Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 5 | May 2026 -Peer-Reviewed Journal

# YOUTH UNEMPLOYMENT VERSUS EDUCATION ATTAINMENT IN SOUTH AFRICA: AN EMPIRICAL INVESTIGATION

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**ABSTRACT**
*We empirically analyze the relationship between youth unemployment and education attainment in South Africa, using quarterly data from 2001 to 2024 obtained from the World Bank. Employing Autoregression Distributed Lags (ARDL) model, we treat Unemployment, youth total (% of total labor force ages 15-24) (national estimate) as dependent variable and educational attainment, at least completed lower secondary, population 25+, total (%) (cumulative) as independent variable. ARDL results show that lagged Unemployment (lag 1) is positive and statistically significant, meaning that unemployment is persistent. The coefficient of education (0.208554) is positive and statistically significant. This implies that a one year increase in education leads to increase in unemployment by 0.21%. We recommend that policymakers strengthen the quality and relevance of education through skills development, vocational training, and stronger alignment between educational institutions and labor market demands. In addition, broader economic policies aimed at promoting investment, entrepreneurship, and job creation are necessary to effectively reduce youth unemployment in South Africa.*
**KEY WORDS:** *Autoregression Distributed Lags, Unemployment, Education, South Africa*

## INTRODUCTION

Youth unemployment and educational attainment are among the most critical socio-economic indicators used to evaluate labour market performance and inclusive economic development (Ladaru et al., 2026). Within the framework of human capital theory, education is widely regarded as a key determinant of employability, as it enhances skills, productivity, and an individual's capacity to participate effectively in the labour market (Suleman, 2018). Consequently, policymakers have consistently emphasized expanding access to education as a primary strategy for reducing youth unemployment (Giwah et al., 2021). However, recent empirical evidence, particularly from developing economies, suggests that the relationship between education and unemployment is not always straightforward, as increases in educational attainment have not necessarily translated into improved employment outcomes for young people (Vivarelli, 2014).

South Africa presents a particularly striking case in this regard. Despite substantial progress in expanding access to education since the end of apartheid, the country continues to experience persistently high levels of youth unemployment (Fourie, 2017). This paradox is further compounded by the growing incidence of unemployment among individuals with secondary and even tertiary qualifications (Livingstone, 2019). While higher education generally improves employment prospects, a significant proportion of educated youth remain unemployed, raising concerns about the effectiveness of the education system in preparing individuals for the labour market (Sanyal, 2024). These patterns suggest that structural issues, such as skills mismatch, low economic growth, and limited job creation, may weaken the expected inverse relationship between educational attainment and unemployment (Adely et al., 2021). The South African labour market is characterized by deep structural and institutional challenges that shape the education-employment nexus (Zinatsa & Saurombe, 2022). Inequalities in the quality of education, limited access to work experience, and a mismatch between the skills produced by the education system and those demanded by employers continue to constrain employment opportunities for young people (Green, 2017). Furthermore, the slow pace of economic growth and insufficient labour market absorption capacity exacerbate the problem, resulting in a situation where even qualified individuals struggle to secure employment (Narula, 2004). These complexities raise important questions about whether educational attainment alone can effectively reduce youth unemployment or whether broader economic and institutional reforms are required.

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This study empirically examines the relationship between youth unemployment and educational attainment in South Africa using the Autoregressive Distributed Lag (ARDL) modelling approach (Das & Raju, 2025). The ARDL technique is particularly suitable for this analysis as it allows for the estimation of both short-run and long-run dynamics between variables, regardless of whether they are integrated of different orders (Nkoro & Uko, 2016). By applying the ARDL framework, this study provides robust insights into the nature and direction of the relationship between education and youth unemployment over time. The findings are expected to contribute to policy discussions by offering evidence on whether improving educational attainment can serve as an effective strategy for addressing youth unemployment in South Africa.

## LITERATURE REVIEW

Youth unemployment remains one of the most pressing socio-economic challenges globally, particularly in developing regions (Mago, 2018). The relationship between educational attainment and youth unemployment has attracted extensive scholarly attention, with education traditionally viewed as a key pathway to improved labour market outcomes (Brzinsky-Fay, 2017). However, empirical evidence increasingly suggests that the relationship is complex, context-specific, and mediated by structural economic factors (Dogru et al., 2025).

Globally, the dominant theoretical framework underpinning the relationship between education and employment is human capital theory (Tonini, 2021). This theory posits that investments in education enhance individuals' productivity, thereby increasing their employability and earnings potential (Azatovna Galiakberova, 2019). Empirical studies across both developed and developing countries generally support this proposition, showing that higher levels of educational attainment, particularly tertiary education, are associated with lower unemployment rates (Liefner & Schiller, 2008). However, the global literature also highlights several emerging challenges. One such challenge is credential inflation, where the expansion of educational systems has outpaced job creation, leading to rising levels of graduate unemployment (Hassan, 2025). Additionally, the phenomenon of skills mismatch has become increasingly prominent, referring to a situation where the skills possessed by graduates do not align with labour market demands (Moloto et al., 2025). Consequently, education alone is no longer a sufficient guarantee of employment, particularly in economies experiencing slow structural transformation (Lin, 2011).

In the African context, the relationship between education and youth unemployment is further complicated by demographic and economic dynamics (Anyanwu, 2013). The continent is experiencing rapid population growth, resulting in a disproportionately large youth population entering the labour market each year (Lam & Leibbrandt, 2023). While educational access has improved significantly in many African countries, the quality and relevance of education remain critical concerns (Adeniyi et al., 2024). Studies across the continent reveal a growing trend of "educated unemployment," where individuals with secondary or even tertiary qualifications struggle to secure employment (Xibao & Ping, 2025). This paradox is often attributed to weak industrialization, limited formal sector job creation, and education systems that are poorly aligned with labour market needs (Allais, 2022). Furthermore, the dominance of the informal sector in many African economies means that a large proportion of youth are either underemployed or engaged in low-productivity activities that do not match their level of education (Sumberg et al., 2020).

Within Southern Africa, the challenge of youth unemployment is particularly acute, despite relatively higher levels of educational attainment compared to other regions on the continent (De Lannoy et al., 2020). Countries such as South Africa, Namibia, and Botswana exhibit persistently high unemployment rates among young people, reflecting deep structural inequalities and limited economic diversification (Naape, 2026). The literature in this region emphasizes the existence of dual labour markets, characterized by a small, highly skilled formal sector and a large, low-skilled informal sector (Ugargol & Parvathy, 2023). Educational attainment alone does not guarantee access to the formal sector, as employment outcomes are also influenced by factors such as the quality of education, field of study, and access to social networks (Werquin, 2012). Moreover, historical inequalities continue to shape both educational opportunities and labour market outcomes, reinforcing patterns of exclusion among disadvantaged groups (Hadjar, 2019).

South Africa provides a particularly compelling case study within this broader context, as it combines relatively high levels of educational participation with exceptionally high rates of youth unemployment (Ngcaweni, 2016). Empirical studies consistently show that the relationship between education and unemployment in South Africa is non-linear (Ngubane et al., 2023). While individuals with tertiary education generally experience better employment prospects,

those with only secondary education often face higher levels of unemployment (Van Broekhuizen, 2016). This suggests that the labour market places a premium on advanced skills, while individuals with lower levels of education struggle to compete for limited opportunities. Furthermore, the South African labour market is characterized by significant skills mismatch, with employers frequently reporting shortages of appropriately skilled workers despite high unemployment rates (Daniels, 2007).

A key theme in the South African literature is the distinction between the quantity and quality of education (Spaull, 2015). Although access to education has improved significantly since the end of apartheid, disparities in educational quality persist across different socio-economic groups (Mzangwa, 2019). Many students, particularly those from disadvantaged backgrounds, attend under-resourced schools that fail to equip them with the skills required for the modern labour market (Woldegiorgis & Chiramba, 2025). As a result, even individuals who have completed secondary education may lack the competencies needed to secure employment. In contrast, graduates from higher-quality institutions, particularly those with specialized or technical qualifications, tend to fare better in the labour market (Rasool & Botha, 2011).

In addition to educational factors, structural and macroeconomic conditions play a critical role in shaping youth unemployment outcomes in South Africa (Dunga & Maloma, 2024). The economy has experienced relatively low levels of growth and job creation, limiting the absorption capacity of the labour market (Mncayi & Shuping, 2021). Historical legacies of inequality, spatial disparities, and labour market rigidities further exacerbate the problem (Yolusever, 2025). Consequently, youth unemployment in South Africa cannot be understood solely as a function of educational attainment; rather, it reflects a complex interplay of educational, economic, and institutional factors (Lam et al., 2009).

## DATA AND METHODS

We adopt a quantitative time-series research design grounded in econometric analysis to empirically examine the relationship between youth unemployment and educational attainment in South Africa. The choice of a quantitative approach is motivated by the need to analyze numerical macroeconomic indicators and their dynamic interactions over time using formal statistical techniques (Sheya, 2020).

The study utilizes secondary data obtained from the World Development Indicators (WDI) database of the World Bank (World Bank, 2023). The analysis focuses on two key variables: **youth unemployment**, defined as unemployment among individuals aged 15–24 as a percentage of the total youth labor force (dependent variable), and **educational attainment**, measured as the percentage of the population aged 25 and above that has completed at least lower secondary education (independent variable). The dataset spans the period 2001 to 2024.

Given the limited number of annual observations, the data is transformed into quarterly frequency using linear interpolation. This technique preserves the overall structure of the data while increasing the number of observations, thereby improving the robustness of econometric estimation (Vera-Jaramillo, 2025). This results in a quarterly time series spanning from 2021Q1 to 2024Q1 yielding 93 observations for each variable.

A purposive sampling approach is employed, with South Africa selected due to its persistently high youth unemployment rates and ongoing policy emphasis on education as a tool for labor market improvement (Mseleku, 2022). This context provides a suitable case for examining the linkage between human capital development and employment outcomes.

To provide preliminary insights into the data, descriptive statistics-including mean, median, standard deviation, skewness, and kurtosis-are computed (Chatterjee, 2025). The results indicate moderate variability in both variables, with youth unemployment exhibiting slight positive skewness and educational attainment showing slight negative skewness. The Jarque-Bera statistics suggest that both series are approximately normally distributed, as the null hypothesis of normality cannot be rejected at conventional significance levels (Bokhari & Ali, 2025).

To avoid spurious regression and ensure the validity of time-series analysis, stationarity tests are conducted using the Augmented Dickey-Fuller (ADF) test (Ghouse et al., 2021). The results reveal that both youth unemployment and educational attainment are non-stationary in levels but become stationary after first differencing, implying that both

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variables are integrated of order one, I(1) (Mehmetaj & Xhindi, 2022). This justifies the use of econometric techniques capable of handling variables with mixed integration orders.

To examine both short-run and long-run dynamics between the variables, the study employs the Autoregressive Distributed Lag (ARDL) bounds testing approach developed by Pesaran et al. (Shahid et al., 2025). The ARDL model is particularly suitable given its flexibility in handling small sample sizes and variables integrated of order I(0) and I(1), but not I(2) (Ghouse, 2018). Based on the Akaike Information Criterion (AIC), the optimal model selected is ARDL(1,1).
The general ARDL model estimated in this study is specified as follows:

$$\Delta Unemployment_t = \sum_{i=1}^{p} \beta_i \Delta Unemployment_{t-i} + \sum_{j=1}^{q} \gamma_i \Delta Education_t + \varepsilon_t \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where;
Δ denotes the first difference operator
$Unemployment_t$ is Unemployment, youth total (% of total labor force ages 15-24) (national estimate)
$Education_t$ is educational attainment, at least completed lower secondary, population 25+, total (%) (cumulative)
$\varepsilon_t$ is the white noise error term (Roschitsch, n.d.).

The estimated ARDL results indicate that past values of unemployment significantly influence current unemployment dynamics, as evidenced by the statistically significant lagged dependent variable. In the short run, changes in educational attainment have a positive and statistically significant effect on youth unemployment, suggesting that increases in education levels may initially coincide with higher unemployment, possibly due to skill mismatches or delays in labor market absorption (Mroz & Savage, 2006). However, the lagged effect of education appears negative, indicating potential long-run benefits of education in reducing unemployment.

To ensure the reliability and adequacy of the model, several diagnostic tests are conducted (Campbell et al., 2015). The Breusch-Pagan-Godfrey test for heteroskedasticity fails to reject the null hypothesis of homoskedasticity, indicating constant variance of residuals (Ohaegbulem & Iheaka, 2024). The Breusch-Godfrey Serial Correlation LM test shows no evidence of autocorrelation, confirming that the residuals are independent (Chaudhary et al., 2022). These results suggest that the estimated ARDL model is statistically robust and well-specified.

Overall, the ARDL framework is appropriate for this study as it captures the dynamic interactions between education and youth unemployment without imposing restrictive assumptions about variable integration orders (Mazorodze & Siddiq, 2018). The use of quarterly data enhances the degrees of freedom and allows for more reliable inference, particularly in the context of limited original observations (Leone et al., 2019)

## RESULTS

This section presents and interprets the empirical findings of the study, guided by the core objective of examining the relationship between youth unemployment and educational attainment in South Africa using quarterly data from 2001 to 2024. The analysis begins with descriptive statistics, followed by unit root tests and the estimation of the ARDL model, and concludes with diagnostic tests to assess model adequacy.

The descriptive statistics (Appendix 1) provide insight into the distributional characteristics of the variables. Youth unemployment exhibits a relatively high mean value of 54.92%, highlighting the persistent and severe nature of youth joblessness in South Africa (Makananise, 2023). The standard deviation of 4.64 indicates moderate variability, with values ranging from a minimum of 45.59% to a maximum of 65.22%. This suggests that although unemployment levels are consistently high, fluctuations over time are relatively contained (Elsby et al., 2013).

Educational attainment, on the other hand, records a mean of 71.77%, reflecting gradual improvements in access to and completion of lower secondary education (Abbasi, 2025). The standard deviation of 6.24 indicates slightly higher variability compared to unemployment, with values ranging between 55.59% and 85.43%. This suggests a steady upward trend in educational outcomes over the study period (Nkoane & Seeletse, 2021).

The skewness values reveal that youth unemployment is slightly positively skewed (0.23) (Singh & Chiloane-Tsoka, 2015), while educational attainment is slightly negatively skewed (-0.21), indicating relatively symmetric distributions

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for both variables (Montanari & Viroli, 2010). Kurtosis values for both series are below 3, suggesting platykurtic distributions with thinner tails compared to a normal distribution. The Jarque-Bera statistics are statistically insignificant ($p > 0.05$), implying that both series are approximately normally distributed (Glinskiy et al., 2024). This supports the reliability of subsequent econometric analysis.

To ensure the validity of the time-series analysis, stationarity tests are conducted using the Augmented Dickey-Fuller (ADF) test (Mushtaq, 2011). The results (Appendices 2 and 4) indicate that both youth unemployment and educational attainment are non-stationary in their levels, as the null hypothesis of a unit root cannot be rejected ($p > 0.05$). Specifically, the ADF statistic for unemployment (-0.2115) and education (1.5017) fall above their respective critical values (Mabengwana, 2024).

However, after first differencing, both variables become stationary (Appendices 3 and 5). The ADF test statistics for the differenced series are -2.9766 for unemployment and -2.4579 for education, both of which are statistically significant at the 5% level ($p < 0.05$). This indicates that both variables are integrated of order one, I(1), thereby satisfying the requirements for applying the ARDL bounds testing approach (Rehman et al., 2020).

The ARDL model estimation results (Appendix 6) are presented as follows:

$\widehat{Unemployment_t}$ = -0.023507 + 0.765089$Unemployment_{t-1}$ + 0.208554$Education_t$ +

-0.135308$Education_{t-1}$……(2)

Hence,

$$\hat{\beta}_{ARDL} \begin{bmatrix} -0.023507 \\ 0.765089 \\ 0.208554 \\ -0.135308 \end{bmatrix}$$

The coefficient of the lagged dependent variable (0.7651) is positive and highly statistically significant ($p < 0.01$), indicating strong persistence in youth unemployment. This suggests that past unemployment levels play a substantial role in determining current unemployment, reflecting structural rigidities in the labor market (Dadam & Viegi, 2024). The contemporaneous effect of educational attainment on youth unemployment is positive (0.2086) and statistically significant ($p < 0.01$). This implies that, in the short run, increases in educational attainment are associated with higher youth unemployment. This seemingly counterintuitive result may reflect labor market frictions, such as skill mismatches, where the education system produces graduates whose skills do not align with labor market demands (Sloane, 2020).

In contrast, the lagged effect of education (-0.1353) is negative and weakly significant ($p \approx 0.07$), suggesting that over time, improvements in educational attainment may contribute to reducing unemployment. This supports the notion that education has delayed but beneficial effects on employment outcomes, as individuals gradually integrate into the labor market (Bol et al., 2019).

The model exhibits a relatively strong explanatory power, with an R-squared value of 0.6223 and an adjusted R-squared of 0.6093, indicating that approximately 61% of the variation in youth unemployment is explained by the model (Kim, 2025). The overall model is statistically significant, as indicated by the F-statistic (47.79, $p < 0.01$).

To validate the robustness of the model, several diagnostic tests are conducted. The Breusch-Pagan-Godfrey test for heteroskedasticity (Appendix 8) shows that the null hypothesis of homoskedasticity cannot be rejected, as both the F-statistic ($p = 0.3084$) and the Obs*R-squared probability ($p = 0.2999$) are greater than 0.05. This indicates that the variance of the residuals is constant (Abdul-Hameed & Matanmi, 2021).

Similarly, the Breusch-Godfrey Serial Correlation LM test (Appendix 9) indicates no evidence of autocorrelation, as the null hypothesis of no serial correlation cannot be rejected ($p = 0.2399$ for the F-statistic and $p = 0.2224$ for the Chi-square statistic). This confirms that the residuals are independent across time (Test, n.d.).

Overall, the diagnostic results suggest that the ARDL model is well-specified, stable, and reliable for inference (Hendricks, 2021). The findings highlight a complex relationship between education and youth unemployment in South Africa, characterized by short-run increases in unemployment following improvements in education, but potential long-run reductions as the labor market adjusts. This underscores the importance of aligning educational

outcomes with labor market needs to fully realize the employment benefits of human capital development (Ntsanwisi, 2025).

## DISCUSSION

This study set out to empirically examine the relationship between youth unemployment and educational attainment in South Africa using a time-series framework based on the Autoregressive Distributed Lag (ARDL) model. The analysis was motivated by the human capital theory, which posits that higher levels of education should enhance employability and reduce unemployment (Adejumo et al., 2021). However, the empirical findings from this study reveal a more nuanced and somewhat counterintuitive relationship between education and youth unemployment.

The results indicate a positive and statistically significant short-run relationship between educational attainment and youth unemployment. This finding contradicts the conventional expectation that increased education directly leads to lower unemployment (Ferrante, 2017). Instead, it suggests that improvements in educational attainment are associated with rising youth unemployment in the short term. This outcome is consistent with studies conducted in developing and structurally constrained economies, where expansion in education does not immediately translate into job creation (Mascherini et al., 2017). One plausible explanation is the presence of skill mismatches, where the education system produces graduates whose skills are not aligned with labor market demands (Cappelli, 2015). In such cases, higher education levels may actually increase the pool of job seekers without a corresponding increase in employment opportunities.

In the South African context, this finding aligns with existing literature highlighting structural challenges in the labor market, including rigidities, limited absorption capacity, and a disconnect between educational curricula and industry needs (Wolff et al., 2025). The economy may not be generating sufficient high-quality jobs to accommodate the growing number of educated youth, leading to increased competition and higher unemployment rates among this group (Sparreboom & Staneva, 2014).

However, the lagged effect of education is negative, albeit weakly significant, suggesting that education may reduce unemployment over time. This supports the long-run benefits of human capital development, where the positive effects of education materialize gradually as individuals gain experience, adapt to labor market conditions, and transition into employment (Wilson & Briscoe, 2004). This delayed impact is consistent with the human capital framework, which emphasizes that the returns to education are not always immediate but accumulate over time (Belzil et al., 2017).

The strong persistence in youth unemployment, as indicated by the highly significant lagged dependent variable, reflects deep-rooted structural issues within the South African labor market. This persistence suggests that unemployment is not merely cyclical but structural in nature, influenced by factors such as slow economic growth, inequality, and institutional constraints. Similar findings have been reported in studies on labor markets in developing economies, where unemployment tends to exhibit inertia due to long-term structural imbalances (Kingdon & Knight, 2004).

Unlike traditional expectations of a straightforward inverse relationship, the findings of this study point to a complex and dynamic interaction between education and unemployment (Blasques et al., 2021). The short-run positive relationship may reflect transitional dynamics, where increased education initially raises expectations and labor force participation among youth, thereby increasing measured unemployment. Over time, however, the labor market begins to absorb these individuals, leading to a reduction in unemployment (Danziger & Ratner, 2010).

The diagnostic tests further reinforce the reliability of these findings. The absence of heteroskedasticity and serial correlation suggests that the estimated ARDL model is well-specified and that the results are not driven by econometric issues (Maponya, 2025). This strengthens confidence in the observed relationship between the variables.

Overall, the findings challenge the simplistic view that expanding education alone is sufficient to address youth unemployment. Instead, they highlight the importance of complementary **policies**, such as improving the quality and relevance of education, promoting skills development aligned with industry needs, and fostering job creation through economic growth and investment (Jafarov, 2025). This supports broader arguments in the literature that emphasize the role of structural reforms and labor market flexibility in translating educational gains into employment outcomes (Woldemichael et al., 2019).

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In conclusion, while education remains a critical tool for long-term economic development, its effectiveness in reducing youth unemployment in South Africa depends on the extent to which it is aligned with labor market demands (Habiyaremye et al., 2022). The study underscores the need for integrated policy approaches that combine education reform with active labor market strategies to achieve meaningful reductions in youth unemployment (Radha et al., 2024).

## LIMITATIONS

While this study provides important empirical insights into the relationship between youth unemployment and educational attainment in South Africa, several limitations should be acknowledged when interpreting the findings. The study employed a quantitative time-series econometric approach using the Autoregressive Distributed Lag (ARDL) model. Although the ARDL framework is appropriate for analyzing relationships among variables integrated of order zero and one and performs well with relatively small sample sizes (Kripfganz & Schneider, 2023), it assumes linearity and stability in the relationship between variables over time. In the context of South Africa's labor market, the relationship between educational attainment and youth unemployment may be influenced by structural inequalities, labor market rigidities, technological changes, and institutional factors that are potentially nonlinear or regime dependent (Baldry, 2016). Consequently, the linear ARDL specification may oversimplify the complexity of labor market dynamics and fail to fully capture asymmetric or threshold effects that characterize youth employment outcomes (Salah, 2025).

Furthermore, the study relied on quarterly time-series data from 2001Q3 to 2024Q1, producing 93 observations after adjustments. Although this sample size is adequate for ARDL estimation, it remains relatively limited for capturing long-run structural transformations in education and labor market conditions (Djamal et al., 2023). The period under review also includes major economic disruptions such as the global financial crisis, the COVID-19 pandemic, electricity supply constraints, and changes in labor market policies in South Africa. These events may have introduced structural breaks or shifts in the underlying economic relationships. However, the estimated model did not explicitly test for structural breaks or regime changes, which may affect the stability and reliability of the estimated coefficients (Casini & Perron, 2018). Failure to account for such discontinuities may therefore reduce the explanatory power of the model.

Another limitation relates to data measurement and variable specification. The study used educational attainment measured as the proportion of the population aged 25 years and above that completed at least lower secondary education, while youth unemployment was measured as the percentage of the labor force aged 15–24 that is unemployed. Although these indicators are widely accepted and sourced from internationally recognized databases, they may not fully capture the quality of education, skills mismatch, or employability of graduates in South Africa (Yu, 2020). Educational attainment alone does not necessarily reflect labor market readiness, technical competencies, or differences in school quality between urban and rural areas. Similarly, youth unemployment statistics may underestimate labor market distress due to discouraged work seekers, informal employment, or underemployment, which are significant features of the South African labor market (Alenda-Demoutiez & Mügge, 2020).

The econometric results further reveal certain methodological limitations. Unit root tests indicated that both unemployment and education variables were non-stationary at levels but became stationary after first differencing, implying integration of order one, I(1). Although this justified the use of the ARDL framework, the possibility of information loss through differencing remains a concern, particularly regarding long-run dynamics between variables (Aich et al., 2025). Additionally, the selected ARDL(1,1) model included only one explanatory variable, education attainment, in explaining youth unemployment. This parsimonious specification may result in omitted variable bias because several other determinants of youth unemployment such as economic growth, labor market regulations, wage dynamics, industrial structure, technological advancement, population growth, and political uncertainty were excluded from the analysis (Soliman & Beram, 2025). The exclusion of these relevant macroeconomic and institutional variables may limit the comprehensiveness of the findings.

Although diagnostic tests suggested that the estimated model satisfied several classical assumptions, some concerns remain. The Breusch-Pagan-Godfrey heteroskedasticity test largely supported homoskedasticity, and the Breusch-Godfrey LM test indicated absence of serial correlation (OLANIYI et al., 2024). However, the scaled explained sum of squares statistic in the heteroskedasticity test was statistically significant, suggesting the possible presence of residual variance instability. In addition, while the Jarque-Bera statistics suggested approximate normality of the

variables, normality of residuals in small samples may still be sensitive to outliers and structural disturbances. Therefore, caution should be exercised when generalizing the findings or drawing strong policy conclusions from the estimated coefficients (Hodge, 2009).

Lastly, the study focused exclusively on South Africa, which limits the external validity and generalizability of the results to other countries. South Africa has unique socioeconomic characteristics, including persistently high inequality, dual labor markets, historical disparities in education access, and exceptionally high youth unemployment rates (Tivaringe, 2019). These structural conditions may produce relationships between education and unemployment that differ significantly from those observed in other developing or developed economies (Mpendulo & Mang'unyi, 2018). Consequently, the findings should be interpreted within the specific institutional and economic context of South Africa and may not necessarily apply to other countries with different labor market structures or educational systems.

## CONCLUSION

This study examined the relationship between youth unemployment and educational attainment in South Africa using quarterly time series data and the ARDL model. The main objective was to determine whether improvements in educational attainment influence youth unemployment levels in South Africa, a country characterized by persistently high youth unemployment despite rising educational participation (Baah-Boateng, 2016).

The findings revealed that both variables were non-stationary at levels but became stationary after first differencing, confirming that they are integrated of order one, I(1). This justified the use of the ARDL approach. The estimated ARDL(1,1) model showed that educational attainment has a significant effect on youth unemployment in the short run. The results further indicated that youth unemployment is highly persistent, suggesting that labor market challenges among young people are influenced not only by education but also by broader structural economic factors (Ismail & Kollamparambil, 2015).

The study also found that although higher educational attainment may improve employability over time, education alone is insufficient to solve the youth unemployment problem in South Africa (Graham & Mlatsheni, 2015). Factors such as slow economic growth, limited job creation, skills mismatches, and labor market inefficiencies continue to constrain employment opportunities for young people (Horwitz, 2013).

Diagnostic tests confirmed that the estimated model was reliable, with no serious problems of heteroskedasticity or serial correlation (Samantaraya, 2024). Therefore, the findings are considered robust for policy analysis and interpretation.

## RECOMMENDATIONS

Based on the findings of this study, several policy and research recommendations are proposed to address the challenge of youth unemployment in South Africa. Since the results show that educational attainment alone is insufficient to significantly reduce youth unemployment, policymakers should complement education policies with broader job-creation strategies aimed at stimulating economic growth and expanding employment opportunities for young people (Mehta & Awasthi, 2025).

The government should strengthen the alignment between the education system and labor market requirements by promoting technical, vocational, and skills-based training programs (Lumadi, 2025). This would help reduce the mismatch between graduates' skills and employer expectations while improving youth employability. In addition, stronger partnerships between educational institutions and the private sector should be encouraged to provide internships, apprenticeships, and workplace experience for graduates (Jackson, 2016).

Given the persistence of youth unemployment revealed by the ARDL results, labor market policies should focus on supporting entrepreneurship, small business development, and innovation among young people. Access to finance, business training, and youth-targeted employment programs can assist in absorbing unemployed graduates into productive economic activities (Sele & Mukundi, 2024).

The study also recommends increased investment in sectors with high employment potential such as manufacturing, technology, agriculture, and infrastructure development. Expanding these sectors can create sustainable employment opportunities for the growing youth population in South Africa (Geza et al., 2022).

From a research perspective, future studies should incorporate additional macroeconomic variables such as economic growth, inflation, investment, government expenditure, and labor market regulations to provide a broader understanding of the determinants of youth unemployment (Muhammad, 2023). Further research may also apply advanced econometric techniques such as Vector Error Correction Models (VECM) or Structural VAR models to examine long-run relationships and dynamic interactions more comprehensively (Majka, n.d.).

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Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 5 | May 2026 -Peer-Reviewed Journal

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## APPENDICES

**Appendix 1: Descriptive statistics**

| | Unemployment, youth total (% of total labor force ages 15-24) (national estimate) | Educational attainment, at least completed lower secondary, population 25+, total (%) (cumulative) |
|---|---|---|
| Mean | 54.91891 | 71.76912 |
| Median | 53.5825 | 72.46298 |
| Maximum | 65.219 | 85.42796 |
| Minimum | 45.585 | 55.58894 |
| Std. Dev. | 4.642415 | 6.241658 |
| Skewness | 0.228293 | -0.214276 |
| Kurtosis | 2.097286 | 2.761904 |
| | | |
| Jarque-Bera | 3.965535 | 0.931345 |
| Probability | 0.137688 | 0.627713 |
| | | |
| Sum | 5107.459 | 6674.529 |
| Sum Sq. Dev. | 1982.785 | 3584.163 |
| | | |
| Observations | 93 | 93 |

**Appendix 2: Unit root test, Unemployment (in Level)**

Null Hypothesis: UNEMPLOYMENT has a unit root
Exogenous: None
Lag Length: 5 (Automatic - based on SIC, maxlag=11)

| | | t-Statistic | Prob.* |
|---|---|---|---|
| Augmented Dickey-Fuller test statistic | | -0.211530 | 0.6073 |
| Test critical values: | 1% level | -2.591813 | |
| | 5% level | -1.944574 | |
| | 10% level | -1.614315 | |

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(UNEMPLOYMENT)
Method: Least Squares
Date: 04/26/26 Time: 11:46
Sample (adjusted): 2002Q3 2024Q1
Included observations: 87 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 5 | May 2026 -Peer-Reviewed Journal

| | | | | |
|---|---|---|---|---|
| UNEMPLOYMENT(-1) | -0.000185 | 0.000877 | -0.211530 | 0.8330 |
| D(UNEMPLOYMENT(-1)) | 0.859043 | 0.105603 | 8.134672 | 0.0000 |
| D(UNEMPLOYMENT(-2)) | 8.89E-05 | 0.133286 | 0.000667 | 0.9995 |
| D(UNEMPLOYMENT(-3)) | 8.89E-05 | 0.133286 | 0.000667 | 0.9995 |
| D(UNEMPLOYMENT(-4)) | -0.431253 | 0.133476 | -3.230953 | 0.0018 |
| D(UNEMPLOYMENT(-5)) | 0.302737 | 0.104499 | 2.897021 | 0.0048 |

| | | | |
|---|---|---|---|
| R-squared | 0.635873 | Mean dependent var | -0.001356 |
| Adjusted R-squared | 0.613396 | S.D. dependent var | 0.718250 |
| S.E. of regression | 0.446590 | Akaike info criterion | 1.292118 |
| Sum squared resid | 16.15482 | Schwarz criterion | 1.462181 |
| Log likelihood | -50.20715 | Hannan-Quinn criter. | 1.360597 |
| Durbin-Watson stat | 1.932873 | | |

**Appendix 3: Unit root test, unemployment (in First difference)**

Null Hypothesis: D(UNEMPLOYMENT) has a unit root
Exogenous: None
Lag Length: 4 (Automatic - based on SIC, maxlag=11)

| | | t-Statistic | Prob.* |
|---|---|---|---|
| Augmented Dickey-Fuller test statistic | | -2.976604 | 0.0033 |
| Test critical values: | 1% level | -2.591813 | |
| | 5% level | -1.944574 | |
| | 10% level | -1.614315 | |

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(UNEMPLOYMENT,2)
Method: Least Squares
Date: 04/26/26 Time: 11:46
Sample (adjusted): 2002Q3 2024Q1
Included observations: 87 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| D(UNEMPLOYMENT(-1)) | -0.270770 | 0.090966 | -2.976604 | 0.0038 |
| D(UNEMPLOYMENT(-1),2) | 0.129796 | 0.103346 | 1.255937 | 0.2127 |
| D(UNEMPLOYMENT(-2),2) | 0.129796 | 0.103346 | 1.255937 | 0.2127 |
| D(UNEMPLOYMENT(-3),2) | 0.129796 | 0.103346 | 1.255937 | 0.2127 |
| D(UNEMPLOYMENT(-4),2) | -0.301361 | 0.103688 | -2.906436 | 0.0047 |

| | | | |
|---|---|---|---|
| R-squared | 0.267713 | Mean dependent var | -0.003905 |
| Adjusted R-squared | 0.231992 | S.D. dependent var | 0.506619 |
| S.E. of regression | 0.443981 | Akaike info criterion | 1.269682 |
| Sum squared resid | 16.16374 | Schwarz criterion | 1.411401 |
| Log likelihood | -50.23117 | Hannan-Quinn criter. | 1.326748 |

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 5 | May 2026 -Peer-Reviewed Journal

| | |
|---|---|
| Durbin-Watson stat | 1.932407 |

**Appendix 4: Unit root test, Education (in Level)**

Null Hypothesis: EDUCATION has a unit root
Exogenous: None
Lag Length: 9 (Automatic - based on SIC, maxlag=11)

| | | t-Statistic | Prob.* |
|---|---|---|---|
| Augmented Dickey-Fuller test statistic | | 1.501654 | 0.9663 |
| Test critical values: | 1% level | -2.593121 | |
| | 5% level | -1.944762 | |
| | 10% level | -1.614204 | |

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(EDUCATION)
Method: Least Squares
Date: 04/26/26 Time: 11:47
Sample (adjusted): 2003Q3 2024Q1
Included observations: 83 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| EDUCATION(-1) | 0.001418 | 0.000944 | 1.501654 | 0.1375 |
| D(EDUCATION(-1)) | 0.830396 | 0.099006 | 8.387367 | 0.0000 |
| D(EDUCATION(-2)) | -0.000950 | 0.112505 | -0.008446 | 0.9933 |
| D(EDUCATION(-3)) | -0.000950 | 0.112505 | -0.008446 | 0.9933 |
| D(EDUCATION(-4)) | -0.826123 | 0.118534 | -6.969476 | 0.0000 |
| D(EDUCATION(-5)) | 0.661569 | 0.133275 | 4.963942 | 0.0000 |
| D(EDUCATION(-6)) | -0.000481 | 0.114955 | -0.004183 | 0.9967 |
| D(EDUCATION(-7)) | -0.000481 | 0.114955 | -0.004183 | 0.9967 |
| D(EDUCATION(-8)) | -0.780070 | 0.122731 | -6.355938 | 0.0000 |
| D(EDUCATION(-9)) | 0.607174 | 0.111113 | 5.464486 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.768199 | Mean dependent var | 0.256595 |
| Adjusted R-squared | 0.739620 | S.D. dependent var | 0.977343 |
| S.E. of regression | 0.498713 | Akaike info criterion | 1.559009 |
| Sum squared resid | 18.15614 | Schwarz criterion | 1.850436 |
| Log likelihood | -54.69887 | Hannan-Quinn criter. | 1.676088 |
| Durbin-Watson stat | 1.890205 | | |

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
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Volume: 13 | Issue: 5 | May 2026 -Peer-Reviewed Journal

**Appendix 5: Unit root test, Unemployment (in First difference)**

Null Hypothesis: D(EDUCATION) has a unit root
Exogenous: None
Lag Length: 8 (Automatic - based on SIC, maxlag=11)

| | | t-Statistic | Prob.* |
|---|---|---|---|
| Augmented Dickey-Fuller test statistic | | -2.457881 | 0.0144 |
| Test critical values: | 1% level | -2.593121 | |
| | 5% level | -1.944762 | |
| | 10% level | -1.614204 | |

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(EDUCATION,2)
Method: Least Squares
Date: 04/26/26 Time: 11:48
Sample (adjusted): 2003Q3 2024Q1
Included observations: 83 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| D(EDUCATION(-1)) | -0.349243 | 0.142091 | -2.457881 | 0.0163 |
| D(EDUCATION(-1),2) | 0.234123 | 0.124536 | 1.879964 | 0.0640 |
| D(EDUCATION(-2),2) | 0.234123 | 0.124536 | 1.879964 | 0.0640 |
| D(EDUCATION(-3),2) | 0.234123 | 0.124536 | 1.879964 | 0.0640 |
| D(EDUCATION(-4),2) | -0.599294 | 0.129048 | -4.643959 | 0.0000 |
| D(EDUCATION(-5),2) | 0.118465 | 0.095091 | 1.245797 | 0.2168 |
| D(EDUCATION(-6),2) | 0.118465 | 0.095091 | 1.245797 | 0.2168 |
| D(EDUCATION(-7),2) | 0.118465 | 0.095091 | 1.245797 | 0.2168 |
| D(EDUCATION(-8),2) | -0.670608 | 0.103637 | -6.470715 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.600940 | Mean dependent var | 0.021973 |
| Adjusted R-squared | 0.557798 | S.D. dependent var | 0.756296 |
| S.E. of regression | 0.502924 | Akaike info criterion | 1.565335 |
| Sum squared resid | 18.71698 | Schwarz criterion | 1.827619 |
| Log likelihood | -55.96140 | Hannan-Quinn criter. | 1.670706 |
| Durbin-Watson stat | 1.929587 | | |

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**Appendix 6 Results of the ARDL model**

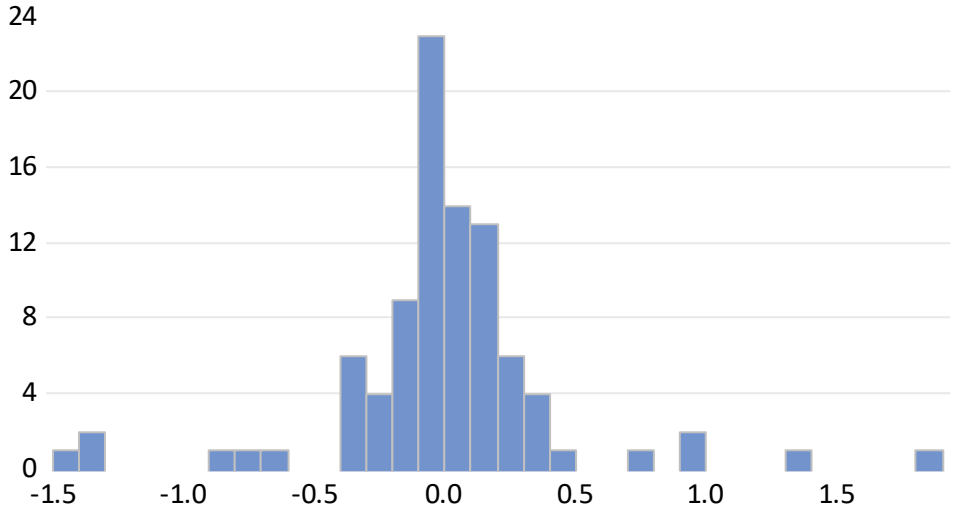
Dependent Variable: D(UNEMPLOYMENT)
Method: ARDL
Date: 04/26/26 Time: 11:54
Sample: 2001Q3 2024Q1
Included observations: 91
Dependent lags: 4 (Automatic)
Automatic-lag linear regressors (4 max. lags): D(EDUCATION)
Deterministics: Restricted constant and no trend (Case 2)
Model selection method: Akaike info criterion (AIC)
Number of models evaluated: 20
Selected model: ARDL(1,1)

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|---|---|---|---|---|
| D(UNEMPLOYMENT(-1)) | 0.765089 | 0.068408 | 11.18429 | 0.0000 |
| D(EDUCATION) | 0.208554 | 0.070619 | 2.953219 | 0.0040 |
| D(EDUCATION(-1)) | -0.135308 | 0.073416 | -1.843032 | 0.0687 |
| C | -0.023507 | 0.050292 | -0.467409 | 0.6414 |

| | | | |
|---|---|---|---|
| R-squared | 0.622332 | Mean dependent var | 0.034255 |
| Adjusted R-squared | 0.609309 | S.D. dependent var | 0.723881 |
| S.E. of regression | 0.452464 | Akaike info criterion | 1.294742 |
| Sum squared resid | 17.81094 | Schwarz criterion | 1.405110 |
| Log likelihood | -54.91078 | Hannan-Quinn criter. | 1.339269 |
| F-statistic | 47.78712 | Durbin-Watson stat | 1.807585 |
| Prob(F-statistic) | 0.000000 | | |

*Note: p-values and any subsequent test results do not account for model selection.

**Appendix 7: Normality of Residuals**




Series: Residuals
Sample 2001Q3 2024Q1
Observations 91

| | |
|---|---|
| Mean | -4.27e-18 |
| Median | -0.007070 |
| Maximum | 1.860203 |
| Minimum | -1.494091 |
| Std. Dev. | 0.444859 |
| Skewness | 0.236438 |
| Kurtosis | 8.618996 |
| Jarque-Bera | 120.5626 |
| Probability | 0.000000 |

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**Appendix 8: Heteroskedasticity Test**

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

| | | | |
|---|---|---|---|
| F-statistic | 1.217171 | Prob. F(3,87) | 0.3084 |
| Obs*R-squared | 3.665551 | Prob. Chi-Square(3) | 0.2999 |
| Scaled explained SS | 12.76329 | Prob. Chi-Square(3) | 0.0052 |

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 04/26/26 Time: 11:58
Sample (adjusted): 2001Q3 2024Q1
Included observations: 91 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.207152 | 0.060165 | 3.443083 | 0.0009 |
| D(UNEMPLOYMENT(-1)) | -0.086437 | 0.081837 | -1.056213 | 0.2938 |
| D(EDUCATION) | -0.140413 | 0.084483 | -1.662039 | 0.1001 |
| D(EDUCATION(-1)) | 0.118068 | 0.087828 | 1.344300 | 0.1823 |

| | | | |
|---|---|---|---|
| R-squared | 0.040281 | Mean dependent var | 0.195725 |
| Adjusted R-squared | 0.007187 | S.D. dependent var | 0.543242 |
| S.E. of regression | 0.541287 | Akaike info criterion | 1.653226 |
| Sum squared resid | 25.49025 | Schwarz criterion | 1.763593 |
| Log likelihood | -71.22178 | Hannan-Quinn criter. | 1.697752 |
| F-statistic | 1.217171 | Durbin-Watson stat | 2.159121 |
| Prob(F-statistic) | 0.308354 | | |

**Appendix 9: Serial Correlation LM Test**

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

| | | | |
|---|---|---|---|
| F-statistic | 1.451946 | Prob. F(2,85) | 0.2399 |
| Obs*R-squared | 3.006172 | Prob. Chi-Square(2) | 0.2224 |

Test Equation:
Dependent Variable: RESID
Method: ARDL
Date: 04/26/26 Time: 12:00
Sample (adjusted): 2001Q3 2024Q1
Included observations: 91 after adjustments
Presample missing value lagged residuals set to zero.

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| D(UNEMPLOYMENT(-1)) | -0.155181 | 0.113956 | -1.361766 | 0.1769 |

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2026): 8.748 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 13 | Issue: 5 | May 2026 -Peer-Reviewed Journal

| | | | | |
|---|---|---|---|---|
| D(EDUCATION) | -0.009656 | 0.070485 | -0.136996 | 0.8914 |
| D(EDUCATION(-1)) | 0.040556 | 0.076844 | 0.527776 | 0.5990 |
| C | -0.003221 | 0.050069 | -0.064339 | 0.9489 |
| RESID(-1) | 0.233791 | 0.150323 | 1.555259 | 0.1236 |
| RESID(-2) | 0.173121 | 0.138505 | 1.249928 | 0.2148 |

| | | | |
|---|---|---|---|
| R-squared | 0.033035 | Mean dependent var | -4.27E-18 |
| Adjusted R-squared | -0.023845 | S.D. dependent var | 0.444859 |
| S.E. of regression | 0.450131 | Akaike info criterion | 1.305106 |
| Sum squared resid | 17.22256 | Schwarz criterion | 1.470657 |
| Log likelihood | -53.38231 | Hannan-Quinn criter. | 1.371895 |
| F-statistic | 0.580778 | Durbin-Watson stat | 2.041235 |
| Prob(F-statistic) | 0.714583 | | |