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NATIONAL YOUTH DEVELOPMENT AGENCY
OUR YOUTH. OUR FUTURE.

Youth Entrepreneurship

DSD: World Population Day



Demographic Profile of South Africa's Youth

TOTAL SA POPULATION



57.7 million



20.5 million
(36%)
YOUTH
(15 – 34 years)



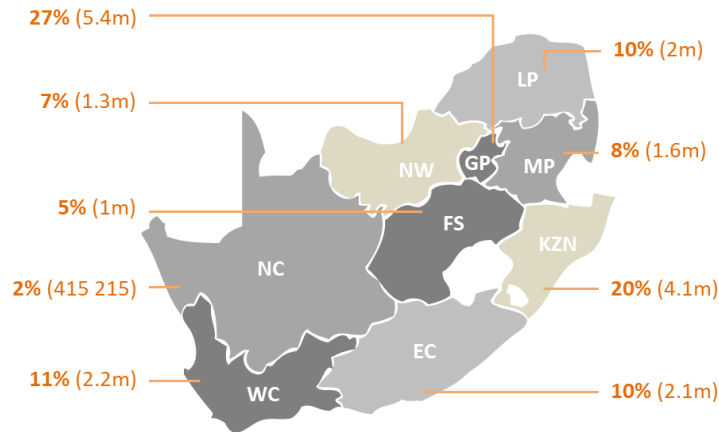
UNEMPLOYMENT
RATE

27.6%
National



55.2%
15-24 yrs

34.2%
25-34 yrs



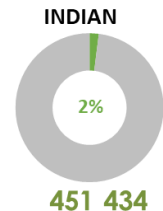
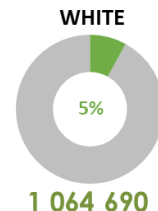
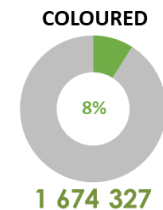
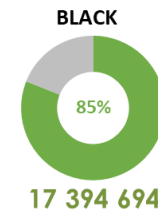
URBAN
64%



RURAL
32%



FARM
4%



YOUTH ENTREPRENEURSHIP: KEY DATA

- Youth participation in entrepreneurship is relatively small. South African **total entrepreneurial activity (TEA) in the 25-to-34-year age cohort was 9.2%**, which was less than half the Africa average as well as considerably lower than the average for efficiency driven economies (**18%**). There is a correlation between education level and the level of **TEA – with 67,4%** TEA rate for those who have completed secondary education and beyond while the level of TEA for those without education is at **4,4%**. Young men are more likely to be entrepreneurs than young women and youth in the age group 25-34 years
- **South African township youth are not responding to the full** potential of business opportunities in their own communities. Proportionally, immigrants have responded more effectively to employment and business.
- Most youth will need to find employment in the informal sector. Yet data on labor-force participation indicates that **youth are not widely active in self-employed activities or informally employed in micro-enterprises.**

YOUTH ENTREPRENEURSHIP: KEY DATA

- In two townships the study was conducted in, **only 15 percent of micro-enterprises were run by young people under 30**. Of this, one in three of the young entrepreneurs were non-South Africans. In Delft, Cape Town, four out of 10 hair salons and barbers were owned by young people, and seven in 10 of these were owned by foreign entrepreneurs
- The **lifestyle and leisure sectors contain some of the most promising youth start-ups**, which found that the young entrepreneurs are those that **run internet cafés or produce music at home and DJ at taverns and shebeens, or design flyers and posters, or operate gyms**, design and make clothes or run takeaways that sell fast food to late-night revelers. The study found that South Africans are majority owners of these kinds of businesses.

YOUTH ENTREPRENEURSHIP: KEY DATA

- The **formal sector, while a critical engine for productivity and growth, cannot provide all the answers to the growing numbers of the unemployed.** It will be as critical to keep the formal sector afloat, as it will be to innovate on ideas to support and sustain the informal sector.
- Research shows that of **roughly 1.8 million informal SMEs, slightly less than one-third are led by youth**, and slightly more than a third are headed by women. The most common informal sector occupations for young men are taxi drivers and motor vehicle mechanics, and for young women—beauticians and street food vendors. Supporting these young men and women will help drive a more inclusive recovery—and without their livelihood strategies, the poverty gap could grow and inequality increase.

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YOUTH ENTREPRENEURSHIP: KEY DATA

In a context in which the wider South African economy is not creating the scale of jobs required to absorb unemployed youth, it is important that youth can contribute to creating the jobs needed for themselves. Yet, there are unique, systemic-level barriers to entry into economic opportunities and existing value chains for young people, especially in economically marginalised contexts. Where economic participation is possible, this is often on deeply disadvantageous terms.

For example, the typical starting point for local economic development is for entry-level entrepreneurs to produce the basic goods most commonly needed locally, growing in scale and market outreach from there. In South Africa, however, local markets for basic consumer goods are typically already taken by large incumbents and it is hard for small-scale start-ups to compete in relation to the established, mass-produced brands. This is at least part of the explanation for the limited incidence of small-scale manufacturing in townships, with retail activities that distribute such mass-produced goods a more common entry-point into markets instead.

Then there are the implications of spatial inequality, which concentrates poverty within the structures of our cities, towns and villages, creating economic inefficiencies and illogics that reproduce existing patterns of economic disadvantage – and of both exclusion or inclusion on adverse terms. The distance of many townships from economic centres can add costs to production activities located there, since current market access points are located elsewhere.

The inconvenient truth is that despite the policy hopes pinned on small businesses as a solution to unemployment, small enterprises in the formal sector are not currently creating employment at scale, with South Africa an outlier in this regard. Therefore, while formal SMEs contribute nearly 98.5% of the number of formal firms in the economy, they only account for 28% of the jobs. Based on international trends, this should be about 60 to 70%.^[1]

RECOMMENDATIONS

Proposed Solutions



- The private sector should forge a **partnership** with **institutions of higher learning** to aid in students' placements for **practical experience** prior to completion of their qualifications.
- Government and established farmers should provide **agricultural support and training** to youth on **small scale but sustainable** farming.
- Stimulate the economy to create more opportunities
- Foreground employment creation and support for entrepreneurship
- Strengthen entrepreneurship in the school curriculum
- Improve access to start-up capital and increasing support for new youth-owned businesses
- Start-up business capital be structured not as conventional loans

Source: Stats SA Mid-year population estimates 2018, Quarterly Labour Force Survey (QLFS) Q1:2019



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