AN EXPLORATION OF THE RELATIONSHIP BETWEEN RETIREMENT AGE AND YOUTH UNEMPLOYMENT IN SOUTH AFRICA

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ABSTRACT: The legal retirement age in South Africa is 60 for women and 65 for men however, so many people continue working even after they passed their retirement age. The retirement age does not force people to retire or force employers to terminate the employment of individuals who have reached the retirement age. This paper therefore emphasize that poor control of retirement system affect the youth employment. The objective of this paper was to show a correlation between youth unemployment and having elderly employees in private and public sector institutions. Proper and effective control of retirement system in South Africa will create employment opportunities for the unemployed youth. This study found that youth unemployment in South Africa is growing and failure to put a stop or trying to minimize it might be a problem for the people and the government soon. This article explored the impact of failure to retire by those who have reached retirement age in government and private sector institutions. Effective implementation of the retirement age of the prescribed legal age would increase job opportunities in government and private institutions.

KEYWORDS: Unemployment, Youth, government, retirement, employment

I. INTRODUCTION

Unemployment in South Africa is a major problem that contributes to the social ills of young people. Young people are suffering socially because of losing hope after completing their qualifications and failing to find employment. The high levels of unemployment in South Africa is the main concern for young people after leaving school and tertiary institutions (Graham and Mlatsheni, 2015: 51). No one can force a person to retire and employees are allowed to work as long as they want, in terms of the labour relations act 187(1) dismissal of an employee based on his or her age is unfair and illegal. However, certain conditions that compel an employee to retire are based on the contract of employment, for example, a contract of employment that compels an employee to retire at a specific age or there is an existing company norm of retirement age. Failure to have specific retirement age conditions in the employment contract gives power to employees to decide whether they want to retire or not and in most cases, employees choose not to retire which reduces employment opportunities for young people (Western Cape Government, 2018: 02).

Most people who do not want to retire when they have reached their retirement age are pressured by poverty. A study conducted by Alexander Forbes (2018: 03) has shown that only 5% of people in South Africa retire with enough money or income. Most people are forced to contribute to their retirement fund account. This justifies the reasons why people who have reached a retirement age refuse to retire. They want to work even if it is no longer suitable for their bodies to work simply because they fear poverty and the possibility of failing to provide for their families. By doing so, young people are more suffering because they still have bigger plans to fulfill in their lives, therefore, they are seriously in need of employment.

There is confusion on what people expect to get paid when they retire and the reality, the money that is paid out to retirees does not meet all their needs. This is also the reason why people are discouraged to retire. The normal retirement savings in South Africa are R1.8m which is paid monthly. Retired people expect to get paid R12000 on a monthly basis which is difficult because based on the savings available, a monthly payment will only be paid for a period of six to seven years. To increase the pension annuity, employees have to pay more and this is hard because of the high demand for living expenses. People therefore, prefer to work more years and suspend retirement (BusinessLive, 2019: 05). It is therefore indicated by many authors such as Smith (2018: 03), that people are resistant to retire because of the fear of the unknown. Lack of saving enough money in preparation
for retirement is also a cause of people not willing to retire and this compromises the future of the younger generation which might want to join the labour market.

II. THEORETICAL PERSPECTIVES

Youth unemployment is growing yearly and the number of unemployed youth is probably caused by the number of young people graduating yearly. Youth unemployment in South Africa is inevitable because young people in South Africa are the majority when compared to older people (Graham and De Lannoy, 2016: 03). The history of South Africa is always used as a scapegoat to justify the reasons why the unemployment rate is high and that also justifies the reasons why many old people who are due to retirement are still working in public sector institutions. Those who fought against apartheid and the children of freedom fighters are considered for various positions and those who were also freedom fighters are still in strategic positions regardless of their age and that affect the call by people to create a policy that will force employees who have reached a retirement age to retire in government (Baldry, 2016: 790). According to Baah-Boateng (2016: 414), jobs have been created in South Africa but available jobs will never meet the number of young people that are looking for employment. Young people aged between 16 and 35 will be increased yearly and older people do not want to retire because of various reasons.

South Africa has a high rate of unemployment and based on the current government policies and intervention, it seems like there will be no immediate solution to effectively reduce unemployment. Currently, South Africa has 6.7 million unemployed individuals which constitute 29% of people who could be working and contributing to the national economy. South Africa has a rising population yearly and the unemployment rate also rises yearly. The South Africa government does not have effective plans or policies to win a war against unemployment (Webster, 2019: 02). Amongst the unemployed individuals in the country, the youth and particularly graduates constitute a higher number.

Young people in South Africa are the most vulnerable group when it comes to finding employment hence the unemployed youth consist of 55.2 % in the entire population of South Africa in 2019. Within the same group, there are University and College graduates who spent some years in obtaining tertiary education with the hope of finding better employment. The number of unemployed graduates in South Africa increases yearly just in 2018 only 19.5 % of unemployed graduates but in the year 2019, this has increased to 31 %. Based on these statistics, a larger margin of unemployed youth consists of youth who don’t have tertiary education qualifications however, they are demotivated to pursue or to further their studies because those who have tertiary education are also unemployed. The youth have lost hope because there is no space in the working environment for them while older citizens are occupying positions in government and private sector institutions (Statistics South Africa, 2019: 15).

The national household survey revealed that unemployment and the characteristics in the labour force in South Africa shows a drastic increase in youth unemployment. Supply of labour and particularly of youth increased after the apartheid system because many young people were afforded an equal opportunity to study at the University of their choice and allowed to study any course they qualify for. This culture of the freedom of career choice has yearly, increased the number of youth who are employable but unemployed (Banerjee, Galiani, Levinsohn, McLaren and Woolard, 2008: 716). The South African government is trying, by all means, to bridge the gap on the income levels and particularly to assist the unemployed youth. The proposed policy on wage subsidy is targeted to assist the unemployed youth. The wage subsidy is targeting the tertiary institution leavers and it does not address the issue of youth unemployment hence a big fraction of youth had not accessed tertiary education. Opening a space in public and private institutions by those who have reached retirement age will not guarantee employment for all unemployed but this will absorb many unemployed young people. Government institutions and leaders in government in South Africa needs to lead by example and encourage all those who are above the legal retirement age to retire. Leaders and senior government officials who have surpassed the retirement age must open a space for young leaders to come with fresh ideas and at the same time creating job opportunities for young people (Levinsohn, 2008: 10). Youth unemployment is a socio-economic challenge and therefore, it requires a lot of stakeholders to come with ideas and creativity to face this challenge. Despite the reality of the economic challenges in South Africa but still, the government is not playing its role to ensure that those who have reached their retirement age open a space for those who are still eager to work. Unemployment is a systematically arranged situation but attempts to bridge the gap are solely dependent on the government. South African government can reduce the high level of youth unemployment by encouraging employees in the public and private sectors to retire. The experience and skills of senior citizens are required, however, such skills and knowledge needs to be transferred to the younger generation. Government failure to control the unemployment rate in the country puts a burden in higher institutions that are seen as the institutions of
knowledge production because graduates are not given a chance to apply the knowledge (Oluwajodu, Greyling, Blaauw and Kleynhans, 2015: 03).

The freedom fighters and friends of freedom fighters are in senior positions in government whether as political office bearers or as government-appointed officials. Freedom fighters are obviously at an old age hence the national parliament and many provincial legislatures have members who are above 65 years. For older public officials it seems like the reward of fighting for the freedom of this country. Economic policies that were developed after the democratic dispensation did not include a system that will be followed to ensure the smooth transition in employment. It is, therefore, necessary for the South African government to develop a policy that will restrict people to continue working even after they passed the retirement age (Beukes, Fransman, Murozvi and Yu, 2017: 34). The government policy on age restriction needs to apply in public and private sector institutions. The unemployment of youth affects the national economy and the future of the country. South African government has not prioritized the number of employees who retire when they reach the retirement age (Valodia, 2015: 07).

The failure of the government to pay attention to how people save for retirement becomes a problem when people have to retire. The retirement rate in public and private sector institutions is too minimal while the rate of employable young people grows yearly. According to Moore (2018: 05), most people run out of money after retiring and this becomes a big fear for those who are due to retire. People want a guaranteed income for life and they don’t care about those who are still looking for employment. To avoid a situation where there will be no money, employees delay their retirement. Younger people who are looking for employment find it hard to find employment because older people are still occupying those positions. Torr (2019: 05) is also of the view that the future of the country is on the hands of the younger generation, primarily because they will do their best to secure and safeguard their future.

The older generation has lived their lives and some of them have seen different generations and they are not easily adapting to the global technological changes as compared to the younger generation. The increase in life expectancy in South Africa makes it difficult to retire for people who are due to retire.

The increase in the youth population also becomes a burden of the government and society. Youth unemployment also becomes a problem of society and government as a whole. The readiness to face the financial consequences of retirement is still lacking in many employees in South Africa. According to BusinessTech (2019: 15), the priority of many workers in South Africa is to provide for themselves and their families. Money is saved for the future of kids and a less percentage of salary is saved for retirement. This culture of failure to save enough for the retirement annuity becomes a problem and a trend also for the younger generation who just joined the labour market. To create flexibility and readiness to retire, the government must enforce systems that will support employees in government and public institutions to save enough to avoid resistance towards retirement. By doing so, most young people will have access to employment and reduce the percentage of unemployed youth in the country.
III. DATA AND MODEL

The presented data is based on information collected from South African citizens.

Figure 1: Unemployment rate amongst youth in South Africa

Source: (Statistics South Africa 2019)

The above figure 1 indicates that youth unemployment is always going up yearly and the youth that is below 25 years of age is more vulnerable. The first quarter of 2019 has shown a drastic increase in youth unemployment. The results show a 31 percent increase in unemployed graduates in South Africa in the first quarter of 2019. On the other hand, between the ages of 25 and 34 have shown a slight increase of 34.2 percent, however, it is difficult in South Africa for a person who is 35 and above to get employment especially someone who has never worked before. Unemployed adults are extremely lower than the unemployed youth that equals 18 percent.
The labour market Q1:2018

37.7 million
People of working age in South Africa (15 – 64 year olds)

<table>
<thead>
<tr>
<th>Labour force</th>
<th>Not Economically Active*</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.4 million</td>
<td>15.3 million</td>
</tr>
</tbody>
</table>

Employed 16.4 M
Unemployed 6.0 M
Other NEA 12.5 M

ILO hierarchy – Employed first then unemployed and the remainder is NEA (including discouraged job-seekers). 3 mutually exclusive groups. Cannot be in two groups at the same time.

Source: (Statistics South Africa 2018)

The above figure 2, indicate the actual numbers of the unemployed youth in South Africa in 2018. The results have proven that in South Africa in 2018, 16.4 million people were employed and 6 million people were unemployed. A large number of South African population and mostly youth is not economically active and unemployable. About 12.5 million youth in South Africa is economically active.
Figure 3 shows that youth unemployment in South Africa is out of control and many young people are not doing anything. About 32.4 percent of young people in South Africa are not doing anything, not schooling or working. Young females who are not working and also not in the education system are more than their male counterparts. About 35.2 percent of females are not doing anything while 29.6 percent of males are not doing anything productive for their lives.

IV. RESULTS AND DISCUSSION

There is a drastic increase in unemployment amongst youth in South Africa and that increase is not enjoying the hegemonic attention of political authorities or government leaders. The unemployed youth in South Africa between the ages of 15 to 34 comprises of 63.4%. The percentage does not consist of unemployed people above 34 years of age however, the unemployment in South Africa. There is a less-noticed group of unemployed people in South Africa, from 35 to 64 years, they are also not considered for work-based training to ensure competency. Less participation of young people in the labour market affects the national economy further suppresses creativity (Lindwa, 2019: 10).

In the year 2018, South Africa was identified as a country that has the highest rate of youth unemployment in the world. South Africa also has shown growth in the national economy but young people are few in economic activities. Youth unemployment in the entire world consist of 71 million and South Africa contributes more. In terms of the percentage of youth unemployment, South Africa has the highest percentage which is 57.4 percent (The Citizen, 2018: 13).
The population estimates produced by Statistics South Africa (2019) show that the population of South Africa is estimated at 56.5 million people. The proportion of people older than six years is growing and it has reached 8.1 percent. The total number of people older than 60 years in South Africa is 4.6 million people. The percentage of people older than 65 years who are still working could make a significant difference if they could retire and allow young people to apply their skills and knowledge (Statistics South Africa, 2019: 30).

Youth unemployment needs collective participation by all stakeholders in the country and the government needs to develop a policy. Youth unemployment should be treated as a national emergency because youth unemployment will increase each and a very year. Unemployment among young people harms their mental well-being, physical and economic conditions. Youth unemployment contributes immensely to the social ills and bad behavior of young people (Lannoy, Graham, Patel and Leibbrandt, 2018: 06). According to Zeka (2019: 09), saving for retirement is not easy for South Africans considering the history of the country and the economic exclusion of blacks. Most people consider saving or putting aside a lump sum of money for their funerals instead of saving enough money to use if they retire. For many people, young and old, funeral constitutes a financial emergency and people fear embarrassment. People prefer to invest money in stokvels, grocery schemes and burial society instead of retirement savings. For older people, retirement is not something that they plan for. Younger people become redundant and the older people who are working are not in the business of creating jobs for younger people but they are more interested in protecting their jobs.

Family backgrounds and poverty trends in black communities compel older people to work even if they have reached the retirement age. Older people look at their situation and think about the children and grandchildren they are supporting and realize that if they retire, they will not be able to support the family. Jooste (2019: 02) states that, to open a space for younger people to access employment, older people must be taken care of and they must be trained on how to save for their retirement. People that are due to retire are willing to retire and they want to open a space for the younger generation but the main problem is that they don’t have enough savings. This paper, therefore, suggests that if no solution is made to address the retirement savings account in South Africa, this problem will always exist even for the next generation to come. Saving for retirement is not an easy decision to make but it comes with many sacrifices. South Africa’s government needs to have strict
measures that compel people to contribute enough money for retirement. When people changing their jobs, they must not be allowed to cash out their retirement funds to avoid people not willing to retire because they have already used the money.

One of the major problems that affect the retirement saving for South Africans is the lack of faith in the retirement industry. People are not convinced that their money will be safe and ready for them when they retire. A report made by Daily News (2019: 06) indicated that 41% of people in South Africa do not have a retirement plan and 46% percent do not trust the retirement industry. The report also revealed that people do not have a proper understanding of what a retirement plan and retirement is. This misunderstanding of the retirement system as a whole, creates confusion amongst young people who are unemployed and older people who are working. The younger people are of the view that older people are greedy and do not want to retire and open a space for them to work. On the other hand, older people are willing to retire but they are not sure about their future. As older people grow, they develop health issues and need special care and it is ideal for them to spend much time at home rather than spending time in institutions. Institutions either private or public need people that will be able to work and contribute immensely to the main aim and objectives of such institutions. Therefore, younger generations become a priority for many institutions to deliver the needs and objectives of many institutions. Primary health care in the country is geared for people that are in the community and not in the working environment (Kelly, Mrengqwa and Geffen, 2019).

The South African Constitution together with the Labour Relations Act protects employees against unfair dismissal. Employers are not allowed to dismiss employees based on their age however, the law allows employees to take early retirement or retire when the retirement is due. There is several cases laid by employees against employers for unfair dismissal based on age. A case between the employer and employee in the Johannesburg that took place in 2014 set a precedent in similar cases and many employers did not want to fall on the same trap. The High Court ruled in favour of the employee and the employer was instructed to pay all the costs. This particular case gives power to employees who would want to continue working even if they have reached the retirement age. Employers have no choice but to allow employees to work even if there is a need to have younger employees to fulfill the objectives of the company or institution (Justice, 2015).

Retiring and allowing the younger generation to work should be viewed in two perspectives, firstly, on the side of the employee and secondly, on the side of the employer. The employee would want to spend more time with family and enjoy the last days of their lives and focus more on themselves and reduce the pressure of thinking about work. The employer will also benefit if employees retire because more young and energetic people will join the institution and the production will be more effective.

![Figure 5: Trajectory of youth unemployment in South Africa from 2017 to 2020](source: Trading economics 2020)
Figure 5 presents the South African youth unemployment from the year 2017 to the year 2020. The youth unemployment in South Africa is going up yearly and the government lost ideas of finding an amicable solution to this disaster. The numbers will go up until the youth organize themselves to fight against unemployment.

<table>
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<th>Previous</th>
<th>Highest</th>
<th>Lowest</th>
<th>Dates</th>
<th>Unit</th>
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<td>30.40</td>
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<td>27.1%</td>
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<tr>
<td>2019-07-30</td>
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<td>Q2</td>
<td>29%</td>
<td>27.6%</td>
<td>27.80%</td>
<td></td>
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<tr>
<td>2019-10-29</td>
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<td>Q3</td>
<td>29.1%</td>
<td>29%</td>
<td>29.4%</td>
<td></td>
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<tr>
<td>2020-02-11</td>
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<tr>
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<td>Q3</td>
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<td></td>
<td>28.3%</td>
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</tr>
</tbody>
</table>

Figure 6: Current and forecast unemployment rate in South Africa

Source: (Trading Economics, 2020)

The above figure 6 indicates that there will always be a growing trend of unemployment in South Africa and the youth will be the majority. This study found that the employment rate is progressing very slowly while the unemployment rate is going higher and higher yearly. Based on these findings and the history of unemployment in South Africa, it is estimated that the employment rate in South Africa in 2022 will rise to 35 percent and the youth will be a high fraction.
The above figure 7 adopted from Business Tech provides thorough analysis of unemployment and the role played by the democratic government in job creation. The progress made to create job opportunities in South Africa is minimal when compared to the unemployment rate. The methods and systems that have been used by the South African government have not provided a solution to the unemployment problem mainly because the increase of the population is a major factor. The findings show that in 1994 the unemployment rate was 20 percent and in 2018 it was 27.1 percent, this is however affecting the economic growth of the country. All the attempts by the South African government to reduce the unemployment rate of youth have been unsuccessful over the past 25 years. All South African government policies to curb youth unemployment have failed, from the Employment Tax Incentive, Expanded Public Works Programme to Youth Wage Subsidy (Ebrahim and Pirtilä, 2019).
The above figure 8, shows the impact of those who are employed in the Gross Domestic Product (GDP) and this also shows that those who are unemployed affect the GDP of the country. The economy of the country is declining because of having many people not participating in economic activities. The government needs to develop new strategies to reduce youth unemployment in South Africa. This paper suggests that the government must review the retirement policy and also facilitate a strong policy in terms of the implementation of the retirement policy.

V. CONCLUSION

Finding a job in South Africa is a job itself, regardless of the post requirements, people still struggle to find employment even if they meet all the requirements. Youth is facing more employment challenges because regardless of their educational qualifications, they still lack work experience. Senior employees in terms of their age are needed in the working environment to transfer their experience to the younger employees but there must be a stipulated time frame on when they must leave the companies or government institutions if they have already reached their retirement age. Finding the first employment is the struggle for the South African youth whether they have specific educational qualifications or not. The institutions prefer to keep older employees rather than keeping younger employees if there is a need to retrench the employees. Life expectancy in South Africa has increased and if the country does not address the issue of unemployment, many people will be unemployed young and old. Unemployment rates among young people are higher compared to older people, this is primarily caused by the increase of younger people in the general population. Private and public institutions require relevant experience before employing people and older people have an advantage because of previous employment. Youth unemployment is not the only South African problem but many countries are suffering from the same problem.
VI. CONFLICT OF INTEREST
The corresponding author as the sole author of the article solemnly declares that there is no conflict of interest in monetary value or any form.

VII. REFERENCES


