BIZCOMMUNITY

Youth employment subsidy has been 'positive' and should be extended

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University of Cape Town (UCT) academics who in the initial stages were tentatively doubtful about the likely success of the employment tax incentive, are "cautiously positive" that it has improved the employment of young workers.

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In a submission on the incentive, the UCT development policy research unit's Prof Haroon Bhorat and Amy Thornton recommended that it should be extended, as proposed by the Treasury.

The Treasury has proposed to extend the incentive - which was introduced in January 2014 and expires at the end of December - for another two years. It has also proposed a R20m cap on claims per employer.

The scheme can be claimed for workers aged between 18 years and 29 years who earn less than R6,500 per month. The proposal was the subject of public hearings on Wednesday by Parliament's standing committee on finance.

Bhorat and Thornton cautioned in their submission to the committee that all the evidence was not yet available on the effectiveness of the incentive, but based on existing research they were cautiously positive.

The displacement of older workers, which was feared by trade unions, appeared to be small, and initial evidence did not suggest that the incentive was suppressing wages or resulting in employers churning workers so they could claim the incentive.

The MD of the security division of Servest, Costa Diavastos, was emphatic that the employment tax incentive had created more job opportunities for young people and should be extended. Servest, which provides specialised support to business, employs about 30,000 people.

"We commend the government on the employment tax incentive. We believe it has been an extremely effective and successful intervention," Diavastos said. "To a large extent the incentive has contributed to the growth of the company which in turn has lead to even more employment of young inexperienced job seekers."

He said the measure had incentivised the company to employ and train more young job seekers. However, he believed the proposed R20m cap per employer on claims would limit the ability of firms to create youth employment and that this should either be removed entirely or raised to R50m per employer.

Diavastos reported on research conducted by the University of Pretoria (commissioned by Servest), which showed that 14,592 employees who qualified under the incentive's requirements had been employed by the company since the inception of the programme. Of these, 7,891 had been retained. The company had claimed R98m under the scheme over the last three years and spent R44m on training.

Union federation Fedusa general secretary Dennis George also supported the extension, especially since empirical evidence had allayed concerns that older workers had been displaced and that labour brokers had not benefited extensively from the scheme.

Fedusa also opposed the introduction of a R20m cap, saying it would inhibit the achievement of its objectives.

Union federation Cosatu parliamentary officer Matthew Parks urged that labour brokers and outsourcing contractors be excluded from the incentive, but said the government had rejected its proposals during negotiations in the National Economic Development and Labour Council.

"The flood of labour broking, outsourcing and casualisation has devastated workers in all sectors of the economy, from the private sector to universities to the state," Parks said. "All employment tax incentive claims must be for new permanent jobs with the actual employer and not with outsourced contractors or labour brokers."

Parks said the research had found that the displacement and lower hiring of older workers was estimated to be 1%, but said enforcement action was required to prohibit any further claims from companies engaging in this practice.

Source: BDpro