

Youth Wage Subsidy Comes into Effect Youth Wage Subsidy Comes into Effect

The Employment Tax Incentive Act, commonly known as the youth wage subsidy, came into effect at midnight, SABC news reported on Wednesday.

The government hopes the law will promote employment for young people and create jobs in special economic zones once legislation providing for them has been promulgated. In terms of the act, employers will receive a tax incentive to employ young workers for a maximum of two years under certain conditions .

The Congress of South African Trade Unions (Cosatu) argued that the initial proposal of a wage subsidy and its replacement, the employment tax incentive, would create a two-tier labour market and result in the displacement of older workers. It has threatened to call a general strike to oppose the law but nothing seems to have come of this threat so far.

Economist Iraj Abedian said the act was unlikely to cause labour market instability in the short term.

“We can expect the businesses to begin to plan ... the benefits that they can get, it will take some time, so it’s without a doubt not going to have an immediate effect. Typically wage subsidies of this nature take up to nine or 12 months before they take effect in the labour market.”

The Treasury gave the undertaking that early in 2014 the South African Revenue Service (SARS) will publish on its website documentation providing further details of how the scheme will assist employers.

“On-the-job experience is crucial for attaiPresident Jacob Zuma signed the Employment Tax Incentive Act into law in December, to take effect from January 1 – though it will apply to all young workers hired on or after October 1 this year.ning the appropriate skills and for future employment prospects,” the Treasury said. “Government is committed to work with the private sector to enhance employment opportunities and skills development for all workers, but especially for the youth with limited work experience.

“The existing learnership allowance provided for in the Income Tax Act and this employment tax incentive are but two of the initiatives that the government encourages employers to access to increase the levels of employment and skills development.”

The promulgation of the controversial law brings to a close a fierce battle lasting more than two years in which Cosatu fought against it.

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