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Evaluating TEs: The South African Experience



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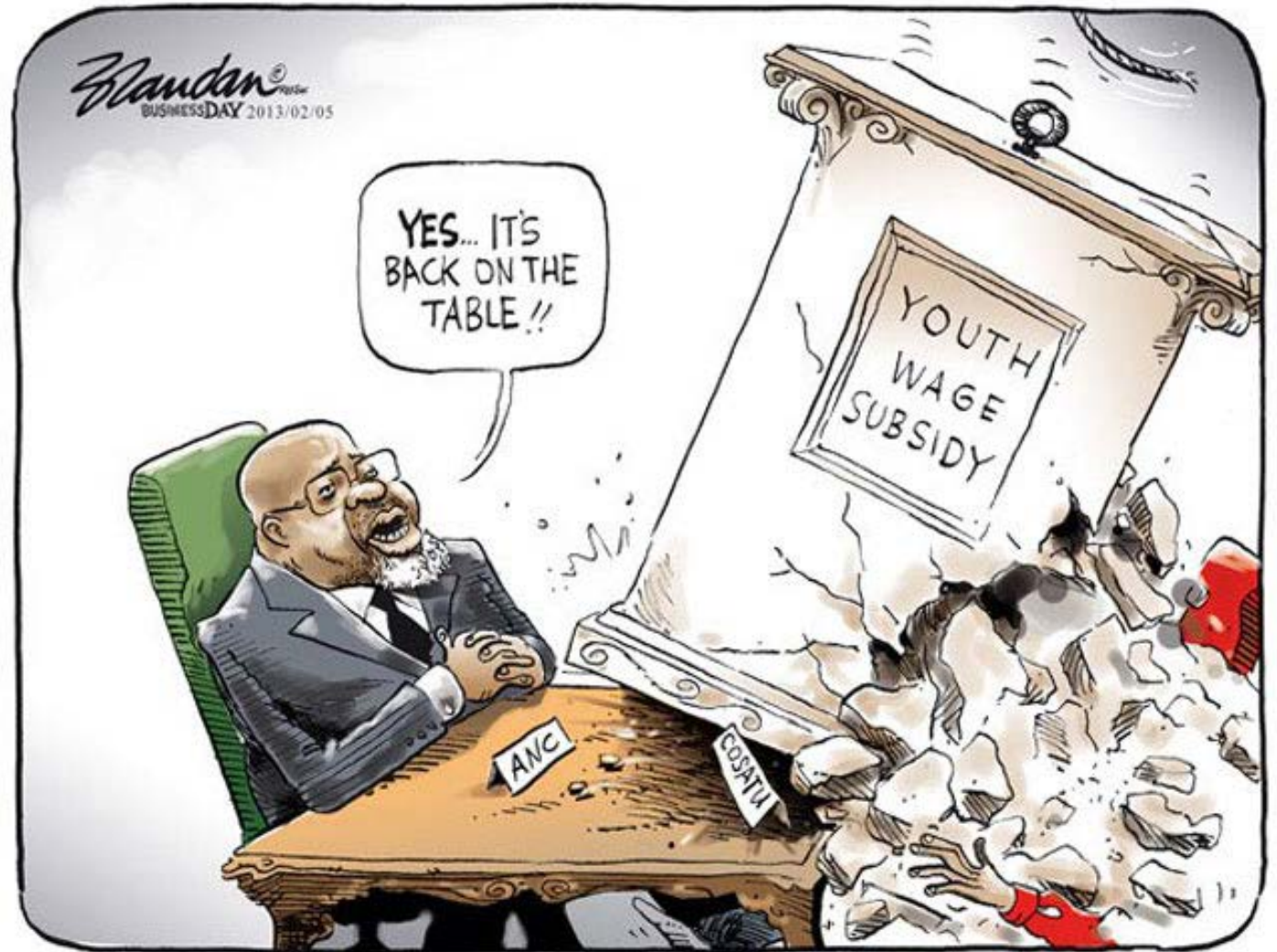
Outline

- What did we do? TE Research example
- How did we do it? Data access in SA
- What was the effect? Policy Impact

Employment Tax Incentive, ETI

- South African youth unemployment approaching 50%
- Recent research indicates lowering labour costs (achieved via e.g. payroll tax credits) works in increasing employment
- South Africa introduced an employment subsidy programme in 2014 targeted to the firms hiring young workers
 - One of the main policy tools used to combat youth unemployment

- Introduced 1 January 2014 for 3 years ending 31 December 2016
- Low wage subsidy for youth earning below R6,000
- Government decided to extend the policy for another 2 years and recently extended it for an additional 10 years



Data used

Individual payroll tax (IRP5)

- Anonymised
- Job level tax data
- Unaudited

Time Period

- Tax Year
- 2011 – 2018
- 1 Mar '11 – 28 Feb '18

Company Income Tax (CIT)

- Firm level data

Main results

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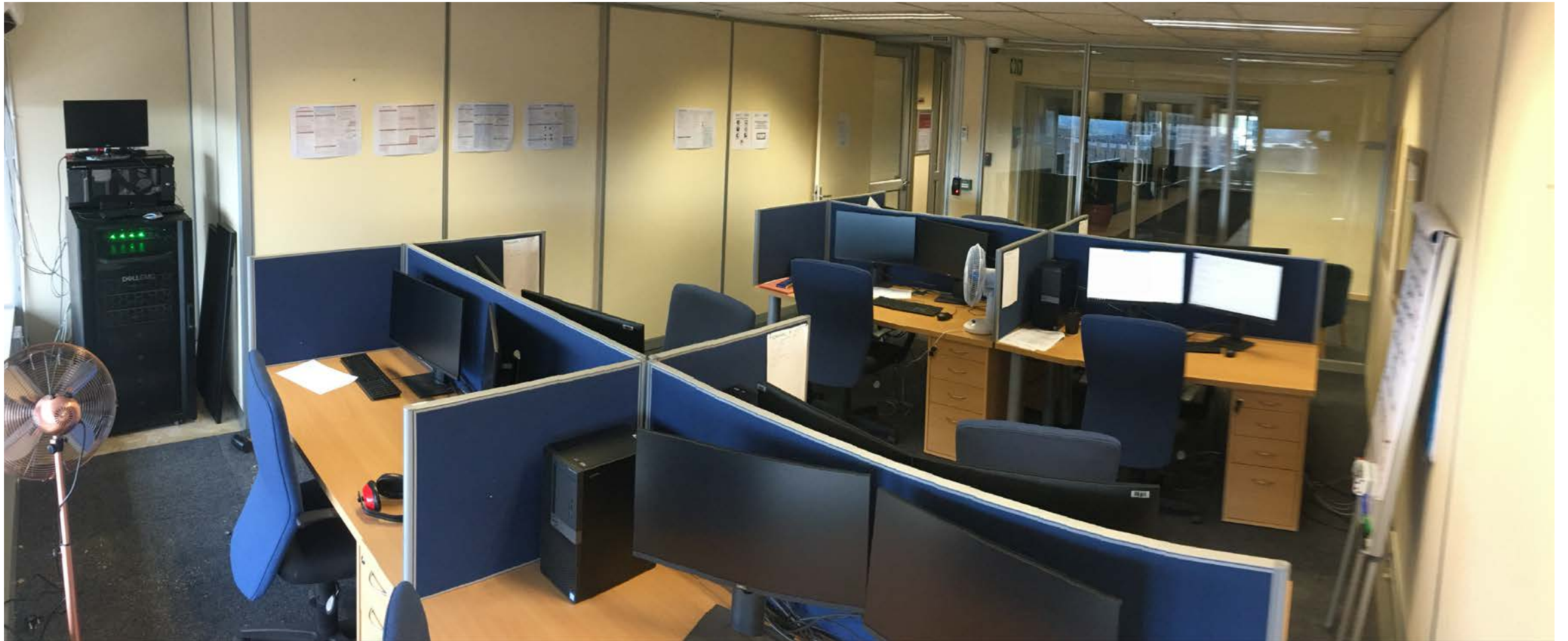
Main results

1. No overall impact on youth employment
2. Increase in youth employment at small and medium size firms
3. Large firms claim biggest share of the subsidy but don't create any jobs

Cost - benefit

- Problem: 8 million unemployed young people
- Policy target: create 178,000 jobs
- Cost: R1.2 billion in 2015
- Results: 50,370 jobs

Data as the key to research



National Treasury Secure Data Facility

- South African tax data available for research
 - CIT
 - PAYE
 - VAT
 - Customs

The setup

- Researchers submit the proposals
- Evaluation
 - Policy relevance of study
 - Novelty of the research question
 - Feasibility

Policy impact

- Present in Policy Dialogues
- Discuss research at Labour union meetings
- Put forward to suggestions to parliament
- Outcome
 - Policy extended

Conclusion

- TE evaluations are possible
 - With good data!
- Secure tax data access
 - TE, labour market, IFFs and more
- Engage policymakers



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