

THE POTENTIAL FOR REDUCING YOUTH UNEMPLOYMENT THROUGH INFORMAL BUSINESS DEVELOPMENT IN THE ETHEKWINI MUNICIPALITY, KWAZULU-NATAL PROVINCE, SOUTH AFRICA

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Abstract

Youth unemployment is a problem that requires different diagnoses from different stakeholders, and informal business is important for local economic development. However, the youth are not much involved in the informal sector. Youth involvement in the informal sector will help address youth unemployment. This article aims to evaluate the impact of informal business development on reducing youth unemployment in the eThekweni Municipality, KwaZulu-Natal Province, South Africa. Through in-depth interviews with eThekweni Municipality officials, business support organisations and unemployed youth, assessment of supporting documents and site visits, enough data were collected to support the notion that informal business development can work to address unemployment in the municipality. The findings showed that the informal economy does not have a significant impact on completely mitigating the unemployment problem in the municipality. However, the sector is very important for economic growth and development, as well as job creation, which will begin to alleviate the unemployment problem. Thus both the formal and informal sectors of the economy need to be examined as potentially providing the first steps to achieving the long-term employment goals for the eThekweni Municipality.

Keywords: Unemployment, Youth Unemployment, Labour Market, Entrepreneurship, Informal Economy, Informal Business Development

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1 Introduction

The recent global economic crisis has worsened unemployment, the implications of which are starting to negatively affect both young people and society as a whole (Leach 2013; Gratton 2013). With less experience and fewer skills than many adults, young people often encounter difficulties accessing work and are therefore vulnerable to unemployment – particularly in a troubled economy.

In South Africa, the youth unemployment rate is approximately 51%, which is double the overall national unemployment level (StatsSA 2012). The high levels of youth unemployment are reflected in local municipalities all over the country. Like any other municipality in South Africa, the eThekweni Municipality in KwaZulu-Natal Province has youth as the largest proportion of the unemployed. In fact, the Municipality has youth unemployment levels higher than the national youth unemployment rate (eThekweni Municipality 2013; StatsSA 2012). Addressing youth unemployment is therefore a critical concern. In this regard, there is minimal research on how informal business development addresses youth

unemployment. This study was thus conducted to examine how improved support for small-scale businesses and informal businesses can eventually increase the labour market and/or create youth employment in the eThekweni Municipality.

2 Literature review

2.1 Understanding unemployment in eThekweni Municipality

There are three different types of unemployment: frictional unemployment, cyclical unemployment and structural unemployment (Mohr 2010). Among the structurally unemployed are the youth. In South Africa, the youth are defined as people aged 15–34 years (StatsSA 2012). In this group are included ‘teenagers’ and ‘young adults’ (Grigoryeva 2012; Hammer and Hyggen 2010). ‘Youth unemployment’ refers to people in this age group who cannot find a job or who are looking for a job (Mizuno et al. 2006). The diversity of this group makes it very difficult to address the employment challenges that young people are currently faced with.

According to Ryan (2001), to understand the main causes of youth unemployment requires analysis at different levels – i.e. looking firstly at the characteristics of youth labour markets and the young population as a whole, and secondly at the behavioural and demographic traits of individuals that might have an influence on their opportunities in the world of work. The high level of youth unemployment suggests that the demand for youth in workplaces is low (Ryan 2001). The first level of analysis examines the following determinants of youth unemployment: aggregate demand, youth wages, size of the youth labour force, and lack of skills. Mthembu (2005) states that young people are earning low salaries that cannot cover their basic needs and that low salaries demotivate young people and cause many of them to join the economically inactive population. The second focus of analysis concentrates on regional disproportion, age categories (e.g. teenagers versus young adults), gender, ethnic determinants, and educational attainments (Ryan 2001). Unemployment is not evenly spread, although the vulnerable groups will vary according to different conditions and circumstances – for example, many young women are unemployed (Du Toit, 2003; Ryan, 2001).

In South Africa, as with other countries, the youth employment challenge cannot be resolved by a single employment policy (Filmer and Fox, 2014, Williams and Lansky, 2013, Nkechi et al., 2012; Dewar, 2005). A problem of this magnitude requires a combination of interventions which are likely to offer the greatest potential for young people to gain decent work opportunities. However, in South Africa there are several other important policy areas that require serious consideration, including economic growth and improvements in education. For example, if the country's education standard improves, more knowledgeable and employable youth whose skills are more likely to match market place demands – will be produced (Mthembu 2005).

2.2 Entrepreneurship: a pathway to local economic development

According to Mohr (2010, 9), 'the availability of natural resources, labour and capital is not sufficient to ensure economic success'. There is a need for people who combine and organise these factors of production – individuals who are referred to as entrepreneurs (Mohr 2010). Entrepreneurs are the driving force behind production therefore Mohr (2010) asserts that entrepreneurship is an important economic force. Where entrepreneurship is lacking, the government is sometimes forced to play the role of an entrepreneur in an attempt to stimulate economic development (Mohr 2010). Furthermore, it is argued that the fastest way to create employment is through entrepreneurship (Zack-Williams et al. 2002).

A study on entrepreneurship and development in poor countries by Naudé (2011) showed that it is an

important determinant of economic growth and development. The role of institutions is to support and strengthen entrepreneurs; the aim is to be able to determine economic growth and development. Therefore, entrepreneurship may be regarded as a tool that enables institutional goals (the institution being government and more specifically local government). Academics studying entrepreneurship still have shortfalls, however, to convincingly show how institutions shape development outcomes. Naudé (2011) further emphasises the importance of institutions in promoting entrepreneurship and explains the factors that complicate the understanding of the role of the institution in this regard. Institutional entrepreneurs are innovative and therefore the ability to expand business ventures helps destroy the prevailing non-market institutions in order for business to be successful (Naudé 2011). Institutional entrepreneurs start a business and their successes derive from internal and external factors.

Szabo and Herman (2012) view entrepreneurship as a micro driver of innovation and economic growth, and entrepreneurial activities are greatly motivated by innovation, productivity growth, competitiveness, economic growth and job creation. Szabo and Herman (2012) indicated the effect of entrepreneurship and innovation on economic development – which differs according to the development stages of a country. Advancement in developing countries is more visible than in developed countries. Szabo and Herman (2012) state that increasing competitiveness in less developed countries can be achieved by adopting existing technologies or making incremental improvements in other areas, but in the countries that have reached the innovation stage of development this is no longer sufficient for increasing productivity. Government policy in the areas of science, education, intellectual property and entrepreneurship can be instrumental in fostering the competitive market economy (Szabo and Herman 2012). Local economic development in South Africa is seen as one of the best ways to reduce structural problems like unemployment, poverty and inequality (Rogerson 2008).

Local economic development includes sets of initiatives designed to promote growing local economies and to address poverty alleviation. After widespread acceptance of local economic development, Nel and Rogerson (2005) stated that local economic development support is firmly on the agenda of many governments and key international agencies. Governments have to play a leading role in supporting the development of local economies and have come to increasingly support the fostering of entrepreneurship.

The new ventures that entrepreneurs establish have some value in communities, and Wickham (2001, 35) argues that entrepreneurship is 'bringing change and making a difference'. Entrepreneurs bring opportunities and growth in communities in the form

of encouragement – complementary to new innovation and competition (Wickham 2001). Entrepreneurs are highly appreciated for their ability to acquire and utilise resources in the best way possible. Hall et al. (2010) showed that society and the government are entrepreneurs' best source of resources. Entrepreneurs operate within a wider society; according to Rwigema (2008), they provide society with new products and access to new services, and also provide fellow citizens with jobs, help make the economic system competitive, and bring knowledge to society. Therefore, in developing local economies, entrepreneurs must operate with some degree of social responsibility (Rwigema 2008).

2.3 The contribution of self-employment

The employment level in an economy will increase if there are employers – which implies an increase in the development of business and/or business start-ups through which employers can create job opportunities. To this end, Thurik et al. (2008) investigated the dynamic relationship between self-employment and unemployment. They noted that entrepreneurship has become increasingly important to developed and developing countries as a source of economic growth and employment creation. According to Thurik et al. (2008, 5), 'Linking unemployment to self-employment, individuals confronted with unemployment and low prospects for wage-employment will turn to self-employment as a viable alternative'. This argument indicates that increasing unemployment leads to increasing start-up activities. However, one cannot conclude that high unemployment is correlated with high entrepreneurial activities. Chang (2011) argues that poor countries are more entrepreneurial than rich countries; however, Thurik et al. (2008) argue that unemployed people are not more entrepreneurial. Firstly, 'the unemployed tend to possess lower endowments of the human capital and entrepreneurial talent needed to start and sustain a new firm, and high unemployment may be associated with a low degree of self-employment' (Thurik et al. 2008, 674). Secondly, high unemployment rates may also imply lower levels of personal wealth, which also reduces the likelihood of becoming self-employed. Lastly, high unemployment rates may correlate with stagnant economic growth – leading to fewer entrepreneurial opportunities.

According to Burke et al. (2008), most entrepreneurs actually spend some of their careers in wage work. Hence it is possible to distinguish between entrepreneurial types (individuals who either have been self-employed or, if not, would consider self-employment as a career option) and entrepreneurial persistence, including 'die-hard' entrepreneurs who have never been engaged in wage work (Burke et al. 2008). The most successful entrepreneurs were at some stage wage workers (Burke et al. 2008). Entrepreneurs in both the formal and informal sectors

of the economy share the same entrepreneurial qualities, but the distinction between the two is the level of risk they face such as investment and access to the ? target market (Maloney 2003). It is important to note though that not everyone who is self-employed is an entrepreneur. Some people in the informal sector are self-employed because they are continuing where their relatives left off and they did not have to bear any entrepreneurial risks to become self-employed. Nevertheless, those who are self-employed with an enterprise (formal and informal) are potentially job creators (Parker 2004). However, a minority of self-employed people hire other workers (Román et al., 2013; Parker, 2004). This is often due to the nature of work, which can be solo rather than team-based (Parker 2004). Furthermore, high wage rates, government employment protection and the fact that some entrepreneurs seem to be intrinsically disinterested in growing their businesses – result in few self-employed people employing others (Parker 2004).

Entrepreneurs are eventually employers on a small or large scale, depending on the scale of business an entrepreneur runs. Normally, informal entrepreneurs are small-scale employers and formal entrepreneurs are most likely to be larger scale entrepreneurs. Entrepreneurship success is skewed towards entrepreneurs who were once engaged in wage work. As in the formal sector, starting a business in the informal economy requires an entrepreneur to identify opportunities and explore them.

2.4 Developing businesses in the informal economy

Authorities should focus on promoting and supporting small businesses that have growing potential instead of focusing on small business in general. Knowing how significant the informal sector is and accepting that there are many debates and conflicts linked to the informal economy, the support groups and local government need to intervene to improve the link between the two parts of the economy (formal and informal) and to address problems associated with the informal sector (Lund and Skinner 2004). According to Lund and Skinner (2004), local government in post-apartheid South Africa has a mandate to play an active role in economic development, as well as in promoting participation by the public. This mandate extends to the informal economy arena.

In the early 2000s, South African policymakers had a special focus on the informal economy, and it was investigated with a special focus on the regulatory environment (taxes and laws), institutions, services (training, financial services and insurance, access to markets), and access to infrastructure and protection from crime (Lund and Skinner 2003). Cities responded to the growth of informal work and were proactive in seeking out ways to creatively support informal enterprises (Lund and Skinner 2003).

However, the policymakers need to have structured strategies to support business development – to maintain the standard of the informal business environment.

According to Ligthelm (2008), many entrepreneurs setting up businesses in the informal economy of South Africa have little business acumen and most informal businesses operate as survivalist entities with limited development and growth potential. This is a result of not having many entrepreneurs in the informal economy with capabilities to expand and develop their businesses. Policymakers therefore have to formulate policies to make an environment more hospitable to informal business with growth potential (Ligthelm 2008). According to Ligthelm (2008, 3) promoting the entrepreneurial spirit in a country is widely accepted as the key to economic growth, job creation and improved competitiveness. To have positive developments in the informal economy, the barriers that make the informal economy a marginalised sector – need to be reduced.

Furthermore, Rogerson (2004) argues that local government should support and create a healthy climate for small businesses, since many studies show that small businesses in the formal and informal sector need local government support (Nel and Rogerson 2005; Rogerson 1999; Skinner 2000; Bruwer 2012; Rogerson 2008; Rogerson 2004; Taylor 2004). Therefore government has a major responsibility for creating local economies in which small businesses can grow – especially small businesses in the informal sector which are the most vulnerable form of business. Corradi (2012) states that small businesses that expand are the ones that are led by entrepreneurs with access to resources. Development in the informal sector is thus reinforced by bridging social capital, through which new information, ideas and resources circulate (Corradi 2012). According to Corradi (2012), part of these exchanges may become formalised in business partnerships in the medium and long run, so bonding ties between the actors involved (government, businesses and interest group) are a significant requirement.

The role of local government is typically the support of small businesses in both sectors. Municipalities have acknowledged that urban growth is complemented by informal economy work, and thus they are supporting the sector with infrastructure and protection (Patunru et al., 2009). Informal businesses don't only have to be survivalist because the informal economy goes beyond survivalist business. Therefore a municipality should work on increasing interaction between small businesses with the potential to grow with resourceful actors rather than simply addressing survivalism.

2.5 Involving young entrepreneurs in the informal economy

The youth do not find the informal sector desirable. The formal sector largely constitutes small scale business and employed elderly people. The study reviewed the age groups that are largely represented in the informal economy and the youth are not participating as much as they should in related economic activities, especially considering the high level of youth unemployment (Boeri and Van Ours, 2013).

Managing a small informal business is not easy as the owner has to do all the management and administrative tasks as well as the work of the business. This, however, can be a very good practice and is likely to enable a business owner to grow their own business and increase knowledge without going through formal training. By the time a business grows and moves to the formal sector, the entrepreneur will have learned all the basics of the business without formal training.

According to Dobson and Skinner (2009) and Skinner (2005), Durban's informal economy is largely populated by older people. Dobson and Skinner (2009) stated that over half of the people engaged in informal economic activities are woman over the age of 35. This shows that many young people do not think of the informal economy as a sector in which they can start up their businesses. Young entrepreneurs are faced by many challenges. The barriers that threaten the youth include young entrepreneurs being unable to access critical business information, limited access to funding, and limited/no business experience (Bosch and Esteban-Pretel 2012). Further challenges are a lower standard of education (some without any education), lack of entrepreneurial qualities, low confidence levels about success in the business environment, and insufficient knowledge and required skills to run a successful business (Jones 2013; Gratton 2013; Webb et al. 2012).

Faced with such potential challenges, the kind of business a young entrepreneur can start at a minimal cost and/or loss – is a small informal business. Informal small businesses have minimal risks because they do not require excessive investment like a formal business (Taylor 2004). For a young entrepreneur to avoid all the potential challenges that a formal business faces, government and support groups should encourage young entrepreneurs to avoid formality barriers by starting small and informal businesses (Boateng et al., 2014).

Local government interventions that target the informal economy have largely focused on street traders (Skinner 2003). Most policies do not focus on how to help small informal business to move out of the informal economy or help informal businesses to grow. Dewar (2005) questions the need for policies to regulate the informal economy. He argues that if the scale of activity is small there is no need for policy,

but if the scale of activity is large there is such a need. For the informal economy to be attractive to young people, working conditions and informal business support has to be improved. South African NGOs play a role in motivating and protecting informal businesses by representing their interests and ensuring that small informal businesses get a location with targeted customers (Dewar 2005).

3 Research methodology

This study adopts a qualitative approach. In-depth, face-to-face interviews were conducted with a purposive sample of eThekweni Municipality officials, business support organisations and unemployed youth in the area. Using purposive sampling, 13 interviewees were selected and interviewed. To increase the reliability of the research results, further data were extracted from policy documents and economic indicator documents such as the Youth Development Policy (Presidency 2012) and the eThekweni Informal Economy Policy (eThekweni Municipality 2001). The data analysis method adopted was a qualitative content analysis.

4 Results: reducing youth unemployment in eThekweni Municipality through the informal economy

This section presents the study findings. The municipality has initiatives in place to address youth unemployment, although the focus is mostly on formal business development. This study evaluates how eThekweni Municipality addresses youth unemployment through informal business development.

The unemployment level in eThekweni Municipality has been high for years, with an unemployment rate of 20.6% (eThekweni Municipality 2013). The municipality plans to address developmental challenges, mainly by focusing on employment creation strategies (eThekweni Municipality 2012, 2013). A large proportion of unemployed people in the municipality have been unemployed for more than one year (eThekweni Municipality 2013), with statistics showing that people who have been unemployed for more than a year make up approximately 56% of unemployed people in the area (eThekweni Municipality 2013). This confirms that the municipality has a structural unemployment problem. Interviewees from the business support unit in the municipality agree that unemployment levels are high compared to those in other countries. Three interviewees argued that unemployment is even higher than official statistics when not using the strict unemployment measure. Interviewees were further aware that the unemployment problem needed to be addressed and that additional intervention was needed.

4.1 Interventions to address unemployment

To fully address youth unemployment the municipality has to make both labour market demand-side interventions and supply-side interventions. One intervention that a labour market researcher believed needed more consideration is dealing with the youth themselves. Four interviewees argued that the public cannot fully blame the government for 'youth sloppiness', and that the youth should to some degree strive to build their own careers. One interviewee argued that the youth have become 'arrogant in their expectations'. To this end, Karumbidza (2013) states that the youth have to change their attitude towards work, and consider employment in the informal sector as a real option. Interviewees from the municipal business support unit argued that the youth should appreciate every little opportunity they get to 'gain life and working experience'. The youth should indeed seek profit-making opportunities, but earnings in the informal economy are low as a result of the homogeneity of activities and entrepreneurs' attitudes towards growing their enterprises, and this may be discouraging marginalised young people (Williams 2007; Chukuezi 2010).

Other supply-side interventions that might help reduce the level of youth unemployment were suggested in an interview with a municipal labour market researcher – namely life skills and work skills education – as these may help make the youth understand the value of employment (Karumbidza 2013). This was also supported by some interviewees who suggested that youth unemployment cannot be fully solved by formal education, especially as the municipality has many youth with minimal education. A consultant in a youth development agency argued that not everyone can be educated, but that the uneducated can still run businesses and become successful.

Studies do however show that increasing participation in education and training will also benefit the economy more widely through increased productivity and long-term economic growth (Adrian 2011; Wilson et al. 2011; Craddock 2012). Many argue that government should invest in education and training to try to create a pool of labourers who are employable and who can be employers (Essop and Derek 2008; Chukuezi 2010). Thus the municipality should not discount the value of formal education but should value training those who are formally uneducated. Furthermore, the demand-side solutions to unemployment also need some intervention, in order for training programmes and education to work.

The study does not negate the use of formal interventions but suggests that supporting entrepreneurship in the informal economy can assist address youth unemployment. Entrepreneurship is about standing by yourself and taking the initiative to start a business – irrespective of the sector. It is

considered that entrepreneurship in the informal sector is an important step towards addressing youth unemployment in eThekweni municipality.

4.2 Entrepreneurship as an answer to the youth unemployment problem

Entrepreneurship is a starting point for economic development (Jones 2013), so while producing successful entrepreneurs will not fully provide an answer to the unemployment problem, it will contribute to the development of the economy as a whole. A policy and advocacy researcher argued that the country has been experiencing jobless growth, but that entrepreneurs' success can result in employment creation and this should be encouraged. Furthermore, two interviewees argued that successful entrepreneurs will eventually become employers and in the local community can become a source of inspiration, information and knowledge. This promotes an overall positive 'climate' – which encourages further economic development.

The eThekweni Municipality has a unit which is tasked with business support, including informal economy management. This is the Business Support, Markets and Durban Tourism Unit (BSMDTU), which works with various interest groups that help with informal economy management. According to three interviewees from BSMDTU, the municipality has various programmes that were set up to support informal businesses. These include programmes to train informal traders by providing and supporting business support centres and business-development programmes. The deputy head of BSMDTU stated that these programmes enable small-scale businesses to access international markets and facilitated small business growth. BSMDTU believes that success in entrepreneurship results in more employers and is a positive step towards local economic development in the municipality. This is accomplished through complementary programmes and projects to support entrepreneurs and to enable access to international markets. Business participation is not as easy – the youth must also be ready and willing to run small businesses that are subjected to a potentially high level of failure.

4.3 The challenge of business participation in addressing youth unemployment

The Youth Development Policy is a framework that outlines government plans for addressing youth development challenges – which include unemployment and a lack of education and training (Presidency 2012; eThekweni Municipality 2007). To address these challenges the municipality has to work with businesses because they are the employers in the city.

Four interviewees mentioned that it can benefit the city to have big businesses participating in addressing youth unemployment. The role of government is arguably to intervene in the labour market to regulate the behaviour of the labour market players – to link businesses to each other (Lund and Skinner 2003; Bosch and Esteban-Pretel 2012; Corradi 2012; Ligthelm 2008). Corradi (2012) stated that intervention can be in the form of linking entrepreneurs with resourceful actors and collective entrepreneurship.

For many years, South Africans believed that formal education was the answer to the unemployment problem, according to the deputy head of BSMDTU. This resulted in large investments in education but limited investments into artisanal and other training for people with no formal education. Some interviewees further argued that more than enough focus is being given to formal education and that the value of informal education and training is being undermined. An eThekweni Municipality labour market researcher argued that the government focuses on formal education because it has been restoring the balance in the country's education system. Interviewees asserted that this imbalance was caused by apartheid. However, there are currently many educated South Africans who cannot be absorbed by the labour market and formal education is not adequately providing a solution.

Big businesses in the municipality will result in knowledge spill overs, and this supports the role of local successful business in addressing youth unemployment. This involvement could take the form of mentorship. Since existing businesses are employers, it is recommended that the municipality should allow big business to work with young entrepreneurs. This will potentially act as a form of training for young entrepreneurs which could build competencies for longer term use in small businesses.

4.4 The informal economy is more than street traders

The eThekweni Municipality informal economy policy recommends that business opportunities be developed and properly planned to deliver on the strategic focus of the IDP, which is to create jobs (eThekweni Municipality 2001, 2013). The IDP also states that the informal economy plays a significant role in addressing some of the challenges in the IDP – such as poverty, unemployment and lack of skills (eThekweni Municipality 2012).

Entrepreneurs setting up businesses in South Africa's informal economy have little business acumen and most informal businesses operate as survivalist entities with limited development and growth potential (Ligthelm 2008). Rogerson (2004) and Taylor (2004) state that local government should support and create a healthy climate for small businesses. Entrepreneurship and small business

development is widely accepted as the key to economic growth, job creation and improved competitiveness (Bianchi and Henrekson 2005; Burke et al. 2008; Naudé 2011; Parker 2004; Szabo and Herman 2012; Williams 2007; Taylor 2004). Therefore this calls for stronger and more effective government support for small-scale businesses. An advocacy and policy researcher in the municipality argued that for the informal economy to have growing small businesses, it has to be properly managed to avoid selling goods that are not good for customers, improper marketing, the invasion of public property, fights and unlawful actions.

According to the first quarter employment statistics in the informal economy for the year 2013, the municipality had a good management plan, but further good management is needed to increase business success. There is a need for better management of the informal economy to stimulate employment in this sector. There is more to the informal economy than just street trading (Essop and Derek 2008; Skinner 2000; Skinner 2005), and therefore the municipality has a role to play in informing the youth about the business opportunities in the informal economy. Three interviewees said they understood what the informal economy encompasses and that great focus is given to the more visible sector.

Entrepreneurship is a local economic development strategy in itself (Bruwer 2012; Chang 2011; Hall et al. 2010; Lund and Skinner 2003; Nel and Rogerson 2005; Rogerson 1999; Rogerson 2004; SALGA 2012; Szabo and Herman 2012; Wickham 2001). Many people support entrepreneurship as the way to develop local economies, for example the informal economy researcher mentioned that many women are joining Durban's informal economy because the entrepreneurial activities have improved the lives of many people.

The interviewees also thought that entrepreneurship provides a large part of the answer to the youth unemployment problem. The structural youth unemployment problem is a complex matter to resolve. However, the encouragement of informal business start-ups could provide some parts of the answer to the problem. Informal business development can add to the ways in which the eThekweni Municipality is working to reduce youth unemployment, as more support of the informal economy will in turn increase the informal economy's success stories and thus grow the numbers of employers and the labour market capacity.

5 Conclusion

Creating jobs is arguably South Africa's single most important task, which is why job creation should be central to the local municipalities' priority objective of eliminating poverty by 2030. The aim of the article was to ask whether youth unemployment can be reduced through informal business development in the

eThekweni Municipality. It has been shown that youth unemployment can be reduced by informal business development and the municipality is working to empower people with the relevant training and skills to do the jobs required so they can become valuable contributors to the economy. The challenges facing local government and society are substantial, but not insurmountable. Local governments do however need to try non-traditional approaches in reducing youth unemployment – so that even the illiterate can effectively participate in economic activities.

The study highlights that the reduction of youth unemployment requires varied and multiple interventions, support and economic shifts. This is particularly true since different businesses and individuals have unique needs and preferences and begin to operate in the marketplace from different starting points. Therefore no one policy or programme can completely solve the youth unemployment problem in the eThekweni Municipality. The youth have different needs and the youth interviewees expected varied support from the government. Therefore, government should also have various policies and programmes to meet the youth's needs.

Partnerships are very important and it is clear that partnerships with other organisations may assist the municipality fulfil its role of supporting young entrepreneurs. The findings further suggest that some partnerships between the municipality and groups interested in assisting the youth have not been successful, with participants arguing that there is a need for more partnerships with stakeholders to have different parties supporting youth programmes from various standpoints. Furthermore, to help small businesses make a significant impact on the labour market, the local small and informal businesses need to be supported so that they can expand and invent new ways to meet the needs of the local community. Both formal and informal businesses are started by entrepreneurs who share some of the entrepreneurial qualities characterised in the literature. However, the challenge is matching assistance programmes with the kinds of support the entrepreneurs need so that they are relevant and more likely to be successful.

For unemployment to be reduced through informal business development, the whole thinking on the informal economy needs to be changed and the youth need to see the value of participating in it. The contribution of the informal economy in the development of local communities has already been proven and participants said that, without doubt, the development of the informal economy will bring about positive benefits. Although informal business development will not make direct short-term contributions to the municipality's labour market, the informal economy is very important for the youth to practice business functions – because the failure costs are low. To create an environment in which the municipality has to work with all stakeholders in solving unemployment from different standpoints, the

municipality's business support groups should work with entrepreneurs from all sectors – which will contribute to bridging the gap between the informal and formal economy.

The findings showed that the informal economy does not have a significant impact on completely mitigating the unemployment problem in the municipality. However, the sector is very important for economic growth and development, as well as job creation – which will begin to alleviate the unemployment problem. Thus both the formal and informal sectors of the economy need to be examined as potentially providing the first steps to achieving the long-term employment goals of the eThekweni Municipality.

The findings suggest that increased support will eventually lead to increasing numbers of employers and informal economy success stories. This shows that the development of informal businesses has a powerful potential to result in job creation. However, most importantly, it will promote creative and innovative thinking as people will start exploring the less visible sectors in the informal economy – thus leading to local economic development.

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