‘Born free’ to unemployment?

A Tax Incentive Post Implementation

UNIVERSITY OF THE WITWATERSRAND

A RESEARCH REPORT SUBMITTED TO THE FACULTY OF COMMERCE, LAW AND MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF COMMERCE (SPECIALISING IN TAXATION)

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Declaration

I, Shiaam Greeff, declare that this research report is my own, unaided work. It is submitted in partial fulfilment for the degree of Master of Commerce (specialising in Taxation) at the University of the Witwatersrand. It has not been submitted before for any other degree of examination in any other university.

Shiaam Greeff
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June 2023

Dedication

To my mother, Alaya, Amaal and Scharl

For their support and assistance while writing this report

Thank you

Abstract

South Africa, the economic engine of Africa's youth face numerous challenges in accessing employment. Young individuals have been confronted with unemployment percentages exceeding 40 per cent after democracy and the unemployment rate has persisted closer to 50 per cent of late. To combat the youth unemployment crisis the South African government implemented the Employment Tax Incentive (ETI) in 2014. The ETI is an incentive offered with the intention of mitigating extraordinarily high youth unemployment in South Africa by encouraging qualifying firms to hire younger and less experienced individuals.

This research dissertation serves to provide a critical analysis of the youth unemployment in South Africa and how the ETI has affected the youth unemployment in the nine-years post implementation. During the implementation period, South Africa endured the COVID-19 pandemic affecting life as we knew it and employment globally. The youth unemployment in the BRICS member countries has been analysed with their measures to address youth unemployment. Lastly the study analyses the experiences small business owners in South Africa have had with the ETI post implementation.

This study aims to evaluate the influence of the Employment Tax Incentive on the unemployment of young South Africans. This is achieved by conducting a qualitative study using critical analysis to review the ETI post implementation, determining the impacts of the COVID-19 pandemic on unemployment, assessing the other BRICS member countries who have implemented initiatives to improve youth unemployment and conducting interviews with small business owners in South Africa to understand the ETI in the business sector.

The data suggests that a subsidy is not a stand-alone answer to youth unemployment in South Africa. The subsidy, however, does create some employment according to the data analysed. The country experiences extraordinary youth unemployment rates. The employment of young South Africans generates greater value than just the employment, it allows for the youth to use their time constructively by gaining experience and skills instead of participating in socio-economic issues such as alcohol and drug abuse. It is acknowledged that the implementation of an employment incentive on its own will not be enough to resolve the South African youth unemployment crisis; the inferior education needs to be addressed. The BRIC member countries face similar challenges and their interventions have not entirely had the desired outcome.

Key Words: *Unemployed, Employed, Employment Tax Incentive (ETI), youth, SARS, wage subsidy, BRICS, COVID-19, South Africa*

Chapter 1: Introduction

1.1 Background of the Employment Tax Incentive initiative

The Employment Tax Incentive (ETI) Act came into effect on 1 January 2014. The ETI is designed to assist the millions of young South Africans who are excluded from participating in economic activity and as a result are unemployed, by providing employers with an incentive to hire these ‘poorly- skilled’ individuals who lack work experience (Treasury, 2011). The subsidy, although a government, National Treasury initiative, is administered by SARS to ensure that no undue administrative tasks are created, and to minimise the misuse of the incentive and taxpayer funds by practitioners through potential fraud by creating fictitious employers and employees (National Treasury, 2011). (Budlender & Ebrahim, 2021)

South Africa, the economic engine of Africa’s youth face numerous challenges in accessing employment. The unemployment amongst youth has dynamic effects on all parties subjected to the unemployment. The symptoms of youth inactivity include partaking in crime, abusing alcoholic beverages and illegal substances, as well as supplementary social challenges. The level and rate of youth unemployment is high and may unfortunately be growing in most developing countries. (Bhorat, et al., 2020)

The ETI is an incentive offered with the intention of mitigating extraordinarily high youth unemployment in South Africa by encouraging qualifying firms to hire young and less – experienced, unemployed persons (SARS, 2014). The qualifying employer is provided with a financial incentive that may reduce employees’ tax; or allows for the employer to claim a payment of an amount where employees’ tax cannot be reduced (Finance, 2013).

There is no limit to the number of qualifying employees that any employer may hire. A qualifying employee should be in possession of a South African ID or an asylum seeker permit; be must be at least 18 years old and not more than 29 years old; not be a ‘domestic worker’ as defined; must be paid a maximum of ZAR 6, 499 and not be a ‘connected person’ to the employer. The individual must have been employed on or after 1 October 2013 and been remunerated the minimum wage applicable to that employer or at least ZAR 2, 000 per month if a minimum wage was not applicable. (Gazette, 2013)

An employer may claim the ETI's for a period of 24 months for each qualifying employee. Qualifying employers must be registered with SARS for Pay-As-You-Earn (PAYE), a municipality may not partake; a sphere of provincial or local government and not be disqualified from receiving the incentive. Employers include small firms that employ staff below the tax threshold, and therefore the subsidy would be in the form of a pay-out in cash. (Gazette, 2013) The ETI was due to end on 31 December 2016 (SARS, 2014), but has been extended by an additional thirteen years, to 28 February 2029 (SARS, 2023). ETI's are important as the population of an employment age includes of 51 per cent of young individuals experiencing an unemployment rate of 44 per cent for y between the ages of 15 and 34 (STATS, 2022). National Treasury believes two years is sufficient as it should allign the large wage and productivity of these unskilled, inexperienced employees (Treasury, 2011).

As illustrated in Table 1.1 and Table 1.2 in Appendix A, the ETI is available for new employees who earn less than the personal income tax threshold of ZAR91 250, as they are younger than 65 years of age. The first phase of the ETI 1 January 2014 to 28 February 2019, is made incorporates the first phase of the ETI and the ETI renewal. The qualifying criteria for firms and eligibility of employees remained constant. In the first phase, for the first 12 months of the claim, the employer is eligible to claim 50 per cent of the monthly salary of ZAR 0 TO ZAR 2,000. Between ZAR 2,000 and ZAR 4,000 the subsidy amount is ZAR 1,000. The ETI decreases for wages over ZAR 4,000 to ZA6 6,000 when it is discontinued. In the second 12-month period the subsidy is halved. The subsidy for the income bracket ZAR 0 to ZAR 2,000 monthly, is calculated at 25 per cent. Salaries ranging from ZAR 2,000 to ZAR 4,000 attracts a constant subsidy amount of ZAR 500 and individuals earning in the bracket of ZAR 4,000 to ZAR 6,000, are eligible to claim the subsidy that decreases as the income earned by the employee increases. (Gazette, 2013)

In the second phase of the ETI (1 March 2019 to date), the wage eligibility criteria increased from ZAR 6,000 to ZAR 6,500. The subsidy amounts to 75% during the first year of employment if the person earns less than ZAR 24,000 annually, with a maximum of ZAR 18,000 for employees earning at least ZAR 24,000 annually, reducing to zero when the employee reaches the annual remuneration amount of ZAR 78,000. In the second year, employees earning less than ZAR 24,000 annually are only subsidised at 37,5% and a maximum of ZAR 9,000 is available for employees earning at least ZAR 24,000. Young employees who meet the requirements and earn between ZAR 54,000 and ZAR 77,999.88 are provided with a subsidy based on a formula (ZAR 1,500 – (75% x (monthly remuneration – ZAR 4,500))) (SARS, 2023).

As a response to the COVID-19 pandemic, the South African government provided tax relief measures - one of these measures was through the ETI. The COVID-19 ETI was available from April 2020 to July 2020, and during the 2021 year from August to November. The value of the incentive was increased. The relief COVID-19 ETI followed a similar composition to the initial ETI policy, however, the allowances were increased from the original 50 per cent raised to an increased 87,5 per cent allowing those who earn less than ZAR 1,999 to claim the increased rate. Eligible employees earning between ZAR 2000 and ZAR 4,499 were eligible for a ZAR 1,750 subsidy and the subsidy decreased with monthly income for employees earning more than ZAR 4,500 illustrated in Table1.3. The eligibility for the incentive was relaxed for the age of the qualifying employees as it was available to all employees earning less than ZAR 6,500(Ebrahim & Gumbi, 2022).

The ETI is imperative as it allows a reduced labour expense to the employer, alternatively, the employer could use the incentive to bridge the training gap for the inexperienced employee therefore improving the employment of young individuals. This incentive assists in addressing the barriers to entry faced by unskilled, unemployed, youth, whom firms struggle to hire due to their lack of skills and experience and the high costs borne by the prospective employer who are reluctant to hire young individuals. The opportunity to advance the youth skills while expanding their experience required in the employment market allow young individuals to benefit from the ETI. Once the young individuals have completed their 24 months participation period, they would have experience within the employment market allowing them to apply for employment opportunities earning a job-related remuneration package. (SARS, 2023)

The ETI is available to all sectors, this allows inclusion for non-formalised sectors. This is important as the ETI allows unemployed youth to enter any sector, not just corporate firms, that qualifies for the ETI. The ETI is not only available for office-based jobs, so the qualifying unemployed individual is able to enter a vast range of sectors in the South African economy. This differentiates the ETI from other industry - specific initiatives such as apprenticeships. (Treasury, 2011)

The study will investigate other government initiatives available for the reduction of the youth unemployment rate in South Africa and how these taxpayers funded initiatives have been assisting since the 2014 implementation.

1.2 Research Objectives

Millions of young South Africans are excluded from participating in economic activity, and as a result suffer disproportionately from unemployment, discouragement and economic marginalisation (SARS, 2023). Young South Africans have challenges entering the employment market as they do not have the exposure to learn skills and gain relevant experience required in the labour market. (Treasury, 2011). Unemployment amongst the 20- to 29-year-old citizens was 56.2 per cent in 2021

(National Treasury, 2022). This study provides a critical review of the effects of the 2014 implemented ETI that has been extended to 2029 after the initial implementation was scheduled to end in December 2016 by reviewing the available literature on the ETI and conducting interviews with entrepreneurs in the small business sector. It will attempt to provide a comprehensive analysis of the ETI for the nine years it has been available. The study will review literature on the impacts of the COVID-19 pandemic on youth unemployment and finally analyse the youth unemployment in the BRICS member countries.

This study is significant to academics and National Treasury as it determines whether the ETI system has been able to positively affect the unemployment of young South Africans, if the expenditure of taxpayers' money is worth the benefit and will the outcome of the ETI include an increased taxpayer base with a decrease in government expenditure dedicated to social grants. South Africa has a population of 60 million, the country's taxpayers account for fewer than 7,6 million individuals. The government provides financial support to 18,7 million recipients of social grants. The creation of sustainable employment for young individuals is vital to decreasing the dependency on government assistance in the form of social grants (SASSA, 2022). Making use of the workplace as a training institution is an opportunity for government to assist the young individuals to improve their experience and attain skills improving their employability in the employment market (Broumels, 2014).

Nine years post implementation, the ETI has been available for a significant period. The positive effects of the incentive should be visible in all business sectors in South Africa. A critical analysis will be performed to identify the pros and cons of the incentive. This will be analysed with the experiences of the interviewed entrepreneurs in the SMME sector. Youth employment incentives in other countries will be analysed using BRICS countries as these are South Africa's trading partners.

1.3 Research Statement

South Africa's youth face a great challenge in unemployment. This research aims to critically review the ETI initiative implemented by government through National Treasury and its ability to address the long-term employment crisis of youth in South Africa and therefore reduce such socio-economic problems faced.

1.4 Research Question

Has the ETI had an effect on youth unemployment in South Africa over the nine-year period it has been available?

This question will be answered by analysing the effects of the ETI system over the nine-year period it has been available to eligible employers. An analysis of the effect of the COVID-19 pandemic influence on youth unemployment, will be analysed. This question will also be answered by investigating how our BRICS economic trading partners address their youth unemployment challenges, and whether there are any lessons South Africa can learn from their experiences.

1.5 Importance of the Study

South Africa's youth are products of a stressed education system attempting to enter an economy that has no need for their limited skills. Their limited skills, lack of employment opportunities, families, communities, health and confidence are factors which dampen the youth's prospects of employment. There is no equality of opportunities within South Africa. If one is born into poverty, it is highly probable that one will live in poverty and die in poverty. (Burnett, 2014)

The South African youth face countless challenges in accessing employment (Treasury, 2011). This has dire effects on all parties affected by it (Treasury, 2011). These include crime, alcohol and drug abuse, as well as other social problems (Rankin, et al., 2012). The youth need employment opportunities to allow them the opportunity to positively impact the economy, their families and communities.

"The persistently high unemployment rate has always been one of the most pressing socio-economic problems of the South African economy. There is general consensus that unemployment is structural, as there is a mismatch between the skills demanded by employers for the available jobs and the skills supplied by the labour force seeking work. As there is an increase in demand for highly skilled workers with the adoption of capital-intensive and technologically more advanced production processes, most of the unemployed unskilled are not well educated" (Yu, 2013).

The growing unemployment rate is a reflection of the employment challenges in South Africa (Lambovska, et al., 2021). However, it could be noted that youth unemployment is also a global issue (Nevondwe and Odeku, 2014). Unemployed youth worldwide was projected to hit the 73 million marks by the end of 2022 (Halpet, 2022). Unemployment is not only a developing nation or third world problem, developed nations experience challenges in youth unemployment too (Lambovska, et al., 2021). The European Union (EU) member countries, strives to alleviate this problem by implementing various programs to support young people in finding and keeping a job thus contributing to economic growth (Lambovska, et al., 2021). In 2020 the world was hit by the COVID-19 pandemic. While countries introduced strict measures to prevent the spread, these measures resulted in a significant increase in unemployment including the youth (Lambovska, et al., 2021). STATS SA reported that in 2022, young individuals aged 15 to 34 endured a 44 per cent unemployment percentage, demonstrating the youth unemployment crisis South Africa faces (STATS, 2022).

In the absence of the young individuals in a country obtaining the skills and capabilities required by the employment market, the economy will not improve (Nevondwe and Odeku, 2014), therefore, increasing the state's social assistance burden as the inequality in South Africa would be even worse without state grants (Bhorat, et al., 2013) .

Statistics indicate that only one in every three working - age, eligible adults have a job, therefore the youth subsidy has been as good a start as any to address the unemployment problem (Shankar, et al., 2016), whilst National Treasury reports that a mere one in every eight individuals under the age of 25 is employed, therefore it is imperative that this problem is addressed with urgency (National Treasury, 2011). Young work seekers include those who have discontinued formal education early due to socio economic issues including poverty. (Yu, 2013)

National Treasury also identifies that the persistent employment challenges faced by young individuals demands intervention in both the short and long-term; including the improvement of the inadequate education provided to young individuals and collaboration with employers (National Treasury, 2011). This needs to be addressed immediately by Government as the latest statistics show that the working age population consists of 51% of youth, aged 15 to 34 (STATS, 2014). It is essential that young individuals are afforded employment opportunities, to allow them to make a valuable impact as a whole with their acquired skills and experience (National Treasury, 2011). Youth unemployment is not only an unskilled, young South African's problem - university graduates as well as individuals who have completed secondary education are linked to high levels of unemployment and a higher likelihood of discouragement (OECD, 2012). Where skilled individuals are struggling to find employment, a matric certificate may not be sufficient in the competitive job market leaving little to no room for those who have not even completed secondary school. The government initiatives to address the youth unemployment epidemic in South Africa needs to be critically reviewed as these initiatives are funded by taxpayers (Treasury, 2011).

The low demand for youth to be employed in firms is recognised by National Treasury, consequently the youth employment subsidy aims to address this by providing opportunities for young people with little to no experience to enhance their skills and gain valuable experience. An estimated 423,000 subsidised employment opportunities were to be provided for qualifying youth creating. The employment opportunities would require an expenditure of R5 billion funded by the government through tax expenditure for the period of the initial ETI 2014 to 2016 (National Treasury, 2011). Budlender and Ebrahim 2021 notes no significant employment effects for eligible workers were found post the ETI implementation, though a small decrease in the unemployment rate of eligible youth was detected, as well as very small increases in youth hiring (Budlender & Ebrahim, 2021). A small but notable wage increase for ETI-eligible workers as a result of the policy, which seem to be driven primarily by wage increases for workers earning less than ZAR2,000 per month before the policy, and more new jobs in the wage range of ZAR2,000 and ZAR4,000 per month (Budlender & Ebrahim, 2021).

The challenges faced by the young, unemployed individuals in South Africa demonstrates the difficulty experienced by all South Africans struggling to find employment, therefore implementing strategies to address the unemployment problem at a youth level is important (Broumels, 2014). This study analyses the existing literature on the ETI to determine the effects on long-term employment concluding if the ETI is worth the taxpayer having to support a large percentage of unemployed people. The Congress of South African Trade Unions (COSATU)'s raised concerns about the ETI's potential to displace older employees. Further, Zwelinzima Vavi formally rejected the youth wage subsidy as a means to alleviate youth employment, stating that the youth wage subsidy will not solve youth unemployment (Marrian, 2013). This study will attempt to provide the required insight to the ETI's effect on unemployment in this regard.

An analysis of the economic relationship between the BRICS countries, their individual youth employment initiatives and incentives will provide an insight as to how the Republic of South Africa and its trade partners address youth unemployment.

1.6 Research Methodology

This research report aims to determine the actuality of the Youth Employment Subsidy initiative implemented nine years ago by government through the ETI and its effect on youth unemployment in South Africa. The literature review comprises a critical analysis of the data available on the ETI and its effects on long term employment in South Africa. The available literature on the ETI was examined and analysed to identify patterns as well as differences within the literature (Leedy and Ormrod, 2013). Interviews were conducted with small business owners to understand their experiences with the ETI and how it is affecting youth unemployment in the sector. An interview was conducted with a tax practitioner specialising in small businesses. An analysis of the youth unemployment in South Africa's economic trading partners respective countries was assessed.

This research aims to provide a critical analysis of the ETI implemented by the government to improve the employment of young South Africans. The study uses a thorough analysis of the existing literature, including professional as well as academic literature to obtain the elements included in the ETI and the impact thereof. These outcomes were examined in this research paper with the goal of creating themes from the emerging data using the 'Data Management System' prescribed by Miles and Huberman

(1984). Data collected from the content analysis process was compacted into data summaries using a descriptive content analysis method and key themes presented across the available literature were acknowledged and compared to the themes within the analysis of literature (Miles and Huberman, 1984). Further discussion on the research procedure adopted can be found in Chapter 2 of this study.

1.7 Scope and Limitations

Government involvement, private sector involvement, as well as genuine interest from civil society is required to address youth unemployment. Therefore, a joint venture in which all related parties actively work together to address the various problems presented by, and resulting from, unemployment to find a sustainable way forward is required. South Africa has various labour market policies that can assist with decreasing the youth unemployment (National Treasury, 2011). There have been initiatives hosted by the South African government to address the unemployment and specifically the youth unemployment crisis. These initiatives include the learnership and apprenticeship programme in conjunction with the National Skills Development Strategy (NSDS), the investing in Further Education and Training (FET) colleges and the ETI programme commonly referred to as the youth wage subsidy (Kraak, 2008).

This study only focuses on one of the initiatives introduced by the South African government, the ETI scheme. Whilst it is clear that there are a number of factors that could be involved in alleviating the youth unemployment in South Africa, the ETI is the newest attempt by the government to improve the unemployment problem faced by many South Africans. This study investigates how the ETI has improved the employment of young South Africans.

The world was plagued with the COVID-19 pandemic. Globally there was a restriction on the movement of people and trade. The pandemic affected business' ability to keep their employees employed, with little capacity to employ new employees. The pandemic has affected the employability of the youth.

The analysis of the BRICS countries youth unemployment and their initiatives implemented is limited to the available literature. The literature available on the Russian Federation is limited. The interviews were only conducted on ten small business owners and will only reflect the data for the industries they represent.

1.8 Assumption of the study

This research is restricted to provide a comparative analysis of existing literature on the ETI implemented nine years ago between South Africa and BRICS countries to alleviate youth unemployment in their respective countries. It is recommended that further research be conducted as the incentive is still available for six more years.

1.9 Definitions of Terms

- “Unemployed”, refers to those individuals without work, but who are actively searching for employment and willing to work (National Treasury, 2011).
- The “working age population” consists of everyone between the ages of 15 and 64 (STATS, 2014).
- “Employed” refers to people who have jobs or are self-employed (STATS, 2014).
- The “Employment Tax Incentive” (ETI) scheme is a subsidy available to employers who employ young South Africans between the ages of 18 and 29 that are facilitated through the PAYE taxation system (SARS, 2014).
- “BRICS’’ Trading agreement between Brazil, Russia, India, China and South Africa.
- “NEET” Not in Employment, Education or Training.
- “Lockdown” the restriction of movement of persons during the period namely from 23H59 on 26 March 2020, until 23H59 on 30 April 2020 (initial lockdown period)

1.10 List of Abbreviations

ETI – Employment Tax Incentive
SARS – South African Revenue Service
COSATU – Congress of South African Trade Unions
PAYE – Pay-As-You-Earn
IRP5 – Employee Tax Certificate
OECD – Organisation for Economic Cooperation and Development
COVID-19 – SARS-CoV-2 (2019-nCoV)
BRICS – Brazil, Russia, India, China and South Africa

Chapter 2: Research Procedure

2.1 Introduction

Establishing the materiality of the ETI implemented nine years ago post implementation and the incentive's effect on youth unemployment in South Africa. The literature review compiles a dataset of the ETI and unemployment, this forms the foundation for the interview agenda performed with small business owners distinguished by their ability to participate in the ETI. The interview agenda is designed to assess the entrepreneur's experience with the ETI over the period the incentive has been available, instead of focusing on a specific period to allow for a statistically significant time period is included. Interview outcomes were evaluated to create themes from the emerging data using the 'Data Management System' prescribed by Miles and Huberman (1984) (Miles & Huberman, 1984). Transcripts available from interview recordings have been summarised exercising a content analysis method as recommended by Neuendorf (2002), and significant similarities and inconsistencies across the interviews were distinguished (Neuendorf, 2002) (Kalof, et al., 2008).

2.2 Research Design and Methods

A qualitative approach was used to research the government implemented ETI making use of the constructivist perspective. The study reviews the collective available information available on the ETI with the objective of constructing themes from the emergent data (Kalof and Dan and Dietz, 2008). This study uses a small sample of small business owners to conduct interviews, this is not a representation of all small business participation with the ETI. However, the sample covers a range of activity, as the sectors the entrepreneurs are transacting in is vast and therefore is presumed to be a depiction of the market. Each entrepreneur was interviewed for a thirty-minute period to understand their individual experiences with the ETI. The study establishes the actuality of the ETI based on the entrepreneur participants' experience with the incentive. The University of the Witwatersrand issued an ethics clearance certificate through the Ethics Committee approving the interview portion of the study. Please see Appendix B in this regard.

The study aims to examine the benefit derived from the taxpayer funds used to implement this initiative and whether the desired outcome of increasing the taxpayer base is being achieved eight years post implementation.

The data gathered on the ETI was reviewed by literature view to gain an indication of the youth unemployment pandemic and how the ETI has addressed it, if at all. Literature on the ETI and youth unemployment has been obtained to establish a reality-based view on the incentive and to assess how it has affected the long-term employment of youth in South Africa. Using this information, the questions for the interview were produced including open-ended questions and close ended questions. A copy of this can be found in Appendix C.

Literature has been collected on BRICS countries to analyse the unemployment in South Africa compares with that of South Africa's economic partners. Where youth unemployment exists, literature has been analysed/studied on how these countries are addressing this challenge.
Interviews were conducted with ten entrepreneurs who own small businesses and are eligible to participate in the ETI, to provide some clarity and insight into the participation in the ETI initiative in their businesses and to acquire knowledge of their routines of employing youth and the use of the incentive.

The population of this study includes all available information relating to the ETI and how it affects the long-term employment of the youth in South Africa. This has been analysed from both an in- practice, pragmatic, as well as an academic perspective. Ten interviews were conducted with entrepreneurs who own small businesses and meet the requirements to participate in the ETI. These entrepreneurs operate businesses in a host of industries in South Africa. The businesses were in operation in 2014 when the ETI became available for use.

1 Sample and sampling method

Within the existing literature, entrepreneurs who have participated in an enterprise and supplier development programme within the private sector have been identified. These entrepreneurs have real-life experience with being employers, hiring youth and with the challenges associated with employing youth. Nine years post implementation, the information available from the entrepreneurs has provided us with a clearer picture of success factors of the ETI as well as challenges faced by participants. The interview results have been analysed and compared to the information gathered in the literature review on the incentive and its influence on the long-term employment of young individuals (Leedy and Ormrod, 2013).

Participating entrepreneurs were identified to have representation in a vast number of industries including information technology, marketing, training, labour brokering, media, cleaning, physical center owner, dental practice and facilities manager.

2 The research instruments

Prior to commencing the interview, the intention of the study was described to the participant and the university approved letter presented which detailed the study and the thirty-minutes required for the interview. The participants were interviewed at a venue, date and place convenient to each interviewee. The interview strategy implemented included requesting the interviewee to provide an overview of his/her business. Thereafter, I proceeded to ask open-ended questions following up based on the responses to the questions allowing me to depict the interviewee's views and to prevent inflicting the interviewee's response with any other views. Unconstrained dialogue was promoted, and the participants responses guided the interview dialogue to capture insight into the participant's experiences.

The standardisation of the interview questions and the semi-structured approach to the interview agenda endorsed the comparing of the data collected in the form of the answers by the participants (Britten, 1995). Allowing the study to determine how the ETI is being received within the entrepreneurs' sectors (Britten, 1995). The analysis of the interview responses has been contrasted with the information available from the literature review. The interview style was interactional to allow for the interview agenda to remain flexible (Britten, 1995). To gain an understanding on the effectiveness of the incentive for the interviewees', the questions probing into the incentive were posed to the participant in various ways, allowing the merging of observations to review a combination of information with more depth than the review of single, separate interview questions (Kalof, et al., 2008).

The entrepreneurs were asked unambiguous, open ended interview questions with no bias, exploring their experiences with the incentive exposing unexpected concepts in the research. A detailed understanding of the entrepreneurs' experiences was sought to ensure no reliance on the researcher's conjecture (Britten, 1995). This has significance as the potential for misinterpretation exists.

2.3 Procedure for Data Collection

The participant was able to communicate freely due to the nature of the in-person interview structure. The entrepreneur was able to impart their specific experiences with the incentive and that of the sectors in which they operate their businesses, which could not be completely conveyed if the interview was not in-person and open ended. The advantages of this method of collecting the interview data outweighs the challenges experienced in the increase in time it takes as compared to other data collection methods and the potential COVID-19 risk (Kalof, et al., 2008). There was an ease in organising the in-person interviews as compared to surveys that could have been conducted making use of online surveys via e-mail or telephonic based surveys as the entrepreneurs selected are only a fragment of the population. I must, however, note that one interview was conducted using the Microsoft Teams application as the participating entrepreneur does not reside in Gauteng. As nine of the interviewees reside within Johannesburg, Gauteng conducting in-person interviews did not prove to be costly in terms of travel costs.

According to Willig (2008), an assortment of methods exists to record qualitative interviews; this includes while the interview is taking place and post the interview utilising technology on a smart device to record the audio of the interview. Scribing throughout the interview with participants may be distracting and can hinder the flow of the interaction between the researcher and the participant, however it is important to note that scribing once the interview has concluded cleaves room for inconsistencies and the potential for omitting important detail. Taking this into account, audio taping the interviews was identified as the most suitable method to accurately record the interviews with participants to ensure the best account of the entrepreneur's experiences. The ease of use of the smart device was tested prior to commencing the interviews. (Willing, 2008)

Conducting an open-ended, semi-structured interview has the potential for the researcher to miss important facts as a large amount of information is provided by the participant, therefore using a recoding device in conjunction with noting key points allowed for the researcher to be engaged with the entrepreneur and have the entire interview available for reference at a future time. The use of a recording device may be seen as an imposition, the entrepreneurs participating were offered assurance that the interview recordings would not be accessible to anyone other than the researcher. Therefore, the

Willig (2008). Whilst the audio recorder may have seemed imposing to the interviewee a form of assurance was provided that no one else would be able to have access to the recording beside the researcher and the consent form would have reminded him/her of this assurance. Thus, the essence of the in-person interview was not foregone as the researcher made notes when she was able to. (Willing, 2008)

An additional advantage to the researcher using a smart device to record the interview avoids the researcher making assumptions from the participants words and thoughts. Therefore, allowing a larger portion of the allocated time to understanding the participant's experiences (Walker, 1985) . Presenting an opportunity to reduce any linguistic variability issues. The entrepreneurs and the researcher had an ethical and sensitive rapport (Willig, 2008). An agenda and key areas are often identified when conducting a qualitative interview with the intention to acquire information from the participant, for the purposes on this research to gain insight on the experiences the entrepreneurs have had with the incentive (Patton, 1987).

The researcher has exercised caution to ensure the participant is allocated an appropriate amount of time to answer the questions and explain their experiences in detail. This allows the entrepreneur the opportunity to fully express his/her opinion on their experiences with the incentive.

The level of directiveness should be exercised with caution as certain participants may be more conversational than other participants, therefore it is necessary for the researcher to be in command of the interview (Burgess & Whyte , 1982). The researcher must keep in mind the purpose of the interview, ensure he/she is asking relevant questions and have the ability to provide both verbal and non-verbal feedback (Patton, 1987). For the purpose of this study, these methods were applied.

2.4 Data Analysis and Interpretation

Post the collection of the data, the researcher captured the interview data and proceeded to analyse the data. A combined observation was formulated using the ETI narratives, with the purpose to identify themes from the collected data by means of continuous evaluation of the collected data (Kalof, et al., 2008). The ETI experiences of the participating small business entrepreneurs documented from the interviews held was used to determine the in-practice reality of the ETI. The participants responses could be compared to determine the similarities and differences in their experiences as the researcher's questions were standardised. Therefore, the researcher was able to deduce the reality of the ETI as experienced by the participant entrepreneurs nine years post implementation.

The literature reviewed by the researcher could be used to cross reference the similarities and differences identified by the interview participants in contrast to the available literature on the ETI. A conclusion was drawn, by thorough analysis of the interview recordings and the participation in the incentive and the relationship with youth unemployment, to allow participants and those institutions implementing government incentives to consider for any future incentives developed (Miles & Huberman,1984).

The 'Data Management System' by Miles and Huberman (1984) was utilised in this research:

1. Reducing the interview data
   Summaries were made of each participant interview recorded and analysed. The key themes of each participant interview were highlighted, and inconsistencies noted. The researcher continuously aimed to detect links and challenges experienced by the participant.

2. Presentation of the collected data
   The data summary is presented in Chapter 3 to allow for further examination.

3. Conclusion of the collected data

The interview data collected and summarised is compared to available data on the ETI in the form of academic journals, government information, media releases and statistical data to verify the findings.

4. Limitations of the study
   Several small business participants and potential participants exist in the small business sector in South Africa. The research undertaken by this study would be relevant to these business owners, it is however not practical for the researcher to interview all small business owners. The researcher identified the participants as representative of a range of fields within the small business sector within the nine years of the existence of the ETI. These participants provided exposure to the participation in the ETI by small business and how the ETI has affected youth unemployment in the Republic. An important note is the pandemic that plagued the world during the nine years of the ETI's availability causing serious challenges to businesses globally.

2.5 Validity and Reliability of the Study

To improve the credibility of the findings of this research, the study utilized unswerving data collection strategies (discussed below) that were able to adequately solicit the representations and enabled the dependable drawing of conclusions from the data gathered. To ensure the validity and reliability of the information gathered, the responses gathered are analysed against the literature reviewed for plausibility of the commentary of the interviewees.

Internal validity

The researcher exercised caution when conducting the interviews as to not affect the disposition of the interview by being as distinct as the interview with the entrepreneur allowed (Kalof, et al., 2008). The researcher conducted identical interviews with each participant, thus allowing comparisons to be drawn. The researcher rehearsed the interview questions, the tone appropriate for the occasion and vocabulary choice to ensure the words used do not take away from the participant's ability to convey their experiences.

Reliability

The researcher allocated time to review the notes made from each individual interview session to safeguard the integrity of the information and allow the entrepreneurs to voice any additions they wanted to include (Kalof, et al., 2008). This confirms the credibility of the data collected from the participants. This study evaluated the patterns identified in prior research on the ETI. This study endeavoured to authenticate conclusions derived to (Kalof, et al., 2008) her available data sources including the revision of subsequent government information, the statistical data on unemployment, media publications, thus confirming fundamental findings within this research.

2.6 Limitations of the Study

- Future changes regarding the ETI cannot be anticipated, it is meant to be available up to 2029, however this cannot be guaranteed as it has previously been extended therefore this study is limited to the gazetted legislature and any legislature the government intends to introduce.
- This study is based on the Republic of South Africa, as the ETI system is exclusively available to unemployed youth within the Republic who are eligible to take advantage of the incentive.
- There is a large proportion of this country's youth who are unable to find employment, and the COVID-19 pandemic may distort the evaluated data available on the ETI and it may not be a true reflection based on the effects on all unemployed youth in South Africa. However, the range of existing literature does represent a good coverage of the unemployed youth and their potential long-term experiences with the ETI's.
- There are many small business participants and potential participants within South Africa, this study is and whilst this research is pertinent to those entrepreneurs too, every small business entrepreneur could not be included in the interviews conducted. As an alternative, the participants representative of a range of fields within the nine years of the existence of the ETI were requested to participate. These entrepreneurs represent the reality relating the participation in the ETI and how the ETI has affected youth unemployment in the Republic.
- It is also important to note that within the nine years of the implementation of the incentive, the world was plagued by a pandemic which posed serious challenges to businesses.
- In conclusion, this research is an account of the entrepreneur's experience with the ETI and therefore complete bias cannot be excluded.

Chapter 3: Literature Review

3.1 Introduction to Literature Review

The number of unemployed people in South Africa increased from 4.9 million in 2012 to 7.7 million in 2022. The youth aged 15 to 24 and 25 to 34 recorded the highest unemployment rates of 59,6 per cent and 40,5 per cent respectively. (STATS, 2022)

The youth wage subsidy aims to decrease unemployment by increasing the labour demand for youth, this will be achieved by decreasing the cost of youth labour to an employer and offsetting the cost of risk inherent with hiring young people with little to no skill or experience. The experience and skill gained by the youth would increase their employability and encourage job-seeking by the unemployed (Nevondwe & Odeku, 2014).

The purpose of the ETI is to encourage firms to employ young people by subsidising the cost of their wages (Cooper, 2011) . Unemployment is not only a developing nation or third world problem, developed nations experience challenges in youth unemployment too. Youth unemployment is not a unique challenge faced exclusively by developing countries, the EU member countries, seek to alleviate this problem by implementing various programs to support young people in finding and keeping a job thus contributing to economic growth (Lambovska, et al., 2021).

Where employability among the 18- to 29-year-old age group is very low (Treasury, 2011). The Youth Subsidy will be administered through the PAYE system, thus SARS, the employer and the payroll system will be the parties involved (Cooper, 2011) . An incentive is necessary to address youth unemployment by encouraging employers to provide unskilled workers with an opportunity to attain skills and experience by subsidising the cost of these employees to the employers (OECD, 2012). In Brazil, youth unemployment is one of the biggest challenges facing the country (Cruces, et al., 2012). India have implemented employment schemes specifically targeted at the youth as early as 1961 to ensure the participants are able to secure long-term employment, consistent with the goals of the ETI (Visaria, 1998).

The ETI's effect on long-term employment is investigated through the analysis of the identified pros and cons related to this system as per existing literature in the field. This included the analysis of the youth employment in South Africa, how this incentive aims to assist in the unemployment of the youth as well as whether the spending of tax revenue on this incentive is worth the benefit. This study aims to add to the body of literature that currently exists from an academic perspective. The aim of this study is to gather insight on the South African ETI, how it is received in practice by small business owners as well as an analysis on youth unemployment in BRICS member countries and to draw conclusions from the studies conducted. The effects of the COVID-19 pandemic on youth unemployment have been studied to identify its contribution to unemployment.

3.2 An Analysis of the ETI Scheme

Young South Africans are unemployed for various reasons including the employment gap that exists between the youth's inadequate skills and the cost of hiring an employee. Employers have a preference for employing workers who have skills and experience, unskilled, inexperienced jobseekers are regarded as high risk to potential employers. Employers view education as an inadequate substitute for skills. The completion of the schooling system is not a reliable indicator of an individual's capabilities as the poor quality of education learners receive does not provide the skills an employer requires (Spaull, 2015). A poor school quality leads to a poor workplace learning capacity. Therefore, employers consider entry-level wages to be excessive, relative to the risk taken when hiring these inexperienced workers (National Treasury, 2011).

The ETI provides a way to tackle these current issues faced by potential employers to encourage youth employment by bridging the gap between the productivity and cost of employment, nine years post implementation, is it assisting in alleviating youth unemployment in South Africa (Rankin et al., 2012).

3.3 The ETI over the past nine years

The possibility of an employment subsidy has been under discussion in South Africa since the 1990s (Bhorat, et al., 2020). The ETI is a direct intervention in the labour market aimed at increasing the demand for youth labour (Ebrahim, et al., 2017). Any national youth employment policy implemented must be created to provide the private sector with employees in order to grow and expand their workforces, the ETI therefore encompasses these fundamental values (OECD, 2012). The youth wage subsidy administered through tax incentives, rather than a subsidy to the potential employee motivates businesses to employ youth. The challenges faced by the youth in finding and keeping employment is a global problem as analysed in this paper by UK member countries and BRICS member countries.

(Levinsohn, et al., 2014) notes the effects of a young person being employed through a youth employment programme outlasts the period of the programme, therefore getting young people into employment earlier can have positive long-term effects on their ability to remain in employment. Employment was higher for youth who are eligible for an incentive by 25 per cent and this remained consistent for 18 months after their subsidy concluded (Levinsohn, et al., 2014). The first five months post introduction of the ETI recorded 133 000 beneficiaries who were employed in the wholesale, retail, manufacturing, and financial sectors (Ranchhod & Finn, 2016).

Despite labour unions' disapproval of the policy, experienced workers employment is not in jeopardy as firms have stated that they would not substitute older workers for younger workers to take advantage of the incentive as older workers are more experienced and reliable (Ranchhod & Finn, 2016).

Studies have indicated that wage subsidies have worked well in the short term and that the youth who meet the qualifying criteria of the ETI would be more probable to secure employment two years post participation in the incentive, in contrast to young individuals unable to participate in employment incentives. The young people gaining employment through the employment incentive can retain employment verifying that long-term effects do exist (Rankin, 2013).

In the 2023 budget speech, Minister Enoch Gondongwana warns that households are under pressure due to the rising cost of living in South Africa and the unemployment that remains stubbornly high (Budget, 2023) therefore in 2023 initiatives are still required. To gain the private sector employer buy-in, incentives need to be substantial enough to overcome the administrative constraints, the opportunity costs of investing in the administration needs to be worth the incentive for the employer.

The ETI according to Rankin's study is a substantial amount of the starting salary that firms pay to employees who are beginning their employment journey thus assisting employers in bridging the experience gap. The study revealed that 38 per cent of the study participants indicated they would hire young employees if a subsidy was available, while 62 per cent of participants responded that they would only hire young individuals for positions that became available (Rankin, et al., 2012).

A challenge within the South African employment market concerns the negotiated union wage for both union and non-union workers resulting in high wages. Firms respond to the higher wage by opting to hire more experienced candidates leaving the younger, less experienced work seekers unemployed. The ETI decreases the expenses and reduces risk for firms (Ebrahim, et al., 2017). Three years post implementation, young job seekers are more likely to find employment when a subsidy is available, and their employment persisted after the subsidy ended (Levinsohn, et al., 2014). When analysing the ETI in the first year it was implemented Ranchhod and Finn (2014) found no change in the employment probabilities for the youth.

A study conducted in the Vaal triangle, in the Gauteng province, found that 92 per cent of the participants were in support of the incentive and employment remuneration subsidies. Respondents were in support of the ability to provide opportunities for the youth to gain experience, skills and a better quality of life aided by the improved affordability for firms hiring young employees. The study conducted reveals 80 per cent of the participants however indicated that the incentive did not create any new jobs. The participants in the manufacturing sector raised concerns that the prescribed minimum wage is preventing them from targeting the employment of the youth (De Jongh, et al., 2016).

When determining the change within the composition of the human capital in a firm, the firm size is an important determinant. The effect of hiring an additional youth employee at firms with a smaller staff compliment is different from larger firms with more than 500 employees. The youth subsidy would mean more to a smaller firm, allowing the firm to hire additional employees, where larger firms who are already able to hire unskilled youth would be claiming the subsidy for employees, they were planning to hire therefore not creating any new employment opportunities. Almost 60 per cent of the eligible employers claiming the incentive had a turnover of ZAR 10 million per annum. The largest participation in the incentive are firms with turnover between ZAR 10 million and ZAR 50 million per annum as illustrated in Table 4. The youth employment rate in firms receiving the ETI remains above those firms who are not participating in the incentive. In the first 14 months of the incentive, 97,850 jobs were created (Ebrahim, et al., 2017).

Previous initiatives implemented in South Africa include Further Education and Training (FET) centres for learners who had dropped-out, Sector Education and Training Authority programmes (SETAs) and learnerships to aid in the participating young individuals attaining versatile skills, but the affiliation with employers was a challenge. The skills provided to the youth did not address the required skills by firms. The preceding government interventions report that 73 per cent of participation is amongst larger employers, implying the small business sector as a basis for considerable employment opportunities are unenthusiastic to participate due to the significant administration expenses (Treasury, 2011). Thus, the relatively easy administration of the ETI should encourage participation by small businesses (Ranchhod & Finn, 2016).

In the first six months post implementation of this incentive, no evidence was found that the ETI had any substantial, positive, or significant effect on youth employment, thus the effects of the ETI at best are small in magnitude. One of the reasons the ETI is not having an impact on the youth employment probabilities in the short-term may be due to the time as it may become more effective with time, due to it being an employment taxation incentive and not a remuneration grant, informal businesses, of which there is significant presence in South Africa are unable to participate with larger employers finding the incentive insignificant to impact their employment choices. Given that this study only focused on the first six months of the ETI, the findings may be impacted by the slow uptake of the incentive. Overall, the incentive has not proved to enhance the ability for young individuals to secure work opportunities and it may never have the desired impact (Ranchhod & Finn, 2016).

One of the most appealing proposals to tackle youth unemployment is through the adoption of a wage subsidy to lower the cost of employment for firms to encourage increased hiring. The ETI being paid to the firm and not to the employee is the preferred subsidy design for sustainable labour force growth. The unemployment rate for young South Africans has remained consistently high since 2010. It is therefore not clear that the ETI has indeed been successful in achieving its desired outcome of reducing youth unemployment. The policy impacts are, however, not easily determined due to the intended and unintended effects of the ETI. At present, a lack of published evidence exists with a clear consensus around the short-term effects of the ETI on youth unemployment. Any positive employment created in the period the incentive has been available may not be attributable to the incentive alone. The incentive does not have an impact on the hiring patterns of large firms but would substantially impact smaller firms' ability to create additional employment. A possible reason for the lack of overall impact is due to the lack of information firms have about the ETI particularly in smaller firms where the impact would be larger. Only eight per cent of jobs exist due to the incentive. Therefore, the incentive's influence is positive, but small (Bhorat, et al., 2020).

The ETI's effect on youth unemployment is difficult to measure. The results suggest some positive impact the ETI has had on youth unemployment. An essential observation to note is the possibility that this positive effect may be due to firms enrolling in the ETI when they are aware they are about to increase their employment. These employment opportunities would therefore have existed even if the ETI was not available, resulting in no new job opportunities being created (Budlender & Ebrahim, 2021)

Makgetla (2016)'s study on the first 13 months of the ETI found the incentive reduces the hiring costs of employers hiring young individuals who have low skills. The availability of the incentive should have firms changing their hiring patterns by appointing more young people. Over time the lower labour costs could lead to lower product prices by firms using the policy. The analysis of IRP5 data for individuals and ITR14 for employers for the 2013-2015 period found that on a firm level, there was no sustained impact on employment for young people. Some evidence exists that there were positive effects of the incentive on small firms, however there are fewer small firms participating in the incentive. There was no evidence of older employees being fired to allow firms to take advantage of the incentive. (Makgetla, 2016)

At the inception of the ETI, COSATU opposed this incentive and raised concerns that employers would have the ability to reduce wage rates of new employees could incentivise firms to let go of ineligible workers and replace them with qualifying young employees with the intention to obtain the incentive. Incentivising the replacing of existing workers with qualifying youth. COSATU's Central Executive Committee meeting in August 2014, called for the immediate scrapping of the ETI as the biggest beneficiaries of the ETI are labour brokers. (Polity, 2014) COSATU is concerned that despite the billions of rands being provided to employers since 2014 when the incentive became available that Treasury has not put mechanisms in place to ensure that the incentive is creating and sustaining employment opportunities. They recommend that the tax relief available through the incentive be conditional upon employers retaining the jobs and that proof be required from the employers that new jobs were created. (COSATU, 2020)

Addressing the young individual's calamity in sourcing employment in the Republic and developing countries remains important for economic growth. The human capital accumulated through schooling could be depleted through long bouts of unemployment. Young people being unemployed for long periods of time can produce negative externalities such as crime, violence and social unrest due to the frustration resulting from the youth being unable to earn a living, this further deters investment by businesses. The results, similar to Randchhod and Finn (2016) show that the ETI did not lead to a significant increase in the employment of young people and the incentive did not lead to effects expected from this policy. The results are similar for the individuals who had completed matric, and those who had not completed their matric therefore no differences were noted for level of education of the eligible employee. Labour relations was identified as a potential hinderance to firms employing more subsidised workers as wage subsidies work better where the employer is not required to register the employee. This would not be an option in South Africa as the ETI relies on the employer registering and paying PAYE for their eligible employees. Contrary to COSATU's concerns, Aflagah (2020) found that the policy did not lead to reallocation of labour. (Aflagah, 2020)

National Treasury reports ZAR 6,3 billion was claimed for the 2014 to 2016 period by eligible employers participating in the ETI. In 2014/15 a total of 32,368 employers had submitted an incentive application, representing 15 per cent of qualifying employers with qualifying young workers. The incentive was obtained for 686,402 employment opportunities in 2015 accounting for approximately five per cent of all employment opportunities determined by IRP5's. A significant 57 per cent of participating employees had previously not been registered on the tax database. The wage offered to eligible employees of participating companies was higher than those not participating in the ETI. The ETI is utilised by larger firms, 53 per cent of firms have more than 50 workers, 22 per cent of firms have between 11 and 50 employees and only five per cent of firms have 10 or less employees. The smaller firms however pay their participating employees more than the larger firms. The manufacturing sector at almost 64 per cent, has the largest participating per centage of all industries. Treasury notes that labour brokers make up 11 per cent of the total ETI claims. Over the evaluated period, youth unemployment did not improve. (Treasury, 2016)

Ebrahim (2020) examined the qualifying employees' incomes and how the incentive impacted the remuneration. Her analysis found that the incentive had not improved the unemployment of young individuals. Despite the lack of positive outcomes, the incentive had improved the income of the qualifying individuals. Participating employers are normally located within South African provinces where significant commercial activity is undertaken including industrial and trade activities. Alarmingly the top 20 employers are responsible for 30 per cent of the incentives claimed. A significant increase was found in the employment duration for the eligible employees. (Ebrahim, 2020)

The most recent study by Budlender and Ebrahim (2022) examined the 2019 to 2020 period recording the ETI claims for the period amount to ZAR 4,8 billion. The analysis was based on firm-level data and found that ETI claiming firms are bigger and were growing faster than non-claiming firms. The ETI is "free money" for participating firms with the administration being the only cost to a participating firm. ETI -claiming firms have hiring patterns more inclined to employing younger people after the ETI policy came into effect. The positive effects for the ETI employment dissipate three years post policy participation, therefore the ETI is unable to create a durable increase in employment. The expansion of the incentive is noted as a concern as no clear evidence exists that the policy works, government is nonetheless persisting with the policy. The costs associated with the policy are not negligible and constitute a substantial amount of taxpayer's money to big business. (Budlender & Ebrahim, 2022)

Globally literature surveys appear to be inconclusive about the effectiveness of wage subsidies. Subsidies in developing countries are not effective in generating additional employment. Alternatively, labour market programmes are found to have positive impacts on youth unemployment. Examining individual outcomes of the incentive, using the administrative tax data exposes the incentive to neither improve overall work opportunities nor reduce the unemployment of young, qualifying employees, an employment outcome appears to be more favourable for females. A moderate significant increase in the earnings of eligible males was recorded with no difference to earnings for females. Limited employment impacts were found, however gender differences in the labour market were found.(Ebrahim & Pirttila, 2022)

3.4 Discussion and Interpretation of Interview Results

The ETI, implemented in 2014 has been available to qualifying employees for nine years. Ten interviews were conducted to understand the relationship employers have with the incentive through their experiences over the period the incentive has been available. The interviewees are owners of small businesses in South Africa. The entrepreneurs operate businesses in various fields including dentistry, information technology, cleaning, coaching, media, training, marketing, physical training, facilities management, film production and manufacturing. Their businesses are based predominantly in Gauteng with two entrepreneurs based in the Free State and the Eastern Cape.

The interviews were based on open ended questions to understand the entrepreneur's individual experience with the ETI and their participation in the initiative.

All the entrepreneurs meet the requirements to be qualifying employers and employ individuals who meet the requirements to be qualifying employees. Their businesses have been in operation during the period that the ETI has been available. The entrepreneurs employ between six and 120 employees. The majority of their employees fall into the 18-to-29-year age bracket.

Only one out of the ten employers interviewed was aware of the ETI and made use of the incentive. The nine employers who had no knowledge of the incentive indicated that had they had known about the ETI they would have made use of it in the nine years it had been available. The entrepreneurs expressed that the incentive would have assisted them in providing more employment opportunities to young, unskilled members of the communities in which they conduct their business as the incentive lessens the financial burden of employing unskilled youth. The lack of information available to these small businesses has negatively affected the businesses and the youth alike, as the youth have a missed opportunity to gain experience and the businesses have missed the opportunity to produce more output.

The ETI aims to promote long-term employment for the young participants. Eight of the entrepreneurs believe the incentive can improve the long-term employment for young participants by assisting with the financial burden by improving cashflows while the participants increase their employability by increasing their skills and experience. One entrepreneur noted that once the employee had completed their two years on the programme, he would still need to maintain networks to find permanent employment as they would unfortunately not be able to employ all the participants over the long-term. The owners of the cleaning company and the manufacturing company both communicate that the participating in the ETI would allow them to provide many employment opportunities as the decreased financial commitment would allow them the opportunity to train the individuals to absorb them into sustainable long-term employment. The owner of the training company felt the incentive would positively influence the long-term employment for the qualifying youth due to the hiring of staff being cheaper as she was often reluctant to employ individuals permanently due to the high cost without having any proof of the person’s capabilities therefore the ETI would bridge that gap and allow her the ability to open more branches with the larger staff compliment. The small business owner who had participated in the incentive stated that he was not personally aware of any success stories with regard to long-term employment but noted that the experience gained may assist the youth to find jobs.

When asked if the ETI addresses the unemployment crisis in South Africa, nine of the entrepreneurs answered that the ETI, by itself cannot address unemployment. They noted that South Africa requires a host of interventions running concurrently to begin to address the unemployment crisis including, but not limited to partnerships between government and firms including providing information to small businesses on government programmes and initiatives that they could participate in including the ETI. Two of the interviewees expressed concern about the two-year participation window for employees, stating that the number of years should be based on the industry and that manufacturing, for example, requires more than two years to produce skilled individuals who can then secure permanent employment post participation. The entrepreneurs have noted that industry-specific training and upskilling is required to address the unemployment crisis and that the country cannot rely solely on the ETI. The physical training entrepreneur finds that the ETI does not provide any incentive for him to employ anyone as he exceeds the remuneration bracket after the three-month probation period of his employees.

The most significant downfall of the implementation of the ETI is the lack of communication about the incentive to the qualifying employers illustrated by 90 per cent of the interviewees being unaware of the incentive. The nine non-participant employers criticised the information sharing from the SARS as they have not received any information on the incentive despite filing their PAYE with qualifying employees listed on the system with their identity numbers and salary information. One employer indicated that the ETI could have assisted him to keep individuals employed during COVID-19 when his business was under financial strain, and he had to let employees go. The two-year participation period has been identified as a downfall as some employers would prefer a longer period to upskill young employees to ensure they are receiving quality experience to assist them in securing long-term employment.

The praises the entrepreneurs have for the ETI include the assistance provided to employers to hire employees without having to absorb the full training costs associated with hiring inexperienced youth. They find the concept to be good with the potential to make a great impact. An interviewee observes the ETI as a positive initiative with poor implementation. The participating employer admits that the government's intention to support the employment of youth is good as it shows there is an understanding of the burden on businesses to employ unskilled employees. The cleaning company and manufacturing business owners appreciate that the incentive does not have any educational requirements, thus they would not be required to exclude the most vulnerable individuals in their communities.

The small business owners have noted criticism for the implementation of the current ETI in the poor communication by government on the availability of the incentive. They suggest that government drive the information to the target markets by linking the information sharing between the government departments including Labour, SARS and Small Business Development aiding the provision of seamless information to businesses who meet the requirements to participate. The entrepreneurs have shared that as small business owners their time is one of their most valuable resources and therefor, they do not have the ability to attend full-day SARS workshops and would rather receive digital communication in simple terms for ease of understanding and to promote their participation.

The entrepreneurs were asked what recommendations they had from their industry experience to sustainably address unemployment in South Africa. All the entrepreneurs expressed concern at the excessive red tape attached to policies implemented by the government. The Eastern Cape-based entrepreneur recommends that government provide support to small businesses through the department developed to assist the small business owner, but they experience difficulty in receiving information from the department, let alone any assistance. Having started her business in Gauteng before moving to the Eastern Cape she notes that a larger information gap exists in rural South Africa and a digital method of delivering information to the intended audience should be made available. The entrepreneur in the physical training sector expressed that he would have been able to create more employment opportunities for his community if there were fewer barriers to entries and advised that government revise the companies act as he found that, in its current form, it is a “one size fits all” approach, making it more challenging for small businesses. Concern was raised about the education system in the Republic, with the business owners advising that the syllabi need to be updated to feed more seamlessly into corporate systems and everyday life. This includes providing as much attention to the blue-collar employment streams such as plumbing, apprenticeships and hairdressing as is given to conventional employment streams such as lawyers, accountants and doctors. Encouraging entrepreneurship is one of the mediums to improve the unemployment amongst the youth, however the secondary education provided to young adults does not focus on equipping them with basic life skills and skills required to run a business like doing a budget, filing a tax return or doing a basic cashflow, for example. The entrepreneur in media wanted the public education in South Africa to be improved to compete internationally and to have government schools offering more education that is required in the world currently including IT, coding and robotics. The cleaning company owner observed that the greatest challenge she experiences in employing young people is their negative outlook on life, that many of them believe that there is no way to improve their current situations and that they will always live in poverty. She experienced difficulty in upskilling her employees as they were discouraged and have no interest in acquiring or improving their skills. She shared an experience she had had with her employees where they had a cleaning contract at an opulent hotel in Johannesburg, her employees could not imagine ever being able to visit the hotel in their personal capacities as patrons because they could not see themselves as anything more than the help. She hoped that the department of education includes career prospects and providing support to disadvantaged youth through the life orientation curriculum to allow these young individuals to strive to achieve more despite their current circumstances.

The interview responses reflected that in the nine years the ETI has been available for participation it has not been received in practice by small businesses. It has never been a topic within their entrepreneur networks. The one employer who has made use of the incentive only started participating in the incentive in 2020 when he found out about it; he therefore forfeited the benefit unknowingly as he has been in business since 2014 and exclusively employs youth who meet the qualifying criteria.

All of the entrepreneurs experienced challenges with participating in the incentive due to a lack of communication, even the one employer who has been participating for three years was only informed about the ETI six years post implementation. He does, however, admit that once he received the information, the processes in place to access the system was seamless.

When asked if the ETI would have affected their employee take on if they were aware of the system the employers all admit it would have allowed them to hire more young individuals over the period that the incentive has been available by reducing the financial burden of employing the youth participants. The dental practice owner expressed that in the disadvantaged area of Sharpeville where one of her practices is situated there are numerous matriculants who have requested employment to improve their experience, the ETI would allow her to provide employment opportunities to the youth of Sharpeville and improve their employability. The employer in the media industry would have been able to improve his business by employing people to do tasks that he generally does not have the time to dedicate to, including admin -related tasks. Six of the employers note that the incentive will allow them to hire more young people from their communities allowing them to provide the extra training the young people require as compared to the experienced job seekers. The cleaning company owner would have had the opportunity to do formal training with her employees as she would have provided for the shifts on training by hiring additional employees with the assistance of the ETI.

The entrepreneurs were asked if they had any advice for the administration of the ETI to improve the incentive and increase the accessibility to small businesses. Increased communication by government was listed by all the interviewees as the most important improvement required. Digital information would be appreciated and even more so if there could be links to the different government departments and if these links could be available as early as when a business is registered that the ETI. Two of the entrepreneurs found that a longer participation period for small businesses would be beneficial as imparting knowledge in a smaller business may take more time. The media and physical training employers would find it advantageous if the remuneration bracket could be increased to ensure they could pay employees a decent living wage. The employer who had been participating for three years found that there was a lack of monitoring of the system and that the incentive had the potential for employers to claim large sums of money with little responsibility due to the lack of monitoring and no requirement for the qualifying employer to report on their utilisation of the incentive.

An additional interview was conducted with a tax practitioner specialising in small businesses. The businesses she represents are in the manufacturing, hospitality and entertainment industries. All of her small businesses participate in the incentive except one. The business that does not participate is purely due to distrust of the system; he refuses to do any more business dealings with SARS than those he is legally required to. The client with the highest ETI claim is in excess of ZAR 350,000. She has found that the ETI really helps with start-up businesses salary bills and their ability to hire younger employees. One of her clients have grown their business from a two person staff compliment to having 19 employees currently due to the assistance the ETI provides. The praise he has for the system includes the ease of processing claims and that it forces the small business to be compliant which improves their relationship with SARS and that it ties into PAYE adding to the user friendliness. She does, however, note that the ETI is simple to claim when the business uses a reputable accounting software package to calculate payroll. If the business calculates their payroll manually, they may make mistakes leading to an incorrect claim. She also notes that when a business is claiming the ETI they are audited more frequently, this is not a challenge where the business is making use of a reputable live accounting system and the information is easily downloadable to submit to SARS. The criticisms she has for the system is that it can be confusing for an individual with no tax knowledge to claim therefore the eligible business owner will incur the expense of paying someone to file for them and that the system can be easily abused. When asked how the ETI is being received by practitioners advising clients, she has observed that the practitioners utilising the ETI and advising their eligible clients to make use of the incentive are younger practitioners; the older practitioners in her network are not promoting it to their eligible clients.

Conclusion on the Interviews

The ETI is an initiative that would benefit the entrepreneurs in their businesses. The lack of communication on the incentive has excluded 90 per cent of the interviewees from participating in the incentive. In the nine years the incentive has been available it could have had a significant positive impact on both the employers by increasing their workforces, assisted them financially during the COVID-19 lockdowns when they experienced financial difficulties and the youth who could have been employed, gaining experience to improve their employability. An eligible small business who has access to a tax practitioner would be more likely to participate in the ETI as the practitioner would be able to provide guidance to the entrepreneur to allow them to claim the incentive, this however does come at a cost to the entrepreneur.

"It's like a seed being thrown into the bin instead of being planted where it can feed a community" is how the cleaning company owner views the ETI.

3.5 BRICS Youth Unemployment Analysis

BRICS is the association of emerging economies of Brazil, Russia, India, China and South Africa. It aims to promote peace, security, development and cooperation. BRICS started as BRIC before 2010 when the organisation extended an invitation to South Africa. The intention of the South African government joining was to encourage integration and improve infrastructure and to partner with crucial parties in the South on matters pertaining to global governance and its reform. (Gov, 2013)

South Africa, through its BRICS membership has market access, foreign direct investment and increased bargaining power (Asuelime, 2018). The youth unemployment in the BRIC member countries will be analysed as South Africa's economic trading partners.

Brazil

Brazil is one of the most economically and socially divided countries in the world with social structures that maintain and reproduce inequality (Brunila & Ryynanen, 2016). What happens to young people once they leave school is not only dependent

on the qualifications and skills, they possess but relies on the demand that exists for those skills and qualifications (OECD, 2014). One of the biggest challenges facing the country is the inability for young individuals to secure employment. The Brazil unemployment rates for young people is at least twice as high as the national unemployment. Youth employment problems affect young people and elements of socio-economic development. The ability for young individuals to secure employment opportunities has become more dire in conjunction with employment sectors. Young workers in developed economies receive less remuneration and are afflicted by lower employment percentages. The youth in these nations, also experience fewer formal employment opportunities. The unemployment duration is the most relevant cause of lower future earnings. Young Brazilian’s are competing for employment opportunities or further education and those individuals from lower social classes are burdened by a weaker quality of educational background, difficult living conditions and living in environments riddled with crime and violence. (Cruces, et al., 2012) (Weller, 2007)

Working conditions vary by educational level, household characteristics and gender as well as other factors. The economy along with work conditions encompass unfavourable circumstances for youth employment seekers. The employment sector developments in American have been a cause for concern. The employment situation of the young individuals is critical, dynamic, as well as segmented. Although, this is not unique to Latin America. The rapid changes in technology have proved to require improved educational credentials from employees, including formal education and soft skills. (Weller, 2007)

The formal schooling is experiencing challenges due to limited resources and an inadequate understanding of the requirements related to the working world. Therefore, the youth graduating from these programmes are not sufficiently trained for the working world and employers are therefore reluctant to employ them. The excessive remuneration requirements increase the employer’s expenses to offer employment to eligible youth applicants who do not possess the required experience, the minimum wage was equivalent to 69 per cent of a median full-time workers salary (OECD, 2014). Young people in formal employment are often the first to be laid off when an employer needs to reduce their staff compliment, the young employees are the worst affected due to last in first out and social reasons such as protecting heads of households (Weller, 2007).

As early as 1940s Brazil has been instituting vocational training services managed by employer-related entities and funded by payroll contributions, the first being *Servico Nacional de Aprendizagem Industrial,* SENAI in 1942. In 1946 the National Rural Vocational Training Service (*Serviço Nacional de Aprendizagem Rural,* SENAR) followed in 1976, by the National Transportation Vocational Training Service (*Serviço Nacional de Aprendizagem do Transporte*, SENAT) and in 1993, and the National Cooperative Vocational Training Service in 1999. These programmes were not solely focused on apprentice training, they also offered educational and professional training and certification courses (Gonzalez, 2010).

In 1965 The first attempt to create an insurance plan for unemployed workers was made. A registry of employee admissions and layoffs was created and instituted an assistance plan for the unemployed. The benefits available was to be funded by the Unemployed Assistance Fund whose funding was a collection of one per cent of firms' payrolls and a portion of union dues. To be eligible to receive the benefit, the employee would have to be fired without just cause or because the company was closing or scaling down. (Gonzalez, 2010)

The Public Employment System (SINE) is directly linked to the unemployment insurance program. The initiative aimed at integrating job placement, professional training and the unemployment insurance. The Workers Support Fund is geared at financing the Unemployment Insurance Program that includes SINE and an income credit program for low-income workers as well as sponsoring economic development initiatives through loans to businesses with favourable lending rates. The SINE program was mostly used by small businesses (Brazil, 2011)

This apprentice program has been in place since 2010. The program has experienced problems as the hiring of the apprentice is mandatory and large and medium firms must have between 5 and 15 percent of their staff compliment being apprentices. The employer bears the burden of enrolling the employees in theoretical coursers and ensuring the practical part of the training is offered at their establishments. (Soares, 2021)

In its current form the apprentice policy does not serve the intended purpose in Brazil. The status of the apprenticeships does not translate to higher productivity or experience gained for the participating apprentice. The program does not provide the opportunity for permanent placement of the apprentice. (Soares, 2021)

Russia

Youth development is one of the most important resources for a country. The youth are a vital part of the quality of social and economic growth. The sustainability of society rests in the future labour potential of young people, this includes their level of education, experience, and entrepreneurial skills. Within the labour and employment sector, young people are the most socially and economically vulnerable citizens. (Kutaev & Alieva, 2019)

An important problem Russia faces is youth unemployment. The youth unemployment rate is the highest among other groups. Whilst young Russians are disadvantaged in the level of education, professional experience, and the high wage requirements; the competitive advantages are noted as their ability to adapt more quickly to new conditions, their mobility when changing employment and their flexibility to innovations in the technology sector (Kutaev & Alieva, 2019).

The Russian Federation has been a member of the International Labour Organisation (ILO) since 1954. The ILO is a United Nations agency whose mandate is to set international labour standards (ILO, 1919).

As a response to the youth unemployment crisis, the ILO launched the Partnerships for Youth Employment in the Commonwealth of Independent States (YEP CIS) project with the financial support of the Russian private company Lukoil. The programme is available in six regions of the Russian Federation. The programme provides the youth with the needed opportunity to gain professional experience, one of these avenues is through apprenticeship programmes (ILO, 2021).

India

India has one of the fastest growing economies in the world and has the second largest labour force in the world second only to China. (Rajadurai, 2023) India accounts for one-fifth of the global youth population with young people accounting for 43 percent of the total population. Youth unemployment in India is identified as a daunting challenge. A large number of youth are unemployed, underemployed, seeing for employment or working in unfavourable conditions with longer hours, and insecure work arrangements (Dev & Venkatanarayana, 2011). The youth unemployment rate for educated Indian's is 25 percent. (Sharma, 2022) Young job seekers make up 49 per cent of the total unemployed in India (Sinha, 2013).

The level of education in India has been improving, however in spite of this substantial improvement 43 percent of the youth are not well educated (Sharma, 2022). The literacy of the youth population has increased along with the percentage of young people attending formal educational institutions. With more than 90 per cent of the available work being in the informal sector, a significant portion of higher-educated youth remain unemployed or are in non-permanent employment. India is a labour surplus economy with a majority of young people having limited or negligible marketable skills. (Sinha, 2013) Firms exercise great levels of caution when hiring new workers as the labour law is protective of the rights of employed workers making it almost impossible to fire employees (Okada, 2012).

India have implemented employment schemes specifically targeted at the youth as early as 1961 in the form of the Training of Rural Youth for Self-Employment (TRYSEM) (Visaria, 1998). (Sinha, 2013) found that 89 per cent of young people did not have any kind of vocational training and those that did have, received it through hereditary practices; this indicates that the level of formal vocational training available to young people was negligible. (Sinha, 2013) These schemes are important as the urban unemployment rate in the country is higher than the rural unemployment rate. (Dev & Venkatanarayana, 2011). Skills development initiatives needs to fulfil an array of objectives, including the reduction of poverty, providing second chances to school dropouts, and keeping youth with little academic interest out of the streets as to not be involved in social problems. These varied objectives make it challenging for governments to create strategies and actions to combat youth unemployment. (Okada, 2012)

In 1988 The National Youth Policy was formulated. The most important component of this national youth programme was identified as the removal of unemployment. There has been no specific action mobilised to implement any initiative to alleviate youth unemployment let alone removing youth unemployment (Visaria, 1998). The government created 9 619 vocational secondary schools, offering 150 courses to accommodate one million students thus illustrating how small these efforts are (Okada, 2012).The National Council for Skill Development was introduced in 2005 by the Prime Minister. This council made the development of skills a national priority with special emphasis on the youth. (Dev & Venkatanarayana, 2011)

The Federal Ministry of Labour runs more than 900 individual employment exchanges to match the supply of labour to the market demands. Job seekers register with these employment exchanges with their specific data and when a vacancy matching their skill set is available in the government sector they are notified. Any sphere of government advertising a vacancy will be provided with the data of individuals who match the criteria to facilitate the employment exchange. (Sinha, 2013) The government had a target of 500 million people to be trained through vocational training, the efforts over the preceding years however have not yielded satisfactory results to attain this objective. The programmes run by the public employment portfolio have been impacted by budget decreases. (Sinha, 2013)

Okada 2012 finds that developing countries along with international education organisations shifted their focus from basic education to technical and vocational education and training (TVET). The TVET is delivered through various channels for people from a diverse socioeconomic background and academic abilities across various trades. The training suffered from a lack of coordination among the stakeholders and the programmes were slow to respond to the changing skills and demands for the labour market. Skills development remains an important, urgent challenge for developing countries. (Okada, 2012)

An individual’s ability to find their first job and maintain their employment relies on their knowledge and skills matching the market demand. The unskilled and inexperienced are being excluded. There is no shortage of work to be done in the Indian communities to improve the quality of the lives of the citizens. Notable differences exist in the rural and urban rates of unemployment, an unusual pattern exists as the unemployment rate among the urban labour force is higher than the rural unemployment rate. To address these gaps the government needs to implement initiatives to improve the education, technical education and make vocational training more accessible. (Dev & Venkatanarayana, 2011) Vocational training is considered effective, however the government faces difficulty in accommodating the population of young entrants (Okada, 2012).

China

China has witnessed a growth in unemployment over recent years, like many other countries globally (Zeng, 2012). The youth unemployment in China reached almost 20 per cent where nearly one in five were not employed (Martin, 2023). Prior to the 1980s, the economic system in China was a planned economy, predicted by a centralised labour allocation system for the youth. Young individuals did not apply for employment as the state would provide the youth with appropriate positions for these young individuals. When China transitioned from this type of economy to a socialist market economy the state found that a planned economy was not suitable for a dynamic labour market (Wei, et al., 2017).

Unemployment causes financial uneasiness, and the individual has little contact with others. This is detrimental to their job seeking efforts as having strong ties supports the unemployment person in finding employment by building networks. However, it needs to be acknowledged that the shared unemployment experience can be the bonding factor, bringing a group together. This is supported by the working people being otherwise occupied with work or studies. Thus, proving birds of a feather flock together even in the employment environment. (Zeng, 2012)

Unemployed youth are at risk of social exclusion. Fostering strong relationships with individuals who are employed can lead to employment opportunities. There are industries that do not advertise vacancies, instead they rely on the on their current employees’ referrals of friends. (Zeng, 2012)

In the 2000s an expansion in higher education enrolment made it impossible for the government to acquire employment for their youth. Thus, in 2015 the government proposed policy documents to improve employment. (Wei, et al., 2017)

Three of the core policies implemented include Opinions of the State Council on Further Promoting Employment and Entrepreneurship in the New Situation (FPEE), the Opinions of the General Office of the State Council on Deepening the Reform of the Innovation and Entrepreneurship Education in Higher

Education Institutions (DRIEE) and the Notice of the General Office of the State Council on Key Tasks of the Employment and Entrepreneurship in the New Situation (KTEE).

The focus of FPEE was to improve the employability of the youth and during the 2016 year, 150 million youth secured employment opportunities once completing their studies. Whilst the DRIEE programme presented strategies to reform innovation as well as courses to teach self-employment to improve the economy. At a national level the government provides guidance on specific policies to improve employability, at a regional level to provide funding for the initiatives and at a local level to develop teaching syllabi to improve education (Wei, et al., 2017).

The support for employment opportunities have increased through the government's execution of strategies to enhance the employability of their youth (Wei, et al., 2017). The unemployed youth with rich social resources can support the youth emotionally and financially. Developing a strong social network with individuals who are in employment could assist the unemployed by providing information about job openings and referring them to job opportunities in sectors that do not advertise, in fashion stores for example (Zeng, 2012). China is attempting to combat their youth unemployment by hosting employment exhibitions for the first time in years (Martin, 2023).

Youth Employment Initiatives by Country

BRICS Country	Youth Unemplyment	Initiatives
Brazil	21%	As early as 1946 Brazil implemented the National Vocational Training Service an apprentice training progranne is offered with educational and professional training and certification cources (Gonzalez,2010)
Russia	16%	International Labour Organisation (ILO) launched a partnership with the Youth Unemployment in the Commonwealth of Independent States project with the financial supprt of the Russian private company Lukoil to provide the youth with the opportunity to gain professional experience through internships. (ILO, 2010)
India	49%	The government uses vocational training programmes through Technical and Vocational Educational and Training (TVET) to allow young people to gain experience and skills to combat young inexperienced individuals being excluded from the workforce. (Okada,2012)
China	20%	The core policies implemented included Opinions of the State Council on Further Promoting Employment and Entrepreneurship in the New Situation (FPEE) and Opinions of the General Office of the State Council on Deepening the Reform of the Innovation and Entrepreneurship Education in Higher Education Institutions (DRIEE). The FPEE focused on improving the employability of individuals post-graduation. The DRIEE programme focused on innovation and entrepreneurship through science, technology and education

BRICS Conclusion

The youth unemployment problem is a consistent challenge in all the countries who are members of BRICS. The governments in individual the member countries have implemented various initiatives including vocational training programs, improving education, and fostering relationships between the youth and employers to improve the employability of their youth. The member countries all note that the gap between the expense of employing a young person and their lack of skills is a deterrent to the youth finding and holding on to employment. These initiatives are important as seen in South Africa, Russia, India and Brazil, where youth from poverty stricken households are usually employed in positions with poor conditions, often they enrol in the employment market prematurely or too late due to the excessive school drop-out frequency resulting in poverty being reinforced. (Weller, 2007)

3.6 The Pandemic

Introduction

In January 2020 the World Health Organisation declared the outbreak of the coronavirus 2 SARS-CoV-2 (COVID-19) pandemic. The highly transmittable, fatal severe acute respiratory syndrome changed the world as we knew it causing disruption to society and the global economy (Bank, 2021). March 2020 observed the government of South Africa's gazetting of a national state of disaster including a twenty-one-day national lockdown from March 2020. The state of disaster banned sales of products such as alcohol and tobacco products (Gazette, 2020). The pandemic emerged during the ETI's implementation period. The pandemic's influence on youth unemployment and the ETI will be analysed.

COVID-19, Youth Unemployment and the ETI

South Africa entered the COVID-19 pandemic with low levels of employment, including youth employment and weak job creation for over a decade (Churchill, 2020). finds that young people were significantly impacted by the pandemic compared to older individuals and that women over the age of twenty were impacted the strongest. The pandemic has negatively affected the employment of young people and added another barrier to entry of employment.

A national lockdown, restricting the movement of people and trade in South Africa was one of the governments responses to the physical spreading of the virus. The lockdown caused employment to drop by fifteen percent in 2020. The government attempted to provide support to pandemic impacted citizens by means of the unemployment insurance fund (UIF) and social protection programmes. However even with their efforts, employment in South Africa was severely impacted and recovery is slow.

South Africa's youth, who pre-COVID-19 already endured alarmingly high unemployment rates as high as 63% for those 15–24-year-olds. The restriction of movement and ban on trade of certain industries intensified the challenges faced by the youth in their endeavours to find employment. (Gronbach, et al., 2022)

The COVID-19 job losses were concentrated among low-income-earners worsening the already severe inequalities suffered by South Africa's poor. The lower remuneration earning individuals accounted for approximately quadruple the employment losses as compared to higher remunerated individuals. (Bank, 2021) The government responded to these job losses by offering support through UIF in the conventional employment sector and cash transfers for those trading in the informal sector and those already registered as beneficiaries at SASSA. The Special Relief of Distress (SRD) grant, offered to those not previously registered as beneficiaries to a social grant, was claimed by over six million individuals. The SRD was initially available for a one-year period but was extended for an additional eight-month period. In excess of thirty-million South Africans received benefit from COVID-19 monetary relief measures in the form of cash. (Gronbach, et al., 2022)

The pandemic negatively affected the ability of many South Africans to find employment for the unemployed and for those who were employed pre-COVID-19 to remain employed. Citizens were affected by the national state of disaster which restricted movement and economic activity. This included the production and sale of alcohol and tobacco products. South African Breweries suspended five hundred and fifty temporary workers due to the ban on alcohol sales (Reuters, 2021).

The government's relief measures included the SPD grant of three hundred and fifty rands per month for those who were not in formal employment starting in May 2020, with six-million beneficiaries. The COVID-19 Temporary Employer/ Employee Relief Scheme (TERS) was made available to employees registered with the UIF, were paid up to seventeen thousand one hundred and twelve rands and were unable to retain their employment or received a reduced remuneration due to the lockdown. (Gronbach, et al., 2022)

The ETI is one of the mechanisms the government mobilised as a relief measure. The subsidy's available to eligible employers increased, with an increase up to 87,5 per cent for the most vulnerable earning between ZAR 0 and ZAR 1,999. The relief measure was available for the period April to July 2020 and August to November 2021. The eligibility criteria were relaxed and all employees earning less than ZAR 6,500. (Ebrahim & Gumbi, 2022)

During the level 5 lockdown, when most economic activity was halted, the economy lost 2,2 million jobs. The low employment levels in South Africa shrank further from an already low base. Young people with less experience and fewer skills endured larger losses. Of those individuals who retained their employment during the pandemic had their wages reduced. The informal sector highlighted the absence of social protection leaving them only able to claim the ZAR 350 emergency relief as they were unable to claim any UIF benefits. (Bank, 2021)

An employment initiative introduced by the South African government during COVID-19 created more than three hundred thousand jobs nationally for school assistants under the Presidential Youth Employment Stimulus which commenced in December 2020. The youth were employed as education assistants and general school assistants. The education assistants required to have a matric certificate while the general school assistants did not have to be in possession of a matric certificate. The department of basic education received 868 000 applications for this initiative. The recruitment was primarily focused to the community in which the schools were located. The successful candidates were remunerated with R3500 per month. Of the almost 900000 youth who applied for this initiative, only one third were successful. This provides data that the youth are actively seeking employment opportunities. However, even in community-based recruitment drives, only one in every three applications are successful (BusinessTech, 2021).

Even with the relief measures provided by the government the South African youth were disadvantaged as companies were struggling to keep their doors open during the pandemic, seasoned workers were subjected to wage-cuts and there were very few employment opportunities. The minister of finance, Enoch Godongwana warned that the state must exercise caution with the provision of the basic income grants, stating the potential of the grant to produce a "cycle of dependency" for young individuals unable to secure employment. COVID-19 was another hurdle for the South African youth to find employment and the government cannot afford to provide grants to the youth (Cronje, 2021) (BusinessTech, 2021).

The South African Reserve Bank's compares the ETI to other incentives offered by government and according to a review by the Department of Planning, Monitoring and Evaluation (DPME) the ETI has more positive impacts than other incentives and the cost per job is lower than other incentives. The average cost per ETI job is ZAR 7,000 in comparison to three other incentives for which the average cost is more than 177 times more. The DPME review reveals that South Africa spends between ZAR 50 billion and ZAR 60 billion on direct incentives annually. The impact of these incentives is not monitored. The incentive system is designed to target mature industries rather than new industries. The incentive has created a small number of new jobs in the six years post implementation. The interventions to improve the incentive include reducing deadweight losses, introducing a training component, and improving coordination with other policies and incentives (Treasury, 2016).

Conclusion

South Africa had low youth employment levels prior to the COVID-19 pandemic. The employment sector continues to recover from the effects of the pandemic, notwithstanding the state's efforts to assist. Thus, entrepreneurship presents the biggest opportunity to create jobs in South Africa, this finding is supported through the interview data collected from the small business owners in the research conducted in this paper. (Bank, 2021)

Chapter 4: Conclusion and Recommendations

4.1 Conclusion of Study and Recommendations for Future Research

South Africa is plagued with stubbornly high levels of unemployment and youth unemployment. The youth joblessness exceeds two times the unemployment rate of the general populace with 66.67 per cent of unemployed young individuals not been in employment even once. (Ranchhod & Finn, 2016)

Youth in developing countries who are seeking employment face great difficulty (Okada, 2012). The entry requirements by employers for youth seeking employment have become higher and tougher and the speed at which technology is advancing is making it more difficult for the youth to secure employment. (Okada, 2012) A lack of employment opportunities often results in social conflicts such as violence and juvenile delinquency which in the long term will incur a higher social cost (Mitra & Verick, 2013).

Accordingly, youth employment projects have enhanced dependency between individuals, groups, organisations, enterprises, officials, and the state in order to solve problems of welfare politics (or the lack of them) with market-oriented, project-based interventions.

The intended outcome of the ETI is to offer a subsidised wage for qualifying young employment seekers to eligible employers who would otherwise not have employed additional workers thereby reducing the youth unemployment whilst the experience and skill level of the youth in the labour force increased (Bhorat, et al., 2020). The ETI is free from any conditions for the employer to provide training to the qualifying employees. The incentive does not exclude any industry sectors. The participating employer need not adhere to any employment period prerequisites as per the incentive. (Ebrahim, et al., 2017)

The fact that a group of young people exists whose transition from mandatory education did not proceed smoothly has been considered a national concern, in addition to its negative effects on the national economy. The 97 850 jobs created by the ETI in the first 14 months is small when compared to the 898 797 targets for the period (Ebrahim, et al., 2017). The participation by eligible employers is higher among large firms and lower for smaller firms. The ETI supports many jobs in total, however this is not equivalent to the ETI creating new jobs. In general studies find either no impacts or small positive impacts on employment. (Bhorat, et al., 2020)

Findings reveal that the impact of the implementation of the ETI has been very limited. Just as noted by the entrepreneur in the Eastern Cape, Ebrahim found that the firms claiming from the ETI are in provinces with large economic centres therefore supporting the premise that awareness of the ETI in rural South Africa is limited. The incentive may yield better results if it was targeted to small businesses in specific sectors. (Ebrahim, 2020).

Because the wage subsidy has not led to significant improvements in the employment of young individuals, the other identified constraints to youth employment such as the lack of skills and labour relations should be considered for further policy action to possibly be used in conjunction with the incentive. (Aflagah, 2020)

COSATU notes concern at the large amounts of money being made available to eligible employers when Treasury has not put mechanisms in place to ensure the ETI is linked to creating and sustaining jobs and recommends that the tax relief provided to employers be conditional on the employer retaining jobs for which the subsidy was made available. They have also noted concern that labour brokers are the largest beneficiaries of the incentive. (COSATU, 2020)

The World Bank suggests that encouraging young individuals to participate in self-employment avenues may be an approach the government could utilise to address youth unemployment South Africa's low levels of employment prior to the COVID-19 pandemic were significantly lower than those reported globally. The employment sector's recovery from the pandemic is slow even with the government's attempts to assist. Thus, entrepreneurship and self-employment offer the biggest opportunity to create jobs in South Africa this is supported by the interviews conducted with the small business owners in the research conducted in this paper. (Bank, 2021)

In 2016, two years post implementation, even National Treasury records no improvement in youth unemployment. (Treasury, 2016)

There are several interventions that can increase the positive impacts of the ETI. These include that the period the ETI is offered for should be increased to at least ten years (De Jongh, et al., 2016), this was also noted as a concern in the interviews conducted especially in the manufacturing sector. Improving the quality of wage levels up to ZAR 10 000 as businesses are constrained by minimum wage (De Jongh, et al., 2016), this too was recorded in the interviews conducted as the entrepreneurs would prefer providing their employees with a decent living wage.

The Reserve Bank advises that a training component be introduced, this would assist qualifying employees to receive access to skills development initiatives (De Jongh, et al., 2016), assisting with the quality of skills the qualifying employees are receiving as this was recorded as a concern by the entrepreneur interviewed who is claiming the incentive. The Reserve Bank raises concern in the lack of monitoring of the incentive, as there is no monitoring pertaining to the skills and experience the young participants are receiving and if their employability is indeed being improved. This has been echoed by the participating entrepreneur.

Youth unemployment is a consistent problem in BRICS trading countries. All the member countries have implemented initiatives to assist in improving their youth unemployment. Even in India, the world's largest democracy attaining independence in 1947 was faced with unemployment and poverty, much like South Africa. Indian youth have either limited skills or no skills. The educated in India have sought employment in other countries, this can be seen in many of India's IT professionals found in all parts of the world (Sinha, 2013). Accordingly, youth employment projects have enhanced dependency between individuals, groups, organisations, enterprises, officials, and the state in order to solve problems of welfare politics (or the lack of them) with market-oriented, project-based interventions.

The result of this research is disappointing, but it does not diminish the necessity for policies to remedy the challenges encountered by young individuals seeking employment. The ETI, as presently gazetted may be unable to provide the incentive's intended result. The incentive policy has been extended to 2029 even with no clear evidence that the policy works. The costs associated with this policy are not negligible and constitute a substantial transfer from the South African fiscus to big business. The tax base has not been increased and the expenditure may yield better results being spent on better policies.

APPENDIX A

Table 1.1: First Phase ETI

Monthly Remuneration	Formula First 12 Months	Formula Second 12 Months
R0 to R1 999,99	50% of Monthly Remuneration	25,0% of Monthly Remuneration
R2 000 to R4 499,99	R1 000,00	R500
R4 500 to R6 499,99	R1 000 – (50% x (monthly remuneration – R4500))	R500 – (25% x (monthly remuneration – R4 500))

(SARS, 2023)

Table 1.2 Second Phase ETI

Monthly Remuneration	Formula First 12 Months	Formula Second 12 Months
R0 to R1 999,99	75% of Monthly Remuneration	37,5% of Monthly Remuneration
R2 000 to R4 499,99	R1 500,00	R750
R4 500 to R6 499,99	R1 500 – (75% x (monthly remuneration – R4500))	R750 – (37.5% x (monthly remuneration – R4 500))

(SARS, 2023)

Table 1.3 COVID-19 ETI

	First 12 months	Next 12 months	After 24 months or age 30-65
ZAR0–1,999	87.5% of monthly income	62.5% of monthly income	37.5% of monthly income
ZAR2,000–4,499	R1,750	R1,250	R750
ZAR4,500–6,499	R1,750-0.875x (monthly income-4500)	R1,250-0.625x (monthly income-4500)	R750-0.375x (monthly income-4500)

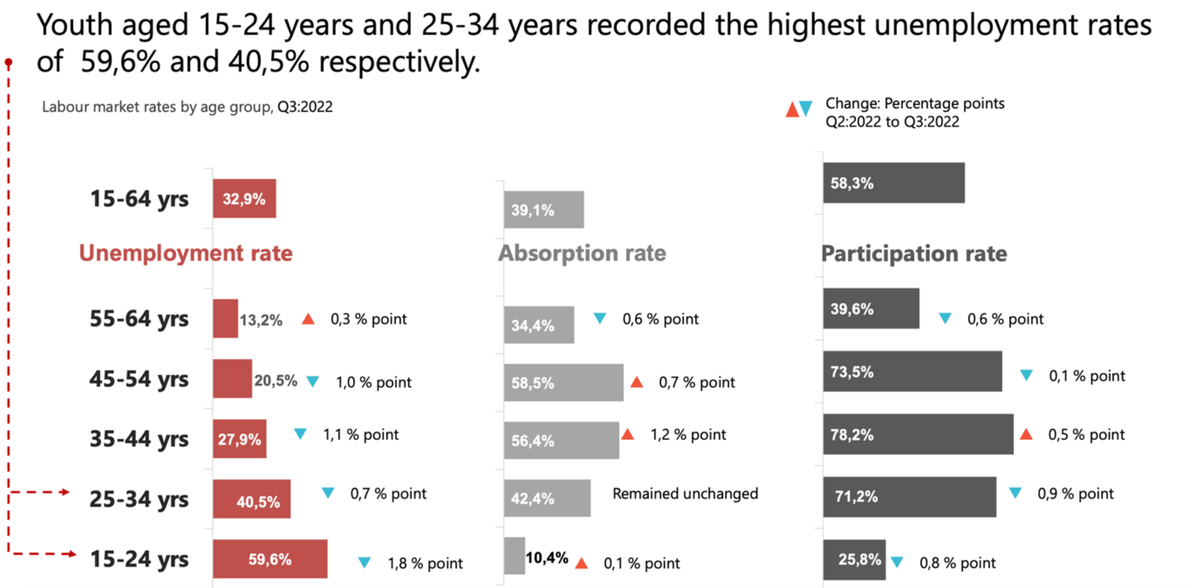
Table 2: Social protection response to COVID-19

Programme	Amount Per Month	Beneficiaries	Duration
Special Covid-19 Social Relief of Distress (SRD) Grant	R350	Unemployed adults (18–59 years old) not supported by any other social security scheme and not cared for in a state institution. *First round: 6 million beneficiaries. Second round: 13 million applications received and 8.3 million approved (as of October 2021).*	First round: 1 year (May 2020–April 2021) Second round: 8 months (August 2021–March 2022)
Top-up of Old Age Pension, Disability Grant, Foster Care Grant, Care Dependency Grant and War Veteran's Grant	R250	Recipients of South Africa's regular social grant programme (excluding the CSG and the Grant In-Aid). *Approx. 5.2 million beneficiaries.*	6 months (May–October 2020)
Top-up of Child Support Grant	R300	Beneficiaries of the Child Support Grant (i.e. the child, but paid to the caregiver). *12.78 million beneficiaries, 7.2 million recipients (caregivers).*	1 month (May 2020)
Child Support Grant 'Caregiver Allowance'	R500	Caregivers receiving the Child Support Grant for one or several eligible children. *7.2 million beneficiaries.*	5 months (June–October 2020)
Relief Fund for Artists and Athletes	First cycle: R20,000–R75,000 (once-off) Second cycle: R2,200 Third cycle: R10,000	Individuals and projects in the sports and arts sector who had been affected by the lockdown, e.g. through cancelled events and restrictions on gatherings. *Approx. 20,000 beneficiaries.*	First cycle: 1 month to apply, pay-outs over several months (April–August 2020). Second cycle: 3 months (September to November 2020, paid once-off). Third cycle: 1 month (February 2021, once-off)
Relief Fund for Registered Tourist Guides	R1,500	Freelance tourist guides registered with the Provincial Registrars of Tourist	3 months (announced in May, first payments in August, no specified period)

		Guides and unable to work due to the lockdown. *Approx. 6,000 beneficiaries.*	
Covid-19 Temporary Employer/Employee Relief Scheme (TERS)	Sectoral minimum wage, up to R17,712	Employees registered with the UIF and who have been laid off or were being paid less following the implementation of lockdown measures. *5.4 million beneficiaries.*	16 months (April 2020–July 2021)
Presidential Employment Stimulus	Varied, e.g. R3,500 for school assistants	Mostly young people. Some jobs saved through a wage subsidy; some small farmers through vouchers for farm inputs. *0.5 million beneficiaries under Phase 1.*	Varied: school assistants were employed for 5 months under Phase 1 (Dec 2020 to April 2021) and for 5 months under Phase 2 (from Nov 2021).

(Gronbach, et al., 2022)

Table 3: Quarterly Labour Force Survey Q3:2022



(STATS, 2022)

Table 4: ETI claims by turnover

Table 7: ETI-claiming versus all firms by turnover (%)

		2014	
Turnover (rands per annum)	ETI	All	Take-up
0–500,000	2.4	7.8	1.8
500,001–1,000,000	10.7	17.4	3.6
1,000,001–5,000,000	7.8	7.4	6.2
5,000,001–10,000,000	19.2	10.7	10.4
10,000,001–50,000,000	20.8	4.7	25.9
50,000,001 +	39.0	52.1	4.3
Total percentage	100	100	-
Total no. of firms	14,183	243,962	5.8%

(Ebrahim, et al., 2017)

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