


The impact of taxation on employee performance in provincial departments of North West Province

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Mini-dissertation submitted in partial fulfilment of the
requirements for the degree *Master of Business Administration*
at the North-West University

Supervisor: Prof W Musvoto

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Mini-dissertation submitted in *partial* fulfillment of the requirements for the degree *Master's* in Business Administration at the Mafikeng Campus of the North-West University

Supervisor: Professor Wedzerai Musvoto

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Graduate School of Business and Governance Faculty of Economic and Management Sciences

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Abstract

The purpose of the study is to assess the impact of taxation on employee performance in provincial departments of North West. Performance of employees has worsened and employees show less commitment to work tasks. Organisations are faced with employee performance challenges which affect its productivity, quality of work and task completion. The study used a mixed methods methodology to establish the observations. A self-administered questionnaire was utilised as a data collection instrument consisting of closed-ended questions and open ended interview questions. The study found that employee performance in provincial departments is significantly affected by high taxes. Furthermore, a low take home salary results in low staff morale and affects employees' basic needs. The results show that participants are knowledgeable about taxation matters and how SARS taxes employees according to different tax brackets. Employees are unhappy with SARS tax rates. As a result, the study recommendations are that employees should be motivated to work due to a passion for their job and making a valuable impact in government and not be motivated through receiving high salaries.

Keywords: Employee performance, Tax increases, Employee job satisfaction, Low take home salary. Provincial departments, Tax rates, Gross income and Performance Management

ABBREVIATIONS AND MEANINGS

AG:	Auditor General
DOH:	Department of Health
FFMPPI:	Framework for Managing Programme Performance Information
GDP:	Gross Domestic Product
LED:	Local Economic Development
MMR:	Mixed Methods Research
PAYE:	Pay as you earn
PFMA:	Public Finance Management Act
PIT:	Personal Income Tax
PMDS:	Performance Management and Development System
RDP:	Reconstruction and Development Programme
RSA:	Republic of South Africa
SARS:	South African Revenue Services
SMEs:	Small Medium Enterprises
VAT:	Value Added Tax

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CHAPTER 1 - Introduction and Background

1.1 Introduction

The purpose of this study is to assess the impact of taxation on employee performance in provincial departments of North West. Likewise, Lykova, (2014:1) mentions that employees are subjected to a low take home salary and that affects employees' performance. There has been a significant increase of taxes in past years creating a curve in the tax rate schedule and the tax structure applies different rates of taxes, (Devereux, 2013:3). As stated by Springer, (2011:29) performance of employees has gone down and employees demonstrate low levels of commitment due to low salaries as one of the contributing factors. According to Bacha, (2014:165) employees are important arms of an entity who have a significant role in organisational affairs. Therefore employees feel fulfilled if they are paid according to their performance.

In each organisation employees are normally given remuneration (pay and reward), advancement and challenging careers (Tylana, 2005:68). Government deducts PAYE (pay as you earn) from employees monthly, and organisations calculate the (PAYE) to be deducted (Jones, 2015:15). Additionally, government deducts PAYE on the assumption that the pay earned is that specific taxpayer's sole salary (Khan & Ukpere, 2014). It may be reasoned that employees in provincial departments whose performance is affected rely on one salary. Thus employees' commitment towards salaries and work go a long way.

The layout of the rest of the chapter is as follows: In Section 1.2 the background to the study is discussed. In Section 1.3 Problem Statement will be discussed, Section 1.4 will detail research objectives and questions, Section 1.5 significance of the study is discussed, in Section 1.6 scope of the study is discussed, Section 1.7 delimitations are discussed and Section 1.8 definition of key terms are discussed.

1.2 Background to Study

According to Adam, Besley, Blundell, Bond, Chote, Gammie, Johnson, Mirrlees, Myles and Poterba, (2011:3) income tax accurately reflects taxpayer's income levels and the rate structure mirrors reality of the income distribution. It is plausible that high income tax affects performance of employees who have low income levels. It may be deduced that employee performance in government is impacted by high taxes due to low income levels. Hence employees in provincial departments may perceive income tax to be high.

Provincial departments in North West Province range from Health, Finance to Education and it is these public departments that the study focuses on. Departments are governed by regulations of the Public Finance Management Act of 2003 (PFMA). It is significant to add that provincial government plays a key implementation role in the delivery of public services (Ajam, 2014:13). Thus provincial government is one of the three spheres of government.

It is plausible that public servants render public services but yet do not get a sense of being rewarded in full due to low salaries that affect employee performance. (Cameron, 2015:135) argues that public service reforms in South Africa have transitioned from the old public service to a democratic administration. Therefore in spite of the transitions public servants' salaries have not transitioned in a positive light because taxes keep escalating.

According to Ajam, (2014:02) taxes increase because provincial departments do not have imperatives to own income foundations. This is because many of the major departments such as Department of Health, Finance and Education receive revenue mainly from government grants. Furthermore it can be argued that public servants in departments of Health and Education contribute to the improvement of elementary education and health services (Ajam, 2014:02). Hence employees in education and health are important for the advancement of each country.

In addition to Health and Education the core mandate of the department of Finance is to be the financial management authority in the province and to advance expenditure

management in provincial departments (Daniels, 2015:03). The department of Finance instils financial governance to other departments. Presumably employees in Finance should be high performers due to the importance of the department. The Department of Finance has slowly transitioned to a communal organisation that has established comprehensive legislative procedures and supervision of economic activities (Mkhize, 2006:125). The department is regarded as the financial mother body of all departments. Perhaps it can be assumed that even though the department is regarded as a financial mother body it does little to improve employee performance. This establishes that performance of employees in Finance is also impacted by low take home salaries despite the importance of the department.

According to Section 18 of PFMA the central mandates of Department of Finance are supposed to:

- Formulate and implement the provincial budget
- Endorse and apply clearness and efficient administration in terms of revenue, expenses as well as assets and liabilities of departments.
- Confirm that economic strategies do not substantially and irrationally prejudice national fiscal policies.
- Permit state departments for pre-specified monetary relations.

Notwithstanding the above, the PFMA, (Act no. 1 of 1999) is one of the most vital pieces of legislation enacted by the first democratic government of South Africa. PFMA guides how departments and public entities should be managed. The Department of Health has demonstrated willingness to use fiscal and governing policy tools for improving public health (Faulkner *et al* 2013:04). The mandate of the Department of Education is to provide quality basic education to all, young and old (Donohue & Bornman, 2014:01). This implies that employees in departments may not perform and meet mandates of departments due to being taxed high amounts by government.

Additionally in terms of the Constitution of South Africa of 1996, the legislative authority of a province is vested in its provincial legislature. The Constitution adds that provinces confer on the legislature power to pass or amend any law passed in terms of sections

142 and 143. So the Constitution is silent on addressing the high tax burden faced by employees in provincial government.

Moreover perhaps the Constitution as the biggest legislation offers no recourse on poor performance of employees in provincial departments. Assuming that perhaps provincial departments do not pay better salaries as compared to the private sector hence public servants complain about low take home salary caused by high taxes. As (Kang'ethe, 2014:425) states, the salary of provincial departmental employees should at least be benchmarked with the salaries remunerated in Western countries. Hence the effect of these low salaries has a big taxation impact on employees who are currently paid low salaries because after tax they have a low take home salary.

It is plausible that due to low salaries the department of Health in particular has a dire shortage of nurses because nursing graduates do not want to work for government. Similarly (Derby-Davis, 2014:02) concurs that nursing candidates are reluctant to work for salaries that are not competitive with the medical industry or private sector. Derby-Davis (2014:02) adds that in government nurses are paid low salaries. Therefore the high tax regime in South Africa affects employees in provincial departments a lot because their salary packages are very low.

1.3 Problem statement

This study aims to establish the impact of taxation on employee performance in the North West provincial departments. As (Lykova, 2015:1) states that employees are subjected to a low salary (take home) due to high taxes and that affects their performance. He further adds that the high tax burden has been so heavy that it affects economic growth and makes the national economy uncompetitive (Lykova, 2015:1). Presumably performance of employees has gone down due to low salaries even when there is a salary increase. Consequently annual salary increases do not have any palpable effect on employees due to high taxes.

Similar research as done by Abdullah, (2011:226) has shown that organisations are faced with employee performance challenges which affect its productivity, quality of work and task completion. This follows from the fact that in provincial departments'

service delivery will be affected if employees do not perform. According to Iqbal, (2015:02) organisations face problems of poor innovation, low productivity and failure to meet performance targets if employees do not perform fully. It may be assumed that employees in provincial departments might not see the importance of meeting targets because departments are not profit driven. Therefore performance of employees is central in shaping organisations forward despite the entity being profit driven or not.

Currently, provincial departments are not performing adequately in South Africa. This is evident in the provincial Department of Education in particular whose education system continues to be essentially in a poor state of affairs (Modisaotsile, 2012:01). The performance of state departments in South Africa remains in the spotlight because of the constant need for efficient service delivery (Melaletsa, 2014:01). Moreover South Africa experiences service delivery strikes which show that government is confronted with severe challenges and is not performing to the expectations of the citizens (Melaletsa, 2014:01). Hence employees in departments are expected to perform to meet needs of the citizens.

According to Buso, (2007:02) departments should have strategic plans that are consistent with the development plans and poor performance affects departmental objectives. He adds that there are many challenges in provincial departments such as inability to manage finances and qualified audit reports from the Auditor General (AG). Thus in spite of the challenges faced by employees in provincial departments' taxes keep on increasing.

Similarly, marginal rate cuts result in escalations in real GDP (Mertens and Montiel, 2018:01). According to SARS, the marginal income tax rate is currently 45% of taxable income (SARS, 2018). This means that the more you earn the more you get taxed. Furthermore, higher taxes reduce the take home income. The increase in taxes was mostly pushed by PAYE which has steadily escalated with the rise of salaries in government (Nhekairo, 2014:14). In addition, income taxes have risen with a percentage of 29.5 for the past years and this is caused by increased economic movement (Nhekairo, 2014:13). Therefore instead of decreasing, taxes continue to increase thereby affecting the lives of employees in government.

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According to Blom-Hansen, Hede and Lotz, (2015:232) tax rates gradually depict the state's devotion to the macroeconomic implications of resident budget strategies. Thus, tax rates show no devotion to employees because of the ever rising costs.

In addition to tax rates depicting the state's devotion (Boylan and Long, 2005:01) mention that government salaries are uncompetitive when compared to salaries in the private sector. Additionally, low salaries result in tax being perceived as an encumbrance that each resident should tolerate to sustain government since it has specific duties to perform (Afuberoh & Emmanuel, 2014:24). Thus employees perceive a low take home salary as affecting performance.

Low salaries, no fringe benefits and biasness are significant issues that hamper qualified people from joining provincial departments (Ahmed, Hafeez, Kumar and Shaikh, 2013:02). Presumably, high taxes affect the salaries of lowly paid provincial departmental employees. Furthermore a salary is perceived to impact an employee's performance if it does not meet basic needs (Nyberg, Pieper and Trevor, 2016:02). Assuming that employees need to increase salaries with an extra job and that affects the standard of employees' actual jobs in government (De Ree *et al.*, 2015:04). Furthermore employees who are dissatisfied with salaries perform poorly at work. (Gupta *et al.*, 2014:01). Hence employees in provincial departments are not satisfied with low salaries that are as a result of taxation.

Furthermore to low salaries in government public services are a key element of quality of life for a country's citizens (Akinboade *et al.*, 2014:2). Thus poor employee performance of government employees would weaken the economy (Akinboade *et al.*, 2014:2). This may be deduced from the fact that employees in departments add value to the economy by rendering public services. However Mafini and Pooe, (2013:03) mention that provincial departments to this day receive endless criticism for poor service delivery, financial mishandling, corruption and bad corporate governance. They further add that the public sector experiences problems to address the challenge of underperformance in many departments. This demonstrates that performance management is based on each incident of underperformance in provincial departments

1.4 Research questions and objectives

1.4.1 Research questions

- What is the effect of low take home salary for provincial departments of Health, Finance and Education in the North West Province?
- Does job satisfaction play a role on employee performance in provincial departments of Health, Finance and Education in the North West Province?
- What is the effect of salaries on employee performance in provincial departments of Health, Finance and Education in the North West Province?
- To what extent does tax play a role in the economic growth of South Africa?

1.4.2 Research objectives

The objectives of this study is to:

- Determine the effect of low take home salaries on employees in provincial departments of Health, Finance and Education in the North West Province?
- Establish whether job satisfaction impacts on employee performance in provincial departments of Health, Finance and Education in the North West Province?
- Evaluate the effect of salaries on employee performance in provincial departments of Health, Finance and Education in the North West Province?
- Establish the extent to which tax plays a role on the economic growth of South Africa.

1.5 Significance of the study

The study is important in identifying from employees in the public sector whether paying taxes negatively impacts employee performance. It strives to understand employees and their appreciation of the different tax types and how they perceive the different tax thresholds per different income tax brackets. Moreover, Öcal (2015:56) reiterates that government provides employment to a substantial number of individuals and provides substantial measures of budgetary sources to the overall economy. The study also aims to show employees how taxes assist government.

1.6 Scope

The scope of this study is founded on employee performance in North West provincial departments. The target group is departmental employees across all levels. The focus is on how employees' performance is affected due to high taxes by government. Further emphasis is placed on how a low take home salary affects employees and the basic needs of employees.

1.7 Delimitations and assumptions Data analysis

1.7.1 Delimitations

According to (Simon & Goes, 2013:04), delimitations of a research study are the structures that arise from the limitations in the scope of the study and additionally by the decisions of exclusions or inclusions made during the research plan. Furthermore, in the projected study the delimitations could be the limited time and resources (Simon & Goes, 2013:04). The study is only limited to employees working for provincial departments in the North West Province.

1.7.2 Assumptions

Simon and Goes (2013:01) elucidated that assumptions are values in a research that are mandatory in order to conduct the research but cannot be proven. In this study the assumption is that all the research respondents will answer interview and survey questionnaires in an honest and truthful manner.

1.8 Definition of key terms

1.8.1 Gross Income

Gross income includes all income that was accrued to the taxpayer in the year of assessment (Whittenburg, 2018:13). Whittenburg, (2018:14) further emphasises that the first category of deductions is the deductions for adjusted gross income like business expenses. Nevertheless it is probable to identify the main components in the total gross income of such as gross profit and wages (Pogosov and Sokolovskaya, 2015:525). Furthermore, they point out that recurrence of gross income is an indicator of its attractiveness with competitiveness of goods produced. It may be

assumed that employees have an idea of what makes up gross income when receiving a sole salary.

1.8.2 Performance Management and Development System (PMDS)

According to (Makamu & Mello, 2014:104), performance management and development system (PMDS) is central to effective public service delivery. Employees in government departments receive a performance bonus once they have performed beyond normal expectations. Moreover, Taylor (2014:848) characterises a performance management system as a "framework that conveys a short outline of execution, through money-related or potentially non-budgetary frameworks." Similarly in provincial departments PMDS is used as a tool to measure performance of employees.

Grobler and Hatfield, (2011:293) describe performance management as a method of assessing how employees perform their jobs when compared to standards. Furthermore Trevor and Andrian, (2008.286) define performance management as a method of managing people. It may be inferred that if employees are well managed then they perform better at work.

1.8.3 Employee Performance

Mathis and Jackson (2009:324) state that employee performance is about the timely, effective and efficient completion of equally fixed tasks by the employee as set out by the employer. Furthermore performance is defined as skilled workers achieving desired results in specific situations. (Ahmad *et al.*, 2014). It may be deduced that performance of employees is central to the success of an organisation.

1.9 Structure of Chapters

The structure of the study is as follows:

CHAPTER 1: Introduction

This chapter introduces the study. The introduction serves as a foundation for all the chapters. The chapter details the research objectives, research question, problem statement and aim of the study.

CHAPTER 2: Literature review

Chapter two presents a review of literature on the impact of employee performance amidst high taxes. An outline of various types of literature sources on the topic at hand is provided. It then offers the theoretical framework used in the study and inserts the study in this framework in order to fully examine the significance of taxes on performance. The review is important because it establishes the theoretical framework within which the study is based.

CHAPTER 3: Research methodology

The chapter outlines the research design and research methods employed in the study towards the collection of primary data. Specifically, the chapter presents an overview of the research approach, the research population, sampling techniques and the data analysis.

CHAPTER 4: Results Presentation, Data Analysis, and Discussions

The chapter presents the data analysis as well as a discussion and interpretation of the findings.

CHAPTER 5: Summary of findings, recommendations, and conclusion

The chapter outlines the recommendations made and concludes the thesis.

1.10 Summary

The chapter highlights the research objectives, the research aim and the significance of the research, objectives and aims. Furthermore, the chapter also restates the background to the study as well as the problem statement of the study North West Provincial departmental employees. The chapter discusses the key concepts of the literature review and establishes the links to the literature reviewed in order to explain and justify the findings. It further provides the conclusions reached in the study and provides significant recommendations for decision-makers and further research on the tax burden.

In the next chapter literature review is discussed.

Chapter 2 - Literature Review

2.1 Introduction

This study will focus on tax in South Africa and its impact on employees in the public sector. It discusses employee performance and examines how employees are motivated to work despite high taxes. The study also highlights employee job satisfaction in terms of dealing with high taxes, as well as gross income and analyses whether employees understand how they are taxed and different tax rates.

2.1.1 Theoretical framework

The theoretical foundations of this study are based on Maslow's hierarchy of needs. Maslow's view of human needs in the workplace is defined as self-actualisation, suggesting that people are motivated to fulfill basic needs before moving to other higher order needs (Cherry, 2014:01). Therefore if basic needs are first met then people will get a sense of fulfilment.

Notwithstanding the above, Maslow suggests that in order to move up to higher levels, the lower level needs have to be met first (Lee & Hanna, 2015:133). These include the most basic needs that are vital to survival such as physiological needs like the need for water, air, food and shelter (Cherry, 2014:02). Hence due to higher taxes, the take home pay for employees continues to be less and this affects their physiological needs.

In terms of security needs, Maslow states that they include needs for safety and security. Examples of security needs include a desire of steady employment and health insurance (Cherry, 2014:01). Assuming that a steady employment does not guarantee job satisfaction. This is because employees in high positions are even more affected by the tax burden because the more you earn the higher tax you pay. The South African tax system is viewed as progressive among the various tax types and improved on efficiency (Nyamongo and Schoeman, 2017:05). Thus the tax system does not help employees to meet their security needs.

2.2 Employee performance

Employee performance is defined as a process for creating a shared workforce understanding about what has to be accomplished at an organisation level (Cook and

Crossman, 2004:527). It is probable that employees who are happy perform better at work than those who are disgruntled. Hence it is worth asking if the lives of these employees who perform better is improved because they are paying tax.

There are several factors affecting job performance. Luthans, (2002) lists six factors namely:

- The work itself
- Wages and salary
- Promotion
- Supervision
- Work group and connection
- Work environment.

In addition to the above factors it may be argued that only skilled employees perform better however Mangkunegara, (2014:86) states that “performance of employees is the work consequence in excellence and the quantity accomplished by somebody in directing their job obligations”. So in order to assess the effect of taxation on employee performance personal income tax may need to be researched.

For the purposes of this study personal income tax is defined as “individual taxable income which is gross income less exemptions and allowable deductions” (Inchauste *et al.*, 2015:15). Therefore it is possible that employees with a low taxable income still see tax rates being too high.

The response of taxpayers to changes in the tax rates of personal income tax when evaluated focuses on the analysis of their impact on labour supply (Sanz-Sanz *et al.*, 2015). This may be inferred from the fact that taxpayers do not have any say on the increase of tax rates. Hence tax rates increase affects the performance of employees in provincial departments.

Furthermore individuals generally receive their income as salary, pension/annuity payments and investment income such as interest and dividends (Inchauste 2015:24). He further reiterates that all formal sector employees must be registered by their

respective employer for personal income tax. Presuming that employees see income as a determining factor to employee performance. Consequently employees have no say in how much personal income tax will be deducted from their respective salaries.

Notwithstanding the above an electronic system called the Performance Management System (ePMS) is used to measure employee performance with the data measured against a scorecard (Khan and Ukpere, 2014:662). They further note that “the scorecard is specific to a group of jobs performed by employees within the organisation.” Hence employees see low salaries affecting their ability to perform duties to the best of their abilities.

Robbins (2011:86) states that “when employees feel happy about work related tasks then their performance is increased and they perform tasks better.” However Krawczyk and Kalinowski (2008:88) state that “there is a disagreement between employee personal life and performance. Moreover they add that employees will not be motivated to work if they feel that the major part of their salaries goes to the taxman. Therefore employees may have limited career growth if they do not perform to the best of their abilities. .

2.3 Employee job satisfaction

According to Janssen (2011:78), “job satisfaction means how an employee of an organisation feels about work.” Khan (2012:86) reviewed job satisfaction and came to the conclusion that workers experiencing job satisfaction performed much better than their unsatisfied counterparts. Thus satisfied employees do not characterise job satisfaction based on salaries and may perform better at work.

Ahmad, Hamad, Iqbal, and Javed, (2014:86) observe a positive correlation between the needs of the individuals and job characteristics. While Ding. (2016:11) further emphasises that employees’ job satisfaction has a connotation for some components of performance management. Hence employees who are satisfied with their jobs may measure well on the performance management system.

Notwithstanding the above factors, Handoko (2013) states that job satisfaction is the happy or unhappy emotional condition of an employee. Handoko (2013) further adds

that because salaries on the tax thresholds are taxed then take home pay will be low and affect employee performance. According to Janssen (2011:78), job satisfaction means how an employee of an organisation feels about work. Hence employees in provincial government measure job satisfaction by the level of salary they are at.

(Markovits *et al.*, 2014) pointed out that job satisfaction is a variable considered as a global feeling about the job or attitudes about aspects or facets of the job. These aspects may motivate whether employees perform duties at their level best. This is because job satisfaction creates positive emotion among employees about their occupation (Robbin and Judge, 2011:76). Thus in the event of job dissatisfaction performance of employees will be affected due not being positive about the job.

As Boer, Markovits and Van Dick (2014: 414) pointed out, job satisfaction is a variable considered as a global feeling about the job or attitudes about aspects or facets of the job. This is because job satisfaction is intended to create positive emotion among employees about their occupation (Robin and Judge, 2011:76). Assuming that if employees are satisfied with their jobs then they will perform better at work. Thus the more positive employees are the more that will create a positive working environment in provincial departments.

2.4 Gross Income

According to Mikhail (2015:118) gross income can be linked to financial accounting which is the foundation for calculating the tax base and income tax. Mikhail (2015:118) states that "in most countries gross income remains one of the main items of the budget income. Moreover, the accuracy of accruals and payment of taxes is not just inflating up the income side of the national budget but also implementation of budgetary obligations." Every South African who receives an income that is above the tax threshold is obligated to pay tax (Bernasconi *et al.*, 2014:5). Although it may be assumed that taxes play a role in performance of employees going down. It can be argued that there is a tax burden upon individuals who earn above the tax threshold to pay tax to the SARS. Thus if gross income was more, employees will not feel the high taxes that government imposes.

The tax administration always has the right to make people pay taxes as a measure of tax compliance as long as gross income falls on the tax thresholds. (D'Arcy, 2012:12). However as Daude, (2012) points out, "this quantity focuses on enforcement and has the drawback that it could be affected by the respondents' perception of the tax administration. Assuming that understanding how the tax administration works will help employees understand if it will affect job performance. Hence employees get a sense that the tax administration has not benefited them.

The tax system affects employees because tax administrators make people pay taxes based on their income regardless of whether they can afford to pay or not. According to Alm and Duncan, (2014:05) the administrative measurement of taxation has long been recognised by tax administrators. This may imply that tax administrators do not consider that performance of employees may be affected due to taxes.

2.5 Tax in South Africa

According to Doherty, (2014:04), "South Africa has been outstandingly successful in reinforcing its tax collection capacity." In reflecting on the lessons from other low and middle income countries it is necessary to understand that SARS is rooted in a political, economic and administrative context (SARS, 2017). Therefore employees in provincial departments may get a sense that the economy of the country is not improved by taxes as much as employee performance.

In order to look at how paying tax benefits South Africans, tax policy needs to be analysed. In South Africa tax policy is determined by the National Treasury. In terms of the South African Revenue Service Act (No. 34 of 1997), "the primary legislation that governs SARS includes: Income Tax Act, 1962; Customs and Excise Act, 1964; Value-Added Tax Act, 1991; Tax Administration Act, 2011; and Employment Tax Incentives Act, 2013". Thus these legislations play a key role in government's taxation systems.

A lesson from RSA's tax policy is that it is possible to decrease tax and advance the progressivity of tax even whilst increasing total revenue collection (Doherty, 2014:17). According to Ali, Fjeldstad and Sjørusen, (2014:15) South Africa has the highest tax to

GDP ratio compared to countries such as Kenya, Tanzania and Uganda. Assuming that employees in provincial departments may not want to perform better because of a low take home salary.

Figure 2.1 below shows tax rates per taxable income:

INCOME TAX: INDIVIDUALS AND TRUSTS	
Tax rates (year of assessment ending 28 February 2015)	
Individuals and special trusts	
Taxable Income (R)	Rate of Tax (R)
0 – 174 550	18% of taxable income
174 551 – 272 700	31 419 + 25% of taxable income above 174 550
272 701 – 377 450	55 957 + 30% of taxable income above 272 700
377 451 – 528 000	87 382 + 35% of taxable income above 377 450
528 001 – 673 100	140 074 + 38% of taxable income above 528 000
673 101 and above	195 212 + 40% of taxable income above 673 100
Trusts other than special trusts: Rate of Tax 40%	
Tax Rebates and Tax Thresholds	
Rebates	
Primary	R12 726
Secondary (Persons 65 and older)	R7 110
Tertiary (Persons 75 and older)	R2 367
Age	Tax Threshold
Below age 65	R70 700
Age 65 to below 75	R110 200
Age 75 and over	R123 350

Figure 2.1: Tax rates for individuals and trusts for the year 2015

(Source: Jones, 2015:06)

Figure 2.1 shows that the higher you earn the more tax you pay. Low income earners in government range from level 1 to 5 and according to the table will be taxed at 18% of taxable income. The increase in taxes was typically pressed by PAYE which has gradually increased with the escalation of salaries in government (Nhekairo, 2014:14).

Additionally, “there have been a number of tax reforms that have characterised the country, especially in post democratic South Africa as from 1994” (Riba, 2016:8). SARS has been able to meet and exceed targets set by government over the past fifteen years suggesting there is room for increased taxation (Doherty, 2014:1). Hence

targets met by SARS mean that employees continue to be taxed more and have a low take home salary.

It is noted that “tax enforcement structure regulates the level of evasion which affects fiscal policy makers’ assumptions” (Oberholzer and Stack 2014: 228). Nevertheless taxes play a significant role in state-building by helping to create a social contract between inhabitants and the state through negotiating processes (Monkam & Moore, 2015:11). The experience of being taxed engages citizens, incentivising them to collaborate to ensure their money is well spent (Monkam & Moore, 2015:11). Hence departmental employees may wonder if government does indeed spend employees’ money in the form of taxes for intended purposes.

Tax enforcement structures are linked with people’s views as to whether they can evade taxes and get away with it (Oberholzer and Stack 2014: 228). According to (Norman:2017:2014) the term “tax avoidance” refers to “avoiding paying the right amount of taxes and it is not a criminal offence, while tax evasion is a criminal offence committed when a person uses forged documents to hoodwink tax authorities and gain unfair advantage” (Norman:2017:2014). Thus a government employee fortunately cannot evade tax because the employer deducts it on a monthly basis and pays it over to SARS via PAYE.

According to Segal and Maroun (2014: 82), “tax avoidance costs government large sums of money and from African countries it has been estimated to cost governments about 80 billion a year. This claim was contained in a report published in February 2018 that Africa loses more than 60 billion a year in prohibited financial outflows.” Hence they must comply with complex tax laws and are hampered with tax compliance obligations that increase with intricacy (Eichfelder & Vaillancourt, 2014:2). Hence complying with tax laws does not necessarily mean employees enjoy paying taxes.

Steenkamp (2012:05) notes that “there are several ways that government intervenes in an economy which constitutes taxation as a means for provision of public goods and services.” On the global scale, the South African tax system is viewed as efficient and progressive (Nyamongo and Schoeman, 2017:05). Therefore it is worth noting

that employees in provincial departments are taxed according to the SARS tax thresholds.

Moreover, "in most South African entities, tax remains an outcome because of applying applicable tax legislative requirements" (Segal and Maroun, 2014: 82). Growing complexities of tax laws "translate into material impacts on a company's profits and capability to validate compliance with a jurisdiction's regulations" {Gail, Milton and Warren, 2017:83}. Hence employees need to understand that paying taxes has far reaching implications that go beyond just being taxed on a monthly basis.

As stated by KPMG (2011:07), "tax risk is the risk of non-compliance with tax laws combined with the unintended tax consequences of company transactions." On the other hand, Elgood, (2014:17) states that "detailed and generic tax risks are the two main categories that tax risks are divided into. It can be argued that it is a risk for employees to avoid paying tax. Tax risks are classified into transactional, compliance and financial accounting risks and those specific tax risks being considered to be internal tax risks" (Riba, 2016:08). So employees in government may not risk evading tax because they are taxed monthly by the employer paying over to SARS.

However, "external tax risk occurs through legislative changes and new case laws which result in difficulty for South African companies to manage these changes" (Riba, 2016:09). She further adds that in order for corporates to manage these risks effectively, "companies need to have a good understanding of their entity-specific risks". Hence, public sector employees need to understand these entity risks when it comes to tax rates increases.

An example is when "entities with more standard transactions like the payment of monthly salaries will result in lower transaction risks" (Elgood, 2014; 10). Employees in government whether permanent or contract workers receive a monthly salary on the 15th or last day of the month.

The "complex tax laws of SARS that tax returns are completed timeously and accurately have increased the compliance risk for many RSA corporates" (Segal and Maroun, 2014:8).. Moreover tax revenue collection has been seen as a central focus

for the development and improvement of any country (Feger & Asafu-Adjaye, 2014:163). Hence governments are required to spend more on open administrations to enhance their duty income preparation (Feger & Asafu-Adjaye, 2014:163). Thus, most employees miss submitting their tax returns and get penalised when they eventually submit.

2.6 Earnings inequality in South Africa

The government that came into power in 1994 was unequivocally committed to redistribution and was in alliance with the trade union movement (Wittenberg, 2014:01). In many countries trade union power was prolonged through the labour relations system during this period but inequality in labour earnings still widened (Wittenberg, 2014:01). So in government there are several trade unions representing employees like NEHAWU, PSA, SADTU and DENOSA amongst others.

In addition protests like the Marikana massacre where miners were killed in a protest for high salaries showed that conflict was ignited by the suspicion that bosses were profiting more from growth than workers (Wittenberg, 2014:02). Service delivery protests date far back as 2004/05 whereby about 6000 protests were recorded which meant that at least 15 protests were taking place each day (Nembambula, 2014:147). The trend in which service delivery protests occur raises questions about municipal efficiency in service delivery (Nembambula, 2014:150). Therefore it should be mentioned that provincial departments provide service delivery and therefore service delivery protests signal a problem with the running of departments.

Protests signal that the cost of poor service delivery is high. Public sector organisations lack a detailed understanding of the meaning of client service and its implications (Fountain 2001:11). Furthermore, entities require knowledge about how to improve public services (Hodgson et al. 2007). Consequently employees will get a sense that even if public services improve taxes will still not be reduced by government.

In addition let us assume that employees in provincial departments who are more qualified may find themselves in lower positions as opposed to those who are under

qualified. Hence in order to improve employee performance government should hire qualified personnel.

2.7 The role of tax on the economic growth of South Africa

South Africa's economy has for the past years been very volatile due to the ever increasing costs of inflation and the volatile exchange rate. The rand is volatile due to political uncertainty and anything else that affects the market. With that said it is worth noting the extent to which employees do not see tax improving the economy of South Africa.

To what extent does paying taxes improve the economic growth of the country? Looking at the main drivers of Africa's economy has been ascribed to the low quality of organisations' political shakiness (Asongu, 2014:180). Presumably if government employees perform better at work then that will have a positive effect on the economy. Hence the increase in economic growth may likewise improve performance of employees if taxes are not high.

Riba (2016:02) defines economic growth as the expansion in the creation of products and benefits over a period. (Menyah *et al.*, 2014:387) argues that "economic growth and financial development complement each other making real economic growth pivotal." This may further imply that employees who are competent enhance the economic growth of the country.

Gale and Samwick (2016:15) focus on income taxes and they found that reforms that entail base-broadening measures have a positive impact on growth. Still an overvalued currency can destabilise an economy through shortages of foreign currency, corruption and rent-seeking activities (Bernard, 2017:638). Hence the rand's value determines where the economy of the country is at.

(Wisdom & Andrew, 2015) describe economic growth as "the increase in the quality and quantity of goods and services resulting from multitudes of entrepreneurs hiring more workers" Moreover "the working class often wonder if their tax betters the economy or the government is only benefiting alone from taxes (Wisdom & Andrew, 2015). Therefore government as the employer should see to it that employees perform work related tasks adequately.

The average annual percentage growth in GDP decreased from 2.4 percent during the period 1975-1984 to 1.4 percent during the period 1985-1989 (Anyanwu, 2014:468). The economic downturn was as a result of financial sanctions, political unrest and the debt crisis which the country faced during this period. (Anyanwu, 2014:468) further cautions that the key focus of policies in Africa is to have high economic growth that makes it possible to achieve important objectives. Hence the South African economy is not strong due to high levels of poverty.

Furthermore South Africa's financial sector is considered to be one of the most sophisticated and well-developed on the African continent (Andrew, 2015). Accordingly, the Johannesburg Stock Exchange (JSE) is the 17th largest stock exchange worldwide, the sixth largest among emerging markets and the largest within the African continent (Andrew, 2015:22). Thus in spite of JSE being ranked so high the economic growth of South Africa has not improved of late.

However (Mehmet *et al.*, 2017:15) highlights the volatile nature of monetary policy, uncertainty suppresses inflation and lowers interest rates and output rebounds. When comparing South Africa to countries like Europe, it is noted that in the decade leading up to the economic downturn it was unsuccessful to battle inflation (Cantillon and Vandenbroucke, 2014: 02). Hence, when South Africans compare Africa to other continents it emerges that other continents are doing better in terms of employee performance.

Furthermore, Europeans became richer and material deprivation declined during this period but relative income poverty remained at 16 per cent amongst the European population (Cantillon and Vandenbroucke, 2014: 02). Hence employees with a low take home salary are not getting richer.

There were clear and momentous decreases in Ireland while other countries showed no significant change (Corluy and Vandenbroucke, 2014:03). Countries such as Zimbabwe are rated the lowest in the world in small medium enterprises sector's share contribution to employment creation (Maseko, 2014:8). Presumably being employed does not mean employees are satisfied with salaries and perform better. Hence this shows that as compared to Zimbabwe, South Africa is doing much better in terms of employment.

The South African economy can only grow with the contribution of growing sustainable small medium enterprises (SMEs) which will fast-track economic growth (van Scheers, 2016:2). Moreover the success of SMEs “has a positive impact on sustainable economic growth” (van Scheers, 2016:2). Assuming that employees who work in government may not trade with government even if they have SMEs. These small medium enterprises help to create jobs and enhance the economy of the country. However, “marginal tax rates for profits and income brackets have been changed in reaction to changes in economic conditions” (Ojijo & E., 2015:01). SMEs pay tax based on how much the business’ taxable supplies are.

Moreover national government tax revenue as a percentage of (GDP) increased from 24.0 percent in 1998 to 27.4 percent in 2007 despite no increase in tax rates (Calitz *et al.*, 2014:65). Furthermore the fact that the actual tax revenue exceeded the budgeted revenue for many years meant that debt financing was lower than budgeted (Calitz *et al.*, 2014:65). Hence employees continue to be taxed more in order for government to have more tax revenue.

2.8 Local economic development

According to (Rogerson Christian, 2014:203), Local Economic Development (LED) planning is a place-based approach to development planning and is significant. Additionally one of the key challenges facing LED planning is the necessity to adjust planning in relation to the dynamic nature of both international and national framework conditions (Rogerson Christian, 2014:203). Therefore employees in departments may feel LED not benefiting them due to not being allowed to trade with the state if they own businesses.

Local governments in South Africa are currently grappling with the concept of LED which is seen as a tool through which to achieve sustainable development (Abrahams, 2018:1). LED is important for the economic growth of the country because it deals with how residents can be developed to enhance their skills so that they can better the economy of South Africa. However a public sector employee who has a business cannot trade with the state. This is a policy by government to prevent state employees from having two incomes.

The legislative and policy context for LED has been shaped by several key pieces of legislation (Sibanda, 2013:205). While the 1996 Constitution “recognises the significance of local government, additionally, Section 152 obliges municipalities to promote the economic development of local communities”. The White Paper on Local Government states the notion of ‘developmental local government’ defined as ‘Local Government committed to working with citizens (Rogerson Christian, 2014:203). Hence employees in departments provide services to citizens by virtue of working for provincial government.

2.9 Performance Management and Development System (PMDS)

Performance management governs the outputs of persons and teams within the organisation in line with organisational strategy and objectives (Khan & Ukpere, 2014:661). Likewise, the PMDS policy stipulates that performance management is an ongoing cycle involving planning, monitoring and review (Minnaar, 2010: 157-158). Therefore employees may feel that not getting a PMDS bonus might also play a role in impacting job performance.

Furthermore PMDS just like a thirteenth cheque is also taxed at high rates. This may mean it will hamper employee performance because they will not see it as motivation but as another way of the taxman dipping into their pockets. While (Meyer et al, 2006:205) argues that linking compensation with performance is the best way to motivate employees to perform at their level best. Supervisors and managers have a major problem when measuring and evaluating performance (Makamu and Mello, 2014:108). It may be deduced that low ratings may affect performance of employees. This implies that employees/subordinates and seniors do not always agree with given performance ratings.

Compliance with performance management reporting requirements is outlined in the guidelines for framework for managing programme performance information (FFMPPI, 2017). While the Public Service Act no 38 of 1994 makes provision for the implementation of PMDS for the Public Service. Therefore, the PMDS framework encourages the utilisation of one standardised PMDS for all government departments.

2.10 Summary

The chapter commences with a theoretical background noting Maslow's hierarchy of needs which highlights that employees needs have to be fulfilled before they can perform at work. The chapter went on to discuss employee performance and its relation to taxes by the provincial department/employer on a monthly basis. It also highlighted tax systems in South Africa. The importance of job satisfaction is also taken into consideration. The spotlight also falls on the role of tax in the economic growth of South Africa. Gross income is discussed as well as how employee performance is affected by a low gross income.

In the next chapter the research methodology will be discussed.

Chapter 3 - Research Methodology

3.1 Introduction

This chapter details the research methodology followed in the study. The study used mixed methods (quantitative and qualitative designs). It highlights the research design; documentation of data requirements; model specification; data collection plans; operational definitions of variables; and reliability as well as validity of the research instruments.

3.2 Research methodology

The research methodology to be used is mixed methods, as stated by Phophalia (2010:46) that research methodology is described as an observant and critical analysis in search of detail for philosophies to allow industrious investigation. Hyland (2016:47) emphasises that methods of collecting data need to be distinguished like questionnaires and interviews. Methodologies are the ideologies that direct and influence the choice and use of the methods (Hyland, 2016:47). The ideologies will be critical in mixed methods.

According to Myers (2009:39), the research method is a plan of study which transfers from the fundamental norms to research design and data collection. Yin (2011:287) states that there are various research methodologies that can be used for research such as quantitative, qualitative and mixed methods. For the purpose of this study a mixed-method was used because it gives a broader analysis of how tax impacts employee performance.

3.3 Research philosophy

Pragmatism research was used in the study because it serves as a philosophical base for social research regardless of the research method used (David, 2014:12). Furthermore, David, (2014:12) continues that pragmatism replaces the older philosophy of knowledge approach. The study will be instrumental in dealing with philosophies of employee performance.

According to (Morgan, 2014:21) pragmatism stands as a well-developed philosophy that informs logic, metaphysics as well as philosophy of science. Likewise Morgan (2014:21) explains that pragmatism explores how ideas are developed within accounting research and more broadly may offer a valuable redirection of research. Accordingly, it also helps to motivate practical pursuits such as motivating, evaluating and supporting the development of socially and environmentally responsible organisations (Morgan, 2014:22). The study will evaluate results of participants based on motivations given in the responses with regards to interviews.

3.4 Research design

The study used mixed methods (quantitative and qualitative designs). This section highlights the research design, documentation of data requirements, data collection plans, operational definition of variables, reliability and validity of research instruments. The chapter also specifies data used for purposes of the study as well as the sources thereof, the research design used, model specification and model estimation. Questionnaires and interview questions were used for purposes of this study.

A research design is the plan according to which the study identifies research participants and collect information from them (Kruger, 2002:30). Furthermore the research design describes what the researcher does with the respondents with a view to reaching conclusions about the research problem (Kruger, 2002:30). Research design denotes a master plan which offers a framework for collecting and analysing data. (Zikmund, 2010:64). For this study, both questionnaires and interviews were employed.

The study used exploratory design because it begins with a qualitative data collection and analysis phase, which builds to the subsequent quantitative phase (Creswell, Fetters and Guetterman, 2015:556). The study was explorative in a sense that it began with questionnaires and the second phase was interviews. The exploratory design begins with a quantitative data collection and analysis phase which informs the follow-up qualitative phase (Guetterman *et al.*, 2015). The convergent design involves quantitative and qualitative data collection and analysis at similar times, followed by

an assimilated examination (Guetterman *et al.*, 2015). The assimilated examination was when all the responses given in interviews were critically evaluated.

The study used quantitative data collection which involves “gathering numerical data using structured questionnaires or observation guides to collect primary data from individual” (Hair, 2015:197). The study used a self-administered research questionnaire consisting of closed ended questions. The study also made use of graphs. The questionnaire consisted of more questions than interview questions which were few. Furthermore the study used qualitative research because it is descriptive and offers deep understanding of the theoretical and methodological underpinnings (Hesse-Biber, 2015). The study will use open ended Interview questions to get a broader understanding of participants’ responses and to be able to analyse the said responses.

As stated by Brannen (2017:03) that quantitative research is regularly associated with the method of enumeration, the study will therefore use numbers and graphs to analyse data. One of its rule designs is to discover a particular identity which has been found to exist in the tested populace (Brannen, 2017:03). Features of quantitative research include categorising features, and comparing variables to determine if there is any significant or causal relationship between them (McCusker & Gunaydin, 2015:538).. The study will use an element of effectiveness which is controlled within quantitative research methodology as stated by (McCusker & Gunaydin, 2015:540). This is relevant to the study because questionnaires were categorised into different sections and personal information had its own section

3.5 Population

According to the Annual Reports (2017/2018) of departments of Health, Finance and Education total employees are at 1710, 546 and 697 respectively. The total population will be derived from employees in the three major departments of Health, Finance and Education. The population will consider mostly permanent employees for sampling. Mbokane (2011:85) defines population as “an aggregate or totality of all the objects, subjects or members that conform to a set of specifications.” This is the best population for the study because it denotes any defined set of people which is under

consideration (Mandlenkosi, 2016:13). Set of people will be the employees of the three large provincial departments of Health, Education and Finance.

The researcher took into account time and costs when selecting the sample. For the purposes of this study employees in different sections and levels were targeted.

3.6 Sampling

The study uses convenient sampling (also known as haphazard sampling or accidental sampling (Etikan *et al.*, 2016:2). Convenient sampling is “a nonprobability or non-random sampling where elements of the target population that meet specific practical criteria, like easy accessibility, geographical vicinity, availability at a given time, or the willingness to participate are included for the purpose of the study” (Etikan *et al.*, 2016:2). The sample selected for this study was 63 which consists of 21 employees in each of the three departments of Health, Education and Finance.

Likewise, convenience sampling is also referred to as the researching subjects of the population that are easily reachable (Etikan *et al.*, 2016:2). The idea underlying data as a guide to sample size is that once saturation is reached the results must be capable of some degree of generalisation (Roland, 2016). Generalisation is traditionally seen as a central aim of science as a process of theory formulation for further application (Roland, 2016). The researcher took into account time and costs when selecting samples. The study looked at employees from levels 1 until level 13.

3.7 Data analysis

3.7.1 Qualitative data: Interviews

The study made use of interviews to collect data. According to Oltmann (2016:01) interviews are a basic practice used in qualitative research. There are two main types of qualitative interviews, namely: semi-structured and unstructured (Britten, 1995:251). Semi-structured interviews comprise of open-ended questions that explain the research (Britten, 1995:251). The study used semi structured interviews that were easy to understand and very specific.

Unstructured interviews begin with a comprehensive open-ended question regarding the research, with the next questions depending on the participant's response (Doody and Noonan, 2013:02). While the interview is not structured/directive, the study still has to follow an interview guideline consisting of themes instead of containing specific questions (Doody & Noonan, 2013:02). For the purposes of this study open ended interview questions were asked. The study gathered primary data collected from the research participants through the interviews.

3.7.2 Quantitative data (Questionnaires)

The study used a Likert scale for the questionnaires because it is a psychometric scale in research based on survey questionnaires (Barua, 2013:35). The Likert scale consists of strongly agree, agree, disagree, strongly disagree and unsure. In a Likert scale-based instrument, item analysis offers a way to exercise quality control over the tests by providing feedback on how successful the assessment was (Barua, 2013:35). Questionnaires in the study were classified into six (6) sections.

The questionnaire was made up of written questions which are related to the research topic. The questions were clear and specific. For the purposes of this study the questionnaire was based on qualitative conclusions and literature review (Creswell and Plano Clark, 2007). The structure of the questionnaire was divided into six sections namely; 1. Socio-demographic, 2. Evaluating the effectiveness of a low take home salary on employees 3. Evaluating the effectiveness of job satisfaction on employee performance. 4. Evaluating the role of salaries on employee performance 5. Evaluating the impact of high taxes on employee motivation in the public sector and 6. Evaluating the role of tax on the economic growth of South Africa.

- **Section 1** enumerated the socio-demographic information of participants, into understanding their background such as age, level of education, gender, type of employment contract and others.
- **Section 2** determined the effectiveness of a low take home salary on employees.
- **Section 3** evaluated the effectiveness of job satisfaction on employee performance.
- **Section 4** evaluated the role of salaries on employee performance

- **Section 5** determined the impact of high taxes on employee motivation in the public sector.
- **Section 6** evaluated the role of tax on the economic growth of South Africa.

3.8 Data analysis

The study examined data from the participants' interviews by first coding and editing it to ensure that there were adequate emerging patterns. Coding signifies that the coded data was not presented in the raw format but interpreted and presented in the study (Bryman, 2014:336). The study used statistical analysis to draw up the data analysis based on questionnaires completed by participants.

The data collection for the qualitative side was through interviews. A dynamic aspect of the editing process is that verbal words are recorded and written just as they were said by the interviewees (Flick, 2014:294). Additionally the data was transcribed and edited before it was analysed. The study employed content analysis to examine the primary data obtained from interviews. Also, research notes, a research diary and documentation sheets were used to record the data.

The study examined the questionnaires and in cases whereby there was missing data in the questionnaires the researcher coded it as "999" or left it empty (Bryman, 2014). The software used was SPSS (Statistical Package for the Social Sciences) which is straightforward to utilise for quantitative data analysis. Some of the basic operations in SPSS are the *SPSS Data Editor*, *The Data Viewer*, *Variable viewer*, *output* and etc. (Bryman, 2014:331). The study used the SPSS data editor to analyse the data collected.

3.9 Pilot Study

The study used a pilot study prior to the main study. The purpose was to establish the feasibility of conducting the study; appropriateness of the sampling structure; suitability of the questionnaire presented. The pilot study assessed unanticipated problems and the competence and suitability of the methodology.

In the pilot study, the researcher administered the questionnaire to 63 officials in the public sector. The aim was to apply data collected during the pilot study and to perfect the questionnaire, structure, relevance, validity, and reliability.

3.10 Validity and Reliability

The study ensured validity and reliability by identifying expert advice from the research supervisor concerning the validity of the contents of the study and informing participants accordingly. The study used a consent form to seek permission from the line managers' participants before participating in the study.

According to Kamau (2013:36) validity refers to how much the study reflects or surveys the particular idea that the researcher is undertaking to quantify. To boost the validity of the research the researcher did the following:

Kept an open mind and took notes when discussing questions of the interview with respondents. The main purpose of this exercise was to verify whether the respondent responded to research questions that were asked by the researcher.

Reliability was used to verify whether the systems are predictable and determine whether the outcome of the study is repeatable (Kamau, 2013:35). This was done by verifying all the answered interview questions to ensure that answers were not repeated.

Brink *et al.* (2012) further highlights the features of reliability that are commonly evaluated as stated below:

□ Stability

"Stability of a research instrument denotes its consistency over time. This method is called the test-retest and the technique is used in interviews and questionnaires which is applicable for purposes of this mixed methods study." In instances where questionnaires were missed or repeated participants were kindly asked to redo the question. It was also explained to participants that should there be any difficulties in answering questions, the researcher will gladly clarify and explain.

□ Internal consistency

“Internal consistency reports the degree to which all items on an instrument measure the same variable. It measures the homogeneity. This type of reliability is appropriate only when the instrument is examining one concept.”

All the information obtained from the interview and questionnaires were interpreted in order for the researcher to draw an appropriate conclusion. The study used concurrent validity which measures the significance of levels with results and observations discussed with reference to the problem of the observation of human behaviour.

3.11 Research Ethics

Saunders et al (2011:17) state that research ethics is described as the suitability of the researcher's manner relating to the rights of those who become the participants of the research project. Leedy and Ormrod (2010:18) state that most ethical issues in research can be characterised into one of the following four categories:

- Protection from harm – participants were not unnecessarily exposed to physical or psychological harm.
- Informed consent – All the employees asked to take part in a research study were informed about the nature of the study and asked to choose whether they want to participate or not.
- Right to privacy – the participant's nature and quality of performance was kept very confidential.
- Honesty with professional colleagues – The results were reported in an honest manner without misrepresentation or misleading others about the nature of the findings.

Additionally the researcher distributed a consent letter to the supervisors of participants to request consent.

3.12 Summary

The chapter described the research method utilised and the questionnaire and interview analysis as the research instruments which were used for data collection. Reliability and validity issues about the instrument were also emphasised. The self-administered questionnaire was easy and clear. The open ended interview questions

were also easy to understand. The next chapter deals with the data analysis and interpretation.

Chapter 4 - Presentation, Analysis and Interpretation of Data

4.1 Introduction

The chapter presents and analyses the data which was collected from questionnaires administered to employees in large government departments in North West Province. The chapter presents the primary data that was collected using the processes, methods and techniques outlined in the preceding chapter. The information is presented according to the respective sections of the questionnaire.

4.2 Response rate

A total of 63 questionnaires were distributed to participants. The questionnaires were administered via email and by hand to various government employees from across all levels. From the 63 questionnaires that were distributed, 63 questionnaires were completed and returned and this makes a 100% response rate. This return rate guarantees that the data was complete and responded to the aims and objectives of the study. The results generated are applicable to the population from which the sample was derived.

SECTION 1: PERSONAL DETAILS

Table 4.1: Age group

The table and figure below reflect age groups of participants that took part in the study.

Age group	Frequency	%
21yrs and below	2	3.2
22 - 30yrs	22	38.1
31 – 40yrs	24	39.7
41yrs and above	12	19
Total	63	100

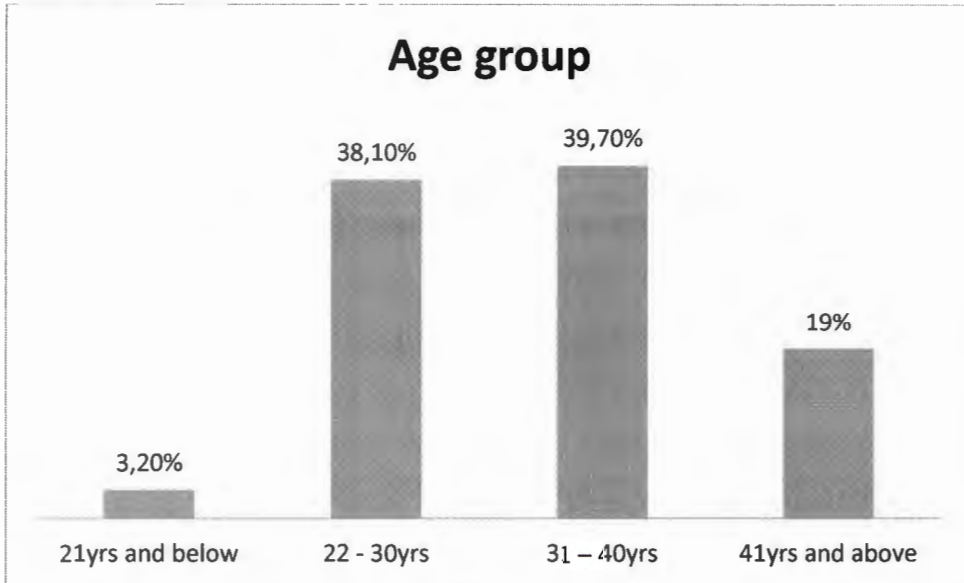


Figure 4.1: Age group

Figure 4.1 depicts that a lot of young people were interviewed for this study. It shows that age group of 31-40 years old consisted of 39.70% of the population whilst 21-30 year olds were 38.10%. This shows a larger representation of the youth. 21 year olds and below were at 3.20% mainly because people generally start working professionally when they are way over 21 years old. Lastly 41 years and above were at 19%. This means that employees who are 41 years and older are not really impacted by the study because most of them are just happy to be employed, thus that the older you get the harder it is to find decent employment.

Table 4.2: Gender

The table and figure below show the sex or gender of the participants that took part in the study.

Gender	Frequency	%
Male	32	50.8
Female	31	49.2

Total	63	100
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Figure 4.2 shows that there were more males than females interviewed. Males represented 50.8% of the population while females represented 49.2%. This means that in provincial departments more males are employed and that males are more affected by the impact of taxation in public sector.

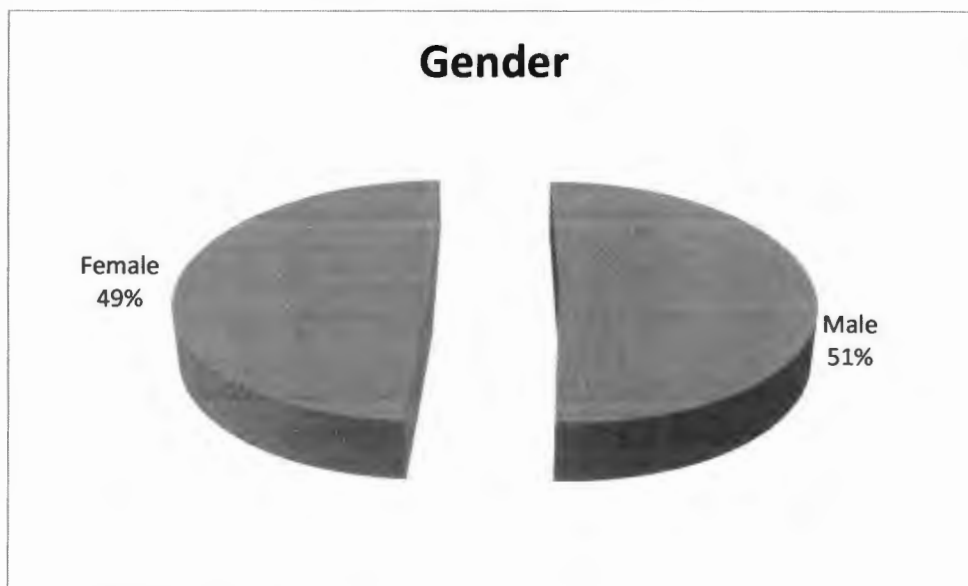


Figure 4.2: Gender

Table 4.3: Race

The table and figure below show the racial background of participants who took part in the study.

Race	Frequency	%
Black	49	77.8
Asian	7	11.1
White	2	3.2
Coloured	5	7.9
Total	63	100

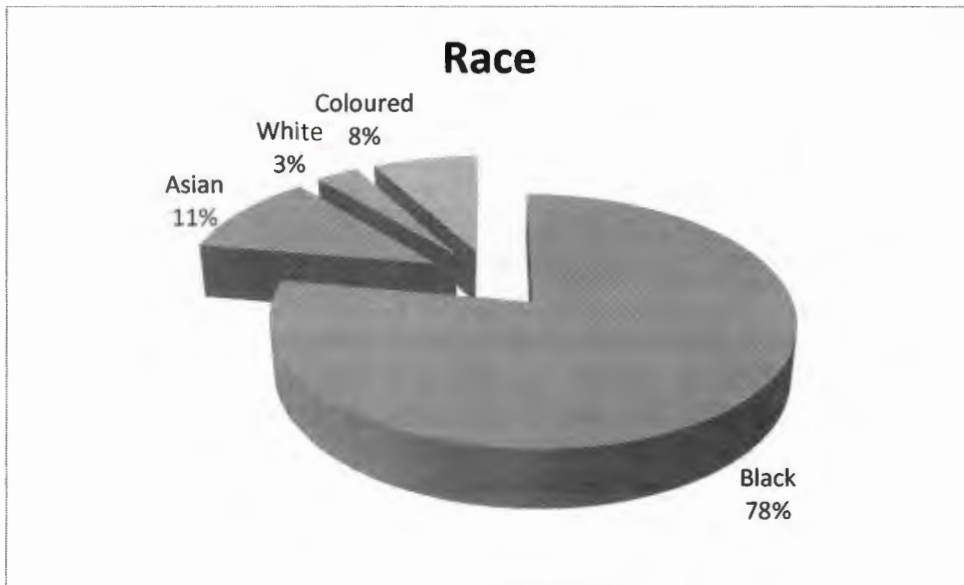


Figure 4.3: Race

Figure 4.3 shows that Black people constituted the majority of the population with a total of 78%. Asian participants were at 11%, Coloured at 8% and lastly white people represented 3% of the sample. The effect on the study is that more black people are working in provincial departments and that impact of taxation affects performance of more black workers.

Table 4.4: Residential area

The table and figure below depict the residential area of participants.

Residential area	Frequency	%
Rural	10	15.9
Semi-rural	12	19
Township	25	39.7
Suburb	16	25.4
Total	63	100

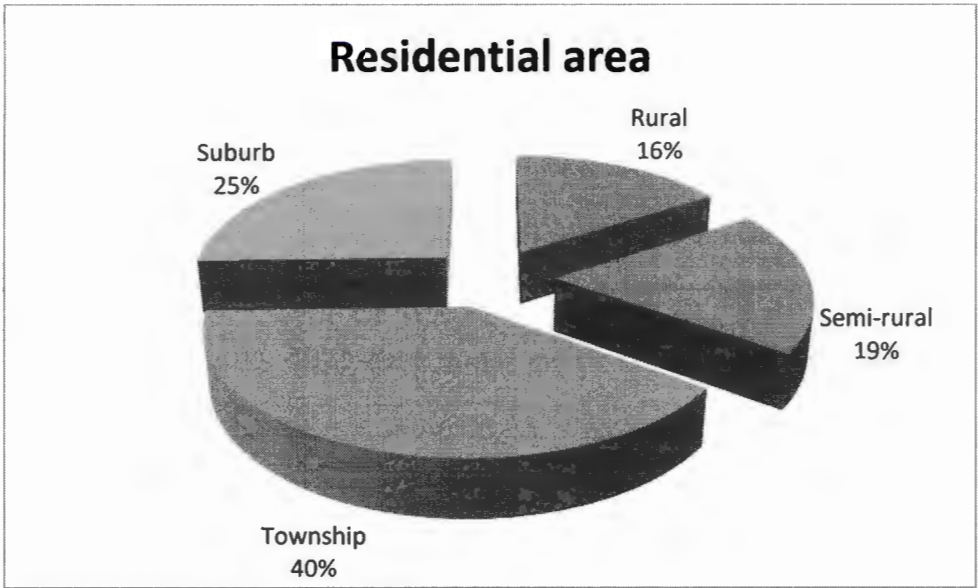


Figure 4.4: Residential area

39.7% of the respondents which is the highest number of respondents come from townships, 25.4% of respondents stayed in suburbs, whilst 19% stayed in semi-rural areas and 15.9% in rural areas. The effect on the study is that mostly people in rural areas are not working and therefore will not feel the impact of taxation.

Table 4.5: Salary level

The table and figure below show the salary level of employees in provincial departments who took part in the study.

Salary level	Frequency	%
Level 1 – 5	8	12.7
Level 6 – 8	26	43.3
Level 9 – 12	17	26.9
Level 13+	12	19
Total	63	100

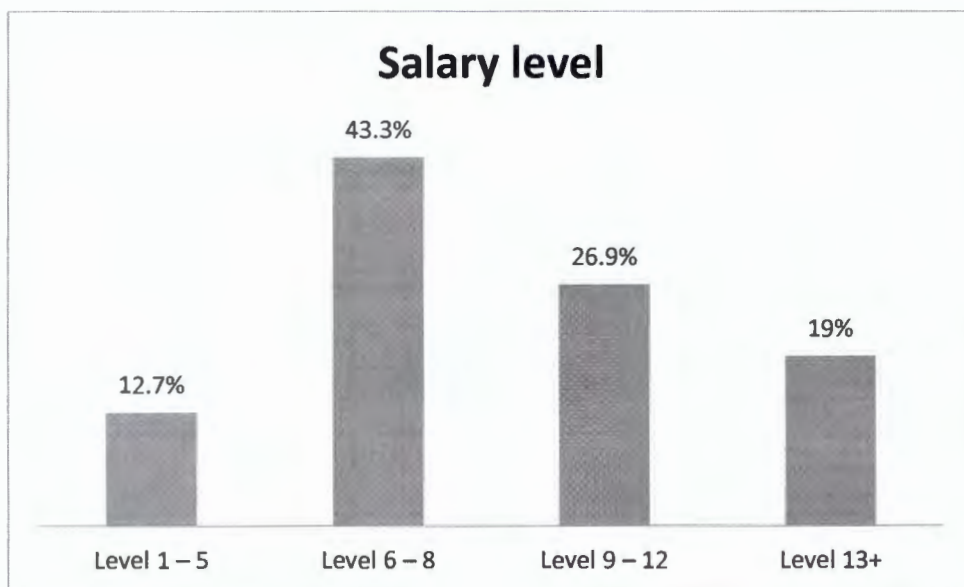


Figure 4.5 Salary level

Figure 4.5 depicts that a higher number of respondents interviewed were on salary level 6-8 at 43.3%, and then 26.9.3% were on salary level 9-12, 19% were on salary level 13 and above and lastly 12.7% were on salary level 1-5. This shows that a lot of employees in lower positions have impacted employee performance because of low salaries impacted by taxes.

Table 4.6: Type of Employment

The table and figure below depict how many participants are permanent employees and how many are on a contract.

Type of Employment	Frequency	%
Permanent	55	87.3
Contract	8	12.7
Total	63	100



Figure 4.6: Type of Employment

87.3 of respondents interviewed were permanent employees in government whilst 12.7% were contract workers. This is mainly because the study focused on permanent employees because they are the ones who are taxed high amounts. The study intended to target permanent employees because they are the ones taxed more due to other fringe benefits of a permanent employee.

Table 4.7: How many years at the department?

The table and figure below show the duration of years/ period participants have worked at respective departments.

Number of years in the department	Frequency	%
2yrs and below	16	25.4
3 – 5yrs	19	30.2
6 – 10yrs	19	30.2
11yrs and above	9	14.3
Total	63	100

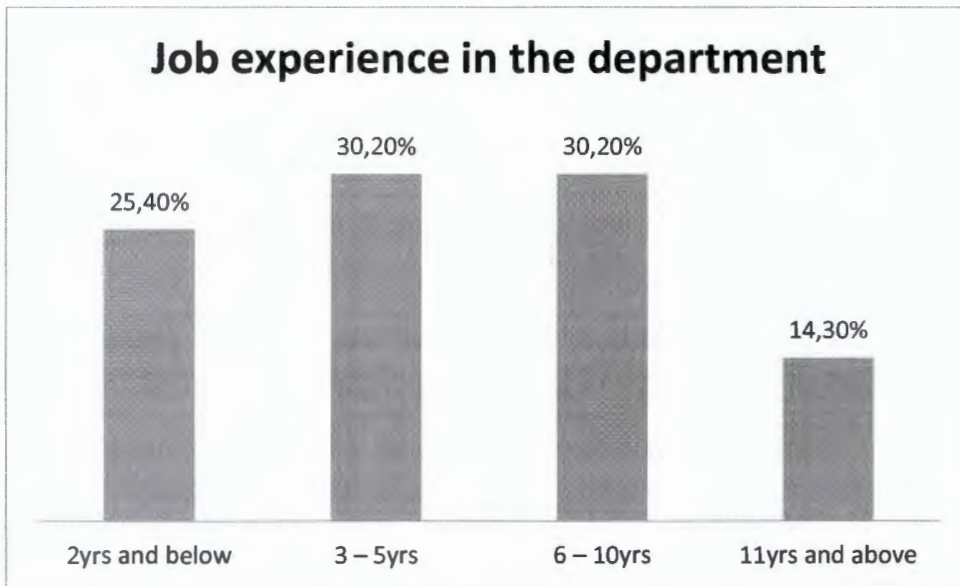


Figure 4.7: How many years in the department?

Figure 4.7 shows that there was a tie of respondents' job experience in the department between 3-5 years and 6-10 years which were both at 30.20%. Respondents who were in government for 2 years and below represented 25.40% of the sample and respondents who had been working for the department for 11 years and older represented 14.30% of the same sample. The effect of the results on the study is that taxes impact employees who have been in provincial departments longer. Furthermore employees who have been in departments for less than two years perform better irrespective of taxes.

Table 4.8: Highest qualification attained

The table and figure below reflect the qualifications of participants.

Highest qualification attained	Frequency	%
Grade 11 and below	2	3.2
Grade 12	7	11.1
National Diploma	22	34.9
Degree	23	36.5
Honours+	9	14.3
Total	63	100

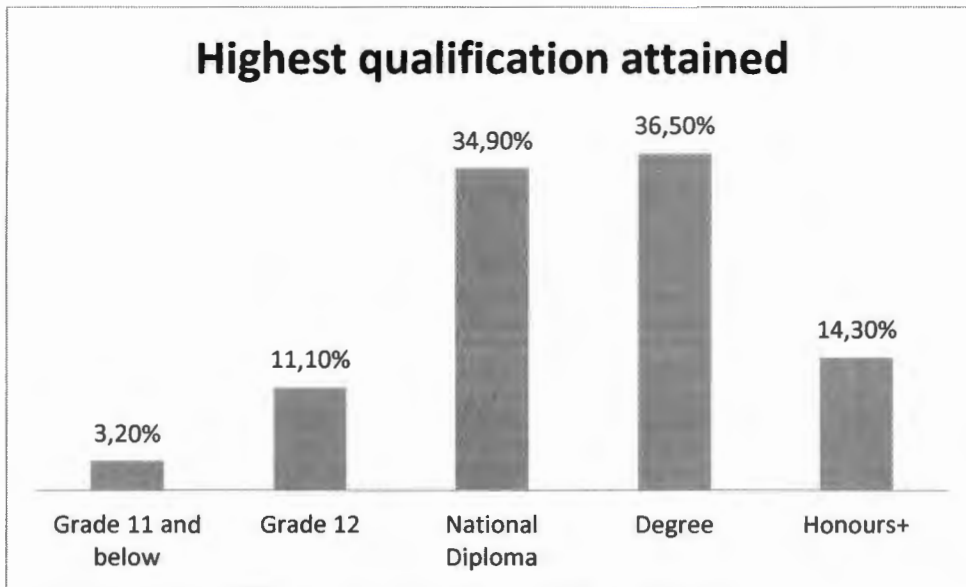


Figure 4.8: Highest qualification attained

Figure 4.8 shows that a high number of respondents had a Bachelor’s degree, the percentage was 36.50%, while 34.90% had National Diplomas, 14.30% had Honours degrees and above, 11.10% had Grade 12 qualification level and lastly 3.20% had a Grade 11 and below. The influence on the study is that even employees who are highly qualified are affected by taxes and that affects performance. The results of qualification attest that majority of the sampled government employees have formal qualification as it forms part of minimum requirements to apply for post levels from level 5.

SECTION 2: RELIABILITY ANALYSIS

Cronbach’s alpha (α) is a reliability coefficient whose numerical value ranges from 0 to 1, and it measures the reliability (or internal consistency) of a questionnaire (or survey) consisting of Likert-type scales and items. A high value (close to 1) for Cronbach’s alpha reliability coefficient indicates good internal consistency of the items in the scale.

Table 4.9: Reliability analysis (Impact of taxation on employee performance)

Subscale	Cronbach's Alpha (α)	N of Items	Mean	Standard Deviation	Internal consistency
Evaluating the effectiveness of a low take home salary on employees (Section B)	0.7	4	2.9	0.9	Acceptable
Evaluating the impact of high taxes on employee motivation in the public sector (Section E)	0.7	4	3.2	0.6	Acceptable
Evaluating the role of tax on the economic growth of South Africa (Section F)	0.7	5	4.2	0.3	Acceptable
Total	0.7	13	3.5	0.8	Acceptable

The Cronbach's alpha coefficients in Table 4.9 are all equal to 0.7, and this implies that the participants responded consistently to those survey items. The Cronbach's alpha scores for sections C ($\alpha = 0.5$) and D ($\alpha = 0$) of the questionnaire were lower than 0.7, and therefore those sections were no longer considered in this study. Some items within sections B, E and F were removed because the participants did not consistently respond to them.

SECTION 3: PERCENTAGES

Table 4.10: Percentages (Impact of taxation on employee performance)

The participants that participated in the study were from three large provincial departments namely: Health, Finance and Education.

Key: SD = strongly disagree, D = disagree, U = unsure, A = agree, SA = strongly agree

Evaluating the effectiveness of a low take home salary on employees in provincial departments					
Item	SD(%)	D(%)	U(%)	A(%)	SA(%)
I am conversant with how my gross income is taxed and the tax threshold thereof (N=63)	9.5	15.9	19	20.6	34.9
I know how tax is calculated and why I get taxed such a substantial amount (N=63)	11.1	11.1	11.1	58.7	7.9
I am still able to afford the house of my dreams though take home salary is low due to taxes (N=63)	39.7	28.6	3.2	12.7	15.9
I am satisfied with my earnings and do not necessarily feel the high tax burden (N = 63)	33.3	50.8	3.2	1.6	11.1
AVERAGE RESPONSE (%)	23.4	26.6	9.1	23.4	17.5

Quantitative analysis

Table 4.10 shows that the majority of participants (26.6%) disagreed that they understand the effectiveness of a low take home salary on employees. This can be attributed to the fact that a low salary does not adequately cover employees in

purchasing and meeting their basic needs. As Maslow's hierarchy of human needs in the workplace is defined as self-actualization, this suggests that people are motivated to fulfill basic needs before moving to other higher order needs (Cherry, 2014:01). Most participants demonstrated in the study that they understand how their gross income is taxed and what makes up the tax threshold.

Most participants are conversant with how tax is calculated. Pogosov and Sokolovskaya (2015:525) state that the main components in total gross income are gross profit and wages. The study showed that participants are not satisfied with their earnings and the high tax burden affects them a great deal.

The study demonstrated that employees in the public sector cannot afford houses and cars of their dreams because of low salaries and high taxes. The responses indicate that 23.4% strongly disagreed and agreed respectively, 17.5% strongly agreed and 9.1% are unsure. In addition, a low take home income for employees affects them because high taxes mean they struggle to afford daily needs such as food, accommodation and fuel whose prices which are also on the rise.

Qualitative analysis

Interview Question 01: How does a low take home salary affect employees?

Responses: Most of the participants stated that they are drowning in debt because of a low take home salary. Many stated "We have so many debts". While others said "A low salary affects my ability to function at work".

Interpretation: The responses show that the low salary that participants earn cannot sustain them. The responses further revealed that 75% of employees are not happy with their salaries. As Nyberg *et al*, (2016: 02) state that a salary is perceived to impact employee performance through the concept of transactional rules. Accordingly employees who are not happy with their salaries cannot perform better.

Interview Question 02: How has the increase in Value Added Tax (VAT) affected you as a consumer?

Responses: Most of the participants stated that they have reduced their buying a lot.

Interpretation: Responses to this question showed that participants feel the high tax burden of being taxed twice by government via PAYE and via VAT when procuring taxable items. Participants also indicated that they now buy more zero rated items.

Interview Question 03: What is your understanding of gross income and taxable income?

Responses: The majority of participants indicated that it is income that is taxed after all the deductions are subtracted.

Interpretation: Participants stated that even though they understand why tax is collected and what makes up gross income, this comprehension does not mean that they agree with why they are taxed substantial amounts by SARS. As similar research indicated that every South African who receives an income that is above the tax threshold is obligated to pay tax (Bernasconi *et al.*, 2014:5)

Interview Question 04: How has your performance at work been affected by high taxes and do you have a low morale?

Responses: Most participants indicated that they are not affected.

Interpretation: The responses indicated that their performance at work is not affected by the high taxes. Rather, many respondents stated that they have a morale to pay taxes. As Cummings, (2006:02) states that tax morale is the central motivation to pay taxes with the notion that you are contributing to society.

Interview Question 05: What is the effect of salaries on employee performance?

Responses: Most participants indicated that salaries motivate employees to work.

Interpretation: The responses from participants show that salary is a very important of the contractual obligations when you work and that it motivates employees.

Interview Question 06: How do salaries ensure employee growth?

Responses: Majority of participants indicated that high salary ensures growth.

Interpretation: This shows that when employees get paid more they feel a sense of personal worth and growth. However the high taxes hamper participants from

enjoying the high salary because with PAYE the more you earn the more you get taxed.

Interview Question 07: How do you want to be rewarded as a public sector employee and do you think incentives play a role in enhancing employee performance?

Responses: Participants stated that they would want to be rewarded with performance bonuses, a good salary and that incentives certainly enhance performance.

Interpretation: The responses show that participants want better salaries because they are not satisfied with government's low salaries that continue to be taxed at high rates.

Table 4.11 Evaluating the impact of high taxes on employee motivation in provincial departments

Item	SD(%)	D(%)	U(%)	A(%)	SA(%)
I am motivated to get up in the morning and go to work despite high taxes (N=63)	27	34.9	1.6	25.4	11.1
The hard work that I put into my work is not rewarded adequately (N=63)	9.5	7.9	6.3	33.3	42.9
I am motivated to work as a public sector employee because of the Batho Pele principles (N=63)	15.9	49.2	7.9	25.4	1.6
I am motivated to work hard even though the major part of my salary goes to the tax man (N=63)	14.3	23.8	4.8	47.6	9.5
AVERAGE RESPONSE (%)	16.7	29	5.2	32.9	16.3

Quantitative analysis

The above table displays that a significant number of participants (32.9%) agree that they are motivated to work even though the major part of their salary goes to the taxman. This means that the majority of participants are not motivated to work only because of salaries but work for the passion that they have for the job. According to Janssen (2011:78) job satisfaction means how an employee of an organisation feels about their specific duties at work.

29% of the participants disagree that they are motivated to work amidst high taxes. They are not even motivated to get up in the morning and go to work and feel that they are not rewarded sufficiently for the great work they put in. 16.7% strongly disagreed, whilst 16.3 strongly agreed that they are motivated to work despite high taxes and lastly 5.2% were unsure.

The study showed that the majority of the employees' salaries goes to the tax man. As proved by Kiruja and Mukuru, (2018:75) who stated that a decrease in wage or salary caused by low take home generates the dissatisfaction of employees within companies immensely. Furthermore, employees in the public sector should follow the Batho Pele principles and in the study the majority demonstrated that they are motivated to work due to those very principles.

Qualitative analysis

Interview Question 01: What are the factors that determine your job satisfaction amidst the high taxes?

Responses: Participants indicated that inputs determine job satisfaction while others said adding value and good working relations with colleagues as well as salary. Participants said "Work environment and working relations" while others said "My salary"

Interpretation: The responses show that participants want to be valued and want government to pay them better salaries so they can be satisfied. The interview responses showed that 60% of employees see salary as a factor while the other 40% see working environment and family as a means for job satisfaction. As

Janssen 2011:78), states that job satisfaction means how an employee of an organisation feels about work related tasks.

Interview Question 02: What is your understanding about the employee performance online capacity tool called the balanced scorecard?

Responses: The majority of participants said it is a tool to measure employee performance.

Interpretation: The responses show that participants only have limited understanding of the balanced scorecard and that participants do not understand how their performance at work is measured and the implications of poor performance.

Interview Question 03: To what extent does salary motivation play a role on employees' performance?

Responses: Most participants stated that to a large extent salary plays a role on performance.

Interpretation: The majority of participants indicated that they are not motivated to work because of low salaries and that government does not reward them enough for their hard work. Participants also indicated that employee motivation has a direct impact on employee performance and that before applying for jobs they first look at the salary.

Interview Question 04: How does salary determine if employees are satisfied and do job seekers look at the salary first before applying for a job?

Responses: The majority of respondents stated that they look at the salary first before applying.

Interpretation: The responses showed that because cost of living is so high respondents look at the salary first. However, as Boylan and Long, (2005:01) states government salaries are uncompetitive when compared to salaries in the private sector. Participants stated that because government salaries are low, the high taxes affect them in very significant ways.

Interview Question 05: What is your understanding of earnings inequality in South Africa and do you think there is earnings inequality in the public sector?

Responses: Participants mainly stated that earnings inequality is when people do the same work but not earning the same salary and that there is inequality in the public sector.

Interpretation: The analysis shows that participants agreed that there is inequality in government, even though some indicated that in government you get hired according to the level of your qualifications and experience.

Interview Question 06: What motivates employees to get up in the morning and go to work?

Responses: The majority of participants indicated that employee relations, family and working on the job that they studied for motivates them. Other employees said that salaries motivate them to go to work.

Interpretation: The responses show that participants are not just motivated to work by salaries but other psychological factors as well.

Interview Question 07: How do job motivation and job satisfaction link to one another?

Responses: The majority of participants stated that if you are satisfied with what you earn then you should be motivated to perform well. Other participants indicated that in order to be satisfied you must be motivated first.

Interpretation: Based on the analysis of the responses to this section, participants showed that motivation comes before satisfaction, and this is because you need to be motivated to work and then job satisfaction follows.

Item	SD(%)	D(%)	U(%)	A(%)	SA(%)
The increasing costs of inflation cause the volatile exchange rate (N=63)	3.2	0	3.2	34.9	58.7
Economic growth and financial development complement each other making financial deepening and real economic growth (N=63)	0	0	20.6	52.4	27
Economic growth can essentially be described as the increase in the quality and quantity of goods and services (N=63)	0	4.8	12.7	65.1	17.5
Inflation affects every day basic needs. (N=63)	0	0	0	55.6	44.4
I am familiar with terms inflation and the Gross Domestic Product (GDP) concepts (N=63)	12.7	19	9.5	55.6	3.2
AVERAGE RESPONSE (%)	3.2	4.8	9.2	52.7	30.2

Quantitative analysis

The above table shows that a significant number of participants (52.7%) agree that tax impacts the economic growth of South Africa. Participants also understand that the increasing costs of inflation cause the volatile exchange rate. Moreover inflation affects the standard of living for South Africans and their everyday basic needs. Furthermore, participants do not see the role of the high rate of taxes on the economy of South Africa and feel that their high taxes are only benefiting a few people.

Participants also demonstrated in the study that they comprehend that economic growth is the increase in the quality and quantity of goods and services as described by (Wisdom & Andrew, 2015). Consequently the study demonstrated that participants are familiar with Gross Domestic Product (GDP) and its increases and decreases

Additionally, the study also demonstrated that participants understand that economic growth and financial development complement each other as argued by (Menyah *et al.*, 2014:387). Likewise, Hodge, (2009:25) states that economic growth and employment growth tend to swing together over time, hence a developing economy could translate into advanced employment levels. There was a significant 30.2% of participants strongly agree that high taxes impact on the economy of South Africa, whilst 9.2% were unsure, 4.8% disagreed and 3.2% strongly disagreed. Furthermore the high tax burden is so heavy on South Africans that it negatively affects the economic growth and makes the national economy uncompetitive (Lykova, 2015:1).

Qualitative analysis

Interview Question 01: How do high taxes better the lives of employees and how do employees see the economic growth of South Africa in five years' time

Responses: Majority of participants indicated that high taxes have improved the lives of poor people who get grants. While other participants disagreed and said high taxes are benefiting the government and not employees. Some participants said: "Taxes contribute to the economy because government gives grants to old people and people with disabilities" while others said: "Lives of employees are not bettered by high taxes because it discourages them to work hard".

Interpretation

The interview responses indicated that 55% of participants see the value of taxes whilst 45% do not see taxes bettering lives and the economic growth. Participants stated that as provincial departmental employees they contribute to the economic growth of South Africa by being taxed on a monthly basis and thereafter procuring taxable goods and services. Moreover participants indicated that government is only taking from them and there is no benefit for workers. Some participants argued that government has done a lot for impoverished residents by providing them with social grants and houses.

Interview Question 02: What is your understanding of the exchange rate and its effect on the economy of South Africa?

Responses: Most participants stated that exchange rate is the exchange of currencies between different countries

Interpretation: The analysis show that participants understand the exchange rate and that currently the South African rand is very weak. Participants indicated that the high taxes they pay are not helping to strengthen the weak rand.

Interview Question 03: How do you as a public servant and tax payer contribute to the economy of South Africa?

Responses: Most participants stated that they contribute to the economy by paying taxes and when procuring VAT rated goods and services

Interpretation: Based on the analysis participants contribute a lot to the economy of the country, however government is not assisting participants.

EXPLANATION OF PERCENTAGES

SECTION 4: DESCRIPTIVE STATISTICS

Table 4.11: Descriptive Statistics (Impact of taxation on employee performance)

Scale: 1 = strongly disagree, 2 = disagree, 3 = unsure, 4 = agree, 5 = strongly agree

Item	N	Mean	Standard deviation	Skewness
I am conversant with how my gross income is taxed and the tax threshold thereof. (N=63)	63	3.4	1.3	-0.5
I am conversant with how tax is calculated and why I get taxed such a substantial amount. (N=63)	63	3.9	1.5	-1.0
I am still able to afford the house of my dreams though take home salary is low due to taxes. (N=63)	63	2.3	1.5	0.7
I am satisfied with my earnings and do not necessarily feel the high tax burden. (N = 63)	63	2.0	1.0	1.2

I am motivated to get up in the morning and go to work despite high taxes. (N=63)	63	2.7	1.6	0.4
The hard work that I put into my work is not rewarded adequately. (N=63)	63	3.8	1.3	-1.1
I am motivated to work as a public sector employee because of the Batho Pele principles. (N=63)	63	2.7	1.5	0.7
I am motivated to work hard even though the major part of my salary goes to the tax man. (N=63)	63	3.5	1.6	-0.4
The increasing costs of inflation cause the volatile exchange rate. (N=63)	63	4.2	0.8	-2.0
Economic growth and financial development complement each other making financial deepening and real economic growth. (N=63)	63	4.3	0.8	-0.6
Economic growth can essentially be described as the increase in the quality and quantity of goods and services (N=63)	63	4.4	0.9	-1.4
Inflation affects every day basic needs. (N=63)	63	4.6	0.5	-0.2
I am familiar with terms inflation and the Gross Domestic Product (GDP) concepts. (N=63)	63	3.7	1.6	-0.6

Positive skewness values show that the respondents tend to disagree with the items listed in Table 4.11, whereas negative skewness values imply that the respondents tend to agree with the listed items. Values of the mean closer to 4 show that the respondents tend to agree and those closer to 2 tend to disagree with the items listed in Table 4.11. Low standard deviations indicate that the responses are clustered closer to their respective means (averages).

SECTION 5: CORRELATION ANALYSIS

Spearman's rank rho test

This test is concerned with the correlation between two ranked variables (X and Y). The correlation is statistically significant if the p-value is less than 0.05 level of significance. The coefficient of Spearman's rank correlation is given by

$$r = 1 - \frac{6\sum D^2}{N(N^2 - 1)}$$

where

D = differences of ranks of corresponding values of X and Y

N = number of paired values in the data

$$-1 \leq r \leq 1$$

Table 4.12: Spearman's rank correlation between age group and views (perceptions) of respondents about the impact of taxation on employee performance in provincial departments of North West

Items		
I am still able to afford the house of my dreams though take home salary is low due to taxes. (N=63)	Correlation coefficient(r)	0.330*
	p - value	0.008
Inflation affects every day basic needs. (N=63)	Correlation coefficient(r)	0.287*
	p - value	0.022

*Correlation is significant at the 0.05 level

SPSS Ver 25 software package was used to perform the correlation analysis and the results are shown in Table 4.12. Since all the p-values are less than 0.05 level of significance, then the correlation between age group and views of respondents about the items listed in Table 4.12 is significant. All the correlation coefficients ($r = 0.330$ and 0.287) are positive ($r > 0$). It means that older respondents tend to agree with the items in Table 4.12, whereas younger respondents tend to disagree with them. See Figure 4.9 to justify this research finding.



Views

$r > 0$

Disagree

Young

Old

Age

Figure 4.9: Views of respondents versus age ($r > 0$)

Table 4.13: Spearman's rank correlation between educational level and views (perceptions) of respondents about the impact of taxation on employee performance in provincial departments of North West

Items		
I am conversant with how my gross income is taxed and the tax threshold thereof. (N=63)	Correlation coefficient(r)	0.389*
	p - value	0.002
I am conversant with how tax is calculated and why I get taxed such a substantial amount. (N=63)	Correlation coefficient(r)	0.262*
	p - value	0.030
I am still able to afford the house of my dreams though take home salary is low due to taxes. (N=63)	Correlation coefficient(r)	0.513*
	p - value	0.000
I am satisfied with my earnings and do not necessarily feel the high tax burden. (N = 63)	Correlation coefficient(r)	0.388*
	p - value	0.002
I am motivated to work hard even though the major part of my salary goes to the tax man. (N=63)	Correlation coefficient(r)	0.288*
	p - value	0.022

*Correlation is significant at the 0.05 level

All the p-values in Table 4.13 are less than 0.05 level of significance. It shows that there is a significant correlation between the educational level and views of participants about the impact of taxation. All the correlation then the correlation between the educational level and views of respondents are positive ($r > 0$). It means

that more educated respondents tend to agree with the items in Table 4.13, whereas less educated respondents tend to disagree with them. See Figure 4.10 to justify this research finding.

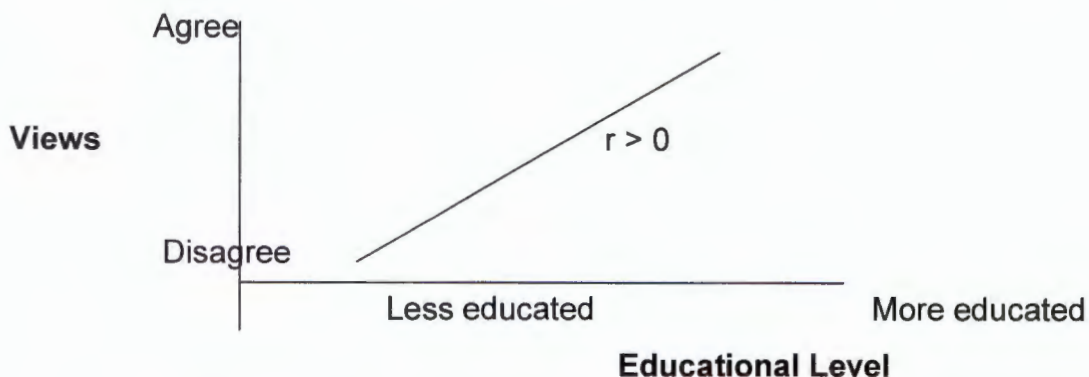


Figure 4.10: Views of respondents versus educational level ($r > 0$)

Table 4.14: Spearman’s rank correlation between salary level and views (perceptions) of respondents about the impact of taxation on employee performance in provincial departments of North West

Items		
I am conversant with how my gross income is taxed and the tax threshold thereof. (N=63)	Correlation coefficient(r)	0.597*
	p - value	0.000
I am conversant with how tax is calculated and why I get taxed such a substantial amount. (N=63)	Correlation coefficient(r)	0.421*
	p - value	0.001
I am still able to afford the house of my dreams though take home salary is low due to taxes. (N=63)	Correlation coefficient(r)	0.516*
	p - value	0.000
I am motivated to get up in the morning and go to work despite high taxes. (N=63)	Correlation coefficient(r)	0.364*
	p - value	0.003
I am motivated to work hard even though the major part of my salary goes to the tax man. (N=63)	Correlation coefficient(r)	0.405*

	p - value	0.001
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*Correlation is significant at the 0.05 level

Since all the p-values in Table 4.14 are less than 0.05 level of significance, then the correlation between the salary level and views of respondents about the items listed in Table 4.14 is significant. All the correlation coefficients are positive ($r > 0$). It means that the respondents who are in the higher salary level tend to agree with the items in Table 4.14, whereas respondents who are in the lower salary level tend to disagree with them. See Figure 4.11 to justify this research finding.

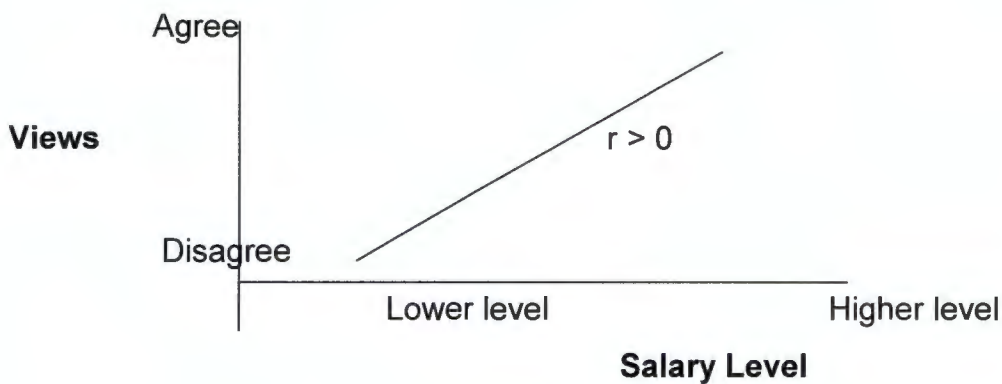


Figure 4.11: Views of respondents versus salary level ($r > 0$)

Table 4.15: Spearman's rank correlation between work experience and views (perceptions) of respondents about the impact of taxation on employee performance in provincial departments of North West

Items		
I am motivated to get up in the morning and go to work despite high taxes. (N=63)	Correlation coefficient(r)	0.408*
	p - value	0.001
I am motivated to work hard even though the major part of my salary goes to the tax man. (N=63)	Correlation coefficient(r)	0.510*
	p - value	0.000
The increasing costs of inflation cause the volatile exchange rate. (N=63)	Correlation coefficient(r)	0.251*

	p - value	0.047
Economic growth can essentially be described as the increase in the quality and quantity of goods and services (N=63)	Correlation coefficient(r)	0.255*
	p - value	0.044
Inflation affects every day basic needs. (N=63)	Correlation coefficient(r)	0.349*
	p - value	0.005
I am familiar with terms inflation and the Gross Domestic Product (GDP) concepts. (N=63)	Correlation coefficient(r)	0.529*
	p - value	0.000

*Correlation is significant at the 0.05 level

Since the p-values in Table 4.15 are less than 0.05 level of significance, then the correlation between the work experience and views of respondents about the items listed in Table 4.15 is significant. All the correlation coefficients are positive. It means that more experienced respondents in the department tend to agree with the items in Table 4.15, whereas less experienced respondents tend to disagree with them. See Figure 4.12 to justify this research finding.

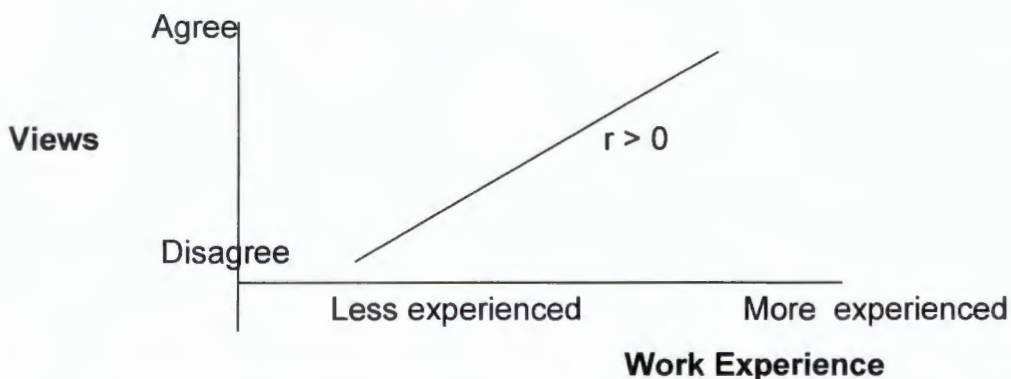


Figure 4.12: Views of respondents versus work experience in the department ($r > 0$)

Analysis of interview questions

The interview questions indicated that indeed taxation impacts employee performance negatively. It further showed that salaries motivates employees to work hard because most employees sampled look at salaries first before applying for jobs. Moreover a low take home salary has resulted in most employees drowning in debt. However most

employees sampled indicated that they do not have a low staff morale due to salaries because they are passionate about their jobs amidst low take home salaries.

Integrated discussion of the results

An integration of the results revealed that for quantitative findings a significant number of participants (32.9%) agree that they are motivated to work even though the major part of their salary goes to the taxman and their performance is not affected by taxes. Others conflicted (26.6%) and stated that taxes impact their performance at work as well as the ability to function. This can be attributed to the fact that a low salary does not adequately cover employees in purchasing and meeting their basic needs. As Maslow's hierarchy of human needs in the workplace is defined as self-actualization, this suggests that people are motivated to fulfil basic needs before moving to other higher order needs (Cherry, 2014:01).

Findings for qualitative sections revealed that salaries play a major role in employee performance and that low salaries caused by taxes affect performance. Other participants conflicted and stated that they are not motivated to work because of salaries and that performance at work is determined by passion for the job as well as completing tasks. As Mathis & Jackson (2009:324) state that employee performance is about the effective and efficient completion of equally fixed tasks by the employee as set out by the employer.

4.5 Summary

Chapter 4 detailed the empirical data. The empirical data showed graphs and list of figures to demonstrate the quantitative analysis that was done to enumerate the data analysed. Furthermore the chapter revealed the findings of the qualitative interview questions. Likewise the data was examined to make it easy for presentation and interpretation. Though, the raw data had been administered through the SPSS system, and the SPSS (Statistical Packaging for Social Science) output was input into the respective tables and figures. The final chapter will focus on discussions of the results, conclusions and recommendations.

Chapter 5 - Discussion of Findings, Conclusions and Recommendations

5.1 Introduction

Chapter five details and deliberates on the results and findings of the study. The discussion is based on the results attained on all of the research objectives. The analysis of the data collected aided the study to make a final conclusion and also to ascertain if employees understand the impact of taxation on employee performance. Thereafter, conclusions and recommendations were made. Lastly areas which need additional research are proposed.

5.2 Research methodology and design

The questionnaires that were utilized to perform a mixed methods study were distributed only to the officials of the Departments of Finance, Health and Education in the North West Province. Employees from levels 1 until 13 were targeted. This is because tax affects everyone and not just employees in higher positions. For this study, the researcher distributed a self-administered questionnaire to 63 officials and all 63 questionnaires were received back resulting in 100% response rate.

5.3 Employee performance and taxation

According to Kiruja and Mukuru, (2018:75) the complete victory of an organisation in accomplishing its objectives rests deeply on the performance level of employees. However, if the said employees do not perform satisfactorily because the tax burden is too much then it becomes problematic to organisations. Ability requires skills, training and resources vital for executing a task and motivation is defined as an internal force that pushes persons to act towards something (Kiruja & Mukuru, 2018:73). Employee motivation and performance are linked because employees should be motivated to perform.

Performance is moreover described as “what the entity employs one to do and do satisfactorily and performing workers assist superiors to manage superb departments. (Bin, 2015:01). Performing workers should always feel appreciated and be rewarded for the work they do to push the department to greater heights.

The motivation produced by tax policy is evaluated by the percentage of projected returns from new investments that would be collected by the government (Giroud & Rauh, 2015:13). Employees in the public sector get taxed every month by SARS and still see this tax as being way too high further resulting in a low take home salary.

5.4 Discussion of results

5.4.1 Research Objective 1: To determine the effect of low take home salaries for employees in the public sector.

The majority of respondents disagreed that they understand the low take home salary on employees. This is because a low take home salary affects the basic needs of employees. It can be concluded that employees are not happy with the high amount of tax because the salaries of employees are low as it is. It should be noted that most employees only have one source of income which is the salary they earn from government. Hence a low take home salary affects them substantially.

5.4.2 Research Objective 2: To establish whether job satisfaction impacts on employee performance

The majority of the participants indicated that job satisfaction impacts on their employee performance. Furthermore participants stated that being satisfied with one’s job means being rewarded and afforded proper incentives that would expand one’s bank account. This shows that high taxes have an impact the satisfaction as well as performance of employees in the public sector. Likewise Khan *et al*, (2012:86) state that job satisfaction provides input for better performance of employees. Nevertheless the effect of salaries on employee performance is that employees who are not satisfied with their salaries do not feel motivated to work.

5.4.3 Research Objective 3: To evaluate the effect of salaries on employee performance

The majority of participants indicated that they are not happy with their salaries and it affects their performance. Furthermore, participants stated they are not satisfied with their earnings and feel the high tax burden. Participants complained that they cannot afford houses and cars of their dreams due to the low monthly salary that they get. This is sufficient evidence to show that participants' full needs cannot be met because they are highly dependent on salaries that are not enough.

5.4.4 Research Objective 4: To establish the extent to which tax plays a role on the economic growth of South Africa.

The greater number of participants agree that tax impacts the economic growth of South Africa. Participants further stated that while they agree that post democracy South Africa is much better because poor people have access to grants and RDP houses as well as infrastructure in rural areas. However, there is still a long way to go before participants can agree that ordinary citizens have any benefit mainly from high taxes. Participants moreover indicated that only government is benefiting from taxes. They furthermore cited countless cases of corruption where nobody was punished and took accountability for abusing state resources.

5.5 Limitations

The study was conducted within the North West Province large provincial departments namely: Departments of Health, Finance and Education. The emphasis was placed on employees across all levels as they represented a sample of the population directly affected by the tax regimes in SA. The research could still be extended to other departments in the province such as Department of Public Works, Department of Tourism and Department of Agriculture. Furthermore, provincial departments of nearby provinces such as Gauteng and Limpopo could be explored to get a broader view of how a larger group feels about the impact of high taxes on employee performance.

5.6 Recommendations

The recommendations listed below are made by the researcher based on the research results and findings of the study for reflection by North West Province public sector employees:

- Employees should be passionate about their jobs and work not because they get paid but because they are contributing to the effectiveness and efficiency of the South African economy.
- Heads of departments should have mechanisms in place to give incentives to employees in addition to the high tax burden so that employees do not feel the high tax burden.
- Employees should familiarise themselves with all the tax policies and legislations available so that they understand why government is using certain tax rates.
- Employees should not live beyond their means and carefully consider fulfilling basic needs before moving on to other higher order needs that are not as important as basic needs.
- National Treasury needs to amend the Supply Chain Management policy that indicates that persons in the employ of the state should not do business with the state.
- This could further show that government does indeed care about public sector employees and want them to have businesses in order to supplement their incomes.
- Every department should have a taxation workshop or taxation awareness day whereby they call SARS officials to come and sensitise departmental employees about tax matters and tax submissions.
- Employees should always perform their given tasks to the best of their abilities and remember that they are very fortunate to be having jobs in such a tough economy.
- Every department should have breakaway sessions and workshops where they encourage boosting staff morale.

- Line Managers should have rewards in place for employees who go beyond the call of duty. This does not have to be something big but rather something that encourages employees to work harder.
- There should also be coaching, training and mentoring introduced within departments to inspire the growth and growth of departmental employees.
- This would definitely boost the morale of departmental employees. Every employee should have a mentor that they look up to in the department.
- Employees in lower staff positions who show potential should be provided with bursaries in order to study further and improve their chances of getting a promotion, thereby getting an increased salary.
- There should be career planning sessions whereby Human Resource units assess employees to establish if they are enjoying their jobs and do not want to rotate with other employees.
- One of the reasons why employees end up not performing satisfactorily is being stagnant and doing the same job over and over with no change.
- Human resource departments also need to have job satisfaction surveys whereby employees complete them and indicate if they are happy with their current jobs.
- Surveys should furthermore state that if employees are not enjoying their jobs what should the department do to ensure they are satisfied.
- The policy for performance management and development system (PMDS) should be revised because many employees feel that people getting PMDS bonuses do not deserve those bonuses, and that deserving employees get scrapped and spend years not getting those bonuses.
- Heads of Departments should create a harmonious working environment for employees to ensure they feel appreciated and that the department cares about their wellbeing.
- Employees in government should always adhere to the Batho Pele principles and remember that they serve the public/community and not themselves.
- There should also be peer reviews whereby employees in the same levels evaluate each other's performance as honestly as possible. This will ensue

that there is openness and transparency which is one of the principles of Batho Pele.

5.7 Summary

In conclusion, the data evidently shows employee performance is affected by taxation. An organisation is as good as its employees and if these employees do not perform then this affects the objectives of the organisation. Heads of Department need to make sure employees have a harmonious working environment and are provided with tools of trade. The study revealed that many employees feel the high impact of taxes, therefore employees should not live beyond their means. Employees in government need to remember that service delivery is the core mandate of government and should always think of the community first and abide by the Batho Pele principles.

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Annexure A - Questionnaire



North-West University
Private Bag X 2046
Mmabatho
2046

Request for assistance to complete questionnaires

My name is Yvonne Malesa and I am a Master's of Business Administration student at North-West University. I am currently conducting a research on this topic: **The impact of taxation on employee performance in provincial departments of North West**. The study has been ethically cleared with reference number: NWU-00454-18-54 Malesa.

The questionnaire will take about thirty (30) minutes to complete. Please kindly assist in completing the attached questionnaire. You need not write your name as the questionnaire is voluntary. Please answer questions truthfully and honestly. The responses will be treated with utmost confidentiality.

Kind regards

Y.N Malesa

Section A

Mark relevant box with an X

PERSONAL DETAILS

Age

18-21		22-30		31-40		41+	
-------	--	-------	--	-------	--	-----	--

Gender

Male		Female	
------	--	--------	--

Race

African		Asian		White		Coloured	
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Residential area

Rural		Semi-rural		Township		Suburb	
-------	--	------------	--	----------	--	--------	--

Salary level

Level 1-5		Level 6-8		Level 9-12		Level 13+	
-----------	--	-----------	--	------------	--	-----------	--

Type of Employment

Permanent		Contract	
-----------	--	----------	--

How many years at the department?

1-2 years		3-5 years		6-10 years		+11 years	
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KNOWLEDGE AND SKILLS (COMPETENCE)

Highest qualification attained

Grade 10-11	Grade 12	National Diploma	Degree	Honours+

SECTION B

Evaluating the effectiveness of a low take home salary on employees

<u>No</u>	<u>Item</u>	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Unsure</u>	<u>Strongly agree</u>	<u>Agree</u>
<u>1</u>	I perform my duties at work to the best of my abilities even though I receive a low take home salary.					
<u>2</u>	I am conversant with how my gross income is taxed and the tax threshold thereof.					
<u>3</u>	I rely on public transport due to the excessive costs of petrol.					
<u>4</u>	It is only government that mainly benefits from tax collection and not the taxpayers.					
<u>5</u>	I know how tax is calculated and why I get taxed such a substantial amount.					
<u>6</u>	I am still able to afford the house of my dreams though take					

	home salary is low due to taxes.					
<u>7</u>	I am satisfied with my earnings and do not necessarily feel the high tax burden					
<u>8</u>	The increase in Value added tax (VAT) has added more financial burdens on me as a government employee.					
<u>9</u>	I have reduced on my spending habits due to high taxes.					
<u>10</u>	Low take home salary has resulted in low staff morale amongst public sector employees.					

Interview questions

1. How does a low take home salary affect employees?

2. How has the increase in Value Added Tax (VAT) affected you as a consumer?

3. What is your understanding of gross income and taxable income?

4. How has your performance at work been affected by high taxes and do you have a low staff morale?

SECTION C

Evaluating the effectiveness of job satisfaction on employee performance.

<u>No</u>	<u>Item</u>	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Unsure</u>	<u>Strongly agree</u>	<u>Agree</u>
<u>1</u>	I am satisfied with the salary that I am earning and it does not contribute negatively to my job.					
<u>2</u>	I know the explanation about what makes up taxable income.					
<u>3</u>	I am clear about why employee performance is					

	measured by an online capacity tool called the scorecard					
4	Employees who feel happy about work related tasks have increased performance and perform tasks better.					
5	Job satisfaction provides input for better performance to employees.					

Interview questions

5. What is the effect of salaries on employee performance?

6. How do salaries ensure employee growth?

7. What are the factors that determine your job satisfaction amidst the high taxes?

8. What is your understanding about the employee performance online capacity tool called the balanced scorecard?

SECTION D

Evaluating the role of salaries on employee performance.

<u>No</u>	<u>Item</u>	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Unsure</u>	<u>Strongly agree</u>	<u>Agree</u>
<u>1</u>	My salary motivates me to go to work.					
<u>2</u>	There are other factors that motivate me to go to work such as good employee relations, passion for my job etc.					
<u>3</u>	A major part of my performance is based on salaries.					
<u>4</u>	Employees who are dissatisfied with their salaries may cause protests/strikes.					
<u>5</u>	South Africa ranks as one of the wealthiest and most democratic country in Africa but it is also the most unequal in terms of income.					

Interview questions

9. To what extent does salary motivation play a role on employees' performance?

10. How does salary determine if employees are satisfied and do job seekers look at the salary first before applying for a job?

11. What is your understanding of earnings inequality in South Africa and do you think there is earnings inequality in the public sector?

SECTION E

Evaluating the impact of high taxes on employee motivation in the public sector.

<u>No</u>	<u>Item</u>	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Unsure</u>	<u>Strongly agree</u>	<u>Agree</u>
1	I am motivated to get up in the morning and go to work despite high taxes.					

<u>2</u>	The hard work that I put into my work is not rewarded adequately.					
<u>3</u>	I am motivated to work as a public sector employee because of the Batho Pele principles.					
<u>4</u>	I am motivated to work hard even though the major part of my salary goes to the tax man.					
<u>5</u>	I understand that linking compensation with performance is the best way to motivate employees to perform at their level best.					

12. What motivates employees to get up in the morning and go to work?

13. How do job motivation and job satisfaction link to one another?

14. How do you want to be rewarded as a public sector employee and do you think incentives play a role in enhancing employee performance?

SECTION F

Evaluating the role of tax on the economic growth of South Africa

<u>No</u>	<u>Item</u>	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Unsure</u>	<u>Strongly agree</u>	<u>Agree</u>
<u>1</u>	The increasing costs of inflation cause the volatile exchange rate.					
<u>2</u>	Economic growth and financial development complement each other making financial deepening and real economic growth.					
<u>3</u>	Economic growth can essentially be described as the increase in the quality and quantity					

	of goods and services					
<u>4</u>	Tax has a large impact on the economic growth of the country.					
<u>5</u>	Employees 'skills and competencies contribute positively to the economy of the country.					
<u>6</u>	Inflation affects every day basic needs.					
<u>7</u>	Government is not doing enough to promote local economic development (LED).					
<u>8</u>	The high rate of taxes is contributing positively to the economic growth of the country					
<u>9</u>	I am familiar with terms inflation and the Gross Domestic Product (GDP) concepts.					
<u>10</u>	I see the benefits of taxation on the					

	economic growth of South Africa.					
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Interview questions

15. How do high taxes better the lives of employees and how do employees see the economic growth of South Africa in five years' time

16. What is your understanding of the exchange rate and its effect on the economy of South Africa?

17. How do you as a public servant and tax payer contribute to the economy of South Africa?

Thank you

Annexure B - Consent Letter/Letter of approval

Name of researcher: Yvonne Malesa

Date: 01 July 2018

Name of organisation: (North West Provincial Departments)

Mmabatho

2735

Dear Sir / Madam

LETTER OF APPROVAL

I am an MBA student at North West University in the Mafikeng Campus. My studies necessitate that I conduct a research project in partial fulfilment of the award of the Masters in Business Administration. It is for this reason that I hereby humbly request your approval to conduct research on "*The impact of tax on employee performance in provincial departments of North West*" with your employees. The purpose of this study is for leaning purposes only.

I have attached to this letter a questionnaire and I hereby request your assistance in completing it. The answers need to be as honest and accurate. Please note that the information obtained in the questionnaire will be treated with highest confidentiality and trust.

Your favourable response will be greatly appreciated.

Yours sincerely,

Yvonne Malesa

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Annexure C - Qualitative analysis

Interview Questions

No.	Item	Popular Response
1	How does a low take home salary affect employees?	Employees are drowning in credits
2	How has the increase in Value Added Tax (VAT) affected you as a consumer?	I have reduced on buying a lot
3	What is your understanding of gross income and taxable income?	The income that is taxed after all the deductions are subtracted
4	How has your performance at work been affected by high taxes and do you have a low staff morale?	Not affected
5	What is the effect of salaries on employee performance	Salaries motivate employees to work
6	How do salaries ensure employee growth?	High salary ensures growth
7	What are the factors that determine your job satisfaction amidst the high taxes?	<ul style="list-style-type: none"> - My inputs - My value - Good working relations with colleagues
8	What is your understanding about the employee performance online capacity tool called the balanced scorecard?	Tool to measure employee performance
9	To what extent does salary motivation play a role on employees' performance?	To a large extent
10	How does salary determine if employees are satisfied and do job seekers look at the salary first before applying for a job?	Yes, I look at the salary first
11	What is your understanding of earnings inequality in South Africa and do you think there is earnings inequality in the public sector?	When people do the same work but not earning the same salary, yes I think there is inequality in the public sector
12	What motivates employees to get up in the morning and go to work?	<ul style="list-style-type: none"> - Employee relations and knowing that the work I am doing is what I studied for. - My family

13	How do job motivation and job satisfaction link to one another?	<ul style="list-style-type: none"> - If you are satisfied with what you earn then you should be motivated to perform well - In order to be satisfied I must be motivated first
14	How do you want to be rewarded as a public sector employee and do you think incentives play a role in enhancing employee performance?	<ul style="list-style-type: none"> - To be offered a performance bonus because I work hard - To be rewarded with PMDS and a good salary - Incentives play a role
15	How do high taxes better the lives of employees and how do employees see the economic growth of South Africa in five years' time	<ul style="list-style-type: none"> - High taxes have improved the lives of poor people who get grants - High taxes are benefiting the government and not employees
16	What is your understanding of the exchange rate and its effect on the economy of South Africa?	<ul style="list-style-type: none"> - The exchange of currencies between different countries - Our rand is currently weak at the moment
17	How do you as a public servant and tax payer contribute to the economy of South Africa?	<ul style="list-style-type: none"> - I contribute by paying taxes - I buy VAT rated goods and services