

# Half a million people to take to the streets on Wednesday 19 March in demand for youth jobs

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Yesterday Sunday 16 March many of you woke up to posters on lampposts announcing that “Numsa declares war”. Unfortunately, little did the posters tell you what the war was all about. Also not properly explained was the fact that the battle that made yesterday’s newspaper headlines involved not only the National Union of Metalworkers of South Africa (Numsa) but hundreds of community groups, faith-based organisations, other unions, numerous women’s groups, taxi associations and a number of youth formations. This coming **Wednesday (19 March 2014)** close to 500 000 people will take to the streets to demand jobs for young people. After Greece and Spain, South Africa has the third highest unemployment rate in the world for people between the ages of 15 to 24. Half of the people between the age of 15 and 24 are unemployed in this country. About 71% of all unemployed people in South Africa are between the ages 15-29. Most of them are women; the majority of which have never had a job in their lives. As workers and parents, we are no longer prepared to fold our arms while our children remain jobless. We are also tired of political parties and business organisations that often refer to youth unemployment as a ticking time-bomb but do little to address the problem. As workers we also cannot continue to use our meagre wages to send our children to schools, colleges and universities to only find them wallowing in hopelessness as they cannot find employment after completion of their studies. Youth unemployment is a real problem in South Africa. **It is time for those with power to act!** On **Wednesday 19 March 2014**, we as a coalition of trade unions, community groups, faith-based organisations, student groups, organisations of unemployed people, taxi associations, women and youth formations; we will

march in seven towns (Johannesburg, Cape Town, Durban, Port Elizabeth, Bloemfontein, Emalahleni and George) to highlight the issue of youth unemployment and demand real solutions to the problem.

### **Youth unemployment demands real and not false solutions:**

When presenting his Budget Speech on 26 February this year, the Minister of Finance Pravin Gordhan announced to a great applause in the Houses of Parliament and from the press gallery that since the introduction In January 2014 of the youth employment tax incentive, there have been

56 000 beneficiaries of the scheme. Little did the Minister tell us that the Employment Tax Incentive Act that President Jacob Zuma signed in December 2013;

- made it possible for employers to backdate the claims for the subsidy to October 2013. So many of the 56 000 people that the Minister referred may have been employed last year.
- for the 56 000 beneficiaries there will be no mandatory training.
- that for those in his 56 000 beneficiaries where there is no bargaining council agreement or sectoral determination or collective agreement; there will be no enjoyment of benefits such as provident fund and other benefits.
- No figure is given for actual jobs created since the Act was signed.

### **Why are we opposed to the Employment Tax Incentive Act?**

The *first* thing that South Africans must note with the Employment Tax Incentive Act is that what is being proposed is something broader than a youth wage subsidy. The Act proposes two *additional* categories of workers to be subsidised:

- workers who work in Special Economic Zones (SEZs) as envisaged in the Special Economic Zones (SEZ) Act that

was recently passed in Parliament.

- workers in industries that the Minister may designate by notice in the *Government Gazette*.

In both these additional categories of workers, there is no age restriction. Subsidised workers in designated industries and in SEZs could be older than 29 years. The Minister has the power to move beyond the 18-29 years bracket through designation.

This means that employers in SEZs get an extra “bonus” benefit in the zone together with the other benefits in the act.

The *second* thing that we need to note is the hypocrisy of the whole thing. While we hear everyday about how social grants create “a culture of dependency” among the poor and that there has been the rejection of the demand for a Basic Income Grant, employers seemed happy to accept handouts from taxpayers in the form of tax concessions or subsidies for them to open factories and create jobs. It looks as if the philosophy that underpins the legislation is that; *handouts to the poor are bad but good for the capitalist class!*

As this coalition we remain opposed to the Employment Tax Incentive Act for the following **NINE** reasons:

**Reason 1: The Act asks the working class to subsidise employers.**

As the Act says no incentive will be paid in respect of employees who earn more R6 000 a month. The bulk of qualifying employees in terms of the Act pay no income tax as the current tax threshold (2013) is R67 111. This means that an employer can withhold the subsidy he is entitled to from the general tax deductions. Tax which workers pay for schools, hospitals etc can be used by the employer as his subsidy!

This in effect means it is coming from workers and to an extent the middle class. It is they who will work to

subsidise the capitalist class.

**Reason 2: The philosophy of the Act is that 'handouts' to the poor are bad but good for capitalists!**

The philosophy of the Employment Tax Incentive Act is that grants to the poor are bad but good for capitalists. The government is prepared to forego revenue to entice the capitalist class to create jobs. This is the same capitalist class that speaks about how social grants create dependency and that grants are unsustainable. The Act is also being implemented by a government that has thus far refused to implement the Basic Income Grant and which makes no effort to pay current social benefits at anything near a decent level.

**Reason 3: The Act is based on the assumption that it is 'high' wages that are causing unemployment and not the refusal of the capitalists to invest that leads to joblessness.**

The idea behind the Employment Tax Incentive Act is that it is 'high' wages that are the cause of unemployment; which is why we must subsidise wages. Unfortunately for capitalism even its supporters in the World Bank no longer believe this. In its 2013 *Development Report*, the Bank argues that youth wage subsidies have not worked.

The architects of the Employment Tax Incentive Act are however silent about the "investment strike" by the private sector that has been going on in South Africa for many years. No-one seems to be able to put a figure on this but there is little disagreement that it exists. It is the problem of the refusal to invest on the part of the capitalist class that government refuses to tackle head on. It is this avoidance of the real problem that leads them to false solutions such as the tax incentive scheme.

**Reason 4: Even sectors with agreements are not immune from abuse.**

The drafters of the Act do not seem to know the distinction between ACTUAL and MINIMUM wages. In the implementation of the Employment Tax Incentive Act, eligible employers can bring in qualifying employees and pay them minima in the agreements. The implications for a two-tiered labour market therefore remain with one group of workers on actuals and subsidised workers on minimums.

In collective bargaining this will have an inevitable downward push on wages in general. This is not “greedy” workers trying to protect their own conditions. Each worker in South Africa supports many more who are at home and unable to find decent work. In reality the vast majority of workers in this country, have no bargaining protection and don’t even negotiate their wages!

**Reason 5: The dangers of displacement of older and permanent employees are not totally eliminated**

Although the Act states that an employer will be deemed to have displaced a worker if the “order of court or otherwise, reveals that the dismissal of that employee constitutes an automatically unfair dismissal”, for us this is not good enough. For a start the employee must prove that he or she was displaced because of the subsidy.

The worker must then wait for the Labour Court to decide that the dismissal was caused by displacement. Employers are never likely to announce that a worker is being dismissed to replace him or her with a subsidized employee. Workplace reorganization will cover a multitude of sins! An employee could be dismissed, or leave in one unit and be replaced with a worker from another unit. The job of the replacement worker could then become subsidized. No new job has been created, the number of jobs remains the same.

But more serious in relation to any potential unfair dismissal case is that in the case of Special Economic Zones (SEZs) and

industries that the Minister may designate, there is no age limit. So we cannot use age as the basis of an “automatically unfair dismissal” case.

**Reason 6: Fraudsters are not disqualified!**

In the original bill an employer who committed fraud would be disqualified from receiving the subsidy. In the Act that was passed although, there is a new penalty of R30 000, the automatic disqualification for receiving the subsidy in respect of other employees has been removed. According to the Act, a fraudster employer may not be disqualified if the Minister feels that the effects of the disqualification may directly or indirectly have an impact on employees of the employer.

**Reason 7: There are still no mandatory training provisions in the Act.**

Although there is some talk about regulations for training, these are very weak. The key word to watch in the Act is “MAY”; which is a very weak commitment. The Minister may or may not prescribe regulations requiring training or skills development. Don’t believe what is in the ANC Election Manifesto. The law says the Minister “may” pass regulations! They are not there.

**Reason 8: The Minister of Finance still has wide ranging powers.**

Except the consultation with the Minister of Labour on the training regulations that may be prescribed, the Minister of Finance still retains too much power. The Minister does not have to consult with other Ministers or stakeholders when designating industries for qualifying employees and eligible employers. Nor is there any provision for criteria that would guide the Minister’s decision.

**Reason 9: The Act bypassed NEDLAC.**

As this coalition we still maintain our view that the Act should have been tabled in NEDLAC as it is a socio-economic policy. This is what the NEDLAC Act requires. This was also the commitment in the Youth Employment Accord.

### **Don't believe what truth twisters say!**

Last Monday 10 March, members of the ANC's Economic Transformation Committee (ETC) attacked our opposition to the Employment Tax Incentive Act and accused Numsa of speaking with "forked tongues". Leading the pack was the architect of the employment tax incentive scheme Finance Minister Pravin Gordhan and unfortunately Numsa's former general-secretary Enoch Godongwana. Both claim that Numsa is dishonest in opposing the tax incentive scheme because "tens of billions of rands worth of government incentives have over the past years gone into the auto industry and that such incentives have kept the auto industry alive".

Displaying the buffoonery that characterises what he says or does these days, the Secretary-General of the ANC Gwede Mantashe was blunter than Gordhan and Godongwana. According to Mantashe, "Numsa accepts incentives for the capitalist class in the automotive industry but refuse government subsidisation of unemployed people".

In the workshops that we have run in all our 52 locals since January 2014, we have dismissed as disingenuous the criticism that as union we accept incentives for the capitalist class, but refuse subsidisation of unemployed people. As indicated above it is not all incentives that NUMSA is opposed to.

We are opposed to schemes where the working class is forced to subsidise capitalists. The APDP works differently from the employment tax incentive scheme. Yes, through the duty-free import credits the state foregoes some revenue for the fiscus but this is different from asking the working class to subsidise capitalists. The incentive scheme in the Act uses

PAYE and avoids touching profits.

Gordhan, Godongwana and Mantashe conveniently forget that the APDP, through Numsa 's intervention has other components such Vehicle Assembly Allowance (VAA) and Production Incentive (PI) that promote local production and local assembly. Our support for APDP and opposition to the Employment Tax Incentive Act is not double speak or opportunism. Our support for the MIDP and now APDP is premised on our overall objectives of job creation, localisation and creation of decent jobs.

### **What are we then demanding?**

In place of the false solutions that government is putting forward, WE DEMAND:

- A repeal and scrapping of the Employment Tax Incentive Act.
- Macro-economic policies that increase the demand for labour such as a tax system that penalizes companies who pay out dividends instead of reinvesting in job-creating activities.
- Credit and the lowering of the cost of capital for job-creating companies and sectors.
- A move beyond public works programmes to public-sector employment programmes.
- Training of apprentices, learners, experiential learners and interns to achieve qualifications.
- A job-seekers grant or a basic income grant instead of a subsidy for employers.

### **Our strike is protected:**

The strike on 19 March is protected in terms of the Labour Relations Act (LRA) as the unions have served notices to the National Economic Development and Labour Council (NEDLAC). Every worker can join the strike without fear of dismissal or victimisation.

**STRIKE FOR YOUTH JOBS**

**AGAINST FALSE SOLUTIONS!!!**

Contact: **Irvin Jim**, NUMSA General Secretary, 0731576384

Or

**Karl Cloete**, NUMSA Deputy General Secretary, 0833890777