Tracking early Employment Tax Incentive impact through a tax administrative panel (2013-2015)

A - Background to the Employment Tax Incentive (ETI)

1. Youth unemployment remains critically low
   - Unemployment is higher amongst the youth than in any other age group, 18-29 years olds account for 5% of the working age population. Of these 12 million individuals, 48% are not in employment, education or training.

2. The Employment Tax Incentive (ETI) aims to stimulate youth employment through a cost-sharing mechanism with government
   - A lack of skills and experience, coupled with labour regulations, result in reluctance to hire young employees.
   - The ETI stimulates youth employment in the formal sector by reducing the cost to employers of hiring young people, through a cost-sharing mechanism with government.

3. An employer claims the incentive by reducing PAYE payments for qualifying employees
   - The ETI was introduced on 1 Jan 2014. Employers opting to claim the incentive must be registered for PAYE and be tax compliant.
   - Employers submit monthly EMP301 forms, reflecting total PAYE withheld from employees and paid over to SARS. The ETI is offset against this cash flow.

4. Employees need to meet slightly different criteria in order to qualify for the ETI
   - Eligible employees must be aged 18 to 29 years and earn less than R6 000 per month. A valid ID or asylum seeker status is not connected or related to the employer.
   - The ETI cannot be claimed for at least the minimum wage employee or newly appointed on or after 1 Oct 2018.

5. The value of the incentive depends on an employee’s monthly salary
   - The ETI can be claimed for 24 months. Monthly salary and ETI value are linked to an employee’s monthly salary.

B - Creating the data panel (2013-2015)

1. A panel data set consisting 800 000 individuals associated with ETI claims was created spanning 2013-2015 tax years
   - The analysis consists of all employees associated with ETI claims for at least one month within the 2015 tax year, as recorded through IRP5 certificates submitted by employers.

   - A panel for these almost 800 000 individuals was created spanning the 2013-2015 tax years (1 Nov 2012-28 Feb 2015).

C - Analysis results

1. The number of males exceed the number of females in both populations
   - Proportion of job changers population by gender: 47% males and 53% females. For 1% of individuals, the gender could not be defined.

2. Proportion of newly employed by gender
   - The newly employed population consists of 252 000 (60%) males and 274 000 (40%) females. For 2% of individuals, the gender could not be verified.

3. Re-employment among the job changers population exceeds that of the newly employed population
   - The newly employed population has a higher proportion of females, averaging 64% to 58% males. For 2% of individuals, the gender could not be verified.

D - Conclusion

Early indications suggest that most ETI claims have contributed towards job creation for individuals in the targeted age group, slightly favouring younger and female employees compared with the broader employed population of that age, with less disparity between male and female earnings.

Nevertheless, typical job remuneration patterns by age and gender observed for all PAYE-registered employers are seen within the group associated with ETI claims.

Even within the limits placed on earnings permitted for ETI claims, there is clear evidence that previous formal work experience leads to higher remuneration.