

INCLUSIVE YOUTH EMPLOYMENT

INCLUSIVE YOUTH EMPLOYMENT PAY-FOR-PERFORMANCE BOND

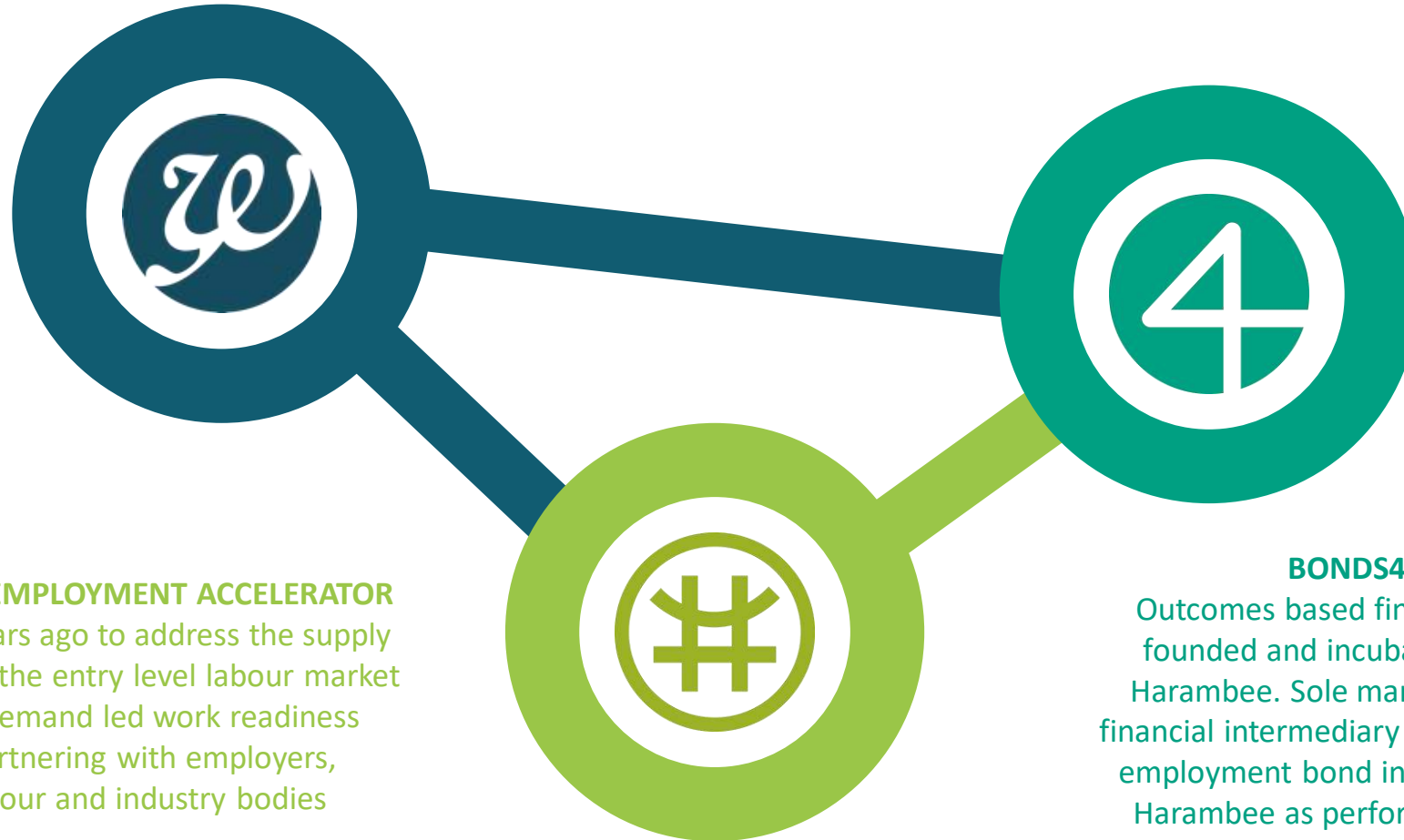
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February 2019

ORGANISATIONS BEHIND SOUTH AFRICA'S INCLUSIVE YOUTH EMPLOYMENT BOND

YELLOWWOODS

Global investment firm focused on creating inclusive growth on the African continent. Social enterprise incubator



HARAMBEE YOUTH EMPLOYMENT ACCELERATOR

Founded by YW 8 years ago to address the supply demand mismatch in the entry level labour market by implementing demand led work readiness programs and partnering with employers, government, labour and industry bodies

BONDS4JOBS

Outcomes based financing platform founded and incubated by YW and Harambee. Sole mandate is to act as financial intermediary for inclusive youth employment bond in partnership with Harambee as performance manager

GOVERNMENT

Logos of government entities including: THE PRESIDENCY, national treasury, HRDC, higher education & training, national planning commission, GAUTENG PROVINCE, CITY OF CAPE TOWN, Tshapo 1Million, the dti, EXPANDED PUBLIC WORKS PROGRAMME, Province of the EASTERN CAPE, and Western Cape Government.

BUSINESS & LABOUR PARTNERS

Logos of business and labor partners including: BUSA, NBI, BUSINESS LEADERSHIP SOUTH AFRICA, BLACK BUSINESS COUNCIL, BPeSA, BMF, ISFAP, Ikusasa Student Financial Aid Programme, and FEDUSA.

EMPLOYERS 450+

Logos of employers including: FNB, Nando's, PIONEER FOODS, Hollard, W, NEDBANK, KFC, SCAW METALS GROUP, famous brands, Discovery, Deloitte, Volkswagen, Hilton, Tongaat Hulett, OUT SURANCE, Barloworld Handling, TRANSNET, SK, BURGER KING, sasol, IMPERIAL HEALTH SCIENCES, iStore, merchants, Clientèle LIMITED, tevo, McDonald's, Standard Bank, ArcelorMittal, Pick n Pay, JUMBO, and aspen PHARMACEUTICALS.

Solving youth unemployment through partnerships

SOCIAL PARTNERS

Logos of social partners including: THE JOBS FUND, DGMT THE DG MURRAY TRUST, Michael & Susan Dell FOUNDATION, JPMorgan Chase Foundation, FIRSTRAND FOUNDATION, ELMA philanthropies, Allan Gray Orbis Foundation, FORD FOUNDATION, mastercard foundation, USAID, ntip, smartstart, and TSHIKULULU SOCIAL INVESTMENTS.

Logos of technology and innovation partners including: PIVOTAL DATA, IQbusiness, GENESYS, Microsoft, amazon, CaseBlocks, dotmodus, and omnicor.

KNOWLEDGE & RESEARCH

Logos of knowledge and research partners including: LinkedIn, Dalberg, UNIVERSITY OF DURBAN, ARTS AND TRAINING INSTITUTE (PTY) LTD, J-PAL, UNIVERSITY OF JOHANNESBURG, WITS UNIVERSITY, BERTHA CENTRE, MakingCents INTERNATIONAL, Duke UNIVERSITY, GORDON INSTITUTE OF BRITISH SCIENCE, UNIVERSITEIT STELLENBOSCH UNIVERSITY, RTI INTERNATIONAL, and HARVARD.

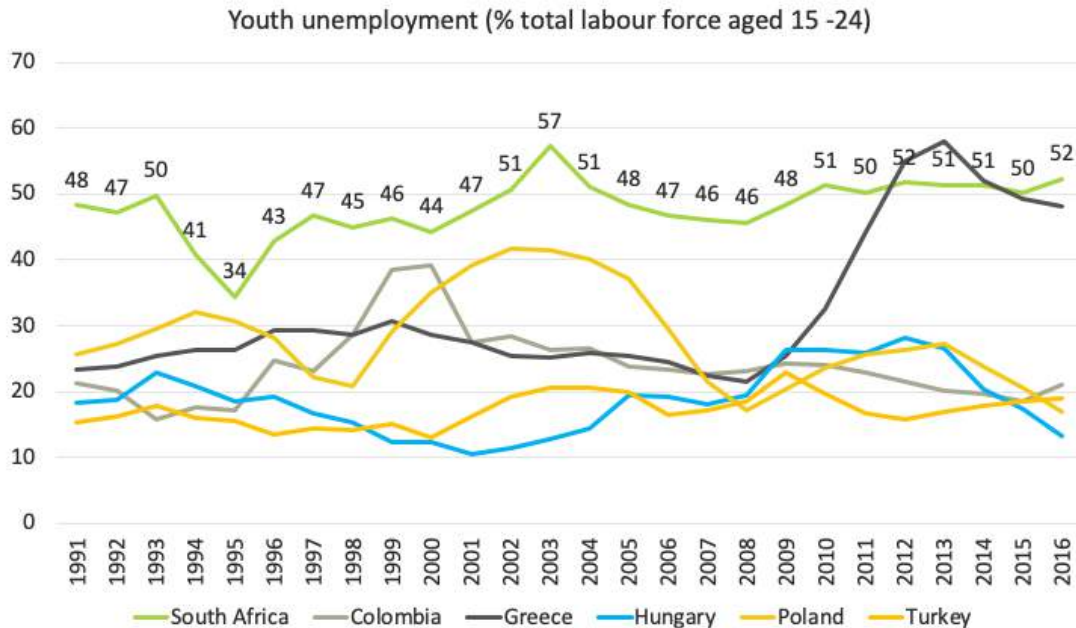
TECHNOLOGY & INNOVATION

THE CHALLENGE

YOUTH UNEMPLOYMENT CONTEXT IN SOUTH AFRICA

YOUTH UNEMPLOYMENT OVER 20 YEARS

TRIPLE CAUSE OF YOUTH UNEMPLOYMENT



SOURCE: ILOStat Database

1

STATE FAILURE

poor education

2

MARKET FAILURE

exclusionary recruitment practices & proxies for candidate potential and work-readiness

3

POVERTY & INEQUALITY

high costs of job seeking unaffordable for most – data and transportation (geographic exclusion)

TRIPLE
FINANCE

STATE, EMPLOYERS & DONORS

**THE CHALLENGE
DOES NOT NEED
MORE MONEY...**

**...JUST SMARTER
WAYS TO SPEND
EXISTING MONEY**

R200BN (~USD 14BN) SPENT ANNUALLY BY THE PUBLIC AND PRIVATE SECTORS ON POST SCHOOL EDUCATION AND SKILLING WITH POOR CONVERSION INTO ECONOMIC OPPORTUNITY

MOST SKILLING / TRAINING PROGRAMS ARE:



Not demand driven – accreditation regime does not allow for agility and market responsiveness



Expensive – for the fiscus and households in absolute terms and more so due to low pass and completion rates



Lengthy – inadequate support and orientation for poor students



Inaccessible to poor youth – exclusionary entrance requirements, information asymmetry, under-developed student financing models



THE OPPORTUNITY

A SET OF SOLUTIONS THAT CAN BE IMPLEMENTED IN THE SHORT TO MEDIUM TERM

Latent demand for entry level skills in growth sectors & employers experiencing skills scarcity



Alternative pathways to skilling which are cheaper, quicker, market responsive and more accessible by using better proxies for candidate potential & work-readiness – demonstrated proof of concept and require funding for scale

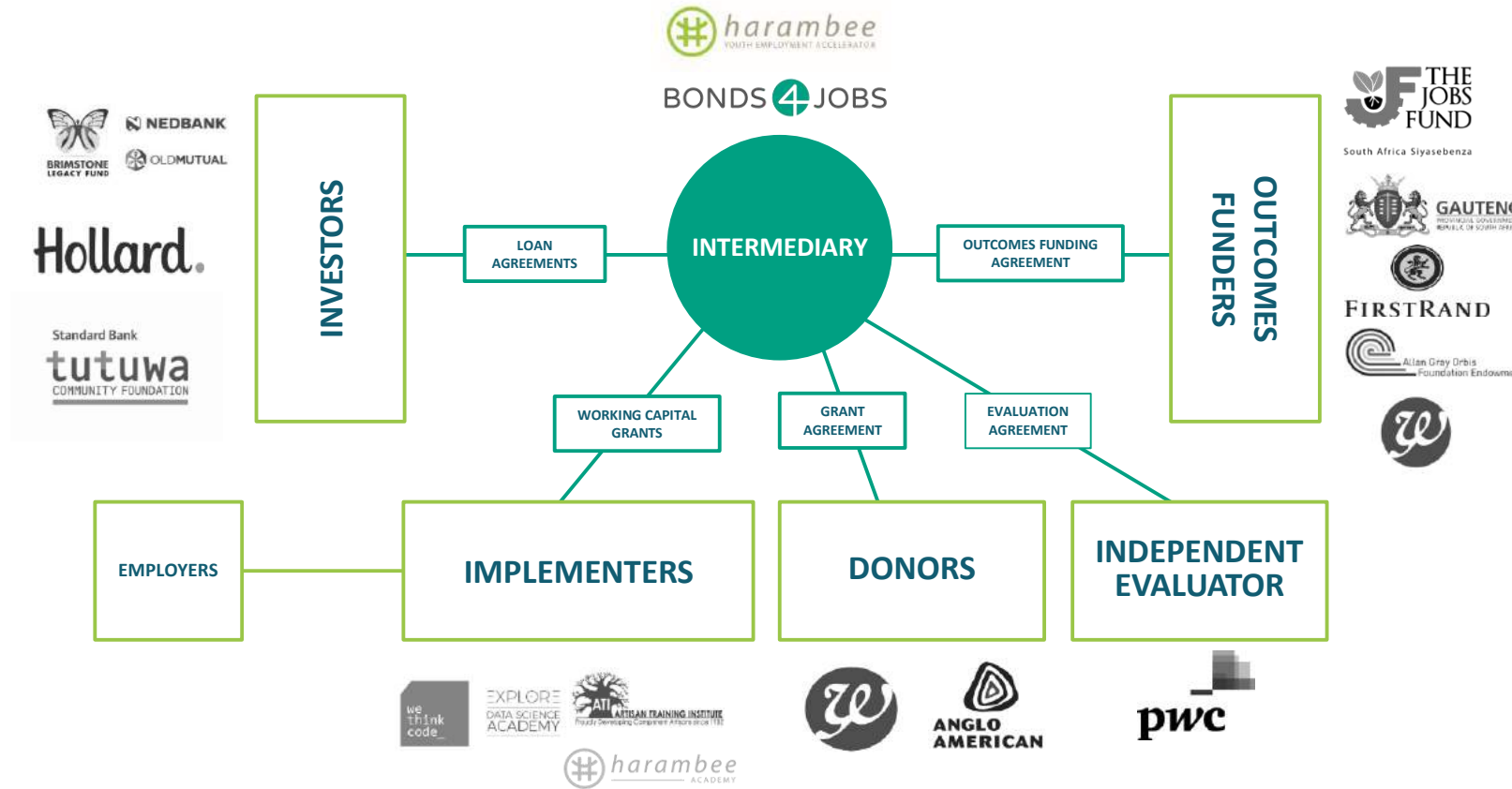


Existing spend (no need for new money) on skills can be re-directed to models that work



Micro-credentialing following global trends of shifting from macro-qualifications to micro-credentials & continuous learning

IMPACT BOND TO CREATE THE OPPORTUNITY SUCCESSFUL FIRST YEAR DELIVERED



KEY FEATURES

OUTCOMES FUNDING OVER 4 YRS
R474m (USD 34M)

BLENDED CAPITAL STACK

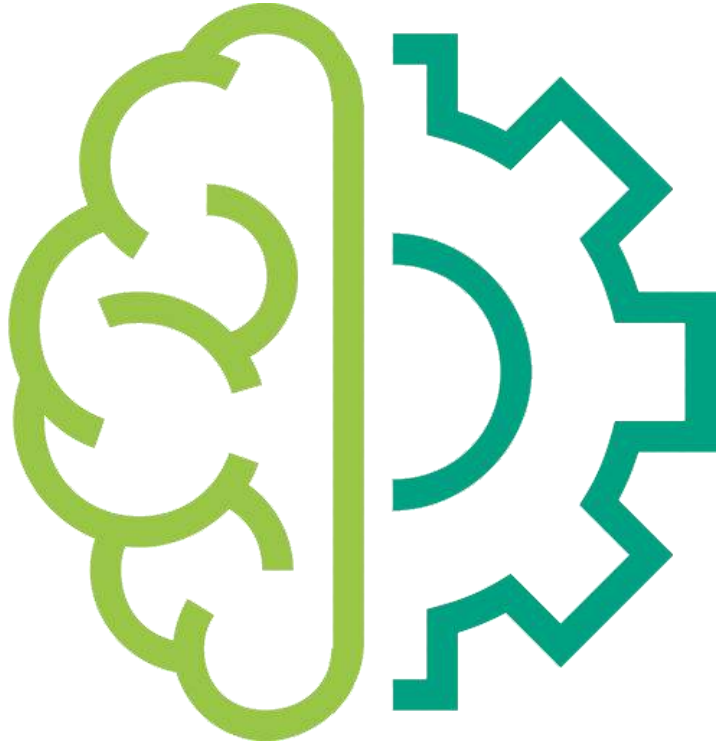
PERFORMANCE METRIC
A South African youth from a poor household placed into a job (in the identified growth sectors)

WORKING CAPITAL DISBURSEMENTS TO IMPLEMENTERS
When employers have confirmed demand for candidates

EARLY ADOPTER PARTICIPANTS

THREE KEY LEVERS FOR CHANGE

WE DESIGNED EACH ELEMENT WITH SCALE IN MIND



1 MARKET DIAGNOSTIC & DEMAND ACTIVATION

- Identification of growth sectors with latent demand for entry level human capital at scale – only those are included in the bond
- Action labs / compacts with all relevant players in the eco-system in a job family to unlock jobs at scale and agree frameworks & early adopters to develop and prove alternative pathways

2 OPERATOR DEVELOPMENT AND PERFORMANCE MANAGEMENT

- Harambee as solution architect and incubator deploying its expertise and assets
- Vision: an innovative sector of training providers that are demand led, efficient and inclusive

3 STATE AS LONG TERM, SCALABLE OUTCOMES PAYER

- Started pilot with two credible parts of the state as outcomes funders; key lever in bringing more scalable parts of the state
- Vision: Department of Higher Education & Training to institutionalize investments into alternative pathways – potential pot of money R14bn (USD 1bn)

CHALLENGES

Availability of “ready” operators – Harambee’s incubation & performance management function needs significant investment



Slow adoption of **inclusive proxies for candidate potential and alternative credentials** by operators and employers



SUCCESS FACTORS



Impact bond drawing on **Harambee’s expertise and assets** as an operator and most importantly as a credible ecosystem enabler



Harambee’s existing **relationships with government, business**



Early adopter partners that moved with speed to launch an MVP



Build in **“demand led” mechanism** from the beginning – only release working capital when confirmation of demand is secured

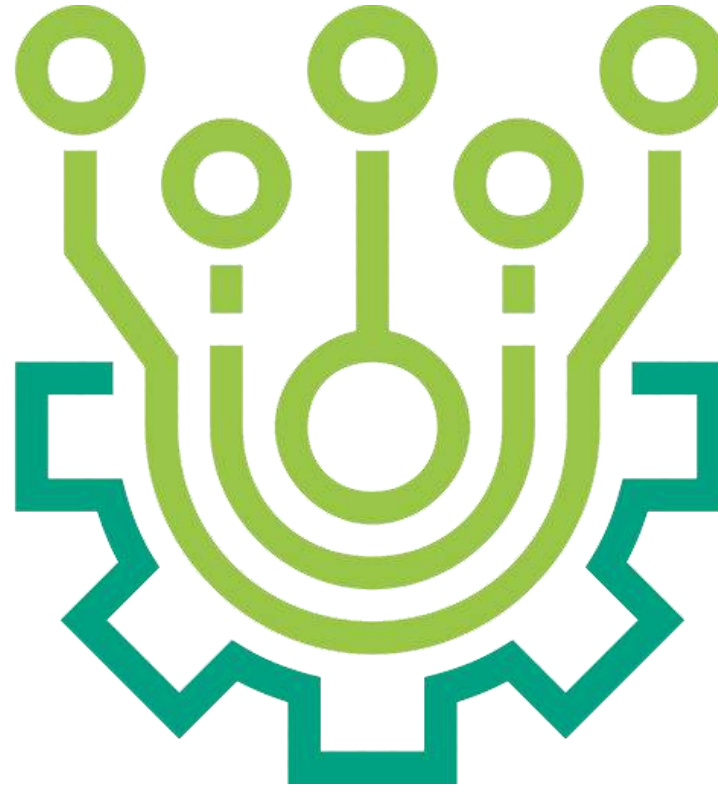
KEY SYSTEMIC BENEFITS OF THE IMPACT BOND

INCREASED RETURN ON INVESTMENT FOR OUTCOMES FUNDERS

The public, private & social sectors are currently spending significant amounts of money on skilling; this model asks for a **redirection of existing spend and not new money**



There are no **transparent cost & ROI benchmarks in the skilling sector** due to its fragmentation and opacity in what is being delivered. Over time, the P4P will develop cost & ROI benchmarks and thus **drive costs down and ROI up**



Orientating the skilling sector towards **“an economic opportunity immediately” as an outcome**. The need to secure confirmation of demand from employers before training will force effectiveness and relevance of training



Transparent and objective mechanism to **work ineffective / inefficient programs out of the system** over time

LONG TERM SUSTAINABILITY OF THE MODEL

THE STATE AS OUTCOMES FUNDER



Secure state as the long term outcomes funder at scale

Early engagements & participation in demonstrating & proving model

Understand current incentives, constraints and levers for change

Understand & **design around requirements for behavior change** (state, employers, implementers, work-seekers)

Continuous efforts to **identify and activate demand for human capital**

Robust, well-managed and credible financing platform



THANK YOU

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