

What is the link between YES absorption and a sustainable ESD beneficiary option?



The Youth Employment Service (YES) initiative is a great way to create jobs and at the same time benefit your B-BBEE status.

However, due to the current economic uncertainty that most companies are facing, they may be reconsidering their participation, or continued participation, in *the YES initiative*, as there are just too many associated risks given the financial impact thereof

YES initiative and business owner challenges

The biggest challenge posed by this initiative is that absorption must take place at the end of the 12-month fixed-term contract of the youth. Many companies do not have the capacity to absorb them, or the youths had received their work experience at a Host Employer who, in turn, is unable to absorb the youths for financial or capacity reasons. The lack of absorption will result in no B-BBEE enhancement being awarded and will throw a damper on the initial uptake of the initiative, with the Measured Entity having made a big investment with absolutely no return.

In terms of the published Clarification Statement for the YES Initiative Practice Note of 2019 (Gazette 41975):

*“Absorption is **extended** to the Black Youth establishing their own Entity with the Measured Entity providing support. The support will be proven by obtaining the company registration documents, procurement contracts, enterprise and supplier development agreements, amongst others, to identify that Absorption has been met in the form of the Black Youth establishing their own Entity.”*

- This addition creates a massive opportunity to invest in the YES initiative as it can now be linked more closely to an entity's B-BBEE plans and objectives. The goal of the YES initiative is primarily to create jobs and, as a result, reduce the unemployment rate in South Africa. It is no secret that entrepreneurship creates more jobs than big companies do.
- Therefore, instead of a Measured Entity creating 3 jobs, it is better to assist the 3 individuals to set up their own enterprises and, in turn, create further jobs within each of their respective newly established enterprises. Multiple jobs are now created across numerous industries as a result of this.
- The Measured Entity can now assist these 3 start-ups financially and, in turn, also benefit themselves in the form of their own Enterprise and Supplier Development (ESD) initiatives, which are both *priority elements on the B-BBEE scorecard*.

B-BBEE and Enterprise and Supplier Development (ESD)

From a B-BBEE perspective, *a Measured Entity needs to do ESD anyway* and many companies struggle to find such enterprises that they can assist. Catch phrases such as “no small Black-owned companies that do what we do” or “we have a very specific product or service” are widely used across all industries, giving one the impression that it’s an easy way to justify why no ESD initiatives can or should be done.

However, by training and shaping the youths in a specific field or industry, the Measured Entity will be able to solve the problem going forward. It will also create healthy competition within the industry and sub-sector industries.

In conclusion

In my opinion, it is far more sustainable to teach someone to fish so that they can feed themselves than merely to provide the person with fish when needed. In order to achieve a good B-BBEE level, maximising a Measured Entity’s ESD is not negotiable, so it just makes sense to link it to the implementation of the YES initiative and reap the rewards for many years to come.

SERR Synergy assists businesses with the development and implementation of B-BBEE strategies by taking all the B-BBEE scorecard elements into consideration.

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