

Financial diaries of the young work-seeker in South Africa

What
we
learnt

BFA

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6 November 2018

Some What
key the research
insights revealed

(STUDY CONDUCTED OVER 6 MONTHS)

Finding
a
job

Costly,
challenging
and fluid

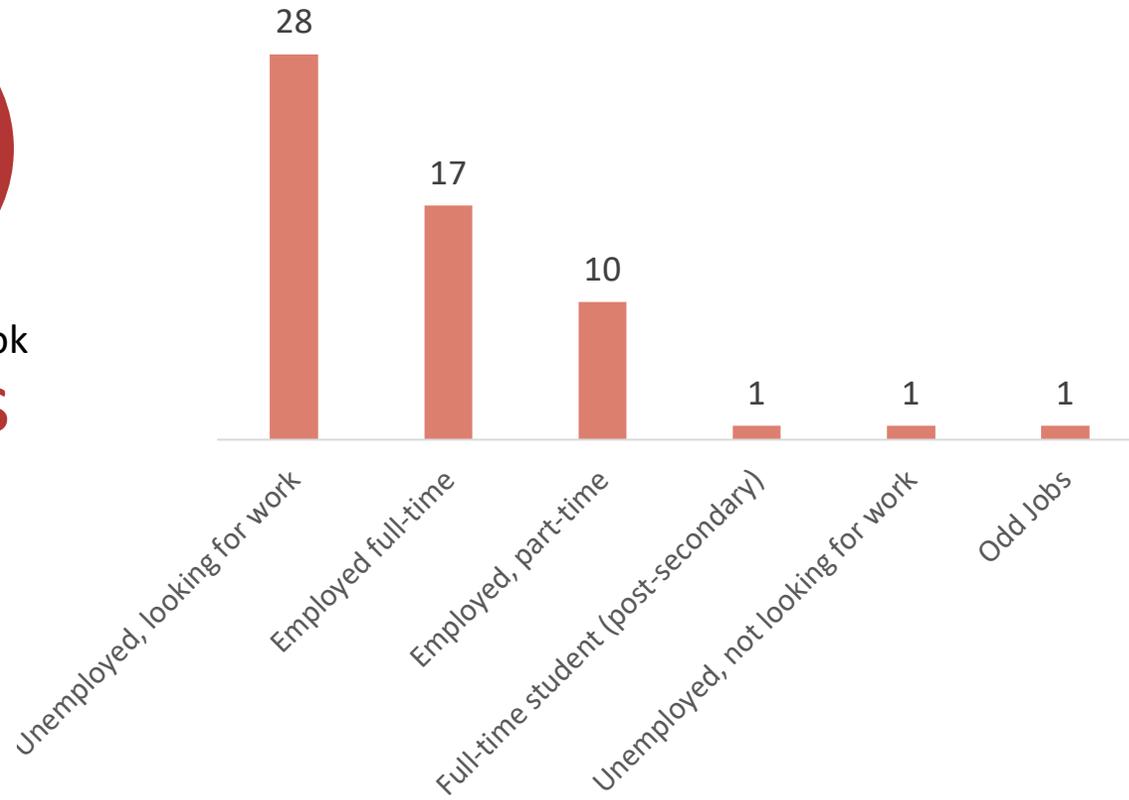


Most young people in our sample were actively looking for work during the study.

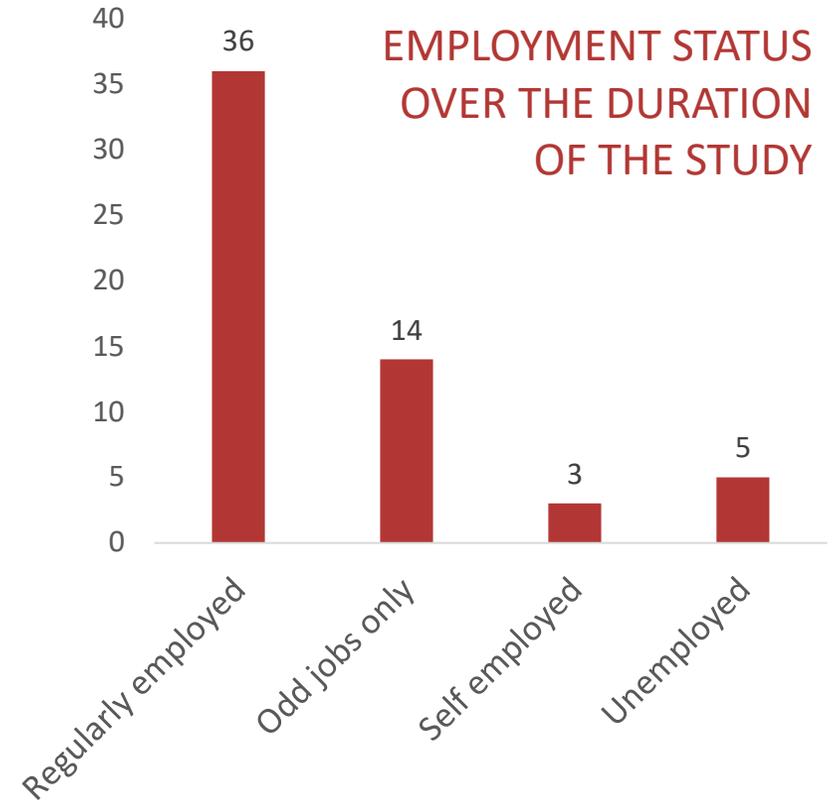


Work seekers took **41 days** on average to find a job

INITIAL EMPLOYMENT STATUS



EMPLOYMENT STATUS OVER THE DURATION OF THE STUDY





The journey to employment is non-linear and costly to poor households whilst the changing world of work places new challenges on first time work entrants.



38%

had **migrated** from neighbouring (most rural) provinces in search of jobs



100%

Of those who had employment received **financial support from family** whilst work seeking



Apartheid spatial planning has led to **high transport costs** to places of work



Data costs are **high** (2nd to Brazil in BRICS comparison, higher than Kenya and Australia)

70%

of South Africa's GDP is generated in **tertiary sector** (banking, transport, retail and hospitality sectors) where work is mainly **shift based work** with a **volatile income**



Even with relatively low starting salaries and high costs of working, the employed are better off.

UNEMPLOYED

INCOME

Financial support from family
Social grants if you are a women with a child
Odd jobs

EXPENSES

Transport for work seeking
Food & personal care & clothing mainly

EMPLOYED

INCOME

No more financial support
Social grants if you are a women with a child remain
No more odd jobs
Salary

EXPENSES

Transport to go to work (higher)
Food & personal care & clothing mainly
Help support family (12% of their income) on average

R3,000

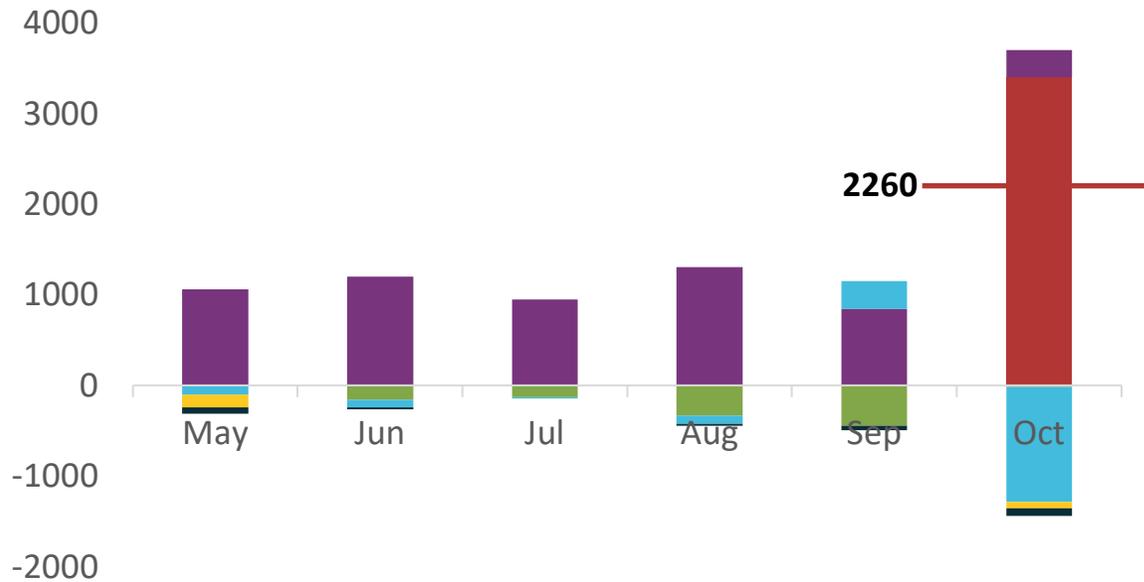
Employed have more per month





Most young people share their incomes with their family, some more willingly than others...

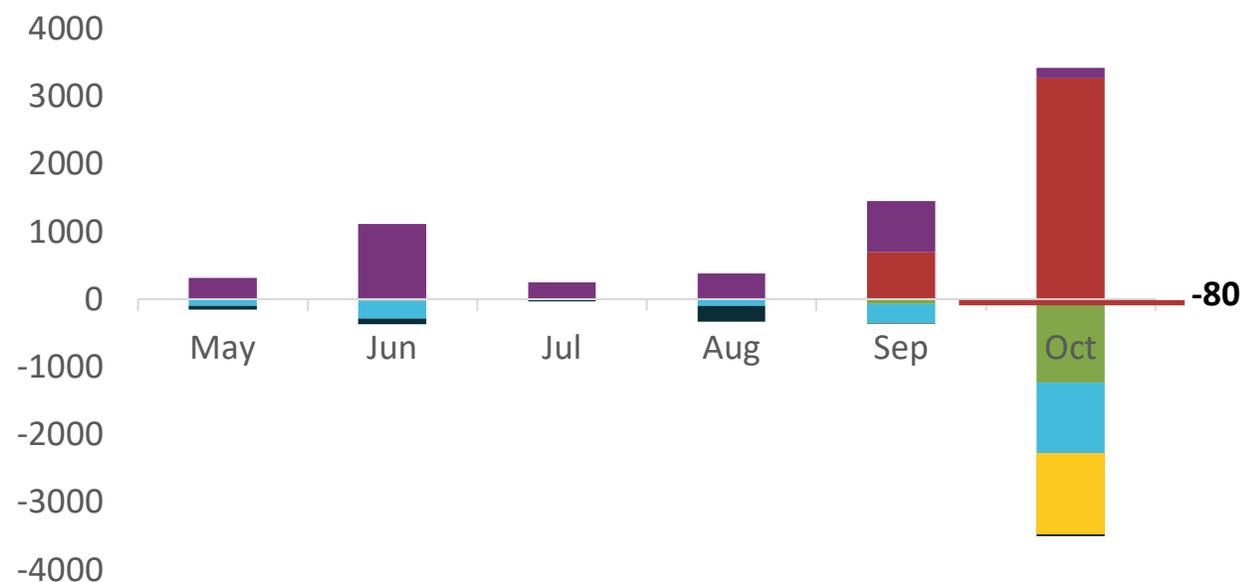
ADOPHENA'S INCOME AND EXPENSES



- Regular income
- Resources received
- Resources given
- Transportation
- Clothes
- Communication

SALARY R3,400

LUCKY'S INCOME AND EXPENSES



- Regular income
- Resources received
- Resources given
- Transportation
- Clothes
- Communication

SALARY R3,275

ABOUT FAMILY SUPPORT...

Very common for black South Africans to support poorer families (immediate & extended) – strong expectation

Merits depend on what the money is used for – consumption / investment / asset accumulation



FAMILY SUPPORT STORY #1: AMOGELANG (22)

TWO
FINANCIAL
SUPPORT
STORIES



Amogelang is the first-born of three children - born and raised in Tembisa. She lives with her uncle in her grandma's house. It was her grandmother's dying wish for Amogelang to take care of her house when she is no longer there, due to her uncle being irresponsible. Fortunately, her parents live two streets away. She sometimes eats at her parents and goes to her grandmother's place to sleep.

Amogelang has 2 children. She got pregnant in the final year of matric with an older boyfriend who left her stranded. She gave birth the following year, left the child with the grandmother and proceeded to study Human Resources. During that time, she met another boy and started dating and now have lived together for 5 years. They have a child together. She dropped out of school due to failing to pay for school fees.

At the beginning of the study, she was unemployed and survived off of her two children's social grant money,

donations from her boyfriend, parents, as well as small amounts of money that she got from her first child's father. During the study, she started working for a merchandising agency – working in two stores (one in Athol and the other in Melrose Arch), earning R3500 a month. She uses R1500 for transport, contributes R1000 to groceries at her mother's house - leaving her with R1000. She always said that "it's better than nothing and better than sitting at home".

Although she has a job, she was not happy because she was behind with her children's school fees, and the company she works for does not give thirteenth cheques in December, so she could not provide her children with Christmas presents, which was upsetting to them and her.

She remains optimistic about the future though and says that "If I can I would like to apply for a loan to go back to school and pursue HR studies. I would like to make some applications and will be ready to return the money".

FAMILY SUPPORT STORY #2:

MOTHUSI (24)

TWO
FINANCIAL
SUPPORT
STORIES



Mothusi is presently staying with two brothers, a sister, and two of his nieces. His mother passed away in 2011. His father makes a living by selling chicken feet.

He started working at Fruit Spot on a three month contract. Thereafter, he signed a 7 month contract with Baker's Brothers. He decided to join Harambee because most of his friends found employment that way. A week after joining, he got a phone call from the group where he completed his training, but did not hear back again.

He is rather unhappy about his financial situation. He opened up a clothing account a while ago, and had forgotten about it, until he had to sign a contract against his will – stating that he had to pay R300 a week to this

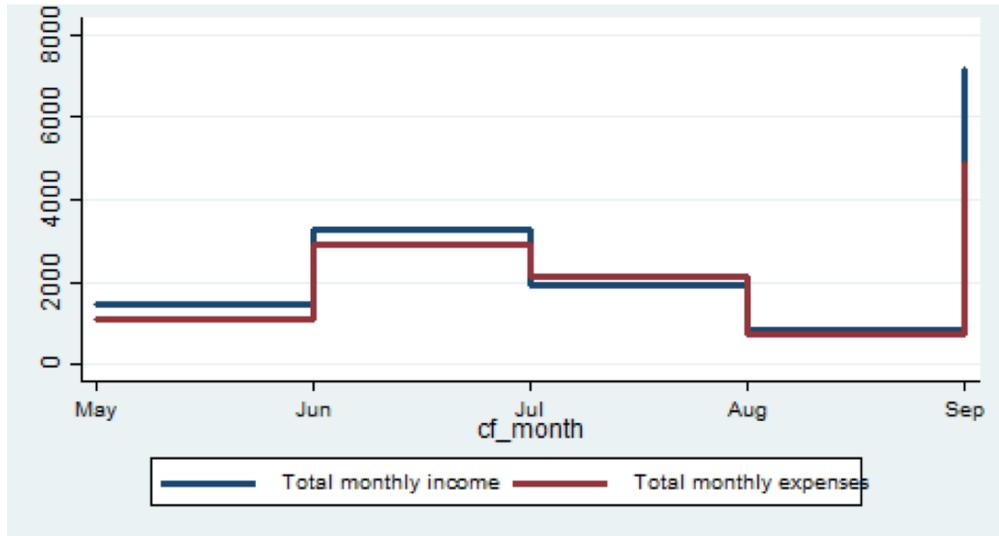
account. He said that this really crippled him, as it is about half of his salary. Furthermore, he received a text message saying that R500 had been withdrawn from his bank account – a transaction that he had not authorized. He rushed to the bank, and after a long argument with them, they agreed to repay him. He also says that his brother is a student at UJ and sometimes makes financial demands which he cannot meet. He has started complaining to other family members about this and has turned everyone against him. “I feel this is very wrong because the reason I am not studying is because my family is struggling. I had to go work to support them”.

He is trying to remain optimistic though, and his dream is to become a business owner one day.



Expenses are responsive to income for regularly employed as well as for others.

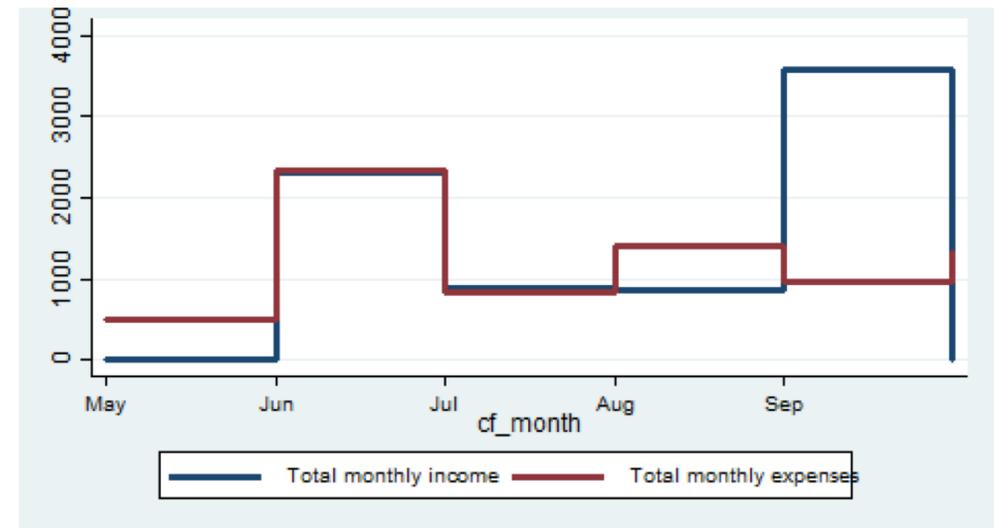
INCOME AND EXPENSES FOR GUGU



Gugu is unemployed. Her spending mirrors income perfectly.



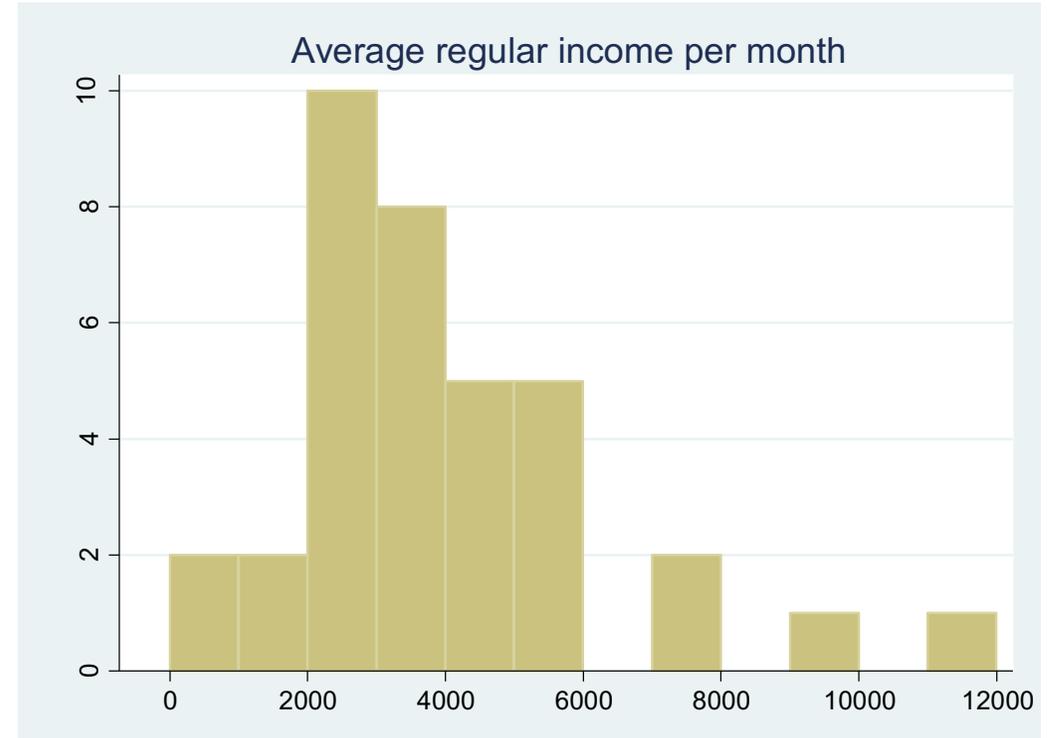
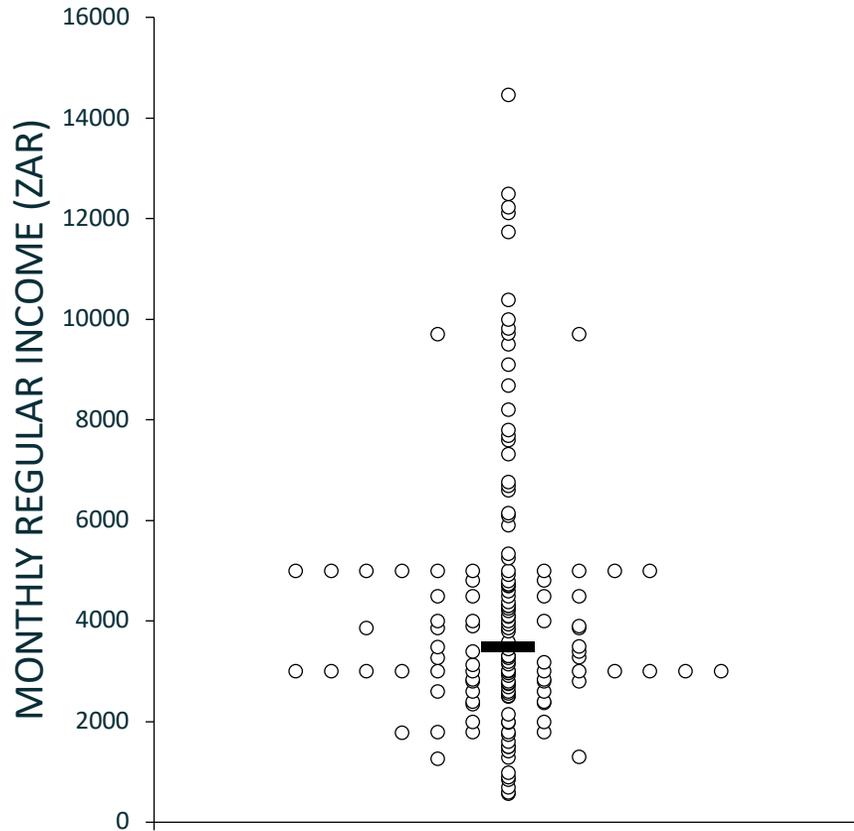
INCOME AND EXPENSES FOR MINENHLE



Minenhle has regular employment but not a constant income. Her expenses sometimes exceed income, and sometimes she does not spend all she earns.



And earnings vary from job to job...



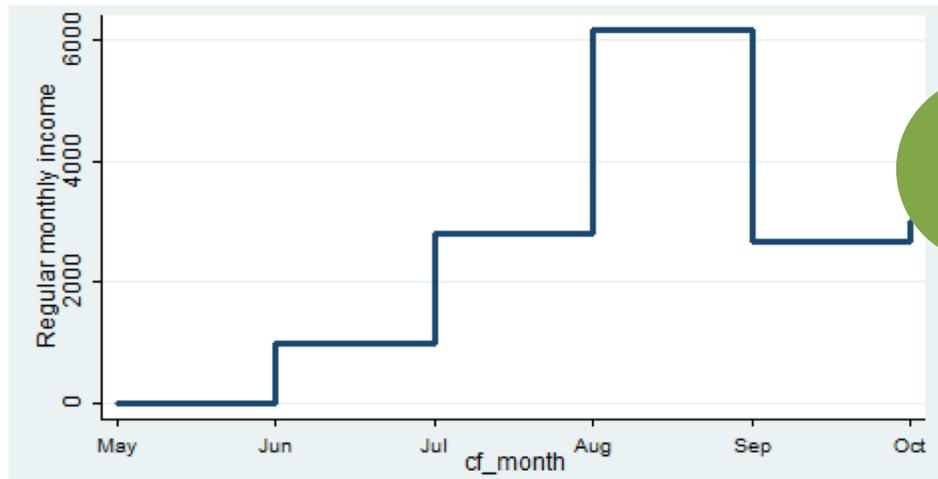
ZAR 3,350

The median regular income per month.
But it varies greatly from respondent to respondent.



Regular employment does not equate to a constant salary.

INCOME FOR THATO



Thato works for a sweets company. She is sometimes obligated to take on over time hours, as the company is understaffed. However when she works over time, she earns more.

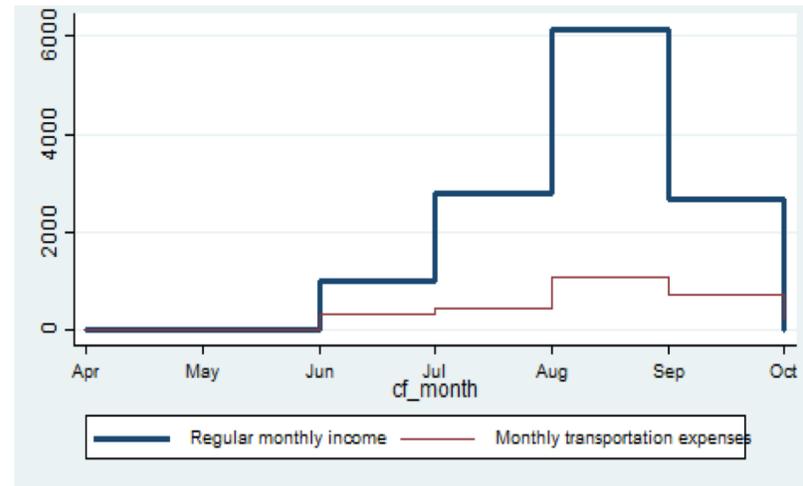
Many respondents do not have the same regular income earnings from month to month



Transportation is costly and time consuming.



INCOME VS TRAVEL COSTS FOR THATO



On months when they had regular employment, respondents spent on average 12% of their total income on transportation. But some spent as much as 40% during some months.



When compared to higher LSM consumers, Harambee candidates use less formal financial services products. However, their financial behaviours are similar.

FINANCIAL SERVICES USAGE

- All of them have transactional bank accounts (condition of employment and social grant payments)
- All of them keep money at home; about 25% lend from family and friends
- Low formal credit usage explained by “newly employed” status; 25% of those who had employment during the study took out formal credit
- Low usage (11%) of informal savings & lending groups (ROSCA & ASCA); explained by migration & low trusted networks

FINANCIAL BEHAVIOURS

- “Hand to mouth” pattern is strong among work-seekers; they spend 62% of income within two days on average
- Some are responsible & disciplined whilst others “blow their cash” right away



HARD WORK AND FINANCIAL DISCIPLINE: SAMSON (25)



TWO CONTRASTING FINANCIAL BEHAVIOURS

After passing matric Samson started to sell chicken feet. He saved enough money to be able to come to live with his uncle in Soweto. The uncle helped him get a driver's license and Public Drivers Permission license. He later moved in with his brother in Tembisa, hoping without much luck for better job prospects. Then he heard about Harambee. He wrote the aptitude test and waited to be called but was never called.

In the beginning of the third year of unemployment he heard about a program in Midrand for unemployed youth. He attended not knowing what it was. That's how he got to know the appliance bank. When boxes, pallets and containers carrying electric appliances from big chain stores fall or get damaged they are donated to the appliance bank. Samson and others fix these appliances at the workshop and then can buy them from the appliance bank at ZAR3 to ZAR12 each. The employees also receive life and sales as well as debt and book keeping coaching to help with selling appliance and managing money.

Initially Samson wanted a shop from which to sell appliances. He even dreamed of an appliance distribution business but he could not afford it, so rented a small, cheap (and unsafe) place to live and sell from. He also sells house to house. As his client base

grew, people started placing orders for specific appliances.

However, Samson can only sell what the bank has available. He never takes money in advance: he firsts secures the appliance, then contacts the client to find out if they are still interested.

Transportation is a limitation to growing his business: he can only order as much as he can carry by taxi from the bank or to his clients. This seriously limits how many sales he can make and it also eats a huge portion of his potential profit.

Samson tries to keep himself "sharp" and prevent himself from getting "lazy" so he has his own strategies (which he calls "systems"). In order to save money, he uses a debit order that takes R500 from this bank account each month. Also he always deposits his cash into his bank account leaving himself with no cash. This forces him go out and make more sales if he wants money for something . He also pays DSTV for his mother back home in Limpopo. He continuously pushes himself to achieve his sales target.

Towards the end of the study he had just moved into a new, bigger, safer back room.

A GOOD JOB AND LITTLE SELF CONTROL: CEBIL (26)

TWO CONTRASTING FINANCIAL BEHAVIOURS



When Cebil's father moved back to Limpopo to bury his wife, she decided to live in Alex with her sister in the room her dad used to occupy. Cebil started searching for a job in Gauteng.

She was placed by Harambee at Standard Bank in August 2015 and finished her learnership in 2016. Standard Bank was so happy with her work she was offered a permanent post. Her salary increased from ZAR 5000 to ZAR15000 per month.

But Cebil is not a big saver! She is spontaneous and "loves life"

On an impulse she drove to Durban with her brother on a weekend. As soon as she got the new job she bought herself with a ZAR13000 phone, for which she pays ZAR600 per month plus another ZAR600 for the phone insurance. She started going out with friends almost every weekend. She has a car so friends constantly ask her to pick them up and to go out. On weekends to avoid cooking she buys takeaway food.

What Ideas
can and
we do? interventions



Move the labour market to inclusion and make work seeking more efficient for both employers and works seekers



Advocate for improvements in structural barriers – transport and data costs



Advocate for more conducive employer practices



Inform the design of financial services products and tools that improve financial behaviours

Thank you.