

**UNIVERSITY OF KWAZULU-NATAL**

**TAX RELIEF TO EMPLOYERS OF DOMESTIC**

**WORKERS AS A MEANS OF ADDRESSING**

**UNEMPLOYMENT**

**By**

**Thabani Joachim Msibi**

**205524280**

**A dissertation submitted in partial fulfilment of the requirements for the degree of**

**Master of Business Administration**

**Graduate School of Business and Leadership**

**College of Law and Management Studies**

**Supervisor: Alec Bozas**

**Year of submission**

**June**

**2012**

**University of KwaZulu-Natal**  
Faculty of Management Studies  
Graduate School of Business

**Supervisors permission to submit for examination**

Date:	31 October 2012
Student Name:	Thabani Joachim Msibi
Student Number:	205524280
Dissertation Title:	Tax Relief to Employers of Domestic Workers as a Means of Addressing Unemployment

As the candidate's supervisor,

<input type="checkbox"/>	I AGREE to the submission of this dissertation for examination
<input type="checkbox"/>	I DO NOT AGREE to the submission of this dissertation for examination
<input type="checkbox"/>	I am satisfied with the Turnitin similarity index
<input type="checkbox"/>	This work NEEDS/DOESN'T NEED professional English editing

Name of Supervisor:

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Co-supervisor (if applicable):

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## DECLARATION

I .....declare that

(i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.

(ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.

(iii) This dissertation/thesis does not contain other person's data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.

(iv) This dissertation/thesis does not contain other persons writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:

a.) Their words have been re-written but the general information attributed to them has been referenced:

b) Where their exact words have been used, their writing has been placed inside quotation marks, and referenced.

(v) This dissertation/thesis does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the dissertation/thesis and in the References sections.

Signature:.....

Date: .....

## **ACKNOWLEDGEMENTS**

I would like to thank the Almighty for seeing me through this difficult project. I shall continue with my hard work and be persistent in everything I do in my life. I would like to give my special thanks to all the people who contributed to the completion of this project:

A special appreciation and thank you goes to my family and friends for their continuous support and inspiration in my studies.

- Mr Alec Bozas for his guidance in my dissertation.
- Professor Anesh Singh for advice and guidance in my dissertation

Lastly, I would like to thank Mr Showers Mawowa, Mrs Lindiwe Mawowa, Ms Nalita Masiza, Mr Dumisani Cele and all my colleagues at the Graduate School of Business for believing in me and their continuous encouragement to carry on with my studies during difficult times.

## **ABSTRACT**

South Africa's unemployment rate is among the highest in the world. The domestic worker sector pose an opportunity to creating sustainable employment and to date many people still find employment as domestic workers in the country. This presents an opportunity to the government and South African Revenue Services (SARS) to recognise the valuable contribution the employers of domestic workers make to creating employment. By such recognition the government and South African Revenue Services (SARS) should reconsider the negative test of the Income Tax Act under section 23 which prohibits and limits the deduction of the cost of maintenance of the taxpayer that is full-time salaried unless the home of such taxpayer is regularly and exclusively used for the purpose of trade. The initiative to this regard has already been indirectly implemented by the government in that the South African Revenue Services (SARS) has already made the employers of domestic workers responsible to the collection of the Unemployment Insurance Fund (UIF). Similarly, they should allow a claim of the wages paid to domestic workers to be a tax relief to their employers. This is the first study attempting to engage the government on the policy level. The overall aim for the consideration of this study is to determine how the tax relief of a domestic worker wage would contribute to job creation and how will the tax relief benefit both the employer and employee. A tax relief has immediate results as it increases the disposable income of the taxpayer, increases affordability of goods and services which in turn stimulate the economic activity (Altman, 2007). A tax relief to employers of domestic workers could be seen as a clear illustration that job creation filters all policy considerations. This tax relief consideration in itself creates a platform for debate and negotiation that can be interpreted to specific country dynamics. The research instrument and technique used in the study was developed through intense review of literature. Due to limited resources and time constraints the researcher could not access a big enough number of participants which could have otherwise yielded more insightful results. Therefore the current study can be improved by engaging more participants that qualify for the intended research.

## TABLE OF CONTENTS

<b>Description</b>	<b>Page</b>
Title Page	i
Supervisor Permission to Submit	ii
Declarations	iii
Acknowledgements	iv
Abstract	v
Table of Contents	vi
List of Figures	xi
List of Tables	xii
 <b>CHAPTER ONE: INTRODUCTION OF THE RESEARCH STUDY</b>	
1.1 Introduction	1
1.2 Problem Statement	1
1.3 Motivation of the Study	2
1.4 Focus of the Study	3
1.5 Objectives of the Study	3
1.6 Research Questions	4
1.7 Research Methodology	4
1.8 Chapter Outline	5
1.9 Summary	5
 <b>CHAPTER TWO: LITERATURE REVIEW</b>	
2.1 Introduction	7
2.2 Economic Transition of the South African Economy	8
2.3 Unemployment in South Africa	8
2.3.1 Effects of Unemployment	9
2.3.2 Effects of Minimum Wage on Unemployment	10
2.4 Domestic Workers	11
2.4.1 Tax Relief could save households thousands	12

2.5 Determine what level of Tax Relief would result in job creation	13
2.5.1 Labour Economics	13
2.5.2 Motivation for a Wage Subsidy	14
2.5.3 How A Wage Subsidy Work	15
2.5.4 Tax Deduction	16
2.6 Tax Deduction of Domestic Worker wage	16
2.6.1 What is missing for Domestic Worker wage to qualify for a deduction for full-time employed employers of domestic workers?	18
2.7 International Cases	18
2.8 Downstream Economic Impact	20
2.8.1 South African Economic Policy	21
2.8.2 Human Basic Needs	21
2.8.3 The Economic Significance of Domestic Workers	21
2.8.4 Contribution to Employment	22
2.8.5 Contribution to Personal Income	22
2.9 Summary	23

### **CHAPTER THREE: RESEARCH METHODOLOGY**

3.1 Introduction	24
3.2 Aim of the Study	24
3.3 Participants and the Location of the Study	25
3.4 Research Approach	26
3.4.1 Quantitative Research	26
3.5 Sampling	27
3.6 Data Collection	27
3.7 Development of the Research Instrument	28
3.7.1 Pilot Study	28
3.7.2 Field Work	29
3.8 Presentation and Validation	30
3.8.1 Research Questionnaire	30
3.8.2 Likert Scale	30
3.8.3 Open-ended Questions	30
3.9 Analysis of the Data	30
3.9.1 Validity	31

3.9.2 Reliability	31
3.10 Challenges and Limitations	31
3.11 Summary	32

## **CHAPTER FOUR: PRESENTATION OF THE FINDINGS**

4.1 Introduction	33
4.2 Overall Participants Statistics	33
4.3 Demographics	34
4.3.1 Ethnic Groups	35
4.3.2 Age Group	35
4.3.3 Marital Status	36
4.3.4 Number of dependants	36
4.3.5 Income Bracket	37
4.3.6 Type of residence	38
4.4 Results according to the Specific to the Study Objectives	38
4.4.1 Determine whether people who do not employ domestic labour would employ a domestic worker if there was tax relief	39
4.4.2 Ascertain whether people who do employ domestic labour would employ additional employees if there was tax relief	42
4.4.3 Determine what level of tax relief would result in job creation	44
4.4.4 Consider the downstream economic impact resulting from jobs created through such tax relief	46
4.4.5 Open-ended questions	48
4.5 Summary	49

## **CHAPTER FIVE: DISCUSSION OF THE FINDINGS**

5.1 Introduction	50
5.2 Quantitative Results	50
5.3 Demographics	50
5.4 Specific Aims of the Study	52
5.4.1 Determine whether people who do not employ domestic labour would employ a domestic worker if there was tax relief.	52
5.4.1.1 Do not currently employ domestic worker services would consider employing a new domestic worker on a part-time basis	53



5.4.1.2 Do not currently employ domestic worker services would consider employing a new domestic worker on a full-time basis	54
5.4.2 Ascertain whether people who do employ domestic labour would employ additional employees if there was tax relief	55
5.4.3 Determine what level of tax relief would result in job creation	57
5.4.4 Consider the downstream economic impact resulting from jobs created through such tax relief	59
5.4.4.1 Employment	59
5.4.4.2 An additional domestic worker would enable me to source additional income (e.g. could work long hours, work full day instead of half day, get a job, and concentrate on business)	60
5.4.4.3 An additional domestic worker would help in caring for the elderly dependants/relatives	61
5.4.4.4 An additional domestic worker would afford me time to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies	61
5.5 Open-ended questions	62
5.6 Summary	63

## **CHAPTER SIX: GENERAL SUMMARY AND RECOMMENDATIONS**

6.1 Introduction	64
6.2 Summary of the results	64
6.2.1 Demand for domestic worker services	64
6.2.2 Determine whether people who do not employ domestic labour would employ a domestic worker if there was tax relief	65
6.2.3 Ascertain whether people who do employ domestic labour would employ additional employees if there was tax relief	66
6.2.4 Determine what level of tax relief would result in job creation	67
6.2.4.1 A minimum wage a month to indicate the lowest level of tax relief monthly, based on the budget, that would result in you hiring a new or additional domestic worker	68
6.2.4.2 Method to pay a tax relief	69
6.2.5 Consider the downstream economic impact resulting from jobs created	

through such tax relief	70
6.2.5.1 An additional domestic worker would enable to source additional income (e.g. could work long hours, work full day instead of half day, get a job, and concentrate on business)	70
6.2.5.2 An additional domestic worker would help in caring for the elderly dependants/relatives	71
6.2.5.3 An additional domestic worker would afford me time to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies	71
6.2.5.4 Open-ended questions	71
6.3 Benefits of the research	71
6.3.1 Employer of domestic worker (taxpayer)	72
6.3.1.1 Reduce cost of labour	72
6.3.1.2 Compliance	72
6.3.1.3 Time to do other things (business, family, extra-mural activities)	72
6.3.2 Domestic worker and / or a potential domestic worker	73
6.3.2.1 Employment opportunity	73
6.3.2.2 Survival	73
6.3.3 Government	73
6.3.3.1 Tax revenue	73
6.3.3.2 Reduce unemployment	73
6.3.3.3 Economic growth	74
6.4 Recommendations	74
6.5 Ethical Considerations and Research Limitations	75
6.5.1 Ethical Considerations	76
6.5.2 Limitations of the study	76
6.6 Recommendations to overcome the limitations	77
6.7 Recommendations for further research	78
6.8 Summary	78
<b>REFERENCES</b>	80
<b>APPENDIX 1 QUESTIONNAIRE</b>	84
<b>APPENDIX 2 ETHICAL CLEARANCE</b>	88

## LIST OF FIGURES

<b>Number</b>	<b>Description</b>	<b>Page</b>
4.1	Gender	34
4.2	Ethnic Group	35
4.3	Age Group	35
4.4	Marital Status	36
4.5	Number of Dependants	37
4.6	Income Bracket	37
4.7	Type of Residence	38
4.8	Respondents that Do Not Currently Employ Domestic Workers Full-Time	39
4.9	Respondents that Do Not Currently Employ Domestic Workers Part-Time	40
4.10	The number of times that services of domestic workers would be needed by the respondent.	40
4.11	Respondents that would Employ a Domestic Worker Part-Time due to Tax Relief	41
4.12	Respondents that would Employ a Domestic Worker Full-Time due to Tax Relief	41
4.13	Number of full-time domestic workers currently employed by the respondents	42
4.14	Number of part-time domestic workers currently employed by the respondents	42
4.15	Respondents that would Employ an Additional Domestic Worker Part-Time	43
4.16	Respondents that would Employ an Additional Domestic Worker Full-Time	43
4.17	Number of new or additional Domestic Workers that can be employed	44
4.18	Minimum amount of tax relief preferred for full-time Domestic Worker	44
4.19	Minimum amount of tax relief preferred for part-time Domestic Worker	45
4.20	Method of tax relief administration preferred	45
4.21	Possible relief provided to respondent to source additional income by employing Domestic Worker	46
4.22	Possible relief provided to employer to care for family and relatives	47
4.23	Possible relief provided to respondent to engage in extra-mural activities	47

## LIST OF TABLES

Number	Description	Page
4.1	Questionnaire Completion Data	34
4.2	Number of other factors that respondent would consider employing a domestic worker	48

# **CHAPTER ONE**

## **INTRODUCTION OF THE RESEARCH STUDY**

### **1.1 Introduction**

Despite various attempts by the government and policy makers there is a growing need to create employment opportunities in South Africa (Knight, 2008). The issue of unemployment in South Africa has social, political and economic implications that need to be redressed. The complex nature of the political, social and economic factors which the country finds itself has built an unemployment trap of a social welfare state (Picard, 2001). It should be highlighted that the government has limited control over the social and economic variables hence it cannot absorb the rising number of unemployed people. To reduce the unemployment trap a number of countries in Europe have considered tax employment subsidies, tax reliefs and reduction in social grants as a remedy (Picard, 2001). Such remedies have been met with success in some countries

It is well considered that it is the agenda of the government to redress unemployment to diminish the socio-economic implications. The high unemployment rate has probed government intervention to embark on programmes that would reduce unemployment. In guiding the process a study of a tax relief to employers of domestic workers as a means to address employment should be presented to government and members of the society. A domestic work service is among the oldest occupation that has continued to provide employment to many households across regimes. People from all walks of life have at some time relied on the services provided by domestic workers.

### **1.2 Problem Statement**

The background of the problem is stated to motivate the need to create employment by allowing a tax relief to full-time salaried employers of domestic workers. Although there has been an improvement in poverty rate since 2005, the unemployment rate in South Africa continues to be among the highest in the world (van der Westhuizen, 2012). The domestic worker sector has the potential to create sustainable employment opportunities as up to this date people continue to consider employment as a domestic worker in the country. This presents an opportunity to the government and South African Revenue Services (SARS) to recognise the valuable contribution the employers of domestic workers make to creating

employment. By such recognition the government and South African Revenue Services should reconsider the negative test of the Income Tax Act under section 23 that prohibits and limits the deduction of the cost of maintenance of the taxpayer that is full-time salaried unless the home of such taxpayer is regularly and exclusively used for the purpose of trade.

The initiative to this regard has already been indirectly implemented by the government in that the South African Revenue Services has already made the employers of domestic workers responsible to the collection of the Unemployment Insurance Fund (UIF). Similarly, they should allow a claim of the wages paid to domestic workers to be a tax deduction from their disposable income. The negative test in terms of sub-paragraph (b) of the provision of section 23(b) of the Income Tax Act 58 of 1962, states that full-time salaried people are prohibited a deduction of 'domestic worker' wages, unless the home office is regularly and exclusively used for the purposes of trade. The problem selected for research is whether the increased disposable income as a result of a tax deduction of domestic worker wage would encourage more households to employ domestic workers. Furthermore how would the current employers of domestic workers benefit from such tax relief and how such a tax deduction would foster employment creation and what impact this might have to stimulate economic growth.

### **1.3 Motivation of the Study**

This is the first study attempting to engage a policy about aspects of addressing unemployment. The overall aim for the consideration of this study is to determine how the tax deduction of a domestic worker wage would contribute to job creation and how will the tax relief benefit both the employer and employee. A tax deduction has immediate results as it increases the disposable income of the taxpayer, increases affordability of goods and services which in turn stimulate the economic activity (Altman, 2007).

This study attempts to make a valuable contribution to the government, employers of domestic workers and to those seeking employment. The findings of the study could inform government, employers of domestic workers and the domestic workers themselves regarding aspects useful to enhance the profession of domestic workers. Furthermore, the study seeks to make a valuable contribution to the sector of domestic workers and incentivise those that contribute to eradicating unemployment in the country.

## **1.4 Focus of the Study**

The research was conducted in Durban the main economic hub of the KwaZulu-Natal province which contributes more than half of the province's economic output (Statistics South Africa, 2011). The current population of the Durban area is estimated at 3,500 000 people (Goldstone, 2009). This makes Durban to be the second biggest city in South Africa in terms of population size. The City of Durban does provide a wide-spread coverage of diverse race and income groups. A sample size attempted to ensure that it includes groups from different socio-economic groups that meet the selection criteria.

The research targeted mainly full-time salaried people that employ or have a need to employ the services of a domestic worker. A survey in a form of an electronic questionnaire was sent out to people that match the said criteria. The study was also extended to the University of KwaZulu-Natal MBA students where the majority of the respondents are full-time (fully salaried) employed.

## **1.5 Objectives of the Study**

The study is to research the concept of whether a tax relief to employers of domestic workers would contribute to job creation and thus contribute to reducing unemployment in South Africa. The primary objective of the study was to establish whether the proposed tax relief for domestic worker jobs would encourage more households to employ domestic workers and secondly if existing employers would consider creating additional posts. This research considered whether such tax relief would foster employment creation and the impact it might have to stimulate economic growth

This research has the following objectives, namely to:

- Determine whether taxpayers who do not employ domestic labour would employ a domestic worker if there was tax relief.
- Ascertain whether taxpayers who do employ domestic labour would employ additional employees if there was tax relief
- Determine what level of tax relief would result in job creation
- Consider the downstream economic impact resulting from jobs created through such tax relief

## **1.6 Research Questions**

The research problem was guided by the research questions linked to the objectives of the study. Based on the literature review and the extensive nature of the problem it proved difficult to consider all the factors related to the study. Given the nature of the problem the research questions were influenced by the objectives of the study and were presented to source data as follows:

Questions 1 – 5: These question covered information about the respondents that would indicate the current status of each respondent. The information provided would indicate the need and responsibilities of the respondent.

Question 6 – 9: These questions cover information about the current living conditions of the respondent. This provided information about the respondent's type of residence and living conditions and whether they did employ the services of a domestic worker.

Questions 10 – 12: These questions cover information to determine if the respondents had a need for domestic worker services and how often would they need such services.

Questions 13 – 16: These question cover information about the method of a tax relief that the respondents would prefer. This addresses the administration and compliance issues that related to a tax relief to employers of domestic workers.

Questions 17 – 19: These questions cover information about the downstream economic effect and social benefits that a tax relief could afford each respondent by utilising the services of a domestic worker.

Question 20: This was an open-ended question which sourced information about the other factors that respondents would consider to employing the services of a domestic worker.

## **1.7 Research Methodology**

A quantitative research methodology was preferred with the aim of developing an in-depth understanding of the issue being researched. The research methodology was aimed at investigating the structure of the research in order to identify and isolate variables. The quantitative research methodology tries to understand the facts of a research from an



outsider's perspective. Thus it keeps a detached, objective view of the facts as this will keep the research process hypothetically, free from bias.

## **1.8 Chapter Outline**

The structure of the study consists of six chapters presented in the following section.

Chapter 1: Introduction to the research study. In the first chapter, key research concepts related to the issue of domestic workers, unemployment and a tax relief to employers were introduced. The study also presents the main purpose and aims of the study along with the rationale. The structures of the remaining chapters in this dissertation are outlined below.

Chapter 2: Literature Review. In this chapter, the literature review covered four sections, namely: effects of unemployment, tax deduction and subsidies, the effects of minimum wages and the economic downstream of a tax relief.

Chapter 3: Research Methodology. This chapter covered the research design, targeted population and sample size, data collection methods, data analysis, location of the survey, ethical considerations and anticipated problems of the study.

Chapter 4: Presentation of Findings. This chapter presents the information collected which would be analysed according to the research objective. The study also consisted of a further analysis section which covered the responses to open-ended questions.

Chapter 5: Discussion of the Findings. This chapter focussed on linking the study findings to the literature reviewed in Chapter 2.

Chapter 6: General Summary and Recommendations. In this chapter, recommendations were made according to the findings of the chapter and in line with the literature research. Future research areas were suggested.

## **1.9 Summary**

This chapter introduced the research topic by highlighting the implications associated with unemployment in the country. As the result of high unemployment there are socio-economic impacts hence government intervention to provide a platform to reduce unemployment was explored in this research. It is also highlighted that many other countries have succeeded in using a tax relief and employment subsidies as a remedy to address unemployment. The profession of domestic workers has provided employment to many households and it would

be reviewed if it presents more opportunities of employment creation if there was a tax relief to employers that employ domestic workers. In the following chapter the literature will cover socio-economic effects of unemployment, demand for domestic worker services, tax deduction regarding employment costs and international cases that relate to the research problem.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Despite the strong political and economic progress that South Africa has been able to achieve over the years the economy still battles to create enough employment for the willing and able people that reside in the country (du Toit, 2010). Authors such as Dejardin (2008) and du Toit (2010) suggest that this imbalance tends to negatively affect the country's economic development and imposes a burden on government to provide social assistance. This salient fact of high unemployment has probed the government to intervene by embarking on programmes that will create job opportunities that South Africans need. Government initiatives such as the Expanded Public Works Programme, National Rural Employment Guarantee and many others have produced favourable results over the years but it is unfortunate that they have not been able provide an adequate response to the massive unemployment and poverty faced by the economy and its governance (Dejardin, 2008). There are obvious reasons for the government to embark on employment creation initiatives, what may not be obvious is that it is important that the government reduce dependency on social and unemployment grants as the means to provide income for the unemployed. However for the economy and its governance to achieve the challenge of alleviating unemployment and poverty there is a need to re-examine and rethink the policy processes and approaches thereof.

This suggests the need for policies that would be directed at reducing unemployment in South Africa are a compelling need. These policies not limited to a particular sector should be able to support a sustainable economic growth such that it is able to boost labour demand in relation to labour supply and employment opportunities. Furthermore these policies should contribute to developing the multi-pronged strategy and address the cost of labour to an employer or raising the wage the domestic worker by providing a tax relief with the aim to accelerate job creation and raise employment.

## **2.2 Economic transition of the South African Economy**

Since the demise of the old regime there has been a remarkable turnaround in the South African economy (du Toit, 2010). This among other things can be attributed to the dismantling of the old economic system which excluded the majority of the population from freely participating in the economy by reserving many skilled jobs and managerial positions for a certain class of people and excluded certain classes from most senior-level jobs, (Burger and van Fintel, 2009). This discouraged many people as they had limited job opportunities irrespective of their skill levels. This was supported by the fact that for certain classes of the population education standards were so inferior and few that qualified managed to secure well-paying jobs.

The success from dismantling the old economic system is reflected by the favourable laying of a firm foundation for economic growth and a broad-based improvement in living standards (Hungerford, 2010). The macro-economic policies have undergone a major structural transformation and have seen the economy opening up to foreign trade. This has brought great exposure for South Africa and has resulted in a positive economic growth since the end of the old economic regime (Burger, 2009). The participation in the global economy has however been met with several challenges to cope with the rapidly changing global scenario. Nonetheless there are corresponding improvements which can be attributed to the government that came in to power from the year of 1994. It must be emphasised though that all this great strides have been met with a persistent high unemployment and poverty (Knight, 2008).

## **2.3 Unemployment in South Africa**

Despite the positive trend in growth and other economic fundamentals unemployment has continued to rise even further in South Africa. There are approximately 4.4 million people that remain unemployed as of the third quarter of 2011 (Makhele, 2011). This rising trend of unemployment is a source of concern for the economy, its governance, citizens and the labour market participants. However, the dynamic aspects of this challenge remain largely unexplored at the microeconomic level. Various literature propose that the challenge of unemployment is born with a number of physical and emotional effects in that it causes the unemployed to suffer mental and physical hardship (Koller, 2011). These challenges also pose a serious threat to social and political stability of the country (Pienaar, 2008).

The high levels and possible causes of unemployment after South Africa's political transition can be attributed to various factors. Few recent studies suggest that unemployment is the result of the changes in the demand and the supply side of the economy and inability of the unemployed to enter informal labour markets (Thurlow, 2009). Other authors argue that the situation of unemployment has been ascribed to the enactment of overly protective labour laws which endowed trade unions with greater bargaining power and increased the coverage of minimum wages, making unattractive to hire (Burger, 2009). This therefore suggests that South Africa requires different solutions and different policy thinking to address such issue. South Africa's long-run growth prospects and the alleviation of unemployment depend importantly on policies that will help maintain growth, reduce unemployment through increased labour-market flexibility, and lowering the costs of labour (Arora, 2010). This can be supported by actions intended to reduced unemployment and poverty.

### **2.3.1 Effects of Unemployment**

The effects of unemployment are of considerable interest to the economy. The government suffers financial loss as a result of unemployment through the impact it has on government expenditure in that it has to pay social grants to the unemployed and tax revenue is reduced as the unemployed pay no tax. This therefore increases government expenditure as a result of social grants and reduced tax revenue may results in increased government borrowing thus increase debt of the government (Hungerford, 2010).

The effect of unemployment cannot be limited to the effect it has on the economy but it affects the entire economic system and the society in general. This can be attributed to a decline in disposable income, spending, increased levels of poverty and income inequality. All this effects have a direct bearing on the families and in the long-run the societies they live in. These effects bring about despair, unhappiness and anguish. It influences certain behaviours to people as it is likely to force people to live their lives in a way they do not wish to and this also negatively affects their life expectancy (Knight, 2008).

The issue of unemployment carries substantial economic and social costs to the government. Unemployment results from a market failure which then justifies government intervention through employment subsidies (Rejda, 2011). However, poorly designed or inappropriate government interventions can also be inefficient and bad for long-term economic growth prospects (World Bank Publication, 2006).

### **2.3.2 Effect of minimum wage on unemployment**

For decades domestic workers in South Africa were not protected by labour law until the era of new government which extended the Basic Conditions of Employment Act (BCEA) to also cover the domestic workers. The premise of the Act was to cushion domestic workers in terms of their basic conditions of employment. The Act is to further ensure that the minimum standards of employment are in line with fair labour practices contained in section 23 of the Constitution of South Africa (Department of Labour, 2010). This is among the positive contributions made by the government to create an enabling environment to reflect the socio-economic and political goals of the Government of National Unity.

There seems to be an increasingly unsettled proposition in economics regarding the effect of minimum wages. This is based on the differing schools of thoughts as some economists are of the view that an increase in the minimum wage has a direct effect on unemployment and the other economists are of the view that an increase in minimum wage does not have a direct bearing to increased levels of unemployment (Bird, 2008). Research conducted by economists David Card and Alan Dickens cited in (Bird, 2008), depicts the view that the raising of the minimum wages may have no negative impact on employment. They further alluded that their expressed view does not imply that employment losses from increased minimum wages would be small or would have an insignificant impact to employment. Literature by Card and Dickens cited in Bird (2008) further noted that there is some minimum wage level of increase that is likely to harm minimum wage earners by reducing the prospects of employment more than it increases their wages.

Despite the differing views of the various economists, literature shows that there is a common base in that minimum wage has a direct effect on the low income earners. Though a minimum wage improves the income level for a few it is likely to deprive others of an opportunity to get employment and earn an income (Dickens, 2010). The economist's view is that by imposing a minimum wage the effect will depend on the elasticity of demand and supply for labour. The higher the elasticity the greater the resulting unemployment, the impact of which will almost certainly be felt almost entirely by the low paid (Dickens, 2010). Various authors have expressed concern that a continual increase in minimum wage would cost jobs as the employers would be unable to afford to employ more people. Therefore the minimum wage concept is deemed not to ease poverty and might contribute to lower levels of

employment, because as the capital cost of employment increases many poor households will reduce the number of domestic workers employed.

## **2.4 Domestic workers**

Domestic work is one of the oldest occupations for ordinary people in South Africa and for decades many people from all walks of life have at some time relied on the services provided by domestic workers. Their contribution to society remains undervalued despite their contribution to the economy of our country (Ramashia, 2010). Generally the market for domestic work in South Africa is large. Research reflects that since September 2000 there were roughly 1.025 million employees in the domestic worker sector in South Africa though the figure dropped to 977 000 employees in September 2003 rising to just over a million (1.003 million) employees worked in this sector in 2007 (Statistics South Africa, 2009). Statistics from the International Labour Organisation show that domestic work in developing countries makes up between 4% and 10% of total employment (International Labour Organisation, 2010). Literature and statistics continually reflect that the domestic work sector is important in its own right as it is a source of employment creation in many developing countries like South Africa.

In September 2002 South Africa introduced a labour market regulation policy in the market for domestic workers, known as the Sectorial Determination 7: Domestic Worker Sector (Matjeke, 2012). The rationale for introducing this policy was to protect the vulnerable labour sectors in South Africa such as that of domestic workers. Literature states reasons in favour of the minimum wages that it is perceived as a social instrument since it allows low paid workers to participate in the economy to enjoy the benefits of economic growth and contribute to the economy and also by enabling them to have a purchasing power to at least afford a basic living standard all things being equal (Blaauw, 2010).

According to Blaauw (2010 cited in Van den Berg, 2001) where minimum wages are under discussion, the impact on employment levels is always a key issue. A study conducted by Bothma and Jordan (1998) before the implementation of the legislation on minimum wages predicted that in the long-run the demand for full-time domestic workers would decrease and further annual increases could aggravate the situation. The net effect after the implementation of the legislation was that domestic worker earnings per capita grew in real terms as compared to other occupations by so-called unskilled employees (Hertz, 2008).

Though the domestic workers employment levels also appeared to have declined the decrease could not significantly be linked to the wage changes as a result of the implementation of the minimum wage legislation (Blaauw, 2010). It is interesting to note that the demand for domestic work has not declined despite the introduction of new labour laws. This suggests all things being equal that many households do have a need to employ a domestic worker and this has continued create job opportunities for ordinary people who are willing to offer their helping services. Studies also reveal that the Government is aware that the domestic work sector remains a major employment generator which supports millions of dependants (Blaauw, 2010).

Furthermore it can be deduced from the literature that though the minimum wage contribute positively to the social well-being to the domestic worker but it does however have an adverse economic bearing to the employer of domestic workers. The employers face annual increases of the minimum wage (often above inflation) which often reduce their disposal income and affordability of good and services. This may give rise to a decline in the employment of domestic workers or it may even further fuel new exploitations of domestic workers to reduce high rising costs to employ them (Dinkelman, 2010).

#### **2.4.1 Tax relief could save households thousands**

The factors that determine the use of domestic worker services has received little attention in the labour economics literature. A domestic worker may be employed by a full-time employed people who receive no gain for having created such a job opportunity (Fakih, 2012). Over the years the International Labour Organisation (2010) studies show that total cost of recruiting new domestic worker services has continued to increase while the disposable income for their employers continues to shrink due to adverse economic conditions. Literature further presents evidence that households choose to hire the services of a domestic worker when they are unable to do them themselves due to demanding life style and work commitments (Kvist, 2010).

Households could benefit from a tax relief for hiring domestic worker services on domestic chores, under a scheme to be considered by policy makers and government. Studies reveal that households demanding the use of domestic worker services could be correlated with factors such as the age and level of income (Fakih, 2012). This could be supported with other household characteristics such as that of having dependants. Stancanelli and Stratton (2010) cited in Fakih (2012) suggested that the proportion of full-time employed people in the



households increased the probability of employing a domestic worker. This can also be attributed to the probability that hiring a domestic worker was significantly higher for larger households with larger homes they own. Furthermore

## **2.5 Determine what level of tax relief would result in job creation**

### **2.5.1 Labour economics**

Unemployment in South Africa is involuntary and people face a longer duration of being unemployed, especially among the poor (du Toit, 2010). It is for this reason that a high consideration of alternative employment policies is sought. The domestic worker sector a number of diverse and complex interactions with the labour regulations (du Toit, 2010). These complexities are presented by the existence of significant barriers to create employment in the sector such as administration, labour laws and also allowing a tax deduction for domestic worker wages. Studies conducted by Thurlow (2009) alluded to considerations for employment creation in that there should be focus on tax policies such as a tax relief to employers and protection of the domestic worker sector.

According to Thurlow (2009) the domestic worker sector is viewed as a dynamic sector with the ability to create jobs and actively contribute to economic growth. However the existence of inflexible labour law policies that only favours the formal sector job creation tend to lower employment opportunities and they have differential impacts on different types of employment creation activities. This view is supported by the traditional approach to policy options considered and the results indicate that trade liberalisation reduces national employment and it increases highly skilled employment (Thurlow, 2009). This presents a challenge to the government on how it views the role of employment creation as this is highlighted by the complexity of designing policies that account for differential impacts on all skill levels.

Domestic work is one profession that most people have resorted to as a means to secure employment and earn money to make a living. For many decades domestic work has been an important source of employment worldwide. This profession is highly represented by women workers who provide essential housekeeping services. Yet, domestic workers are underpaid and overworked, poorly regulated and protected by labour legislation.

### **2.5.2 Motivation for a Wage subsidy**

Micro-economics studies (labour-supply side) provide evidence that wage subsidies or tax reliefs can be successful in increasing employment, or re-employment opportunities of the unemployed, (Confronting Youth Unemployment: Policy Options for South Africa, 2011). Wage or employment subsidies and tax reliefs provide solutions in a form of incentives that aim to accelerate job creation and raise employment. This means that wage subsidies form a central feature of labour market policies in many countries through lowering the cost of labour to an employer or raising the wage a worker receives. This is deemed to stimulate job creation and potential for higher employment incentives. Through assisting the unemployed into employment, employment subsidies also contribute toward the creation of these jobs. Several middle income countries have also adopted wage subsidies and tax credits as the means to addressing the rising unemployment during the global economic crisis including Chile, Korea, Mexico, the Slovak Republic and Turkey, (Confronting Youth Unemployment: Policy Options for South Africa, 2011). In the cases of Chile and Turkey, these have been specifically targeted towards unemployed youth and poor households, (Confronting Youth Unemployment: Policy Options for South Africa, 2011).

There are various other forms of employment incentives that can be provided to employers to encourage them to continue to contribute towards employment creation. These employment incentives are meant to reduce the cost of labour (employer-side subsidies), hence improving the incentives to provide work, (Confronting Youth Unemployment: Policy Options for South Africa, 2011). The subsidy or relief can be a direct tax deduction up to a set limit, a reduction of the initial monthly wages, or paid as an income tax credit. It can be provided to those that already employ or to new hirers.

Literature presents evidence that a wage subsidy or tax relief have long-term dynamic effects of improving possibilities of full-time employment of participants, (Picard, 2001). In Australia it has been estimated that the wage subsidy or tax credit improved employment prospects by at least 20 per cent up to 26 months after the subsidy expired, (Confronting Youth Unemployment: Policy Options for South Africa, 2011). Tax reliefs are appealing because they target job creation directly unlike indirect measures improving the quality of workers entering the labour market. This is important since deficient labour demand is one of the main problems facing the. The high rate of unemployment in South Africa suggests that demand for workers is insufficient and cannot absorb the rising number of job-seekers

entering the labour market, (Confronting Youth Unemployment: Policy Options for South Africa, 2011).

### **2.5.3 How a Wage Subsidy work**

In South Africa there have been a number of incentives directed at driving economic growth and reducing unemployment. These have been government initiatives directed towards accelerating employment creation as one of its core priorities. One of the policy considerations that the government embarked on was the use of the tax incentives which include acceleration of tax allowances and additional deductions and exemption of certain subsidies received by taxpayers from the government (Dejardin, 2008).

A well-documented problem about South Africa is that of its high levels of unemployment and the country should be able explore every possible avenue to fight this scourge of unemployment (Mabhoza, 2011). The government should pursue these initiatives, keeping in mind that it has limited resources with which to create employment opportunities. In the United States employment subsidies through the tax system to subsidise employment were also designed to counter the rise in unemployment and boost employment after the recent recession period (Confronting Youth Unemployment: Policy Options for South Africa, 2011).

According to Gravelle (2010) cited in Hungerford (2010) employment and wage subsidies are designed to increase employment directly by reducing the cost of employment. Various studies suggest that a tax relief have the potential to create employment opportunities, but in practice may not necessary be as effective in increasing employment as desired. Arthur Pigou in Hungerford (2010) supported the view in that a tax relief could increase employment but in practice it is probable that the application of such a system would be prone to many challenges. The reasons for this may be attributed to that a tax subsidy or relief often involve an enormous amount of administration which is complex and that employers do not necessary want to incur the record keeping costs, eligibility for the tax relief is determined when filing the annual tax returns and this may create some uncertainty regarding the eligibility at the time to hire and many employers may not be aware of the tax relief until it is time to file the annual tax returns (Hungerford, 2010).

However Kaldor (2011) cited in Hungerford (2010) in another theoretical analysis argued that a tax reliefs or wage subsidy to deal with cyclical unemployment could be very effective. This view is supported by Layard and Nickell (2011) who also argued that a tax relief or a

wage subsidy could be effective in increasing employment when unemployment is high. This view means that an employment tax subsidy reduces the cost of labour while leaving the wage the employee receives unaffected. A fall in the relative cost of labour stimulates job creation and higher employment. However, in designing the tax relief benefit there could be several indirect effects and unintended consequences that can limit net employment gains in the short term.

#### **2.5.4 Tax deduction**

Policies meant to address the issues of unemployment must be made to suite the socio-economic dynamics of the South African labour market (Levinsohn, 2007). The sad reality is that unemployment is high and it is spread across all social groups even for those with a matric certificate, diplomas and a university degree. Since South African Revenue Services has already made these employers responsible to the collection of the Unemployment Insurance Fund (Wessels, 2009). A tax deduction has immediate results in that it increases the real income for the taxpayer that qualify for a tax deduction, increases disposable income hence affordability of goods and services and this may stimulate the economic activity.

At the fiscal policy level the view on economists is that tax cuts are intended to increase the aggregate demand and leverage the Gross Domestic Product gap (Schiller, 2009). This means that when the economy is producing less and employing fewer workers it results in a higher unemployment rate. The government should stimulate the economy through allowing a tax deduction as this might stimulate consumer spending. As soon as people get more income in their hands they're likely to spend it. When they do by employing domestic workers they create employment for people that are unemployed and also create income for them to use to increase their consumption of goods and services. This view has been widely supported by tax advocates in that a tax deduction for the full-time employed would raise their disposable income and improve the economy by boosting spending.

#### **2.6 Tax deduction of domestic worker wage**

According to section 11(a) of the Income Tax Act a deduction is only permissible only if it meets these requirements namely; expenditure and losses, actually incurred, during the year of assessment, in the production of income and not of a capital nature. This therefore means that failure to meet any one the requirements will result in a disallowance of the expenditure for tax purposes, irrespective how prudent the deduction may seem to be. The requirement

that makes the domestic worker salary not to fully qualify as a deduction is in respect of the production of income where the employer is fully salaried (full-time employed). This means that the wages paid to domestic workers by their employers that are fully employed are payable out of the after tax income which reduces the affordability of such services and somewhat impacts on employment creation. On the other hand if one hires services of a domestic worker from a domestic worker outsourcing business the outsourcing business is the employer and qualifies to deduct the whole amount of the wages.

Domestic workers are paid a wage according to the duties they perform for their employers. The home of their employers is considered to be their workplace. However according to the Domestic Worker Summit (2011) report the work that domestic workers undertake is deemed not to correspond to what is generally considered as a labour market.

The work of domestic workers is generally undervalued that is in monetary terms and otherwise and domestic workers remain dependant on their employers (Domestic Worker Summit, 2011). Nevertheless even to date many people find employment and skills development as domestic workers in many countries including South Africa. This presents an opportunity to the government and South African Revenue Services to recognise the valuable contribution the employers of domestic workers make to reducing unemployment and developing skills. By such recognition the government and South African Revenue Services (SARS) should reconsider the negative test of the Income Tax Act under section 23 which is the deductions not allowed for taxable income, which prohibits and limits the deduction of the cost of maintenance of the taxpayer section 23 (a). Sub-paragraph (a) of the provision to section 23 (b) makes a provision for the deduction of expenditure incurred in respect of any portion of a private dwelling occupied exclusively for the purpose of trade. In terms of subparagraph (b) of the provision of section 23 (b), full-time salaried employees are not permitted a deduction unless the home office is regularly and exclusively used for the purposes of trade.

Policies which consider domestic work and family services as an entitlement and enable workers to co-ordinate their economic and family responsibilities have a direct impact on the balance between people's work and home life and on other options available to them. The International Labour Organisation report concede that policies which considers worker's family responsibilities are conducive to the development of supportive arrangements for organising work, working hours and family related leave (ILO, 2010).

Another approach considered for workers is to work half-day but that is associated with lower salaries which shrinks the disposable income of domestic workers. A tax subsidy for employers of domestic workers is a valuable policy option to curb unemployment and it is deemed to reduce inconveniences associated with family responsibilities of fully employed employers of domestic workers. As a strategy to reduce poverty and unemployment the ILO encourages developing countries to organise government intervention in co-operative child-care services. The ILO further mentioned that decent work for domestic workers is another key strategy in improving the quality and coverage of support services for working families.

### **2.6.1 The economic value of domestic workers to their employers**

The services of a domestic worker enhance the quality of life for the household that employ such services. It is considered to have a social value to the extent that it offers convenience and eases the time and other pressures for those who hire domestic workers. Budlender (2011) says that domestic worker services have both economic and social aspects to it. It suggests that the contributions that domestic workers make in lowering the poverty and unemployment rates in a country have an economic value. The ILO Domestic Work policy brief (2010) highlights that these contributions could be seen as furthering the right to work and ensuring socio-economic rights as enshrined in the constitution of the country.

Literature by Williams (2010) cited from Domestic Work Policy brief (2010) highlights the role that government can play in facilitating and engagement in the paid labour market by relieving the burden of employers of domestic workers. Policies that relieve the burden of housework through direct government provision of such service or supporting its provision through subsidies could similarly be justified on the basis of encouraging engagement in the labour market for both for the employer of domestic workers and the domestic workers themselves.

## **2.7 International cases**

Various countries like Britain, Denmark and Sweden have considered the tax relief to employers of domestic workers to reduce the capital burden of creating employment (Kvist, 2010). Recent literature reflects that the British Labour ministry have considered the policy to give tax breaks to employers of domestic workers to help households (Pride, 2012). This

initiative is set to boost employment rates of women with young children with the view to alleviate poverty to those that are desperate to make ends meet and would consider doing anything to feed their children (Pride, 2012). The British government believes that the suggested policy could save households (families) money and would encourage people to work after having children to avoid starvation during maternity leave. Furthermore the view to consider a tax relief to employers of domestic workers seeks to suggest that it would also have a positive effect on the employment of a large number of foreign immigrant workers who compete for jobs with the British citizens.

Literature also reveals that in Sweden the policy has been implemented but it is slightly different in that it is clearly articulated as a gender equality policy (Kvist, 2010). The Act of tax relief of domestic worker wages was passed in 2007 and the employers could obtain a tax relief of up to 50% of the labour cost subject to a maximum stipulated by the act (Kvist, 2010). The act also prescribed qualifying services to which the tax relief could be applied by the employers of domestic workers. The objective of the bill was to lower the capital burden for the services of domestic work with the view to provide an opportunity for households to buy domestic work services and help create employment. The employment creation aspect was to provide job opportunities for low educated persons and provide the possibility to enter the labour market for unemployed and especially groups with low employment opportunities. This also provided an opportunity for the legal sector to regulate the domestic worker sector and also help improve the working conditions of domestic workers (Carbin, 2010).

This policy was also seeking to redress an underlying gender bias in the tax code and help women back into work (Lyttelton, 2012). The basis for consideration of the policy in Sweden is based on the premise that such policies promote gender equality and tend to be economically progressive. The authors support this view in that the increased number of women employed as domestic workers outside their homes has had a positive impact on economic growth and this is supported by the relative decreased absence of full-time employed professional women in the workplace. According to the International Family Systems (2012), in Britain the convenience of employing a domestic worker has seen an increase in a number of women entering the workplace and also had a positive impact on the household wealth. This view suggests that the a tax relief of domestic worker wage redresses gender equality as the woman that employs a domestic worker would be able to fully

participate in the workplace and also create an opportunity for a woman domestic worker to earn an income as a result of being employed. This presents an opportunity for both women to fully participate in the economy, boost economic growth and their household income.

In 1996 Denmark introduced the Benefits for Domestic Services which were for the employment of domestic services and the employers could get a tax relief of up to 50% of the labour costs (Kvist, 2010). This was an initiative by the government in dealing with the problem of unemployment. Overtime the policy evolved as in 2004 it changed and was limited to people who have reached the age of 65 as it was transformed in to an elderly care benefit. Basically the Denmark way of the policy was limited to the qualifying groups of people which are in contrast to that of Sweden. However this can be attributed to the economic policy change as the objective of the government was to reduce government expenditure and keep social costs down. This was argued in that the level of unemployment in Denmark at the time was 6% and considered low and not a material challenge to the government (Carbin, 2010).

This initiative was sprung out as a result of increased unemployment with the view to create new employment within the domestic worker sector paid for by full-time employed households. In Sweden the initiative was considered to also factor in the issue of promoting gender equality through the means of increasing participation of women in the job market.

## **2.8 Downstream economic impact**

Since 1994 domestic workers have enjoyed the protection of all the constitutional provisions. In 1998 obligatory minimum standards of employment were extended to all workers employed as domestic workers. A study carried out by Horton and Vilani cited in du Toit, (2010) identified among others that domestic work tended to be undervalued and regarded as unskilled, resulting in very low wages given the informal nature of domestic activities. However the South African government took the issue seriously by addressing the specific circumstances of the domestic employment sector, (Hungerford, 2010). Given the pervasiveness of low wages and the undervalued nature of domestic employment meant that the provision of minimum wages was crucial in promoting decent work. This was addressed by setting minimum wage levels deemed it would contribute to poverty eradication, and also recognise varying degrees of skill (du Toit, 2010). Literature further suggests that there are other social interactions important in understanding the demand for employment of domestic workers which has enabled more women to enter the workplace (Cortes, 2008). This has had



an economic bearing as this may have reduced the economic and cultural barriers of women entering the workplace as this has led to a larger number of women in the workplace overtime. This means that should one woman be able to find a full-time job in a workplace, there is another opportunity for another woman who may be employed as a domestic worker to take care of the household of the full-time employed woman.

### **2.8.1 South African Economic Policy**

Economists argue that the South African labour legislation is rather rigid and it hinders the economic growth by not allowing businesses and prospect employers to create jobs. These economists are of the view that South Africa needs a flexible labour market. However recent literature suggests that the workers argue that the labour legislation is adequately enabling if employers are to take the opportunities of creating employment (Motala, 2010). Recent literature from the *Confronting Youth Unemployment: Policy Options for South Africa*, (2011) argues that to reduce unemployment and poverty in South Africa the economy requires policy reforms to reduce the capital cost of labour. This suggests that the government should continue to play a vital role by providing means to reduce unemployment.

### **2.8.2 Human basic needs**

Over the past decade the South African government has been having challenges to create sufficient job opportunities to alleviate poverty and unemployment (A Macroeconomic Strategy, 2011). The solution to alleviate unemployment still lies on the policy reforms and the opportunities that can be created by the willing employers and the private sector. However in order for the government to have a stable and healthy economy it has to priorities the basic needs of its citizens and one being that of unemployment. The physiological needs according to Maslow's hierarchy of needs are key for human survival, thus in order to obtain such needs people have to be actively employed to afford such needs refs. For many South Africans this still remains a dream that has not been realised.

### **2.8.3 The economic significance of domestic workers**

Over the decades the significance of domestic workers has been analysed from economic and social aspects. The sector of domestic workers represents a touchstone of societal attitudes in South Africa (du Toit, 2010). Varying research provide contrasting literature views on the

economic significance of domestic workers. The phenomenon is that the sector of domestic workers has been generally overlooked and under-valued over the years. This can be translated by the fact that it is under-valued in societal terms in that its economic and social value is not adequately recognised by governments and employers. An analysis and literature of the domestic worker's sector mention that the profession of domestic workers involves a significant and growing proportion of the workforce worldwide (Tokman, 2010). This means that the domestic work sector is large and a growing sector of employment creation. The statistics from the International Labour Organisation (2010), estimate that domestic workers represent 4 to 10 per cent of the total workforce in developing countries and 1 to 2.5 per cent of the total workforce in developed countries. Thus, the economic significance of domestic workers can be measured by the total number of domestic workers employed.

#### **2.8.4 Contribution to employment**

Since there are a few formal job opportunities available the ongoing demand for domestic services due to a range of demographic, social and employment trends has contributed immensely to reducing unemployment. Researchers have suggested that the contribution to employment creation made by the domestic worker sector can be estimated by calculating the paid domestic work's contribution to employment such as the employment rate and unemployment rate (Budlender, 2011). This means that contribution is measured on the impact it has made to employment creation and reducing unemployment.

#### **2.8.5 Contribution to personal income**

Unemployment has adverse effects on the standard of living to an individual worker and their families since the spending power of the unemployed is reduced. These adverse effects in the long run tend to extend to the society these people or families live (Kvist, 2010). Being employed as a domestic worker has a benefit to an individual worker and her family of the income earned from domestic work (Budlender, 2011). If the domestic worker sector continues to create employment this will enable a number of people to have a buying power and the spending power is likely to stimulate increased demand and hence higher growth.

## 2.9 Summary

The rising trend of unemployment has continued to affect the labour market, economy and the communities (Blaauw, 2010). The long-term effect of unemployment has an adverse effect not only to economic growth but it also extends to the communities where increased levels of poverty bring about despair, unhappiness and anguish. The study found that these effects influences certain behaviours to people as it is likely to force people to live their lives in a way they do not wish to and this also negatively affects their life expectancy.

The literature suggests that there is no simple way in redressing the issue of unemployment in South Africa. The protective labour laws which inhibit the creation of employment require reform that will provide different solutions and different policies to redress the continuing upward bound unemployment rate. Literature further revealed that the government is in a challenging position to absorbing the whole unemployment debacle. It is for this reason that prompts policy reforms such as a tax relief to employers of domestic workers as a means to address unemployment need to be considered to create an appetite to employ and create job opportunities. The literature presented that a tax relief of domestic worker wages could serve as the means of lowering the cost of labour to an employer or raising the wage a worker receives. In lowering the cost to labour which is through a tax incentive, it may lead to a multiplier effect through increased employment, disposable income and spending by the new participants in the economy.

The literature also found that domestic worker services is considered to have a social and economic value in that it stands to enhance the quality of life and could provide the added convenience for the households that employ domestic workers. Furthermore the contribution of domestic workers could reduce the financial burden to the government by lowering poverty and unemployment. In various international countries such as Sweden, Denmark and Finland it was considered that a tax relief could redress the issue of high unemployment out of a need to create new jobs in a different employment sector. The policy consideration on the tax relief of domestic worker wages could be seen as the means to job creation by encouraging households to continually to participate in poverty eradication and empowering fellow citizens. The next chapter will focus on the research methodology.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the research methodology applied in the study. It was critical to establish a research design that would provide meaningful information and data to the research questions and research problem. It begins with an explanation of the selected research design and a discussion concerning the quantitative nature of the study.

The geographic area, population and selected sample are discussed as are reasons why the target respondents were identified and selected. A questionnaire was devised and administered asking the respondents specific questions about the subject matter. The data gathered shows differing views of the respondent's attitude towards the subject matter.

In support of the questionnaire process which targeted at full-time salaried (full-time employed) people an electronic questionnaire was sent out to the participants that matched the selection criteria. This helped to determine if the responses from the participants were of value or not. There were no discrepancies between the sets of results.

There were interactions held with academic leaders from various South African higher learning institutions regarding the contents of the research. Such interactions were done via electronic communication as some of the contacts were discovered during the literature review process through articles written by such people. These interactions were extremely informative as they provided differing and broader views in understanding the contents and impact of study. The responses covered a number of policy issues that are paramount concerning employment creation. The data yielded valuable information that has been included in the recommendations made in this research. Finally the pilot study and ethical concerns are discussed. Furthermore the importance of validity and reliability, along with challenges experienced and limitations of the research are discussed.

#### **3.2 Aim of the Study**

Whilst it is advantageous to refer to recent academic work this is the first study as there has been no similar research found to have been conducted on the subject matter. Previous

research was conducted around the micro-study of working conditions, minimum wage and the regulation of the domestic worker sector. However there have been discussions around the similar subject matter in countries such as Denmark, Finland and England. Since domestic work provides employment to a number of individuals this then motivated a study to consider tax relief for employers of domestic workers.

The aim of the study is stated to motivate the need to create employment by allowing a tax relief to full-time salaried employers of domestic workers. This presents an opportunity to the government and South African Revenue Services to recognise the valuable contribution that employers of domestic workers make to reducing unemployment and developing skills. By such recognition the government and South African Revenue Services (SARS) should reconsider the negative test of the Income Tax Act under section 23 which prohibits and limits the deduction of the cost of maintenance of the taxpayer that is full-time salaried unless the home of such taxpayer is regularly and exclusively used for the purpose of trade.

### **3.3 Participants and the Location of the Study**

The requirement that make domestic worker's wages not to fully qualify as a deduction is in respect of the production of income where the employer is fully salaried (full-time employed). This means the wages paid to domestic workers by their employers fully employed are payable out of their after tax income which is likely to reduce the affordability of such services and somewhat impact on the opportunity of employment. Thus the research was mainly targeted to full-time employed people that currently employ and those that do not employ the services of domestic workers. The survey was therefore sent to all the respondents that match the said criteria. The study was also conducted on the University of KwaZulu-Natal MBA students where the majority of the respondents are full-time (fully salaried) employed.

The research was conducted in Durban the main economic hub of the KwaZulu-Natal province which contributes more than half of the province's economic output (Statistics South Africa, 2011). The current population of the Durban area is estimated at 3,500 000 people (Goldstone, 2009). This makes Durban to be the second biggest city in South Africa in terms of population size. The City of Durban does provide a wide-spread coverage of diverse race and income groups. In getting a sample size an attempt was made to ensure that the groups also included respondents from different socio-economic groups.

The survey was made up of a total number of 73 participants of which only 61 were respondents. All the participants specified their race group and 68.85% were male and 31.15% female. Ages ranged from 23 years to 56 years, with an average age of 28.57 years. Only 61 respondents completed the questionnaire.

This study provides an opportunity to the regional government and other regions in South Africa to engage in debate about this important topic. A further look at exemplary practices by international governments in addressing the similar issue within the domestic work sector was considered. This was in view that this is likely to provide opportunities to explore policies and practices adopted by other governments to address similar challenges.

### **3.4 Research Approach**

The method used to conduct the research was a quantitative research approach. The aim for using the approach was to develop an in-depth understanding to focus on the casual aspects of behavior from the collection of facts that would not change easily. This was directed to control the structure of the research in order to identify and isolate variables. Such approach was seeking to understand the facts of the research from an outsider's perspective. This was to ensure that the approach keeps a detached and objective view of the facts that will keep the research process hypothetically free from bias. The researcher was not only attempting to identify problems but provide a possible solution to the issues of high unemployment in South Africa (Sekaran, 2003).

A survey was conducted by a way of an electronic structured questionnaire sent out to 73 participants who had to complete a set of structured questions. The respondents had to complete a set of 20 questions. The respondents were full-time employed comprising of respondents that currently employ and do not currently employ a domestic worker(s). This research is intended to provide information on the subject matter under study but sound general conclusions can be made based on the various respondents' input and understanding of the matter.

#### **3.4.1 Quantitative Research**

Quantitative research focuses gathering numerical data and generalising it across groups of people (Sibanda, 2009). Cooper & Schindler (2006) expand on this saying it is often used to measure knowledge, opinions or attitudes, questions concern 'how much, how often, how

many, when and who'. Basically this research technique is about asking the opinions of participants in a structured manner to produce hard facts and statistics to guide the researcher.

It is important to get large numbers of a target of 1000 population size for a reliable statistical result to ensure that the study is representative of the sample of the targeted participants. By making use of the quantitative questionnaire, the results were analysed and the findings were then compared to the objectives of the research.

### **3.5 Sampling**

For the purpose of the research a criterion sampling was used as the sampling technique since not all people are full-time employed or full-time salaried. The criterion sampling involves selecting individuals that meet a certain criteria. The focus of the study was meant for respondents that are full-time salaried/employed. Only respondents that met the criterion were selected to ensure quality feedback on the research.

Purposeful sampling was also used to complement the criterion sampling which comprised of full-time employed people. This enabled the research to target areas where there was an abundance of information to ensure a comprehensive research. The sampling process also involved convenience sampling Judgment sampling was also used as it involves the research carefully selecting specific individuals or target respondent who would best be able to provide valuable data to the research. This was adopted as it was the most effective method to obtain data from specific and limited number persons who would be able to comprehend the contents of the research and provide meaningful feedback regarding the study.

The University of KwaZulu–Natal's Graduate School of Business' MBA students were targeted to form a sample group. The advantage of this sample is that being post graduate students they understood that the research was for academic purposes and made the effort to respond.

### **3.6 Data Collection**

The primary data collection method employed involved conducting a structured electronic questionnaire which was sent out to qualifying participants to enable the researcher to produce data that can be analysed quantitatively. The method of data collection used was to allow reaching out to a large number of participants to reflect on the matter of the research. The method selected to provide valid and meaningful data for the purpose of this research.

The large number was to provide a measure of respondents' opinions, attitudes, feelings, and perceptions about the subject matter. All data collected were received anonymously and a unique number was given to each respondent. All the data pertaining to the questionnaire was categorised according to each question asked per respondent and the open ended questions and responses were relatively. Basically this method helped administer the questions and to collect the answer as it is chosen by the respondents.

The set of questions in the research allowed driving the selection of the appropriate data collection method. This was used in connection with careful consideration of the availability of participants, time constraints and resources to conduct the research efficiently. Time constraints were taken into account and the use of an electronic questionnaire was efficient and a quick mode to reach out to a large number of participants. The feedback from the respondents was anonymous and this encouraged participation, objectivity and honesty. The challenges faced in this mode of data collection were that questions in the questionnaire could be interpreted differently by the respondent and the feedback may not be consistent with the objective of the study.

### **3.7 Development of the Instrument**

The confidentiality of the respondents was maintained and it was made sure that they were comfortable with the questions at different stages of the research. The questions asked of the respondents were developed specifically for the research. The questions were arranged to obtain clarity on specific issues relating to the objectives under investigation.

The questions were then submitted to various individuals for comment and advice on the content and appropriateness of the questions. Modifications were made to enhance the clarity and to reduce double-barrelled questions.

#### **3.7.1 Pilot Study**

A pilot run of the research was conducted where the list of questions was pre-tested on ten candidates known to the researcher. This pilot study assisted in testing the phrasing of the questions, removing ambiguous statements and also examining the data collection technique. Based on the comments of the pilot study respondents, minor changes were made to the questionnaire. These changes entailed improving clarity. These questions helped in identifying the impact of the research had on the participants, this also provided an insight of



the challenges currently faced by households in planning their lives around work and family responsibilities. Every effort was made to ensure that the questionnaire was clear and precise and that during administration of the instrument the guidelines were fully explained prior to commencement of completing the questionnaire.

Telephonic and electronic communication was carried out with certain participants who needed clarity on specific questions. The feedback from interactions with participants in the form of questions and comments was useful in improving the final list of questions that were asked in the questionnaire.

There were also interactions with academic leaders from various South African higher learning institutions regarding the contents of the research. Such interactions were done via electronic communication as some of the contacts were discovered during the literature review process through articles written by such people. These interactions were extremely informative as they provided differing and broader views in understanding the contents and impact of study.

The survey was designed such that it was relatively quick and understandable for all participants to complete. This was done by way of questions which involved a choice of tick boxes and with minimum written response or open-ended questions. The questionnaire consisted of 20 questions which were broken down in sets that directly related to the objectives of the study. The first set of questions consisted of demographical information. The second and third set consisted of questions that were seeking to determine whether the participants would consider and employ if there was tax relief to do create employment. The fourth set of questions seeks to determine the economic impact resulting from a tax relief.

### **3.7.2 Field Work**

The primary data collection method employed involved conducting field research in the form of a questionnaire process where full-time employed people were searched. This was augmented by a process of interviewing people to ensure that they understood the contents of the research. Semi-structured interviews with the participants were conducted to also ensure that they readily qualify to meet the criteria of the research. It was decided by the researcher that it would be preferable to undertake all fieldwork alone as this was a small study. This

exercise was welcomed by the respondents as most showed an interest and was keen to know the results of the completed research.

### **3.8 Presenting and Validation**

The structure of the questionnaire was crucial in ensuring that the information required was relevant and the sequence of questions related well to each specific objective of the research. This was to ensure the suitability and appropriateness between the research question and the components of the research method. This demanded that the question match the research methods, data and the analytic procedures. The sample size was pre-selected to ensure that the respondents that qualify as per selection criterion do have basic knowledge and understanding of the research topic. The strategy behind this was to ensure that efficient and effective saturation of categories, with optimal quality data and minimum spoiled responses.

#### **3.8.1 Questionnaire Design**

Two types of questions were used, namely Likert Scale questions in a point range to deliver quantitative responses and open-ended questions to explore issues and gain deeper insight into the issues being researched. It is imperative that the questions are appropriate, suited to the subject matter and that they will elicit responses that would attempt to answer the key research questions.

##### **3.8.1 Likert Scale**

A Likert scale was decided on as it is a good test of a person's attitude towards a question. The respondent is required to evaluate the question and select the most appropriate response.

##### **3.8.2 Open-ended**

The second part of the questionnaire consisted of open-ended questions to allow the respondent to expand and give greater insight based on his personal experiences.

### **3.9 Analysis of the Data**

Data for this research was gathered from a detailed literature review and survey which was conducted using structured questions in an electronic questionnaire. Different attributes of data collected will be considered and described categorically. The hypothetical test will be conducted using a formal statistical procedure for performing a hypothesis test. Validity and reliability are the key characteristics that will reflect quality of the research design and

process. A complete analysis of the data is undertaken in Chapter 4 based on the information obtained from respondents. The responses are discussed in conjunction with the insights gained from the literature review presented in Chapter 2.

### **3.9.1 Validity**

For research to be valid it needs to have measured what it set out to do. It is thus crucial that the questionnaires are well designed in order to achieve this. Bias in questioning was avoided and the questions were designed so that they could be answered with ease and the respondents were encouraged to tell the truth when answering questions about an issue in line with Sekaran, (2003). Respondents were advised that it was imperative that honest answers were given as the aim of the research was to discover the respondent's experience, perception and opinion on the topic.

### **3.9.2 Reliability**

In terms of reliability all that is required to be reliable is that, should the research be repeated, by the same or other researchers, there will be certainty that similar results will be obtained. Efforts were made to ensure that the respondents did not feel encouraged to give a response which would please or displease the researcher

### **3.10 Challenges and Limitations**

A limitation to the study is that not much previous research has been undertaken on the similar study. Therefore there was limited previous literature with which to align the research.

The research problem was fairly extensive and it was difficult to compile questions that considered all the factors of the problem. Since domestic work has been a key contributor to employment creation it was imperative to explore by way of a research as to how would a tax relief be considered by the employers and possible employers of domestic workers. A number of problems were experienced during the development of the questions for the questionnaire. The questions had to be linked to the objectives of the study and also correspond to the literature.

### **3.11 Summary**

This chapter outlined the research approach, methodology, data collection techniques, pilot study and the details on the instrument and sample size. The research was soundly planned, designed and conducted and that the analysis was objective and scientific, with the result that suitable conclusions can be drawn.

## **CHAPTER FOUR**

### **PRESENTATION OF THE FINDINGS**

#### **4.1 Introduction**

The preceding chapter explained the data gathering process that was implemented for the purpose of the empirical research. The purpose of this chapter was to present the primary findings of the research that was gathered through the electronic questionnaire carried out with the participants. The questions were designed to identify if each respondent had a current or a deferred need for domestic worker services and to confirm if a tax relief to employers of domestic workers would address the issue of unemployment theory as per the literature review. These questions sought to determine whether and how tax relief might influence the respondents to create employment for those in need and willing to work as domestic workers. The responses gave insight and contribute to a better understanding of the matter under study.

In order to recognise the difference or similarity of the opinions of the respondents, the data is presented in a manner whereby all the respondents' views are tabulated below the question posed. The results of the statistical analyses used to test the hypotheses of the study are presented. Bar graphs, pie charts and frequency tables are used to present the information to gain an overview of the perceptions of respondents.

An insight into the motivation for each group of questions precedes the question and respondents' responses. The chapter does not reflect any commentary on the responses made by the respondents, as Chapter 5 is specifically devoted to such reflection. Hence this chapter begins with descriptive statistics of the quantitative results. A complete analysis and discussion of the data is undertaken in Chapter 5, as the respondents' responses are discussed in conjunction with the insights gained from the literature review presented in Chapter 2.

#### **4.2 Overall Participants Statistics**

The first part of data collected using the electronic questionnaire relates to the number of participants and respondents. For each of these variables, the findings are presented using figures in the form of graphs. Of the 105 quantitative instruments distributed to the participants 61 valid responses were received, which form the basis of the results presented in

this section. Of the 61 questionnaires completed, 9 questionnaires had to be excluded because the respondents did not complete the question in full. The overall participant statistics is shown below in Table 4.1.

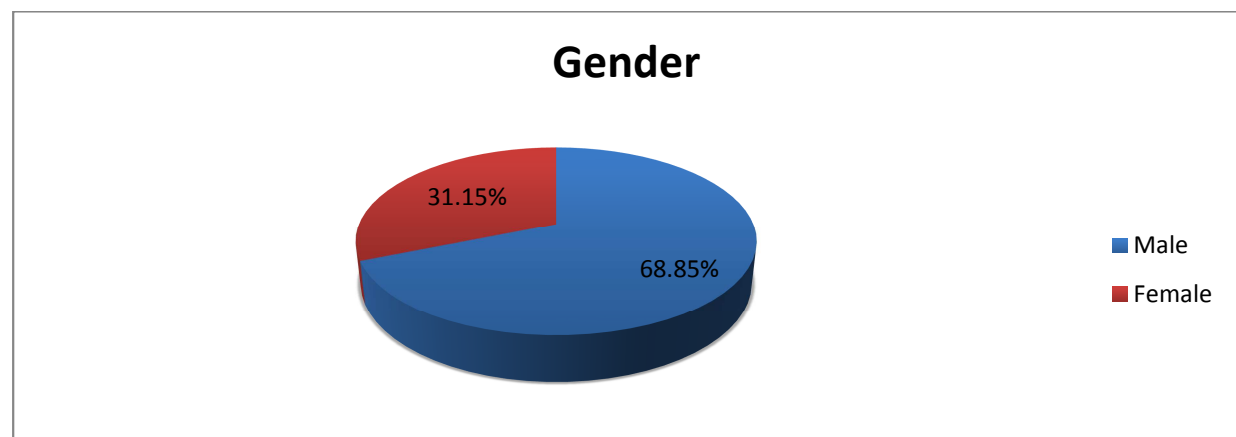
Factor	Count
Viewed	105
Started	73
Completed	61
Completion rate	83.56%
Drop outs after starting	12

**Table 4.1 Questionnaire Completion Data**

### 4.3 Demographics

The second section of this chapter provides a graphical description of the demographical characteristics of the sample population. The targeted population consisted full-time employed (fully salaried) people who were currently working.

The bar graph in Figure 4.2 below presents the gender mix of the respondents. The respondents consisted of a total number of 61 of which males was 68.85% and female was 31.15% of the total number of respondents.

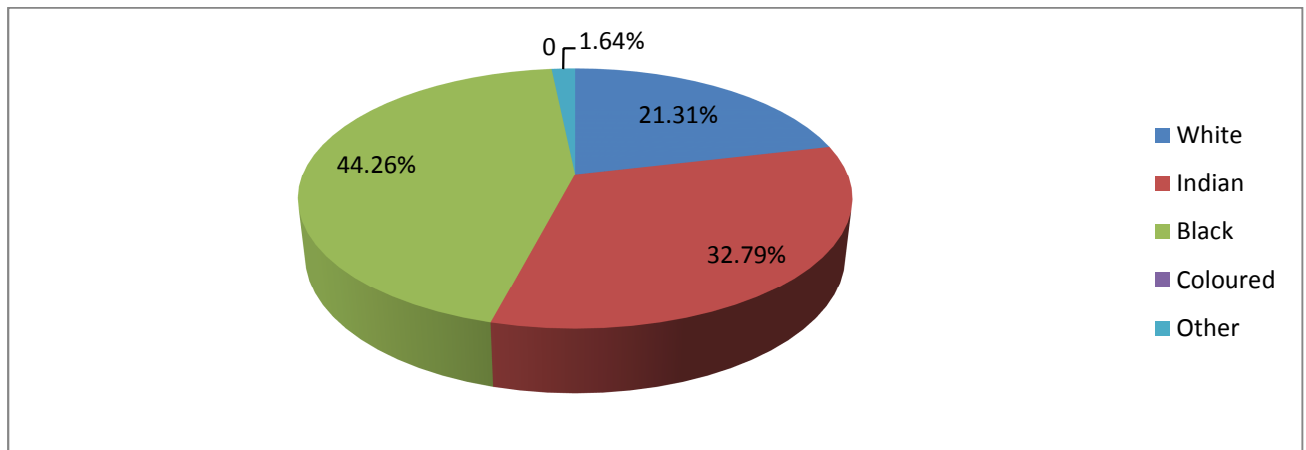


**Figure 4.1: Gender (Question.1)**

The respondents added up of 61 of which 42 (68.85%) were males and 19 (31.15%) were females. Although the study did not seek to find out whether there is a greater demand for domestic worker service among male or female, however there is a likelihood that households demanding domestic services is positively correlated to age and income.

### 4.3.1 Ethnic Groups

The ethnic group of the respondents was broken down as depicted in figure 4.2 below.

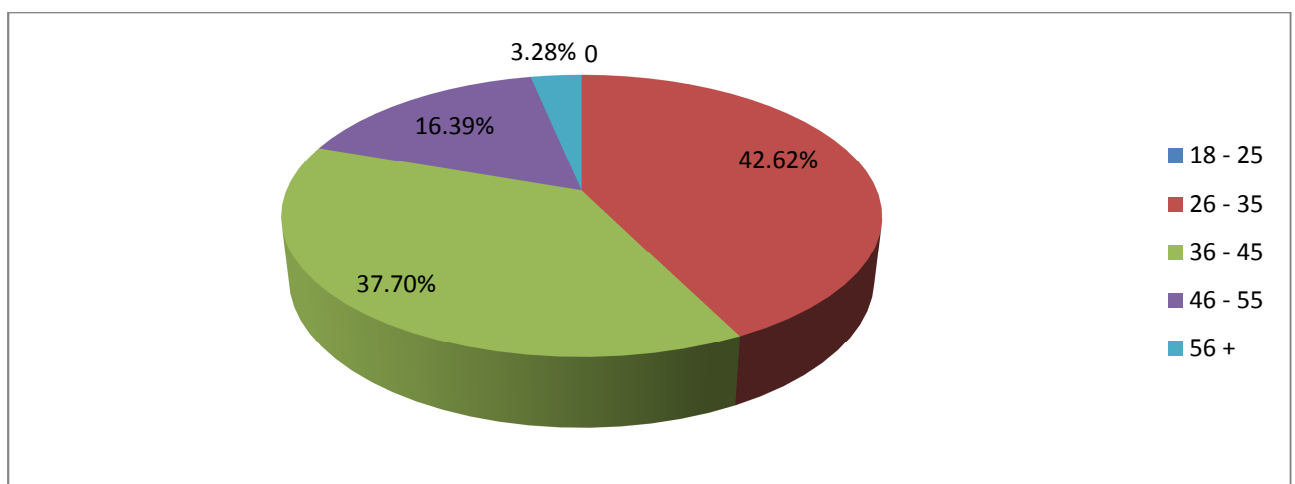


**Figure 4.2: Ethnic Group**

This dataset presents information on the ethnic group characteristics and this reflects on the diverse nature of the participants of the that reside in the city of Durban and also the students of the University of KwaZulu-Natal, Graduate School of Business. It should be noted that study did not exclude non-South Africans.

### 4.3.2 Age Group (Question 3)

In the study the relevant data used covers respondents aged at least 18 years residing in Durban and/or studying at the University of KwaZulu-Natal, Graduate School of Business. The age group of the respondents is presented in figure 4.3 below



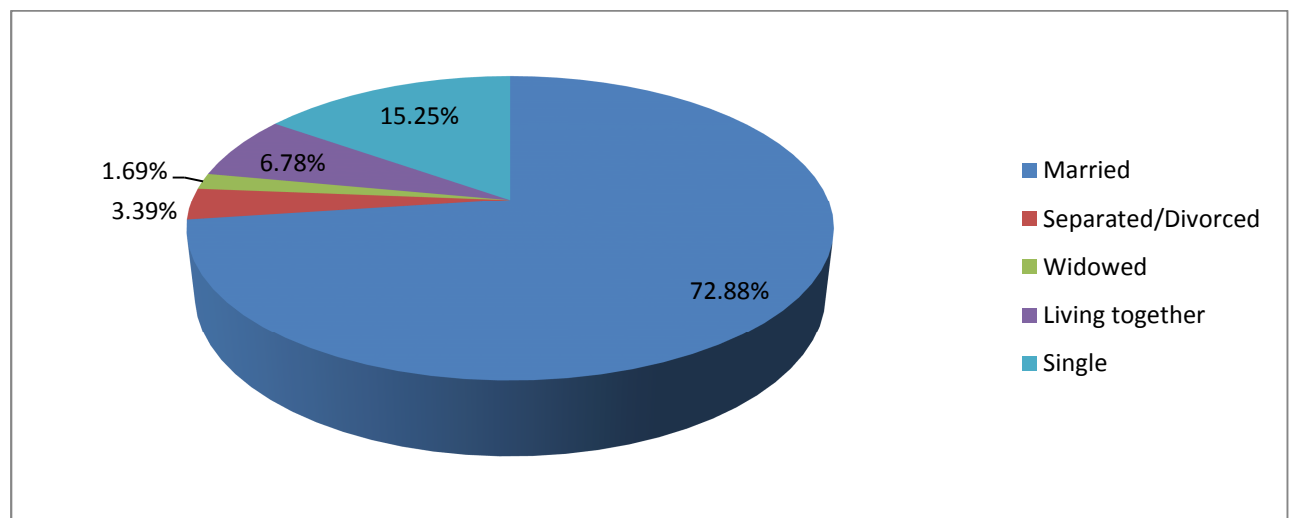
**Figure 4.3: Age Group**

The average age of the respondents was 28.57 years and the age ranged from between 18 and above 56 years as depicted above. Although the majority of the respondents fall in the age

group of between 26-35 years, the combined majority of respondents are between the ages of 36 up to 56 and over.

#### 4.3.3 Marital Status (Question 4)

Marital status of the respondents is presented below. Regarding the marital status characteristics data presents that 72.88% of respondents are married and the average age of the respondents is around 28.57 years old. Data also presents that 15.25% of the respondents are single.



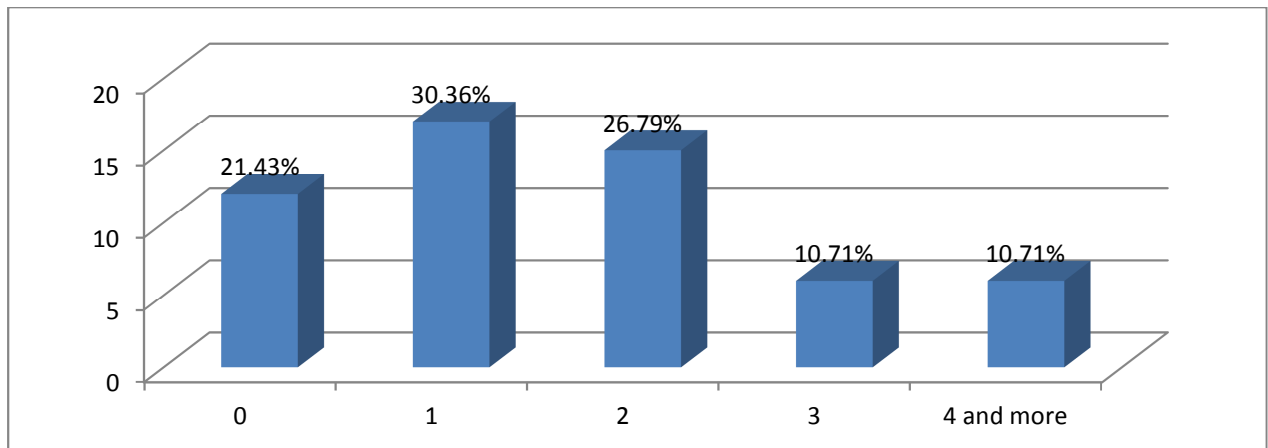
**Figure 4.4: Marital Status**

Depending on the work demands and the cost of living this data presents an important determinant of the households' hiring decision. This could be explained by an example where if both spouses are employed it could increase the probability for households to hire the services of a domestic worker. This can be attributed to a marital status and responsibilities based on the living conditions of each household.

#### 4.3.4 Number of dependants (Question 5)

The data below presents results of the number of dependants that each respondent is responsible for maintaining in terms of daily living responsibilities. The data also presents that only 21.43% do not have children or a dependant at the time the study was conducted. This therefore means that the majority of the respondents do have at least one dependant they are responsible for. According to the results 30.36% of the respondents only have one dependant, 26.79% of respondents have two dependants, 10.71% have three and 10.71% have four and or more dependants they are responsible for.



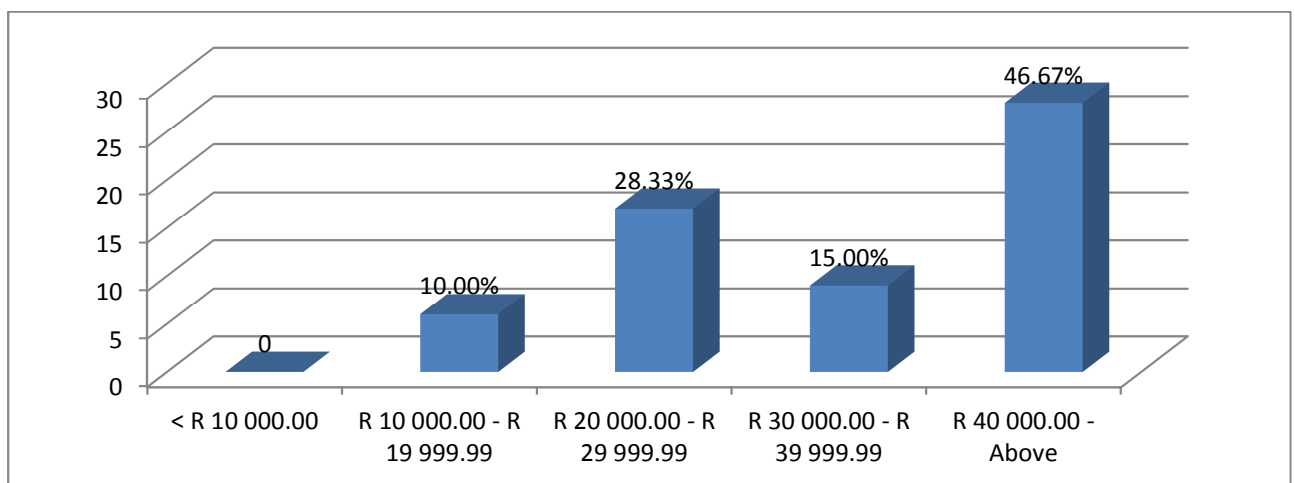


**Figure 4.5: Number of dependents**

Having dependants in the household increases the probability of hiring domestic workers given that the presence of these dependents increases the domestic work load and thus increases the probability of employing a domestic worker.

#### 4.3.5 Income Bracket (Question 6)

The Domestic Worker's Act set out the minimum wages to employ the services of a domestic worker. Depending on the individual needs of the employer the employer needs to weigh up the affordability to employ the services of a domestic worker. The income bracket (combined income) of the respondents is presented in Figure 4.6 below.



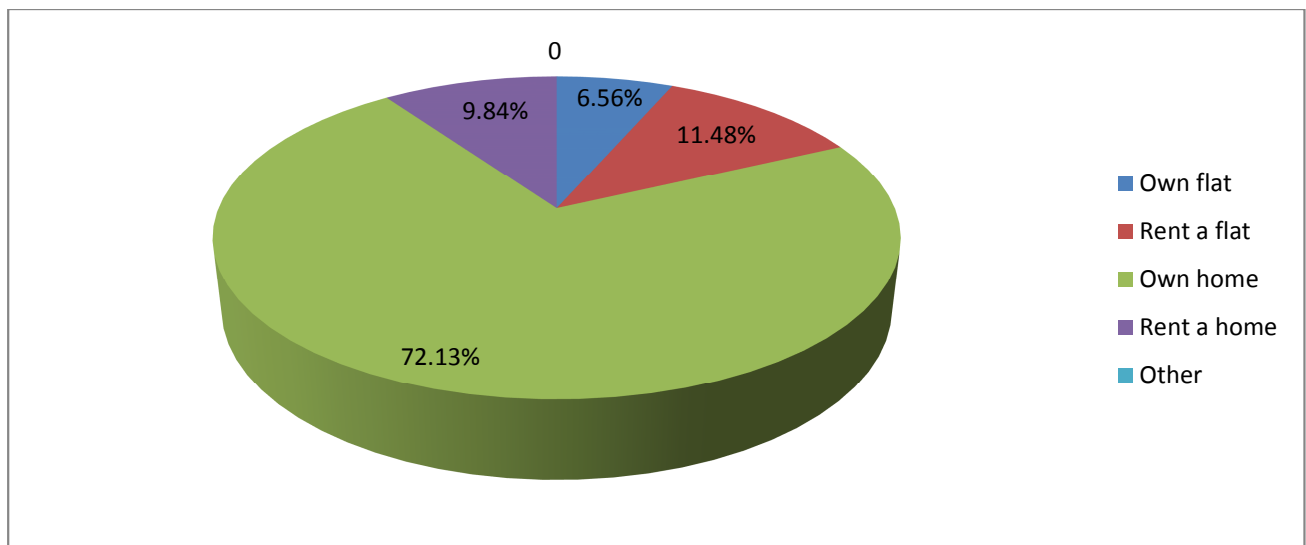
**Figure 4.6: Income Bracket**

The graph above depicts the spread of income groups ranging from R10 000.00 to above R40 000.00 per month. The consumption of households is dependent on the means to income received to pay for the goods and services they wish to consume. Thus this means that income seem to be the driving force to consumption level and a force behind the hiring

decision all else being equal. However richer households are likely not to be affected given their ability to afford the services of domestic help and other related services to take care of their dependants.

#### 4.3.6 Type of residence (Question 7)

The living conditions could also be a determinant for the hiring of domestic help. The living conditions could be attributed to the type of residence a respondent is occupying while being full-time employed. The results presents that the majority of the respondents own a home. The type of residence occupied by each respondent at the time of the study is presented in figure 4.7 below.



**Figure 4.7: Type of residence**

The results above depict the type of dwelling or establishment in which the respondent's currently resides. Owning a house or flat is said to have different determinants to that when leasing or renting a house or flat (Fakih, 2012). Therefore owning or renting an apartment is found to have an impact to make the hiring decision.

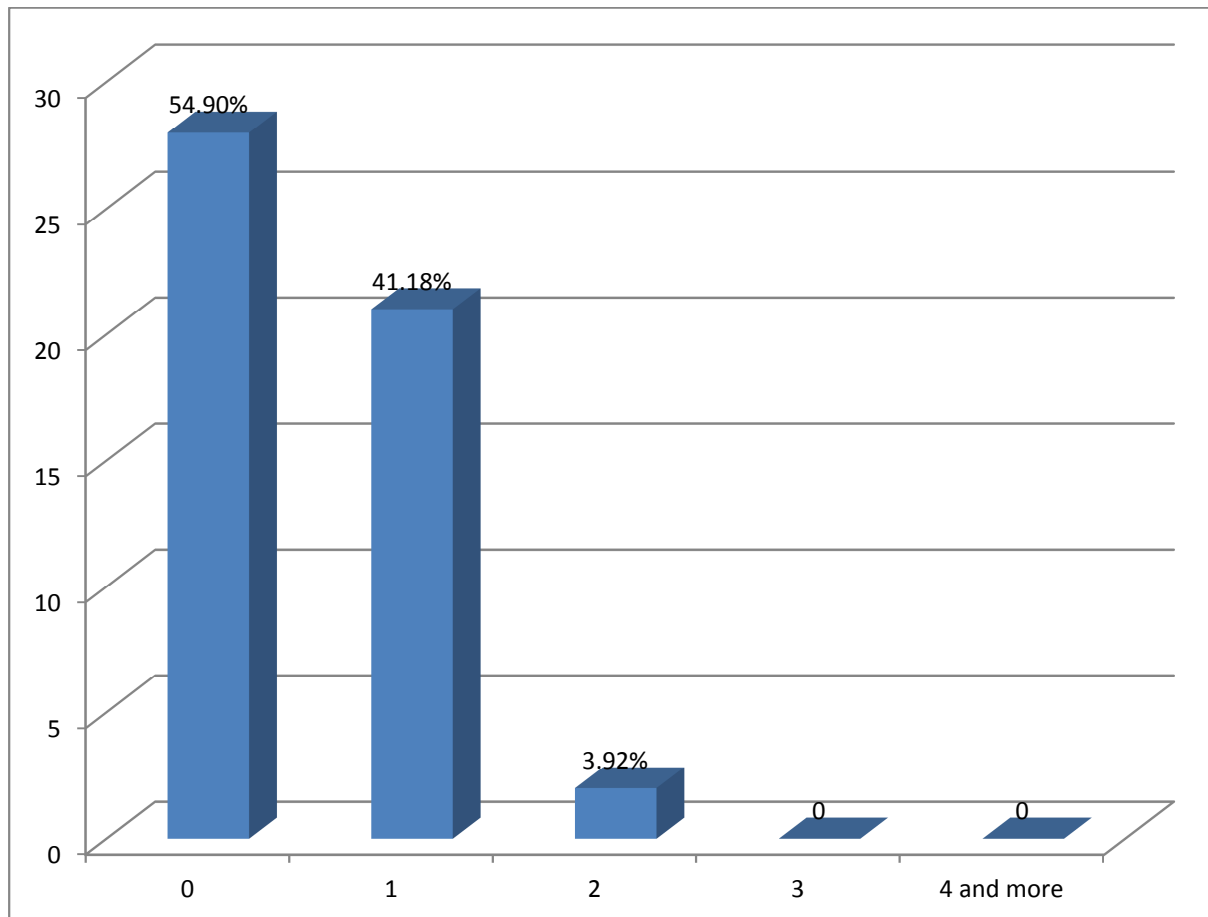
#### 4.4 Results According to the Specific to the Study Objectives

In this research there were four study objectives and the results would be presented in relation to each of the objectives. Analysis of whether home production activities is examined within the labour supply literature are likely to contribute to employment creation and what impact would this have to society. The measuring instrument used to get information from the respondents was a Likert scale.

#### 4.4.1 Determine whether people who do not employ domestic labour would employ a domestic worker if there was tax relief.

The results below present data of how many respondents do not employ the services of a domestic worker. Figure 4.8 below show how many respondents do not employ the services of a domestic worker on a full time basis.

**Question 8:** How many domestic workers do you currently employ on a full time basis?

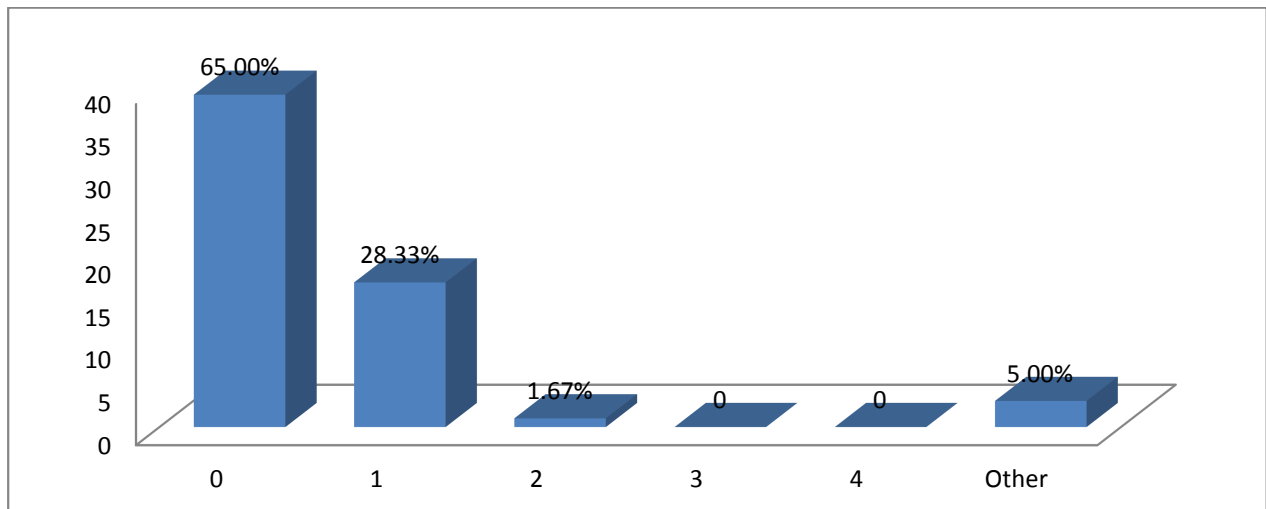


**Figure 4.8: Respondents that Do Not Currently Employ Domestic Workers Full-Time**

The bar graph above depicts how many participants currently do not employ domestic worker services on a full-time basis. The majority of the respondents do not employ the services of a domestic worker. The study seeks to find out if the respondents that do not currently employ the services of a domestic workers on a full time basis would consider employing should there be a tax relief attached to it and what could be the other reasons they are not using the services of a domestic worker.

The bar graph of figure 4.9 presents results on the question below. The results present data of how many respondents do not employ the services of a domestic worker on a part time basis.

**Question 9:** How many participants currently do not employ domestic worker services on a part-time basis?

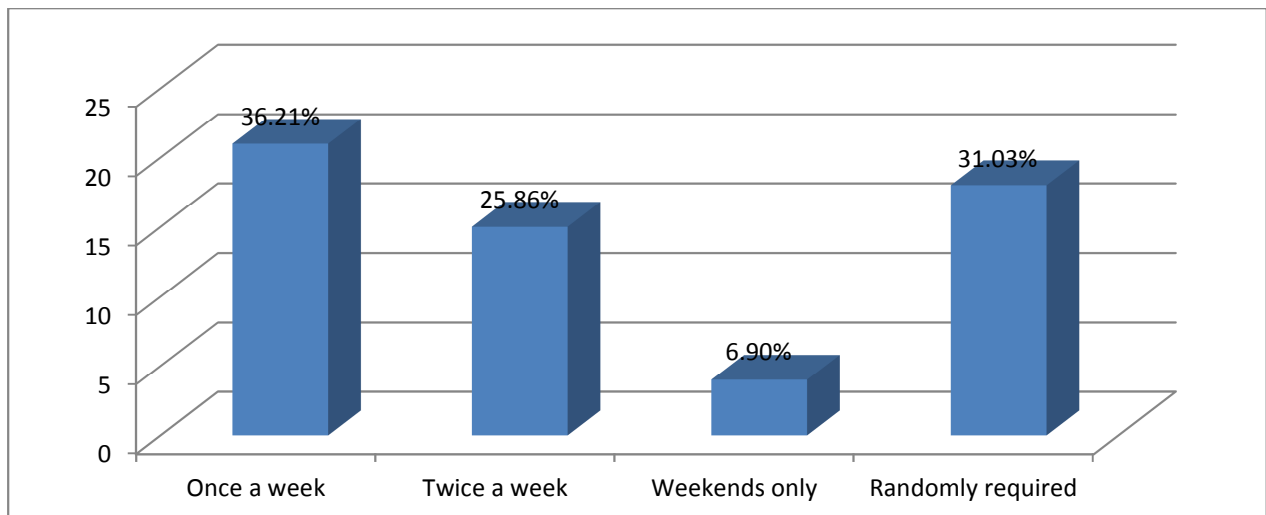


**Figure 4.9: Respondents that Do Not Currently Employ a Domestic Worker Part-Time**

The bar graph above depicts how many participants currently do not employ domestic worker services on a part-time basis. This data presents that at least 65% respondents do not currently employ the services of a domestic worker.

The question below was asked to establish whether the respondents have a real need for the services of a domestic worker and the frequency with which they would need such services.

**Question 10:** How often would you need/have a part-time domestic worker in to assist?

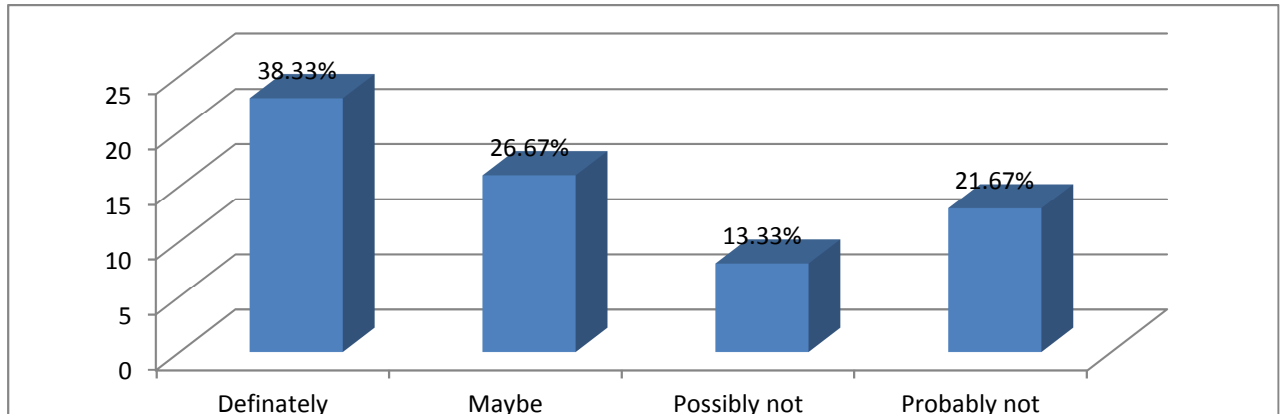


**Figure 4.10: The number of times that services of domestic workers would be needed by the respondent.**

The graph above seeks to determine the need for domestic worker services and how often would the respondents need such services.

The question and results presented below seeks to establish what impact a tax relief would have to respondents to employ domestic worker services on a part-time basis.

**Question 11:** If there was a suitable tax relief I would employ a new domestic worker on a part-time basis?

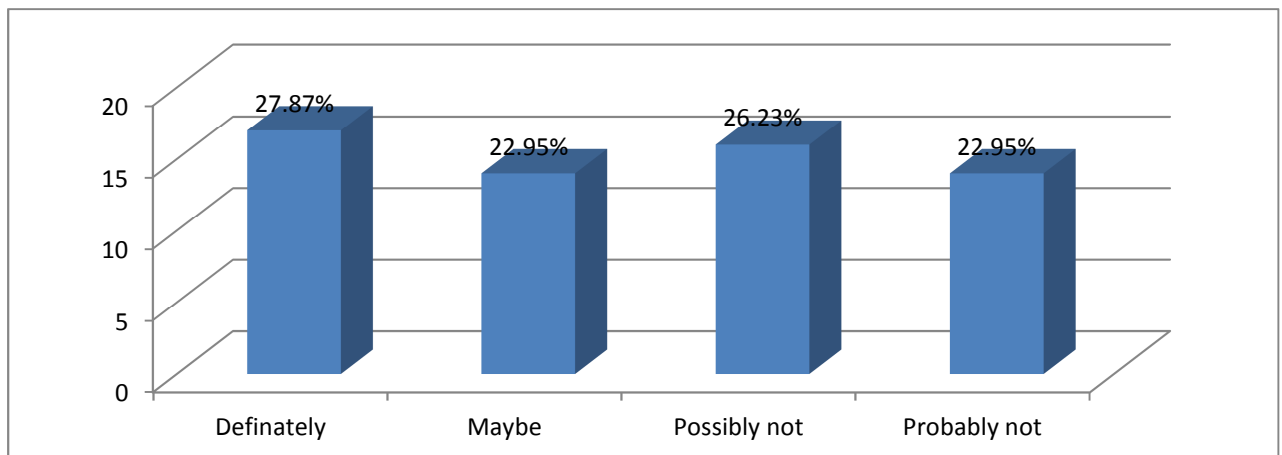


**Figure 4.11: Respondents that would employ a Domestic Worker Part-Time due to Tax Relief**

The graph presented in figure 4.11 above depicts how many of the repondents that employ and do not currently employ domestic worker services would consider employing a new or additional services of the domestic worker on a part-time basis.

The question and results presented below seeks to establish what impact a tax relief would have to respondents to employ domestic worker services on a full-time basis.

**Question 12:** If there was a suitable tax relief I would employ a new on a full-time basis

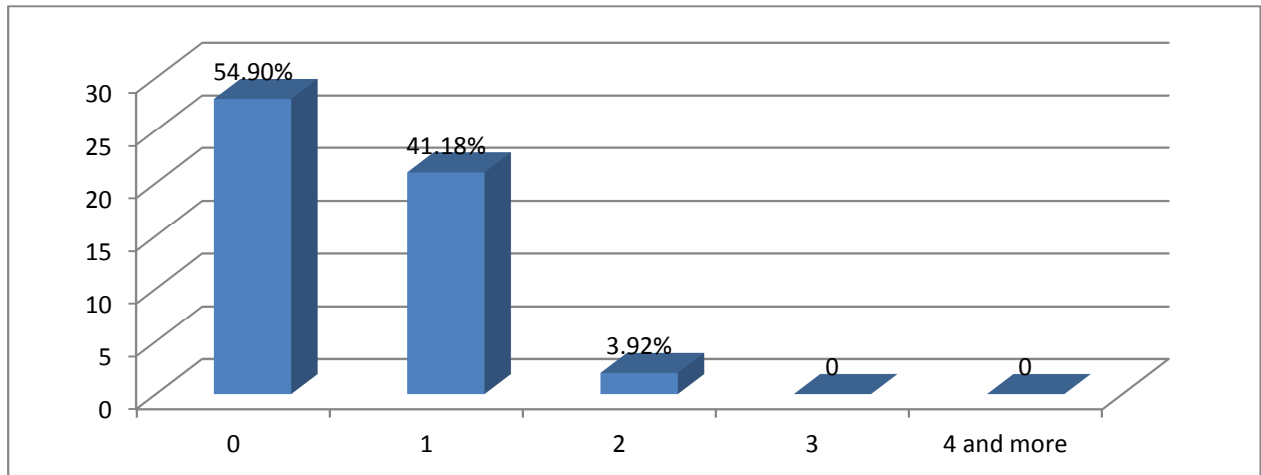


**Figure 4.12: Respondents that would employ a Domestic Worker Full-Time due to Tax Relief**

The graph in figure 4.12 depicts how many of the repondents that employ and do not currently employ domestic worker services would consider employing a new or additional services of the domestic worker on a part-time basis.

#### 4.4.2 Ascertain whether people who do employ domestic labour would employ additional employees if there was tax relief

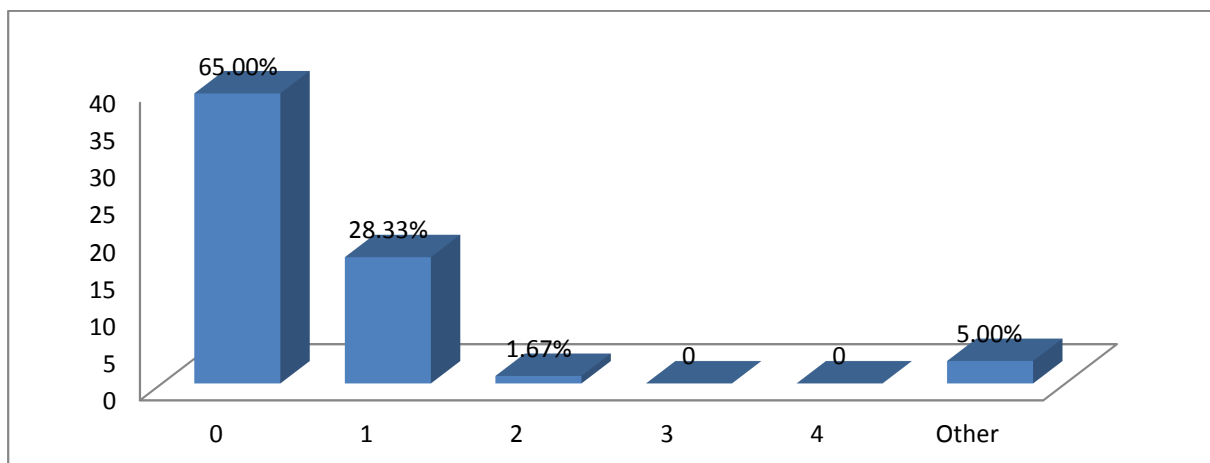
**Question 8:** How many domestic workers do you employ on a full-time basis?



**Figure 4.13** Number of full-time domestic workers employed by the respondents

The graph in figure 4.13 above depicts how many of the respondents that currently do employ domestic worker services on a full-time basis. These results would be analysed on the need and the determinants to hiring the services of a domestic worker.

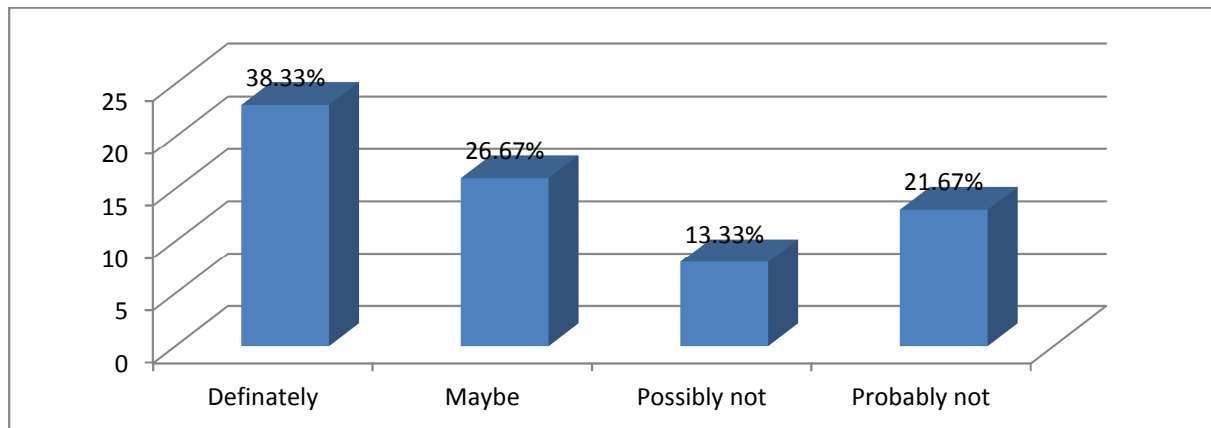
**Question 9:** How many domestic workers do you employ on a part-time basis?



**Figure 4.14:** Number of part-time domestic workers employed by the respondents

The graph in figure 4.14 above depicts how many respondents that currently do employ domestic worker services on a part-time basis.

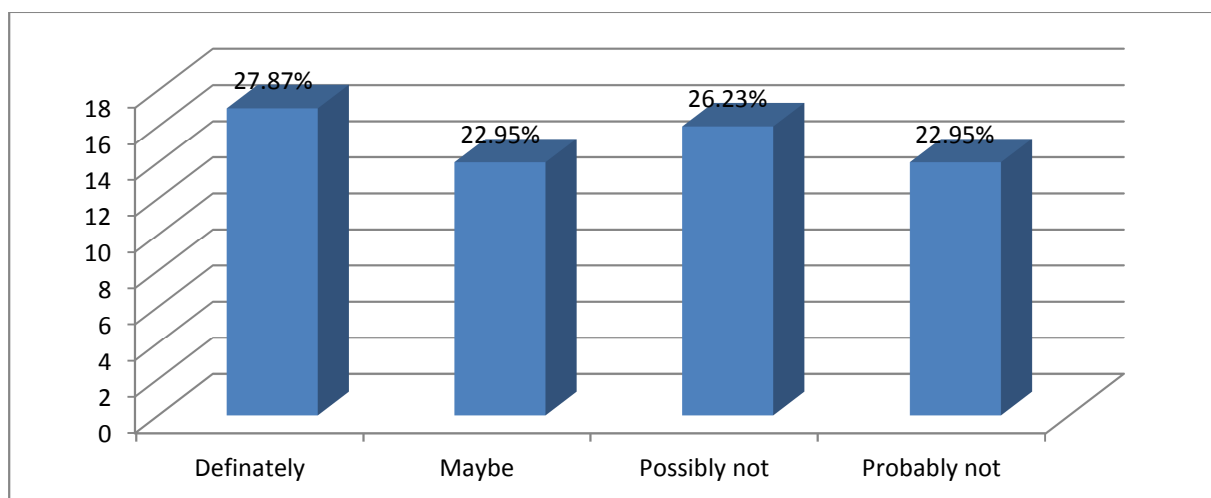
**Question 11:** If there was a suitable tax relief I would employ an additional domestic worker on a part-time basis?



**Figure 4.15: Respondents that would employ an Additional Domestic Worker Part-Time**

The graph in figure 4.15 above depicts how many of the repondents that do currently employ domestic worker services would consider employing a new or additional services of the domestic worker on a part-time basis.

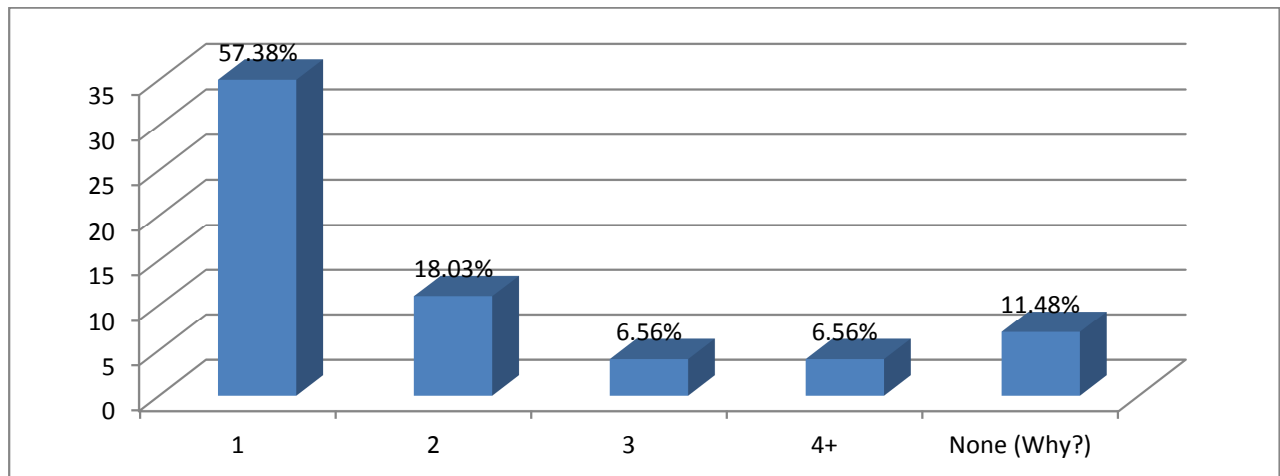
**Question 12:** If there was a suitable tax relief I would employ an additional domestic worker on a full-time basis?



**Figure 4.16: Respondents that would employ an Additional Domestic Worker Full-Time**

This graph depicts how many of the repondents that do currently employ domestic worker services would consider employing a new or additional services of the domestic worker on a full-time basis.

**Question 13:** With suitable tax relief I would probably employ the following amount of domestic workers



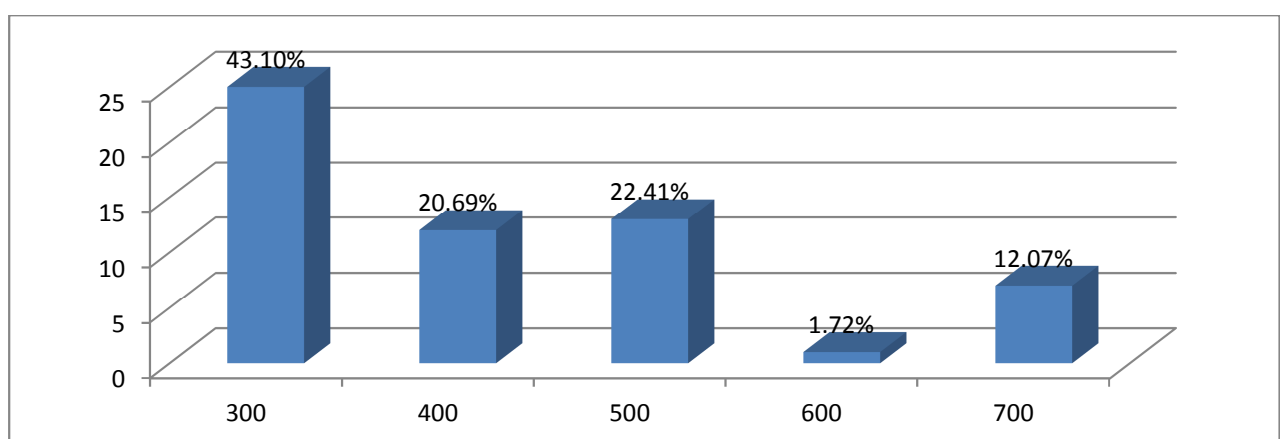
**Figure 4.17: Number of new or additional Domestic Workers that can be employed**

This graph depicts the amount of people that could probably be employed by the respondents should there be a suitable tax relief for employers of domestic worker services.

#### 4.4.3 Determine what level of tax relief would result in job creation

The results below seek to show at what amount the tax relief would be a driving force to hiring the services of a domestic worker.

**Question 14:** Based on a minimum wage of R 1 153 for 'Area A' and a minimum wage of R1 000 for Area B' a month indicate the lowest level of tax relief monthly, based on your budget, that would result in you hiring an additional full time worker

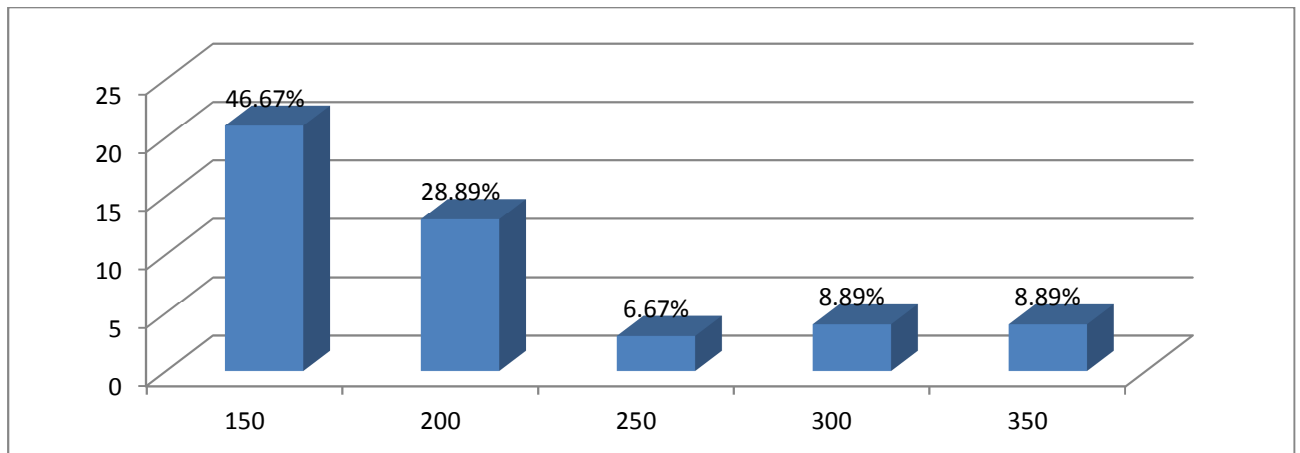


**Figure 4.18: Minimum amount of tax relief preferred for full-time domestic worker**

The graph above depicts the minimum amount based as per the respondents's budget that would probably result in hiring of an additional full-time domestic worker. This results are in view of the current minimum wage which increases as per sectoral determination.



**Question 15:** Based on a minimum wage of R50.00per day, what is the minimum tax relief you would require to employ a part-time domestic worker?

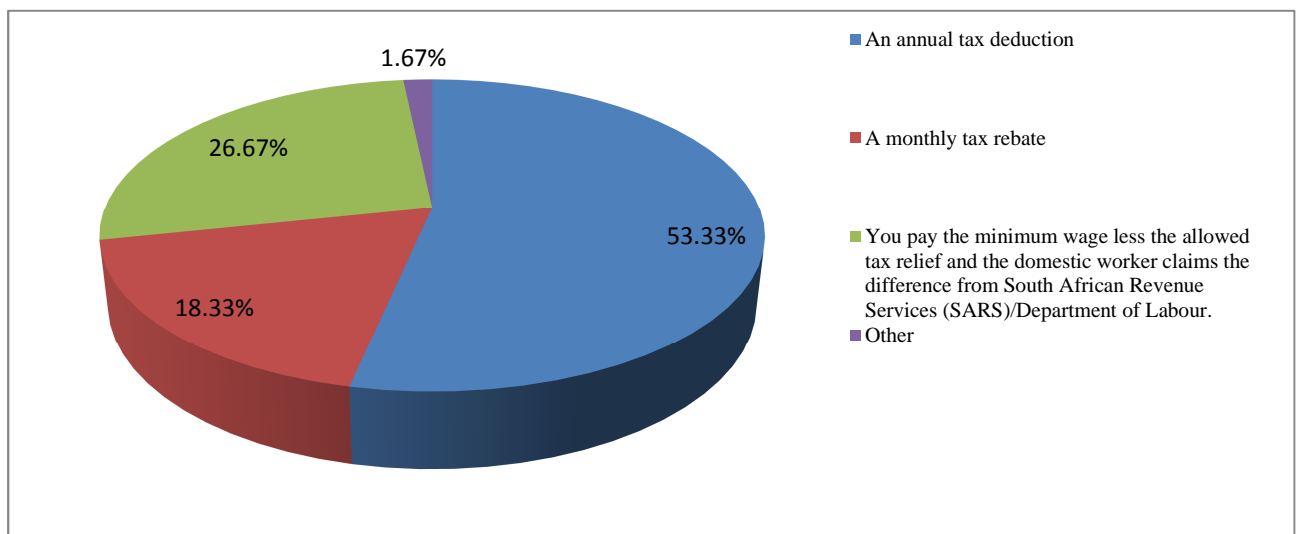


**Figure 4.19: Minimum amount of tax relief preferred for part-time Domestic Worker**

This graph depicts the minimum amount based as per the respondents's budget that would probably result in hiring of an additional part-time domestic worker. The minimum amount of tax relief for a part-time is considered on the basis of daily rate as per sectoral dertermination and department of labour. The income levels showed that the majority of the respodents earn more than R10 000.00, this translates that the least minimum amount could be considered as a tax relief.

**Question 16:** What would you prefer the tax relief to be?

The tax relief may be claimed as a monthly tax rebate, or when filling annual tax returns, or pay the minimum wage less the amount allowed as a tax relief. The claim may be subject to future audits as all documents need to be kept by the employer of the domestic worker.

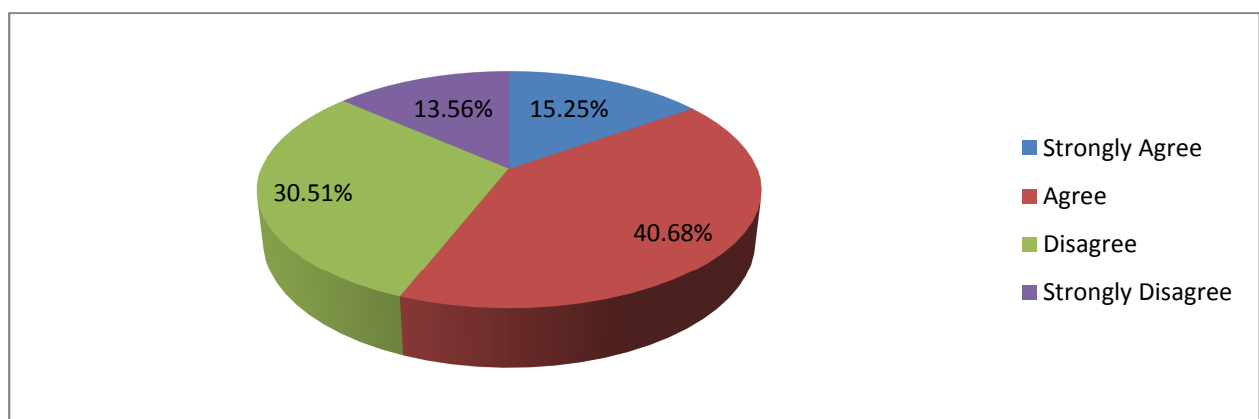


**Figure 4.20: Method of tax relief administration preferred**

The pie chart in figure 4.20 above depicts the method of tax that the respondents would prefer for the administration of the domestic worker wage. The results show that the annual tax deduction is the most preferred method for the administration of the proposed tax relief. This method could be preferred since there are already annual tax returns that taxpayers need to file each year. This means that for a Pay As You Earn taxpayer can claim a tax relief from the South African Revenue Services as a refund. Furthermore this means that the taxpayer would do a Self-Assessment as the claim is made of the annual tax returns.

#### 4.4.4 Consider the downstream economic impact resulting from jobs created through such tax relief

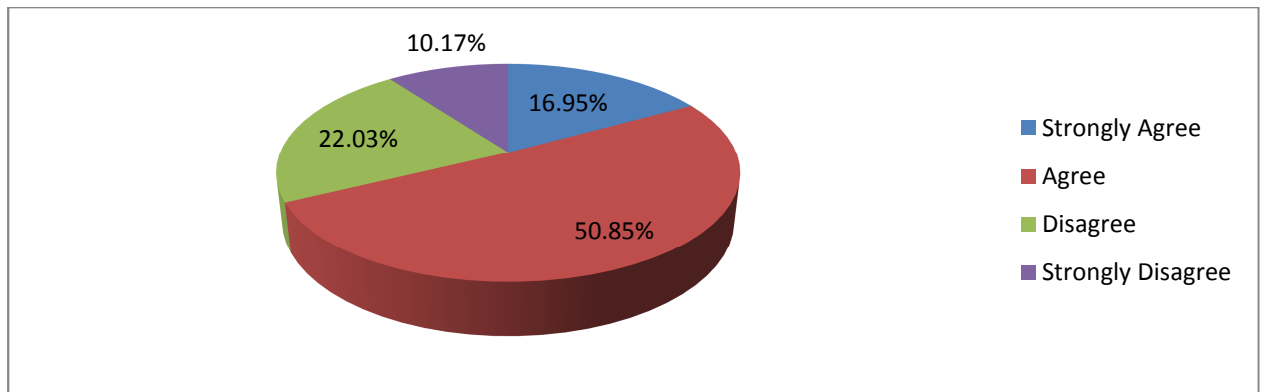
**Question 17:** An additional domestic worker would enable me to source additional income (e.g. could work long hours, work full day instead of half day, get a job and concentrate on business).



**Figure 4.21: Possible relief provided to respondent to source additional income by employing Domestic Worker**

The pie chart in figure 4.21 above depicts the benefits of employing the services of a domestic work in relation to how the respondents would structure their lives in terms of accessing additional income.

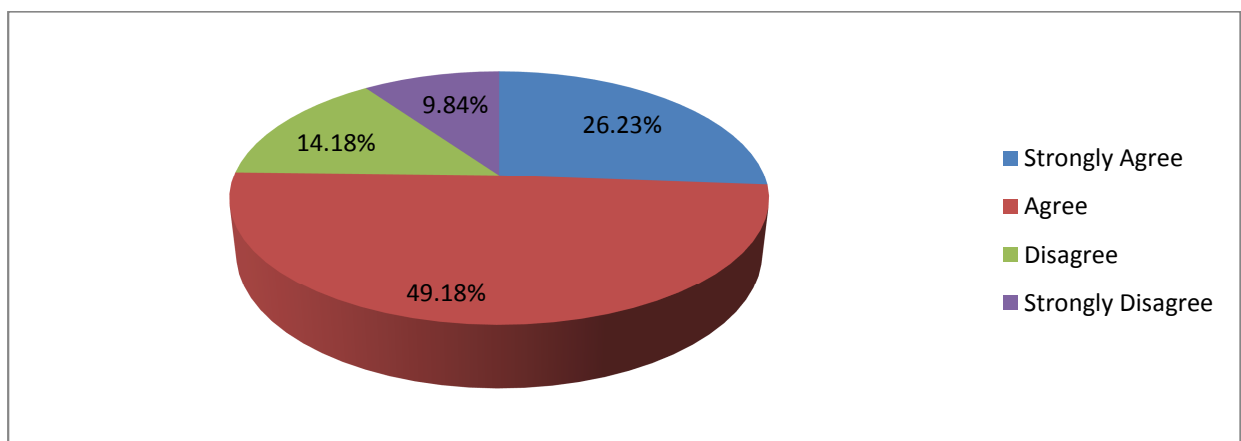
**Question18:** An additional domestic worker would help in caring for the elderly dependants/relatives



**Figure 4.22: Possible relief provided to respondent to care for family and relatives**

This graph depicts the added benefits of employing the services of a domestic worker and the impact this is likely to have on the respondents' social responsibility in caring for their loved ones.

**Question 19:** An additional would afford me time to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies



**Figure 4.23: Possible relief provided to respondent to engage in extra-mural activities**

This graph depicts the other added benefits of employing the services of a domestic worker and the impact this is likely to have on the respondents' extra-mural activities.

#### 4.4.5 Open-ended questions

**Question 20:** To further reflect on other factors other than the affordability the respondents were asked the following open-ended question: “*What other factors would you consider to employ a domestic worker other than the affordability?*”

**Table 4.2 Number of other factors that respondent would consider employing a domestic worker.**

<b>Factor</b>	<b>Frequency</b>	<b>Percentage</b>
Trust	7	11.48%
Reliability	6	9.84%
Flexibility	3	4.92%
Experience	5	8.20%
Education	4	6.56%
Competence	6	9.84%
Security risk	6	9.84%
Present workload	3	4.92%
Convenience	3	4.92%
Safety	6	9.84%
Job creation	5	8.20%
None	7	11.48%
<b>TOTAL</b>	<b>61</b>	<b>1</b>

According to the results depicted in Table 4.2 the study findings indicated in terms of frequency what other factors the respondents would consider to employ a domestic worker. The most frequent factors that would be considered to employ a domestic worker were trust which had a frequency of 7. Other factors that respondents would consider reliability, competence, security risk and safety which had a frequency of 6. The number three factors that the respondents would consider to employ a domestic worker were job creation and experience of the domestic worker.

#### **4.5 Summary**

In summary, the completed response rate of the research study is meaningful in that it exceeded the minimum of 30 respondents needed in order to be able to generalise on the results. The sample demographics showed that most of the respondents were males 68.85% (n=42) and had a meaningful representation among the racial groups. The results also showed that the respondents are represented by two majority income groups, those that earn R40 000.00 and above and those that earn between R20 000.00 and R29 999.99. It can be seen from the results that the respondents are divided on whether they would employ a domestic worker either on a part-time or full-time if there was a tax relief to employ. The questionnaire was relatively short to reduce loss of time and unwillingness to participate in the study. The literature that links and or supports the findings of the study is discussed in detail in the following chapter.

## **CHAPTER FIVE**

### **DISCUSSION OF THE FINDINGS**

#### **5.1 Introduction**

Chapter Four presented the results that were collected from the respondents in the research study. The data was collected according to the objectives and aims of the study. In this chapter the findings and results of the study would be analysed according to the specific objectives of the research. The aim of this section being to present the relevant analysis in a clear and simple manner such that it is supported by the literature above and the results presented in Chapter Four.

#### **5.2 Quantitative Results**

Of the 105 surveys sent to full-time employed people, 73 respondents started the survey and 61 responses were completed which form the basis of the results showed in Table 4.1 of Chapter Four. This therefore means that of the 73 participants 12 respondents dropped out during the survey and did not complete the actual questionnaire.

#### **5.3 Demographics**

The demographics show that of the 61 respondents 68.85% represented themselves as males and 31.15% represented themselves as females. The results reflect that in terms of gender distribution there were more males than females. This may also reflect that fewer females compared to males chose to participate in the research study. The results could support the view that some of the respondents do not necessarily need domestic worker services. Moreover this also reflects that they may be more registered male MBA students at the University of KwaZulu-Natal (Graduate School of Business and Leadership) in the first quarter of the year 2012. The results support the literature findings in that full-time employed people could have a great need for domestic worker services than those who choose not to be full-time employed especially those with no dependants. Furthermore, the research under study may also indicate how the growth of the black middle class has contributed to employment creation which was previously affected by the limited participation in the economy.

The results in Figure 4.2 depict that Blacks and Indian represented the majority of respondents in the sample. These results are consistent with the racial demographics found in the province of KwaZulu-Natal. Since the study was conducted in Durban a city which prides itself with ethnically diverse cultural beliefs and traditions. The blacks form the majority ethnic group and Indian form a second large number of ethnic groups.

The results in Figure 4.3 depict that the average age of 28, 57 and the majority of the respondents were married (72.88%) with 15.25% being single. The majority of the respondents fall within the age group of between 26 and 35 as presented in Figure 4.3. This age group is people who are still completing and furthering their education, managing their career prospects and starting new families. This age group also has characteristics of financial pressures as they have priorities such as purchasing of first cars or changing it, moving in to a new home or flat and having the flexibility to maintain a social lifestyle. The emphasis is that this age group is still acquiring wealth and they have a great desire to fully participate in the economy of the country by being involved in the corporate world or seen to be working.

This is characterised by that the average age are people who are starting out new families. The respondents were also asked to provide information regarding the level of their income bracket. Most respondents indicated that income is earned between R40 000.00 and above with the second majority falling within R 20 000.00 to R 39 999.99 combined. These results are presented in Figure 4.6 indicate the level of personal income and the distribution of income among the ethnic and age group of the respondents. This intended to reflect on the effect the tax relief would have on the personal income for the respondents in the respective categories.

According to the results depicted in Figure 4.7, the majority of the respondents reside in homes they own. These results correspond with the characteristics of the average age group in that these people tend to have long-term financial obligations in terms of financing their lifestyle and the notion of wealth creation. The category with the highest number of respondents either rent a flat or a home. These could be people who either are still advancing their careers or are not yet stable in terms of their career or financially to be committed to a bond payment. Various studies claim that such people are often busy with either long hour at work, part-time studying and extended social life and they cannot necessary consistently attend to their domestic chores or responsibilities.

## **5.4 Specific Aims of the Study**

The study findings will be discussed and analysed in detail in the following section according to the objectives of the study. The results of Chapter Four will be linked to the literature reviewed in Chapter Two and new literature will also be incorporated where relevant.

### **5.4.1 Determine whether people who do not employ domestic labour would employ a domestic worker if there was tax relief.**

The first objective of the study was to determine if the respondents that do not currently employ a domestic worker would consider employing their services if there was a tax relief to employ one. Literature in the study explained that the market for domestic worker is large but has over the years dropped (Hodge, 2009). This drop experienced over the past few years could be attributed to the global economic downturn which also had an adverse effect on the domestic economy which was categorised by loss of jobs across all sectors. This effectively had an adverse financial impact to households' disposable income and affected their affordability of goods and services.

Prior to establishing the possible effect of the tax relief of the domestic worker wages, it is imperative to determine if the respondents have a need for domestic worker services. Looking at the current living situation and the type of respondents, male are the dominant respondents. However many respondents are said to have been married which suggest that both parties to the marriage are full-time employed. The majority of the respondents have dependents of more than one and are home owners. This reflects that the respondents may have a need for domestic worker services to compensate for their work commitment and also help with their dependents especially for those that have young school children.

Figure 4.10 in Chapter Four depicts that the majority of the respondents would need the services of the domestic at least once or twice a week respectively. The need for such domestic work services could either be for full-time or part-time. This therefore highlights the corresponding effect to the life challenges faced by the respondents in terms of work aspirations and commitments, age, living conditions, financial commitment and family responsibilities.



The majority of the respondents do not currently hire the services of the domestic worker that is for both full-time and part-time. This is represented by the results depicted in Figure 4.8 which state that 54.90% respondents do not employ domestic workers on a full-time basis and similarly 65.00% on part-time basis. Literature presented mention that there has been a drop in the amount of domestic workers currently employed (Hodge, 2009). This is consistent with the gloomy global economic outlook faced by all economies across the world. This has been seen by a tremendous continuing increase in the price of goods and services over the past three years. The majority of the respondents are classified as those that are on the life stage category of wealth creation with long term financial commitments. Their flexibility in terms of expenditure is limited to their disposable income and affordability of other goods and services. Therefore the high number of respondents that do not currently employ domestic workers could be attributed to the global economic situation and their financial commitment as per their life stage category. The results presented depict that very few respondents have no need for the services of domestic worker.

The results therefore are consistent with the literature in that the continuing rise in the price of goods and services does have an adverse bearing to the potential and current employers of domestic workers. Various authors also expressed the concern in that the continual increase in minimum wage would have adverse results the employers and potential employers would be unable to afford the high wages (Hertz, 2008).

#### **5.4.1.1 Do not currently employ domestic worker services would consider employing a new domestic worker on a part-time basis**

The results presented in Figure 4.9 depict how many of the respondents that do not currently employ domestic worker services would consider employing new services of the domestic worker on a part-time basis. This presents that a tax relief of domestic worker wages to employers of domestic workers would offer an opportunity to the person that have a need for domestic worker services but have financial constraints that limit such person to utilise such services. This also presents that the tax relief of domestic worker wage provides the unemployed with an opportunity of employment and such tax relief could contribute toward job creation.

The results depicted in Figure 4.11 present that 38.33% of the respondents would definitely employ a domestic worker if there was a tax relief to employers of domestic workers as a means to foster employment creation and eradicate unemployment. This group of respondents

are those that may have a limited affordability to spend on the services of the domestic worker. A tax relief would provide an opportunity for the respondents to utilise the services of a domestic worker and also contribute to addressing unemployment.

The results in Figure 4.11 depict that 26.67% of the respondents might employ a domestic worker on a part-time basis if there was a tax relief to employers of domestic workers as a means to address unemployment. This group of respondents may represent those that would look at other factors other than a tax relief to either employ services of a domestic worker on a part-time basis. Should all the other factors be met this group of respondents have a high propensity to employ a domestic worker on a part-time basis.

According to the results in Figure 4.11 they also depicted that 13.33% of the respondents would possibly not employ a domestic worker even if there was a tax relief to employers. A further 21.67% of the respondents according to Figure 4.11 considered that they would probably not employ a domestic worker despite a tax relief to employers as a means to address unemployment. It should be noted that these are respondents that do not currently employ the services of a domestic workers. These results translate that this particular group of respondents may not have an immediate need for domestic worker services as it were. The life stage and lifestyle of this group of respondents may not necessary need to employ a domestic worker. Furthermore, the minimum amount considered for a tax relief may not necessary make a significant impact to the affordability of the services of the domestic worker to such a group of respondents.

#### **5.4.1.2 Do not currently employ domestic worker services would consider employing a new domestic worker on a full-time basis**

The results depicted in Figure 4.12 show that 27.87% respondents would definitely employ a domestic worker on a full-time basis if there was a tax relief to employers of domestic workers as a means to foster employment creation and eradicate unemployment. This could represent respondents who do have a need for domestic worker services but has not utilised them due to cost constraints. The results provide evidence that a tax relief would provide an opportunity to the respondent that seeks employ the services of a domestic worker by reducing the capital cost to employ such services.

The results also depicted that 22.95% respondents may consider employing a domestic worker if there was a tax relief to employers. The results present that though the respondents

may have a need for the services of a domestic worker but there may exist other factors for consideration to employ a domestic worker. This therefore suggests that should these other factors considered be met the respondents would employ the services of a domestic worker.

The results in Figure 4.12 also show that 26.23% of respondents would unlikely employ a domestic worker even if there was a tax relief to employers. The results further depicted that 22.95% respondents would not probably not consider a tax relief to employ a domestic worker. Similarly to the consideration of part-time domestic workers these results translate the respondents may not have an immediate need for domestic worker services. The life stage and lifestyle of the respondents may not necessary need to employ a domestic worker. Furthermore, the minimum amount considered for a tax relief may not necessary have a significant impact on the affordability of the domestic worker services to the respondents.

Literature presented that there is a long term effect to for the considered tax relief to employers and potential employers of domestic workers (Grossman, 2009). The long-term effect are mentioned to reduce the capital cost of labour by offering an incentive that aim to accelerate job creation and reduce unemployment. The lowering of the cost of labour to an employer has been a central feature to labour market policies in many countries.

According to the literature the reason why there is no deduction or tax relief to full-time employed employers of domestic workers is that they do not meet the requirements of the production of income. This is attributed to carrying on business and therefore the deduction would only qualify upon proving that such services of the domestic worker are specifically used in conjunction with carrying on business. The reason for domestic worker wages not to fully qualify as a deduction is in respect of the production of income (carrying on business) where the employer is fully salaried (full-time employed). This means that the wages paid to domestic workers by their employers that are fully employed are payable out of their after tax income which reduces the affordability of such services and which could discourage to foster employment creation.

#### **5.4.2 Ascertain whether people who do employ domestic labour would employ additional employees if there was tax relief**

Research has boldly classified South Africa as the biggest welfare state in the world (Picard, 2001). The government officials entrusted with social welfare policies argue that since both the public and private sectors are unable to absorb the high unemployment the government therefore cannot overlook the many people that are suffering from poverty as a result of

unemployment. Economists argue that such dependency is unsustainable and would continue to increase over the years (Schussler, 2011).

The numbers of respondents that do employ domestic workers for both full-time and or part-time basis are presented by Figure 4.8 and Figure 4.9 respectively. Figure 4.8 presents that 41.18% respondents employ one domestic worker on full-time basis, 3.92% employ at least two domestic workers on full-time basis. Figure 4.9 presents that 28.33 % of respondents employ one domestic worker on part-time basis, 1.67% respondents employ more than one domestic worker on a part-time basis. These results depict that there is a relatively significant number of respondents that do use the services of domestic workers.

Literate presented that the reasons for employing the services of a domestic worker could be attributed to that full-time employed people do need help because they have work commitments and do not have sufficient time to carry out domestic tasks, (Kola, 2001). These employers of domestic workers already are subject to the laws that regulate the employment of domestic workers. The employers are required to register their employees and contribute to the Unemployment Insurance Fund (UIF). Such employers are expected to comply with the sector determination minimum wages that are adjusted periodically. This therefore means that these employers are likely to be complying and already familiar with the administration issues related to employing a domestic worker.

Since the majority of the respondents are home owners, the added need to employ a domestic worker either on a full-time or part-time could be influenced by the domestic worker wage tax relief consideration. This could address the extended needs as the domestic work can be broken down to many different activities. Some of the domestic work activities require certain level of skill and power with which to perform such work efficiently.

The findings depicted in Figure 4.11 present results of respondents that would employ a new domestic worker on a part-time basis if there was a suitable tax relief. The results show that 38.33% respondents would definitely utilise a tax relief to employ or add a domestic worker to help with maintain their households. About 26.67% of respondents would consider employing or adding a domestic worker as result should there be a tax relief associated with job creation for domestic workers. The results also present that 13.33% of respondents may possibly not be influenced by a tax relief to either employ or add a new domestic worker.

Furthermore, 21.67% of respondents would probably not employ a new or additional domestic worker on a part-time basis even if there was a tax relief to employ a domestic worker.

According to the findings depicted in Figure 4.12 which present results of respondents would employ an additional domestic worker on a full-time basis if there was a suitable tax relief. The results depict that 27.87% of respondents would definitely make use of a tax relief to employ an additional domestic worker. Only about 22.95% of respondents probably consider the benefit of a tax relief to employ an additional domestic worker. Literature presented that a tax relief can be a direct transfer, a reduction of or exemption from social security contributions, or paid as an income tax credit. It can be provided to those already employed or to new hire. Evidence provided that a tax relief have long-term dynamic effects through improving the permanent employability of participants (Picard, 2001).

Despite these long-term benefits to improving job creation and reducing the cost of employment Figure 4.12 presented that 26.23% respondents would possibly not consider a tax relief to an additional domestic worker. A further 22.95% of respondents would probably not consider a tax relief to employ an additional domestic worker on a full time basis. These results present that there could be differing views about a tax relief based on the income level of the respondents since the majority of the respondents earn an income which is above R 40 000.00 per month as presented in Figure 4.6. This could mean that the minimum amount to consider a tax relief as presented in Figure 4.18 and 4.19 respectively would not have a significant impact on their need and cost factor to employ services of a domestic worker.

#### **5.4.3 Determine what level of tax relief would result in job creation**

Employment tax relief have the potential of increasing employment, but in practice may not necessary be as effective in increasing employment as desired. This view is supported by various authors in that an employee tax deduction subsidy could increase employment but in practice it is probable that the application of such a system would be bungled with administration. The administration for employment of domestic workers could be met with lots of fears and concerns of possibly incurring the record keeping costs by the employers. Since not many employers may be familiar with normal tax rules of employing this may pose uncertainty regarding the eligibility of a tax relief. The concern may be great at the time to

hire as many employers may not be aware of the employment tax until it is time to file the annual tax returns (Hungerford, 2010).

According to the results in Figure 4.20 the majority of the respondents (53.33%) were in favour of an annual tax deduction as the method for the administration of the domestic worker wage. The results also reflected that there some respondents (26.67%) according to Figure 4.20 prefer to pay the wages less the amount allowed as a tax relief and allow the domestic worker to claim the difference from either South African Revenue Services (SARS) and/or Department of Labour. This provides evidence in support of the literature in that there are several compliance and administration effects that employers and potential employers of domestic worker services wish not to be pinned down on.

Furthermore the results also presented in Figure 4.20 that 18.33% of respondents would prefer a monthly tax rebate as the method of administering a tax relief of a domestic worker wage. This further supports the administration concerns that the respondents wish to avoid. The monthly tax rebate could avoid the accumulation of the tax administration which would normally be left for the end of the tax assessment year when filling tax returns. This can potentially cause unintended consequences that can limit net employment gains in the short term. This is supported by the fact that there is already an issue of non-compliance regarding the registering of the employment of domestic workers for Unemployment Insurance Fund with the Department of Labour (Dickens, 2010). Furthermore, this is supported by the recent results of a survey on domestic workers and employers (Domestic Workers, 2010) in that more than 85% of domestic workers do not have any form of written contract with their employers.

The services of domestic workers are usually offered at different need basis, that being on the full-time and part-time basis. The findings related to this are presented in Figure 4.8 and 4.9. Given the pervasiveness of low wages the provision for minimum wages was crucial in promoting decent pay to alleviate worsening poverty and to recognise the services offered by domestic workers. Literature presented that although the minimum wage does contribute positively to the social well-being to the domestic worker but it does however have an adverse economic bearing to the employer.

The results presented in Figure 4.18 depict that 43.10% of respondents' monthly budget would consider a tax relief to the minimum amount of R300.00 based on the minimum wage

due to the full-time employed domestic worker. The majority of the respondents would consider a minimum amount above R300.00. Figure 4.19 also presents results of the minimum amount of tax relief that the respondents would consider for a part-time employed domestic worker. The results present that 46.67% of respondents would consider R150.00 as the minimum amount of the respondents's budget that would probably result in hiring of an additional part-time domestic worker. The majority of the respondents would consider an amount that is more than R150.00 as the minimum amount that the respondent would probably result in hiring of an additional part-time domestic worker.

These results are consistent with literature that there is an increase in the minimum wage that is likely to harm minimum wage earners by reducing the prospects of employment more than it increases their wages (Bird, 2008). A continual increase in minimum wage would cost jobs as the employers would be unable to afford to employ more people. Although the minimum wage concept is intended for good but it is deemed not to ease poverty and might contribute to lower levels of employment due to the continual increase in capital cost of employment.

#### **5.4.4 Consider the downstream economic impact resulting from jobs created through such tax relief**

The market for domestic work is large, it is one of the oldest occupations and for decades many people have at some point relied or needed the services provided by domestic workers. The contribution of domestic workers to society remains undervalued despite their continual contribution to the economy. Recent data from the International Labour Organisation (2010) show that domestic work in developing countries make up between 4% and 10% of total employment. Literature and statistics continually reflect that the domestic work sector is important as it is a source of employment creation in many developing countries like South Africa (Blaauw, 2010).

##### **5.4.4.1 Employment**

The effect of unemployment is spread to the entire economic system and the society in general. The government suffers financial loss as a result of unemployment through the impact it has on government expenditure in that it has to pay social grants to the unemployed and reduces tax revenue as the unemployed pay no tax (Hungerford, 2010). All these have a direct bearing to households and in the long-run the societies they live in. All these factors are a result of a market failure and this justifies government intervention through employment subsidies (Rejda, 2011). These interventions can be fostered through developing policies that

will help to maintain growth, reduce unemployment this is by increasing labour-market flexibility, and lowering the costs of labour (Arora, 2010).

Since domestic work is one profession that most people have resorted to as a means to secure employment and earn money to survive as opposed to making a living. Policy reforms such as a tax relief to employers of domestic workers need to be considered to create an appetite to employ and create job opportunities. The policy consideration on the tax relief of domestic worker wages could be seen as the means to job creation by encouraging households to continually to participate in poverty eradication and empowering fellow citizens.

**5.4.4.2 An additional domestic worker would enable me to source additional income (e.g. could work long hours, work full day instead of half day, get a job, and concentrate on business)**

The results in Figure 4.21 show that 15.25% of respondents strongly agree and 40.68% agree that the services of the domestic worker would enable them to source additional income. This means that the services of domestic workers would enable their employers more time to focus on other responsibilities to sustain their lifestyles. The employer of domestic work is afforded more time to have a full-time job and focus on the deliverables at their place of employment. This is likely to improve productivity since the focus has been directed to excelling and acquire income to sustain the lifestyle.

According the results in Figure 4.21 they also presented other respondents disagree (30.51%) that a domestic worker or an additional domestic worker would enable them to source additional income. These particular respondents do not necessary see a benefit of employing one or additional domestic worker. This could be influenced by their life stage since they might already employ the services of a domestic worker and a tax relief would not necessary have a significant impact on their current state of affairs. This can also be attributed to the fact that a significant number of 46.67% respondents earn an income or combined income in access of R40 000.00 per month and the considered minimum tax relief would not significantly affect their affordability of the services of a domestic worker.

A relatively small portion of respondents 13.56% strongly disagree that employing an additional domestic worker would afford them any more time to source additional business activities, work full-day instead of half-day and get a job). These respondents could be those that are well established and fall in the age category of over 56 years old.



#### **5.4.4.3 An additional domestic worker would help in caring for the elderly dependants/relatives**

Full-time employed people tend not to have enough time to balance all their life activities and responsibilities due to work commitments. This causes an imbalance and neglect to other important aspects of life like caring for the elderly, dependants and relatives. The respondents were asked if employing a domestic worker or an additional domestic worker would help reduce this imbalance. The results depicted in Figure 4.22 presented that 16.95% of respondents agree that a domestic worker and/or an additional domestic worker would enable them to give more care to their family in a form of elderly, dependants and relatives.

The results in Figure 4.22 also present that more than half of respondents (50.85%) strongly agree that a domestic worker and/or an additional domestic worker would enable them to give more care to their elderly dependants and relatives. This highly indicates that the majority of respondents do have a need of domestic worker service but there could be limiting aspects to employing their services especially for those that do not currently employ. Furthermore, this also detect that the respondents do acknowledge the imbalance in their lifestyle as a result of work commitments.

The results also presented that 22.03% of respondents disagree that a domestic worker and/or an additional domestic worker would enable them to give more care to their family in a form of elderly, dependants and relatives. This could be influenced by the kind of lifestyle these particular respondents currently enjoy such as the income bracket they fall in, the type of working environment and the family situation. A further relatively small percentage of 10.17% respondents strongly agree that a domestic worker and/or an additional domestic worker would enable them to give more care to their family in a form of elderly, dependants and relatives.

#### **5.4.4.4 An additional domestic worker would afford me time to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies**

Various economists hold a view that the benefit of a household to employing a domestic worker is that they can be free to undertake other activities (Budlender, 2011). This value of having someone else do the work that you would otherwise have to do could include

increased opportunity to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies.

The results depicted in Figure 4.23 present that 26.23% respondents strongly agree that a domestic worker or an additional domestic would afford them to have free time to undertake extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies. The majority of the respondents 49.18% agree that a domestic worker or an additional domestic would afford them to have free time to undertake extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies.

These results also correspond with the results that are presented in paragraph 5.4.4.3 above, if a domestic worker or an additional domestic worker would afford the respondents free time to care for family and now to undertake other activities. This is supported by the majority of respondents who have a need for help so that they can be able to undertake other activities. This also highlights that the respondents are limited to engage in other activities as presented by the results.

Figure 4.23 also present results of 14.18% respondent who disagree that a domestic worker or an additional domestic would afford them to have free time to undertake extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies. A relatively small number of respondents 9.84% are those that strongly disagree that a domestic worker or an additional domestic would afford them to have free time to undertake extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies.

## **5.5 Open-ended questions**

In the research study the respondents were asked an open-ended question to determine what could be the other factors that would influence the respondents to employ a domestic worker other than the cost factor. These results seek to present an additional analysis and insight pertaining to the objectives of the study.

In the study the findings in Table 4.2 presents that the most frequent factors that would be highly considered to employ a domestic worker was trust which had a frequency of 7. Other

factors that respondents would consider are reliability, competence, security risk and safety which had a frequency of 6. Respondents would consider employing a domestic worker based on experience of the domestic worker. The other factors for considerations by the respondents based on the study are to be relieved from the workload and greater personal convenience.

## **5.6 Summary**

This study has pointed out that the majority of the sample were predominantly males and represented by Black, Indian and White race groups. It appears there are a relatively high number of respondents that do not currently employ domestic workers either on a full-time or part-time basis as compared to respondents that do currently employ domestic workers.

The study found that domestic work is considered to have a social and economic value in that it enhances the quality of life and provides added convenience for the households that employ domestic workers. Furthermore the contribution of domestic workers reduces the financial burden to the government by lowering poverty and unemployment. In various international countries such as Sweden, Denmark and Finland they also did consider such tax a reform to redress the issue of high unemployment out of a need to create new jobs in a different employment sector. The policy consideration on the tax relief of domestic worker wages could be seen as the means to job creation by encouraging households to continually to participate in poverty eradication and empowering fellow citizens.

The tax relief of domestic worker wages would serve as the means of lowering the cost of labour to an employer or raising the wage a worker receives. In lowering the cost to labour which is through a tax incentive, it may lead to a multiplier effect through increased employment, disposable income and spending by the new participants in the economy. However there are differing views regarding a tax relief in that high income earners do not necessarily see the added benefit of the tax rebate/relief as the domestic worker wage does not have a significant impact in terms of their disposable income.

## **CHAPTER SIX**

### **GENERAL SUMMARY AND RECOMMENDATIONS**

#### **6.1 Introduction**

The preceding chapter dealt with the analysis of the results and how they are linked to the literature. This chapter has four sections: 1) this captures the link between the objectives and the results; 2) discusses the limitations of the study; 3) make recommendations which will identify possible suggestions on how a tax relief for domestic worker wages can address issues of job creation, improvement of the current study and the need for further research; 4) make conclusions on the current study.

The research consisted of a quantitative survey in the form of an electronic questionnaire to participants that qualified as full-time employee who either currently employ or do not employ the services of a domestic worker. These participants then formed the sample frame from which the general sample was taken, since it was believed that these individuals would yield the most useful data. The overall purpose of the study was to determine a tax relief to employers of domestic workers as a means addressing unemployment and the summary of results would be discussed in the next section.

#### **6.2 Summary of the results**

This section provides a summary of the results and possible reasons for results linking them to the literature and to each of the four research objectives. It also addresses if whether the each research objective has been answered by providing evidence as per the results of the quantitative survey.

##### **6.2.1 Demand for domestic worker services**

The results from the survey depicted that the majority of the respondents do not currently employ the services of a domestic worker for both on a full-time and part-time basis. Literature presented that the demand for domestic work has not declined despite the introduction of new labour laws. This suggests that all things being equal many households do have a need to employ a domestic worker based on their living circumstances and work

commitments. This need for domestic worker services has continued to create job opportunities for ordinary people who are willing to offer their helping services. Literature further revealed that the Government is aware that the domestic work sector remains a major employment generator which supports millions of dependants (Blaauw, 2010). Taking into consideration the life stages of the respondents, marital status, number of dependants and that they are full-time employed provides evidence that the respondents do have a need for domestic worker services to compensate for their work and other commitment. Therefore it is recommended that the state give serious consideration to granting tax relief to people that employ domestic workers, in the light of the perimeters of the study.

#### **6.2.2 Determine whether people who do not employ domestic labour would employ a domestic worker if there was tax relief**

In the study the results presented that the majority of the respondents do not currently employ domestic workers either on a full-time or part-time basis. Recent gloomy economic trends could have had a negative impact on the household income as the price of goods and services have been on the rise and this probably influenced the purchase of domestic worker services. Since the majority of the respondents are aged between 26 and 35 years old, this is the age bracket where people marry or set up home together, start a family and begin their individual occupational journeys (Cyprah, 2009). This age group has characteristics of financial pressures and are likely to react to economic changes to maintain and sustain their lifestyle. Furthermore, for the people in this age bracket work becomes the backbone of their lifestyle and existence as they seek to advance and realise their dreams.

The results in the study presented that a majority of respondents have a need for the services of a domestic worker at different time intervals in favour of the respondent. Such need could be manifested from being busy with long hours at work, part-time studying and extended social life and inability to consistently attend to domestic chores or responsibilities. The possible reasons for not employing a domestic worker were not sought as this could range from affordability to avoiding the administrative and regulatory burden of employing a domestic worker.

The results of the survey depicted that the sample population was divided in that, though the majority of the respondents that do not currently employ the services of a domestic would consider employing a domestic worker if there was a tax relief to do so. There is but a slight

difference with those that would probably not and possibly not employ despite a tax relief to employ a domestic worker. This therefore did not provide a clear outcome that indicates a relatively high consideration of a tax relief to employers to address unemployment. This could be due to the fact that households that are based in urban areas are relatively well-off financially as this is reflected in their non-consideration of a tax relief in the consumption of domestic worker services as they are most likely to be employers of domestic workers. This slight difference can potentially be useful policy to makers in their effort to considering a tax relief and also regulating the industry of domestic workers.

### **6.2.3 Ascertain whether people who do employ domestic labour would employ additional employees if there was tax relief**

The qualifying criteria for the participants in the study was that they had to be full-time employed or fully salaried. The results also depicted the majority of the respondents are married which could present that both partners are full-time employees. This would then justify a need for help since both partners could be subjected to work commitments and do not have sufficient time to do domestic chores. The study was mainly focused on the help services provided by a domestic worker as defined.

The reason for an additional domestic worker could be influenced by a real need and also the different services they offer to their employers. The real need could be justified by the inability to carry out own domestic tasks and also due to the type of place of residence they occupy. Since the majority of the respondents reside in owned homes this presents that there may be a genuine need for an additional domestic worker either on a full-time or part-time basis to help with the maintenance of their homes. Most home owners often need more than one domestic worker services.

The results present that there is a significant number of respondents that do employ domestic workers. Though the numbers are relatively low the results also present that there are respondents who employ more than one domestic worker on a full-time and/or part-time basis. This is consistent with the status of the majority of respondents in that they are full-time employed and do not have sufficient time to carry out domestic tasks and their type of residence. These respondents are probably familiar and/or are subject to the laws that regulate the employment of domestic workers. The main compliance issue is the payment of minimum wage which continues to increase as determined by the sectorial determination 7: Domestic

Workers. According to the literature there are differing views regarding the implications of the minimum wage. Various economists are of the view that the continual increase in the minimum wage on the unemployment. The other view expressed by economists is that an increase in minimum wage does not have a direct bearing to increased levels of unemployment (Bird, 2008). More literature presented that there is some minimum wage level of increase that is likely to harm minimum wage earners by reducing the prospects of employment more than it increases their wages (Bird, 2008).

The results of the survey depicted that the sample population was divided. The results presented that the majority of the respondents would employ an additional domestic worker due to a tax relief to employers. A slightly less number of respondents presented by the results would probably not and possibly not employ despite a tax relief to employ a domestic worker. This therefore did not provide a clear outcome that indicates a relatively high consideration of a tax relief to employers to address unemployment. This could be attributed to the living wage and affordability of the respondents. These particular respondents already enjoy the consumption of a domestic and the determinant could be based on a real need to employ an additional domestic worker other than a single variable of a tax relief.

#### **6.2.4 Determine what level of tax relief would result in job creation**

Literature presented that there is some level of the minimum wage that is likely to have an adverse effect to the employer of a domestic worker. This effect has a bearing on the capital cost of utilising the services of a domestic worker and to an opportunity to provide employment. However it should be noted that the essence of a minimum wage is that of a social instrument which seeks to ensure workers earn a decent standard of living. This allows participation in the economy by enjoying the benefits of economic growth and also contributes to the economy by enabling them to have a purchasing power to at least afford a basic living standard all things being equal (Blaauw, 2010). The literature also presented that in the long-run the demand for full-time domestic workers would decrease and further annual increases of the minimum wage could aggravate the situation (Hertz, 2008).

A policy that promotes employment creation among households may create an opportunity to reduce unemployment. Great consideration should be placed on the cost of providing an opportunity as the capital cost of creating such an opportunity could be burdensome to the potential employers and employers of domestic workers. Such policy could have an

interesting effect to the government if it wishes to strengthen the industry of domestic workers as a result create economic participation. Due to the reality that certain income groups cannot afford the legislated minimum wage they forgo the opportunity of utilising the services of a domestic worker. Therefore all the potential employers, political groups and domestic workers should motivate for the tax relief to employers and potential employers of domestic workers. Achieving this would have a favourable bearing to eradicating unemployment in South Africa.

#### **6.2.4.1 A minimum wage a month to indicate the lowest level of tax relief monthly, based on the budget, that would result in you hiring a new or additional domestic worker**

There are different services offered by the domestic workers and each of these services is needed at different times by the employers. This therefore translates to the differing time preferences in which the respondents will utilise such services that being on the full-time and part-time basis. Based on the minimum wage there's a tolerance level which the employers can endure to employ the services of a domestic worker. This tolerance level is guided by income and budget that each respondent enjoys. The majority of the respondents earn an income which is above R40 000.00 which all things being all can influence the amount of domestic workers that can be employed. The results also presented the second majority of respondents earn between R 20 000.00 and R 29 999.99. Depending on the lifestyle and living expenses this can influence the affordability of the continual increase of the minimum wage.

The majority of the respondents considered the minimum wage presented in the survey indicated a suitable amount of tax relief to employers that would not dampen the opportunity to employ a domestic worker. The amount was considered based on the minimum wage amount for area A and for area B.

For the consideration to employ an additional or new domestic based on area A or area B, the majority of respondents considered the lowest minimum wage amount as the one that would be suitable as a tax relief to the employer of a full-time domestic worker. The results also presented that the lowest amount of R150.00 to be suitable as a suitable tax relief to employers of a part-time domestic worker. The employers accept that they do not need the government to provide 100 per cent tax relief for such job creation.



#### **6.2.4.2 Method of a domestic worker wage tax relief**

Literature presented that a tax relief has the potential to create job opportunities for domestic workers and employment creation by the respondents. The point of concern is that in practice the actual implementation may not necessary be as effective to eradicate unemployment. Various authors presented that a tax relief could increase employment but it is probable that the application of such a system would be bungled with administration. The administration for employment of domestic workers could be met with lots of fears and concerns of possibly incurring the record keeping costs by the employers. Since not many employers may be familiar with normal tax rules and this may pose uncertainty regarding the eligibility of a tax relief. The concern may be great at the time to hire as many employers may not be aware of the employment tax until it is time to file the annual tax returns, (Hungerford, 2010).

The results presented that the majority of the respondents preferred an annual tax deduction method as the means to the administration of such tax relief. This basically means that the employers would defer the calculations and claiming for the tax relief at the end of the tax assessment year. This preference is contrary to what is presented by the literature. Waiting for the end of financial year could be a cause of concern as this may pose uncertainty and miscalculation of the tax relief due to the employer or amount owed to the South African Revenue Services (SARS) or Department of Labour. This can be consistent with that most employers or potential of domestic workers are not necessarily familiar with the tax rules that regulate the employment of domestic worker. This highlights the issues of non-compliance with the current regulations of domestic worker sector.

The results also presented that the respondents would prefer to pay the minimum wage less the tax relief due and the domestic worker would have to claim the different from the respective bodies (SARS or DoL). This method is consistent with the views presented in the literature as this would transfer the most of the administration to the domestic worker. This is likely to be the efficient method for the employer as the domestic worker would have to provide all the necessary documents and evidence based on the amounts of hours worked, proof of employment and other compliance documentation to be have a successful claim. However on the side of the domestic worker this may prove to be a challenge as they may have less knowledge of how tax works and may be eligible for exploitation by independent consultants who may offer their services to help with the claims.

The results also presented that respondents would also prefer a monthly tax rebate as the method of administering a tax relief of a domestic worker wage. This further supports the administration concerns that the respondents wish to avoid. The monthly tax rebate could avoid the accumulation of the tax administration which would normally be left for the end of the tax assessment year when filling tax returns.

#### **6.2.5 Consider the downstream economic impact resulting from jobs created through such tax relief**

The analysis of a tax relief provides how a social problem or phenomenon can be addressed. A tax relief to employers that employ domestic workers is argued as an option to addressing the social problem by way of reducing unemployment and boosting the economy through enabling for private households to buy household services (Kvist, 2010). The proponents of the proposed tax relief are about the reconciliation of work commitment and family responsibilities. The factors mentioned above would be further analysed below based on the results of the research.

##### **6.2.5.1 An additional domestic worker would enable to source additional income (e.g. could work long hours, work full day instead of half day, get a job, and concentrate on business)**

Previous research has provided evidence on how much the households rely on the domestic worker services. The simplest measure in respect of reliance to domestic worker services is by the number of households that employ domestic workers. The results depicted that reliance on the services of a domestic worker would enable the employer to focus on the other aspects such as sourcing additional income through business ventures, working full time as opposed to part-time or half-day, get a job as opposed to being unemployed, of their lives. The results presented that the majority of the respondents would be able utilise the time spared by employing a domestic worker. This provide an added opportunity in that since the employers would be enabled to focus on business ventures there is a potential to further create opportunities to create employment.

Some of the respondents mentioned that they would realise any new benefit as a result of employing a domestic worker. These particular respondents could be those that are high income earners and well established.

#### **6.2.5.2 An additional domestic worker would help in caring for the elderly dependants/relatives**

Full-time employed people tend to have a committed life and may not necessarily be able to achieve the suitable social life balance among other things. This may limit the time to care for their families and dependants. The results provided that the respondents by employing a domestic worker it would potentially enable them time to give more care to their families and dependants. These results were represented by a majority of the respondents.

The results also presented that there are respondents who would not really benefit from employing a new or additional domestic worker. Basically this means that their lives would not necessarily be affected by employing a domestic worker.

#### **6.2.5.3 An additional domestic worker would afford me time to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies**

Literature presented that having someone else do the work that one would otherwise have to do could provide an increased opportunity to engage in extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies. The results presented that the majority of respondents have a need for help provided by the domestic workers so that they can be able to undertake other activities. A relatively small number of respondents disagree that a domestic worker or an additional domestic would afford them to have free time to undertake extra-mural activities such as community work, study further, religious activities, politics, sport and/or other hobbies.

#### **6.2.5.4 Open-ended questions**

The respondents were asked an open-ended question to determine what could be the other factors that would influence the respondents to employ a domestic worker other than the cost factor. Though a tax relief provided a real monetary benefit to employ the services of a domestic worker to employers, they were however not willing to forgo the other factors that would consider in employing someone.

### **6.3 Benefits of the research**

The domestic worker sector presents an opportunity for employing creation. This presents an opportunity to the government and South African Revenue Services to recognise the valuable

contribution that employers of domestic workers make to reducing unemployment. They could amend existing legislation to create a tax relief or incentives for employers of domestic labour to create jobs.

This research is based on the perception that many domestic jobs could be created if government allowed some form of tax relief to employers of domestic labour. Legislation should allow for a portion claim of wages paid to domestic workers by their employers to qualify as a tax deduction from their disposable income. The negative test in terms of subparagraph (b) of the provision of section 23(b) of the Income Tax Act 58 of 1962, states that full-time salaried people are prohibited a deduction of domestic worker wages, unless they run a business from home and the home office is regularly and exclusively used for the purposes of trade. After reviewing various literature sources the researcher offers that the study would benefit the following.

### **6.3.1 Employer of domestic worker (taxpayer)**

#### **6.3.1.1 Reduce cost of labour**

A tax relief to employers of domestic workers would serve as the incentive to the employer to create employment and the lowering of capital cost of labour. This tax relief all things being equal would have a multiplier effect in that there would be an increased number of people that were previously not employed that will be employed, household income would increase and increased spending as there would be new participants in the economy.

#### **6.3.1.2 Compliance**

A tax relief to employers of domestic workers would provide an opportunity to the legal and tax profession to gain market by offering advisory services that would be performed within the domestic services sector. This would also provide an added benefit to the government and the Department of Labour as the legal and tax profession would ensure that regulation is complied with and thus replace unregulated work.

#### **6.3.1.3 Time to do other things (business, family, extra-mural activities)**

Literature presented a view that the benefit of a household to employing a domestic worker is that they can be free to undertake other activities (Budlender, 2011). This is supported by the majority of respondents who have a need for help so that they can be able to undertake other

activities. This also highlights that the respondents are limited to engage in other activities as presented by the results.

### **6.3.2 Domestic worker and / or a potential domestic worker**

#### **6.3.2.1 Employment opportunity**

Since such tax relief would decrease the capital of labour to the employer it creates an opportunity to job creation for low educated persons. The domestic worker sector would continue to provide job opportunities in the labour market especially for groups with low employment opportunities (Kvist, 2010). The employment opportunity has a multiplier effect in that not only would this benefit the individual worker but also their family that depends on the income earned by the domestic worker. This would also enable many people to have a buying and spending power which is likely to stimulate demand hence economic growth. The tax relief serves as a social that allows low paid workers to participate in the economy to enjoy the benefits of economic growth and contribute to the economy and also by enabling them to have a purchasing power to at least afford a basic living standard all things being equal (Blaauw, 2010).

#### **6.3.2.2 Survival**

Since the people would be actively employed it will enable them to afford the consumption of basic goods and services needed for survival. This would enable the government to have a stable economy as the citizens would be actively participating in the economy of the country.

### **6.3.3 Government**

#### **6.3.3.1 Tax revenue**

The dependency on social grants renders the government to suffer financial loss as a result of unemployment through the impact it has on government expenditure and tax revenue is reduced as the unemployed pay no tax. This also increases in government borrowing thus increase debt of the government since the income sources of the country are not sufficient to keep up with the continual increases of social grant dependency.

#### **6.3.3.2 Reduce unemployment**

The government should continue to play a vital role by means of intervening by providing means to reduce unemployment. This government intervention depends importantly on the policies that would help maintain economic growth, reduce unemployment through increased

labour market flexibility and lowering the cost of labour (Arora, 2010). This can be further supported by deliberate actions and initiatives intended to prioritise the basic needs of the citizens by reducing unemployment and poverty.

#### **6.3.3.3 Economic growth**

The long-term effect of unemployment has an adverse effect to economic growth and it also extends to the communities where increased levels of poverty bring about despair, unhappiness and anguish. This can be attributed to the economic policy change as the objective of the government is to reduce unemployment by controlling government expenditure and keep social costs down.

This presents an opportunity to address inequality and inequity as this would allow women to fully participate in the economy, boost economic growth and their household income. Literature presented that various authors support this view in that the increased number of women employed as domestic workers outside their homes would a positive impact on economic growth and this is supported by the relative decreased absence of full-time employed professional women in the workplace (Lyttelton, 2012).

### **6.4 Recommendations**

Based on the findings of this study, the following recommendations are made:

Domestic work is not a government responsibility it is a private task that is a responsibility of households to maintain their livelihoods. A general area of concern though with regards to the domestic work is that it is not normally considered as a profession (Kvist, 2010). Domestic work is generally considered as a help service. The services of a domestic worker should be seen as work conducted by a professional to full-time employed employers of domestic worker such that it meets the requirements to qualify as expenditure incurred in the production of income. Since full-time employed employers of domestic workers are providing employment the same as those provided by private companies. This would then allow the wages paid to domestic workers to be deducted by their employers subject to a limit prescribed by the rules and regulations which govern tax and labour laws of domestic services sector.

Because of other factors other than cost to employ a domestic worker, certain households choose to be unemployed or to work half-day so as to run domestic chores in their families. This often results to loss of valuable skills among those that leave their employ as a result of domestic responsibilities. The government cannot afford the loss of skills in any industry to be rendered redundant because of family responsibility in this instance, domestic work. Reconciliation of family and work life should be addressed by means ensuring that loss of valuable skills and productivity as a result of this imbalance is halted by introducing policies that will benefit households by employing a domestic worker so they can be free to undertake other activities.

The policy recommended is that of a tax relief to employers of domestic workers as a means to address unemployment. This proposal further introduces a solution to the problem of unemployment and poverty eradication. Based on the findings there was a divided view among the respondents regarding a tax relief. This was based on the premise that high income earners could well afford to pay for domestic services themselves; they will basically not need a tax relief to employ a new or an additional domestic worker. Following from the study the tax relief should be limited to the needing groups of people. These groups should be categorised by the level of income and age. Furthermore, regarding the implementation and monitoring of the policy only domestic work done other than a household member should qualify for a tax relief.

As the government seeks new ways of dealing with the issue of unemployment the research was influenced by the high unemployment and motion to create new means to addressing unemployment within the domestic worker sector. The approach toward a tax relief is viewed as rational policy with potential to foster economic growth using an instrument that creates services within reach to people that need them. In times of high unemployment the role of private households should be emphasised and the role of domestic worker made to appeal as a services profession that is contributing to economic growth and job creation.

## **6.5 Ethical Considerations and Research Limitations**

The findings of the study have considerable value to the understanding of a tax relief to employers of domestic workers as a means to address unemployment, however various limitations to the study should be acknowledged. Ethical issues will be discussed and limitations on the research will be clarified.

### **6.5.1 Ethical Considerations**

Full Approval was granted by the Professor of Humanities and Social Science Research Ethics Committee. This was specifically for the research topic, questionnaire and questionnaire distribution. Each participant was to be made fully aware of the nature and purpose of the research and their anonymity would be ensured. The final research report will be made available to any party who expresses an interest in reading it and will also be available from the University of KwaZulu-Natal – Graduate School of Business and Leadership (UKZN-GSG & L) library.

### **6.5.2 Limitations of the study**

A number of constraints served as limitations in this study and they include the following:

- a.) The sample consisted mainly of selected qualifying participants that are full-time employed (fully salaried) and consisted of professionals residing in Durban and also the MBA students at UKZN (GSB & L) who were still studying in 2012 and full-time employed. The researchers cannot generalise findings to all MBA students in South Africa. Furthermore, it cannot be generalised to all South African full-time (fully salaried) professionals.
- b.) For the MBA students most of them did not participate as they were busy with exams and others focussing on their dissertation. This was a limitation because the research could not fully determine if a significant number of professionals and all the UKZN (GSB & L) MBA students would consider employing a domestic worker as result to a tax relief to employers as a means to address unemployment.
- c.) It must be noted that in the current study 105 questionnaires were distributed to the targeted population, only 73 participants started the survey and 61 responses were completed which will form the basis of the results an analysis. This therefore means that of the 73 participants 12 respondents dropped out during the survey and did not complete the actual questionnaire.
- d.) The current study focussed on one business school, that is UKZN (GSB) and therefore the researchers cannot generalise findings to all MBA students in South Africa. Furthermore, it cannot be generalised to all South African managers.
- e.) The study was quantitative and as a result did not determine the reasons for the responses.



- f.) The measuring instrument used to source data from the respondents was the likert scale. The Likert scale as an interval scale allows the ranking of participants relative to their measured attitude toward a social object. It does not provide interval data indicating the relative difference between participants' responses or changes in attitude over time (Burns, 1997).
- g.) The survey was also distributed to participants who would not necessary benefit from a tax relief since their earn income that allows them to afford more than the minimum relief considered. The survey should have been limited to people who would directly benefit from the services with a tax relief considered.
- h.) The research problem was fairly extensive and it was difficult to compile questions that considered all the factors of the problem.

## **6.6 Recommendation to overcome the limitations**

Based on the empirical findings of the study it is recommended that:

- a.) Future researchers should increase the sample size to compare the perceptions of full-time employed professionals and MBA students in other regions as well.
- b.) Future studies should investigate the impact the tax relief would have to the low/medium income earners in comparison to high income earners.
- c.) Future researchers should investigate the relationship between tax relief to employers and employment creation and how this may reduce unemployment and eradicate poverty.
- d.) Future studies should investigate how the type of residence and marital status could influence the need to employ services of a domestic worker.
- e.) The impact such policy would have on the equitable distribution of wealth and addressing inequality
- f.) Consideration be given to the impact that such tax relief might have on the compliance with labour laws and regulations of South Africa?
- g.) Researchers should adopt a triangulated research design in which both quantitative and qualitative data are collected using the questionnaire and interviews. The advantage of this is that it helps the researcher do follow-ups, especially if the need for more clarity on some of the responses the respondents have provided arises

- h.) The impact that the proposed tax relief would have on the economy in terms of there being fewer unemployed people and that people employed in such jobs would have some disposable income.

## **6.7 Recommendations for further research**

Further research on the following issues is proposed:

- How the proposed tax relief could be implemented
- The extent in which such a tax relief could impact on the fiscus
- Administration method of the proposed tax relief
- Which government department would mentor such the administration and compliance thereof

## **6.8 Summary**

A tax relief to employers of domestic workers as a means to addressing unemployment was presented to the participants as a policy consideration to alleviating high unemployment among low educated people. This was motivated by high need and the fact that any means to redress the high levels of unemployment would be considered as a positive contribution and effort. The political dimensions were not considered in this study although policies that seek to diminish unemployment have been found to receive resistance due to sensitive political divides. The introduction and role of a tax relief probably could play a role in the socio-political circumstances.

The bodies of literature that were examined for this research demonstrated the role that the government, employers and society play regarding the issue of unemployment. The likelihood of success for this policy consideration is dependent on how it is understood by various stakeholders and the intended benefits thereof. In order to succeed further research needs to be conducted on a much bigger scale.

The results of the study on the targeted sample were divided though the majority were in favour of the tax relief as a means to creating a job opportunity. We find that the respondents are more likely to employ domestic workers especially those that are participating in the labour market, and therefore the demand for domestic worker compensate for the reduction in the time spent on domestic chores. The other part of the respondents could represent high income earners who are may be less keen to consider a tax relief as an incentive to for an

employment opportunity. We also find that the type of residence and whether the residence is owned or not is also a determinant of the hiring decision.

The research instrument and technique used in the study was developed as a result of a review of appropriate literature. As this was a privately financed study, it was a small scale study and could not access a large number of respondents. Findings with respect to other factors other than a tax relief that the respondents considered for employing a domestic emphasised the importance of interviewing prospective employees to ensure that the issues of concern by their employers would be met without doubt.

It must be noted that the level of skill and technical knowledge are key indicators to employing any person for a particular job. However it should be emphasised that a tax relief to employers of domestic workers could be seen as a clear illustration that job creation filters all policy considerations. It can be concluded that this tax relief consideration in itself creates a platform for debate and negotiation that can be interpreted to specific country dynamics. In conclusion the research was statistically sound as there were more than 30 people in the research and this does allow a generalisation regarding the findings

In conclusion, this research yielded positive support for the concept of tax relief for people who employ an additional domestic worker and there is merit in wider research on this concept being undertaken as the more people who are employed, translates into fewer people being dependent on the state for welfare grants. In addition employed people have disposable income and they thus contribute to the growth of the economy.

## REFERENCES

- Altman, M. 2005. A Review of Labour Markets in South Africa: Wage Trends and Dynamics
- Altman, M. 2007. What are the policy implications of the informal sector becoming the informal economy? Conference on Employment & Development Bonn, Germany, June 8 & 9, 2007. Dr. Miriam Altman, Executive Director, Employment, Growth & Development Initiative.
- Arora, V. 2010. Economic Growth in Post-Apartheid South Africa: A Growth-Accounting Analysis
- Bird, K. and Manning, C. 2008. Minimum Wages and Poverty in a Developing Country: Simulations from Indonesia's Household Survey. From: (<http://ideas.repec.org/a/eee/wdevel/v36y2008i5p916-933.html>) (Accessed online: 3 May 2012)
- Burger, R. and van Fintel, D. 2009. Determining the Causes of the Rising South African Unemployment Rate: An Age, Period and Generational Analysis, From: ([www.ekon.sun.ac.za/wpapers/2009/wp242009/wp-24-2009.pdf](http://www.ekon.sun.ac.za/wpapers/2009/wp242009/wp-24-2009.pdf)) (Accessed online: 15 May 2012)
- Casale, D. 2004. What has the Feminization of the Labour Market 'Bought' Women in South Africa? Trends in Labour Force Participation, Employment and Earnings, 1995-2001. Cape Town: DRPU Working Paper 04/84
- Confronting youth unemployment: policy options for South Africa - National Treasury 2011.  
From: (<http://www.treasury.gov.za/documents/national%20budget/2011/Confronting%20youth%20unemployment%20-%20Policy%20options.pdf>),  
(Accessed on 23 March 2012)
- Corte, P. and Pan, J. 2008. Outsourcing Household Production: Effects of Foreign
- Cyprah, M. 2009. Welcome to The Age Of Choice and Ambition  
From: ([http://mscyprah.newsvine.com/\\_news/2009/10/27/3430537-are-you-between-26-and-35-years-old-welcome-to-the-age-of-choice-and-ambition](http://mscyprah.newsvine.com/_news/2009/10/27/3430537-are-you-between-26-and-35-years-old-welcome-to-the-age-of-choice-and-ambition)) (Accessed on 27 June 2012)
- Dejaridin, A.K. and Santos, L.K. 2008. National Seminar on Reducing Unemployment and Poverty – International Experiences and Proposals for the Expanded Public Works Programme – Phase II

- Dickens, R. and Machin, S. Manning, A. 2010. The Effects of Minimum Wages on Employment: Theory and Evidence from Britain.  
From: (<http://eprints.ucl.ac.uk/16931/1/16931.pdf>) (Accessed online: 29 May 2012)
- Dinkelman, T. and Ranchhod, V. 2010. Evidence on the Impact of Minimum Wage Laws in an Informal Sector: domestic workers in south Africa -
- Domestic Work Policy Brief 2011. International Labour Office From: ([http://www.ilo.org/travail/info/WCMS\\_155773/lang--en/index.htm](http://www.ilo.org/travail/info/WCMS_155773/lang--en/index.htm)) (Accessed online: 23 April 2012)
- Domestic Helpers on Native Labor Supply in Hong Kong. From: (<http://www.sole-jole.org/9309.pdf>) (Accessed online: on 16 October 2012)
- Domestic Workers Research Project 2012. An Initiative of the Social Law Project
- Domestic Worker Summit, 2011. Congress of South African Trade Union - Domestic Worker Summit Report.  
From: ([http://www.cosatu.org.za/docs/reports/2011/draft\\_workerssummit.pdf](http://www.cosatu.org.za/docs/reports/2011/draft_workerssummit.pdf)) (Accessed online: 29 May 2012)
- Du Toit, D. 2010. Domestic Workers 2010 From: (<http://wiego.org/informal-economy/occupational-groups/domestic-workers>) (Accessed in 04 May 2012), Extending the frontiers of employment regulation: The case of domestic employment in South Africa
- Fakih A. and Marrouch, W. 2012. Determinants of Domestic Workers' Employment: Evidence from Lebanese Household Survey Data  
From: (<http://www.dwrp.org.za/index.php/resources/by-title-and-abstract>) (Accessed 29 May 2012)
- Goldstone C 2009. Durban's population boom From: (<http://www.iol.co.za/news/south-africa/durban-s-population-boom-1.460347>) (Accessed online: 07 May 2012)
- Grossman, J. 2009. Domestic Workers and Knowledge in Everyday Life. From: ([www.hrscpress.ac.za](http://www.hrscpress.ac.za)) (Accessed online: 22 October 2012)
- Growth, Employment and Redistribution a Macroeconomic Strategy From: (<http://www.treasury.gov.za/publications/other/gear/all.pdf>) (Accessed online: 16 October 2012)
- Hertz, T. 2008. Have Minimum Wages Benefited South Africa's Domestic Service Workers? Forum paper

- Hodge, D. 2009. Growth, Employment and Unemployment in South Africa, South African Journal of Economics Vol. 77:4 December 2009
- Kvist, E. Carbin, M. and Harjunen, H. 2010. Domestic Services or Maid? – Discourses on Gender Equality, Work and Integration in Nordic Policy Debate. From: ([http://www.quing.eu/files/WHY/kvist\\_carbin\\_harjunen.pdf](http://www.quing.eu/files/WHY/kvist_carbin_harjunen.pdf)), (Accessed online: 27 February 2012)
- Hungerford, T.L. and Gravelle, J.G. 2010. Business Investment and Employment Tax Incentives to Stimulate the Economy
- Knight, J. and Kingdon, G. 2008. What have we learnt about unemployment from microdatasets in South Africa? From: (<http://dx.doi.org/10.1080/02533950108458705>) (Accessed online: 13 May 2008)
- Koller, M. 2010. Hysteresis and unemployment in south Africa
- Lyttelton, T. 2012. Are Maid Credits Fair? From: (<http://www.rsablogs.org.uk/tag/maid-credits/>) (Accessed online: 04 May 2012)
- Mabhoza, Z. 2011. Tax at Deloitte. From the website ([www.accountancysa.org.za](http://www.accountancysa.org.za)), (Accessed online: 09 March 2012)
- Makhele, H. 2011. SA's jobless rate eases, but remains high PRETORIA, SOUTH AFRICA ([www.mg.co.za](http://www.mg.co.za))
- Mankiw, N.G. 2011. Principles of Economics 3<sup>rd</sup> Edition
- Matjeke, M.A. 2010. Impact of Minimum Wages in the Market for Domestic Workers in South Africa
- Motala, M. 2010. Domestic Workers in South Africa: It's Modern Day Slavery From: (<http://sacsis.co.za/s/story.php?s=363>) (Accessed online: 04May 2012)
- Papadimitriou, D.B. 2009. Employment Guarantee Policies (Responding to the Current Economic Crisis and Contributing to Long-Term Development From: ([http://www.levyinstitute.org/pubs/conf\\_june09/conf\\_june09\\_program.html](http://www.levyinstitute.org/pubs/conf_june09/conf_june09_program.html)) (Accessed online: 23 May 2012)
- Picard R.G. van der Wurff, R. and Bakker, P. 2001. Economic Growth and Advertising Expenditures in Different Media in Different Countries From: (<http://www.robertpicard.net/files/econgrowthandadvertising.pdf>) (Accessed online: 13 October 2012)

- Pienaar J. and van Wyk M. 2008. Towards a Research Agenda for Job Insecurity in South Africa. From: ([https://my.unisa.ac.za/portal/tool/d26779f1-02ca-4b84-81c3-5a3989ddcc02/contents/faculties/service\\_dept/docs/SABVI122chap3.pdf](https://my.unisa.ac.za/portal/tool/d26779f1-02ca-4b84-81c3-5a3989ddcc02/contents/faculties/service_dept/docs/SABVI122chap3.pdf)) (Accessed online: 18 October 2012)
- Pride, T. 2012. Government – bringing back domestic servants could reduce unemployment  
From: (<http://tompride.wordpress.com/2012/02/10/government-bringing-back-domestic-servants-could-reduce-unemployment/>) (Accessed online: 18 April 2012)
- Princeton University Press 2010, Unequal Democracy: The Political Economy of the New Gilded Age
- Ramashia, R. 2010. Opinion piece for national women's day focusing on domestic workers Department of labour
- Sharpe, M.E. 2011. Social Insurance and Economic Security
- Taylor JB, Weerapana A 2009, Principles of Macroeconomics: Global Financial Crisis Edition
- The Effects of Unemployment on Society and the Economy From: ([www.job-interview-site.com](http://www.job-interview-site.com)) (Accessed online: on 1 April 2012)
- Thurlow, J. and Davies, R. 2009. Formal-informal economy linkages and unemployment in South Africa
- van der Westhuizen, C. 2012. South Africa: Economic Growth, Poverty and Inequality Development Policy Research Unit at the University of Cape Town in South Africa (DPRU)  
From: ([http://www.brookings.edu/~media/research/files/reports/2012/1/priorities%20foresight%20africa/01\\_snapshot\\_south\\_africa\\_westhuizen.pdf](http://www.brookings.edu/~media/research/files/reports/2012/1/priorities%20foresight%20africa/01_snapshot_south_africa_westhuizen.pdf)) (Accessed online: on 24 June 2012)
- Vanek, M. 2010. SA prepares for wage subsidy system - From the website ([www.moneywebtx.co.za](http://www.moneywebtx.co.za))
- Wessels, T.S. 2009. The Development Impact of the Domestic Workers Skills Development Project on its Participants
- World Development Report 2006, Equity and Development - World Bank Publications