JUST GIVE THEM THE MONEY? BUILDING YOUTH ASSETS AS AN OPTION TO ENHANCE YOUTH OUTCOMES

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Introduction

The many challenges facing South Africa's youth have received broad coverage during 2012, both in the media and in policy debates. In labour market debates, the youth wage subsidy – tabled by the ANC, supported by the DA, criticised by COSATU and now awaiting pronouncement by NEDLAC – has elicited most comment. Although a little belated, this attention that youth unemployment has been receiving is encouraging. Concern must be raised, however, over the way in which this particular debate has evolved, particularly in relation to the challenges that young people face and how they need to be supported in making the transition to employment or sustainable livelihoods.

In this article, a brief picture of the challenges facing young people is sketched. In doing so, a critical argument is made – that societal inequalities are perpetuated at the vital life phase of transitioning out of school, and that intervening at this point in a young person's life not only offers an opportunity to change its course, but also provides a leverage point at which to address inequalities. An intervention that may be particularly effective in breaking this inequality cycle is (borrowing from Hanlon, Barrientos & Hulme 2010) to just give money to the young. While the concept of just giving money to anyone, particularly those of a working age, may sound heretical to the establishment, it is argued in this article that once we make a mental shift towards both valuing young people and considering the benefits of cash transfers, we may be able to see the potential of such an intervention in South Africa.

The first part of the article depicts the situation facing many young South Africans and links this discussion with an analysis of data from the first wave of the National Income Dynamics Study (NIDS), demonstrating the relationship between inherited inequality and life chances for young people. In the second part, the case for cash transfers is briefly outlined before considering what 'just giving money to the young' might entail. Results from randomised control trials evaluating youth cash transfer schemes in other parts of Africa are provided before the article concludes with a consideration of the potential for building material assets for youth in South Africa.

Being young in South Africa

Each year, just over 1.1 million children enter the education system in Grade 1 (DBE 2010). Yet, it is also evident that almost half of these learners do not reach their matriculation year. While drop-out rates up to Grade 9 are low (cumulative percentage of 13 per cent across the grades to Grade 8 for 2007–2008), from Grade 9 onwards the percentage of learners dropping out of the system is 6.5 per cent, 11.5 per cent and 11.8 per cent for Grades 9, 10 and 11 respectively (DBE 2010). Thus, by Grade 12 around 40 per cent of learners have left the education system. These figures, in fact, may be under-reporting the issue. Others claim that the drop-out rates are much higher. Mamphela Ramphele states that in 2011 just over half of the cohort that should have matriculated had dropped out prior to reaching matric (*Mail & Guardian* 23.02.12); and Badat (2009) claims that just over 25 per cent of the original cohort reach matric each year. This means that annually between 400 000 and 750 000 learners leave school without a matriculation certificate. Some may go on to gain a further education and training certificate, but given the challenges in this sector these numbers are small (Perold, Cloete & Papier 2012).

Moreover, most young people exiting the further education and training band in the school system are ill equipped to enter the labour market (DoL 2011; Lam, Leibbrandt & Mlatsheni 2008). Not only do they fall short on the hard work skills required by employers, they also lack the skills necessary to search for jobs and plan a career. Skills and capabilities are an essential requirement for young people to transition to the workplace (Brewer 2004), to move into entrepreneurship, and to create livelihoods for themselves if they are unable to find work. Thus, from a demographic dividend perspective, we are unlikely to reap the rewards of our 'youth bulge' due to inadequate investment in education and learner retention.

On the other side of the equation is unemployment. South Africa's current narrow unemployment rate for the economically active population stands at 25.5 per cent (Stats SA 2012), but young people are disproportionately affected in this group of unemployed people. For the youth population (15–34 years), the unemployment rate is 70.9 per cent (National Treasury

2011), and if the ILO definition of youth (15–24 years) is used, this figure touches on 50 per cent.

Under challenging employment conditions, such as the present, many young people will typically defer employment in favour of extending their education. However, currently, less than an estimated 300 000–400 000 young people are engaged in further or higher education programmes in a given year (Sheppard & Sheppard 2012; Gibbon, Muller & Nel 2012). This means that post-school education options do little to soften the impact of such an unfavourable employment environment.

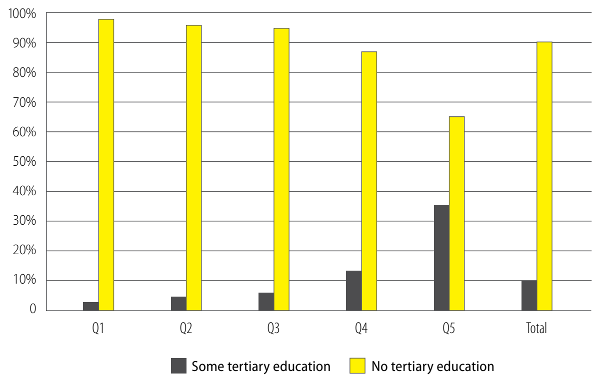
Given the prevailing circumstances, there is little chance of a dramatic improvement in the short to medium term, much needs to be done to reverse severe job losses over the past two to three years. There are no quick fixes. The weak capacity of the economy to create employment is structurally entrenched (Seidman-Makgetla 2010; Altman 2003), and because structural challenges require structural solutions, much time will have to pass before their benefits start to accumulate.

South Africa, therefore, is faced with a very large proportion of young people who are unskilled, unqualified and in most respects unemployable, searching for jobs in a market that cannot create enough jobs quickly enough for the general unemployed population. The structural solutions include an education system that promotes learner retention and ensures that young people leave school with skills, and a labour market regime that ensures job creation at a faster rate than the growth of the labour market. However, as indicated above, even if we implement the most optimal policies today, their results may be visible only in a number of years to come. Thus, the obvious question is: What can be done about the current generation of young people? Must we regard them as collateral damage? If not, what are the opportunities for dealing with the problem in the present? In answer, we need to understand what differentiates young people who do manage to make the transition into further education or employment from those who do not. It is to this that the article now turns.

Which young people do succeed?

While there are no doubt individual-level factors that shape whether a young person is able to access further or higher education and, thus, to have an increased chance of securing employment, household income seems to be significant. An analysis of the NIDS, focusing on young people between the ages of 16 and 35, demonstrates that the income of the household within which a young person lives strongly determines their ability to gain entrance to further and higher education. Figure 4.3.1 shows that when a young person's household falls within income quintiles 4 and 5, the chances of him or her entering tertiary education are significantly higher than those of an individual who resides in a household falling within income quintiles 1–3.

Figure 4.3.1: Access to tertiary education by income quintile



Note: A chi-square test was performed and a significant relationship was found to exist between household income quintile and access to some form of tertiary education X2 (4, N = 7247) = 860.76, p < .001

> Far from breeding a population of lazy, dependent people, cash transfers offer access to vital financial assets that people are able to leverage for a range of other positive outcomes.

What this demonstrates is that access to financial assets, in the form of household income, does influence the ability of young people to enter tertiary education. We know, too, that access to tertiary education shapes the ability of individuals to gain employment and, in turn, to secure a higher income level. This suggests that income inequality experienced at the household level is a reliable predictor of the ability of young people to successfully move out of poverty. Therefore, young people who live in lower-income households are likely to remain in the lower-income quintiles throughout their lives, suggesting that inequality is perpetuated at this critical point of transition. If this is the case, we have to ask how these inequality cycles might be broken.

Considering financial assets: a case for cash transfers

It is clear that access to financial or material assets is one of the key determinants that enable certain young people to make the transition into further education or employment faster than others. No doubt, such access to assets is also linked with being aware of the cultural capital, social networks and information that facilitate easier entry to such opportunities, but the role of financial assets cannot be discounted. Qualitative research has highlighted the often unseen financial obstacles that young people face in accessing further education and employment. One such study of youth in a Gauteng informal settlement points to how lack of the smallest amounts of money to pay for the use of an internet café, to print documents and to post applications limits their ability to apply for positions in colleges and universities (Graham 2012). Should they clear these hurdles, such costs are tiny in comparison to the large application fees they are expected to pay with no guarantee of securing a position. The extent of reported household poverty means that borrowing the necessary money from family members who are also unemployed is very difficult, and certainly not possible should more than one application be required. Similarly, the road to accessing employment opportunities, even in the sectors that require very low-skilled labour, often involves the cost of taxi trips to labour brokers, the printing and faxing or posting of CVs and the like. Small amounts of money are certainly one of the assets necessary to break into the opportunities that otherwise seem so far away for so many young people. Against this backdrop, there seems to be a case to be made for a cash transfer to young people.

While popular discourse about cash transfers often suggests that such mechanisms breed dependency and laziness, research repeatedly demonstrates the positive effects of this intervention. For instance, data on the child-support grant (CSG) demonstrates how it leads to better nutritional and educational outcomes for children (DSD, SASSA & UNICEF 2012), confirming earlier work done on the effects of the CSG (Delany et al. 2008). Other studies demonstrate the CSG's link with the empowerment of women, as well as the use of the grant for generating further income (Patel et al. 2012). Loeb et al. (2008) and Graham et al. (2010) demonstrate how the disability grant is a vital source of household income, helping not just the disabled person, but also their household members, to be food secure. Further afield, the link of cash transfers with other economic activity has been noted (Hanlon et al. 2010). The benefits of the basic income grant (BIG) piloted in Namibia are also well documented, and while questions have been raised about the evaluation of the programme, Kaufman (2010) suggests that there is still evidence that the grant has the potential to assist people out of poverty, particularly in countries where there is high income inequality. Clearly, far from breeding a population of lazy, dependent people, cash transfers offer access to vital financial assets that people are able to leverage for a range of other positive outcomes. While it may not mean that people fully escape poverty, it certainly does alleviate poverty, and in the case of cash transfers aimed at children, provides the possibility of meeting basic nutritional and health needs that are essential if such children are to be able to succeed in their education (Heckman 2008). So why is the question of cash transfers to young people still such a contentious issue?

Considering giving money to the young

Those opposing cash transfers to young people generally base their views on two popular, but erroneous, assumptions. The first relates to the role of social protection, and the second to the nature of young people. In terms of the former, social protection is considered in terms of the protection it offers to those members of the population unable to provide for themselves through employment. It is for this reason that the grants system in South Africa primarily targets those too young to work through the CSG, those too old to work, through the old-age pension, those who cannot work, due to the need to care for an ill or disabled child, through the care-dependency grant, and those who are unable to work due to disability, through the disability grant. Thus, social protection is intended to act as a safety net for those who cannot or should not access the labour market. The problem with this view of social protection is that it is disconnected from the reality of high levels of structural unemployment, and particularly the very high levels of youth unemployment discussed above. Further, it ignores the potential of social protection measures to be viewed as assets that will assist people to escape poverty. Considering cash transfers to the young thus requires a shift in our assumptions about social protection to understand their potential to provide vital resources that are necessary for poverty alleviation and other outcomes.

In addition, the contention around cash transfers to the young may lie in views of young people that give them less credit than they are due. Often, young people are viewed as a 'ticking time bomb' (Medley et al. 2012) – as an unruly and uncontrollable group of people simply waiting to engage in violent behaviour should they not be able to access jobs. Such views are not confined to the media. Being party to policy discussions regarding youth also provides evidence of such a discourse in policy circles. Alternatively, young people are popularly viewed as being irresponsible – purposefully falling pregnant to qualify for the CSG, despite repeated evidence that debunks this notion (Makiwane & Udjo 2006; Devereaux & Lund 2010). Spending money on young people in the form of a cash transfer is, therefore, likely to be viewed as a high-risk venture. Will young people not simply spend the money in the local taverns or on clothes and cell phones? Will it not create perverse incentives?

Such views of young people suggest a disconnect between those writing about and thinking about young people, and the actual lived reality of young South Africans. Data from an ethnographic study of young people in Gauteng demonstrates that, in fact, young people may use the money wisely. Some already engage in positive community activities – running informal youth clubs, sports clubs and crèches. Others, when they are able to access some income, use the money to go out and look for work, or spend it on an application fee (Graham 2012). Spending time with young people offers insight into their lives and forces one to reconsider views of this sector of our population. Young people tend to demonstrate immense optimism and hope for the future (Morrow, Panday & Richter 2005) and want to invest in a better future for themselves. Once we are able to view them with a different lens, we may be more open to considering the possibility of just giving money to the young and leaving its spending to their discretion.

The case for just giving money to the young

The idea of cash transfers to benefit young people is not new. The proposed youth wage subsidy is a mechanism that makes funds available through tax benefits to companies that employ young people (National Treasury 2011). However, it effectively keeps the money out of the hands of young people by ensuring that it goes directly to the employer as a stimulus to the labour market to employ young people. The proposed job-seeker's grant (proposed at the ANC policy conference earlier this year) may be an alternative or complimentary cash transfer to the youth wage subsidy. Such a grant is, however, likely to be targeted directly at the beneficiary, that is at unemployed people, in a transfer system conditional on job-seeking behaviour.

What both of these proposed cash transfers do is address the youth unemployment problem from a purely economic perspective, with a deficit view of both the private sector and young people. In the case of the youth wage subsidy, the youth unemployment challenge is viewed from a labour-demand perspective; it is seen as a problem of desirability – young people are undesirable employees when compared with their more experienced counterparts and, as a result, the private sector is unwilling to employ them. The private sector, consequently, needs to be incentivised to invest in employing and training young people. While there may be some level of truth to this premise, such an analysis avoids the tough questions of structural unemployment and institutionalised low-quality education, which are discussed above. A youth wage subsidy is unlikely to fundamentally shift youth unemployment, as it is likely to benefit those young people with some level of education who may already be able to enter the labour market. A job-seeker's grant looks at the supply side of the labour market equation and suggests that young people are not looking for jobs. Such a grant would stimulate young people to go out and look for jobs by imposing conditionality on the grant. This approach again ignores the structural challenges that young people face in seeking work – it is not that they refuse to seek employment; their low levels of skills make them largely unemployable.

Both of the proposed mechanisms fail to understand the challenge of youth unemployment from a youth perspective and do not grasp the immense difficulties facing young people as a result of the structural failures discussed above. Neither mechanism is able to acknowledge that young people are not supported to build the assets they need to make the transition from school to an autonomous adulthood. The education system has largely failed them and, in the absence of second-chance opportunities, they are unable to access the means for building the educational and skills assets needed to better negotiate the transition to the labour market. Clearly, an alternative option is necessary to support young people to make such a transition.

It is with this in mind that the option of youth savings accounts (YSAs) or individual development accounts (IDAs) should be considered. The model of IDAs or YSAs originates from the premise that young people 'need assets to make the transition to adulthood' (Beverly 2012), that as youth transition to adulthood, their ability to save and accumulate assets becomes very important as they begin to accept financial responsibilities and plan for the future (Chowa & Ansong 2010). Such models of cash transfers have been implemented in various parts of the world, in both developed and developing contexts, and have demonstrated a great deal of success. YSAs or IDAs are essentially programmes in which young people and/or their households are encouraged to save towards their future in a matched savings scheme where for every amount saved by the individual or household, a matching amount is deposited into the same account. Matched amounts are secured either through private sector involvement or through government funds. Saved funds are intended to be withdrawn only for spending on asset accrual – that is, for investment in further assets, either in the form of education, employment or entrepreneurship activities, or in the gaining of additional assets such as land, livestock or housing. Such a model combines a cash transfer with an imperative to save.

Various models of IDA and YSA exist, many of which are tailored towards specific social and cultural contexts. In Ghana, for instance, savings were in the form of livestock instead of cash (Chowa et al. 2012) and in Uganda household savings were viewed as more socially acceptable than individual savings accounts (Chowa & Ansong 2010; Chowa & Elliott 2011). Key to all of these models is that cash transfers in the form of matched savings are viewed from an asset approach (Sen 1999; Nussbaum 2001), in which young people and/or their households are considered interested in investing in their own future outcomes, and as having the capability to do so, but being in need of support – including financial – to leverage their capabilities towards better future outcomes. This is in stark contrast to a youth wage subsidy or job-seeker's grant, which sees cash transfers as necessary mechanisms to stimulate engagement in employment amongst people who are otherwise unwilling to participate in the labour market.

Because of the emphasis on support and building of assets in general, such models are seldom focused exclusively on financial assets. Most often, matched savings schemes are combined with other interventions, such as information sharing, support for identifying education, entrepreneurship and employment opportunities, mentorship programmes and the like. Experience has shown that they, in fact, work best with such additional interventions (Beverly 2012). Far from detracting from the investment in financial assets, such an approach demonstrates how a suite of asset interventions, including access to financial assets, is necessary to support young people in breaking out of the cycle of poverty.

The results of such interventions in other parts of Africa are encouraging. In randomised control trials, matched savings schemes, in combination with other interventions aimed at building various types of youth assets, resulted in: higher rates of post-secondary schooling (Beverly 2012); a positive sense of self; planning for future security in times of shock; caution about unguarded consumption (Sherraden et al. 2007; Scanlon & Adams 2008); and higher academic achievement (Chowa et al. 2012). However, such results are dependent on a range of variables, including parental attitudes towards savings, the perceived value of savings amongst young people, access to savings mechanisms and, of course, the amount of money available to save.

The above suggests that investing in building financial assets, alongside other asset development for young people, may be a key interim strategy for assisting young people to make the transition into tertiary education and/or to help them to gain a sustainable livelihood. How such a strategy might work in South Africa is open for debate. Will it take the form of another social grant? Will it use the grant system to connect with young people exiting school, in order to provide a savings start-up programme that they themselves can contribute towards? Is there a space for significant private sector involvement? These questions are unlikely even to be tabled before a shift in assumptions, as argued for in this paper, takes place. For a cash transfer to young working-age people to materialise, attitudes towards them need to change first.

While such a strategy does not address the low quality of education or the structural unemployment problems that young people face, it would offer a support base for young people to equip them to better survive once they have left school, and potentially to invest in their own futures in particular ways.

Conclusion

This article has sought to demonstrate that current thinking around youth unemployment fails to incorporate the very severe challenges that young people face once they leave school. Such challenges need to be recognised as being structurally rooted, and major investments are, therefore, required to deal with the education crisis. In the interim, however, we cannot afford to sacrifice another generation of young people. Strategies to assist them with the transition from school into some form of sustainable livelihood, if not employment, are essential. Current policy proposals, such as the youth wage subsidy, and the job-seeker's grant, may make some inroads in this regard, but as has been argued above, they start from a premise of stimulating supply of and demand for labour, rather than recognising the real structural constraints to gaining employment that young people face. As an alternative or complimentary strategy, this article argues that investments in young people's financial assets, alongside the development of other assets, could interrupt the cycle of poverty and inequality, particularly since inequality is perpetuated at this transitioning phase. Or perhaps, if such lofty ideals are out of reach, at the very least it might enable young people better to cope and survive in what must often be viewed as a bleak situation.