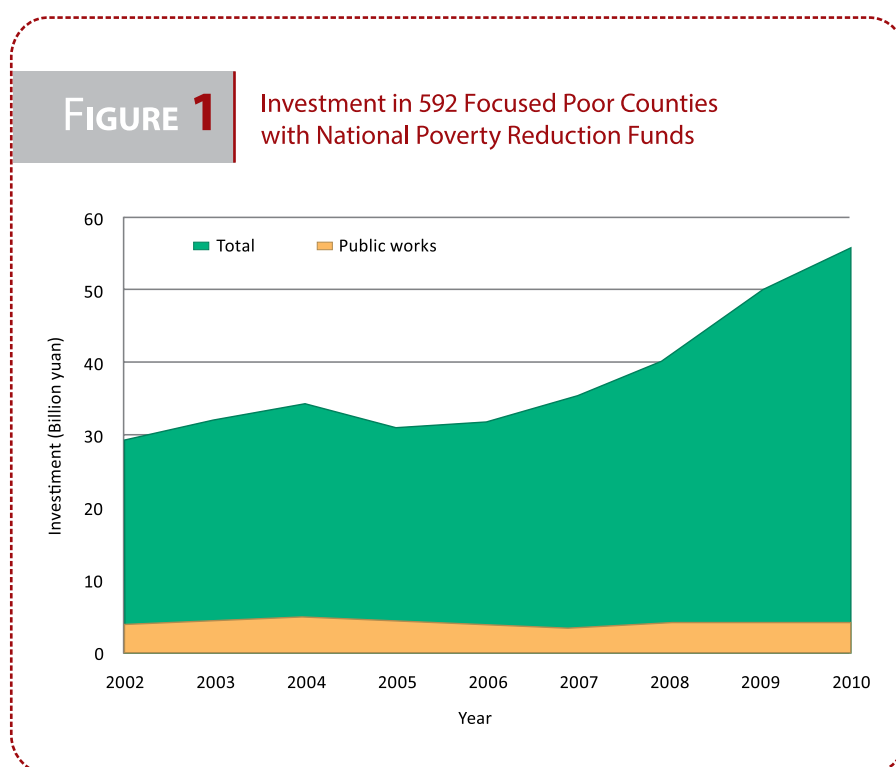
by Zhu Ling, Institute of Economics, Chinese Academy of Social Science (CASS)<sup>1</sup>

**In the past three decades** China has achieved great progress in the fight against poverty. Measured against the poverty line set by the World Bank (US\$1.25/day per capita consumption or income), China's incidence of urban poverty dropped from 44.5 per cent in 1981 to 0.9 per cent in 2008, whereas the incidence of rural poverty dropped from 94.2 per cent to 22.3 per cent during the same period. For the period 2011–2020 the Chinese government initiated a new programme for rural poverty reduction and lifted the poverty line to Yuan 2300 per capita annual net income, equivalent to US\$1.8 per day at 2005 purchasing power parity. Measured by the new poverty threshold, in 2011 the number of poor people in rural areas was estimated at 128 million—or 13.4 per cent of the total rural population.

The significant achievement in poverty reduction is largely attributed to rapid economic growth and comprehensive antipoverty measures. 'To offer job opportunities to replace sheer relief' (*Yigong-daizhen* in Chinese) is one of the measures. Its major content is that the government carries out investment in infrastructure in poor areas, which, on the one hand, creates a basis for local economic growth and, on the other hand, provides short-term employment and income for poor households. The international community calls this public works. This article provides a brief description of the effects of the public works scheme on poverty reduction and points out the recent development of employment promotion and social protection in rural China.

## Effects of the public works programme on poverty reduction

In 1978, when rural reform commenced, 250 million people in rural areas of China were considered poor. Together with the reform, the central government launched a poverty reduction programme in a few provinces in western China in 1982 and initiated a nationwide antipoverty strategy in 1986, aimed at providing food and



Source: Households Survey Office of the National Bureau of Statistics (2012). *Poverty Monitoring Report of Rural China 2011* (in Chinese). Beijing, China Statistics Publishing House.

clothing for poor households.

The public works scheme was designed with an emphasis on improving production and living conditions in poor areas. Between 1985 and 1997 the central government accumulated a stockpile of food grain, edible oil, cotton, cloth and medium- or low-grade overstocked industrial goods valued at Yuan 11.8 billion for the construction of roads and drinking water supply systems, improving farmland, harnessing rivers, improving the housing and sanitation facilities of the poor households etc. Farmers participating in the public works programme were paid either with food or vouchers for industrial goods.

By the end of the 1990s China moved further from a planned economy to a market economy, and the government did not need to deal directly with overstocked industrial goods. At the same time the goal of food security was virtually achieved; therefore, the investment in the public

works scheme was then made in cash.

The size of the annual investment that the central government made in 592 focused poor counties increased to an average of Yuan 4 billion per year (approx.) between 2002 and 2010, as shown in Figure 1. Such intensive investment brought about 3.5 million hectares of newly improved farm land, 952,000 kilometres of constructed and upgraded roads and 35 million square metres of housing space for schools, health centres and village clinics. Moreover, it also solved the drinking water difficulties for 56.8 million people and 50 million heads of livestock. By the end of 2010, 60.9 per cent of rural households living in the targeted poor counties had acquired access to drinking water from pipelines and deeply drilled wells, while 88.4 per cent of the households used improved sanitation facilities. Furthermore, 88.1 per cent of villages were connected to public roads, 98 per cent had electricity and 92.9 per cent had installed telephones.

TABLE 1

Comparison between the National Average and Poor Households in Rural China

Year	Household size (person)	Family labour (person)	Non-agricultural labour	Cultivated area (mu)	Sold quantity/ Total grain output (per cent)	Annual net income per capita (Yuan)	Income from farming (%)
2000	4.2	2.8	29.7	7.43	44.8	2253	46.2
2005	4.1	2.8	37.9	7.09	59.0	3255	42.4
2008	4.0	2.8	41.0	6.86	63.9	4761	38.3
2010	3.95	2.85	— *	6.50	55.7	5919	—
Poor households							
2000	4.43	2.8	-	-	-	707	65.6
2005	4.3	2.9	20.1	-	-	740	61.8
2008	4.3	3	22.1	-	29.8	989	-
2010	4.2	3	23.9	-	29.7	2003	50.9

Source: Ministry of Agriculture, PR China (2009 and 2012). Poverty Monitoring Report of Rural China 2011. China Agricultural Development Report (in Chinese). Beijing, China Agriculture Press.

Note: — means no data available. 15 mu = 1 ha. 1US\$=Yuan6.8 in 2010.

The projects under the public works scheme are usually undertaken in slack seasons and mainly make use of simple labour-intensive technology, which has provided participating farmers with additional sources of non-agricultural income. More than 70 per cent of the participants were from the age group of 15–45 years of age. The participants' earnings depend on their skills and workdays, the project duration and the local wage level. The wage of a craftsman or a machine operator has been at least double that of unskilled labour. In the central government's investment plan the funds to pay labour are clearly listed. For example, in 2009 it was specified that Yuan 655 million must be paid to poor people who participate in the public works scheme, which made up 16.4 per cent of the total project funds. Notably the public works have engendered secondary effects of job creation and income generation. For instance, between 1985 and 1987, when the remote and mountainous areas in Guizhou Province in southwestern China were connected with 2150 kilometres of public roads, 1331 small-sized enterprises were set up near the roads and provided about 130,000 jobs in coal and metal mining.

#### Off-farm job creation and social protection

An accelerated process of industrialisation and urbanisation since the 1990s has enabled around 260 million rural labourers to migrate to urban areas<sup>2</sup> and provide

considerable remittances to their families in their home towns or villages each year. Table 1 indicates that the share of non-agricultural labour has risen, while the proportion of farming income to total income of an average household has declined. However, the share of non-agricultural labour and non-farming income of poor households has apparently been smaller than the national average.

With the aim of enhancing the abilities of poor households to access opportunities and share the benefits of economic growth, the central government has allocated a total of Yuan 3 billion to a labour migration promotion scheme (*Yulu Jihua* in Chinese) since 2004. By providing occupational training to young people from poor households, more than 4 million workers had acquired the training, and 80 per cent of them had found off-farm jobs up to the end of 2010. Compared to those without the training, the trained workers from the same poor areas earned Yuan 300–400 more each month. In addition, complementary socio-economic and human resource development projects have been put in place as follows:

- Extending the social protection system from urban to rural areas: Currently, over 95 per cent of rural people are part of the medical cooperative system. Since the end of 2009 an experimental pension system

has been in place, and now farmers over 60 years of age are eligible for a monthly non-contributory benefit of Yuan 55. Moreover, a rural minimum living standard guarantee system has been set up to target extremely poor, households, which is financed by both local and central governments. In 2012, 28 million rural households with more than 53 million people were assisted with a monthly average cash transfer of Yuan 104 per capita.

- As of 2012, the central government has undertaken a school feeding programme in 699 poor counties that covers 26 million rural children.
- At the same time, an experimental nutrition programme is being implemented in 100 counties in 10 provinces, with supplementary food for rural children aged 6–24 months.

In conclusion, China still has a long way to go to eliminate poverty. The government is continuously taking comprehensive and multidimensional measures, including the public works scheme, to tackle the remaining extreme poverty and child malnutrition. Growth promotion, job creation and social security programmes, together with better education and training, are all part of the efforts being made to achieve greater progress in poverty reduction. ■



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2. In 2012, 36.8 per cent of the migrant workers were younger than 30 years, and 33.6 per cent of the total rural migrant labour force were women. See National Bureau of Statistics (2013).

# Social Safety Nets and Youth Job Creation: The South African Case

by Avinash Govindjee, Nelson Mandela Metropolitan University

## The lack of jobs in South Africa

South Africa remains a society characterised by high levels of poverty, unemployment and inequality. The official unemployment rate in the country is approximately 25 per cent, and more than 25 per cent of the population still live on less than \$2 dollars per day (UNDP, 2010).

Part of South Africa's response to the triple challenges of poverty, unemployment and inequality over the past two decades has involved the rapid expansion of social grants. In addition, through interventions such as public works programmes and the like, an attempt has been made to create job opportunities on a large scale. In fact, South Africa's National Planning Commission has identified increasing the number of people working in South Africa as a key strategic priority.

The National Development Plan proposes to create 11 million jobs by 2030 through various tactics, including promoting employment in labour-absorbing industries and realising an environment for sustainable employment and inclusive economic growth (National Planning Commission, 2011).

South Africa's social security system has recently been considered to be sustainable by the country's Human Sciences Research Council (HSRC). Social grant spending is lauded as being an investment in human capital, underpinning future inclusive growth

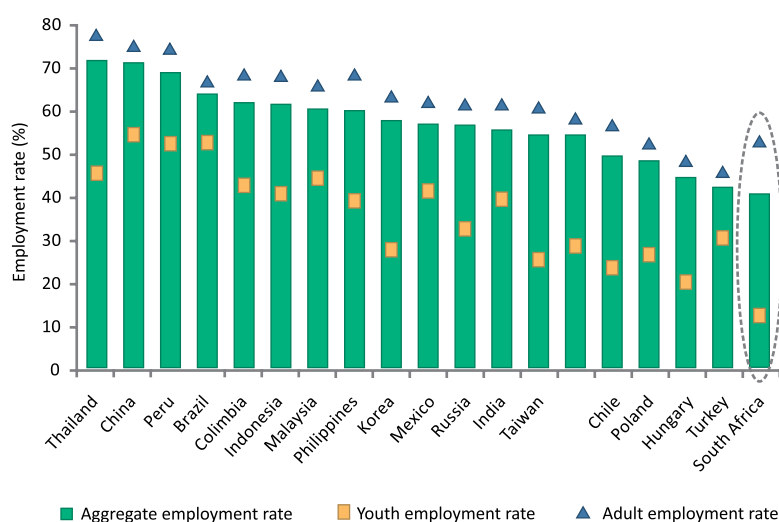
(Mabugu and Chitiga-Mabugu, 2014). In particular, it has been argued that social grants actually increase consumption of basics such as food and education, thereby positively impacting poverty and inequality (*ibid*). Job creation has been less successful though, and South Africa continues to face an acute problem of youth unemployment. About 42 per cent of young people under the age of 30 are unemployed, and only one in eight adults under 25 years of age

are in possession of a job (compared with 40 per cent in most emerging economies) (National Treasury, 2013).

Figure 1 shows the striking exclusion of youth from the South African labour market, both, in comparison to South African adults and to the youth of other emerging economies. Figure 1 also reveals that youth employment rates in South Africa lag far behind all youth employment rates across the BRICS nations. The youth employment

FIGURE 1

Youth and Adult employment Rates in South Africa and Selected Emerging Market Economies



Source: National Treasury, 2013.

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There is also no firm move afoot to expand the social grant system to include social assistance for (categories of) the unemployed—for example, through the introduction of a basic income grant in South Africa. Instead, the introduction of a youth wage subsidy and newly proposed legislation in the form of the Employment Services Bill are two initiatives presently being attempted.

rate in South Africa is approximately 50 per cent less than that of Russia—the 4<sup>th</sup> worst in terms of youth employment among BRICS nations.

This article argues that the South African situation is exacerbated by the striking disconnect which exists between social security provision and employment stimulation in South Africa. Even the recent introduction of a youth employment subsidy for South Africa focuses more directly on employers, and their needs, rather than on the unemployed youth. Similarly, extending the period of coverage of the Unemployment Insurance Fund, and other proposed interventions involving this Fund, is unlikely to alter the unemployment situation significantly. Finally, this article will provide some insight and some brief remarks regarding the pending enactment of the Employment Services Bill in South Africa, and its likely impact on the present situation in the country.

#### **Existing social safety nets in South Africa and the unemployment gap**

The Constitution of the Republic of South Africa was adopted to establish a society based on democratic values, social justice and fundamental human rights. Everyone in South Africa has the constitutional right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance, and the State must take reasonable legislative and other measures, within its available means, to achieve the progressive realisation of this right. Legislation in South Africa provides for a range of social assistance grants as well as for social insurance coverage in respect to retirement, worker compensation, unemployment insurance and road accidents. A national health insurance arrangement has also recently been proposed.

The social assistance framework is, however, limited mainly to grants for older persons, disabled persons and children under the age of 18. Persons between the ages of 18 and 60 who have never been formally employed are effectively excluded from the social security system, neither able to claim social assistance nor able to contribute to the South African Unemployment Insurance Fund (UIF). Even persons who have enjoyed a period of formal

employment and have contributed to the UIF are only entitled to limited benefits for a relatively short period of time (in terms of proposed amendments, to a maximum period of 365 days of benefits in a four-year period). Large numbers of (informally) employed persons, and the self-employed, are presently precluded from contributing to the UIF. The Unemployment Insurance Act, 2001, which regulates the operation of the UIF, has also been criticised for failing to play a significant role in respect of unemployment prevention and reintegration of unemployed persons into the labour market. However, a ‘training layoff scheme’ did make use of the Fund to postpone the operation of retrenchments during recent periods of economic stress. This restricted role of the UIF is partly due to the absence of a proper statutory basis and mandate for it to serve the wider ambit of preventing, combating and minimising unemployment and the creation of, for example, unemployment alleviation schemes (Olivier and Govindjee, 2013).

As such, there is little provision made in social security law for (re)integration into the labour market in South Africa (Olivier, 2012). There is also no firm move afoot to expand the social grant system to include social assistance for (categories of) the unemployed—for example, through the introduction of a basic income grant in South Africa. Instead, the introduction of a youth wage subsidy and newly proposed legislation in the form of the Employment Services Bill are two initiatives presently being attempted.

#### **The youth wage subsidy and the Employment Services Bill**

The policy document that sets out the various policy options to confront youth unemployment in South Africa correctly notes that a multi-pronged strategy is required to raise employment and support social inclusion and social cohesion (National Treasury, 2013). Flowing from this, parliament has recently passed law, which introduces a youth employment subsidy, which aims to address the plight of young people who have little or no work experience, in an environment where employers loathe the hiring of more staff. The subsidy attempts to lower the relative cost of hiring a young person (while leaving the wage of the employee unaffected), thereby increasing demand for young workers. An additional benefit is that

the work experience and training gained during the period of subsidised work should improve longer-term employment prospects, given that young unemployed people who have some work experience are over three times more likely to find a job than young people without any work experience (Ibid.).

It has been argued that although wage subsidies may be successful at creating some jobs in South Africa, they should not be seen as the primary or dominant policy instrument for dealing with the broader unemployment problem. Rather, they should be linked to structured workplace training and be targeted at industries where employment will be responsive to changes in labour costs (Burns, Edwards and Pauw, 2010). In addition, it must be noted that the youth wage subsidy, reminiscent of the introduction of the training layoff scheme, places significant power in the hands of employers in respect to deciding whether or not to partake in the operation of the initiative. Millions of unemployed, young South Africans remain at the mercy of the market in respect to their chances of obtaining a decent livelihood.

The Employment Services Bill, when it is eventually passed into law, is perhaps more ambitious in its approach, seeking to create a national database of job-seekers and expecting offices of the Department of Labour to match job-seekers with jobs which are available in the private sector. In addition to providing comprehensive and integrated free public employment services, the purpose of the proposed legislation includes coordinating the activities of public-sector agencies whose activities have an impact on the provision of employment services and establishing schemes and other measures to promote employment.

## Conclusion

There is a striking disconnect between the operation of social security law in South Africa, on the one hand, and employment creation interventions, on the other. The provision of social assistance in the country fails to address the plight of unemployed youth, while social insurance opportunities, through the UIF, continue to evade the vast majority of unemployed youth in the country, who have either exhausted

## BOX 1

### Summary of Flagship South African Social Efforts to Promote Youth Jobs

#### Name of the programme / policy

#### Description / critiques

Expanded Public Works Programme (EPWP)

Very little success; the programme has been operational since 2004, but has not transformed the profile of youth unemployment in the country.

South African Unemployment Insurance Fund (UIF)

Despite spawning the "training layoff scheme", the UIF continues to evade the vast majority of unemployed youth.

Youth Employment Subsidy (recently approved)

State subsidies for hiring costs of firms willing to hire young professionals. Criticized for being firms - rather than youth-oriented.

Employment Services Bill (not yet approved)

Will provide and enhance job-matching through a national labour-market database, and will also coordinate the activities of public-sector agencies whose activities affect the provision of employment services.

Source: Author's elaboration.

whatever little they may have been entitled to or who are completely excluded from the Fund's coverage. Instead, South Africa has placed its hopes of addressing the unemployment problem on a series of policy initiatives, such as the Expanded Public Works Programme, with very little success. The impact of the introduction of legislation establishing a youth wage subsidy and providing for national employment services remains to be seen. Given South Africa's constitutional imperatives to provide social assistance to everyone who is unable to support themselves and their dependants, it is anomalous and constitutionally suspect that this disconnect between social security and (youth) employment creation has been allowed to persist for so long, especially when considering the positive findings emerging in respect of the impact of social grants in the country. Progressively introducing 'unemployment security', possibly in the form of a job-seeking grants for young, unemployed South Africans, linked to the creation of extensive training, and self-employment opportunities pending any offer of employment (and perhaps conditional on participation in such opportunities) is an alternative which should be properly explored. ■

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# 18 Years Old? You Are on your Own: Safety Nets & Youth Employment in South Africa

by Marianne S. Ulriksen, Centre for Social Development in Africa, University of Johannesburg and  
Lauren Graham, Centre for Social Development in Africa, University of Johannesburg

**Turning 18 should be** a moment of excited anticipation for the future; a moment where a young person starts the transition into adulthood by furthering her/his skills and finding a career that can provide a self-fulfilling living. Yet, in South Africa, it is also a moment of great trepidation. The safety net in the form of the Child Support Grant (CSG) stops; free public education ends, with future educational advancement depending on accessing loans or securing sponsorship; and jobs which are increasingly hard to come by. In particular, young people who cannot draw on social networks for financial support and useful contacts are at a disadvantage, and patterns of inequality and poverty are reinforced.

This article elaborates on how young people in South Africa lack integrated government support to help them transition into economically productive citizens. It is argued that this is largely because public strategies targeting youth are fragmented and poorly linked to social policies. New ways that safety nets can be better integrated with other strategies are suggested to support young people in the difficult transition to employment.

## **Safety nets**

Safety nets can be understood as social assistance (non-contributory payments) and social insurance (contributory schemes). In the global South, where social insurance schemes are limited to those working in formal and well-paid jobs, social assistance programmes have become more prominent.

In South Africa social assistance programmes (called grants) have expanded tremendously, with now 16 million South Africans (out of a total population of 51 million) benefiting from grants such as the old-age pension, the disability grant and the CSG. All grants are means-tested, although set quite high, so that poor and low-income segments of the

old, disabled and young populations receive a grant. There are no grants paid to the working-age population—those between 18 and 59 years who are not disabled.

Paying social assistance to the working-age population is more disputed than giving grants to groups perceived as vulnerable. Those who are not too young, old, disabled or sick are expected to work for a living. In the global North social assistance to the working-age population is usually regarded as a last resort paid only to unemployed persons without access to unemployment insurance and under the strict conditions of actively pursuing re-employment. In the global South, where unemployment is high and informal sectors large, social assistance to the working-age population is regarded as unfeasible, although programmes linking social assistance with employment are emerging (Leisering and Barrientos, 2013).

## **Youth unemployment**

Like elsewhere in the global South, youth unemployment in South Africa is remarkably high. Forty-five per cent of 18–25-year-olds are currently not in education or training, nor are they employed (Statistics South Africa, 2013). The labour market is characterised by high levels of structural unemployment, but also increasing demand for skilled employees.

However, too many young people struggle to access post-secondary education and training: the poor quality of education and high school dropout rates result in only 41 per cent of young people achieving a matric qualification and 8 per cent obtaining a further education qualification (Ibid.). Figure 1 illustrates the correlation between the lack of formal education/training and youth unemployment rates in South Africa.

Consequently, once young people age out of the schooling and grants systems, they face a future that is difficult to navigate.

The term ‘pathways’ refers to the social structures and institutions facilitating passages from school to work. Heinz (2009) argues that institutions intended to facilitate transitions to employment are not adapted to the changing global labour market, nor are they suited to preparing young people for rising skills requirements of the labour market. In South Africa such institutions are also not sufficiently well integrated to intentionally link poor young people to more secure and viable pathways to employment.

## **Pathways to being a productive citizen**

In South Africa, grants for poor children, as well as access to free education and nutrition, are significant state investments intended to enable poor children to fare better in the future. In addition, youth unemployment has been recognised and addressed in various ways by the State, albeit in an ad hoc manner. For instance, the State offers low-income students the National Student Financial Aid Scheme (NSFAS), a loan system which pays for post-secondary education fees.

The National Youth Development Agency (NYDA) offers training opportunities and entrepreneurship grants. The Expanded Public Works Programme (EPWP) is a de facto cash-for-work programme that includes a quota of positions for young people and is intended to include training.

While these efforts at creating pathways to employment for young people are commendable, they also suffer from a range of challenges. For instance, given the limited training provided, it is disputed whether EPWP is a feasible pathway to ‘real’ jobs (McCord, 2012), and while NSFAS pay for university or college fees, it does not cover the application fees payable before securing the loan.

Current public strategies to enhance pathways to employment for poor young people are limited in reach, fragmented,

provide limited training and are inaccessible for the majority of young people.

In addition, safety nets in the form of social assistance or social insurance are generally not available for young South Africans.

Many would argue that social assistance should not be necessary, as young adults should be in a position to work and ought not rely on state 'hand-outs'.

However, the potential transformative role of social assistance in making and supporting productive citizens is overlooked. Young people need financial resources to effectively transition to economically productive adulthood (Beverly, 2012), to apply for college application fees, to search for jobs or to invest in starting a business.

For young people from poor and low-income households such financial resources are simply not available. Research indicates that cash transfers in the form of individual development accounts—matched savings accounts for young people—have positive benefits in terms of accessing and completing post-secondary education (Elliott and Sherraden, 2013).

### Safety nets and pathways to employment

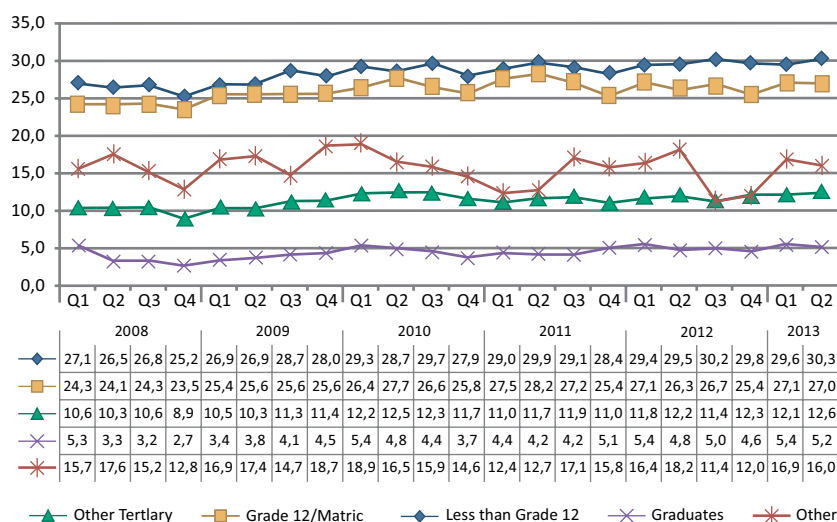
Safety nets, in the form of the grants system, may thus have an important role to play in enhancing pathways to employment for young people.

An obvious solution would be to build on the CSG system where low-income young people are already registered. In such a complementary post-CSG system young people ageing out of the CSG could be provided with information about and preferred access to existing mechanisms. In this way policies and programmes can become more integrated and accessible for eligible youth while requiring minimal additional investments.

Another more constructive, although probably less popular, option may be to expand the CSG into the early post-18 transition years on the condition that the money is invested in mechanisms that would enable young people to transition more effectively to employment (such as post-secondary education fees or investment in small businesses); or to introduce a system of individual

FIGURE 1

### Unemployment Rates by Level of Education in South Africa



Source: Statistics South Africa, 2013.

development accounts in which a portion of the CSG money is saved towards meeting a young person's future educational or employment needs. Such a system is likely to be more transformative.

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The potential transformative role of social assistance in making and supporting productive citizens is overlooked. Young people need financial resources to effectively transition to economically productive adulthood (Beverly, 2012), to apply for college application fees, to search for jobs or to invest in starting a business.

Safety nets need not be perceived purely as a last resort for vulnerable groups. In fact, social assistance programmes can complement other strategies that seek to enhance the capability of young people to become economically productive citizens. However, exploration as to how this may best be done is needed. ■

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# Job Creation Policies for South African Youth — The Role of Safety Nets

by Letlhokwa George Mpedi, Centre for International and Comparative Labour and Social Security Law, University of Johannesburg

## Introduction

The term 'youth' is generally used in South Africa to refer to persons between the ages of 15 and 34. This is broader than the United Nations definition, which defines youth as persons between 15 and 24 years of age. Young people are among the most vulnerable members of South African society, facing a variety of challenges—with high and persistent unemployment being some of the most significant. The causes of youth unemployment in South Africa are diverse; they include a general lack of job opportunities in the labour market, a shortage of appropriate and adequate skills, early exit from the labour market due to the recent recession, and a general neglect for young unemployed persons by unemployment protection schemes. With all this in mind, this contribution seeks to provide an overview of job creation policies for young people in South Africa.

## Access to social security

Section 27(1)(c) of the Constitution of the Republic of South Africa (1996) provides every person, including young persons, with the right of access to social security. Social security in this regard includes both social insurance and social assistance. The State has a constitutional obligation to ensure that this right progressively becomes a reality. However, the right of access to social security is not absolute. It depends on the availability of resources and can be limited by the terms laid out in the limitation clause of the South African Constitution. Nevertheless, young and unemployed persons are largely excluded and marginalised from the protection provided by current social security programmes. Social insurance schemes are invariably based on employment. It follows naturally that young unemployed people are not covered by the unemployment insurance scheme. This problem is compounded by the absence of an unemployment assistance programme in South Africa. It could be argued that the

social assistance programme does fulfil an unemployment assistance function in that it covers persons who are too young, old or disabled to work. Nonetheless, it does not cover unemployed individuals in need who do not fall within these categories.

## Youth not in employment, education or training

Using the official definition of unemployment, which excludes discouraged work seekers, the unemployment rate in South Africa is hovering at about 25 per cent. The brunt of the burgeoning unemployment is borne by youth. It is estimated that about 3.3 million of the 10.4 million youth between the ages of 15 and 24 were not in employment, education or training in the third quarter of 2013 (Statistics South Africa, 2013a).

## Government job creation programmes

There is a range of government job creation programmes for unemployed people, including unemployed youth. As shown in Figure 1, it is estimated that the share of persons who participated in government job creation programmes and were employed increased from 57.1 per cent in 2011 to 68.3 per cent in 2012 (Statistics South Africa, 2013b).

These programmes include the following:

- Skills development: South Africa has a labour market in which extremes exist side by side. There is huge demand for highly skilled people despite high unemployment among unskilled people. The dearth of skills is one of the key causes of unemployment, particularly among young people. This situation could be attributed to a lack of relevant experience, a lack of qualifications, inadequate training and irrelevant qualifications. In its quest to (re)skill its people, South Africa has developed a skills development framework. The Skills Development Act 97 of 1998 (SDA) has

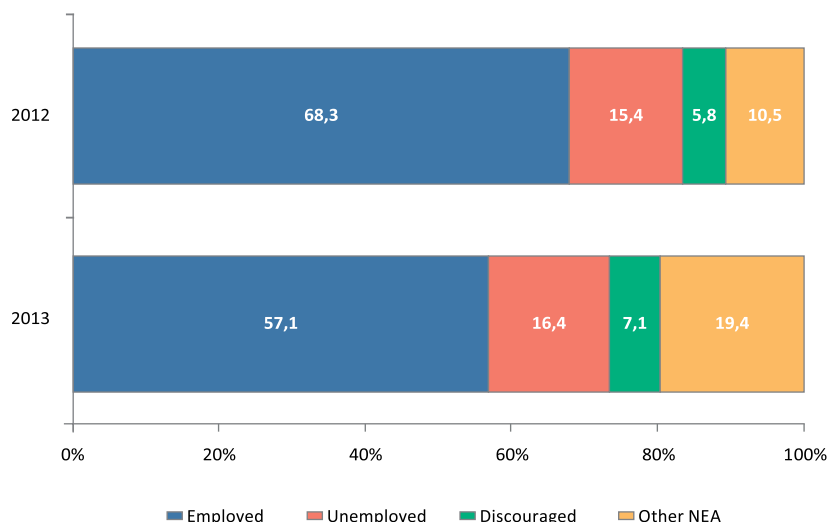
been enacted to, among others, provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to provide for learnerships that lead to recognised occupational qualifications; and to provide for the financing of skills development by means of a levy financing scheme and a National Skills Fund.

- Skills development is crucial in job creation endeavours. However, this cannot be romanticised as the ultimate solution for the South African (youth) unemployment crisis. Also, the current skills development programmes and policies are more focused on the formal sector—much to the neglect of the informal economy. It should be noted that the Employment Services Bill (ESB) of 2012 seeks to repeal all employment services provisions contained in the SDA. The ESB, once enacted into law, will mainly provide for public employment services, the establishment of schemes to promote the employment of young work-seekers and other vulnerable persons as well as schemes to assist employees in protected employment enterprises in distress to retain employment.
- Extended Public Works Programme (EPWP): One of the key aims of the EPWP is to alleviate poverty and unemployment through the intensive use of labour via infrastructure projects. The programme is reported to have created over 3 million work opportunities as of March 2013 (Mathube, 2013). The goal is to create 4.5 million work opportunities by March 2014. Available statistics show that awareness about the EPWP increased from 43.1 per cent in 2011 to 47.7 per cent in 2012 (Statistics South Africa, 2013b). The overall significance of the EPWP as a safety net and a job creator cannot be questioned.



**FIGURE 1**

**Those Who Participated in Government Job Creation Programmes by Labour Market Status**



Source: Statistics South Africa, 2013.

However, its reach and impact could be bolstered if it were to be reconfigured as an employment guarantee scheme—i.e. a scheme guaranteeing a minimum number of days of work for the jobless. Consequently, South Africa can learn from its BRICS counterpart India and follow that country's model of the National Rural Employment Guarantee Act—which is much bigger and is guaranteed for all households in India.

- **Developing entrepreneurship:** The National Youth Development Agency (NYDA) is one of the government's agencies that strive to develop entrepreneurship among young people. The services rendered in pursuit of this goal include, among others, entrepreneurship education, business development support, and provision of finance for business start-ups. The successes recorded by the NYDA during the 2012/2013 financial year under its programme area 1: Economic Participation include the following: R30 million worth of funding accessed by youth, 3335 jobs created, R37 million worth of business opportunities accessed by youth entrepreneurs, and 57 entrepreneurs accessing business

opportunities (National Youth Development Agency, 2013).

- **Employment tax incentive:** The legislative framework for the employment tax incentive scheme, which took effect in January 2014 amidst severe opposition from organised labour out of fear that it would displace unsubsidised workers, is set out in the Employment Tax Incentive Act 26 of 2013 (ETIA). By instituting the incentive, which seeks to complement existing job creation programmes, the government shows that it is concerned about high unemployment (preamble of the ETIA). In addition, it acknowledges that the cost of creating job opportunities should not be carried by the private sector alone (*Ibid*). Additionally, it is an indication of the government's endeavour to support job creation by concentrating on labour market activation, particularly with regard to young job-seekers (*Ibid*). The incentive is relatively new, thus it is premature to make any pronouncements on its impact on youth unemployment.

### Concluding remarks

South Africa has implemented a variety of programmes to address its unemployment problem. However, little progress has

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South Africa can learn from its BRICS counterpart India and follow that country's model of the National Rural Employment Guarantee Act—which is much bigger and is guaranteed for all households in India.

been made in addressing the scourge of unemployment, particularly among youth. The government appears to be aware of and concerned about the situation. Most importantly, it seems keen to address it. This is apparent from the various programmes that have been introduced over the years and the recently enacted ETIA as well as the ESB, which is still going through the legislative process. Despite all its efforts, the government should always be aware that job creation for young people is not something that it can achieve on its own. It has to strengthen the public-private partnership. In addition, the support of organised labour should be vigorously sought and not alienated. Failure to do so can only cause more harm than good.

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# Expanded Public Works Programme: Employing Youth to Build Stronger Communities

by Maikel Lieuw-Kie-Song, Independent Consultant and Researcher

**Overall unemployment** in South Africa has not fallen below 20 per cent in the last 15 years. More alarming, however, is that over the same period youth unemployment has been about twice as high. The causes of these extraordinary unemployment rates are complex. Nevertheless, it is now generally recognised that unemployment is structural, and that there is a need for a combination of both policies and instruments to both mitigate the devastating socio-economic effects of unemployment and simultaneously create long-term employment on a much larger scale.

The Expanded Public Works Programme (EPWP) is one of the measures that the South African government has put in place to mitigate the effects of these high levels of unemployment. The EPWP is important, as it allows the government to directly create employment for a targeted group of the unemployed population, in particular poor and marginalised youth as well as women. This is different from other government policies to stimulate job creation, which are generally indirect and are more difficult to target.

The most important contribution of the EPWP is simply creating much-needed work for poor unemployed youth and women. In the 2012-13 financial year it provided work to more than 960,000 people (Department of Public Works, 2013), of whom more than 560,000 (60 per cent) were youth.<sup>1</sup> This corresponds to approximately 10 per cent of all unemployed youth in South Africa. The EPWP generally provides either temporary or ongoing part-time work and provided these young people with an average of 67 days of paid employment through which they earned R2.6 billion (US\$288 million) of income, or about R4600 (US\$500) on average each.<sup>2</sup>

The EPWP consists of four sectors: infrastructure, social, environmental and non-state. The first three sectors are implemented by national, provincial or

local governments and focus on projects and programmes that are labour-intensive and address government priorities in these sectors. The non-state sector consists of the Community Works Programme (CWP) and the Non-Profit Organisations (NPO) Programme. These are implemented via partnerships with communities or non-government organisations (NGOs) and focus on priorities as identified by them, rather than top-down priorities set by the government. The NPO Programme provides funding to NGOs to cover the wage-associated costs of creating employment at the EPWP minimum wage rate. The CWP, which focuses on impoverished communities, in essence employs community members on an ongoing but part-time basis to work on priorities identified by the community itself. The different sectors of the EPWP attract young people in different ways, and it is interesting that those with the strongest focus on social and community services have the highest youth participation rates.

While this is significant, there is a need to reach more young people, and this will be an important focus of the EPWP as it enters its third five-year phase in 2014. While fiscal constraints are limiting the scope to grow the overall EPWP, it is introducing various measures to increase the number of participating youth. The first is to prioritise available funding for the expansion of two programmes of the non-state sector, which employ more young people and do so most cost-effectively. More than 70 per cent of those employed by these two sub-programmes were South African youth. A second measure will be to increase the targeting of young people overall, by setting a target requirement that 80 per cent of all new entrants into the EPWP are between 15 and 35 years old.

The second impact of the EPWP on youth employment, albeit on a much more limited scale, is its provision of work experience and training to young people,

which enhances the labour force. In this area, the programme's impact varies considerably across the various sectors and sub-programmes of the EPWP. The work in each of these sectors varies, as does the training and, therefore, the potential for young people to use this training and work experience to re-enter and sustain their positions in the labour market.

Each sector has identified certain opportunities for this 'graduation' into other forms of employment. For example, in the social sector, home-based care work can lead to opportunities in the health care sector; in the environmental sector, fire prevention programmes such as 'Working on Fire' can lead to employment as firefighters with local governments; and in infrastructure, construction-related work experience and training can lead to work in the trades such as bricklaying and plumbing. In some sectors there are also opportunities for young people to be employed within the EPWP in skilled work, such as construction site supervisors, contractors, data capturers or to help conduct surveys. However, as is the case with graduation from social protection interventions internationally, the scale of these interventions is much less than the number of beneficiaries who actually participate in the EPWP. For example, 1500 people have gone through a two-three-year construction contractor learnership<sup>3</sup> programme as part of the EPWP, while 6000 young people are trained annually in construction-related trades.

Despite the low overall labour demand for low- and semi-skilled labour, there is potential to increase the scope of these interventions and maximise the impact of the EPWP on the future employment prospects of participants. This remains a key challenge for the EPWP, mostly because the skills and expertise required to effectively implement the right combination of active labour market interventions are not located within its project management machinery.

For officials working on the EPWP, the main focus remains on the implementation of projects; the related creation of jobs and the capacity and resources to provide the right combination of services such as vocational training, entrepreneurship support, job placements, career counselling and access to other government opportunities such as bursaries and learnerships remains limited.

Instead of building such capacity within the EPWP, it may make more sense, however, to establish or work more closely with complementary programmes with the expertise to provide such employment services and which can specifically target young people working in the EPWP. The EPWP would then mainly act as an instrument to identify young people who would be able to benefit from these services, without taking on the responsibility of having to provide these types of employment services itself.

But perhaps the most important long-term impacts of the EPWP are its developmental ones, in particular those on communities and local economies. This is critical because, if unemployment is to be significantly reduced, the economy cannot continue to rely only on faster economic growth. The employment scenarios in the National Development Plan show that even if a higher growth rate of 5 per cent were sustained until 2030, the unemployment rate would still be as high as 16.5 per cent without the EPWP in place. Therefore there is a necessity to strengthen communitarian and informal safety nets to work along those provided by the government in order to provide a socio-economic buffer against the hazards of unemployment. These scenarios, therefore, envision a much larger EPWP than is currently in place (National Planning Commission of South Africa, 2011).

So, in addition to higher growth, South Africa needs a more inclusive and labour-absorptive growth path. More vibrant local economies can play an important part in this. The EPWP aims to contribute to this in various ways. For example, the aim of the infrastructure sector is to make the provision of state-funded infrastructure more labour-intensive and produce a systemic impact on the construction sector as a whole. The CWP deliberately provides ongoing employment within the same marginalised communities to increase local

demand on a sustained basis as well as to build the capabilities of these communities.

In the end it is the combination of the different impacts of the EPWP that have the potential to transform communities and their local economies. It is the combination of providing income, empowering communities to address their own priorities, improving the local environment and infrastructure, providing social services and supporting NGOs that gives the EPWP the potential to make local economies more vibrant and create conditions for job creation, whether by supporting young entrepreneurs, community-based organisations, NGOs or the private sector.

While there are indications that the EPWP is creating a series of impacts through such synergy (Vawda et al., 2013), the challenge identified for the third phase of the EPWP is to realise this potential on a national scale. This will require a better understanding of how such impacts take place, how the various EPWP sub-programmes can maximise their contributions, how to involve key stakeholders such as young people, and how to improve the coordination and cooperation between the various EPWP programmes and government departments. Yet at the same time it requires that the EPWP does not lose focus of its core objective of continuing to provide employment and income to as many poor unemployed young people as possible.

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The employment scenarios in the National Development Plan show that even if a higher growth rate of 5 per cent were sustained until 2030, the unemployment rate would still be as high as 16.5 per cent without the EPWP in place.

Therefore there is a necessity to strengthen communitarian and informal safety nets to work along those provided by the government in order to provide a socio-economic buffer against the hazards of unemployment.

1. In South Africa youth are defined as those between 15 and 35 years. The EPWP, however, does not offer employment to those below 18 years of age.

2. By comparison, those with earnings in the bottom 10 per cent in South Africa had an annual income of R10,140.00.

3. Learnerships are structured programmes that combine classroom training and work experience leading to accredited qualifications.

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Promoting jobs to protect today's youth is vital for the five BRICS countries to live up to the best projections made for their economies and societies up to the middle of the 21<sup>st</sup> century. To be or not to be the BRICS of inclusive wealth generation and growth is not a question but, rather, a challenge that will only be overcome if public policies effectively succeed in reflecting the particularities of youth within policy development across the BRICS countries.

**Rafael Osório and Pedro Lara de Arruda**

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Its wide-scale social-sector investments, including various social protections, in the pre-reform decades created a robust and highly educated young workforce, which would later be needed in the post-reform decades of reform and development, thereby contributing crucially to China's record growth.

**Minquan Liu**

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The employment scenarios in the National Development Plan show that even if a higher growth rate of 5 per cent were sustained until 2030, the [South African] unemployment rate would still be as high as 16,5 per cent without the EPWP in place. Therefore there is a necessity to strengthen communitarian and informal safety nets to work along those provided by the government in order to provide a socio-economic buffer against the hazards of unemployment.

**Maikel Lieuw-Kie-Song**