

# POLICY BRIEF



## PRECARIOUS WORK IN CONTEXTS OF STRUCTURAL YOUTH UNEMPLOYMENT: LESSONS FOR IMPROVING TRANSITIONS TO STABLE WORK

South Africa has a high youth unemployment rate, which is a key policy concern. Mechanisms to address the challenge include learnerships, internships, and work opportunities such as public employment. All of these are short-term opportunities, often seen as “stepping stones” that should enable young people to gain work experience and then take on more stable work. Combined with the growing “gig economy” and an informal labour market that makes up 28% of the economy, precarious work is a normal feature of the labour market.

Research in other parts of the world shows that the type of work and nature of contract involved in precarious work affects whether it acts as a stepping stone to later secure work. Jobs that entail training and those with fixed-term contracts are more likely to act as a stepping stone. Much of this literature is from countries with developed economies. The trajectories of young workers taking up fixed-term, casual, temporary or informal forms of work in the global South have received far less attention, even though labour market policies actively promote these forms of work in countries like South Africa.

This study sought to answer this crucial question: To what extent does precarious work foster transitions to stable jobs?

### South Africa’s youth unemployment problem

South Africa grapples with one of the highest youth unemployment rates in the world with 62% of 15 – 24 year olds are unemployed. Race, gender and geographic location continue to impact labour market outcomes with Africans, women and those in rural areas more likely to be unemployed. We also know that there are significant levels of “churn” in the youth labour market (Ingle & Mlatsheni, 2017; Rankin & Iskander 2020), primarily because of the short-term nature of job opportunities.

### Aims

The study had two aims:

- **Aim 1:** To assess whether precarious work opportunities lead to longer-term employment stability.
- **Aim 2:** To assess what factors shape transitions to more stable forms of employment.

## Methodology

We used data from five waves of the National Income Dynamics Study (NIDS), with data collected every two years from 2008 to 2018. We isolated a balanced sample of 3194 individuals who were between 15 and 34 years in Wave 1 (2008) and tracked them over the following four waves. We categorised young people into three groups – those unemployed, those in precarious work, and those in stable work. We then analysed transitions between these work types over the waves. We conducted a logistic regression to assess what factors contribute to positive transitions.

*Precarious work is defined as any form of work, whether in the formal or informal sector, that:*

- *Doesn't involve a permanent or fixed-term employment contract*
- *Doesn't provide access to public or private benefits like medical insurance or pension contributions*
- *Pays or generates income that is below the national minimum wage*

## Key findings

- Precarious workers tend to be younger: The average age in the first wave of the study for a precarious worker is 26.97 years and it increases to 29.51 years for those in stable work.
- More females are in precarious jobs than males: 62.4% of people in precarious work were females while only 43.72% of people in stable work are females.
- Employment does not reduce household vulnerability: those in precarious work also had higher household dependency ratios and lower household income
- More stable work is associated with higher levels of education:
  - Youth with no matric are the most vulnerable to precarious work, but over time a matric has a reduced impact on helping young people to secure stable work.
  - Those with tertiary education are two to three times more likely to be in stable work than those without.
- Work experience is linked to stable jobs: Those in precarious jobs have mostly zero to one year's worth of work experience, whereas those in stable jobs have five (or more) years of experience.

### Transitions over time

- Only 14.79% of the young people in precarious work in one wave move to stable work in a subsequent wave.
- The vast majority of young people, 53.91%, remain in precarious work.
- 31.29% move to unemployment.
- 88.51% of young people who were in stable employment in one wave remained in stable employment in the next wave.

This means that those with stable work remain in stable employment and have very low chances of going back to precarious work. For just under 15% of the sample, precarious work served as a stepping-stone into stable employment, whereas for the majority of the sample, it is a dead-end.

### What are the factors associated with transitioning?

- Education is the most significant predictor of transitioning to stable work. Those with more than a matric are far more likely to transition to stable work than those with less than a matric.
- Females are less likely to transition to stable employment than men, demonstrating the enduring gender inequalities in the labour market.

- Household income is a significant predictor of a positive transition. Those in higher income households are more likely to move into stable employment.
- A young person's mother's employment status matters – individuals whose mother is employed in non-elementary work are 21 times more likely to make a positive transition to secure work than those whose mothers have never worked.
- The longer an individual remains in a job, the higher the likelihood of attaining a stable job. But this effect is only seen if an individual remains in a job for three years or more, indicating that there is a long period of uncertainty before employers are willing to commit to secure contracts.
- The resources that an individual has access to (based on household income and mother's occupation) improves their ability to secure stable employment.

## Implications

The overarching finding is that precarious work experiences rarely lead to stable work over time. In the few cases where transitions to stable work do occur, this is after a prolonged period of work experience under precarious conditions.

Precarious work reproduces inequality. Women, those with lower levels of education and those with lower levels of household income were more likely to either remain in precarious work or move into unemployment over time.

The following policy recommendations emerge:

- Public employment programmes, learnerships and internships are important labour market policy tools in situations of widespread unemployment. However, there is a risk that only the short-term gains of alleviating poverty and temporarily ameliorating unemployment are considered, without weighing the longer-term consequences of deepening poverty and inequality. Policy makers need to pay attention to complementary mechanisms to drive the growth of decent employment.
- In contexts of widespread poverty and unemployment, workers may be at higher risk of exploitation, especially when labour unions don't adequately cover precarious workers. In South Africa, despite policy wins like the National Minimum Wage in 2019, there's been little increase in wages, indicating widespread employer non-compliance and a failure of state enforcement (Mosomi and Wittenberg, 2020; Borat et al., 2019). It is important that the state holds employers to account for compliance to labour laws.
- Concerns about unemployment can potentially be exploited by capital, as some employer bodies call for further flexibilisation as a condition for creating jobs. Our findings demonstrate the long-term risks to workers and to those who are unemployed if such calls find traction. The state and labour unions need to ensure that labour market gains are not eroded.
- While the informal sector does play a crucial role in job creation, it does go hand-in-hand with increasing precarity if not mediated by state social protection (David et al. 2023) and labour market legislation governing how formal business engages workers through informal processes. Here the lessons from informal workers and researchers working closely with informal workers must inform state and employer responses (Chen 2022; Carre 2022).
- Education and training are key to improving pathways out of precarious work – there is a need to focus on school completion, along with more and better post school education and training with skill formation routes, and improved access to them.
- Finally, there are implications for organised labour who need to come to the table to unpack how they champion the rights of those in precarious work.

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