

Much to gain from youth wage subsidy, study finds

South Africa's small and medium enterprises are broadly supportive of the introduction of a Youth Wage Subsidy, and would use it to take on new employees. It is also affordable and will not penalise older and more experienced workers. This is a message to emerge from the second round of the SME Growth Index, produced by business environment specialists SBP.



The SME Growth Index is a multi-year research project, investigating the views and experiences of a panel of some 500 SME operators in the South African economy. These firms employed between 10 and 50 people, and are active in three sectors of the economy regarded by government as having growth potential: manufacturing, business services and tourism. The first and most comprehensive such study of its kind in the country, it allows the dynamics relating to firms' growth, survival or decline to be tracked over an extended period of time. The first round was conducted in 2011 (published in a report in that year under the title Priming the Soil, available for download on SBP's website www.smegrowthindex.co.za), and the second round was conducted in 2012.

Some 55% of firms surveyed were in favour of the youth wage subsidy. A majority of firms employing between 10 and 39 people supported the subsidy - this was especially pronounced among those employing between 31 and 40, a group within which a great deal of business expansion appears to be taking place. Around 75% of firms employing between 31 and 40 people supported the subsidy. Support for the subsidy was highest in the manufacturing sector.

Wage subsidy could benefit manufacturing

These results suggest that the wage subsidy could provide important support to key sectors of the SME community. In particular, it stands to benefit our often struggling manufacturing firms - a key element of government's own strategic economic thinking.

The subsidies suggested that would make it worthwhile to take on inexperienced young people were modest. On average, manufacturing firms suggested around R1,707 a month; business services firms envisaged R1,910; and among tourism operators R1,767. These estimates are in line with the amounts proposed by the Treasury.

Those firms that indicated an interest in the Youth Wage Subsidy were asked if they would use it as a means to displace older workers with new and subsidised employees - a central plank of the objections to the scheme raised by unions. The overwhelming response to this was no. Only 13% indicated that they would use it to replace older employees. Where this did occur, it would mostly be done after the retirement of the older employee.

The full results of the Index for 2012 will be released publicly at the end of February.

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