

Finding ways to tackle youth unemployment in South Africa

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Highlights

Evidence impact

- Findings informed the government's discussions around what would work best in designing and implementing an employment tax incentive scheme.
- The evaluation methodology informed the design of a follow-up assessment of the government's tax incentive scheme.

Factors that contributed to impact

- The researchers fully embraced the political urgency and sensitivity surrounding the challenging and contentious issue of youth unemployment by carrying out rigorous and context-aware research in partnership with the government.
- The researchers developed a clear engagement and communication plan and ensured transparent communication with both supporting and opposing stakeholders at each stage of the evaluation.

Impact evaluation details

Title: [A youth wage subsidy experiment for South Africa](#)

Authors: James Levinsohn, Neil Rankin, Gareth Roberts and Volker Schöer

Status : Completed May 2013



Context

Unemployment, and youth unemployment in particular, is one of the most pressing socio-economic issues globally. In South Africa, it has assumed crisis proportions, as youth find it **extremely difficult** to find jobs and account for 63.5 per cent of the unemployed. In 2010, the Ministry of Economic Development announced the New Growth Plan, which aimed to create 5 million new jobs by 2020. The plan proposed to create many of these jobs through investment in infrastructure and other government-led initiatives. The former president, Jacob Zuma, endorsed the plan in 2011 and indicated that job creation would be at the top of his Cabinet's agenda. These developments indicated that reducing unemployment was an urgent priority for the South African government.

The youth wage subsidy experiment aimed to provide evidence to inform policy discussions around active labour market policies and the potential role of a wage subsidy in alleviating youth unemployment.

It was a collaborative effort involving the National Treasury, the Department of Labour and the African Microeconomic Research Unit at the University of the Witwatersrand.

In 2010, 3ie supported an impact evaluation of the wage subsidy experiment to assess whether reducing the initial cost of hiring and training unemployed youth by giving them a voucher (to be redeemed by employers) would improve employment and longer-term employability.

The evaluation ensured legitimacy by involving stakeholders and trade union actors who opposed the policy and therefore did not agree with the experiment. Although the National Treasury supported the youth wage subsidy and funded the evaluation, the research team operated independently. The evaluation team was transparent at each stage of the evaluation, communicating the objectives of the evaluation and the transparency of the research to all concerned stakeholders. The team also adapted the evaluation questions in response to criticism and the concern that the subsidies for younger workers would displace older workers.

Evidence

Findings showed that one year into the experiment, young people with the voucher were 7 percentage points more likely to be in wage employment than those without the voucher. This impact persisted even after the vouchers lapsed. Despite low voucher uptake by youth and low redemption rates by employers, most of the young people who entered wage employment as a result of the voucher programme were able to remain in employment.

The evaluation highlighted the potential positive effects of policies that got young people into jobs earlier. Employers appeared to prefer an approach that did not require them to redeem vouchers.

Evidence impacts

Informed choice of tax incentives over employer vouchers

The evaluation informed the design of the government's 2013–2014 employment tax incentive scheme, discussions for which had started in 2011. Results from this evaluation were featured in the National Treasury's 2013 Budget Review and in the press, and were discussed in Parliament. The evaluation recommended targeting employers, rather than youth, and incentivising through tax relief, rather than through a voucher system. Another key recommendation that was ultimately not accepted was that the tax incentive should target smaller firms.

Supported the evaluation of government's scheme

The 3ie-supported evaluation methodology informed [a follow-up assessment](#) of the employment tax incentive scheme. This assessment looked at the impact of the tax incentive at the firm level, at youth employment rates and at the cost-effectiveness of the policy.

Suggested citation

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