

# Youth Employment Service (YES)

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Youth Employment Service

## Why YES?

Inequality and youth unemployment remain burning issues for South Africa (SA) despite a variety of economic investments over the past 25 years in areas such as skills development, Broad-based Black Economic Empowerment (B-BBEE) projects, public infrastructure spending and small business support. The lack of coordination and integration between many well-intended public sector and private sector interventions has undermined the chances of success. In the private sector, well designed and impactful B-BBEE interventions are siloed and rarely scale, whilst other B-BBEE spend is executed as an administrative requirement with limited impact tracking of this considerable spend.

The result is that youth are getting left further behind with few bridging mechanisms to create paths from failed schooling into economic participation.

Youth face significant challenges in accessing work opportunities. On average, a high school graduate's first job can be expected at age 30, and 40% of 15 to 24-year-olds are raised in homes with no employed adult (The Economist, 2019). A sobering 56% of youth entering the labour force each year do so without a matric certificate. Tragically, unemployment has become the norm in many parts of our country, with the nature and extent of the youth unemployment problem taking on the proportions of a national crisis.

Given the size of this problem, it was clear that this required a scaled, national initiative which brought together the stakeholder groups of government, labour and business. This realisation found form in the Chief Executive Officer (CEO) Initiative in 2017 which, in turn, led to the formation of the Youth Employment Service (YES) and four other special purpose vehicles created to address pressing economic issues.

Born from the CEO Initiative, YES was established as a business-led non-profit organisation (NPO) and was officially launched by President Cyril Ramaphosa in March 2018. Legislative amendments to the Codes of Good Practice were negotiated before the YES NPO could become functional, and this was done

through the course of 2018. By December 2018, YES registered its first companies and could begin to fulfil its intended purpose to support and drive the employability of unemployed black youth via a demand-side initiative that was made possible through innovative policy amendments to the B-BBEE codes.

The YES team worked with government and, in particular, the Department of Trade and Industry (dti), on an amendment to the Codes of Good Practice. The Government Gazette on YES was published in August 2018, followed by a Practice Note in late October 2018. This gave legal standing to YES registration. This legislation took the YES team just under two years to finalise and rewards companies who invest in youth work experiences with one or two levels up on the B-BBEE scorecard. To date, 660 companies have paid their registration and have committed to youth jobs, and, of these, approximately 150 companies have already received YES B-BBEE levels.

The policy amendment and the granting of the registration platform role to the YES NPO allow YES to drive an undiluted focus on creating 12-month work experiences for black youth. A single platform strategy prevents for-profit motives from confusing market players and avoids a loss of focus on delivering a standardised and monitored "quality work experience" for youth. It also aims to prevent this initiative from becoming another B-BBEE box-ticking exercise for the lowest cost product resulting in poor outcomes for youth. On the government side, housing YES in an NPO outside of government structures avoids the bureaucracy, lack of speed and innovation, which could also scupper the aims and scale of the initiative.

## Digital training and monitoring and evaluation of placed youth

YES digitally delivers year-long market relevant work readiness and essential skills training through digital infrastructure and zero-rated apps. The behaviour-based content is delivered via two mobile applications

loaded onto smartphones and delivered to youth who are placed in newly created 12-month work experiences in businesses.

The placed youths' progress is monitored through big data analytics using data from digital surveys, which youth complete over the year-long work experience. This helps create a portfolio of evidence, which is integrated into a curriculum vitae (CV) and reference letter. This assists locked out youth in becoming digitally literate and enables them to forge digital pathways into the economy.

## Socio-emotional skills building and work experience learning by doing

The learning methodology that sits behind the digital learning programme is made up of multiple dimensions, many of which sit in the behavioural and psychological literature. There is a strong argument that poverty reduction programmes that are based on behavioural insights, in fact, are more effective than traditional economic models (Anand and Lea, 2011). Hence, the desire to not only offer youth a work experience, but also training inputs which shift their behaviours by offering a mentor, role model and teacher, in a pocket. The YES digital work readiness programme provides content that focuses on addressing gaps in key socio-emotional skills and practical work readiness skills. YES has followed several educational trends towards a type of learning model that includes micro learning in bite-sized pieces via social e-learning and mobile learning (Penfold, 2016).

Content developed by YES is not traditional, text-based content. Instead, learnings are delivered through short, sharp key messages that are embedded in stories, which take the form of videos, animations and voice overs, providing an experience of graphic-rich, visual and context relevant education to the end-user. These are based on learning methodologies that have been proven to shift behaviours.

Recent experimental psychology studies from the United States (US), and by the Mind, Behaviour, and Development Unit (eMBeD) in Peru, Indonesia and SA, have shown that small, context-sensitive psychosocial stimulations aimed at influencing a youth's mindset can have large effects on educational and labour market outcomes among vulnerable groups in particular (Garcia-Cohen, 2011; Yeager-Walton, 2011; Vakis, et. al, 2017).

## YES impact to date

The impact of YES has been dramatic. In 14 months since December 2018, YES, together with 660 private sector partners, has been able to create over 34 000 one-year work experiences for youth with current absorption rates sitting at 43%. The cumulative salaries of these youth total over R1.4 billion, which goes directly into youth wallets. Over 61% of YES placements are female, 75% have dependents and 85% are from grant households.

In addition to YES salaries, YES has partnered with R-Labs on a rewards programme called Zlto (pronounced Zlato). YES Youth, who complete and publish their certificates on the digital work readiness course, and who participate in community volunteer programmes, such as clean-ups and recycling, collect Zlto points. YES has disbursed R8 million to YES Youth in rewards to drive engagement rates and supplement incomes.

Second year registrations for the programme are strong with **103** companies already in the system for year two of YES, out of a total of 969 registered firms. Over 115 firms have already received their year one YES B-BBEE levels up on the scorecard.

Although there have been some discussions on the one-year work experience, as opposed to a permanent job, YES has a macroeconomic goal of driving as many young people as possible into opportunities to prove their capabilities, build confidence, break employment droughts and enable a foothold into economic participation. The numbers cited above would not have been possible had employers been asked to provide permanent employment at the outset.

YES Youth are led via their smartphones, which are given to them at the time of placement, and through training apps loaded on the phones, to build CVs, create online profiles, publish their certificates to LinkedIn and to leave with a credible CV and reference letter, especially if they are not absorbed. This exit strategy is supported by several studies.

In a cross-country European Union (EU) study looking at an employers' perspectives on employability, a key finding was that work experience mattered in getting a job interview (Humburg, van der Velden and Verhagen, 2013). The analysis showed the importance of work experience and further reinforced that relevant work experience could compensate for having lower grades or a field of study which did not fit the job closely. In this vein, Abel, Burger and Piraino (2017) found

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that including a reference letter with an application increases employer call-backs by 60%. Women in particular benefit from this approach. A reference letter for women increases employer response rates by 89%, and in job seeking, employment rates for women who have reference letters doubles.

Twelve focus groups with placed YES Youth have been held across the country, and feedback has shown that youth value and understand the importance that some experience and a reference letter will have in their future job search.

YES stimulates demand-side job creation through company investment and by leveraging government's existing recognitions, such as the Employment Tax Incentive (ETI) and the YES specific B-BBEE initiative for broad-based transformation. This part of the business is described as **YES Central**.

In summary, YES opens new jobs by lobbying business and places unemployed youth into these opportunities with a suite of digital tools to raise their post-YES employability. YES placed youth have spent over **five million** learning minutes on the work readiness training app and are learning how to transact digitally; upskill through digitally delivered curriculum; build a digital presence in the jobs market; communicate via a range of digital channels, including YES chat platforms; and are receiving relevant grapple hooks into participating in a Fourth Industrial Revolution (4IR) future.

A second strategic avenue is the development of YES Hubs, either as greenfield ventures or piggybacked with partners. Given the risks identified in the YES Central model, where companies may become fatigued in paying for large numbers of youth each year, and given the limitations around the B-BBEE benefit, the YES Hub strategy creates alternate channels to continue to add youth job numbers towards our ambitious targets.

Specifically, YES Community Hubs aim to encourage new cohorts of Small, Medium and Micro Enterprises (SMMEs) through innovative value chain initiatives, inclusive growth models, linkages of formal and informal economies and knowledge spillover through training and technology transfer. This is done in collaboration with industry champions and by building SME support services via YES Hubs in communities where the unemployed live. In this way, the YES Hub is a hybrid model which works on the demand side and supply side, by bringing resources from the first economy through infrastructure, technology, and

training investment into the heart of low-income communities in an endeavour to drive small business growth, capacity for existing small business and new jobs for youth.

Further positive labour effects are being recorded as the number of companies participating in the YES initiative share their experiences. Employers are benefitting by using the large numbers of youth taken in with fixed-term contracts as a recruitment pipeline and filter. The fixed-term 12-month contract allows employers to test large cohorts and then to absorb those with strong potential. The selected youth are offered permanent employment and companies feel more at ease when investment is made in more expensive and specialised training. Employers have cited high risks and costs incurred when employing youth who have not been tested on the job, and are subsequently found to be a poor fit. Thus, the YES year is providing a de-risking role to some businesses.

## Challenges

Generally, we see alignment between economic policy at the national, provincial and local government levels. However, often coordination in the implementation of that policy is lacking and this is felt by organisations such as YES as it navigates relationships at multiple levels.

As a case in point, youth unemployment is a national priority, and the Employment Tax Incentive (ETI) was designed by National Treasury specifically to address this. However, the SA Revenue Service (SARS) application of the ETI means that the ETI is only claimable in a select set of scenarios. Smaller businesses with insufficient pay-as-you-earn (PAYE) values would have to wait months to claim ETI cash back from the SARS system, whilst "wealthier" bigger businesses have a smooth ETI claims process with simple monthly deductions made off their large PAYE values.

Yet, lower skilled youth are far more likely to be employed at small businesses which also have a larger national footprint with jobs closer to where youth live. Findings reported in the Small Business Growth Index show that those with less than a matric are 19 percentage points more likely to be in small firms, compared to those with matric or higher. Moreover, on average, firms employing between 40 and 50 people have a staff complement of 17% comprising young people under the age of 30 (SBP Alert, Bulletin 3, 2015). Thus, small businesses can act as key drivers for youth employment and should be supported

in their costs to hire youth. To really encourage employment of the large numbers of lower skilled youth, the ETI benefit should be working hardest at SMME level given this data, and yet here it is most difficult to claim.

Promoting the capacity of SMMEs, which are SA's largest employers (yet still lagging substantially when benchmarked against other lower unemployment economies), with youth labour, particularly in marginalised, underprivileged and underinvested areas of the economy, should be top of the agenda. Yet, the YES Practice Note guideline requires a qualifying small enterprise (QSE) (entity with between R10 million and R50 million turnover) scorecard verification, when all other exempt micro enterprise (EME) verification is done by affidavit. This makes it incredibly challenging and expensive for EMEs (under R10 million annual turnover) to participate in YES.

Similarly, while B-BBEE policy has at least succeeded in stimulating corporate investment in skills development and enterprise development, there is surprisingly little coordination between the private-sector and public-sector programmes in this space, especially with regards to enterprise development. YES works across these stakeholder groups seeking to coordinate through partnership.

There are many companies who are keen to participate in YES but are precluded from the B-BBEE benefits as they are early in their transformation journey and thus do not qualify. To participate for the incentive, a firm must achieve sub-minimums on their priority elements on the scorecard. You need to be doing B-BBEE well before you can participate in YES. However, by removing sub-minimum requirements, thousands more firms would be eligible to join YES and could start their compliance and transformation journey by offering work opportunities to unemployed black youth. YES could effectively become the gateway into deeper transformation.

The slow pace of policy refinements and integration of feedback needs to be improved. Intelligence gathered from market case studies where the policy is applied needs to be monitored and processed efficiently. Slow response times hamper much-needed policy refinements and improvements resulting in private sector investors losing interest and trust in the programme, thus jeopardising the intended effects and slowing the speed of results.

The coordination of various ministries around policy, better communication and feedback, and a shared sense of responsibility on the outcomes, would also enable policy to work better. The YES programme is evidence that small policy change can have a large impact and that it need not depend on fiscal spend.

There is also much territorialism around existing projects run by various arms of government and the private sector. New programmes introduced into the market experience the same reaction as new ideas in a company - they are set upon by what are known as "organisational antibodies", where the newest idea and entrant are stigmatised and attacked because "that's not the way things are done around here" mentality prevails.

The views of incumbents and powerful networks or cliques supported by many years of state or other funding, may have the effect of crowding out smaller and newer ideas. This phenomenon is well laid out in the innovation and business model literature by Clayton Christensen and in the literature of change management. Longstanding relationships, shared and sometimes vested interests, an established way of working between partners across business, labour and government, can result in complacency and monopoly effects as the consequences of disrupting the status quo is difficult for a smaller new entity to withstand. As in a corporate greenhouse created to nurture innovations, new programmes at country level, if they are to have a chance at success, must be incubated and protected as they build their processes and evidence of impact.

Low economic growth and low confidence in government hamper YES's ability to drive investments from business. When events out of SA's control, like COVID-19, impact sectors like tourism, there is no buffer in local economic growth and this has amplified depressing effects on innovations in job creation.

Newer entities and new policy need to be given some runway to iterate and improve. Data on how the application of the policy is working needs to be gathered over at least a full roll-out period for enhancements to be made and before full-scale results can be expected. Setting unachievable and politically motivated targets have a demotivating effect, setting an entity or a policy up for failure.

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