

# A MISTRA Policy Brief: Youth Entrepreneurship Development

***Orienting development interventions to young people's realities: Recommendations and possible responses from youth programmes***

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## Introduction

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Entrepreneurship has been identified by the government as one of the key policy solutions to South Africa's high levels of youth unemployment. However, we are yet to see entrepreneurial development turn the tide of the large number of young people who are not in education, employment or training. This policy brief highlights some of the ongoing obstacles to youth entrepreneurship as an income-generating and skills development opportunity; it also provides policy recommendations for targeted interventions in youth entrepreneurship development.

The policy brief is informed by the inputs at MISTRA's webinar conversation on youth entrepreneurship development, held on 23 March 2022. It also builds on the findings and recommendations on entrepreneurship and entrepreneurship education contained in MISTRA's edited research volume, *Youth in South Africa: Agency, (in)visibility and national development (2021)*.

### Main acronyms used in this brief:

DSBD: Department of Small Business Development  
IYDS: Integrated Youth Development Strategy  
NYDA: National Youth Development Agency

PYEI: Presidential Youth Employment Intervention  
TEA: Total (Early-Stage) Entrepreneurial Activity  
YEDS: Youth Enterprise Development Strategy

# POLICY CONTEXT

The National Development Plan (NDP) set the target of creating 11 million jobs by 2030, and there has been growing consensus that empowering young people to become their own employers is one of the best ways of tackling the challenge of youth unemployment. There is still a long way to go towards reaching the NDP's target. According to the Department of Small Business Development's (DSBD) Youth Enterprise Development Strategy (YEDS), 2013–2023:

... the number of young people Involved in entrepreneurial activity remains extremely low at 6% of the total youth population. South Africa's Total Early-Stage Entrepreneurial Activity (TEA) index, which currently stands at 8,9% youth, contributes a mere 10%, representing 0,9% of the total TEA index. Women's TEA Index tends to fare worse than men.<sup>1</sup>

The programmes outlined in the YEDS constitute just one part of the government's efforts at mainstreaming young people into the economy. Other approaches include the National Youth Development Agency's (NYDA) Integrated Youth Development Strategy (IYDS) 2021-2023 and the Presidential Youth Employment Intervention (PYEI), part of the Presidential Employment Stimulus Programme. The IYDS is mandated to 'improve the employability of young people through the promotion of self-employment, National Youth Service, the professionalisation of Youth Work and [learnership] programmes'.<sup>2</sup> The PYEI incorporates several interventions 'to accelerate youth pathways into the economy over the next five years', one of which is 'support for youth self-employment and enterprise in the township and rural economy'.<sup>3</sup> 'Implementing the PYEI', according to National Treasury, forms 'an integral part of the post-Covid-19 recovery agenda'.<sup>4</sup> A World Bank report on South Africa found that after one year of the Covid-19 pandemic, 'the number of employed people had fallen by nearly 1.5 million'.<sup>5</sup> In response, President Cyril Ramaphosa's 2021 State of the Nation Address included an announcement of the Youth Challenge Fund to support youth-owned start-up businesses and to cultivate young entrepreneurs.<sup>6</sup>

These measures notwithstanding, the goal of creating the number of jobs set out by the NDP has been obstructed by, among other factors, state inefficiencies and lack of coordination between government departments. Among the findings in MISTRA's 2021 publication on youth in South Africa is the observation that the South African state has historically failed to fully appreciate the agency of young people, particularly that of black youth. Aggravating the situation is a paternalistic approach, which views youth as a potential asset for the country's future but requiring discipline to make them responsible and active citizens. This approach has fed into existing obstacles to tackling youth unemployment.

**The following sections set out the key findings and insights from the contributors to the MISTRA webinar on youth entrepreneurship, as well as the main policy recommendations.** This is informed by Itumeleng Makgetla's overview of the post-1994 youth policy landscape; insights from the CEO of the National Youth Development Agency (NYDA), Waseem Carrim; research findings on entrepreneurship education from business mentor, Elli Yiannakaris, which draw on the experience of the Raymond Ackerman Academy; Amani Dube's inputs on youth entrepreneurship interventions as a young entrepreneur and beneficiary of the NYDA's programmes; and reflections on the way forward for youth programmes from the Executive Chairperson of NYDA Board, Asanda Luwaca.

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1 Department of Small Business Development, Youth Enterprise Development Strategy 2013–2023, p.7.

2 Ibid., p.5.

3 Jobs Fund, National Treasury, <http://www.jobsfund.org.za/pyei.aspx> (accessed 27 June 2022).

4 Ibid.

5 World Bank Group. 2021. Building Back Better from COVID-19 with a Special Focus on Jobs (English). South Africa Economic Update, Edition 13 Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/161431626102808095/Building-Back-Better-from-COVID-19-with-a-Special-Focus-on-Jobs>.

6 Tebogo Mokwena, 25 November 2022, 'Small business minister slams SMME agencies', *Vutivi Business News*, Available at: <https://www.vutivibusiness.co.za/small-business/small-business-minister-slams-smme-agencies/> (accessed 31 May 2022).

# KEY FINDINGS AND INSIGHTS

## Youth entrepreneurial activity

1. There is relatively **little uptake** in entrepreneurial activity amongst South Africa's young people. According to data from the NYDA, total entrepreneurial activity (TEA) (9%) amongst youth aged 25 to 34 years in South Africa is less than half of the African average.
2. The NYDA suggests that **'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.'
3. There is a correlation between **education levels** and the levels of TEA, with a 67.4 % TEA rate for those who have completed secondary education and beyond, while the level of TEA for those without education is just 4.4%.
4. There remains a **gender disparity** in youth entrepreneurship, with young men more likely to be entrepreneurs than young women.

## The informal economy and job creation

5. The Covid-19 crisis has highlighted the **critical importance of the informal economy** in income generation across sectors. While the formal sector remains a critical engine for productivity and growth, it has not been able to absorb the growing numbers of unemployed people.
6. The state's **employment creation incentives** are not geared towards the informal sector. Yet it is in this sector that many youths will need to find work.
7. The South African economy is not lacking in demand; rather, the **nature of demand has changed**: In the face of declining levels of industrial activity, the NYDA has identified what it terms **'sunrise sectors'** (such as digital, ICT and global business services, the agro-processing sector, and the social care economy), which have the potential for growth and to absorb young people into work.

# RECOMMENDATIONS

## Revisiting and coordinating the policy approach

There is a need for youth development to be mainstreamed into the functions of all government departments, such that the employment, skills development, and entrepreneurship interventions complement and reinforce one another. This requires both reorientation and coordination, as well as engagement with young people directly, ensuring that their needs are reflected in entrepreneurship programmes.

1. Both the state and citizens need to change their **conceptions of entrepreneurship**, from just an economic activity to a **crucial life skill** that individuals can call upon at various points in their lives.
2. Programmes to support youth entrepreneurship must take a **long-term approach** that is **responsive** to young people's lived environments and to the conditions that need to be in place for entrepreneurial success.
3. The DSB and NYDA must improve **public awareness** of the government's youth enterprise development interventions and worker-seeker support programmes, and **communicate** the availability of these services to young people specifically.

## Cultivation of entrepreneurs

Despite continued high unemployment levels, the recently-reported increase in the number of new company registrations by the Companies and Intellectual Property Commission (CIPC) is arguably

an indicator of a general appetite for entrepreneurial activity amongst South Africans.<sup>7</sup> In order to maximise this, the government's jobs creation machinery must be coordinated with the development of entrepreneurship programmes that will equip young, small-business owners to survive and thrive in a changing global economy.

4. **Skills incentives** offered to companies by government must target not only youth with tertiary education but also the most vulnerable youth. This includes those with matric qualifications or below, especially those who are not in education, employment and training.
5. **Entrepreneurship education** must combine

6. Government and organisations in civil society must make efforts to facilitate innovation amongst **informal sector** entrepreneurs and small businesses (for example, through getting informal traders onto online platforms and providing them with access to market linkages).
7. Support for entrepreneurial initiatives from both government and the private sector must extend beyond the horizon of the urban (and township) economy to include targeted programmes and support structures for **rural youth**.

## Empowering small, micro and medium enterprises (SMMEs)

The DSBD is mandated to lead and coordinate an integrated approach to entrepreneurship, including cultivating the development of SMMEs and cooperatives.<sup>8</sup> Actions can be taken to create a more enabling environment for both the start-up and growth of these enterprises.

8. Administrative hurdles for the start-up of small businesses, and access to support services, could be reduced, **removing red tape and barriers** to small business formation.
9. State **employment incentives** – including tax incentives, credits and training programmes – need to be redesigned for a **future of work** that supports SMMEs.

10. SMMEs could participate in the **Presidential Youth Employment Service (YES) programme**,<sup>9</sup> enabling them to provide unemployed youth with work experience alongside larger private sector players.
11. There is a need to articulate the meaning of the **'township economy'** in a manner that maps the linkages between the enterprises within it and the economic 'mainstream'.
12. In addition to strengthening entrepreneurship interventions, **new targeted employment interventions** beyond heavy industry are required in South Africa's 'sunrise sectors' to unlock job opportunities for young people (see finding number seven, above).

7 See Thami Mazwai, 8 September 2021, 'There are 510,000 reasons for hope amid the rubble of unemployment', *Business Live*, <https://www.businesslive.co.za/bd/opinion/2021-09-08-thami-mazwai-there-are-510000-reasons-for-hope-amid-the-rubble-of-unemployment/> (accessed 18 May 2022).

8 Department of Small Business Development (DSBD), Mandate and Mission, <http://www.dsbd.gov.za/about-us> (accessed 27 May 2022).

9 Introduced in 2018, the YES programme is a joint initiative by the private sector and government to assist young people to gain work experience through employment placements.

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