

Youth Employment Service proposal for Jobs Summit Colloquium

1 Problem statement

The lack of relevant skills in the labour market and the mismatch between available levels of youth competencies and market demand, is a major constraint to the employability of South African youth. Current programmes have not addressed this market asymmetry in a scalable fashion, with unemployment numbers continuing to rise.

The Youth Employment Service (YES) is a collaborative partnership between the private sector, government, labour and civil society that was launched by President Cyril Ramaphosa on 27 March 2018. President Ramaphosa has set YES the target of empowering one million unemployed black youth (aged 18-35) by placing them into their first quality paid work opportunities.

The structural realities that YES seeks to address: The legacies of apartheid planning, the failing education system, industrial concentration (with 88% of South Africa's GDP concentrated in and around Jo'burg) and low and jobless growth – all of which have resulted in a massive over-supply.

YES focusses on addressing the 'demand side' for employment by starting initially with corporate host-placements – through which we hope to realise 100,000 work placements annually. Simultaneously, YES is focussing on the demand generation component by working with SMEs and micro-enterprises – linking them up to the 100 Community Hubs that we are rolling out and using these hubs to incubate and scale these SMMEs so that they are capable of increased labour absorption.

2 Jobs impact

YES is a nationwide initiative working in partnership with communities and combining the resources and convening power of Government, Labour and Business. We have been mandated by Government to work across all nine provinces and in each of South Africa's 52 districts to create **1 million jobs** in three years (!).

- o Y.E.S. is a partnership between business and government. As this is a business-led initiative companies are being asked to pay the salaries of Y.E.S. youth placements. At minimum wage alone, the annual cost to business of employing 333,333 youth will be approximately R16.5 billion per year.
 - i. In South Africa, the average wage earner supports 2.65 people. Almost 30% of wage earners in poor households support at least four others (i.e. five in total). Y.E.S. modelling data has indicated that the salaries paid to these 333,333 youth are likely to have far reaching impact

within communities plagued by high levels of unemployment. Furthermore, the SMME placement strategy is poised to have a significant positive impact on the growth prospects of small enterprises that are held back from growth by limited capacity. New youth placements within communities will breathe new life into these businesses and make growth and expansion possible.

- Through the Employment Tax Incentive (ETI) government will reimburse participating companies R12,000 per qualifying employee (up to 25% of salaries) for salary costs (amounting to R4 billion per year). Government will also provide 1-level up recognition on the B-BBEE scorecard for employers who meet their required participation levels. Government is also working to assist Y.E.S. to enable youth and SMME participants to access training using Skills Development funds and SETA allocations. Government will also make UIF available to youth participants who complete their placement terms as they will have paid into UIF during the course of their placement.
- Y.E.S. operational costs are funded through the Company registration fees and Quality work experience monitoring and management fees (the relevant fee structures are detailed in question 6 above).
- Business has also committed to corporate sponsorship and the use of their Enterprise Development (ED) funding to finance the cost of building 100 Community Hubs in townships and rural areas across the country. The total cost of building 100 Hubs nationally equates to over half a billion rand (R550 million).

3 Theory of change

The theory of change, presented in Figure 1 below, outlines the logic of the YES intervention and shows how the 'inputs' of YES lead to the 'activities', the intended 'outputs', the intended 'outcomes', and the intended 'impacts'.

The theory of change shows the programme logic in the context of:

- The supply-side (related to the young participants themselves) and demand-side interventions (related to government [National, Provincial, Municipal as well as SOC's], businesses and SMMEs).
- The underlying requirements needed for YES. These are technology, infrastructure, partnerships and support, and funding. These requirements provide an enabling environment for YES to meet its objectives.

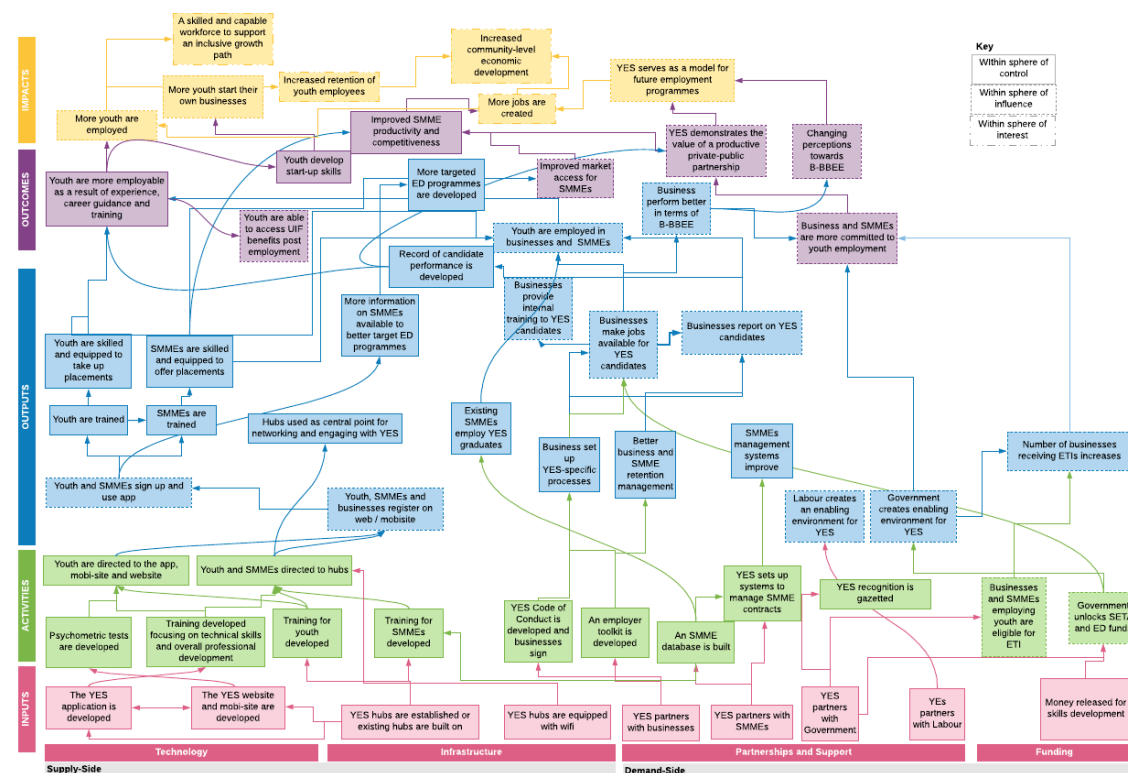
The YES theory of change also highlights the different levels of influence that the YES team has in the theory of change by indicating:

- Where a result is in YES' direct sphere of control;

- Where the result is in YES' sphere of influence: typically, where the result is dependent on one or two partners to be realised;
- Where the result is in YES' sphere of interest: where the result is dependent on several exogenous and systemic factors and is not in YES' sphere of control.

Typically, spheres of control relate to the activity and output levels, while spheres of influence are at the outcome level, and spheres of interest are at the impact level.

It is important to note that for the logic of the theory of change to be realised, there are a few key dependencies: YES is supported by government, across National, Provincial and Municipal levels as well as through SOCs; businesses and SMMEs participate in YES; businesses and SMMEs align to YES delivery agreements; and funding for YES is made available through SETAs and other enterprise development funds.



4 Existing initiatives/experience

Indicate if the proposal has been attempted or piloted, and broadly what was learned.

YES was launched in March 2018 but we are at the mercy of the DTI, awaiting the promulgation of the Gazette before companies are able to sign up and the work can truly begin.

That said, YES launched the first of the 100 YES Community Hub on 28 June 2018.

5 Constituency participation in implementation

The Youth Employment Service (YES) is a collaborative partnership between the private sector, government, labour and civil society. The ambitious targets of creating 1million jobs

will only be achieved if Business work in collaboration with Government, Labour and Community.

YES has been working at breakneck pace to meet the Presidential mandate, however we were launched unexpectedly 7 months ahead of schedule. We are scaling our organisation to match the demand and as such we have not been operating at the scale required of us to conduct the thorough consultations that we would have preferred. Nevertheless, YES was presented at NEDLAC by Minister Rob Davies and has since been engaging with the respective NEDLAC constituencies and looks forward to continuing to do so.

More than this, YES is a platform organisation and is seeking best of breed organisations to operate in partnership with YES as implementation partners.

What social/economic groups would benefit from the proposal directly and indirectly? Please use the following table, and do not list more than 5 groups. Please describe the benefits as precisely as possible.

Group	Job creation	Other benefits	Time frame for success
Black youth (18-35)	1 million jobs	Youth will be equipped with the soft skills required to integrate into new workplaces and upon exit will be provided with a reference letter and well-designed C.V. Combined, these help to 'de-risk' the youth after the one-year placement and make them three times more likely to be offered gainful employment. Township peri-urban and rural communities in which these youth will work and live will receive the benefits of a monthly income >R3,500 invested into these communities. At minimum wage alone, the annual cost to business of employing 333,333 youth will be approximately R16.5 billion per year.	3 years!

Group	Job creation	Other benefits	Time frame for success
		All Y.E.S. youth will participate in a digital work-readiness programme	
100 Communities	100 hubs built and surrounding SMMEs integrated and scaled	The total cost of building 100 Hubs nationally equates to over half a billion rand (R550 million).	
		The average South African wage earner supports 2.65 people. Almost 30% of wage earners in poor households support at least four others (i.e. five in total). Y.E.S. modelling data has indicated that the salaries paid to these 333,333 youth are likely to have far reaching impact within communities plagued by high levels of unemployment.	
Countless SMMEs		Furthermore, the SMME placement strategy is poised to have a significant positive impact on the growth prospects of small enterprises that are held back from growth by limited capacity. New youth placements within communities will breathe new life into these businesses and make growth and expansion possible.	

6 Cost and potential sources of funding

What social/economic groups would bear the cost of implementing the proposal directly or indirectly? Please use the following table, and do not list more than 5 groups. Please

describe the costs as precisely as possible. In the case of financial costs, who would pay them?

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact
Corporate South Africa (>R10million turnover	R16,5 billion annually	Businesses with an annual turnover greater than R10million	Annual targets, implemented over 3 years
Corporate South Africa	R550,000,000 for construction of the 100 hubs	Business, using Enterprise Development (ED) Funding	Over 3 years
Government	Through the Employment Tax Incentive (ETI) government will reimburse participating companies R12,000 per qualifying employee (up to 25% of salaries) for salary costs (amounting to R4 billion per year).	Employment Tax Incentive (ETI)	Annual targets, implemented over 3 years
Government	Government will also provide 1-level up recognition on the B-BBEE scorecard for employers who meet their required participation levels.	No funding required	Annual targets, implemented over 3 years

7 Risks

What are the main risks that would prevent the proposal from achieving the anticipated outcomes? Describe *at least* two.

1. The DTI Gazetting process. Should the Gazette not be promulgated or promulgated in a form substantially different from, the current draft legislation then business might not participate in the programme.
2. Opposition to Government using B-BBEE incentives to fund job creation from, among others, the Black Business council leading to the programme not starting
3. YES not working in collaboration with the existing partners in the landscape would lead to the programme not achieving the scale required to meet its ambitious target

8 Risk mitigation

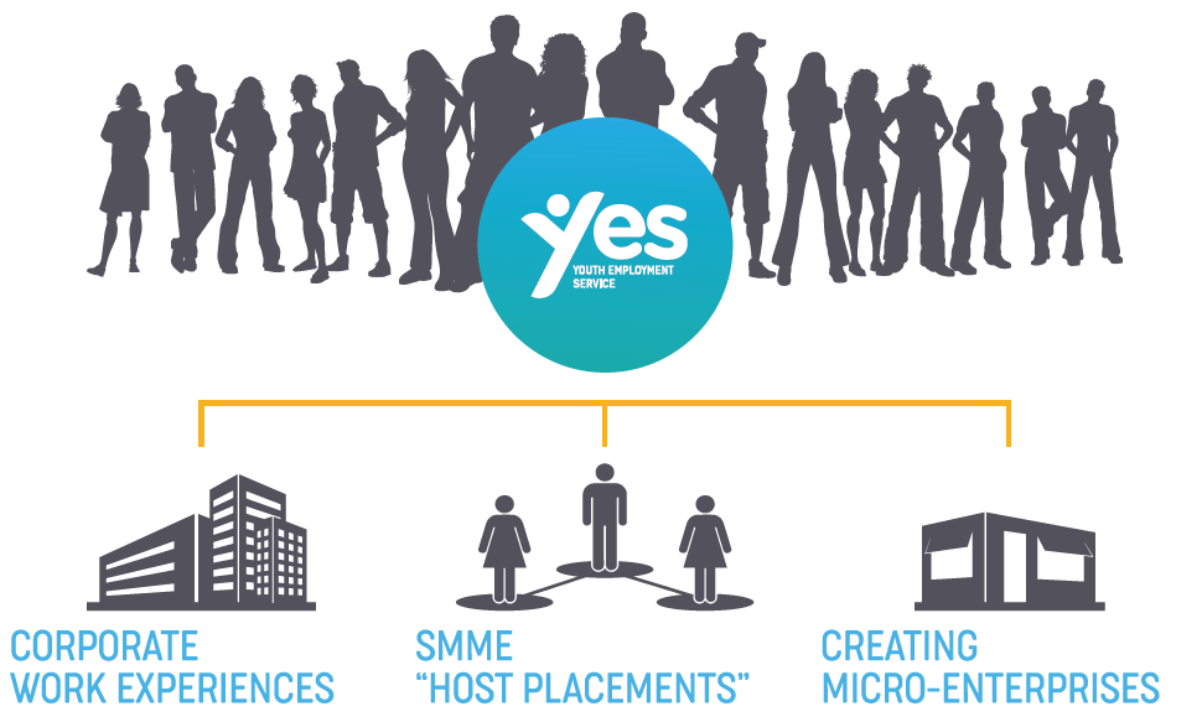
What should be done to mitigate the identified risks? Which stakeholder would be responsible for the risk mitigation activity?

1. YES will continue to work in partnership with the DTI to engage stakeholders who have submitted comments to the draft.
2. As above
3. YES is in the process of engaging stakeholders to build the relationships required to create the partnerships necessary to meet these ambitious targets.

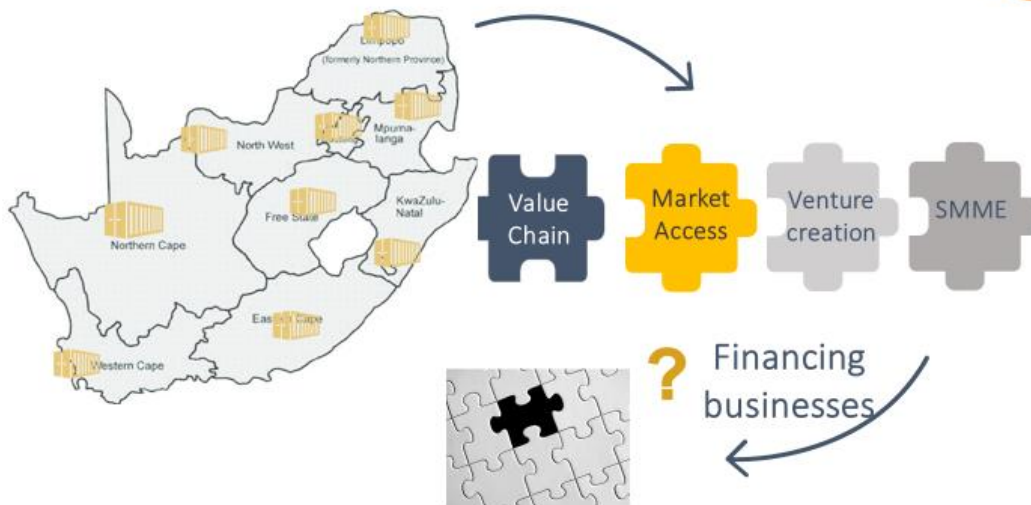
9 Additional comments

YES has three delivery channels:

1 Million Youth Placed into Work



HUB possibilities



What YES brings to the market



Shared common objective on youth