

## Transport Subsidies and Job Matchmaking in South Africa

**Researchers:**

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**Sector(s):** Labor Markets

**Location:** Johannesburg, South Africa

**Sample:** 1,200 young job seekers

**Target group:** Job seekers Youth

**Outcome of interest:** Employment

**Intervention type:** Subsidies Transportation Monetary incentives

**AEA RCT registration number:** AEARCTR-0000362

**Partner organization(s):** African Microeconomic Research Unit (AMERU), National Planning Commission of South Africa, Rea Vaya, South Africa Department of Labor, The Johannesburg Metropolitan Bus Service, The National Youth Development Agency (NYDA)

Youth make up 37 percent of the working-age population in Africa, but 60 percent of the unemployed. One reason for high unemployment among this group is that youth may live geographically far from where many jobs are located, making travelling to search for employment expensive. These high transportation costs can discourage youth from looking for work. In this study, researchers use a randomized evaluation to examine the impact of providing transportation subsidies on youth employment in South Africa.

### Policy issue

Youth unemployment is a growing concern in Sub Saharan Africa. Youth comprise 37 percent of the region's working-age population, but 60 percent of its unemployed. One factor that potentially contributes to high unemployment is the distance between job seekers and jobs. When job seekers live far from employers due to spatial inequality, the cost of traveling—such as paying for bus fare or time spent travelling—could outweigh the potential benefit of searching for a job, especially if employment prospects are very uncertain. Programs that increase access to public transportation and decrease travel costs associated with the job search could improve labor market outcomes but there is little rigorous evidence supporting the effectiveness of these programs. Researchers have designed a randomized evaluation to examine the impact of providing transportation subsidies on youth employment.

### Context of the evaluation

This evaluation takes place in South Africa, where 25 percent of adults and out-of-school youth do not have a job. During the Apartheid regime in South Africa from the 1940s to the 1990s, a substantial portion of the black South African population lived in

homelands—self-governing states with very poor infrastructure located far from centers of business and industry. Today, residents of these areas still face high transportation costs when travelling between where they live and where jobs are located. Job seekers spend on average 105.75 South African Rand (US\$13.6) each week travelling to search for work. This is equivalent to 25 percent of the weekly salary for a full-time employee earning the minimum wage. Such high costs may discourage people from actively searching for jobs, contributing to higher unemployment.



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## Details of the intervention

Researchers are using a randomized evaluation to examine the impact of subsidizing transportation on job search activities and youth employment outcomes by providing prepaid bus tickets for two major public transportation systems, Rea Vaya and Metrobus, in South Africa.

From the database of unemployed youth (between 18 and 30 years old) provided by the South African Department of Labor, researchers randomly invited 1,200 job seekers to participate in the program. Participants were randomly allocated to one of three groups at the start of the program:

1. *Unconditional Transportation Subsidy*: 400 participants were offered the normal Rea Vaya Smartcards preloaded with money youth could use either on transportation within the Rea Vaya network or at any shop accepting the card. Each participant also received a Metrobus transport card. The subsidy lasted for five months, and the total subsidy per month was 340 South African Rand (US\$30.4).

2. *Conditional Transport Subsidy*: 400 participants were offered special Rea Vaya cards preloaded with the same amount of money as the Unconditional Transportation subsidy group, but the card could only be used for transportation within the Rea Vaya network. Each participant also received a Metrobus transport card.
3. *Comparison group*: 400 participants received the Rea Vaya Smartcard and the Metrobus transport card loaded with only one trip.

Researchers will gather data through interviews with participants on job search activity, job history, and various socioeconomic characteristics. They will also extract data from the two transport systems on travel patterns and transactions made using the cards provided to study participants.

## **Results and policy lessons**

Study ongoing, results forthcoming.