

WHY ARE CORPORATES NOT JUMPING TO GET INVOLVED IN GOVERNMENT'S SKILLS DEVELOPMENT INITIATIVES AND SAVE MONEY?

"Too few companies are taking part in government initiatives aimed at decreasing youth unemployment in South Africa. This is inexplicable, especially given how these programmes can benefit their bottom lines," says Roxanne Da Mata Gonçalves, Director at Strata-G Labour Solutions.

South Africa's unemployment rate is consistently high and has hovered between 24.5% and 27.7% over the past three years. Latest statistics place it at 26.7% in the fourth quarter of 2017 with youth unemployment at 51.10% in the same period.

President Cyril Ramaphosa pointed to youth unemployment as the country's gravest challenge during his recent State of the Nation address and placed young people at the centre of the country's economic agenda.

Ramaphosa spoke about exposing youth to the world of work through internships, apprenticeships, mentorship and entrepreneurship. He highlighted the Youth Employment Service (YES), a business-led and government-supported initiative aimed at providing paid internships for young people between the ages of 18 and 35.

"YES is one of many interlinking initiatives by government to encourage companies to give young people work experience," says Roxanne Da Mata Gonçalves, Director at Strata-G Labour Solutions. "These initiatives offer significant incentives to the companies that take advantage of them, so it's surprising that more companies are not scrambling to get involved."

Da Mata says with companies expected to pay 1% of their payroll to SARS for redistribution to the country's Skills, Education and Training Authorities (SETAs), it seems logical that they would want to recoup some of the cost. "It's a no-brainer to me, but some companies feel it is not worth the effort and that the application process is too rigorous and time-consuming."

She says government has revised various rulings to make various processes easier for corporates. "Learnership allowance rules were simplified several years ago to make the claiming process less complicated for employers."

Today, employers who enter into learnership or apprenticeship agreements with learners for 12 months or more, can claim R40,000 at the commencement of the programmes and another R40,000 on successful completion of the programme by the learner. This jumps to a R60,000 commencement fee when they enter into agreements with learners with disabilities and another R60,000 when they successfully complete the learnership.

Government's Employee Tax Incentive (ETI), which encourages employers to hire young and less experienced workers, reduces the cost of hiring young people through a cost-sharing mechanism between employers and government. Employers can claim the ETI and reduce the amount of Pay-As-You-Earn (PAYE) tax payable by the amount of the total ETI calculated for qualifying employees.

Da Mata says the ETI is aimed at 19 to 29-year olds, who earn between R2,000 and R6,000 and work for an average of 160 hours per month. "Essentially, government gives employers a R1000 reduction on their PAYE bills per month per person in the first year and a R500 reduction in the second year – this is an up-front discount.

"This can translate into significant savings for employers who take on qualifying learners. If saving money is not incentive enough, then employers need to consider the bigger picture. Other benefits include addressing the scarce skills gaps in their respective industries, creating loyalty, reducing staff turnover, reducing poverty, and contributing to a more robust economy.

"To not get involved in these initiatives seems short-sighted and counterproductive. We need to give this country's young people a fighting chance. And training them to fill desperately needed roles in the country is an obvious way to do this," concludes Da Mata.