

What Employers Want: Getting Young People Working.



Given the recent release of the Quarterly Labour Force Survey (QLFS) Q4: 2020 numbers, which show youth unemployment (aged 15-24) has reached fallout levels of 63,2%, designing interventions to promote employment are more important than ever. YES, together with a team of researchers, surveyed a large sample of employers to understand what could be done to reverse this crisis.

Employers predict a bleak job market for youth, with the pandemic exacerbating an existing youth jobs crisis. Findings from this recently conducted employer survey of hiring managers from multiple sectors show that creative, well designed youth employment programmes, driven by market needs, offer some hope for relieving the youth employment crisis.

429 managers were surveyed between September and November 2020.

- Workers already unemployed are the least likely to gain employment.
- Hiring managers in the sample indicated that workers without related work experience and tertiary qualifications were their least preferred candidates.
- Encouragingly, hiring managers indicated that they value work experience style programmes beyond the labour flexibility they offer.
- Work programmes that provide related work experience or develop good interview skills may mitigate the need for candidates' prior experience, increasing candidates' employability.
- Managers predicted that employment would not improve in the foreseeable future, regardless of their previous losses.
- Beyond demonstrable skills, hiring managers also clearly value intangible skills and workers' attitudes.
- Hiring managers indicated that finding candidates with the "right attitude" is significantly harder than finding candidates with the "right skills".

Almost two-thirds of South Africa's youth were either unemployed or not economically active before the COVID-19 pandemic engulfed the country. Even then, many termed youth unemployment a national crisis. Of the 20.5 million young people aged 15–34 years, 43% were not in employment, education or training (NEET) in any form, 1.9 million of whom have become entirely discouraged from seeking work at all.¹

For many of these youth, unemployment is experienced as a trap – where an initial spell of joblessness creates negative signals to employers. This scarring effect means that the longer a youth remains unemployed, the less attractive they appear to employers, leading to the oft repeated refrain: "I can't get a job without experience and I can't get experience without a job".

This leads to the depreciation of human capital built up through schooling, making it even more difficult to find work in the future. This survey suggests that well designed youth employment programmes may be able to break this cycle.

Special thanks to all at the Youth Employment Service, and to our valued distributional partners - Business Unity South Africa, Odyssey, ORT SA and SelectOne for their invaluable assistance in sharing the COVID-19 Employment Survey. This work is part of the Boosting Africa's Youth initiative, funded by Canada's International Development Research Centre. This research is also partially funded by the J-PAL Post-Primary Education Initiative.

The further threat of COVID-19

Typically, youth unemployment is understood as the result of one, or a combination of, the following interrelated factors:²

1. Low supply of adequately skilled job candidates, where there is a shortage of the skills required to perform the jobs that are available;
2. Not enough jobs for the working population due to a variety of reasons, thus resulting in insufficient demand for workers by firms, and;
3. Friction in the labour market, making it difficult for firms and well-suited workers to efficiently find one another, where screening suitable candidates or finding suitable work can be an onerous task for firms and workers.

Under a COVID-19 economy, it is likely that at least one, if not all three of these factors will be exacerbated as total unemployment grows. Other influences such as education and training systems being disrupted, firms closing, reduction of staff, new operational constraints, or macroeconomic volatility will likely contribute to the impairment of the above three factors.



Finding solutions through work-based learning

As an increasingly popular strategy in contexts facing high levels of under- or unemployment prior to the global pandemic,³ work-based learning (WBL) programmes seek to break the youth unemployment trap by getting young people a foot in the door.

As an example, our partner, the Youth Employment Service (YES), has created 50,000+ work placements with policy amendments that offer business benefits for investments in employment and incentive support, such as the Employment Tax Incentive. Several other South African youth unemployment programmes also centre around providing work opportunities.

Such programmes give young people the chance to develop skills in the workplace. They further help talented young people find willing employers through providing youth a credible signal of their skills: previous work experience. Additionally, youth begin to better understand their own work preferences and gain attitudinal changes through WBL programmes. These kinds of changes have several effects on the labour market, including a greater effort from energetic and enthusiastic young people in their firms, as well as a better, seamless, and targeted procurement process.

Firms may use WBL programmes as a low risk means of assessing worker quality and fit. The fixed term nature of contracts in workplace skills programmes allows managers to identify and hand-pick youth who have great potential for further skills investment through the filtering and testing of the cohort during the course of a year. This can create a relatively low risk recruitment funnel for employers and offers youth, who may have never had the opportunity, the chance to showcase their potential.

The exacerbating impact of COVID-19 on South Africa's already dire unemployment crisis cannot be overstated. Between January and July 2020, 1.7 million people became newly unemployed under the strict definition, while an estimated 3 million people have become "not employed" over a similar period.⁴

The situation is more distressing for young people, with a 13.8% reduction in the number of young people (aged 15- 34) in employment, as opposed to the 8.4% reduction experienced by all other working age groups.⁵ Q4: 2020 stats shows the expanded unemployment rate at 42.6% with over 11.1 million people unemployed.

Finding firms' demands in the COVID economy

"With over 8.5 million young people shut out of the economy, we cannot afford to leave another generation behind."

Given the immense impact COVID-19 has had on the job market, it is imperative to understand employer preferences and groom youth accordingly in order to increase their attractiveness to employers.

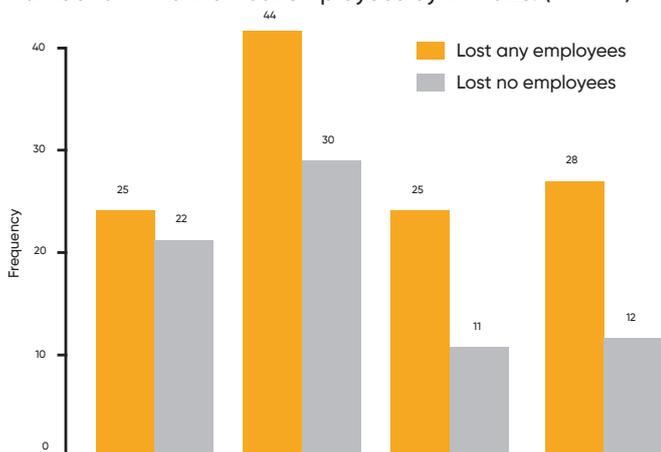
To investigate these issues, the team of researchers authoring this brief, in partnership with YES, conducted a large-scale survey of hiring managers in South Africa's private sector across September - November 2020.

The survey had two main aims. Firstly, it sought to understand firms' perceptions of how the pandemic is affecting employment, particularly of youth. Secondly, with an eye towards economic recovery and solutions for youth unemployment, it explored what employers in this climate look for in their hiring decisions.

Shared via email and social media campaigns, the first round of the COVID-19 Employment Survey was completed by 429 hiring managers from 303 unique firms, across a broad range of industries and with a nationally representative distribution of firm sizes. Future outputs from this research will document deeper statistical analysis of important employment questions, notable among which is a conjoint analysis exercise estimating the empirical value of different employee characteristics.

The study gave valuable insights into understanding and ranking employee characteristics preferred by managers and which skills can act as compensatory. This first report presents key summary statistics.

Number of firms that lost employees by firm size. (N = 197)



Note - This graph presents the distribution of firms that lost any employees by their firms size across the four firm size categories see footnotes for definitions.

Figure 1: Number of firms that lost employees by firm size. (N = 197)

Insights from hiring managers

Employment changes experienced in the pandemic

The findings begin with a view of how the pandemic has affected employment to date across the different firms in the study's sample.

Irrespective of size, firms have shed employees

Across all firm sizes (number of employees in January 2020), the majority of companies lost at least a tenth of their workforce since January 2020. It appears that the larger a firm, the more likely they were to have lost any employees: 53% of micro businesses, 60% of small businesses, 69% of medium sized businesses and 69% of large enterprises lost any employees, outlined in figure 1.

Some firms' job losses have been severe in proportional terms

As an artefact of their small size, a large share of businesses (52%) with less than ten employees lost more than one tenth of their January employees.

| Firm size (total employees in Jan 2020) | Employees lost since Jan 2020 | | |
|---|-------------------------------|--------------------------------|------------------------------------|
| | No employees lost | Up to One tenth employees lost | More than one tenth employees lost |
| 1 - 10 | 48% | 0% | 52% |
| 11 - 50 | 41% | 30% | 29% |
| 51 - 250 | 31% | 47% | 22% |
| More than 250 | 30% | 40% | 30% |

Figure 2: Employees lost since January 2020

As outlined in figure 2, medium sized firms (51-250 employees) appear to have been least affected by major job losses, with 22% of medium sized companies losing more than one tenth of their employees. Whereas small (11-50 employees) and large companies (>250 employees) were equally likely to have lost more than a tenth of their workforce.

Most firms believe that current (low) employment levels are likely to persist. The remainder, however, think employment is more likely to increase than decrease further.

Job losses by sector are more varied

Across all sectors surveyed, the average firm has lost employees since the start of the pandemic (see endnotes for sector descriptions used).⁶ The study's data showed that the size of the loss varied by sector, with the largest losses incurred in the hospitality, finance, manufacturing and media sectors. The smallest losses were experienced in education, wholesale, retail and engineering, ICT and construction.

Firms' insights about future employment

While conducting the survey, many managers were operating at a time of considerable uncertainty regarding the economic outlook. As employer perceptions can have an effect on hiring decisions, the study asked for managers' best guesses of how the employment levels of their firm or division may evolve over the next two months.

When surveyed, the majority of hiring managers believed that, by November/December 2020, total employment was likely to "stay the same" [as it was when answering the survey] at both the firm level (45%) and division level (50%). Most managers, therefore, believed that the large number of job losses was likely to persist. However, managers' next most frequent belief was that total employment would increase overall - at both the firm level (33% of firms) and the division level (35% of firms).

Considering that Wave 2 of the National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM survey) found no recovery in lost jobs between April-June,⁷ this may indicate that job losses are likely to persist into 2021. However, taking the average sentiment across hiring managers would indicate that employment will likely increase slightly into the new year.

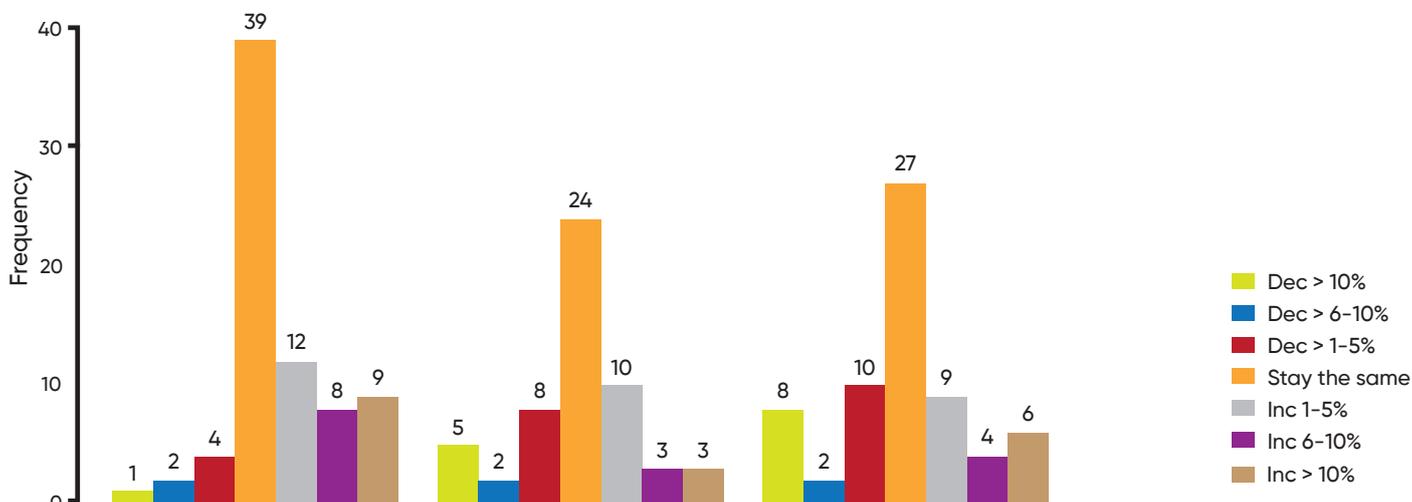
Confirming this story, hiring managers in this survey indicated that, of a number of hiring pools, they would be least comfortable hiring candidates who were currently unemployed and are less comfortable hiring youth in general.

More firms believe employment levels will stay the same, regardless of previous job losses.

Regardless of the number of employees firms lost, whether this was 1-10% of employees or more than 10% of their employees since January 2020, most firms believed that employment was likely to "stay the same" into November/December 2020. Although the proportion of firms with this view does decrease as previous job losses increase (52%, 44% and 41% respectively; figure 3 below).

Additionally, firms that experienced no losses since January were the most optimistic about future employment, whereas those firms that have experienced the largest job losses in the pandemic were also the most likely to predict further job losses to come. This would indicate that those firms that have already cut non-essential labour are the ones most likely to experience further losses.

Firm level employment projections by previous employment losses (N = 197)



Note - This graph presents the distribution of firms' estimated employment changes 2 months in the future, grouped by their estimated employment losses since Jan. Each firm is represented only once by the modal response of participants from the same firm. Division level projections are omitted.

Figure 3: Firm level employment projections by previous employment losses (N = 197).

WBL programmes as an avenue to improve youth employability

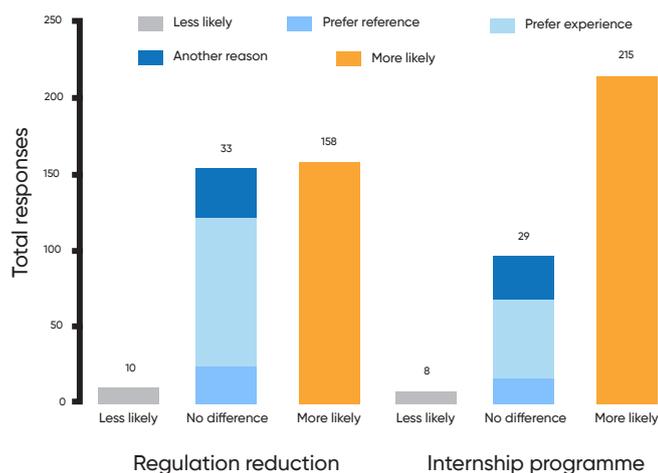
How can South Africa rebuild opportunities for youth from this employment outlook? Given the nature of YES's work, the popularity of WBL programmes and the need for solutions to the youth employment crisis outlined above, the survey also explored managers' thoughts on what they value in prospective employees and how programmes like these affect their hiring decisions.

The unemployed may struggle the most to find work. Cross country case studies show that being unemployed acts as a marker which traps youth in unemployment, with managers tending to hire already employed candidates. In South Africa, unemployed youth struggle to find employment due to a range of structural and environmental factors.⁸

Firms value WBL programmes above and beyond the labour flexibility these allow

In line with Benjamin, Borat, and Cheadle (2010), and outlined in figure 4 below, this study found only a weak demand for laxer labour regulations.⁹ When asked how firms would react to a reduction in the "red-tape, cost and time involved in letting go of employees", it was interesting that the sample was equally split.

Likelihood of hiring unemployed youth with YES-like contract? (N=322)



Note - This graph presents whether participants would be more, less or equally likely to hire youth following the introduction of a reduction in labour regulations or a one-year fixed contract after which employees could be let go with no red tape, costs or strings attached.

Figure 4: Likelihood of hiring unemployed youth with YES-like contract (N = 322)

There was an equal number of firms who stated they would hire more youth, as there were firms who posited that a reduction in bureaucracy would make no difference to their hiring practices.

However, when asked about the introduction of programmes that offered the same labour flexibilities through a one-year work experience programme, significantly more managers indicated they would hire more unemployed youth into such programmes, with the increase largely coming from managers who also indicated highly valuing prior work experience.

This suggests that work experience style programmes offer something of value to firms, over and above greater labour flexibility, and that they can mitigate the need for prior work experience.

What do employers look for in prospective employees?

Employers place the highest value on relevant work experience, a tertiary qualification and a good interview.

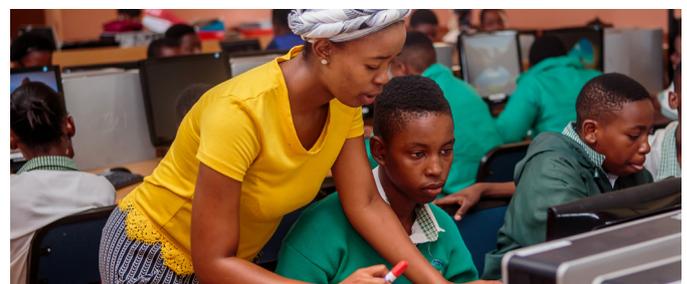
Education status is one of the strongest determinants of employment in South Africa. The graduate unemployment rate among youth aged 15-34 years is 33.1% as opposed to 43.2% among all youth of the same age group. Understanding what drives employability, relative to this group is, therefore, of clear relevance.¹⁰

When asked what traits best compensate for the lack of a bachelor's degree (figure 5), hiring managers rated multiple years of related work experience as the most desirable trait.

Indeed, a quarter of all managers indicated that two or more years of related work experience would "entirely" compensate for having only a high school certificate.

One year of general work experience is found to somewhat compensate for the lack of a university degree, with this effect substantially improving when experience is gained in a related field. These findings highlight that 'learning by doing' methods of training are valued by hiring managers.

The value that employers place on related work experience suggests that assisting youth with early streaming, interest identification and ideal fit could accelerate their employment journey and shorten unemployment spells.



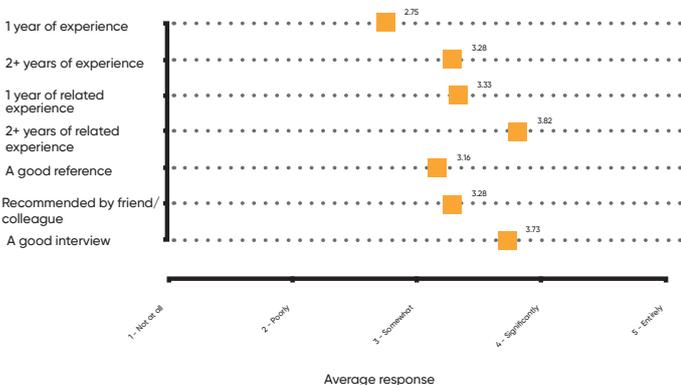
Beyond demonstrable skills, hiring managers also clearly value intangible skills and workers' attitudes.

As seen in figure 5, having a good interview is the next highest rated compensating factor for the lack of a bachelor's degree after multiple years of related work experience.

Given that managers would traditionally know about candidates' demonstrable skills through curriculum vitae (CV) submissions, the importance of a good interview indicates that other intangible factors (typically not feasible to assess through CVs) matter to managers.

This insight is supported by results to another question where managers were asked to indicate which of three factors they find the most difficult in recruiting new employees (figure 6).

How well do the following compensate for the lack of a University degree? (N = 381)



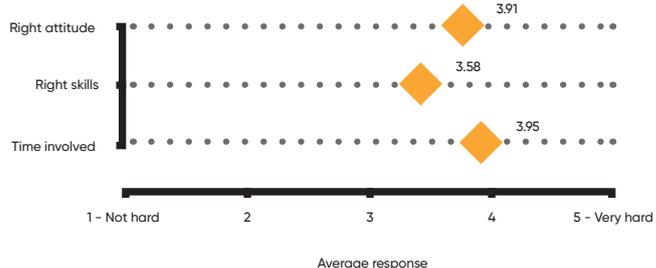
Note - This graph presents the average score for all participants.

Figure 5: How well do the following compensate for the lack of a university degree? (N = 381)

Despite South Africa's acknowledged skills shortage, hiring managers indicate that finding candidates with the "right attitude" is significantly harder than finding candidates with the "right skills".

This paper is the first in a series which will be shared with a range of relevant stakeholder groups. In this series, the team of researchers will be highlighting important findings from a survey conducted to understand various employer perspectives with the aim of improving prospects for youth employment in South Africa. Please mail the team should you have questions or should you wish to participate in this research as a respondent.

How are the following when looking for new employees (N = 327)



Note - This graph presents the average score for all participants.

Figure 6: How are the following when looking for new employees? (N=327)



Hiring managers indicated that finding candidates with the "right attitude" is significantly harder than finding candidates with the "right skills".



The COVID-19 Employment Survey and this policy brief were conducted and prepared by Tashmia Ismail-Saville (Maastricht University), Kris Lemon (J-PAL Africa), Nilmini Herath (The London School of Economics and Political Science), Rocco Zizzamia (University of Oxford) and Patrizio Piraino (University of Notre Dame), in collaboration with YES.

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“We must do more to reset the economy. Say YES for a future that works.”

About YES

YES is a pioneering, business-driven initiative which has partnered with government and labour to tackle South Africa's youth unemployment crisis and drive youth employability. YES aims to create work experiences for youth at scale, through enabling business to contribute to and to be a co-creator of a future that works. In this process, a business can gain one or two levels up on its B-BBEE scorecard. Other pillars include YES Hubs in communities. These YES Hubs bring investment and technology into the heart of communities and build local capabilities, skills and opportunity where youth live and operate.

YES has already proven itself to be one of the true innovators in South Africa, generating over R2.8 billion in youth salaries and nearly 50,000 quality work experience. The not-for-profit organisation, which has no government funding, has been supported by over 1,300 businesses since inception. Over 350 businesses have already gained their B-BBEE levels up.

The YES programme is driven by smartphones and digital youth training. 4IR thinking and innovation is embedded in everything it does. Each young person placed by YES is given a smartphone that allows them to access zero-rated Apps with over 31 learning modules developed for South African youth in collaboration with global best-practice institutions. YES Youth have already completed over 7.2 million learning minutes.

**Find out more – go to www.yes4youth.co.za
Say YES. It's a win-win-win for company, country and youth!**

ENDNOTES

1. Statistics South Africa Q3: 2020 Quarterly Labour Force Survey
2. Card, D., Kluve, J. & Weber, A. (2018). What works? A Meta analysis of recent active labor market program evaluations. *Journal of The European Economic Association*, 16(3), p. 894-931.
3. Mckenzie, D. (2017). How effective are active labor market policies in developing countries? A critical review of recent evidence. *The World Bank Research Observer*, 32(2), p.127-154.
4. Statistics South Africa Q3: 2020 Quarterly Labour Force Survey
5. Statistics South Africa Q3: 2020 Quarterly Labour Force Survey
6. Since the firms in this survey were all formal businesses, we avoid use of the term “micro enterprises” as this often used to also refer to relatively small low total revenue businesses.
7. For comparability with previous work-based learning studies, this survey did not use the Statistics South Africa Standard Industrial Classifications, but rather sector terms as used by Humberg et al. (2013). The full list of employed sectors include agriculture, automotives/transport, education, engineering/ ict/ construction, finance, health/welfare, hospitality/ tourism, in-person service, manufacturing, media/ communications, public administration, wholesale/ retail and other, where participants could opt to input their own sector category.
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