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# Unlocking POTENTIAL

## Investigating the Feasibility of Unconditional Cash Transfers to Boost Labour Market Participation among KZN's Unemployed Youth

Unconditional Cash Transfer Project (UCT)

Pietermaritzburg Economic Justice & Dignity Group
2025

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# Acknowledgements

**We extend our deepest gratitude to all the participants of the Unconditional Cash Transfer (UCT) project who generously shared their time, experiences, and insights.**

Your willingness to engage with the research process and reflect on the changes in your lives made this study both possible and meaningful.

We are especially thankful to Misereor Development Agency for proposing this project and providing the funding that enabled its implementation. Your vision and commitment to social and economic justice provided the foundation for this work.

We also acknowledge the management of the participating Technical and Vocational Education and Training (TVET) Colleges for their support, particularly in providing meeting venues and assisting with logistical arrangements throughout the project.

Sincere thanks go to the Justice and Peace Department of the Southern African Catholic Bishops' Conference, whose administrative and financial management support ensured the smooth running of the project.

Finally, we recognise and thank the implementing team from the Pietermaritzburg Economic Justice and Dignity Group—Philippa Barnard, Melusi Zwane, and Mervyn Abrahams—for their dedication, integrity, and tireless efforts in bringing this project to life and ensuring its successful execution, including writing this report.

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*Note: Some of the photos displayed in this document are for illustrative purposes only and does not reflect the livelihoods created by the participants of the project.*

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**Unconditional Cash Transfer Project (UCT)**

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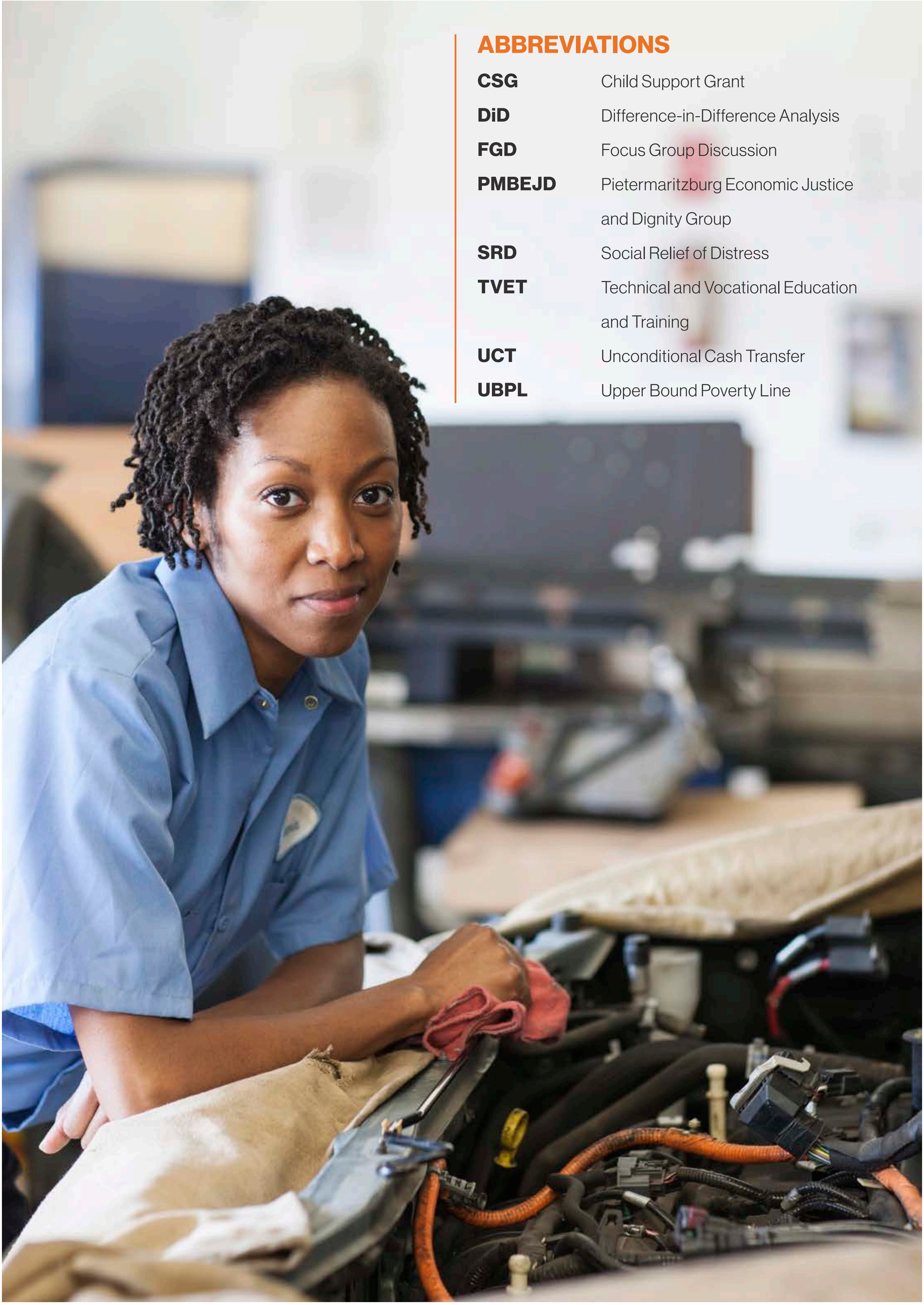
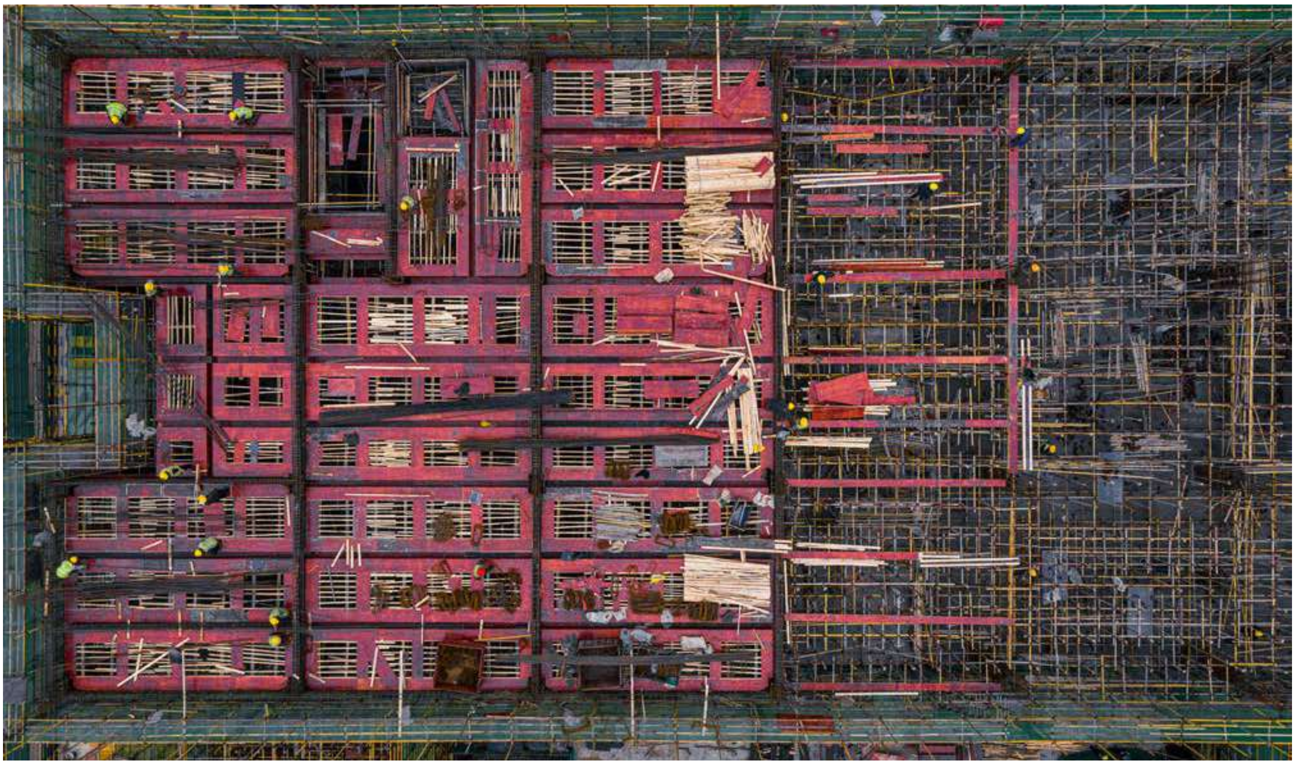


## ABBREVIATIONS

| | |
|---|---|
| **CSG** | Child Support Grant |
| **DiD** | Difference-in-Difference Analysis |
| **FGD** | Focus Group Discussion |
| **PMBEJD** | Pietermaritzburg Economic Justice and Dignity Group |
| **SRD** | Social Relief of Distress |
| **TVET** | Technical and Vocational Education and Training |
| **UCT** | Unconditional Cash Transfer |
| **UBPL** | Upper Bound Poverty Line |



# Executive Summary

**South Africa's persistently high youth unemployment is both a social crisis and an economic constraint. In the first quarter of 2025, overall unemployment stood at 32.9%, while youth unemployment (ages 15–34) reached 46.1%. This problem is not only about a lack of jobs, but it also reflects deep structural barriers including skills–demand mismatches, limited access to job networks, high costs of job search, and scarce capital for self-employment.**

Even among graduates of Technical and Vocational Education and Training (TVET) colleges—a group theoretically better positioned for employment—unemployment remains high at 37.3%. Many graduates face months or years of stalled labour market entry, particularly in lower-income communities where households cannot absorb the costs of transport, data, certification fees, or business start-up capital.

This project tested whether an unconditional cash transfer (UCT) could act as a catalytic complement to South Africa's post-school training by enabling unemployed TVET graduates to overcome financial barriers to employment and self-employment. One hundred participants in Pietermaritzburg received R2 000 per month for 24 months to examine whether predictable cash could sustain job search, improve employment uptake, and support the creation of start-up livelihoods. [1]

The transfer was set deliberately above the upper-bound poverty line (UBPL) which in September 2022 was set at R1 417.00 so that resources were not fully absorbed by subsistence needs, leaving space for productive use. Its unconditional design expanded decision-making

**1** In this report we use the term livelihood in the sense of an enterprise as formal and informal income-generating activities.

autonomy, allowing participants to balance household stability with strategic investments in work search, training, and small business activity. In this way, the intervention promoted financial agency, dignity, and more sustained engagement with the labour market.

By combining quantitative tracking with qualitative interviews and a follow-up six-month post-transfer survey, the study provides evidence on how cash and skills interact in a South African youth labour market context. The findings have direct implications for the design of provincial and national youth employment strategies, particularly in aligning financial support with skills training, enterprise development, and structural reforms.

# Key Findings

The core research question asked whether a predictable, unconditional cash transfer (UCT) could support unemployed TVET graduates to overcome financial barriers and achieve labour market participation through employment or self-employment. The evidence demonstrates that UCTs can indeed play this catalytic role, though sustainability remains a challenge once transfers cease.

## 1. Rapid Economic Activation:
**The UCT quickly drew participants into economic activity at levels well above national norms.**

By endline, 74% of the treatment group were economically active (25% in employment, 38% in income-generating livelihoods, and 11% combining both), compared to just 29% of the control group, all in wage employment. The treatment group not only achieved much higher activation but also diversified into self-employment pathways, while inactivity rates fell sharply (26% vs 71%). These outcomes exceed national benchmarks, where only around 40–45% of comparable TVET graduates are economically active even several years after completing training, demonstrating that the UCT accelerated both the scale and diversity of labour market participation.

## 2. Higher-Value Cash Transfers Removed Barriers and Enabled Employment and Livelihoods:
**Cash removed barriers to work and starting livelihoods.**

The UCT removed barriers to both work and starting livelihoods. Ninety-four percent of employed participants used the transfer to cover job search expenses such as transport and data, removing immediate cost obstacles to accessing work. At the same time, 49 new income-generating livelihoods were created, with more than 80% launched solely through the UCT as start-up capital—evidence of its catalytic role in enabling enterprise. Setting the transfer at R2 000, above the upper-bound poverty line of R1 417 (September 2022), was pivotal: after meeting basic needs, participants could save, purchase tools, fund job search, or pool resources to start businesses. The higher transfer value also reduced stress and restored dignity, whereas a subsistence-level grant would likely have been absorbed entirely by food and rent, leaving little scope for economic activation.

## 3. Financial Agency and Psychosocial Gains:
**Unconditionality of the UCT enhanced dignity and confidence.**

The UCT maximised flexibility strengthened financial agency, and upheld dignity. Participants reported greater independence, reduced reliance on family or partners, and restored confidence. Lower stress and a stronger future orientation underpinned sustained labour market engagement, highlighting the psychosocial as well as economic impact of cash.

## 4. Household-Level Benefits:
**Households experienced tangible improvements.**

The UCT improved household welfare: 98% reported better food security, with spending also directed to education, assets, and emergencies. It also reduced household conflict and expanded women's autonomy, indicating that

UCTs produce wider social benefits that reinforce individual activation.

## 5. Limited Alignment Between TVET Training and Economic Outcomes:

### TVET skills contributed, but often outside their intended sectors.

Although some participants applied their training directly, most entered livelihoods or jobs in unrelated fields such as retail or food services. This indicates that while TVET provided a foundation of skills and confidence, its direct contribution to economic activity was limited by scarce sectoral opportunities, with the UCT enabling activation in alternative avenues.

## 6. Post-Transfer Sustainability Challenges:

### Gains weakened after the UCT ended.

While the UCT drove strong activation during the transfer period, gains weakened once the transfer ended. Six months after the end of the cash transfers (April 2025), the number of participants in employment as their sole source of income fell slightly from 25 to 24, while those relying solely on livelihoods increased from 38 to 40. However, the number combining both employment and a livelihood dropped sharply from 11 to 5 participants. Overall, the economically active cohort decreased from 74 to 69 participants, while those economically inactive rose from 26 to 31. Attrition was primarily linked to the erosion of working capital and limited job opportunities when contracts ended, highlighting the need for complementary measures, such as access to other forms of finance, sectoral development, longer-term job creation, improved job matching, and supportive services, to sustain the outcomes achieved during the transfer period.

## 7. Perceptions of the Two-Year Project Duration:

### Participants viewed two years as insufficient for lasting change.

Many participants argued the transfer period was too short, suggesting an extension of six months to five years would allow time for household stabilisation and business growth. A minority countered that outcomes depended less on duration than on how quickly funds were mobilised. Participants' reflections highlight that duration shapes both stability and sustainability: while two years was long enough to trigger activation, it was too short to consolidate gains. Yet, the minority view, that outcomes hinge more on the rapid and strategic use of the transfer than on project length, might point to the importance of complementary supports alongside transfer duration.

# Key Recommendation:

### Roll Out Multi-Province UCT Pilots

This project's usefulness for national policy is limited by its small sample size and single geographic focus. Expanding UCT pilots to 3–5 provinces, targeting areas with high youth unemployment, would test scalability and performance across diverse contexts, including rural versus urban areas. Comparative designs could include baseline UCTs, tapered models, job-placement linkages, and enterprise top-ups, which could generate stronger evidence for potential national policy consideration.

# Introduction

Young people in South Africa face significant barriers to access the labour market, with unemployment figures much higher than the overall unemployment rate. Having a job is not only a milestone, but also a crucial step toward economic independence and socio-economic inclusion. It fosters a sense of human dignity and enables long-term human capital accumulation.

While many programmes focus on facilitating the transition of young people from education into the workforce, limited attention has been paid to the feasibility of unconditional cash transfers for unemployed youth with post-school qualifications. While the Social Relief of Distress (SRD) grant offers temporary income relief, its design differs from an unconditional cash transfer (UCT) approach who's potential to enable labour market engagement and sustainable livelihoods remains insufficiently explored.

To investigate the potential effectiveness of an unconditional cash transfer on increasing labour market participation or livelihoods creation by unemployed youth, the Pietermaritzburg Economic Justice & Dignity Group (PMBEJD), in partnership with Misereor, launched a UCT project in September 2022.

For two years, 100 Technical and Vocational Education and Training (TVET) College graduates (71 young women and 29 young men) from around Pietermaritzburg, received a UCT of R2000 per month. The transfer was set above the upper-bound poverty line (R1 417 in September 2022) to move beyond survival spending and enable productive use. The objective of the project was to investigate the question: "Does an unconditional cash transfer of R2000 per month, for 24 months, provided to unemployed youth, who completed post-school education or training, lead to them creating economic livelihoods or increase their participation in the formal or informal labour market?"

This study therefore seeks to deepen understanding of whether a causal relationship can be established between a UCT and improved labour market outcomes, such as increased job search activity, employment, or the establishment of livelihoods or small businesses, specifically among youth who have completed post-school vocational training.

In designing this project, we placed equal emphasis on testing the synergistic effect of cash alongside prior skills training, recognising that access to finance alone may be insufficient, but when paired with relevant skills, could enhance a young person's ability to enter the labour market. The participants targeted in this project, unemployed graduates of TVET Colleges, represent a group who, despite having completed accredited training, face persistently high rates of unemployment. This positions them as both vulnerable and potentially highly responsive to targeted interventions that lower the financial barriers to job search, mobility, and enterprise development (Powell, 2019).

By investigating the intersection of vocational skills and financial support, this study seeks to generate empirical evidence on whether UCTs can function as a strategic complement to existing investments in youth training. In doing so, the research goes beyond narrow monetary metrics to assess the broader developmental impacts of UCTs, including their influence on participants' economic engagement, mental health, food security (particularly in relation to child wellbeing), household cohesion, and personal dignity, especially regarding shifting dynamics around men's roles as breadwinners.

This research should be viewed as part of a wider inquiry into the role of UCTs in promoting labour market participation and enabling the creation of livelihoods among unemployed youth. It positions cash transfers not merely as welfare interventions, but as potential tools for policy innovation in addressing the structural drivers of youth unemployment. This report presents the key findings from the study and outlines a set of evidence-based recommendations for future policy and programme design.











Scan the QR code
to view the video

UCT

# 01 Research Rationale

## 1.1 Youth Unemployment in South Africa

Youth unemployment consistently ranks as one of South Africa's major socio-economic challenges, with rates significantly higher than the overall unemployment rate. In the first quarter of 2025 the national overall unemployment rate (all ages) stood at 32.9% while youth unemployment (ages 15 to 34) was 46.1%. Youth therefore face disproportionately high joblessness, with nearly half unable to find work. Over the past decade, youth unemployment has increased by 9.2% (Statistics South Africa, 2025).

This decade-long rise indicates worsening labour market conditions for young people in South Africa, highlighting persistent structural barriers to employment. Despite increased education and training enrolments during this period, the labour market has failed to absorb available youth into formal employment. Data on youth unemployment shows that higher levels of education impact positively on youth employment, with young people with post school level education faring better in employment. In the first quarter of 2025, young people with vocational or technical training, such as provided by TVET colleges and classified as "other tertiary", have an unemployment rate of 37,3% while university graduates have a rate of 23,9% which is much lower than the national average of 46.1%.

Despite significant investments in post-school education, vocational training, and skills development initiatives,

many unemployed youth—particularly in marginalised and resource-poor communities—continue to face substantial barriers to entering the labour market. These include the high costs associated with job searching, such as transport, data, and document preparation, as well as limited access to start-up capital for self-employment or small business development. While the Social Relief of Distress (SRD) grant of R370 offers some temporary financial relief, its value is insufficient to meaningfully support sustained labour market engagement or the development of income-generating activities. Moreover, there is currently no dedicated, state-provided UCT designed to assist unemployed youth in navigating these financial obstacles.

The persistence of these constraints suggests that existing measures, though necessary, may be insufficient on their own. Education and training programmes aim to build human capital, but their impact may be undermined if graduates are unable to afford the basic costs of job-seeking or enterprise initiation.

It is in this context that this study tests the assumption, and seeks to contribute to emerging work, that access to cash support could serve as a complementary mechanism—one that enhances the effectiveness of other interventions by alleviating the immediate financial pressures that prevent youth from acting on their skills, qualifications, and aspirations.

## 1.2 Breaking Financial Barriers:

One of the most acknowledged barriers to labour market participation among unemployed youth in South Africa is the financial cost of job seeking. For young people from marginalised and low-income communities, the expenses associated with transport, mobile data, internet access, document printing, and acquiring appropriate clothing for interviews present significant obstacles to actively engaging in job search activities or pursuing self-employment opportunities.

Empirical evidence underscores the magnitude of this challenge. A 2021 study by Youth Capital, a national campaign dedicated to reducing youth unemployment, found that the average monthly cost of job seeking—covering transport, data, airtime, and printing—was R938. In a context marked by pervasive poverty and limited social mobility, this amount represents a substantial financial burden. Alarmingly, the survey of 2,200 unemployed youth revealed that 84% had to choose between essential needs such as food and the pursuit of employment opportunities, while 27% reported relying on government social grants, including the SRD grant, to fund their job search efforts (Youth Capital & Open Dialogue, 2022).

In more economically secure households, these job search costs are often absorbed by families as part of a broader investment in young people's transition to work. However, in the South African context—characterised by chronic youth unemployment, intergenerational poverty, and strained household finances—many families are unable to provide this form of support. While numerous programmes exist to facilitate the school-to-work transition through skills training, apprenticeships, mentorship, and employment readiness interventions, these efforts typically do not include direct financial support to overcome the upfront costs associated with labour market access.

The project presented in this report was designed to address this gap. By testing the provision of a UCT to unemployed youth who had completed accredited post-school training, the study explores whether cash support can serve as a complementary mechanism to existing interventions, enabling young people not only to seek employment more effectively, but also to explore income-generating opportunities where formal jobs are unavailable. In doing so, this research contributes to the growing recognition that breaking financial barriers may be a critical, and currently underutilised, lever in addressing youth unemployment in South Africa.

# 02 Literature Review

> UCTs produced faster and more cost-effective gains in labour market participation compared to traditional active labour market programmes
>
> \- McIntosh & Zeitlin, 2017

## Unconditional Cash Transfers and Labour Market Transitions

UCTs have become increasingly recognised as a key instrument in global development for alleviating poverty, supporting household resilience, and promoting social and economic inclusion. A growing body of evidence suggests that UCTs may also play a catalytic role in facilitating labour market entry, entrepreneurial activity, and livelihood creation, especially among youth in low- and middle-income countries.

Several studies demonstrate how UCTs can reduce liquidity constraints, thereby enabling youth to pursue job search activities, invest in small-scale businesses, migrate for employment opportunities, and purchase productive assets. In a multi-country longitudinal study, McIntosh and Zeitlin (2022) found that youth-targeted UCTs resulted in significant improvements in entrepreneurial activity, asset accumulation, and income diversification over a 3.5-year period. Strikingly, they concluded that the effects of UCTs on labour market outcomes were at least as strong as, if not stronger than, vocational training interventions, particularly for youth with pre-existing aspirations to start a business. Their earlier research further found that UCTs produced faster and more cost-effective gains in labour market participation compared to traditional active labour market programmes (McIntosh & Zeitlin, 2017).

In a systematic review of UCTs across the Global South, Fiala and McKenzie (2018) reported consistent increases in self-employment and non-wage work, especially where transfers were delivered in lump sums with minimal conditionalities. Contrary to assumptions that cash disincentivises work, the authors found that most recipients used the funds productively—to start businesses, migrate for work, or sustain job-search efforts. They conclude that concerns around dependency are largely unfounded, especially among working-age populations (Fiala & McKenzie, 2018).

A recent World Bank study evaluating UCTs among unemployed youth reported immediate increases in job search activity, informal work participation, and micro-enterprise efforts. However, in areas characterised by deep structural unemployment, these effects diminished over time, suggesting the need for broader economic reform to complement individual-level interventions (World Bank, 2024).

This growing evidence base also holds some relevance for South Africa. Recent evaluations of the SRD grant, South Africa's first unconditional cash transfer aimed at unemployed working-age individuals, highlight the grant's potential to support labour market activation. Research by the Development Policy Research Unit (DPRU) at the University of Cape Town found that the SRD grant increased job search activity by more than 25 percentage points and the authors concluded that the grant "enabled participation and ultimately aided labour market recovery" (Development Policy Research Unit, 2023).

Complementary findings from the University of the Witwatersrand revealed that recipients used the grant to cover job search-related expenses—such as transport and data—enabling them to submit CVs and attend interviews (University of the Witwatersrand, 2022).

Other studies, such as those by Patel, Nnaeme and Plagerson (2020), show that cash transfers like the Child Support Grant (CSG) supported micro-enterprise development and strengthened young people's financial decision-making and economic agency (Patel, Nnaeme & Plagerson, 2020).

These South African studies reinforce international findings: UCTs can support labour market transitions, not by substituting employment, but by easing the resource barriers that prevent youth from converting their skills and aspirations into economic participation. However, they also point to the importance of timing, local context, and complementary interventions—such as skills development and demand-side job creation—in maximising impact.

At the same time, the literature offers cautionary notes. In weak-demand environments, UCTs may lift search intensity or seed small enterprises without yielding durable employment unless complemented by market access, credentialing, or follow-on capital; some short-run gains can attenuate over time as constraints reassert themselves (McIntosh & Zeitlin, 2022; Baird, McKenzie & Özler, 2018; Crosta et al., 2024).

The emerging consensus is that UCTs are best seen as foundational enablers—most powerful when integrated with demand-responsive skills and route-to-market supports—rather than as stand-alone solutions (Bhorat et al., 2024).

# 03 Contribution of this Study

## Exploring New Areas

**While prior research has demonstrated the enabling role of cash in supporting job-seeking and entrepreneurship, few studies have explored how cash might operate when paired with existing skills training to facilitate economic engagement.**

### Extending the Literature

This study therefore aims to extend the literature in three main ways:

**1. By assessing the impact of UCTs** on concrete labour market outcomes such as active job search, employment uptake, and self-employment.

**2. By exploring how cash interacts** with prior vocational training to shape economic decision-making and opportunity structures; and

**3. By generating new evidence** which can contribute towards the design and feasibility of integrated employment support strategies that combine financial and non-financial interventions.

In doing so, the study contributes to an emerging policy conversation in South Africa and beyond, one that asks not whether cash transfers alone can solve unemployment, but whether they can unlock existing human capital and serve as a stepping stone toward more inclusive economic participation.

# 04 Methodology

## 4.1 Research Design

This project assessed the feasibility and impact of UCTs on unemployed South African youth with tertiary training. A mixed methods design, with a strong qualitative emphasis, was used. Quantitative surveys measuring economic outcomes (e.g., job seeking, employment, livelihood creation) were analysed alongside qualitative focus group discussions exploring UCT utilisation, enabling factors, and barriers to labour market participation. Together, these methods provided a nuanced understanding of participant experiences and inform potential scale-up.

The UCT project took place in Pietermaritzburg, KwaZulu-Natal, South Africa, targeting unemployed TVET graduates from Plessislaer College. The intervention provided monthly cash transfers of R2000 to treatment group participants over a 24-month period, from October 2022 to September 2024. Control group participants did not receive the cash transfer but were compensated with a stipend for attending data collection workshops.

## 4.2 Sampling

Participants were randomly selected from the graduate register of Plessislaer TVET College using an alphabetically ordered list. The first 100 individuals who consented formed the treatment group. Control group participants were then selected from the remaining pool, excluding those in the treatment group.

- Treatment group size: 100
- Control group size: 67

It is important to note that in addition to the control group being a smaller sample, largely due to the low incentive offered, there was also significant attrition, resulting in only 35 participants (52% of the baseline) completing the endline survey. This dropout reduced the reliability of treatment-control comparisons.

## 4.3 Data Collection

Quantitative data were collected from both treatment and control groups, primarily through in-person surveys, with telephonic interviews when needed. Data collection sessions for the two groups occurred on separate days.

Qualitative data were collected exclusively from the treatment group through focus group discussions (FGDs) held at 6, 18, and 24 months.

- **At 6 months**, all treatment participants were invited and randomly assigned to groups.
- **At 18 months**, participants were purposively selected based on midline economic status (unemployed, employed, or engaged in a livelihood).
- **At 24 months,** gender-based purposive sampling was employed: women with children were selected to explore nutrition-related topics, while men were selected to discuss breadwinner identity and psychosocial impacts, both groups disaggregated by income status.

Facilitated group discussions fostered a supportive environment for open dialogue. In the South African context, participants often find group sharing more comfortable and engaging than one-on-one interviews, encouraging deeper reflection and collective insight. Trained facilitators guided conversations with gentle prompts, and a Zulu-speaking facilitator was always present to ensure language accessibility and full participation.

WhatsApp messages supplemented sustainability data and economic ripple effects on the household.

## 4.4 Ethics and Consent

Participants provided informed consent.

## 4.5 Sample Attrition

Of the original treatment group, 100 participants, 98 completed the endline. Of the original control group, 67 participants, only 35 completed the endline, showing a significantly higher attrition rate compared to the treatment group, largely driven by the low-level of incentive offered.

## 4.6 Data Analysis

Analysis focused on treatment group changes over time. Quantitative data tracked shifts in economic activity, employment, livelihoods, spending, and mental health indicators. Quantitative comparisons between treatment and control groups were made where possible, despite the small control group size.

Qualitative data underwent thematic analysis and provided a rich, contextualised understanding of UCT effects while acknowledging limitations in causal inference.

## 4.7 Profile and Economic Vulnerability of Participant Sample

This section provides an overview of the demographic characteristics and economic circumstances of participants in this study. The data highlight the significant vulnerability of the sample group and provide important context for understanding the effects of the UCT.

### 4.7.1 Age, Gender, Household Composition

Gender composition was similar across groups, with 71% female in the treatment group and 76% in the control group (Figure 1). Control and treatment groups were broadly comparable across age (Figure 2), education, and household structure.

Participants came from economically precarious households that primarily relied on informal income, social grants, or low-paying jobs. The average household size was nine members, with a high proportion of children. More than half of households had no employed working-age adults.

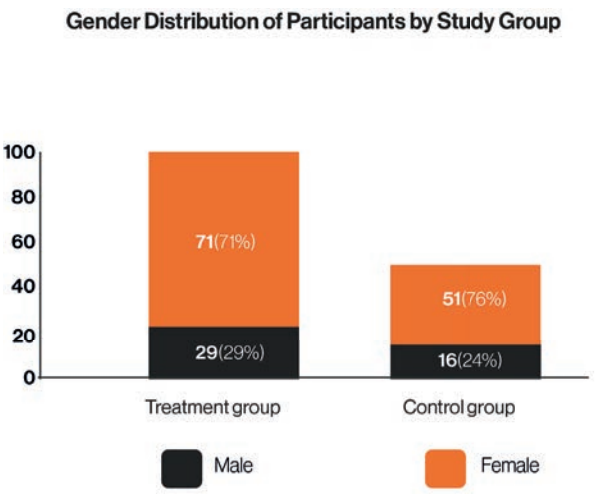



*Figure 1:* Proportion of Male and Female Participants in the Treatment and Control Groups at Baseline

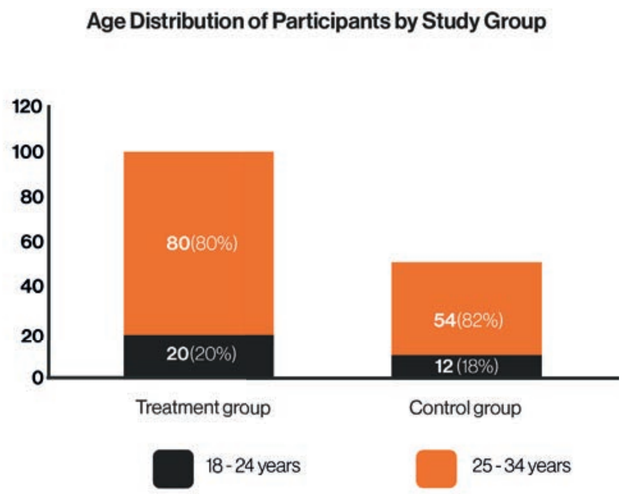



*Figure 2:* Age Distribution of Participants in the Treatment and Control Groups at Baseline

Nearly 50% lived in households earning under R3000 monthly (~R333 per capita), well below the national poverty line. Social grants were common: CSG recipients were 92% (treatment) and 79% (control); SRD grant access was 59% and 62% respectively. Over the year prior to project commencement, 25.3% of treatment group participants and 18% of the control group reported a decline in household income.

### 4.7.2 Assets and Digital Readiness

For mobile phone access, 88% of the treatment group and 91% of the control group owned a phone. Radios and televisions were widely owned. However, access to digital infrastructure was limited: few participants had access to computers, Wi-Fi, or other tools necessary for digital learning, job-seeking, or remote work. This digital gap represents a significant barrier to economic participation in an increasingly digitised labour market.

### 4.7.3 Food Insecurity and Financial Stress

Both groups showed signs of food insecurity and financial stress, although the treatment group reported slightly higher levels of food access challenges. Participants from both groups reported struggling to meet basic household expenses, with few reporting any capacity to save. These findings point to a general lack of financial resilience and high levels of economic precarity.

### 4.7.4 Health and Psychological Wellbeing

Participants generally rated their physical health positively. However, moderate psychological distress, especially low motivation and mood, was common. Measures of coping ability suggested low self-efficacy and limited emotional resilience. The treatment group appeared to experience more acute food insecurity, while the control group reported slightly higher levels of depressive symptoms. Together, these data portray young people from large, low-income households confronting constrained economic opportunities, limited digital access, and significant psychosocial challenges.

### 4.7.5 Impact Analysis

To assess programme impact, we applied a simple difference-in-differences (DiD) approach, comparing economic activity rates between treatment and control groups at endline, with a follow-up sustainability check six months later. This approach allows us to isolate the additional effect of the cash transfer beyond general labour market trends, as captured by the control group. Given the small sample size and non-random attrition, results are interpreted as indicative rather than statistically definitive, but they provide robust directional evidence of programme impact.

# 05

# Key Findings

## Key Findings of the Project

This section presents the key findings of the UCT project, drawing on the quantitative and qualitative data collected. The findings are presented in three clusters:

**• Economic Participation and Labour Market Outcomes.**

This cluster of four findings presents results focusing on how the project beneficiaries spent the cash transfer; job-seeking trends and practises; employment outcomes; and income generation livelihoods started resulting from the cash transfers.

**• Financial Agency and Psychosocial Drivers of Economic Participation.**

Two findings are presented on how the cash transfer influenced participants' confidence, financial decision-making, and psychological wellbeing, and how these factors shaped their ability to engage in the labour market.

**• Household Level Impacts of the Cash Transfer.**

Three findings are presented which examine the role that the UCT played at the household level in generating a household-level economic ripple effect, with emphasis on food and nutrition security, and its influence on intra-household relationships, gender roles, and power dynamics. It also shows how these household factors influenced participants in labour market activity.

## Snapshot: Spending Patterns of the UCT

Spending patterns demonstrate a balance between basic survival and economic activation, as the top 4 spending criteria reveals:

### Food

**98%**

Reflecting the essential role of the UCT in food security

### Job Seeking

**90%**

High engagement in labour market activity, covering transport, data, and printing costs

### Household Assets

**84%**

Used to improve living conditions or enable productivity (e.g., tools, appliances).

### Transport

**83%**

Key enabler for job search, mobility, and accessing opportunities

# 5.1 Findings on Economic Participation and Labour Market Outcomes

These findings examine how the UCT influenced four interconnected areas: spending patterns; job-seeking behaviour; employment outcomes; and the creation of income-generating livelihoods.

These show how predictable cash flows enabled participants to stabilise household consumption, invest in productive assets, and sustain high-intensity engagement with the labour market over the two years period of the project.

## 5.1.1 How Participants Spent the Unconditional Cash Transfer

Over the 24-month project period, almost all respondents (99%) reported using the R2000 UCT to meet both personal and household needs, combining immediate consumption with medium- and long-term investments. Spending patterns demonstrate a balance between basic survival and economic activation.

The table below shows how the respondents indicated their use of the cash transfer over the project period.

## How the cash transfer was spent

| Spending Category | % of Respondents | Interpretation |
|---|---|---|
| Food | 98.0% | A near-universal priority, reflecting the essential role of the UCT in food security. |
| Job Seeking | 90.0% | High engagement in labour market activity; UCT used to cover transport, data, and printing costs. |
| Household Assets | 84.0% | Used to improve living conditions or enable productivity (e.g., tools, appliances). |
| Transport | 83.0% | Key enabler for job search, mobility, and accessing opportunities. |
| Emergencies (incl. health or funeral costs) | 75.0% | Indicates vulnerability to shocks; UCT helped buffer against financial crises. |
| Entertainment (including purchases of Christmas presents for children) | 74.0% | Suggests pursuit of normalcy and psychological relief amid economic hardship. |
| Livelihood/Small Business Investment | 58.0% | Shows entrepreneurial use of the grant; UCT used to initiate or support income-generating activities. |
| Schooling | 49.0% | Continued investment in formal education for self or household members. |
| Study for Job | 32.0% | Indicates upskilling for employment; use of UCT for targeted vocational development. |

The most common expenditure was food, reported by 98% of participants, underscoring its foundational role in household stability. Job-seeking expenses were similarly prevalent, with 90% of respondents allocating funds to cover transport, mobile data, and CV printing costs. Transport was cited by 83% of participants, reflecting the critical role of mobility in accessing labour market opportunities.

Household and livelihood-related asset purchases were made by 84% of respondents, ranging from appliances and furniture to tools and equipment for small businesses. Emergencies, including health expenses and funeral costs, were reported by 75% of participants. Leisure and entertainment, often overlooked in policy discussions, were reported by 74% of respondents. Education-related spending included schooling for self or dependents (49%) and job-related training or short courses (32%). Significantly, 58% invested directly in small business or livelihood activities.

Spending patterns varied by household size. Smaller households (1–3 members) exhibited greater flexibility, allocating more towards education, skills development, and discretionary expenses, while still meeting basic needs. Medium-sized households (4–7 members) balanced basic needs with support for dependents' education. In contrast, large households (8+ members) channelled most of the transfer towards food and emergencies, with little remaining for long-term investments.

Gendered patterns were also evident. Women typically prioritised caregiving, household needs, and dependents' education. Many women engaged in informal entrepreneurial activities such as baking, selling clothes, or operating tuck shops. Men, while fewer in number (29% of the sample), were more likely to invest in capital-intensive ventures such as construction, spaza shops, and farming, often diversifying into multiple income streams.

## 5.1.2 Job Seeking Trends and Practises

A central finding emerging from the UCT project is the decisive role predictable income support played in enabling participants to remain active job seekers throughout the two-year intervention. Job seeking remained consistently high over the project period. At baseline all reported actively looking for work. At endline, 63 respondents reported continued job search activity.

Transport costs emerged as the most significant expenditure associated with the job search. Treatment group respondents typically allocated R250–R500 monthly for job-seeking activities, underscoring both the high cost of mobility in South Africa's spatially fragmented labour market and the strategic prioritisation of the transfer to enhance employability. As one participant explained, "I use the money to buy data for job applications and for transport to drop off CVs." Mobile connectivity was equally critical: "I always have data so that if I get any job post, I am able to email my applications."

Job-seeking activities were diverse but dominated by formal application processes and direct employer engagement. Across all phases, participants reported submitting CVs to employers, applying online, attending interviews, and following up on vacancies in person. Others pursued unpaid internships or volunteer work—particularly in education and early childhood development—as a strategy to gain experience and build networks. A smaller number focused on renewing certifications or completing short courses.

The qualitative data reveals two notable dynamics. First, the UCT did not simply "kick-start" job-seeking; it acted as both an enabling and sustaining mechanism. At baseline, 54% of participants had already been searching for more than a year. By endline, 58.3% of the treatment group had been searching for over two years, with a further 16.7% for more than one year. This persistence reflects the entrenched structural barriers facing South Africa's youth, where motivation is not the constraint—resources and opportunities are. The UCT kept them in the job-market rather than becoming discouraged.

Second, job-seeking often continued even after employment was secured. By endline, 36 participants had found work, yet many remained "hidden job seekers" in pursuit of better or more secure opportunities. This reflects the prevalence of precarious, low-paid, or temporary employment, and the aspiration for upward mobility.

Despite these sustained efforts, employment conversion rates remained low, largely due to structural challenges: limited job availability, informal recruitment practices, and reliance on personal networks. As one participant remarked, "Even if I fill out 20 CVs, I won't get a job if I don't know someone."

The UCT's role extended beyond financing transport and connectivity. It allowed participants to renew certifications, complete short courses, and pursue unpaid internships or volunteer roles—strategies aimed at strengthening employability. Importantly, the grant also alleviated survival pressures, enabling participants to focus on strategic, longer-term labour market engagement rather than immediate subsistence.

### 5.1.3 Employment Outcomes

At the start of the UCT project in September 2022, none of the participants were employed. At the end of the project 36 of the 100 treatment group participants (36%) had secured employment compared to 10 in the control group. Among the treatment group, 13 of those employed were women (36%) and 23 were men (64%), while in the control group, all 10 employed participants were women. Most gains in the treatment group occurred within the first year, indicating a strong early effect of the UCT on labour market entry.

Of the 36 employed participants in the treatment group, 21 held permanent positions and 15 were in temporary roles. Types of jobs ranged from shop assistants, cashiers, and Early Childhood Development (ECD) practitioners to welders, and technicians in electrical and civil engineering. Employment aligned with TVET training included technical maintenance, hospitality service, and office administration, though these were the minority. More commonly, participants entered roles in retail, security, call centres, or domestic work, fields not directly related to their formal training.

The project's design assumed that combining TVET-acquired skills with the removal of financial barriers would result in stronger, sector-relevant outcomes. However, alignment was weaker than anticipated. A comparison between participants who secured employment and those who remained unemployed reveals that the most decisive factor was the degree of alignment between participants' TVET qualifications and current labour market demand. Those who found work were more likely to possess qualifications in high-demand technical fields such as plumbing, carpentry, mechanical and civil engineering, ICT, e-commerce, and education. Conversely, those who remained unemployed often held qualifications in oversaturated or low-demand sectors, including beauty therapy, hospitality, ECD, health and safety, and retail administration. These findings highlight that while the unconditional cash transfer effectively removed financial barriers to job seeking, sustained employment outcomes ultimately depended on the market relevance of participants' skills.

### 5.1.4 Income Generation Livelihoods started

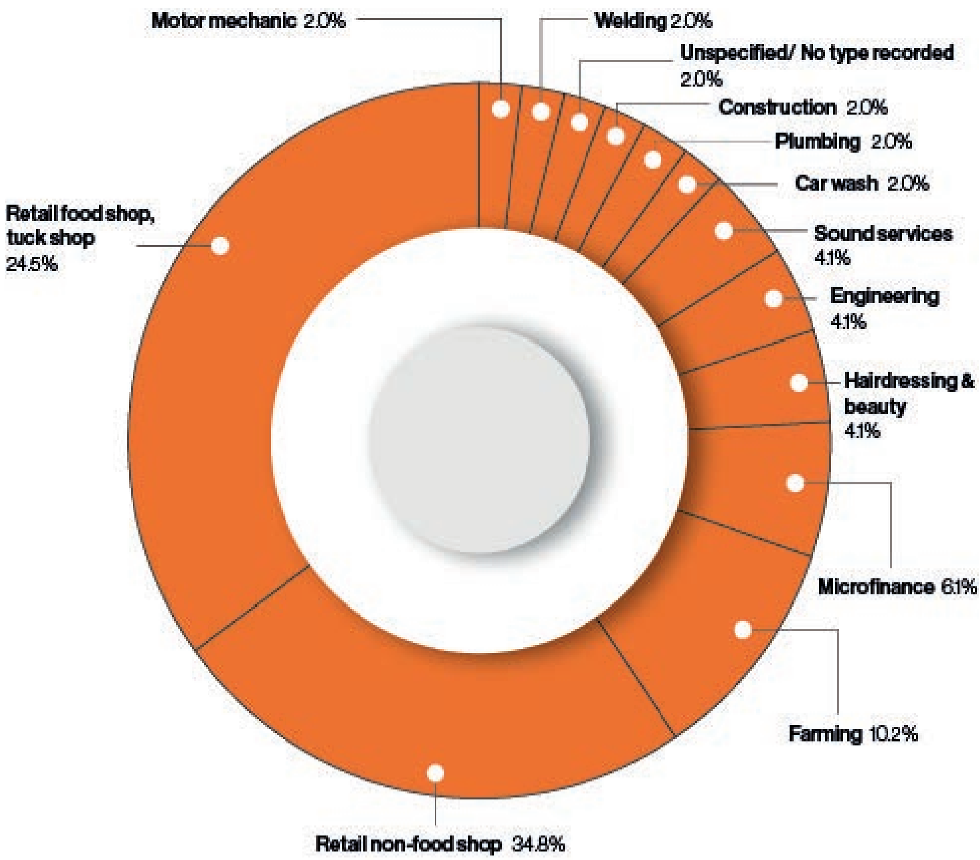
By the end of the two-year UCT project 49 income generating livelihoods were started by the treatment group while the control group had started none. Male participants had started 34 (69.4%) and women accounted for 15 (30.6%).

#### Livelihood creation unfolded in three waves.

• **Immediate Starters (Oct–Dec 2022, n=11)** were ready to begin almost as soon as the UCT was introduced, often because they already had a viable idea or partial resources in place.

• **Incremental Starters (Jan–Dec 2023, n=25)** used the monthly grant to save gradually, reaching the capital threshold needed to launch after several months.

• **Late Starters (Jan–Sep 2024, n=13)** typically faced initial barriers—such as higher capital needs, market entry challenges, or competing household priorities—before entering self-employment. The types of livelihoods varied widely. The largest share was in retail and services (n=29), and included retail shops or tuck shops, three microfinance ventures, and two hairdressing and beauty salons. Others entered skill-based trades such as farming (n=5), engineering services (n=2), and one-off ventures in plumbing, welding, construction, motor mechanics, car washing, and sound services. These technical and niche activities, while requiring greater expertise and higher entry costs, offer stronger prospects for sustainability if complemented by access to tools, market linkages, and ongoing training.




**Types of Livelihoods/Small Businesses Started by Treatment Group at Endline**

For 38 participants livelihoods were their only source of income at endline, while another 11 participants combined livelihoods with wage employment. This "hybrid" model reflects a pragmatic adaptation by the participants to a fragmented and precarious youth labour market, where formal jobs are often scarce, temporary, or low paying. This finding aligns with existing literature, which shows that young South Africans often navigate labour market entry by combining self-employment with wage work, particularly when formal jobs are scarce, insecure, or poorly paid (De Lannoy et al., 2018).

The respondents reported that the UCT was the dominant source of start-up capital, with 81.6% of livelihoods starters relying on it entirely. Only small numbers drew on business profits (6.1%), other grants (2%), personal savings (2%), or family support (2%). Over time, participants shifted from basic survival spending to reinvestment in their businesses. By midline, 38 participants were investing in livelihood activities and by endline, the number had grown to 49, and the average monthly investment had quadrupled. Tools were the most common purchase, particularly for those in trade-related fields such as plumbing, hairdressing, and mechanical repair.

The misalignment between TVET training and economic participation outcomes seen in employment was also the case regarding livelihoods started. Only around 22% of livelihoods started directly applied participants' TVET-acquired technical skills, including: engineering services (2 males); hairdressing and beauty (2 females); plumbing (1 male); motor mechanics (1 male and 1 female); welding (1 male); and construction (1 male).

Where skills alignment did occur, it was typically in specialised trades with clear market niches. However, these cases were the exception not the norm, and the bulk of entrepreneurial activity was necessity-driven rather than skills-driven.

### 5.1.5 Summary – Findings on Economic Participation and Labour Market Outcomes

The UCT emerged as a significant driver of economic activation among unemployed, TVET-trained youth. By endline, 36% of participants had secured wage employment, 49% were engaged in income-generating livelihoods, and a further 11% combined both. This meant that 74% of the cohort was economically active.

## Economic Activity Outcomes at Endline
## Treatment Group Economic Activity at Endline (n = 100)

| Category | Count | Notes |
|---|---|---|
| Only employed | 25 | Employment only (36 incl. those also in livelihoods) |
| Only livelihood | 38 | Livelihood only (49 incl. those also in employment) |
| Both employed and livelihood | 11 | Mixed income sources |
| Total economically active | 74 | Employment, livelihood, or both |
| Total economically inactive | 26 | No economic activity |

## Comparison of Treatment and Control Groups at Endline

| Group | Economically Active | Only Employed | Only Livelihood | Both | Not Active |
|---|---|---|---|---|---|
| Treatment (n=100) | 74% (74) | 25% (25) | 38% (38) | 11% (11) | 26% (26) |
| Control (n=35) | 29% (10) | 29% (10) | 0% (0) | 0% (0) | 71% (25) |

At endline, clear differences emerged when comparing the two groups. Among the treatment group, 74% were economically active, divided across employment, self-employment, and hybrid activity, leaving only 26% inactive. In contrast, just 29% of the control group were economically active, all of them in wage employment, with no livelihoods recorded and 71% inactive. This comparison highlights that the UCT more than doubled overall activation, enabled diversification into livelihoods, and sharply reduced inactivity relative to the control group.

Setting the cash transfer at R2000, above the upper-bound poverty line (R1 417 in September 2022), meant that funds were not consumed entirely by subsistence needs but created space for investment in tools, equipment, mobility, and training. This enabled participants to stabilise household welfare while also pursuing productive opportunities, supporting both immediate survival and longer-term economic participation.

Over the two-year period, the UCT sustained elevated levels of job-seeking and entrepreneurial activity, acting as both a financial and psychological stabiliser. Employment outcomes were strongest among those whose qualifications matched market demand, while in self-employment the UCT lowered capital barriers and facilitated rapid entry into sectors with low start-up costs and steady demand. The presence of a hybrid group combining wage work with livelihood income further shows that, for many young people, entrepreneurship is a complement rather than an alternative to formal employment.

## 5.2 Findings on Financial Agency and Psychosocial Drivers of Economic Participation

This cluster presents two findings on how the cash transfer strengthened participants' confidence, financial decision-making, and psychological wellbeing, shaping their engagement in the labour market. The UCT worked through two reinforcing channels: directly, by removing cost barriers to job-seeking and business start-up, and indirectly, by reducing stress, improving mental health, and restoring dignity. Reliable income increased agency and eased psychological strain, enabling participants to plan, invest, and act independently. Thus, financial agency and its psychosocial impacts helped to drive economic participation.

### 5.2.1 Financial Agency As A Driver Of Economic Participation

The UCT strengthened the financial agency of youth by enabling independent decision-making, forward planning, and investment in economic activities.

Where this agency was directed toward savings, skills development, or starting an income generating livelihood, it contributed to higher rates of employment and livelihood creation. However, the translation of financial agency into sustained economic outcomes was uneven, constrained by household circumstances, gender dynamics, and broader labour market barriers.

Before the UCT, most participants reported financial behaviours limited to meeting immediate survival needs. The regular R2000 monthly transfer shifted this dynamic, allowing budgeting, investment, and meaningful household contributions: "Before I couldn't plan how I could survive on my own. Then the cash transfer money came, and I had a plan" (6-month FGD).

Participants who used the transfer for income-generating initiatives or skills training were more likely to be economically active at endline, highlighting the instrumental role of financial agency in achieving the project's objectives.

The UCT reduced dependence on family or partners, especially for women. The freedom to make independent spending decisions was linked to increased self-confidence and dignity: "The money helped me fix my things... I was able to use it to get my certificate and do something for myself" (6-month FGD). Another said:

"You are treated with more respect when you're not asking for things" (18-month FGD).

The last quote reflects how financial agency, enabled by the UCT, enhanced participants' social standing by reducing dependence on others for basic needs. It underscores that economic autonomy not only improves material wellbeing but also shifts interpersonal power dynamics, fostering dignity and self-respect within social relationships.

For many participants, the UCT acted as start-up capital. It financed tools, stock, and business registration, lowering entry barriers to entrepreneurship: "I opened my company and a spaza shop. I was able to buy tools... I take that money to the bank for the future" (18-month FGD).

However, those in financially precarious households reported that the entire transfer was consumed by immediate needs, preventing investment: "I couldn't start something because I used the money to buy food and to pay rent" (18-month FGD).

Financial agency manifested differently across genders. Female participants emphasised autonomy in childcare, household contributions, and mobility: "Now I don't bother anyone about my child's needs... I do everything for my son" (18-month FGD).

For men, the unconditional cash transfer restored the socially valued role of economic provider: "It makes me feel responsible and proud as a father" (24-month FGD).

By endline, some participants demonstrated agency through savings and long-term investments: "I am saving R500 for the security course... so that it will open doors for me." Another stated: "I save by buying shares at Easy Equities" (24-month FGD).

Others regretted missed opportunities for investment or business creation: "I didn't start a hustle... I started now in January and in September the cash transfer ends" (24-month FGD).

While the UCT facilitated short-term economic activation, participants without clear employment pathways expressed concern about losing independence once the transfer ended: "My life will go back to square one, even though I have this small business of selling perfumes" (24-month FGD).

By endline, 74% were economically active. Those who used their financial agency to invest in skills, savings, or enterprise were overrepresented among these economically active participants. In contrast, agency constrained by urgent consumption needs or structural unemployment was associated with continued joblessness.

The UCT was a critical enabler of financial agency for those who participated in the project, providing the means for independent, forward-looking financial decision-making. Where structural conditions allowed, this agency translated into sustainable employment and livelihoods. However, without complementary measures—such as mentorship, market access, and targeted skills alignment—the potential of cash-enabled financial agency to produce lasting economic change remains limited.

Unconditionality also shifted financial behaviour from short-term compliance to proactive planning, with many participants reporting first-time control over spending priorities and the confidence to invest in themselves. However, in highly precarious households, most of the cash transfer was devoted to essentials (food, rent); even then, the choice to stabilise basics reflects financial agency rather than a programme-driven allocation.

### 5.2.2 Psychosocial Driver of Economic Participation

The previous finding demonstrated how the UCT enhanced participants' agency. These agency gains were reinforced and sustained by psychosocial improvements—restored dignity, reduced stress, and strengthened self-determination—which proved pivotal in translating the unconditional cash transfer into ongoing job-seeking and livelihood activity.

From the outset, participants described an enhanced sense of dignity and self-worth. Across all timepoints, the ability to meet their own needs without resorting to borrowing or dependency increased their social inclusion and reduced feelings of shame. One participant explained, "Before this, I was always left out because I didn't have money. Now I'm included in plans" (6-month FGD). Another shared: "You Walk different when you can buy airtime without borrowing" (6-month FGD).

This financial independence was closely tied to a sense of adulthood and social recognition. Participants spoke of being able to purchase their own necessities without relying on others: "Now I can buy my own things. I don't have to beg" (6-month FGD). The benefits extended beyond material independence, with one participant noting, "I am included in adult conversations" (18-month FGD).

The UCT also brought substantial reductions in daily stress. With essentials such as food, electricity, and hygiene products covered, participants experienced greater emotional stability and confidence. One participant reflected, "Before I got the UCT, I felt like I was drowning. Now I can breathe" (6-month FGD). Another commented on the relief of knowing that basic needs could be met: "You sleep better knowing you can buy pads, food, and electricity" (6-month FGD).

These qualitative accounts were supported by quantitative wellbeing data, which indicated a notable reduction in psychological distress at midline. For example, the proportion of participants reporting that they felt down or hopeless more than half the time dropped from 32.3% at baseline to 19% at midline. Similarly, those reporting little interest or pleasure in activities fell from 36.7% to 26.6% over the same period. However, by endline, a slight regression was evident, with the proportion feeling down or hopeless rising again to 26.3%, suggesting the psychological benefits were partly contingent on the continuation of the cash transfer.

The predictability of the monthly UCT also enabled participants to plan, improve daily routines, and invest in productive activities. Such changes supported not only financial behaviour but also emotional stability and a stronger future orientation. As one participant said, "Before, I was just going day to day. Now I plan—groceries, savings, stock. I have direction" (18-month FGD). Many described feeling more in control of their lives and better able to structure their time, particularly when managing a small business or budgeting for monthly expenses.

For many, the UCT affirmed a sense of independence and autonomy, particularly for women navigating dependence on family members or partners. One woman noted, "It feels good to say 'I've got it' when someone asks for help. I'm no longer just a burden" (24-month FGD). This sense of autonomy was frequently linked to improved household relationships and a more balanced sense of self-worth.

However, by the final months of the project, anxiety about its imminent end began to overshadow earlier emotional gains. Participants expressed deep concern about returning to financial precarity: "It helped me feel okay, but now I'm scared again. What happens after this end?" (24-month FGD). Another remarked, "I try not to think about it, but I know it's coming. I don't want to go back to nothing" (24-month FGD).

The evidence suggests that the UCT contributed to psychological recovery for many participants, reducing stress, restoring dignity, and reinforcing a sense of adulthood and control. While emotional gains were most pronounced in the early and mid-stages of the project, the re-emergence of anxiety as the project neared its conclusion underscores the fragility of these gains without continued or complementary support.

Our finding is that the UCT created the emotional and cognitive conditions necessary for project participants to act on their skills, sustain job-seeking efforts, and navigate South Africa's precarious and highly competitive labour market.

### 5.2.3 Summary – Financial Agency and Psychosocial Drivers of Economic Participation

As an unconditional transfer, the UCT imposed no compliance checks or spending restrictions. This design expanded recipients' decision space and lowered the time and cognitive costs of money management. The predictability of the monthly R2000 enabled recipient-led budgeting and intertemporal smoothing (timing purchases, avoiding high-cost debt, setting aside savings) and encouraged measured risk-taking—paying for certificates, buying stock/tools, or testing a side business. These shifts marked a clear rise in financial agency, with many participants exercising first-time control over spending priorities and proactively planning and investing in themselves. In highly precarious households, directing the grant to essentials (food, rent) was likewise a rational exercise of agency to stabilise the household rather than a programme-driven allocation.

Building on this, the UCT enhanced participants' ability to make independent financial decisions, plan, and invest in income-generating activities, while also reducing stress, restoring dignity, and strengthening self-determination. Financial agency allowed many to move beyond survival-spending towards savings, skills development, and entrepreneurship, though outcomes were shaped by gender roles, household demands, and the relevance of existing skills to labour-market demand. Psychosocial improvements reinforced these gains—supporting confidence, social inclusion, and a stronger future orientation—and helped sustain job-seeking and livelihood activity over two years.

Taken together, unconditionality, enhanced financial agency, and psychosocial improvements operated as mutually reinforcing drivers of economic participation, even as their longer-term impact remained vulnerable to structural barriers and the withdrawal of financial support.

# 5.3 Findings on Household-Level Impact of the Unconditional Cash Transfer

The previous set of findings traced how the cash transfer was used, from immediate consumption to job-seeking, employment and income generating livelihoods, and how it influenced financial decision-making, and psychosocial wellbeing.

**The following set of findings connect individual empowerment to broader household welfare, focusing on three interlinked domains:**

- **How the cash stimulated household consumption, investment, and risk management, creating secondary economic benefits – economic ripple effect.**

- **Household food and nutrition security.**

- **Shifts in household dynamics.**

## 5.3.1 The Household-Level Economic Ripple Effect of the Unconditional Cash Transfer

The UCT functioned as far more than individual income support; it generated a household-level economic ripple effect in which the initial transfer to a single recipient stimulated multiple, reinforcing rounds of benefit within the household economy. This process operated through a combination of immediate consumption and strategic allocation of resources, whereby part of the transfer was used to meet urgent household needs while simultaneously freeing other household resources for alternative uses, including investment and risk management.

Nearly all treatment group participants shared part of their monthly transfer with other household members, effectively operating as informal social protection providers within low-income family systems. The most immediate and widespread channel was food provision, reported by 98% of participants, which improved nutritional security, reduced food stress for dependants, and released other household income for non-food uses.

This spending pattern is consistent with the way social grants in South Africa stimulate local markets, as documented by Samson, van Niekerk and Mac Quene (2020).

Transport costs, including school-related travel for other household members, were covered by 91 participants, while 85 assisted with school fees or other education-related expenses for other household members. Education and training support represented a long-term productivity investment, with 49% of respondents funding schooling and 32% supporting vocational or business-related studies. Such expenditures align with the concept of an intertemporal ripple effect, where short-term liquidity enables human capital investments that lead to future income growth (Bhorat et al., 2021).

At midline (18 months into the project), one participant described how the UCT not only supported their own stability but also enabled their younger sister to secure employment. "Actually, it helped my younger sister to find a job. In her 1st month in the job, she was using the cash transfer money to travel to work." By covering transport costs during her probationary period, the UCT effectively reduced a key barrier to labour market entry for another household member, illustrating how predictable cash can generate wider household benefits beyond the direct recipient.

Asset acquisition was reported by 84% of respondents, including purchases of household furniture, appliances, and work tools. These durable goods expanded productive capacity, improved quality of life, and, in some cases, enabled income diversification. From a household economics perspective, these purchases transformed short-term transfers into capital stock, delivering value beyond the project period.

Spending on emergencies—such as medical expenses, funeral costs, or urgent household repairs—was reported by 75% of participants. This acted as a consumption-smoothing mechanism, preventing high-interest borrowing or the liquidation of productive assets, consistent with findings by Patel et al. (2012) on the stabilising function of social protection.

In sum, the predictable monthly transfer created a household-level economic ripple effect through three interconnected channels: (1) meeting immediate needs in ways that freed other resources; (2) investing in education for household members other than the cash transfer beneficiary and in household assets that expanded future earning capacity; and (3) protecting households against shocks to maintain welfare stability. Together, these channels enhanced the economic security of households and indirectly expanded recipients' ability to engage in sustained economic participation.

### 5.3.2 Impact of the Unconditional Cash Transfer on Household Food and Nutrition Security

The previous finding showed food provision for the household to be one of the most frequently mentioned economic ripple effects of the UCT. In this finding we examine how the transfer improved both the quantity and quality of household food, influenced gender roles, and enhanced childhood nutrition.

Food security improved significantly, with all participants reporting that some portion of the transfer was spent on groceries or meals. Many noted a reduction in food shortages, more consistent meal patterns, and the ability to buy previously unaffordable foods such as meat, dairy, and fruit.

At the midline, one participant reflected on how the UCT eased household food insecurity. "When I started receiving the cash transfer, my sister was the only one working at home... Now I am able to help top up the groceries when I receive the cash transfer" (18-month FGD). This shift meant the family could buy groceries more predictably, reducing the pressure that previously forced them to stretch or borrow, and strengthening overall household stability.

Childhood nutrition was a key area of improvement. Caregivers described being able to prepare healthier lunch boxes, offer fruit as snacks, and ensure a variety of foods throughout the week: "We used to eat vegetables all the time, now we can buy meat and fruits for the children, for lunch boxes" (24-month FGD). This improved children's dietary quality and supported better school attendance and concentration. The UCT also allowed some participants to cover school uniforms, stationery, and transport, thereby strengthening children's overall wellbeing and learning environment.

The gender dimensions of these changes were distinct:

- **Women frequently described food provisioning as central to their caregiver role and identity.** The UCT restored their ability to meet these responsibilities with dignity, reduced the stress of scarcity, and provided scope to make health-oriented food choices such as adding fruit, vegetables, and protein to meals.

- **Men expressed satisfaction in contributing materially to household sustenance, often framing their role as providers.** Several noted that being able to buy food reduced household conflict and reinforced their sense of responsibility:

*"If you are not working and not contributing to the family, there are always arguments. If you've got something, they see that you are trying"* (18-month FGD)

By the end of the project, a divergence emerged between households with alternative income sources and those fully reliant on the UCT. For participants without jobs or stable side businesses, the cash transfer was a lifeline, and its removal was expected to trigger an immediate decline in food security. In contrast, households where the UCT had been partially invested into income-generating activities, such as baking, small-scale farming, or services, anticipated being able to maintain at least part of their improved food access after the project ended.

In sum, the UCT served as a critical stabiliser of household food security, improved the nutritional quality of diets, strengthened gendered roles in caregiving and provision, and supported the wellbeing of children. However, its sustainability depended heavily on whether the transfer had been complemented by other income-earning opportunities, underscoring the importance of linking cash support to broader livelihood-building strategies.

### 5.3.3 Impact of the Unconditional Cash Transfer on Intra-Level Household Dynamics

Building on the broader findings on the household-level impact of the UCT, this finding shows how the cash transfer reshaped intra-household relationships, gender roles, and emotional wellbeing. These interpersonal and structural changes improved household cohesion and directly influenced economic participation. When families experienced less conflict, shared financial responsibilities, and more equitable decision-making, they created an environment that allowed members to pursue jobs, maintain livelihoods, and invest in future opportunities.

The introduction of the UCT immediately reduced household conflict. Financial strain had been a major source of tension in many homes, and even modest income brought relief. Several participants described how contributing financially transformed their position within the household. As one woman put it, "There are less arguments now that I have something that I get. I am not depending on my spouse anymore" (18-months FGD). The ability to contribute—whether through food, bills, or school costs—restored dignity and built mutual respect. In many households, resources were pooled and financial decisions made collectively, leading one participant to reflect: "We are happy... It's working and we are helping each other" (18-month FGD). The ability to contribute financially not only lowered household conflict but also strengthened personal agency and balance in relationships, showing how predictable cash can ease pressures beyond economic needs.

However, the visibility of the transfer also introduced new pressures. Some women described coercive expectations from relatives once their income was known, such as one participant whose mother insisted, "You are getting R2000 every month, so I need R1500" (18-month FGD). This revealed the dual nature of financial autonomy—enhancing agency on one hand, while exposing recipients to new forms of obligation on the other. The transfer also shifted gender dynamics. Women reported greater autonomy, decision-making authority, and recognition, particularly in their caregiving roles. A single mother explained, "Now I don't bother anyone about my child's needs. I do everything for my son" (18-month FGD). For men, the ability to provide restored a sense of pride and responsibility, with one participant saying, "It feels so good. Responsible and proud as a father" (18-month FGD). These changes disrupted entrenched norms, reducing the burden of sole providers and fostering more equitable household partnerships.

Emotional wellbeing improved alongside these shifts. Being seen as a financial contributor enhanced participants' self-worth and sense of belonging. "They respect you. They recognise your suggestions" (18-month FGD), one man explained. The benefits, however, were not without costs. Women often faced the "double burden" of being both earners and caregivers. As one woman admitted, "Sometimes I want to go out and have fun, but I don't have money to spend on them... I must do important things first" (18-months FGD).

The transfer also created space for aspiration. For some, it marked a transition from short-term survival to longer-term planning. Several participants used the funds to start businesses, buy tools, or pay for further education. One man shared, "I used the cash transfer to start my business and buy tools" (18-month FGD)

By the endline, differences emerged between those with sustained incomes and those without. Participants who had secured jobs or livelihoods spoke of continued household harmony and reduced stress. "We are tighter now. There is less stress and less tension" (24-month FGD), one man said. Those without income, however, experienced rising tension, diminished influence, and a loss of recognition. One unemployed man explained, "If you are not working, you are not consulted... You have no say in when and who" (24-month FGD).

Ultimately, this finding shows that household dynamics—shaped by reduced conflict, shared responsibilities, and shifts in gender roles—play a critical role in determining how effectively cash transfer recipients can engage in and sustain economic participation.

### 5.3.4 Summary – Household Impacts and Links to Economic Participation

Across findings 7–9, the UCT contributed to strengthened household welfare through a household-level economic ripple effect, improved food and nutrition security, and reshaped intra-household dynamics. By meeting immediate needs and freeing other resources, households invested in education, productive assets, and risk management, creating conditions that supported recipients' economic engagement. Improved food security reduced the stress and time burdens of scarcity, enhancing participants' capacity to focus on job-seeking and livelihood activities. Shifts in household relationships—less conflict, shared responsibilities, and more equitable decision-making—further enabled sustained participation in the labour market. However, these positive effects were uneven: where the UCT was complemented by other income-earning opportunities, gains in stability and agency were more likely to endure, while households reliant solely on the transfer faced risks of reversal once the support ended.

# 06

# Enablers and Constraints

## Balancing Opportunity and Structural Barriers

## 6.1 Enablers and Constraints to Employment

The UCT reduced immediate financial barriers, enabling active job search, further training, and small business start-up.

At endline, 75% of participants spent on job search, mainly transport (58%) and data, with 51 financing search costs directly from the transfer, while 44 purchased employability assets, and 50 saved toward work-related tools.

### Quotes from project participants reflect these uses:

- *"I use the money to buy data for job applications and for transport"* (18-months FGD).

- *"I am saving R500 for a security course"* (18-months FGD).

- *"...if it wasn't for the cash transfer, I wouldn't be able to start this business"* (18-months FGD).

The UCT's impact was strongest when paired with TVET skills, internships, volunteering, and peer networks. At endline, 36 entered wage work and 49 livelihoods started, with entrepreneurial activation heavily reliant on UCT capital. Despite gains, barriers persisted. These include structural unemployment (77% of treatment group citing job scarcity), delayed TVET certificates preventing job applications, household poverty diverting UCT to basic needs, gendered care burdens, and lack of work experience.

- *"We lose out on jobs because we haven't received our qualifications"* (18-month FGD).

- *"I have a toddler... I must pay a baby-sitter to stay with the child"* (18-month FGD).

# 6.2 Enablers and Constraints to Livelihoods

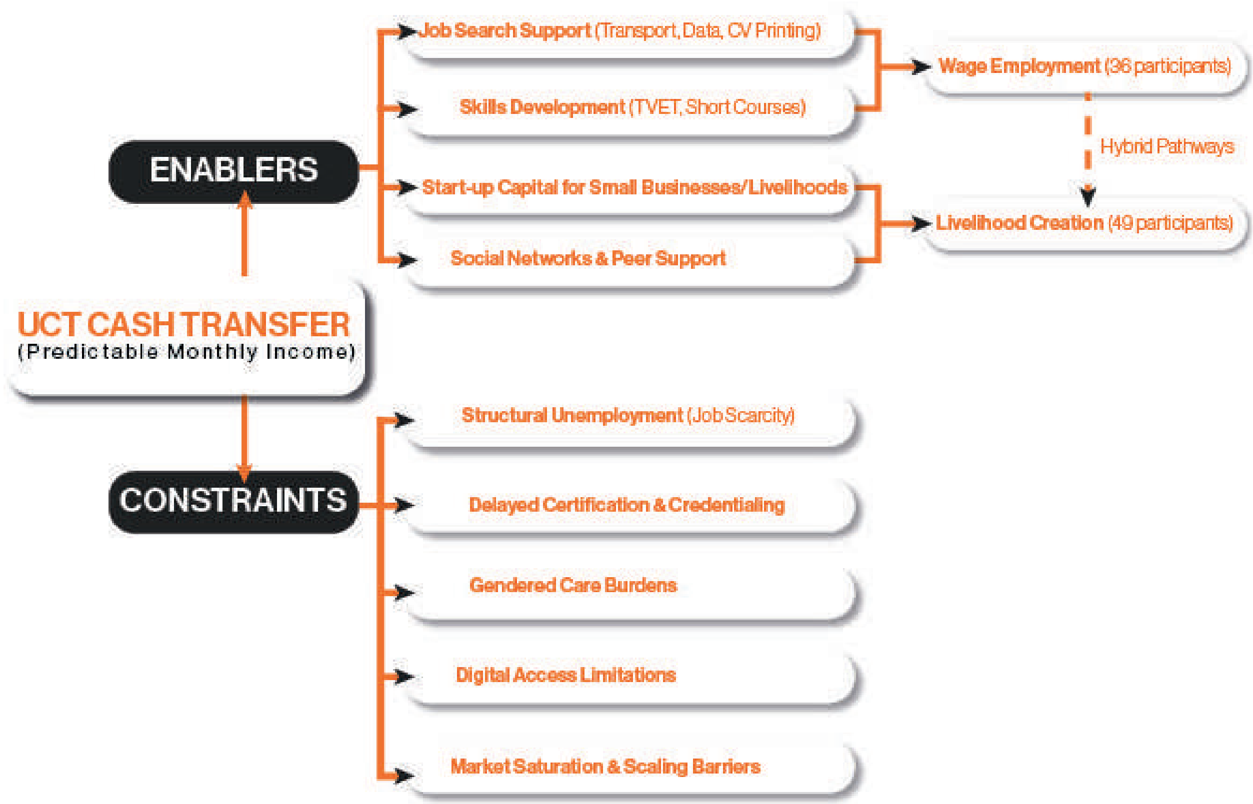
The UCT was the primary start-up fund for 80% of new ventures, enabling trades-based and necessity-driven businesses. Social networks supported rapid market entry, especially for women. Constraints included limited capital to scale, competition, and unstable demand.

- *"I already had the equipment for baking, but no money to buy stock"* (18-month FGD).

- *"There are already many spaza shops here — sometimes you sell nothing the whole day"* (18-month FGD).

Overall, the UCT acted as a catalyst, bridging the gap between skills and participation, but could not overcome structural labour market barriers without complementary reforms.

**The visual below shows how enablers and constraints played themselves out in the project.**



# 07 Causal Pathways

## Linking the UCT to Employment and Livelihood

**The evidence from this study demonstrates a clear causal relationship between the UCT and improvements in employment, livelihood creation, and labour market engagement. This causality is reinforced not only by the treatment group's outcomes but also by the stark contrast with the control group, confirming that the observed effects were not driven by wider labour market conditions but directly by the transfer.**

**The difference-in-differences analysis highlights this impact.** At endline (October 2024), 74% of treatment participants were economically active compared with just 29% of the control group—a net treatment effect of approximately 45 percentage points. Notably, many treatment participants pursued livelihoods and diversified income streams, pathways entirely absent in the control group. By the sustainability survey six months after the transfer ended (April 2025), economic activity in the treatment group remained high at 69%, underscoring that the UCT's effects extended beyond the transfer period. Together, these findings show that predictable income support did not merely facilitate short-term survival but directly catalysed both wage employment and self-employment opportunities.

### 7.1 Liquidity and Barrier Reduction

The UCT increased disposable income, easing the liquidity constraints that typically block labour market entry or self-employment. Participants covered household needs while also allocating funds to job search activities—transport, CV printing, internet data—and to start-up tools or stock for small businesses. By removing these barriers, the UCT enabled participants to take up opportunities that would otherwise have been inaccessible.

### 7.2 Enabling Active Job Search and Labour Market Re-Entry

During the transfer period, most participants sustained active job search, attributing this persistence to the financial flexibility created by the UCT. The higher transfer value amplified these effects compared to the SRD grant, supporting not only continued search but actual labour market entry. By endline, 25 participants in the treatment group were employed (36 when including those also running a livelihood), compared to only 10 in the control group—a more than threefold difference that underscores the UCT's enabling role.

### 7.3 Capital for Livelihood Creation and Expansion

Nearly half of the treatment group engaged in an income-generating livelihood during the UCT period, with 38 sole livelihoods and 11 hybrid earners by endline. In contrast, no livelihoods were recorded in the control group. Qualitative accounts show that the UCT was often the sole source of start-up capital, enabling the purchase of stock, equipment, or agricultural inputs and buffering early cash-flow gaps. The predictable monthly income allowed these enterprises to survive their vulnerable first months, establishing market presence.

# 7.4 The Impact Chain

The interaction of these mechanisms can be described as a sequence of interdependent steps:

1. UCT > **Increased Liquidity** – predictable R2,000 transfer raised monthly cash flow.

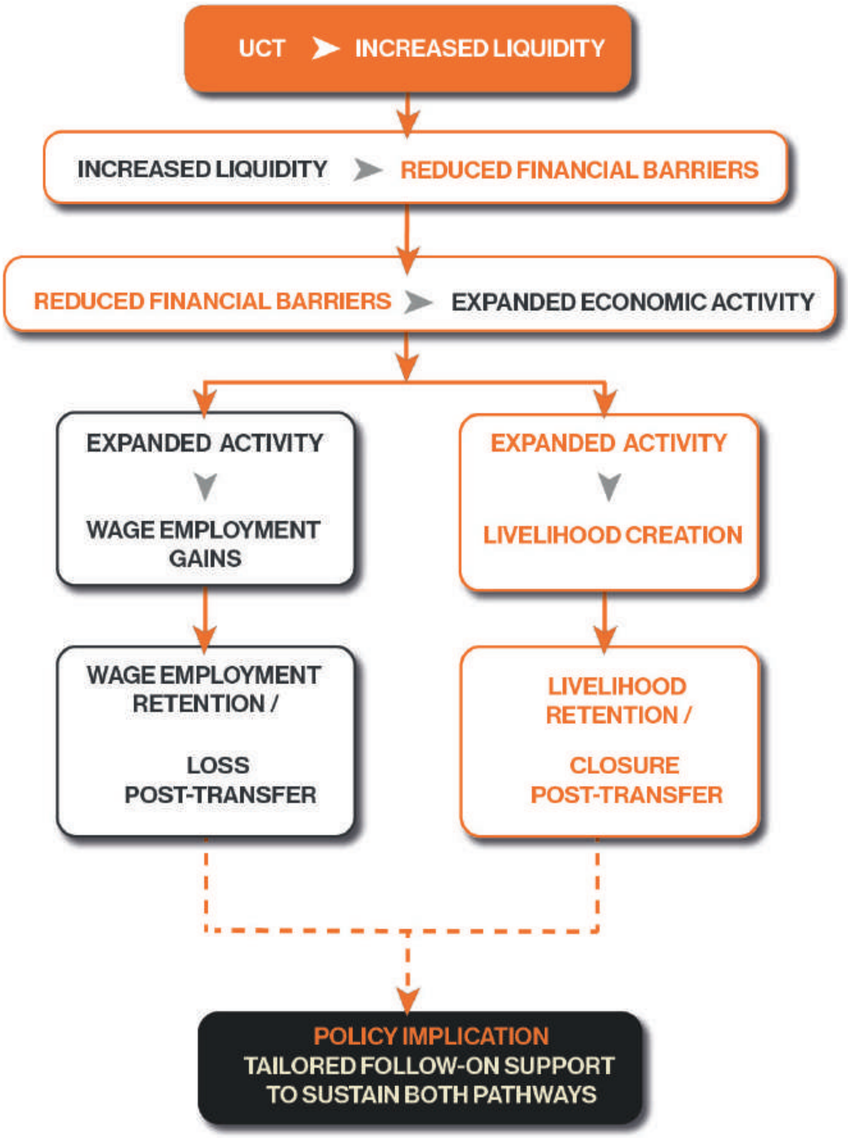
2. Liquidity > **Reduced Barriers** – removed the cost obstacles to job search and entrepreneurship.

3. Reduced Barriers > **Expanded Activity** – participants actively pursued both wage work and business start-ups.

4. Expanded Activity > **Employment and Livelihood Gains** – by endline, 25 treatment participants were employed, 38 ran livelihoods, and 11 combined both, compared to just 10 employed participants and zero livelihoods in the control group (74% vs 29% economically active).

5. Economic Gains > **Reinforced Engagement** – stable income and business revenues sustained ongoing search and reinvestment.

This chain illustrates the UCT's dual role: as a springboard, enabling entry into employment and livelihoods, and as a stabiliser, protecting against early exit from job search or livelihood collapse.




## Comparative Perspective and Limitations

Although the treatment (n=100) and control (n=35) groups differ in size, their identical baseline conditions make the comparative findings highly instructive. The absence of livelihood creation and the much lower employment uptake in the control group reinforce the conclusion that the UCT directly catalysed the observed outcomes, rather than these being coincidental or market driven.

## Summary

The UCT catalysed significant economic gains by reducing financial barriers, enabling job search, and providing start-up capital for livelihoods. For the treatment group, this translated into 25 participants securing employment, 38 starting a livelihood, and 11 combining both—outcomes far exceeding the control group. The difference-in-differences evidence confirms a net treatment effect of around 45 percentage points, sustained even six months post-transfer. Overall, the findings confirm a clear causal pathway from predictable cash transfers to expanded and diversified economic participation.

# 08 Sustaining Gains Beyond the Transfer

## Post-Intervention Labour Market Outcomes

**This section presents findings from a follow-up survey conducted six months after the conclusion of the UCT project.**

The objective was to assess the sustainability of the employment and livelihood outcomes achieved at endline, and to identify factors influencing the retention or loss of economic activity once the cash transfer ended. By comparing participants' status in October 2024 (endline) and April 2025 (post-transfer), the analysis highlights patterns of persistence, adaptation, and attrition in both wage employment and self-employment, offering insights into the resilience of gains and the vulnerabilities exposed in the absence of ongoing support.

### 8.1 Economic Retrenchment After UCT Cessation: Patterns of Loss, Adaptation, and Persistence

Between October 2024 and April 2025, the cohort experienced a contraction in both wage employment and self-employment. Employment fell from 36 participants to 29 (−7), while the number engaged in income-generating livelihoods decreased from 49 to 45 (−4). The most notable shift was the increase in participants who were

#### Comparison of Economic Status: October 2024 vs April 2025 (n = 100)

| Status | October 2024 | April 2025 | Change | Notes |
|---|---|---|---|---|
| Employed | 36 | 29 | −7 | 13 participants lost jobs, 6 found new employment. 14 remained employed. |
| Engaged in Livelihoods | 49 | 45 | −4 | 18 ceased livelihoods, 14 started new ones. 17 sustained livelihoods. |
| Without Employment/Livelihood | 26 | 31 | +5 | Largest increase, reflecting job/livelihood losses. 26 remained inactive. |
| Economically Active (any) | 74 | 69 | −5 (−7%) | Drop in people earning from work or business. |

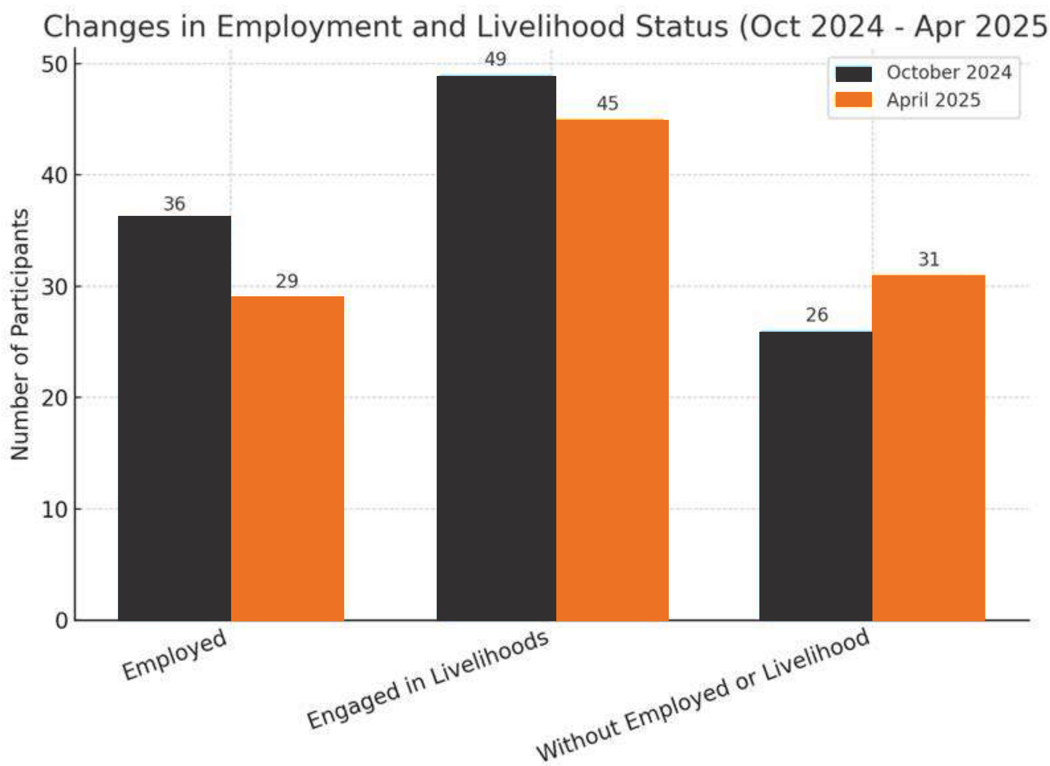
both unemployed and without a livelihood, which rose from 26 to 31 (+5). The net result was a reduction in the number of individuals deriving an income from either work or business—from 74 in October 2024 to 69 in April 2025, representing a 7% decline.

The largest increase was in "Without Employment/ Livelihood" (+5), indicating more people ended up with neither employment nor a business. Employment alone dropped by 7, consistent with the earlier finding of more job losses than gains, while income generating livelihoods decreased slightly (−4). Those who were economically active dropped by 5 or 7%.

Qualitative responses highlight that those who lost employment were mainly temporarily employed and eight of these indicated that the reasons for job loss were end of contract. Most remained active job seekers (n=23) or engaged in further education or training or attempted to start a livelihood without yet earning income. As one participant indicated: "When the contract ended, the employer hired on permanent basis those of us with cashier qualification. I did not have a cashier qualification. So, I was left out -I am now at DUT doing Business Management" (Sustainability Survey, April 2035).

Ten of the participants who lost their job transitioned to starting a livelihood. This could reflect that participants retained the capacity to remain economically active in a context where livelihoods often act as an alternative to wage employment or as a stopgap while waiting for another employment opportunity. This is consistent with broader participant feedback in April 2025, where livelihood operators cited their business activities as "keeping them active in the market" and "helping build contacts for job opportunities" (Sustainability Survey, April 2035).

The leading reason for livelihood cessation was the lack of capital once the cash transfer ended (n=13), followed by client non-payment and cash flow collapse. Two respondents indicated closing their business because they had found employment, while two cited a desire to pursue other activities. Where livelihoods persisted, they were mainly sustained through business profits (n=14), followed by family support (n=7) or income from a job.



These patterns reflect the vulnerability of livelihood activities to financial shocks—the withdrawal of the UCT— and underline the role of ongoing capital access in sustaining self-employment. It also raises the question of the feasibility of a timeframe of 2 years and whether such a period is sufficient to allow for sustainability of such income generating livelihoods. Our data also shows that job loss often results in continued labour market participation rather than withdrawal, though the quality and stability of these outcomes are uncertain once the transfer ends.

The chart below presents a comparison of the number of participants in each category between October 2024 and April 2025. It highlights the decline in both employment and livelihoods, alongside the increase in participants with neither.

## 8.2 Post-Transfer Attrition and the Sustainability Challenge in Cash Transfer–Induced Labour Market Gains

This post-intervention picture reflects patterns commonly found in the literature on the economic sustainability of cash transfer programmes. While UCTs have been shown to boost labour market participation and facilitate entry into both wage employment and self-employment during the transfer period, these gains often attenuate once the support ends, particularly in the absence of complementary interventions. South Africa's SRD grant, for example, increased the probability of job search and labour market re-entry during periods of economic stress, but without securing stable, long-term employment outcomes (Kohler et al., 2021).

In the present cohort, employment losses were concentrated among those in temporary positions, with eight participants citing the expiry of fixed-term contracts. Qualitative accounts suggest that while the UCT supported labour market entry during its operation, it could not protect participants from the structural volatility of South Africa's labour market, characterised by high turnover and limited opportunities for contract renewal. Ten individuals who lost their jobs subsequently transitioned into starting a livelihood, indicating adaptive capacity and the role of the informal sector as a buffer during periods of wage work loss. However, livelihoods were not immune to post-transfer shocks: 18 participants closed their businesses, most commonly due to loss of working capital (n = 13), client non-payment, and cash-flow collapse. A small number exited livelihoods because they had found employment (n = 2) or wished to pursue other activities (n = 2).

These patterns reflect the well-documented vulnerability of small-scale, self-employment activities to liquidity constraints and demand shocks once initial capital injections are withdrawn. Sustained profitability was observed only among a subset of operators, mainly those able to reinvest business profits (n = 14), supplement capital through family support (n = 7), or draw on income from a job. International evidence points to several factors that improve sustainability: phased or tapered capital support to prevent a "cliff-edge" effect, market access interventions to ensure stable demand, and light-touch business coaching coupled with savings mechanisms.

In this context the choice of a two-year project is relevant. The two-year transfer period provided necessary but not sufficient conditions for durable gains. As one participant noted: "Our minds were not really clear about what we really wanted to do... 36 months will give us time to make things right, even if we didn't do well in the 1st year while we were still uncertain about our plans and the types of businesses that we want to start" (24-month FGD). At six months post-UCT, 14 participants remained employed, 17 sustained their livelihoods, and 26 remained inactive. Overall, the number of people deriving income from work or business dropped from 74 in October 2024 to 69 in April 2025, reflecting a 7% decline.

The simultaneous increase in those with neither work nor livelihood underline the fragility of these gains when ongoing capital access, market linkages, and institutional support are absent. The data suggest that attrition risk in this cohort is driven less by discouragement or withdrawal and more by structural barriers—capital loss, market instability, and the short-term nature of contracts. Without interventions that address these constraints, the cohort's high engagement levels may not translate into stable re-employment or business recovery.

# 09

# Discussion:

## Pathways, Comparative Performance, and Policy Implications

## 9.1 Key Findings Summary

| Finding | Evidence |
|---|---|
| Rapid economic activation | By end line, 74% of the treatment group were economically active (25% in employment, 38% in livelihoods, 11% combining both) compared to just 29% of the control group, all in employment. Difference-in-differences analysis indicates a net treatment effect of ~45 percentage points, confirming that gains were directly attributable to the UCT rather than wider labour market conditions. |
| Higher-value transfers removed barriers and enabled livelihoods | Ninety-four percent of employed participants used the transfer to cover job search costs. Forty-nine new livelihoods were created, with more than 80% launched solely with UCT start-up capital. The transfer value (R2 000, above the UBPL) allowed participants to meet basic needs and still invest in economic activity. |
| Financial agency and psychosocial gains | Unconditionality enhanced dignity, independence, and future orientation. Participants reported reduced reliance on family or partners, restored confidence, and lower stress, which underpinned sustained labour market engagement. |
| Household-level benefits | 98% of participants reported improved food security, with additional spending on education, emergencies, and household assets. The UCT reduced conflict and expanded women's influence over household decision-making, generating wider multiplier effects. |
| Gendered impacts | Women experienced notable gains in financial autonomy and bargaining power within households, while men emphasised restored pride and capacity to contribute. These shifts highlight the gendered dimensions of UCTs. |
| Limited alignment of TVET training with outcomes | While some applied their training directly, most entered jobs or livelihoods in unrelated sectors (e.g., retail, food services). The UCT allowed activation even where sectoral opportunities linked to training were scarce. |
| Post-transfer sustainability challenges | Six months after the transfer ended, economic activity declined from 74% to 69%. The sharpest losses were among hybrid earners (employment + livelihood), reflecting both contract expiry and erosion of working capital. New self-employment offset some losses, but overall gains proved fragile. |
| Perceptions of duration | Many participants felt two years was too short to consolidate progress, suggesting extensions of six months to five years. Others argued that outcomes hinged more on how quickly transfers were mobilised than on duration, pointing to the importance of complementary supports. |

## 9.2 Overview and Restatement of the Research Question

This study asked: "Does an unconditional cash transfer of R2000 per month, provided to unemployed youth who have completed post-school education or training, lead to them creating economic livelihoods or increasing participation in the formal or informal labour market?"

Evidence from the two-year project in Pietermaritzburg suggests a clear affirmative answer in the short term. By endline, 74% of the treatment group were economically active, compared to just 29% of the control group. The UCT facilitated high-intensity job-seeking and removed capital constraints to small business creation, whereas the control group saw only employment uptake and no livelihood creation. This 45-percentage point net treatment effect is confirmed by difference-in-differences analysis, which shows that the observed outcomes were not the result of broader labour market conditions but directly attributable to the UCT. Importantly, by the sustainability survey six months after the end of the transfer, 69% of the treatment group remained economically active—still far above the control group's 29%—demonstrating both the immediate and durable impact of the intervention.

## 9.3 Interpretation of Results and Causal Pathways

The study confirms a multi-pathway causal link between the UCT and improved outcomes:

- **Liquidity effect:** Removed immediate cost barriers to job search, sustaining participation.
- **Investment effect:** With transfers set above subsistence, participants could fund tools, stock, and start-ups. Nearly half relied on the UCT as sole capital.
- **Psychosocial effect:** Predictable income reduced stress, restored dignity, and encouraged persistence.
- **Household welfare:** Improved food security and fewer skipped meals created a stronger base for economic activity.
- **Gender relations:** Women gained financial influence and autonomy, though some faced rising family expectations.
- **Financial agency:** Improved budgeting, debt repayment, and saving practices underpinned livelihoods and retention.

These pathways operated in tandem. Crucially, the absence of comparable effects in the control group—

where inactivity remained high at 71%—reinforces the conclusion that the UCT was the decisive factor enabling economic activation.

## 9.4 Alignment with and Contribution to Existing Literature

The findings align with evidence that even modest transfers such as the SRD grant increase job-search intensity and support micro-enterprise, while international studies highlight liquidity as a catalyst for entry (McIntosh & Zeitlin, 2022). This study extends the literature by showing how larger transfers, set above the UBPL, unlock both wage employment and entrepreneurship among TVET graduates. Importantly, the post-transfer drop-off echoes warnings from Fiala & McKenzie (2018) that time-bound transfers, without complementary reforms, struggle to secure durable gains.

This project advances the evidence base in three ways:

1. **Cash–training interaction:** Demonstrates that liquidity unlocks activation for TVET graduates, but sustained employment depends on demand alignment.
2. **Household spillovers:** Documents UCT-induced gains in food security, education, and intra-household power.
3. **Post-transfer tracking:** Provides rare data on sustainability, showing fragility once transfers cease but resilience among a core group.

## 9.5 Comparative Performance Against Similar South African Programmes

When benchmarked, the UCT's performance is striking. At endline, 74% of treatment participants were economically active—compared to 29% of the control group, ~42% of TVET graduates nationally, 35–40% in Youth Employment Service placements, and 45–55% temporary absorption in the Presidential Employment Stimulus. The diversification into livelihoods among the treatment group is especially distinctive: while the control group had no livelihood creation, 49 businesses were started in the treatment group.

The project's stronger performance reflects its above-UBPL design, which created an investment margin absent in stipend-based schemes. Yet its small sample and single-site focus mean that multi-province pilots are required to test scalability, variation, and design adaptations.

## 9.6 Revisiting Assumptions: TVET Training and Economic Outcomes

A core design assumption was that liquidity would speed entry into relevant sectors. While true for participants in high-demand fields (plumbing, ICT, engineering), many entered unrelated, low-skill work due to saturation in their trained sectors. This mismatch mirrors national evidence (Kruss et al., 2012) and underscores the need for demand-responsive training and faster certification processes.

## 9.7 Structural and Institutional Constraints

Persistent barriers limited impact:

- **Structural unemployment:** Job scarcity restricted placements despite active search.
- **Credentialing delays:** TVET certificate backlogs excluded qualified candidates.
- **Gendered care burdens:** Women faced childcare-linked opportunity costs.
- **Digital/spatial exclusion:** High connectivity and transport costs remained critical hurdles.
- **Thin enterprise markets:** Many livelihoods were necessity-driven, with low margins and vulnerable to shocks.

## 9.8 Sustainability of Gains Post-Transfer

The six-month follow-up revealed a 5-percentage-point decrease in economic activity (74% →69%), with the largest shift being a contraction in hybrid earners (from 11 to 5). Sole employment fell slightly (25 to 24), while sole livelihoods grew modestly (38 to 40). Overall, inactivity rose from 26% to 31%, underscoring that while the UCT created a strong activation effect, gains proved fragile once transfers ceased.

However, the cohort showed a level of resilience with 69 remaining economically active. Resilience was uneven, hybrid earners (both employment and livelihood) proved most vulnerable with a 45% drop, while sole livelihoods grew slightly, suggesting that some participants consolidated into single income streams.

### Future Design Considerations

The evidence points to several design considerations:

• **Pair cash with demand-responsive training:** Link UCTs to sectors with proven absorption capacity and ensure timely certification. The study shows that wage employment outcomes were strongest among participants whose TVET qualifications matched current market demand.

> **Example:** A mechanical engineering graduate used the UCT for transport and certification renewal and secured a permanent position within the first year.

• **Facilitate market access for youth entrepreneurs:** Provide procurement opportunities, mentoring, and business development support. Most livelihoods started were in low-margin retail and services.

> **Example:** A tuck shop operator expanded turnover by informally supplying a school feeding scheme.

• **Protect gains with tapered or sequenced support:** Introduce phased reductions or link cash to microfinance to mitigate post-transfer collapse. Post-transfer attrition highlights the risk of sudden withdrawal.

> **Example:** Ethiopia's Productive Safety Net Programme uses tapering to reduce grant amounts while linking recipients to savings and credit, reducing dropout from self-employment.

• **Integrate social protection and employment strategies:** Position youth-targeted UCTs as part of broader labour market activation packages rather than stand-alone welfare. Cash alone cannot overcome structural unemployment.

> **Example:** Participants who used the UCT to transition from temporary jobs into self-employment after contract expiry showed adaptive capacity, demonstrating how cash can buffer shocks and support re-entry into economic activity.

• **Address gender-specific barriers:** Women often faced caregiving and family income-sharing pressures.

> **Example:** One participant used UCT funds to pay for childcare, enabling her to attend interviews and secure part-time work.

## 9.9 Study Limitations and Generalisability

### Design and identification.

The use of a difference-in-differences (DiD) design strengthens internal validity by comparing changes in outcomes between treatment and control groups over time, thereby netting out common trends. However, estimates remain subject to limitations, including modest sample size, potential attrition effects, and unobserved heterogeneity that may bias subgroup comparisons. Causality should therefore be interpreted with caution, especially beyond the study's core parameters.

### Generalisability.

Results apply primarily to post-school trained, unemployed youth in urban/peri-urban KZN and similar TVET profiles; external validity to other provinces, rural areas, or untrained youth is limited.

### Measurement.

Key outcomes are self-reported and thus vulnerable to recall error and social-desirability bias. While the DiD analysis captures net changes in economic activity, it does not fully reflect volatility within statuses—such as job loss followed by livelihood initiation—or the fragility of small enterprises. Measurement focused on participation (employment and/or livelihood) rather than job quality (earnings, stability, benefits) or enterprise productivity, and administrative verification remained limited.

## Timing

Outcomes are observed from baseline to endline and approximately six months post-transfer. This window captured both attrition (e.g., expiry of temporary contracts, business closures) and adaptation (e.g., transition into self-employment following job loss). The durability of outcomes beyond this period remains unknown, and may be affected by contract cycles, liquidity constraints, and seasonality.

## Contextual factors.

Structural labour market volatility—short-term contracts, delayed certification, local demand fluctuations—shaped outcomes in ways that cannot be fully disentangled from programme effects. While the DiD design controls for shared trends, it cannot isolate all contextual shocks or possible spillovers within households and communities.

## Cost and scalability.

A full cost-effectiveness analysis is beyond the scope of this study. Scalability of youth-targeted UCTs depends on administrative overheads, payment infrastructure, and the labour market's capacity to absorb additional entrants. These conditions remain uncertain and require further piloting in diverse contexts.

## 9.10 Advancing the National and Global Debate

By demonstrating that a relatively modest but predictable grant can achieve above-average activation rates among a structurally excluded cohort, this study contributes to the evolving national conversation on social protection as a tool for economic inclusion (van den Heever et al., 2021).

Internationally, the findings align with evidence that UCTs can complement human capital investments by bridging the transition from training to economic participation. In this study, predictable income removed liquidity constraints for job-seeking and served as seed capital for enterprise creation, especially in a low-demand labour market where structured placement opportunities are scarce.

At the same time, it reveals the critical design challenge of sustaining these gains: South African Micro, Small and Medium Enterprises (MSMEs) data show that up to two-thirds of small businesses close within five years, highlighting the need for post-transfer support in capital access, market linkages, and light-touch business coaching to preserve outcomes (Bushe, 2019).

The project confirms international patterns and extends South African evidence by showing that a well-calibrated UCT can match or exceed the activation performance of flagship public employment programmes, particularly in stimulating self-employment among trained but unemployed youth. Targeted at skilled work-seekers, the UCT acted as both a springboard into jobs and enterprises and a stabiliser during the early, precarious phase of market participation.

While it achieved higher immediate activation rates than comparable programmes, attrition after support ended reflected the same systemic constraints seen elsewhere—skills–market mismatches, institutional bottlenecks, and loss of capital. These results argue for integrated approaches that pair predictable cash support with structural reforms and targeted market linkages to unlock the full economic potential of South Africa's young, skilled, but under-employed population.

# 10 Final Conclusion and Recommendations

**The UCT project set out to test whether providing unemployed, post-school trained youth with a predictable monthly income of R2000 could enable them to create sustainable livelihoods or increase their participation in the formal and informal labour markets.**

Over the two-year implementation, the project achieved demonstrable and substantial positive outcomes. By endline, 74% of the treatment group were economically active—36% in wage employment and 49 income-generating livelihoods having been started. In contrast, only 29% of the control group were economically active, all in employment and with no livelihoods recorded.

Difference-in-differences analysis confirms that this represents a net treatment effect of around 45 percentage points, showing that the observed gains were not the result of broader labour market dynamics but directly catalysed by the transfer. Six months after the end of the transfer economic activity in the treatment group remained high at 69%, still well above the control group's 29%, underscoring both the immediate and durable impact of predictable cash.

The evidence shows that the transfer acted as both a direct enabler—removing immediate financial barriers to job search and business start-up—and an indirect mediating mechanism, strengthening agency, self-confidence, and household stability. Participants invested in productive assets, funded job-seeking activities, and in many cases established viable small enterprises. The UCT also improved household welfare, with high proportions of spending directed towards food security, schooling, health, and emergencies.

At the same time, the project exposed important structural and relational challenges. Employment and livelihood activities were often in sectors unrelated to participants' training, highlighting persistent mismatches between TVET curricula and labour market demand. Gains were not universally sustained after the transfers ended: the proportion of participants with no income increased from 26 to 31 in the six months following cessation, driven by contract expiries and the loss of livelihood working capital. Gender analysis revealed both empowerment and new pressures: women gained decision-making power but often faced heightened claims on their income, while men experienced restored dignity during the project but vulnerability when provider roles could no longer be maintained.

These outcomes confirm and extend the South African literature on cash transfers. Consistent with prior research, predictable income reduced job-search frictions, stimulated small-scale entrepreneurship, and improved household bargaining dynamics. The project's unusually high rate of livelihood creation, the nuanced gendered impacts, and the post-transfer attrition patterns contribute new empirical insights into the design of youth-focused income support programmes. The treatment–control comparison further strengthens the causal case: while inactivity persisted at 71% in the control group, it was reduced to just 26% in the treatment group, confirming the transformative effect of predictable cash.

From a policy perspective, UCTs set at adequate Rand value can accelerate labour market entry and enterprise creation among trained but unemployed youth. These gains are more likely to endure if complemented by targeted enterprise support, job placement services, and a tapered exit strategy to mitigate post-transfer shocks. The TVET system also requires urgent reform to ensure timely certification, improve sectoral alignment, and integrate entrepreneurial readiness into training. Finally, while the project provides compelling proof of concept, its usefulness for national policy is limited by its small sample size and single geographic focus. Expanding UCT pilots to 3–5 provinces, targeting areas with high youth unemployment, would test scalability and performance across diverse contexts, including rural versus urban areas. Comparative designs could include baseline UCTs, tapered models, job-placement linkages, and enterprise top-ups, generating stronger evidence for potential national policy consideration.

In conclusion, this project demonstrates that a well-designed UCT for unemployed, post-school trained youth is not a passive welfare instrument, but a proactive labour market and development intervention.

By pairing income support with structural reforms in the training and employment ecosystem, South Africa could convert the short-term activation effects observed here into sustained, skills-relevant participation in the economy, addressing youth unemployment not as a static social problem, but as a solvable policy challenge.

# Key Recommendations

## Recommendations on Replicability and Labour Market Dynamics

The findings from this project highlight several design and policy directions that can strengthen the replicability and effectiveness of UCTs in tackling youth unemployment.

### Recommendation 1. Roll Out Multi-Province UCT Pilots for Unemployed, Post-School Youth

Evidence supports expanding UCT pilots to 3–5 provinces, covering both urban and rural areas, to test scalability and performance under diverse labour market and social conditions. Comparative designs should be built in—ranging from a baseline UCT to tapered models, UCTs combined with targeted job placement, and UCTs supplemented with enterprise capital top-ups.

By aligning pilots with provinces where youth unemployment is highest and post-school transitions weakest, policymakers can assess replicability and generate evidence for potential national adoption.

### Recommendation 2. Embed UCTs into National Youth Employment Policy Frameworks

UCTs should be incorporated as a complementary measure within South Africa's National Development Plan (NDP) and the Presidential Youth Employment Intervention (PYEI). Positioned alongside wage subsidies, public employment programmes, and sectoral job creation efforts, UCTs address liquidity constraints that often block entry into work or enterprise. Embedding them within existing frameworks ensures coherence across interventions, preventing fragmentation and enhancing impact. Lessons from the SRD grant show that even modest transfers increased job search activity, but scale and integration with labour-market programmes are necessary for sustained outcomes.

### Recommendation 3. Retain Unconditionality and Set Transfer Values Above Poverty Thresholds

The pilot shows that unconditionality is a core strength of cash transfers: it maximises flexibility, strengthens financial agency, and upholds the dignity of recipients, while also enabling investment in job search, skills development, and enterprise creation without reducing work motivation. Transfer size is equally critical. Cash transfers set only at subsistence levels are absorbed by basic needs, while higher-value transfers create space for productive use. By setting the UCT at R2 000, above the upper-bound poverty line of R1 417 in September 2022, the project enabled participants to channel surplus funds into economic activity—consistent with international evidence that higher-value grants support both household security and productive outcomes (Patel et al. 2012; Bhorat 2021; Devereux 2016). The design contrasts with the SRD grant of R370, which remains below the food poverty line and therefore has limited catalytic effect on labour-market participation.

## Recommendations on Future Design Improvements

### Recommendation 1: Duration of UCT for Job Seeking and Livelihood Sustainability

Evidence from the two-year pilot demonstrates that while the transfer was sufficient to activate job seeking and livelihood creation, gains began to erode within six months of cessation due to loss of working capital and continued structural barriers. Future UCT projects should therefore extend beyond two years or incorporate follow-on mechanisms to provide sufficient time for jobseekers to secure stable work and for livelihoods to consolidate into sustainable income sources.

### Recommendation 2: Introduce Tapered Exit Strategies

The increase in those not economically, six months after the transfer ended, underscores the vulnerability of gains once predictable support is withdrawn. Future designs should consider a tapered phase-out of the transfer, gradually reduce support or link recipients to savings, microfinance, or capital-retention mechanisms, to protect emerging livelihoods and sustain active job seeking.

### Recommendation 3: Add Complementary Non-Financial Supports

Alongside financial transfers, future UCT programmes should incorporate a package of optional non-financial supports to strengthen participants' pathways into employment and entrepreneurship. These could include career coaching, job matching, and market linkage services to help young people connect more effectively with available opportunities. In addition, targeted interventions are needed to address specific barriers faced by different groups: for women, this may involve childcare support, while for rural youth, transport subsidies or internet access could be prioritised. Such complementary measures are essential to remove gendered, spatial, and informational barriers that otherwise limit young people's ability to take up opportunities and sustain economic participation.

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