

Youth wage subsidy

Let's move with caution

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The National Council of Trade Unions (Nactu) added its voice on the proposed youth wage subsidy. Nactu president **Joseph Maqhekheni** warned that the corrupt were lurking in the shadows to feed on the subsidy, and for this reason the policy should be scrutinised.

Nactu recently held its 8th National Congress and one of the resolutions read: 'Congress notes the challenges of rising youth unemployment and resolves to engage all stakeholders to resolve the question of the youth unemployment subsidy.'

The statistics on youth marginalisation have been repeated many times. For example, the statistics show that 70% of the unemployed are young people.

In 2009 about half of 18 to 24 year olds looking for work were unemployed, while scores of thousands of university graduates are still roaming the streets even today. The Labour Force Survey Quarter 1, 2012 from Statistics South Africa shows that unemployment within the 15 to 34 age group has grown by an alarming 8.8% year-on-year.

Therefore, Nactu's concerns with the youth wage subsidy are, as put in our arguments to the nation, as follows:

1. Deadweight loss

Employers will take advantage of the subsidy but employ

those who would have been employed anyway.

2. Substitution effect

Employers will absorb subsidised young people and get rid of older unskilled workers instead of training them. We are witnessing this daily by the deliberate effort by companies in ignoring Recognition of Prior Learning of old experienced workers and concentrating on learnerships only.

3. Displacement effect

Firms and industries without subsidised workers will just vanish and generally the employment, which we are trying to enhance, will be affected. The unintended consequences will have dire results.

4. Disruptive churning

Employers will take a group of subsidised workers and when the subsidy period comes to an end, they will replace them with new workers. Some companies currently use the same cheating on the learnership programmes. Such companies will never have

any permanent employees, and employees are trainees for years with no social benefits.

5. Corruption

If the government implements the youth wage subsidy as proposed by the National Treasury without checks and balances, it will lead to massive corrupt practices like those found in tender processes. It will be another case of scratch my back and I will do you good in return scenario.

Nactu believes that rather than going for a thoughtless plunge, there should be not only convincing arguments but effective measures as well. The measures should be put in place before hand to prevent the challenges mentioned above.

If there are no well thought-out measures, the youth wage subsidy will contribute to labour broking under another name. ■

Joseph Maqhekheni is the president of Nactu and gave this presentation at the Ditsela Siyabulumama Seminar.