October 17, 2018

The YES programme - a youth job creation hero of note by Gideon Gerber



The YES programme is a joint initiative by the private sector and government and signifies huge progress towards assisting South Africa's youth to gain work experience through employment placement.

Youth unemployment as a global phenomenon has been escalating over the past few years. According to the International Labour Organization (ILO), there were approximately 71 million unemployed youth aged 15–24 globally in 2017, with many of them facing long-term unemployment.

South Africa, with a national unemployment rate of 27,2%, is no exception to this trend. We have seen our own youth being largely affected by the economic slowdown and low levels of employment in the labour market.

Alarming statistics released earlier this year by Statistics South Africa revealed that out of a total of 20 million young individuals, 7,2 million are currently unemployed and that more than 60% of the unemployed youth reside in townships and rural areas. This youth unemployment rate is further compounded by the more than 600 000 young individuals who complete school each year and face the prospects of unemployment.

South Africa's youth are the most vulnerable in an economy where skills are required, with their future relying heavily on job readiness and ability to enter the job market. Therefore, much of the debate in South Africa today focuses on ways to facilitate job creation, to narrow income differentials and to redress inequalities in accessing wealth.

Introduction to the YES programme

In March this year just after the inauguration ceremony of President Cyril Ramaphosa, the *YES programme was announced* to inspire youth employment and job creation in South Africa. Later, on 28 August 2018, the Department of Trade and Industry (DTI) gazetted the Youth Employment Service (YES) inclusion in the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

While the launch of the YES programme seems to have gone largely unnoticed, broad-based transformation has, with the implementation of the YES initiative, entered a new phase of diversity and dimensions. It is no longer limited to traditional considerations such as ownership and management but includes a strong emphasis on job creation.

What is the YES programme really?

The YES programme is a joint initiative by the private sector and government and signifies huge progress towards assisting South Africa's youth to gain work experience through employment placement. Three major factors come into play for South African business owners – the employment of youth, B-BBEE requirements and training and development.

In summary, the YES programme–

- encourages corporates to contribute to empowerment in areas of national priority, addressing youth unemployment and upskilling the youth through job placement;
- creates a perfect opportunity for B-BBEE scorecard entities and multinational enterprises to claw back recognition levels lost as a result of the new, more onerous broad-based BEE (B-BBEE) scorecard requirements which were introduced in 2015;
- focuses on the employability of the youth for economic prosperity.

The key drivers of the YES programme are the incentives that participating enterprises will receive in terms of B-BBEE compliance levels. Participating enterprises can be enhanced up to two levels on their B-BBEE scorecards and certificates. Although some critics claimed that the YES programme would only replace existing learnerships and accredited training programmes and not correct the structural deficiencies of our economy, the final rules for recognising the YES programme published on 28 August and the Practice Note on 12 October have addressed most of these concerns.

Summary of the qualifying criteria for the YES programme

- From a B-BBEE scorecard point of view, YES will benefit scorecard entities in all industries (excluding the Transport Sector).
- Black youth aged 18-35 to be employed.
- At least 40% of the points required for each priority element of the B-BBEE scorecard, or 50% average (generic entities) across all priority elements and 40% average QSEs (**priority elements are Ownership, Skills Development and Enterprise and Supplier Development*).
- Generics – 50% average: 34 out of 68 points.
- QSEs – 40% any two:
  - Ownership and Skills: 13,2 out of 33 points;
  - Ownership and Enterprise, Supplier Development: 15,2 out of 38 points.
- Entity must maintain or improve its B-BBEE status level with the introduction of YES or may apply for exemption/condonation from the DTI.
- 12-month fixed-term or temporary employment contract.
- Targets to be employed and percentages to be absorbed as per the prescribed formula *(*please refer to the fixed tables as per the Government Gazette or our SERR YES webpage).*
- New YES positions must be created in addition to existing employment positions.
- Entities may not replace existing positions with these new positions.
- Should an enterprise be unable to create a new position of its own, it may sponsor the salaries of such employees placed with any other EME or QSE or other entity, irrespective of size, to ensure a quality work experience.
- Absorption after 12 months – Entities exempted in first year.
- YES target achieved after 8 months of employment (one month to replace employees who had dropped out).

B-BBEE value

Participation in the YES programme is extremely attractive for enterprises to meet their YES targets.

Enterprises that meet the YES targets may progress *one recognition level on their B-BBEE scorecards* on condition that they absorb or offer permanent employment (absorption) to 2,5% of the YES employees. Those that exceed the target by 1,5% and permanently employ 5% of the target group will receive one level recognition enhancement and three bonus scorecard points, while those that achieve double the YES target will be enhanced two levels on their B-BBEE scorecards.

Up to 50 % of expenses incurred in training YES employees (non-accredited training) may be recognised as informal training expenditure under the Skills Development scorecard element, excluding the salaries paid to YES employees.

Minimum wage and YES

Employers operating within the ambit of a Bargaining Council main agreement or sector wage determination must remunerate YES employees according to such determinations. It is recommended that all other YES employees be paid at least the *national minimum wage* which is expected to be introduced later this year, being R3 500 per month. This amount would allow for a 50% tax incentive in terms of the Employee Tax Incentive (ETI), also known as the “youth subsidy”.

SERR Synergy recognises the impact that implementation of the YES programme has on business owners and their business operations. With this in mind, we have designed a unique *SERR YES (Youth Employment Service) programme* with tailor-made solutions to suit different business needs so as to address the full spectrum of B-BBEE and YES compliance requirements. Please *contact us* to find out more about the SERR YES programme and how it can work for your business. Don't miss our next blog article where we will discuss the benefits of the SERR YES programme.

About the author: *Gideon Gerber* is one of the founding directors of SERR Synergy and an admitted High Court attorney with more than 30 years’ experience in Business Structuring & Compliance, Training, Skills Development and Business Compliance in South Africa, the UK and Namibia. He obtained his Master’s Degree in Law from the University of Pretoria with a research dissertation on B-BBEE Fronting. Gideon is a regular speaker at various B-BBEE seminars and writes articles for the Business Day and Landbouweekblad that concerns B-BBEE Matters.

©SERR Synergy, www.serr.co.za