

UNIVERSITY OF CAPE COAST

**EFFECTS OF EMPLOYEE REWARD ON ORGANISATIONAL
PERFORMANCE: A CASE STUDY OF THE TAX REVENUE AGENCIES
IN GHANA**

KWADWO BOATENG SARPONG

2009

UNIVERSITY OF CAPE COAST

EFFECTS OF EMPLOYEE REWARD ON ORGANISATIONAL
PERFORMANCE: A CASE STUDY OF THE TAX REVENUE AGENCIES IN
GHANA

BY

KWADWO BOATENG SARPONG

DISSERTATION SUBMITTED TO THE INSTITUTE FOR DEVELOPMENT
STUDIES OF THE FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF
CAPE COAST IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF MASTER OF ARTS DEGREE IN HUMAN RESOURCE
MANAGEMENT

AUGUST, 2009

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:..... Date:.....

Name:.....

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature:..... Date:.....

Name:.....

ABSTRACT

Tax revenue remains the single most important source of government revenue in Ghana. Given its large impact in the development of the Ghanaian economy, it is expected that the workers within the Tax Revenue Agencies would be given adequate attention and be well motivated since these motivational packages could be used effectively to enhance interest and performance. The objective of this research was to evaluate the effect of employee reward on organizational performance in the Tax Revenue Agencies in Ghana.

Data were collected from 90 workers of some selected branches of three Tax Revenue Agencies. Well-structured questionnaires were administered to employees and management of the agencies and descriptive analysis was mostly used for the study. There was also a quantitative bit to the work. Data were analyzed using Statistical Product and Service Solutions (SPSS), version 12.0.

The study showed that there was a comprehensive reward system in the Tax Revenue Agencies in Ghana, which has been improving over the years. In addition, there was a positive relationship between the various employee reward systems and organisational performance.

It was recommended that the employees, through their Union leaders should be involved in any policy relating to the type of reward systems to be implemented. This would make the reward system relevant to the needs of employees. By this, management could be sure of achieving the desired outcomes. Secondly, for rewards to be effective, the needs of the different age groups and gender of the employees should be taken into consideration.

ACKNOWLEDGEMENTS

A work of this nature could not have been accomplished without certain support and guidance from several people. It is therefore proper that I express my profound gratitude and appreciation to them.

Special thanks go to my Supervisor, Prof. J. V. Mensah, of the Institute for Development Studies, University of Cape Coast. His invaluable support, constructive criticisms and guidance are highly acknowledged. I am also grateful to Prof. John A. Micah, as well as other lecturers and supporting staff of the University of Cape Coast, particularly from the Institute for Development Studies for their various roles in helping me to achieve my dream. I sincerely thank all my colleagues who also contributed in diverse ways to the success of this work.

My appreciation goes to Mr. Francis Awuku Darko for his special support and Mr. Agyenim Boateng, Deputy Commissioner, Finance, of the Internal Revenue Service for his support and encouragement. Finally, my special thanks goes to the staff of the Internal Revenue Service; Customs, Excise and Preventive Service; VAT Service and the Revenue Agencies Governing Board for their co-operation in helping me to come out with this work.

DEDICATION

To my wife, Mrs. Abigail Abena Serwaa Boateng Sarpong.

TABLE OF CONTENTS

| Content | Page |
|------------------------------------|------|
| DEDICATION | ii |
| ABSTRACT | iii |
| ACKNOWLEDGEMENTS | iv |
| DEDICATION | v |
| TABLE OF CONTENTS | vi |
| LIST OF TABLES | ix |
| LIST OF FIGURES | x |
| LIST OF ACRONYMS | xi |
| | |
| CHAPTER ONE: INTRODUCTION | |
| Background of the study | 1 |
| Statement of the problem | 3 |
| Objectives of the study | 4 |
| Research questions | 4 |
| Significance of the study | 5 |
| Organisation of the study | 6 |
| | |
| CHAPTER TWO: REVIEW OF LITERATURE | |
| Introduction | 7 |
| Conceptual issues | 7 |
| Employee defined and explained | 8 |
| Organisation defined and explained | 8 |
| Performance defined and explained | 9 |

| | |
|---|----|
| Reward defined and explained | 11 |
| Linkages between reward and performance | 19 |
| The theory of taxation | 23 |
| Historical overview of the tax revenue agencies in Ghana | 25 |
| | |
| CHAPTER THREE: RESEARCH METHODOLOGY | |
| Introduction | 35 |
| Study area | 35 |
| Tax Revenue Agencies | 38 |
| Internal Revenue Service (IRS) | 39 |
| Customs, Excise and Preventive Service (CEPS) | 40 |
| Value Added Tax Service (VATS) | 41 |
| Revenue Agencies Governing Board (RAGB) | 42 |
| Study population | 44 |
| Sample and sampling technique | 45 |
| Sources of data | 46 |
| Data collection method | 46 |
| Data processing and analysis | 47 |
| Problems and limitation | 47 |
| | |
| CHAPTER FOUR: RESULTS AND DISCUSSION | |
| Introduction | 49 |
| Characteristics of respondents | 49 |
| Reward systems in the tax revenue agencies | 54 |
| Relationship between employee reward and organizational performance | 57 |

| | |
|--|----|
| Motivational status of respondents | 57 |
| CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS | |
| Summary | 60 |
| Conclusions | 62 |
| Recommendations | 63 |
| REFERENCES | 65 |
| APPENDICES | |
| APPENDIX A: QUESTIONNAIRES FOR EMPLOYEES OF THE REVENUE AGENCIES | 70 |
| APPENDIX B: QUESTIONNAIRE FOR MANAGEMENT OF THE TAX REVENUE AGENCIES | 75 |
| APPENDIX C: OFFICES AND CONTACTS OF IRS | 79 |
| APPENDIX D. OFFICES AND CONTACTS OF CEPS | 80 |
| APPENDIX E. OFFICES AND CONTACTS VAT SERVICE | 81 |
| APPENDIX F. PERFORMANCE INDICATORS OF IRS (1996 – 2005) | 83 |

LIST OF TABLES

| Table | Page |
|---|------|
| 1. Composition of government revenue (1999-2006) in percentages | 33 |
| 2. Sample distribution of the population | 45 |
| 3. Educational level of respondents | 51 |
| 4. Age distribution of respondents | 51 |
| 5. Salary and rank of respondents | 54 |
| 6. Most efficient and effective reward system by sex of respondents | 55 |
| 7. The most important factor influencing reward systems by sex of respondents | 56 |
| 8. The influence of the reward systems on the drifting away of respondents | 58 |

LIST OF FIGURES

| Figure | | Page |
|--------|---|------|
| 1. | Components of strategic reward | 13 |
| 2. | Sex distribution of respondents | 50 |
| 3. | Number of years working in the tax revenue agencies | 52 |

LIST OF ACRONYMS

| | |
|----------|--|
| CEPS | Customs, Excise and Preventive Service |
| CST | Communication Service Tax |
| GET Fund | Ghana Education Trust Fund |
| GIMPA | Ghana Institute of Management and Public Administration |
| GNPC | Ghana National petroleum Corporation |
| HRM | Human Resource Management |
| IMF | International Monetary Fund |
| ISSER | Institute of Statistical, Social and Economic Research |
| IRS | Internal Revenue Service |
| LVO | Local VAT Office |
| LTU | Large Taxpayer Unit |
| MFEP | Ministry of Finance and Economic Planning |
| NHIL | National Health Insurance Levy |
| NHIS | National Health Insurance Scheme |
| NPART | Non Performing Assets Recovery Trust |
| NRS | National Revenue Secretariat |
| NYEP | National Youth Employment Programme |
| PAYE | Pay As You Earn |
| PRP | Performance Related Pay |
| RAGB | Revenue Agencies Governing Board |
| SPSS | Statistical Product and Service Solutions |
| TCC | Tax Clearance Certificate |
| VAT | Value Added Tax |

VATS Value Added Tax Service

VSO VAT Sub Office

VSS VAT Satellite Station

CHAPTER ONE

INTRODUCTION

Background of the study

The problem of employee's reward and performance has become a topical issue in human resource management practice and organisations as a whole. Current economic trends and demographic changes have further underscored the need for innovative approaches to attract, recruit, motivate and retain the right and most valuable employees and to make them happy and productive. For instance, the Daily Graphic (29/01/09:2), in quoting the International Monetary Fund (IMF) reported that "world economic growth is set to fall this year". Just in October, 2008, the IMF had predicted that world output in 2009 would increase by 2.2 percent. Three months later, it has come out to review its position. It now projects the UK, which recently entered into recession, will see its economy shrink by 2.8 percent in 2009.

The IMF says financial markets remain under stress and the global economy has taken a sharp turn for the worse. "We now expect the global economy to come to a virtual halt", said IMF chief economist Olivier Blanchard in a statement. That there is an urgent need to find measures to transform the economy of the world in general and Ghana in particular to overturn the downturn and have accelerated economic growth and development can not be overemphasized. It is on this note that the role of the tax revenue agencies in Ghana needs to be looked at.

If Ghana's tax revenue agencies are to succeed and live up to their tasks as the implementing bodies sourcing funds to finance government's expenditure and meet its developmental agenda to better the well being of the citizenry, then they must have a well motivated workforce. However, the inability to retain most of their workforce and low revenue generation has become the bane of the tax revenue agencies in Ghana. In Ghana, there are three tax revenue agencies for the collection of taxes, namely; the Internal Revenue Service (IRS), the Customs, Excise and Preventive Service (CEPS) and the Value Added Tax (VAT) Service. These agencies have one common governing board called The Revenue Agencies Governing Board (RAGB).

For the tax revenue agencies to perform effectively and be able to discharge their constitutional functions vis-à-vis the government's role in the developmental agenda, the role of its most valuable assets, human resource (employees) cannot be understated. For the employees to be motivated to perform effectively there is the need for the institution of comprehensive reward systems.

A retrospective look at the Ghanaian labour scene would reveal that all forms of labour unrest have occurred in the previous years. A lot of employees have also drifted from the public into private institutions. Workers in the public service and the civil service have often complained of poor conditions of service, which does not spur them to give of their best. Workers in the tax revenue agencies are classified among public servants and are autonomous outside the civil service (Addison and Osei, 2001).

Statement of the problem

In the foreword of the 2007 budget statement of the Republic of Ghana the following was captured; “The sacrifices the nation has made over the past couple of years have yielded the desired positive results, such that the economy is resilient, even in the face of rising crude oil prices. Economic growth has exceeded targets for three consecutive years. This year, the recorded growth of 6.2 percent exceeds the target of 6.0 percent and for the next year, 6.5 percent is the confident forecast” (Republic of Ghana, 2008: 1). If Ghana has these beautiful and impressive achievements then the question is, what then is the problem? Maybe the answer may be found in the Minister’s subsequent statement. “But, there are problems at the labour front, resulting from a distorted public sector salary structure which is poorly administered”. He concluded that the Government has, therefore, decided to use this budget to begin the implementation of a new comprehensive equal pay for work of equal worth. The broad objective is to aim for wage increases in line with productivity gains, cost effectiveness and efficiency.

The problem as captured here in relation to the entire nation is synonymous with the layers of the nation’s golden egg, the tax revenue agencies. Internal Revenue Service (2005) captured it that increased productivity is a function of motivation and incentives. Many organizations have traditionally viewed their system of rewarding employees purely as a cost of doing business. They albeit forget their rewards can be used effectively to enhance interest and performance. It is against this background that the study seeks to find out the effects of employee rewards on organizational

performance in the tax revenue agencies in Accra, where all the headquarters are located.

Objectives of the study

The general objective of the study is to examine the effects of employee reward systems on organisational performance of selected tax revenue agencies in the Accra metropolis.

The specific objectives are to:

- determine the various reward systems in selected tax revenue agencies in the Accra Metropolis;
- examine the effects of these reward systems on organisational performance;
- determine whether the tax revenue agencies in Ghana lack well-motivated employees;
- make recommendations based on the findings of the study.

Research questions

The study seeks answers to the following research questions:

- What are the existing reward systems in the tax revenue agencies?
- What are the effects of the reward system on organizational performance of the tax revenue agencies?
- Do the tax revenue agencies in Ghana lack well-motivated employees?

Significance of the study

The study seeks to make contribution to the existing literature on employee reward and organisational performance. It relates the theory of reward to human resource management in the tax revenue agencies in Ghana.

It also aims at creating awareness on the need to build effective reward programmes based on the organisational needs and to ensure improved performance and efficiency in service delivery. The study also seeks to help in creating awareness about the importance of attracting qualified employees in the tax revenue agencies in Ghana to raise more revenue for national development.

The study will be of immense benefit to the academia, organisations, the government and the general public. To the academia, as the study delves into the subject area, it seeks to confirm or reject earlier a-priori positions held by earlier researchers and writers on the subject matter. Additional findings made will be a challenge for other researchers, students and practitioners and the general public to study and expand to increase the volume of knowledge. Knowledge is dynamic not static.

The study will also benefit organisations in general and the tax revenue agencies in particular to appreciate the measures that they will have to take to increase their performance and productivity of their employees. Finally, the study will benefit the government by making policy makers and those in positions of authority to know the type of reward policies and programmes to undertake to motivate labour to increase its productivity, thereby increasing government revenue.

Organisation of the study

The study is organised into five chapters. Chapter one deals with the introduction which covers background of the study, the problem statement, objectives of the study, research questions, significance and organisation of the study. Chapter two deals with review of literature related to the study. It covers the introduction, conceptual issues, the theory of taxation and historical overview of the tax revenue agencies in Ghana.

Chapter three presents the research methodology. It describes the study area. It also covers the sources of data, study population, sample and sampling technique, the method of data processing and analysis as well as specification of the model. It concludes with the problems encountered in the study as well as well as limitations of the study.

The fourth chapter presents the results and discussion. Chapter five contains the summary conclusions and recommendations of the study.

CHAPTER TWO

REVIEW OF LITERATURE

Introduction

This chapter contains a review of similar works done on the study. It delves into the general principles underlying the theory of reward and performance in human resource management practices. It also looks at the theory of taxation and the historical background of tax revenue agencies in Ghana. This includes their promulgation, objectives and performance. The chapter also looks at the types of reward systems available in these Tax Revenue Agencies and its relationship to their performances.

Conceptual issues

This study seeks to find out what happens to organisational performance should there be changes either positive or negative in the employee reward systems. To make a better understanding of the subject matter, it is important that the concepts in the topic are well defined and explained. The important concepts here are:

- Employee
- Organization
- Reward
- Performance

Employee defined and explained

By the term “employee”, we mean the worker. Marx (1976:12) defined employee as, “the one who works for another in exchange for remuneration”. This refers to the person who sells his/her labour in the job market in exchange for remuneration. In this case, employees are the staff. Employee refers to the person who has been employed by the employer or organisation. Mullins (2007) refers to employees as the human resources of the organisation. According to Storey (1995: 23), employees are the most valuable assets of organisations.

Organisation defined and explained

It is important to have some working definition of the term ‘organisation’ so that we have a basic concept on which to base any discussion of ‘organisational performance’. According to Cole (2003), an organisation exists when two or more persons agree to collaborate over a period of time in order to achieve certain common goals. By the term “Organisation”, we are referring to the institution that employs people to work for it to achieve its objectives, mission and vision. It refers to the enterprise or company, be it governmental or non-governmental, profit making or non-profit.

Cole (2003: 23) states that “A work organisation consists of a group (large or small) or groups of people who collaborate in a structured and relatively permanent way in order to achieve one or more goals which they share in common, and which they could not achieve by acting on their own. Such an organisation is structured in a manner which formally recognizes, and places, the tasks and roles that the individuals are expected to fulfill”. The

operation of work organisations implies a considerable degree of control over individual members, especially those most junior in the task structure. The predominant values and standards of members of an organisation develop over time to form an organisational culture, which is a preferred way of doing things. The particular form and culture adopted by an organisation are considerably affected by technological and environmental factors.

In this study, the organisations refer to the tax revenue agencies, viz: the Internal Revenue Service (IRS); the Customs, Excise and Preventive Service (CEPS) and the Value Added Tax Service (VATS).

Performance defined and explained

There are different views on what performance is. Several authorities have defined it in different ways based on their perception and understanding. However, a critical analysis reveals that they are all talking about the same thing albeit in different words and styles.

According to Bates and Holton (1995), performance is a multidimensional construct, the measurement of which varies depending on a variety of factors. Here, it is important to determine whether the measurement objective is to assess performance outcomes or behaviour. Bernadin, Kane, Ross, Spina, and Johnson (1995) cited in Armstrong (2003: 499), defined performance as “the outcomes of work, because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction and economic contributions”. Simpson and Weiner (1989) defined performance as the accomplishment, execution, carrying out, and working out of anything ordered or undertaken. According to them, a performance is about doing the

work as well as being about results achieved. Campbell (1990), on the other hand, stated that performance is behaviour and should be distinguished from outcomes because they can be contaminated by systems factors.

Generally, a more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes. As put by Brumbach (1988: 400), “performance means both behaviour and results. Behaviour emanates from the performer and transforms performance from abstraction to action”. Thus, performance can be said to be essentially what an employee does or does not do. Performance of employees could include quantity of output, quality of output, timelessness of output, pressure of work and cooperativeness.

Organisational performance is synonymous with output. It is a summation of total employees’ performance. As a matter of contractual obligation, employees offer performance. To give the organisation what it is worth, it is important that the performance of employees are monitored and controlled and this calls for assessment. According to Akata (2003), performance appraisal is the process of evaluating how well employees perform their jobs when compared to a set of standards or target. It is widely used to identify employees current level of job performance, identify employees’ strengths and weaknesses, giving performance feedback, making promotion decisions, identifying training and development needs, counseling employees, providing information for succession planning, to motivate individuals and most importantly rewarding employees in relation to their contribution to organisational goals. Strangely, Ezaka (1981) stated that appraisal is one area in employment which is hardly satisfactorily handled.

Most managers who appraise the employees under them are not in themselves sure of the essence of having to appraise the employees, nor are they, indeed, aware of the consequences personally on the employees and wholly on the organisation. It is imperative for managers to know, among other reasons stated above, that their duty as managers is to ensure that their subordinates give a fair value for their wages and salaries, and are developed to their full potential. Employees offer performance and organizations offer rewards.

Reward defined and explained

Procter (1985) defined reward as something given in exchange of good behaviour or good work. In considering reward, one must not only consider monetary reward. All elements of total reward need to be considered. According to World at work (2000), total reward can be defined as all of the employer's available tools that may be used to attract, motivate, retain and satisfy employees. This encompasses every single investment that an organization makes in its people and everything its employees value in the employment relationship. Simplistically, the notion of total reward just say that there is more to rewarding people than throwing money at them. Monetary values in the reward packages still matter but they are not the only factors. According to PricewaterhouseCoopers (2007), a reward system is not simply concerned with paying adequate base salaries, but has many intricate and combines elements. It reflects the aims, philosophies and values of the business and it is a very real way of communicating these to all employees. An effective organisational reward system helps create a skilled,

committed, competent and well motivated work-force, one that ensures that the organisation stays ahead of its competitors.

Armstrong (2003) stated that organisational rewards include all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organisation. Intrinsic rewards are internal to an individual and are generally derived from involvement in certain activities or tasks. They are the non-financial rewards that employees receive for their work. The feelings of satisfaction and accomplishment that are derived from doing a job well are examples of intrinsic rewards. It also includes responsibility, influence, growth and meaningful contributions. On the other hand, extrinsic rewards are tangible rewards that are directly controlled and distributed by the organisation. They are financial in nature. An employee's pay and hospitalization insurance are examples of extrinsic rewards. Armstrong's (2003) view of strategic rewards is depicted in four quadrants of framework as shown in Figure 1.

| | |
|---|--|
| <p>COMPENSATION</p> <ul style="list-style-type: none"> • Base Salary • Variable pay • Job Evaluation • Performance Management • Paid time off | <p>BENEFITS</p> <ul style="list-style-type: none"> • Health Care • Retirement • Savings • Other Insurance |
| <p>DEVELOPMENT AND TRAINING</p> <ul style="list-style-type: none"> • Training • Career Development • Successive Planning | <p>WORK ENVIRONMENT</p> <ul style="list-style-type: none"> • Work / Life Balance • Leadership • Performance Support • Organisational Cimate |

Figure 1: Components of strategic reward

Source: Armstrong (2003:203)

According to Armstrong (2003), the top two quadrants depicting compensation and benefits, covers the areas that are traditionally thought of as the rewards the organisation provides. These are the extrinsic rewards also sometimes called traditional rewards. They include the tangible results of the agreement between the employee and the organization. In this agreement or transaction, the employee agrees to provide time, labour and skills in return for salary and benefits. These rewards are readily viewed in terms of having monetary value, such as the employee’s base salary and allowances. Extrinsic or transactional rewards play an important parting an employee’s decision about where to work and whether to stay with an organization.

The bottom two quadrants, Development and training and the Work Environment, cover areas that are increasingly recognized as critical contributors to employee satisfaction. They are intrinsic rewards, also sometimes called relational rewards. This is because they tend to represent the relationship between the organization and the employees. They are important additional rewards that can significantly enhance an employee's desire to remain with an organization.

Abdulai (2000) notes that for employees to be retained, organisations are obliged to provide personal services which have been recognized as necessary for an individual to achieve job satisfaction. One of such personal services that motivate and create satisfaction in employees is the reward and compensation system of the organisation. Supported by Cole (1997), employee compensation is generally three main forms, namely pay, incentives and benefits. Pay refers to the wages and salaries received by an employee which is the hourly, weekly, monthly or annual remuneration given to employees for their work. Incentives are additional forms of rewards such as bonuses, commissions and profit sharing. Benefits come in the form of paid leave or vacation, health and other forms of insurance, free medical care and retirement income. PricewaterhouseCoopers (2007) confirmed this by putting it that typically employees reward constitutes three main elements, namely: base salary, bonus or incentive plans and benefits (e.g. pension funds, cars etc).

One thing that most writers have failed to emphasize is the fact that employee reward serves two main purposes. These are to fulfill a contractual obligation and motivational obligation. Whereas others have placed emphasis

on the contractual aspect others have also emphasized on the motivational aspect.

Bondzi-Simpson (2002: 1) defines contract as “an agreement between parties who have capacity, for a price measured in terms of money, effort, forbearance or exchange of promise, which agreement is enforceable by law”. Every contract has a price element – called consideration. This is the price which the parties pay, may be their money, effort, forbearance or exchange of promises. Thus in the contract between the organisation and the employee, the employee offer his/her labour and the organisation offers reward in exchange. This is obligatory and is enforceable by law. This is confirmed by the Labour Acts of countries.

Republic of Ghana (2003), the Ghana Labour Act 2003 (Act 651) defines conditions of service or employment to include such factors as the employment contract, the organisational reward and compensation systems, hours of work, paid leave and health and safety at work. Section 9 of the Act in stating the duties of the organisation to the employee states in subsection (b), “ pay agreed remuneration at the time and place agreed on in the contract of employment or collective agreement or by custom without any deduction except deduction permitted by law or agreed between the employer and the worker”. Subsection (d) also states, “develop the human resources by way of training and retraining”. Subsection (h) finally states “protect the interest of the worker”. As put by Armstrong (2003), pay is the dominant factor in choice of employer and consideration. Pay is very powerful in binding people to their present job.

The other aspect of the reward system which may not be enforceable by law but necessary is the motivational aspect. For good employee – employer relationship and enhancement of employee and organisational performance, organizations are encouraged to institute additional reward packages to motivate their employees. This may be in the form of financial or non-financial or both.

Cole (1996) stated that the concept of rational economic-man propounded by Edgar Schein has its roots in the economic theories of Adam Smith. This theory postulates that the pursuit of self-interest and maximization of financial gains are the prime motivators of man. This implies that employees are essentially motivated to work by financial reward. They would give off their best if they are adequately rewarded financially. As espoused by Dessler (1999), pay for performance is the first thing that comes to mind when most people think about motivating employees. Pay for performance or piecework pay refers to any compensation method that ties pay to quality or quantity of work an employee produces.

The motivational aspect of reward should not only be concerned about monetary reward. It is not always about money. Brown (2005: 122) puts it that while short-term motivation might be present at the time of you giving a financial award, it is unlikely to last and maintain any momentum in the future. He adds that “perceived unfairness reward (whether correct or not) results heavily in de-motivation”. To him, the range of employee perception is not in the hands of the organisation or management and therefore performance-related pay can be a high risk strategy that may fail to deliver, in the long term a performance value relative to the financial value expended.

Thus performance related pay has the potential to motivated, but has equal potential to destroy motivation.

Non-financial or intrinsic types of rewards such as praises, recognition, job rotation, job enlargement, job enrichment, employee involvement, employee participation, employee empowerment, promotion, transfers, redeployment, training and development, among others should also be considered by employers or organisations if they want to motivate their staff to give off their best, ensure employee commitment and boost performance. According to Brown (2005: 126), it has been found out that “performance related pay has less effect on profitability than training and development. It fails in many organisations and can be considered to be a high-risk strategy in most circumstances”.

Wall and Lischeron (1977: 38) support non-financial reward by emphasizing on employee participation and defined employee participation as “influence in decision-making exerted through a process of interaction between workers and managers”. Espoused by McGregor (1960), support for employee participation stems largely from the principles of human relations management, which draws attention to the importance of the social aspects of organisation in general, and the connection between, on the one hand, communication and consultation between management and workforce, and on the other, increased worker commitment, higher job satisfaction and motivation, and reduced resistance to change. Blyton and Turnbull (1998) add that greater involvement of employees in the planning and particularly the implementation of change is viewed as a means of breaking down resistance

and improving the overall level of worker integration into the production process.

Mullins (2007:702), however, emphasizes on employee empowerment. He says “employee empowerment means allowing employees greater freedom, autonomy and self-control over their work and responsibility for decision-making”. An empowered employee is thus given more space to use his or her talents, thereby facilitating much more decision-making closer to the point of impact. Empowerment makes greater use of the knowledge, skills and abilities of the workforce; it can aid the successful implementation of change programmes. Wall and Wood (2002: 37) suggested that “research shows that empowerment is one of the most effective tools in raising both productivity and profit”.

It is imperative to add that some non-financial rewards systems additionally play financial motivational roles. This includes training, promotion, share ownership, job enrichments, recognition and transfers. Torto (2005) notes that the importance of training as a central role of management has long been recognized by leading writers. Training can increase the confidence, motivation and commitment of staff, provide recognition, enhance responsibility and the possibility of increased pay and promotion, give a feeling of personal satisfaction and achievement and a broader opportunities for career progression and help to improve the availability and quality of staff.

According to Smith (1987), career progression for most managers is the overriding importance. By promotion they earn not only money but also status and the new challenges for which they strive. Costley and Todd (1987)

supported this by saying that among many opportunities a job might offer, opportunities for gaining promotion from one grade to the other is crucial.

Linkages between reward and performance

There is link between performance and reward. As a matter of contractual agreements, employees offer performance and organisations offer reward. In the Law of Contract, agreement between two or more parties must be backed by a consideration. Consideration implies that there must be an element of quid pro quo, that is, something must be given in exchange of something. Thus in the contract between the employees and the organisation, the employees offer performance and the organisation offer reward. To demonstrate the relationship between performance and reward, Couric (2002: 1272) in the Holy Bible, King James 2000 Version, Revelation chapter 22 verse 12, states “And behold I come quickly, and my reward is with me, to give everyman according as his work shall be”.

Howe (1995) emphasized that a well designed payment system must be seen to reward employees for the skills and efforts they contribute; provide a pay rate that is comparable to that paid by other organisations for similar work and allow flexibility to reward performance individually. Organisations must also be mindful of their overall ability to pay (profitability) and the requirements of the human resource plan in either attracting or reducing staff. As epitomized by Akata (2003), paying people for performance remains a mixture of paradoxes. The controversy arises from the contradicting interest of employees and employers.

According to Hyman (1975), because of the difference in their goals, conflict between employees and employers is rampant and inevitable, and to some extent, always underlies the relationship between the parties. In Ghana, the situation is not different. As captured in the 2007 Budget Statement, the Finance Minister, Hon. Kwadwo Baah-Wiredu, confirms this by saying that there are problems at the labour front, resulting partly from a distorted public sector salary structure which is poorly administered. He however revealed that the government has therefore decided to use the budget to begin the implementation of a new comprehensive public sector pay reform that emphasizes equal pay for work of equal worth.

Just like Akata (2003), the Finance Minister, a spokesperson of Government who is the largest single employer in Ghana was worried about the cost of labour. This confirms what was said by PricewaterhouseCoopers (2007), that many organisations have traditionally viewed their system for rewarding employees and executives purely as a cost of doing business. In an increasingly knowledge and serviced based economy, where remuneration can constitute about 75% of total operating costs, progressive organisations are coming to regard reward systems as a source of competitive advantage. The problem of employee reward and performance is demonstrated also in the Tax Revenue Agencies in Ghana. As captured in IRS (2005:1) “increased productivity is a function of motivation and incentives”.

The axiom that employee reward is relevant for good employee-employer relationship and organisational growth is undoubted. But the question is what type of reward is effective and efficient? As revealed by Goss (1997), a central and recurrent debate about the role of reward policy within

HRM centre upon the extent to which reward should be treated as an individual or collective phenomenon. He stated further that, there has been a strong rhetorical commitment to the view that reward should directly reflect an individual's contribution to the organisation, a commitment to the organisation which has resulted in considerable interest in performance-related pay (PRP) and other forms of individually orientated packages which emphasize variable rather than fixed outcomes. In theory, this leads to a position where a total reward package is seen as an indicator of mutual responsibilities between the individual and the organisation. Goss (1997) further pointed out that these responsibilities go beyond simple fixed payment for effort or the contractual content of agreements between management and union.

Smith (1987: 172) points out that reward systems within HRM framework should emphasize a wide set of motivational issues including 'attraction, retention, expectancy, skill development, culture, and reinforcement of organization structure. The aim, he suggests, "should be an integrated human resource management strategy that is consistent in the way that it encourages people to behave, attract the kind of people that can support the business strategy". Akata (2003) notes that empirical evidence copiously supports performance-related reward strategy. The same evidence, according to him, points to extensive discussion of splits between lump sum or differentiated merit increase, and group incentive and individual bonus schemes and common practices. Ashton (1999: 23) quotes Brian Dive, Senior Vice President, Remuneration of Unilever Plc as saying that "performance related pay and variable pay are now proving to be very effective".

According to Ashton (1999: 23), Richard Moore, once director of compensation and benefits at Unilever also explains, “we reasoned that if pay was aligned to performance, we could manage the business better, improve individual performance and become more entrepreneurial. To achieve this we sought to award the person rather than a job population”. In analyzing these expert opinions one clear thing that has emerged is that rewarding persons for their contributions has a motivational effect on the individual, which in turn affects the performance of the organisation.

In writing under the caption “Role of extrinsic rewards in transformational change” in the Daily Graphic (2/10/07: 33), Sam Addaih, a lecture at the Ghana Institute of Management and Public Administration (GIMPA), concludes the matter by saying that “like structural rearrangement, the use of extrinsic rewards has been a customary practice for managers since the early days of the Industrial Revolution. The concept is simple; structure the work contract so that desired behaviours are reinforced by a desirable reward”. According to him, two issues need to be considered in using extrinsic rewards to support transformational change. The behaviours to be rewarded need to be identified, and these behaviours need to be linked with rewards that are important to the people involved. It is also believed that extrinsic rewards methods are critical to the success of transformational efforts. As Armstrong (2003) justifies, undoubtedly the symbolic reward system of organisations is performance related.

From the foregoing discussions, it is obvious that there a relationship between employee reward and organisational performance. As organisations increase the reward systems, it is expected that the employees become

motivated, attracted and challenged to remain in the organisation to offer their service to improve the organisational performance. What has not been done much is the empirical evidence to support this axiom, particularly in Ghana. This is the focus the study seeks to do. It also seeks to establish the degree of relationship between employee reward and organizational performance.

The theory of taxation

A literature review of the topic, “The effects of employee reward on organizational performance in the Tax Revenue Agencies in Ghana”, will not be complete without a touch on the theory of Taxation and the historical background of the Tax Revenue Agencies in Ghana vis-à-vis their objectives and functions. According to Akakpo (2005), tax is said to date back to the biblical times where subjects or citizens were made to pay tax in time and in wealth towards the building of Babel tower and Jerusalem Temple. The question then is what is tax or taxation? Selma, Lawrence, and Kendrick (1951) defined taxation as the process whereby a state or government exacts contributions from its citizens or from the residents of its territory for the maintenance of the state machinery. To Hunter (1965), a tax is a contribution from citizens for the support of the state. Hicks (1965) also defined a tax as a compulsory contribution of the wealth of a person or body of persons for the service of the public powers.

The need for taxation in the world over and in particular third world countries has been necessary and will remain so with the increasing dependence of citizenry on the central government for the provision of infrastructure and other necessities of life. Indeed, in Ghana the central

government at great cost has provided and will continue to provide such infrastructure as good roads, portable water, schools, etc. However the undisputable fact is that none of these social and economic needs can be satisfied by any government without adequate revenue. Hence, the need for the government to review, strengthen and widen its tax base.

According to Akakpo (2005), there are two broad classes or forms of taxes. These are direct taxes and indirect taxes. The basis of this differentiation is the extent to which a particular tax burden could be passed on to a third party or the final consumer by the initial tax payer. By these criteria all taxes that cannot be passed on to third parties or the final consumer by the initial payer are considered as direct taxes. These include personal and corporate income taxes, capital gains and gift taxes, etc. Indirect taxes on the other hand, are those taxes, the burden of which can be transferred with relative ease by the initial payer to third parties. They include such taxes as customs and excise duties, sales and purchases tax or VAT, etc.

Livingstone, Diejomaoh, and Teriba (1987: 493) stated that a good tax system must have five characteristics or attributes. These are neutrality, equity, efficiency, convenience and certainty. They explained that by neutrality, a good tax system should not have any adverse effect on the economy. For example, the tax should not lead to inflation, unemployment or disincentive to save. Additionally, in order for any tax to achieve its aim, there must be equity in the payment of the tax. Due to his fact, the tax to be paid must depend on the person's income; hence people with higher income must pay more. By efficiency, they explained that all necessary efforts must be made to minimize the cost involved in collection of the taxes in order to

maximize revenue. This will enable the country to raise enough revenue to finance developmental projects that are being undertaken in the country. Thus the cost in the collection of the tax must not be more than the tax collected.

In terms of convenience, payment of the tax should not present a problem to the tax payers. In view of this, the time and method of collection of taxes must be convenient to the tax payer. For example farmers must be made to pay their tax after harvest or sale of their crops whilst salary workers must be made to pay at the end of the month. In terms of certainty, tax officers must try as much as possible to make it known to the tax payers how much they are supposed to pay, when the tax is to be paid and how it should be paid. This is to enable them adjust their budget and respond to payment of the tax promptly.

Historical overview of tax revenue agencies in Ghana

In Ghana, Income Tax Administration started in the then Gold Coast in September, 1943 with the passing into law of the Income Tax Ordinance No. 27 of 1943 on 22nd September, 1943. Initially, the tax was collected from only a few limited liability companies and a very small number of individuals. The year of assessment (tax year) was 1st April – March 31st. Now the year of assessment is on current basis, 1st January – 31st December of the same year. Personal income tax in Ghana has always been progressive i.e. tax rates are graduated with higher income earners paying more tax. Over the years other taxes and duties were added to the income tax. These were: Minerals Duty 1952, Betting Tax 1952 and Casino Revenue Tax 1955.

Between 1961 and 1963, additional taxes and duties were introduced. Among these were Property Tax (1961), Entertainment Duty Tax (1962),

Airport Tax, Hotel Customers Tax, Standard Assessment and Excess Profits Tax, all in 1963. On 1st July 1961, the tax year was changed to 1st July – 30th June. The Pay As You Earn (PAYE) system was also introduced. In July 1963, with the addition of more taxes, the Income Tax Department was renamed Central Revenue Department to reflect the broad scope of taxes collected. All these years – 1943 to 1985- the Department was a civil service department.

Akakpo (2005) stated that in 1961 drastic amendments were made to the consolidated edition by Act 68, followed by Act 178 and 197 and sealed off by Act 312 in 1965. A second consolidated edition (the Income Tax Degree 1975 – SMCD) was also published in December, 1975. A series of amendment to the 1975 Degree made it cumbersome in its usage. One has to grope very patiently through a labyrinth of new provisions in separate enactment to ascertain the current provision. This situation was unavoidable since every annual budget invariably introduced changes in tax provisions to amend the existing law. The introduction of the Internal Revenue Act 2000 (Act 592) finally repealed the SMCD 5 Decree on 1st January, 2001. The characteristic feature of Act 592 is that it contains other taxes that were not included in the previous SMCD 5. This is because these taxes are not taxes on income. The taxes concerned are Capital Gain Tax and Gift Tax.

According to Addison and Osei (2001), the following chronology of events happened in Ghana's tax administration between the periods 1984 to 1998:

- 1984 (June). Tax rates on cigarettes and beer are increased, whilst those on personal income tax are lowered.

- 1985. National Revenue Secretariat (NRS) is established, as well as two major revenue organizations (Customs, Excise and Preventive Service, CEPS and the Internal Revenue Service, IRS) as autonomous institutions outside the civil service. The NRS is responsible for supervising the activities of CEPS and the IRS as well as recommending revenue policy to the government. An investment code that provides a range of tax incentives for investors (mainly in agriculture, manufacturing, construction and tourism) is introduced.
- 1987. Corporate tax rate on manufacturing concerns reduced to 45 per cent from 55 per cent; special taxes on cigarettes, beer, alcohol, and non-alcoholic beverages; excise duties imposed on all locally produced goods except petroleum products; 10 per cent sales tax on domestic electricity consumption is abolished; abolition of import duty and purchase tax on all commercial vehicles; deduction of duty on basic raw materials and capital goods.
- 1988 (January). Reintroduction of sales tax clearance certificate to enforce timely payment of sales tax and excise duties collected on behalf of the government by manufacturers.
- 1990 (January). Introduction of super sales tax on luxury goods, ranging from 50 per cent to 500 per cent.
- 1991. The super sales tax is reduced to a new range of 10 per cent to 100 per cent; corporate taxes applicable to agriculture, manufacturing, real estate, construction and services are lowered to about 35 percent; the NRS is relocated under the Ministry of

Finance and Economic Planning (MFEP) although it retained some degree of independence; the personal income tax threshold is raised from 126,000 to 150,000 cedis.

- 1993. The contract for the design and implementation of Value Added Tax (VAT) is signed. Increase in petroleum taxes to counteract the pay increases awarded to civil servants and other public service organizations in the election year. Petrol, kerosene, and gas oil prices increased by 60 per cent, whereas LPG increased by about 20 per cent.
- 1994. Debt collection Unit established under the MFEP in January. In December the VAT bill was passed into law, to be operational in March 1995.
- 1995. VAT became operational in March at a flat rate of 17.5 percent compared with the sales tax of 15 per cent. In June VAT was withdrawn and sales tax reintroduced at a rate of 15 per cent after mass demonstrations in almost all the regional capitals in the country.
- 1996. The petroleum sector was deregulated. This involves a process whereby the procurement of crude oil and finished products needed as a top-up of the Tema Oil Refinery capacity will be through competitive tendering between all the oil marketing companies and the Ghana national Petroleum Corporation (GNPC).
- 1998. Reintroduction of the VAT at a rate of 10 per cent adopted by parliament in February. Taxpayers Identification Numbers are

introduced to make assessment and collection of taxes from small businesses and market traders easier.

- 1998. The Revenue Agencies Governing Board (RAGB) Act is enacted to replace the National Revenue Secretariat (NRS)

VAT Service (2007) continues the chronological analysis in Ghana's tax administration by stating that the VAT law in its present form drew inspiration from the first Sales Tax Act (Act 257). This sales law sought to impose a 10 per cent sales tax on sales at the wholesale and retail levels. Amendments to this law, however, transferred it into one collected at the manufacturing level only. Service Tax Laws namely – Entertainment Duty (Act 150), Casino Revenue Tax Decree (NRCD 174), Advertising Tax Decree (SMCD 43), Hotels and Restaurants (Taxation) Decree (SMCD 50), all existed then and were administered by District Assemblies, Customs Excise & Preventive Service (CEPS) and Internal Revenue Service (IRS).

With the coming into force of the Value Added Tax Act 1994 (Act 486), these taxes were all repealed. Act 486, introduced in 1995 represented the first major consolidation of consumption taxes in Ghana. VAT was also meant to modernize the domestic indirect tax system. The sales tax was limited in scope and relied mainly on physical surveillance. With the introduction of the VAT, the tax burden was supposed to spread it from import, manufacturing and narrow range of services to wholesale and retail of goods and also other services. The rate of tax was pegged at 17.5% with a threshold of 25 million cedis a year. However, after only 3 months of its existence in June 1995, Act 486 was withdrawn because it was not well received.

Two separate consumption taxes – the Service Tax Act 1995 (Act 507) and Sales Tax 1995 (Act 500) were introduced to replace VAT. The Service Tax at a rate of 15% covered the collection of taxes on entertainment, betting, accommodation and food in hotels, food in restaurants and snack bars and advertisement. In 1997, Act 500 was amended by the Sales Tax (Amendment) Act 1997, (Act 501) to cover courier, professional and mobile phone services. The Sales Tax Law (Act 500) subsequently repealed Act 486 and restored the Sales Tax at a rate of 15%.

In 1998, VAT was reintroduced because of the tax system's superior ability to bring some equity in payment of taxes. The tax was reintroduced at a reduced rate of 10% and the threshold for registration of retailers of goods pegged at 200 million cedis over a 12-month period. It also prescribed the goods and services that are not subject to the tax (exempt).

Further, according to VAT Service (2007), the first amendment to Act 546 (Act 579) was made in April 2000, two years after promulgation and it was to increase the tax rate from 10% to 12.5%. This amendment to section 3 was made in order to generate revenue to provide finance to supplement the provision of education at all levels into a fund called Ghana Education Trust Fund (GET Fund). In addition, Schedule 1 which prescribes the goods and services not liable to the tax (exempt) was amended to separate medical supplies and pharmaceuticals. Schedule 1A was also added to schedule 1, prescribing a list of active ingredients for essential drugs exempted from tax. This was done to make the essential drugs more affordable. A year later, (April 2001), an amendment (Act 595) was introduced to revise the threshold for registration of retailers. Section 5, Subsection 1 was amended to lower the

threshold from 200 million cedis to 100 million cedis, in order to compel more retailers to qualify to charge the tax and thus bring in more revenue. In addition, imported finished pharmaceutical products were made taxable, except for sales at the retail level. This amendment served the purpose of creating an even playing field for finished pharmaceutical products, imported or locally manufactured. Furthermore, imported special drugs to be determined by the Ministry of Health and approved by Parliament were exempted from tax.

VAT Service (2007), notes that the National Health Insurance Act (Act 650) was passed in 2003, under which the National Health Insurance Levy (NHIL) of 2.5% is imposed on the sale of goods and services. The NHIL is meant to supplement the funds of the National Health Insurance Scheme (NHIS) to cater for the health needs of Ghanaians. The VAT Service was the agency assigned with the collection of the NHIL on behalf of the NHIS. By the provisions of the National Health Insurance Act 2003 (Act 650) under which the National Health Insurance Levy (NHIL) is imposed the law and procedures for the collection of the VAT are also applied for the collection of the NHIL. Thus with effect from the month of August, 2004 when collection of NHIL commenced simultaneously with the collection of VAT, registered persons are required to submit a composite return providing details of both VAT and NHIL. This return termed VAT/NHIL Return is required to be submitted each month in line with the provisions of the VAT Act on completion and submission of return now with VAT/ NHIL rate of 15% (i.e. 12.5% VAT and 2.5% NHIL).

Again as captured by VAT (2008), in June 2008 by ACT 754, Parliament passed a law to introduce another tax in the Ghanaian tax system. This is referred to as the Communication Service Tax (CST). By the CST law 208, ACT 754 a tax rate of 6% is to be charged on all provisions of services through a communication system for the transmission or routing of signals or a combination of these functions. By this act national fixed network and mobile cellular network operators, Internet Service providers (ISPs), providers of radio (FM) broadcasting services, providers of Free-on-Air and pay-per-view television services are all liable to charge and account for the 6% Communications Service Tax (CST). The reason for the introduction of this tax is to generate funds specifically to finance the National Youth Employment Programme (NYEP). The National Youth Employment Programme was instituted by the government to create jobs for the youths and thereby to reduce the unemployment problems in the country. In addition to the VAT and the NHIL, the VAT Service was assigned the responsibility of administering, collecting and accounting for the Communication Service Tax by the CST ACT.

According to VAT Service (2007), a central governing body for all the three revenue agencies i.e. The Internal Revenue Service (IRS), Customs, Excise and Preventive Service (CEPS) and the Value Added Tax Service (VATS) was sworn into office in 2001 following the enactment of the Revenue Agencies Governing Board Act in 1998. As per the Act, the name of the body was given as Revenue Agency Governing Board (RAGB).

ISSER (2007) notes that tax revenue remains the single most important source of government revenue. In 1999, it accounted for 82.27% of total

government revenue. Although its contribution has been on decline, it still never the less maintains its position as the largest source of revenue to the nation. In 2006 for instance its contribution to the national kitty was 72.87%. This is further demonstrated in Table 1.

Table 1: Composition of governance revenue (1999-2006) in percentages

| Item | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <i>Tax Revenue</i> | 82.27 | 77.35 | 75.96 | 80.20 | 73.84 | 71.84 | 70.71 | 72.87 |
| Direct Tax | 24.45 | 24.69 | 24.64 | 30.95 | 23.67 | 22.6 | 23.22 | 22.50 |
| Indirect Tax | 36.88 | 35.36 | 33.24 | 27.16 | 31.89 | 33.32 | 33.05 | 33.40 |
| VAT (Domestic) | 10.00 | 6.75 | 5.90 | 7.87 | 5.92 | 6.03 | 6.43 | 7.19 |
| VAT (Import) | 11.95 | 15.54 | 16.89 | 17.70 | 13.35 | 11.88 | 11.08 | 11.25 |
| International | 20.93 | 17.29 | 18.07 | 22.09 | 18.29 | 16.46 | 14.44 | 16.97 |
| Trade | 14.16 | 14.16 | 14.59 | 18.00 | 13.70 | 12.39 | 12.21 | 13.06 |
| Import | 6.77 | 3.13 | 3.48 | 4.08 | 4.59 | 4.07 | 2.23 | 3.91 |
| Exports | 16.32 | 17.00 | 22.25 | 19.68 | 20.15 | 25.09 | 24.41 | 22.78 |
| <i>Non-Tax Revenue</i> | 8.05 | 10.06 | 18.22 | 16.88 | 18.05 | 20.39 | 17.90 | 19.89 |
| Grants income and fees | 8.27 | 6.94 | 4.03 | 2.79 | 2.10 | 4.69 | 6.51 | 2.89 |
| Other revenue measures | 0.00 | 0.00 | 0.00 | 0.00 | 3.57 | 1.89 | 4.06 | 4.33 |
| Divestiture and NPART | 1.42 | 5.65 | 1.79 | 0.12 | 2.44 | 1.18 | 0.82 | 0.02 |

Source: ISSER (2007)

From the Table, it can be observed that government's revenue composes of tax revenue and non-tax revenue. The tax revenue consists of direct taxes and indirect taxes which are collected by the IRS; the import

VAT, imports and exports which are collected by the CEPS; and the domestic VAT which is collected by the VAT Service. The Non-tax revenue on the other hand consists of grants, income & fees, divestiture, NPART, and other revenue measures. In all the years considered in the Table, it can be seen that the contribution of tax revenue to total government revenue has been very huge and dominant as compared to the non tax revenue. That tax revenue is very important to the development of Ghana can therefore not be overemphasized

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter seeks to explain the methods adopted in collecting and analyzing the data. It focuses on the description of the study area, sources of data, sampling techniques, data collection method and data processing. It also delves in the statistical techniques for analyzing the data, a-priori expectations, discussions and problems encountered.

Study area

The study is carried out in the Accra metropolis, on the tax revenue agencies in Ghana. Accra is the capital and most populous city of Ghana, a nation on the coast of the western region of Africa. The city also doubles as the capital of the Greater Accra Region, and of the Accra Metropolis District with which it is coterminous. It is the administrative, communications, and economic centre of the country. Over 70% of Ghana's manufacturing capacity is located within this region district. Accra has been Ghana's capital since 1877, and contains public buildings reflecting its transition from a 19th century suburb of Victoriasborg to the modern metropolis it is today. The Accra Metropolis District is governed by the 104-member Accra Metropolitan Assembly (AMA). The AMA has a total land size of 200 square kilometres and is made up of eleven sub metros namely Ablekuma Central, Ablekuma

North, Ablekuma South, Ashiedu Keteke, Ayawaso Central, Ayawaso East, Ayawaso West- Wuogon,La, Okaikoi North, Okaikoi South, and Osu Klottey. The Southern boundary of the Metropolis of Accra is the Gulf of Guinea from Gbegbegese to the Mukwe Lagoon near Regional Maritime Academy. The boundary continues along the Maritime Road to join the Accra-Tema road to Nungua Police Station Barrier. It turns right to the Ashaiman Municipal road till the Railway overhead Bridge on the Motorway and continues to Mile Post 91/2. From here the boundary continues to the road between the Institute of Professional Studies (IPS) and the Accra Teachers Training College (ATRACO), westwards crossing the Accra-Aburi Road to the University of Ghana behind the great Hall to Kisiseman and Christian Village to join the Accra Nsawam Road at the Achimota Brewery Road Junction. It turns left for 500m to the Aayeayefee Street junction and through the Aayeayefee Street to the Bridge over the Achimota Stream, then turns right along the stream to the high tension lines to the Achwilage Street and through Achwilage Street to the range of the Awoshie Hills and turns left again along the hills to the boundary between Kokorko (Ga District) and Awoshie (Accra Metropolis), from here it turns left along the swampy area and crossing the motorway through the swampy area to the bridge on the Sakumono Stream on the Accra-Winneba road and stretching along the stream till the starting point at Gbegbeyese.

The population of Accra itself was recorded as 1,658,937 in 2000, on an upward trend for some time. The economically active population of AMA is estimated to be 823,327. However, the daily influx of people from dormitory towns makes the figure higher than estimated. It is worthwhile to

state that the estimated figure of all the economically active population who dwell within the Metropolis excludes the workers of both formal and informal sectors who commute daily to engage in various economic activities.

Accra is a major centre for manufacturing, marketing, finance, insurance, transportation and tourism. It has about 350 major industrial establishments, a Central Bank, 9 Commercial Banks (with 81 Branches), 4 Development Banks (with 19 Branches), 4 Merchant Banks (with 7 Branches), 3 Discount Houses, 1 Home Finance Mortgage Bank, Building Societies, a Stock exchange, 218 Foreign Exchange Bureaus, 9 Finance Houses, 9 Insurance Companies, 12 Insurance Brokerage Firms, 2 Savings and Loans Companies and a host of Real Estate Developers. The road network in the Metropolis is about 1117.89 km made up of 918.10 km paved and 199.8 km of unpaved roads. There are over 50,506 identified residential properties and about 4,054 commercial/Industrial/mixed properties with a total rateable value of GH¢138,490,137.77. There are also 29 markets, 36 facilities for both on – street and off-street parking and over 120,000 units of wholesale, retail and other self-employed businesses as well as several facilities for the promotion of sports, recreation and many tourist centres.

The sectors of AMA economy consist of Primary Sector (farming, fishing, mining and quarrying), Secondary Sector (manufacturing, electricity, gas, water, construction) and Tertiary Sector (Wholesale trade, retail trade, hotel, restaurant, transportation, storage, communication, financial intermediation, real estate service, public administration, education, health and other social services). As an urban economy the service sector is the largest, employing about 531,670 people. The second largest, secondary sector,

employs 22.34% of the labour force (that is 183,934 people). Accra has 114,198 of its labour unemployed, making an unemployment rate of 12.2%.

Accra features a tropical savanna climate, with wet seasons and dry seasons. Accra actually has two rainy seasons, with the heaviest rains falling from April to July and a weaker rainy season in September and October. There is a brief dry spell in August and a more pronounced dry season from December through February. As is the case in a good portion of West Africa, the main dry season is accompanied by harmattan winds from the Sahara Desert, which between November and February can be quite strong. On average the hottest month is February; with a mean temperature of about 28°C (83°F); while August is the coolest month with an average temperature of about 25°C (77°F). However it should be noted that the "cooler" months tend to be more humid than the warmer months. As a result, during the warmer months and particularly during the windy harmattan season, it's a breezy "dry heat" and doesn't feel as warm as the more humid but "cooler" rainy season (Ghana Districts, 2009).

Tax Revenue Agencies

The tax revenue agencies in Ghana have a lot of things in common. They are subject to the direction of one board (RAGB) on matters of policy. Each of them is headed by the Commissioner who is assisted by five (5) Deputy Commissioners:

- Operations
- Research, Monitoring and Planning
- Finance

- Administration
- Legal Services

The Deputy Commissioners are also assisted by Assistant Commissioners. Each of the Revenue Agencies has its headquarters located in Accra, with branches spread across the country. There is also the Large Taxpayer Unit (LTU) located at the Revenue Towers in Osu, Accra. The LTU is a one-stop tax office responsible for large taxpayers of the three Revenue Agencies, especially IRS and VAT Service. The Revenue Agencies are however distinct by the type of taxes they collect, Offices, Missions and Visions (IRS, 2006; CEPS, 2006; VAT Service, 2005).

Internal Revenue Service (IRS)

From series of metamorphosis, IRS was established in 1985. Besides the Headquarters and LTU, IRS has two regional offices in Greater Accra Region and one each in the remaining nine regions. Their core functions are monitoring and supervision of District Offices. The Service has a total of 50 tax districts, 38 sub offices, and 25 collection points located at vantage points throughout the country. These offices are the focal points for the identification of taxpayers, assessment and collection of direct taxes. Offices and contacts of IRS are shown in Appendix B.

The mission of IRS is to effectively and efficiently administer the tax laws through a well-trained and motivated staff in order to maximize the tax revenue. The vision is to excel as an effective tax administration agency that applies the tax laws fairly, efficiently and with integrity in order to maximize tax collection for national development.

The main functions are:

- Responsible for the administration of direct taxes –i.e. Income Tax, Gift Tax, Capital Gains Tax and Stamp Duty.
- Identify all tax payers.
- Assess the taxpayer to tax.
- Collect the tax.
- Pay all amounts into the Consolidated Fund.
- Imposition of penalties for taxes in default.
- Review of tax cases.
- Refund of overpaid taxes.
- Granting of individual / personal reliefs where applicable.
- Granting of tax incentives to business entities.
- Issuance of Tax Clearance Certificate (TCC) to cover transactions where necessary.

Source: IRS (2006)

Customs, Excise and Preventive Service (CEPS)

CEPS, just like IRS, was established in 1985. The headquarters of the CEPS is located at the Ministries in Accra, the capital of Ghana. It also has offices in all the nine other regional capitals as well as the border entry points. CEPS have about 23 offices spread throughout the Country. In addition, there is several CEPS Check – points spread at certain strategic points along some principal major roads in the country (See Appendix C).

The mission of CEPS is to design and implement effective strategies and programmes to collect, account and protect customs, excise and other

assigned tax revenues at a minimum cost, while facilitating trade, investment and the movement of people across the borders of Ghana through effective and transparent service delivery. The vision is to provide world class customs service.

It is the policy of CEPS (2006) to:

- Provide a service that is efficient, fair and transparent.
- Provide sufficient resources to ensure we are effective in the performance of our duties.
- Recruit, train and maintain a highly qualified and motivated workforce.
- Ensure the public is aware of our contribution to the nation.

Value Added Tax Service (VATS)

The VAT Service was established in 1998 under the Value Added Tax Act, (Act 546). The headquarters of the VAT Service is located at IRS Annex building, Ministries, Accra, where the Chief Executive, the Commissioner administers the tax with the assistance of his Deputy Commissioners who head the four main departments of the Service namely, Finance & Administration, Operations, Audit & Investigations and Research, Monitoring & Planning. At the operational level, Heads of Local VAT Offices located throughout the country manage the day-to-day administration of the tax. To make for effective and efficient implementation of the VAT Law, the VAT Service has three (3) tier field offices; LVO, VSO, and VSS (vis: LVO - local VAT Office, VSO - VAT Sub- Office and VSS – VAT Satellite Station). Currently, besides the headquarters and Large Traders Unit (LTU), the VAT Service has

seven LVOs, four VSOs, two VSS and four newly created sub-offices. Below are the names, locations, telephone numbers and addresses of the current stations of the VAT Service (See Appendix D).

The mission of VAT Service (2005) is to ensure successful management and sustainable development of VAT in Ghana. It is committed to mobilizing revenue for national development by engendering public confidence in the administration of VAT through continuous education and fair application of the tax laws as a means of promoting voluntary compliance. It will achieve these goals through a highly motivated staff who will act at all times with integrity. The vision is to be an efficient, effective and modern tax administration that meets national and global standards.

Revenue Agencies Governing Board (RAGB)

The central governing body for all the three revenue agencies (i.e. IRS, CEPS and VATS) was sworn into office in 2001 following the enactment of the Revenue Agencies Governing Board Act in 1998. As per the Act, the name of the body was given as Revenue Agency Governing Board (RAGB).

The membership of the board consists of:

- Chairman
- The Governor, Bank of Ghana
- The Executive Secretary of the Board
- The Commissioner of the Customs, Excise and Preventive Service (CEPS)
- The Commissioner of the Internal Revenue Service (IRS)
- The Commissioner of the Value Added Tax Service (VATS)

- A representative of the Ministry of Finance not below the rank of a Director
- Four other persons at least two of whom shall be women.

The functions of the board are to:

- ensure supervision and co-ordination of the activities of IRS, CEPS and VATS.
- cause to be prepared plans for developing and maintaining an effective, fair and efficient revenue collection system and ensure that plans are implemented.
- effect the restructuring of any of the revenue agencies as and when necessary.
- ensure the effective, efficient and optimum collection of the taxes, penalties and interest due to the State under the law.
- direct generally the revenue agencies on revenue related policies.
- monitor the performance of the revenue agencies in carrying out their functions.
- ensure that all amounts collected by the revenue agencies are paid into the Consolidated Fund unless otherwise provided by an enactment
- recommend to the Minister measures for effective collection of taxes and non-tax revenue.
- delimit customs and surveillance zones, approve routes for customs purposes and cause to be built and managed government warehouses for the purposes of revenue collection.

- cause systems to be developed and maintained whether by collection, storage and retrieval of information.
- rearrange for the training and manpower development programmes for employees of the revenue agencies
- establish a system for the exchange of information among the revenue agencies
- initiate and sustain programmes for the public education on tax payment.
- establish and maintain a financial and accounting in accordance with prescribed government accounting practice.
- draw up a scheme of service for the staff for the revenue agencies and
- perform such other functions in relation to revenue as the Minister may direct or as may be conferred on it by any other law.

Study population

The target population of this study was all the tax revenue agencies in Greater Accra region of Ghana. The population size of the three tax revenue agencies was 4,540 workers. This comprised IRS (2395), CEPS (1500) and VAT Service (1000). However, due to time and monetary constraints, the study area was limited to some selected branches in the Greater Accra Region of Ghana. The branches and the population breakdown is depicted in Table 2 below

Table 2: Sample distribution of the population

| Branch | Population | Sample |
|----------------------------------|------------|--------|
| IRS Head office | 400 | 48 |
| Accra New Town sub-office of IRS | 14 | 2 |
| VAT Head office | 300 | 36 |
| KIA LVO of VATS | 90 | 11 |
| CEPS Head office | 173 | 20 |
| Accra James Town office of CEPS | 20 | 3 |
| Total | 997 | 120 |

Source: Field data, 2008

Sample and sampling techniques

The sample was made up of 90 workers within the Tax Revenue Agencies out of a total of 4,540 workers. The sample size of 90 workers comprises 41 from the IRS, 27 from the CEPS and 22 from the VAT Service. The uneven number of sample is based on the fact that a greater number of workers were concentrated in the IRS (2040) than CEPS (1500) and VAT Service (1000). For the purpose of getting the right respondents, a purposive sampling technique was adopted to select two branches each from the three tax revenue agencies. This technique was used because it allowed the researcher to choose respondents who would serve the interest of the research topic. Hence, the researcher had to go to the premises of the revenue agencies. The offices of these revenue agencies included the Head Offices of IRS, CEPS and VATS respectively and the Accra New Town sub-office of IRS, Accra James

Town office of CEPS and the KIA LVO of VATS. These six tax offices made up the total sample study areas of the tax revenue agencies under study.

In order to have a representative from all the categories of workers in each Tax Revenue Agency, a stratified random sampling technique was used to select the respondents in each agency. In this regard, the population of workers in each institution selected for the study was grouped into strata. A random sampling was done in each stratum to select the respondents from all the strata. This sampling technique was chosen because it ensured that each person within the stratum had an equal chance of being selected and for that matter representativeness of each stratum would be ensured. All the sub-samples from each stratum were put together to form the total sample size of workers within the tax revenue agencies in Accra.

Sources of data

The study was based on both primary and secondary sources of data. The primary data was the information collected from the field of study by the researcher himself. The data was specifically collected from the field of study to relate to what the tax revenue workers think about the issues of concern. The secondary data were from other sources beyond that of the researcher from the field of study. This includes publications by the ministry of finance, the Tax Revenue Agencies and other scholarly articles and records.

Data collection method

Structured questionnaires were used to collect data. This instrument was chosen because it was convenient with regard to financial and time

constraints. This method seemed appropriate to the respondents due to their busy work schedule. The study aimed at selecting 120 workers within the catchment area. However, the study finally covered 90 respondents given a respondent rate of 75%. All the respondents were given a structured questionnaire to be completed and the results were used for the analysis of the study. Separate questionnaire was also given to the management of each of the three tax revenue agencies for completion. The responses given constituted some of the findings and basis of the research.

Data processing and analysis

The data were edited to ensure conformity, consistency, completeness and correctness of responses. The open-ended questions were then coded by assigning numerical values to them. Data entry was done by Statistical Product and Service Solutions (SPSS) software (Version 12.0). Cross tabulation, frequency tables, and charts were used to analyze variables like sex, educational background, work experience of respondents, etc. In addition, a combination of chi-square and Pearson product-moment correlation was used to evaluate the influence of the independent variables, employee rewards such as basic salary, allowances, employee loans, study leave, promotion, training, job enrichments, and transfers etc on the dependent variable (performance). These were used because of the quantitative nature of the dependent variables.

Problems and limitations

This study was aimed at a sample size of 120 workers. However, the study finally covered 90 respondents given a respondent rate of 75%. The

problem encountered was that some of the workers refused to answer the questionnaire while others misplaced theirs because they were not prepared to answer them immediately it was given to them due their tight work schedule.

Another peculiar task that confronted this study was financial constraints. To embark on a research of this nature, one needs to be financially resourceful in order to cope with the cost of transportation to and fro the research centers, printing cost and other necessary materials to make the research successful.

Again, the tax revenue agencies in general follow strict bureaucratic procedure and as such breaking through such a system to administer a questionnaire was very cumbersome. Data collection in the chosen branches of the three tax revenue agencies was very challenging. Some respondents did not answer some of the questions in the questionnaire. In spite of these problems, relatively and sufficient data were collected for the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter focuses on interpretation and discussion of results. Use is made of cross-tabulation and Pearson Product-moment Correlation to analyse the various reward systems within the tax revenue agencies and also to determine whether low levels of reward accounts for the drifting away of employees to more lucrative institutions.

Characteristics of respondents

This section describes the characteristics of the respondents such as sex, educational background, and work experience.

Sex

Figure 2 shows that 64.4 percent of the respondents were males and 35.6 percent were females. This reflects the fact that the males dominated in the tax revenue agencies.

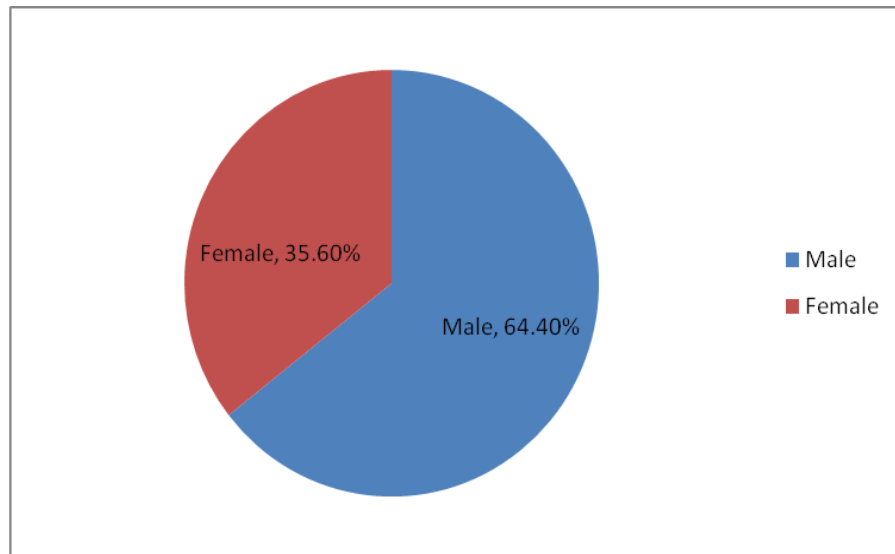


Figure 2: Sex distribution of respondents

Source: Field data, 2008

Educational background

On education, the study showed that 58.9 percent of the respondents had bachelor degrees, 17.8 percent had diplomas, 11.1% had completed post-graduate degrees and 12.2 percent had professional certificates as shown in Figure 3. The reason for this trend is that when most people got employment in the tax revenue agency, after the completion of their first degrees, they found it difficult to further their education due to the difficulties one has to go through before being granted study leave. In any case most of the workers at least have attained a minimum of university degree. This is an indication of their knowledge and ability to understand the organisational policies and work hard to achieve organisational goals provided there are given the necessary support and incentive by management.

Table 3: Educational level of respondents

| Educational Level | Frequency | Percent |
|-------------------|-----------|---------|
| Diploma | 16 | 17.8 |
| Bachelor Degree | 53 | 58.9 |
| Post-graduate | 10 | 11.1 |
| Professional | 11 | 12.2 |
| Total | 90 | 100.0 |

Source: Field data, 2008

Age of respondents

Table 4 shows the age distribution of the respondents. The majority (67.8%) of the respondents were below 45 years. This shows that the tax revenue service is endowed with active work force which is an asset for revenue mobilization.

Table 4: Age distribution of the respondents

| Age (years) | Frequency | Percent |
|--------------|-----------|---------|
| 15 – 24 | 16 | 17.8 |
| 25 – 34 | 22 | 24.4 |
| 35 – 44 | 23 | 25.6 |
| 45 – 54 | 17 | 18.9 |
| 55 and above | 12 | 13.3 |
| Total | 90 | 100.0 |

Source: Field data, 2008

Work experience

About 36.7 percent of the total respondents had worked in the revenue agency for less than 4 years as shown in Figure 3. The Majority (63.2%) of the respondents had served the tax revenue agencies for 5 years or more. This implies that labour turnover in the tax revenue agencies is not that high as pertains in other institutions (Armstrong, 2006: 376). High rates of attrition can destabilize a business and demotivate those who attempt to maintain levels of service and output against a background of vacant posts, inexperienced staff and general discontent. Obviously recruitment, induction and training costs, all rise with an increase in labour turnover.

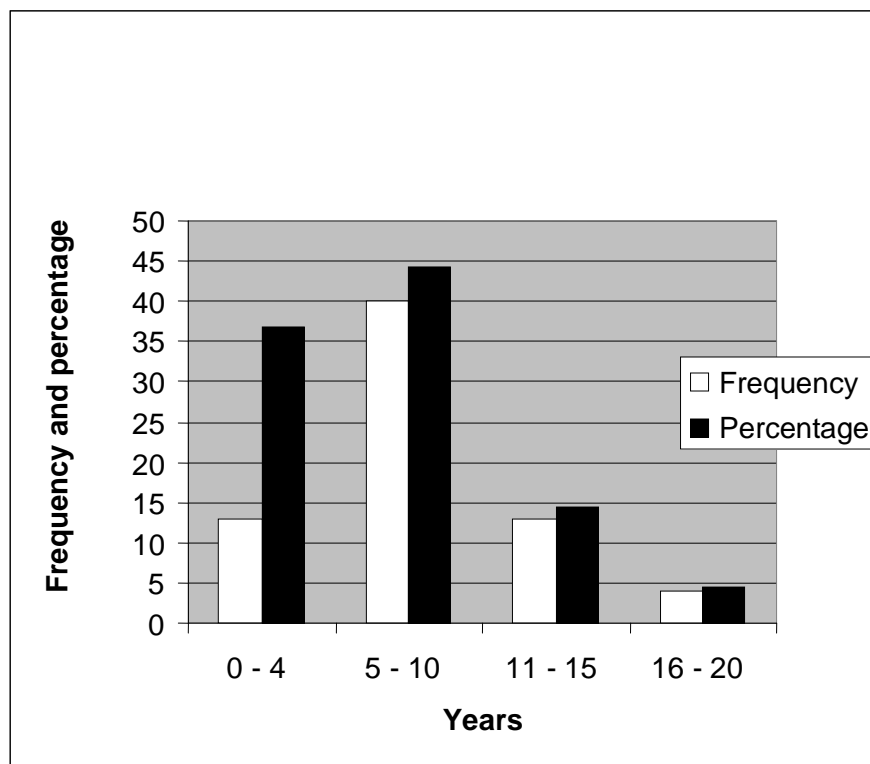


Figure 3: Number of years working in the tax revenue agencies

Source: Field data, 2008

Salary of respondents

Table 5 shows the salary distribution and rank of the respondents. Of the total respondents, 45.6 percent of them earned between 400 to 599 Ghana cedis per month, while 26.7 percent and 5.6 percent earn 200 to 399 Ghana cedis and 600 to 800 Ghana cedis respectively with 7.8 percent receiving below 200 Ghana cedis and 14.4 percent receiving above 800 Ghana cedis. Furthermore, the salary of the respondents was cross – tabulated against their rank as shown in table 6. This showed that all the 7.8% of the respondents who received a monthly salary below 200 Ghana cedis were in the junior staff category. Again, out of the 26.7% of them who received from 200 to 399 Ghana cedis, 5.6% were in the junior staff and 21.1% were in the senior staff. In addition, concerning the 45.6% of the respondents who earned from 400 to 599 Ghana cedis, 28.9% of them were in the senior staff, while 16.7% were in the middle management. Finally, 5.6% of the respondents who earned from 600 to 800 Ghana cedis were in the middle management while all the 14.4% who earned above 800 Ghana cedis were in the senior management.

It can be observed that the majority of the workers were senior staff who were also mostly university graduates and professionals and therefore very educated. Their understanding and appreciative levels of the organisational goals might therefore be very high. Good policies by management would therefore yield the desired results if their consents were sought.

Table 5: Salary and rank of respondents

| Salary/rank (GH¢) | Junior staff | Senior staff | Middle management | Senior management | Total |
|----------------------|-----------------|-----------------|----------------------|----------------------|------------|
| Below 200 | 7 (7.8) | 0(0.0) | 0 (0.0) | 0 (0.0) | 7 (7.8) |
| 200 – 399 | 5 (5.6) | 19 (21.1) | 0 (0.0) | 0 (0.0) | 24 (26.7) |
| 400 – 599 | 0 (0.0) | 26 (28.9) | 15 (16.7) | 0 (0.0) | 41 (45.6) |
| 600 – 800 | 0 (0.0) | 0 (0.0) | 5 (5.6) | 0 (0.0) | 5 (5.6) |
| Above 800 | 0 (0.0) | 0 (0.0) | 0 (0.0) | 13 (14.4) | 13 (14.4) |
| Total | 12 (13.3) | 45 (50.0) | 20 (22.2) | 13 (14.4) | 90 (100.0) |

Source: Field data, 2008

Note: Percentage figures are in parentheses

Reward systems in the tax revenue agencies

From the study, all the respondents admitted that the tax revenue agencies had reward systems. They also admitted that the various reward packages have been improving every year, although they yearned for higher increases. These reward systems included salary and allowances, study leave, medicare and bonuses. The allowances included risk allowance, clothing allowance, fuel allowance, car maintenance allowance, professional allowance, academic research allowance and utility subsidy. To assess the effectiveness and efficiency of these reward systems within the revenue organisations, the views of the respondents were ranked and recorded in Table 6.

Table 6: Most efficient and effective reward system by sex of respondents

| Reward system | Male | Female | Total |
|---------------------|-----------|-----------|------------|
| Salary & Allowances | 34 (37.8) | 16 (17.8) | 50 (55.6) |
| Study leave | 17 (18.9) | 12 (13.3) | 29 (32.2) |
| Medicare | 3 (3.3) | 4 (4.4) | 7 (7.8) |
| Bonuses | 4 (4.4) | 0 (0.0) | 4 (4.4) |
| Total | 58 (64.4) | 32 (35.6) | 90 (100.0) |

Source: Field data, 2008

Note: Pearson chi-Square = 4.34; Significance level = 0.23

Percentage figures are in parentheses

About 55.6 percent of the respondents ranked salaries and allowances to be the most effective and efficient reward system within the tax revenue agencies. Whereas 32.2 percent considered study leave as the most efficient and effective reward, only 7.8 percent and 4.4 percent of them considered medicare and bonuses respectively to be the most efficient and effective reward system in the tax revenue agencies.

The majority (96.7%) of the respondents refuted the assertion that their salary alone gave them job satisfaction. Even though 77.8% of them agreed that they received salary increment every year only 3.3% agreed that their salary alone gave them job satisfaction. Those who refuted this statement said there were other factors such as the organization's public image, promotion, employee training, and medical care that gave them job satisfaction.

To examine the relationship between sex and the effectiveness and efficiency of the reward systems, a chi-square test was conducted. The chi-square results ($\chi^2 = 4.336$, $df = 1$, $N = 90$, $P \text{ value} = 0.23$) showed no

significant relationship between the proportion of males and females on the effectiveness of the reward systems in the tax revenue agency. Furthermore, to explore the relationship between the respondents' sex and the factors that influence the various reward systems in the tax revenue agency, a chi-square test was conducted and the results are shown in Table 7. Of the total respondents for the study, 31.1% considered educational level as the most significant factor influencing the reward system in the tax revenue agency while 30%, 26.7%, and 12.2% viewed the level of experience, performance and other factors as the most determinant of employee reward respectively. The chi-square results ($\chi^2 = 9.170$, $df = 1$, $P = 0.03$, $N = 90$) showed that there is a significant relationship between the factors influencing reward systems by sex of respondents.

Table 7: The most important factor influencing reward systems by sex of respondents

| Factors | Male | Female | Total |
|-------------|-----------|-----------|------------|
| Experience | 18 (20.0) | 9 (10.0) | 27 (30.0) |
| Performance | 15 (16.7) | 9 (10.0) | 24 (36.7) |
| Education | 22 (24.4) | 6 (6.7) | 28 (31.1) |
| Others | 3 (3.3) | 8 (8.9) | 11 (12.2) |
| Total | 58 (64.4) | 32 (35.5) | 90 (100.0) |

Source: Field data, 2008

Note: Person chi-square = 9.17; Significance level = 0.03

Percentage figures are in parentheses

Relationship between employee reward and organisational performance

This section of the study involves assessing the relationship between employee reward and organizational performance.

All the respondents stated that the performance (i.e. amount of revenue collections made) of the Tax Revenue Agencies have been improving every year. Again, 83.3% of the respondents agreed that they were satisfied with their performance in the tax revenue agencies, while only 16.7% disagreed because their performance was highly influenced by the reward systems put in place by the revenue agencies which they claimed was not enough. They all agreed that there was a positive relationship between the reward systems and the performance of the revenue agencies as they always made more revenue collections as their reward systems are improved. They all admitted that the tax revenue agencies had target setting and performance appraisal system put in place. However, 30% of the respondents said they were not satisfied with the method of appraising employee's performance.

Motivational status of respondents

To determine whether the tax revenue agencies in Ghana lack well-motivated employees, the respondents were asked to account for the drifting away of employees from the tax revenue agencies to other more lucrative institutions. The study revealed that 75.6% of the respondents have intention of leaving the revenue agency and 41.1% admitted that they know of people who have left the tax revenue agencies because of greater opportunities that were opened to them elsewhere.

In order to assess the influence of the levels of reward on the drifting away of employees from the tax revenue agency, a cross tabulation conducted (Table 8) showed that, 21.1% of the respondents had intention of leaving the organisation even though they were satisfied with the reward system while only 2.2% of them had no intention of leaving the organisation because they were satisfied with the reward system.

Table 8: The influence of the reward systems on the drifting away of respondents

| Plans to leave this organization | Satisfied with the condition of service | | Total |
|----------------------------------|---|-----------|------------|
| | Yes | No | |
| Yes | 19 (21.1) | 49 (54.4) | 68 (75.6) |
| No | 2 (2.2) | 20 (22.2) | 22 (24.4) |
| Total | 21 (23.3) | 69 (76.7) | 90 (100.0) |

Note: Pearson chi-square = 3.302; Significance level = 0.057

Percentage figures are in parentheses

Source: Field data, 2008

However, 54.4% of the respondents had intention of leaving the organisation because they were not satisfied with the reward systems of the organisation as against 22.2% of them who had no intention of leaving even though they were not satisfied with the reward systems put in place. The chi-square results ($\chi^2 = 3.302$, $df = 1$, $N = 90$, $P \text{ value} = 0.069$) showed no significant relationship between the proportion of the workers who considered

leaving the organisation because of low levels of reward and the proportion of those who would remain.

Finally, Pearson product-moment correlation was used to investigate the relationship between the levels of reward systems and the drifting away of employees from the tax revenue agencies. The test shows that there is no violation of assumptions such as normality and linearity after preliminary analysis. There was a weak positive correlation between the reward systems and the drifting away of employees. ($r = 0.192$, $n = 90$, $P \text{ value} = 0.071$). Nevertheless, the relationship is not statistically significant.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The study examined the effects of reward systems on organisational performance of selected tax revenue agencies in the Accra metropolis. Data was collected from primary source through a stratified random sampling technique of 90 respondents within the selected agencies. These were the Internal Revenue Service (IRS), Custom Excise and Preventive Service (CEPS) and the VAT Service. In addition, secondary data relating to the amount of revenue generated by the Tax Revenue Agencies and the amount of salary and allowances paid to their employees from 1996 to 2005 were also assessed. The data collected for the study were analysed using cross tabulation (chi-square) and Pearson Product moment correlation. The SPSS software (Version 12.0) was used to facilitate data analysis.

The main findings of the study are as follows:

- All the respondents acknowledged that the reward packages of the Tax Revenue Agencies have been improving every year. They were however, of the opinion that the increments have not been adequate.
- The majority (54.4%) of the workers considered basic salary and allowances (monetary rewards) to be the most effective and

efficient of all the reward systems put in place by the tax revenue agencies because they receive increments every year.

- About 96.6 percent were of the view that despite the salary increment they receive every year, their salary alone does not give them job satisfaction. They believed that the organisation's public image, being able to access loans from the organization or the organisation granting their loan applications from other financial agencies as well as recognition and challenging responsibilities could go a long way to enhance their job satisfaction.
- Some group of the workers agreed that they received internal training services which took the form of workshops, seminars and symposium as well as loans from the revenue agencies. However, these services are woefully inadequate and could not have the desired impact on their performance.
- All the respondents were of the view that the performance of the Tax Revenue Agencies had been improving every year. This was confirmed by empirical data obtained from the tax revenue agencies. Although the workers agreed that the Tax Revenue Agencies have target setting and performance appraisal systems put in place, most of them were not satisfied with it. Not all workers always achieved the annual target. because their employers expected too much from them, thereby setting unrealistic planned outcomes.
- The majority (76.7%) of the workers admitted that they were not satisfied with the condition of service in the Tax Revenue

Agencies. This had resulted in the drifting away of some of their colleagues to more lucrative opportunities that were opened for them. About 2.2 percent said they had no intention of leaving the Tax revenue Agencies because they were satisfied with the conditions of service.

- The majority of the workers of the Tax Revenue Agencies are youthful. They are within the age brackets of 21 – 40 years. They were more interested in financial rewards than non financial rewards.
- Whereas the young and fresh graduates favoured opportunities for further training and progressions such as study leave with pay and payment of their professional examination fees by the company, the more elderly and long served staff were more interested in promotions, retirement and end of service benefits. The women were also found to be more interested in provision of maternity leave and free medical services. Non-managerial staff were also seen to favour financial rewards as a basis of motivation. However managerial staffs favoured non -financial rewards such as recognition, challenging jobs and increased responsibilities

Conclusions

It can be concluded that there are reward systems within the selected tax revenue agencies in the Accra metropolis and these are in the form of basic salary, allowances, bonuses, promotion, study leave, medicare and loans. Again, the most determinant factor influencing the reward systems within the

tax revenue agencies is the rank of the employees which is mostly influenced by the educational level of the employees, number of years employees have worked with the organization, their success at promotion interviews and the rate at which they are able to achieve the target set for them.

Furthermore, there existed a positive association between the various employee reward systems and organisational performance. Basic salary and allowances have positive relationship with organisational performance. It can be said that an effective and efficient organisational reward system put in place would help create a skilled, committed, competent as well as well motivated work-force, thereby increasing employee performance.

Moreover, the majority (96.7%) of the respondents disagreed with the notion that their salary alone gave them job satisfaction, despite the increment they receive every year. They were of the view that other factors such as the organization's public image, promotion, employee training and medical care influences their job satisfaction. Though all the respondents admitted that the tax revenue agencies had target setting and performance appraisal system put in place, some (30%) were not satisfied with the method of appraising employee's performance.

Recommendations

- Management should improve financial rewards to get non-managerial staff to accomplish organisational goals. Again managerial staffs are more likely to be influenced by other forms of reward such as recognition and challenging responsibilities, measures should be put in place to meet their needs to achieve

organizational goals.

- There should be other forms of rewards other than financial rewards to get employees to meet the organisational goals. There should be prompt feedback, praises, job enrichments, awards and recognition for exceptional work done by management to reward employees.
- The study leave policies of the tax revenue agencies should be reformed and structured to meet the interest of this important section of the work force in order to achieve desired outcomes.
- The interest of women should be of much concern to policy makers and implementers and in consultation with the leadership of the ladies' groups and other individuals, measures should be put in place to address these concerns.
- There should be internal intensification of education on the activities of the Tax Revenue Agencies by management. This should be done through seminars, workshops as well as symposia.
- The employees, through their Union leaders should be involved in any policy relating to the type of reward systems to be implemented in the tax revenue agencies. This would make the package relevant owned and cherished by the employees themselves.
- There should be involvement of employees in designing target setting and performance appraisal in the Tax Revenue Agencies to enhance the achievement of desired results.

REFERENCES

- Abdulai, J. A. (2000). Human resource management in Ghana, Prescriptions And Issues By The Fourth Republican Constitution, *The International Journal of public sector management*, 13(5): 447-466.
- Addaih, S. (2007). The role of extrinsic rewards in transformational change”. *The Daily Graphic* (2/10/07), Accra: Graphic Communications Group.
- Addison, T. & Osei, R. (2001). *Taxation and fiscal reform in Ghana*, Katajanokanlaituri, Helsinki: World Institute for Development, United Nations University.
- Ashton, C. (1999). *Strategic compensation*, London: Business Intelligence Publication.
- Akata, G. O. (2003). *Strategic performance management: Your key to business success*, Ibadan: Spectrum Books Ltd.
- Akakpo, V. (2005). *Principles of taxation based on the internal revenue act 2001*, Accra: Accra Press.
- Armstrong, M. (2003). *A handbook of human resource management*, London: Kogan Page Ltd.
- Armstrong, M. (2006). *A Handbook of human resource management*, London: Kogan Page Ltd.
- Bates, R. A. & Holton, E. F. (1995). Computerised performance monitoring: *a review of human resource issues, human resource management Review*. Winter; 267 –288.
- Bernadin, H K, Kane, J S, Ross, S, Spina, J D & Johnson, D L (1995). *Performance appraisal design, development and implementation*, in

- handbook of human resource management, (ed) G R Ferris, S D Rosen, and D J Barnum, Cambridge, Mass : Blackwell,
- Blyton, P. & Turnbull, P. (1998). *The dynamics of employee relations*, New York: Palgrave Publishers.
- Bondzi-Simpson, P. E. (2002). *Law of contract*, Accra: Excellent publishing and printing.
- Brown, B. B. (2005). *Motivating people*, New Delhi: Infinity Books.
- Brumbach, G. B. (1988). *Some ideas, issues and predictions about performance management*, Winter: Public Personnel Management, 387 – 402.
- Campbell, J. P. (1990). Modeling the performance prediction problem in industrial and organizational psychology, in M.P. Dunnett and L.M. Hugh (eds). *Handbook of Industrial and Organizational Psychology*. Cambridge, MA: Blackwell.
- CEPS (2006). *A Guide for importers & exporters and the public*. Accra: Customs, Excise and Preventive Service,
- Cole, G. A. (1996). *Management theory and practice*, Berwick: Martins the Printers Ltd.
- Cole, G. A. (1997). *Personnel Management*, Gosport: Ashford Colour Press.
- Cole, G. A. (2003). *Organisational Behaviour*, Berwick: Martins the Printers Ltd.
- Costley, D. L. & Todd, R. (1987). *Human relations in organisations*, London: St. Louise west Publishing Company,
- Couric, R. A. (2002): *Holy bible*, The King James 2000 Version, Belarus: The Bible League,

- Dessler, G. (1999). *Essentials of management*, New Jersey: Prentice Hall.
- Ezaka, P. I. O. (1981). *Personnel procedures manual, A practical guide*, Lagos: Macmillan Nigeria Publishers Ltd.
- Ghana Customs, Excise and Preventive Service (2007). *A Guide for Importers & Exporters and the Public*, Accra: Henlifo Press.
- Ghana Districts (2009). <http://www.ghanadistricts.com/districts/?news>
- Goss, D. (1997). *Human resource management, The basics*, London: International Thompson Business Press.
- Hicks, J. (1965). *Capital and growth*, Oxford: Clarendon Press.
- Howe, S. (1995). *Essential elements of human resource management*, London: DP Publications Ltd.
- Hunter, G. (1965). *Industrialisation and race relations*, London: Oxford University Press.
- Hyman, R. (1975). *Industrial relations: A Marxist Introduction*, London: Macmillan.
- Hyman, J. & Mason, B. (1995). *Managing employee involvement and participation*, London: Sage Press.
- Internal Revenue Service (2005). *REVENUES*, Vol. 1.14, Accra: IRS.
- Internal Revenue Service (2006). *Welcome to IRS, Ghana: A Hand Book*, Accra:IRS
- Internal Revenue Service (2007). *A guide to income taxation in Ghana*,
- ISSER (2007). *The state of the Ghanaian economy in 2006*, Accra: University of Ghana.
- Livingstone, I., Diejomaoh, V. P., & Teriba, O. (1987). *Economics for West Africa*, London: Heinemann Educational Books Limited.

- Marx, K. (1976). *Capital*, Vol. 1, P Harmondsworth: Penguin.
- McGregor, D (1960). *The human side of enterprise*, New York: McGraw-Hill.
- Mullins, J. L. (2007). *Management and organisational behaviour*, Harlow: Financial Times Prentice Hall.
- PricewaterhouseCoopers (2007). *Reward systems*, PicewaterhouseCoopers, www.pwc.ch/en.
- Procter, P. (1985). *Cambridge international dictionary of English*, Cambridge: Cambridge University Press.
- Republic of Ghana (2008). *The budget statement*, Accra: Assembly Press.
- Republic of Ghana (2003). Labour Act 2003 (Act 651), Accra: Assembly Press.
- Republic of Ghana (1986). *Internal Revenue Service Law PNDCL 143*, Accra: Ghana Publishing Corporation.
- Republic of Ghana (2000). *Internal revenue service Act, (Act 592)*, Accra: Assembly Press.
- Sarantakos, S. (2005). *Social research*, New York: Palgrave Macmillan.
- Selma, F. G., Lawrence, H. S. & Kendrick, M. S. (1951). *The nature and tax treatment of capital gains and losses*, Eisenhower: UMI Publishers.
- Simpson, J. & Weiner, E. (1989). *Oxford English Dictionary*, Oxford: Oxford University Press.
- Smith, M. (1987). *Introducing organisational behaviour*, London: Macmillan Education Ltd.
- Storey, J. (1995). *Human resource management, A Critical Text*, London: International Thompson Business Press.

- Torto, D. S. (2005). Motivation: An Ingredient for Productivity. *Daily Graphic* July 4, 2005, Accra: Graphic Communications Group Ltd., p.33
- VAT Service (2005). *VAT News*, 1, (16). Accra: Jospong Printing Press Limited.
- VAT Service (2007). *VAT News*, 1, (19). Accra: Jospong Printing Press Limited.
- VAT Service (2007). *The ins and outs of VAT & NHIL*, (PN 5), Accra: VAT Service.
- VAT Service (2008). *VAT News*, 1, (20). Accra: Jospong Printing Press Limited.
- Walker, K. F. (1977). *Towards the participatory enterprise: A European trend*, New York: Annals of the American Academy of Political and Social Science.
- Wall, T. and Wood, S. (2002). *Delegation as a powerful tool*, London: Professional Manager.
- Wall, T. D. & Lischeron, J. A. (1977). *Worker Participation*, London: McGraw-Hill Inc.
- World at Work (2000). *Total rewards: From strategy to implementation*, Scottsdale: WorldatWork.

c.....

d.....

j. What type of reward system would you consider to be the most effective and efficient in your organization

.....
.....

k. Which of these factors influence the various reward systems in your organization? Experience [] Performance [] Education [] other (please specify).....

l. Within which of the following salary categories does your monthly gross salary falls in [] Below 2million [] 2million-4million [] 5million-7million [] 8million-10million [] above 10million

m. What allowances do you find on your pay slip apart from the basic pay?

.....
.....

Indicate the extent to which you agree with the following statements.

12. I receive salary increments every year.

[] Strongly agree [] Agree [] Not sure [] Disagree [] Strongly disagree

13. My salary alone gives me job satisfaction.

Strongly agree [] Agree [] Not sure [] Disagree []
Strongly Disagree []

14. There are other factors that give me job satisfaction.

Strongly agree [] Agree [] Not sure [] Disagree []
Strongly Disagree []

15. Your organization's public image gives you job satisfaction.

Strongly agree [] Agree [] Not sure [] Disagree []
Strongly Disagree []

16. Have you ever accessed loan in your organization?

Yes [] No []

17. Does your organization guarantee loan applications from other agencies or banks Yes [] NO []

18. Does your organization offer training services to its employees

Yes [] NO []

19. If yes, what form does it take

.....
.....

20. How does this training influence your organisational performance or productivity level?

.....
.....

21. Does any form of promotion exist in your organization

Yes [] No []

22. If yes, have you ever been promoted and from what level to what level

.....

23. If no, why

24. How does this affect your contribution to organisational goals?

25. Are you satisfied with the conditions of service in this organization? Yes [] No []
26. In your opinion, what are the strengths and weaknesses of the current reward systems in this organisation?
 Strength.....
 Weakness.....
27. Do you have plans of leaving this organization?
 Yes [] No []
 Please give reason
27. Do you know of someone who has left this organization for another job? Yes [] No []
28. There rate of turnover in this organization is on the increase. Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Disagree []

Section C: (effects of reward on performance)

29. Are you satisfied with your performance? Yes [] No []
30. Does your organization have target setting and performance appraisal system in place? Yes [] No []

31. If yes, are you satisfied with the method? Yes [] No []
32. How often do you as individual achieve your annual targets?
Always [] sometimes [] never [] not sure []
33. How often does the Organization as a whole achieve its annual targets? Always [] sometimes [] never [] Not sure []
34. How often does the organization as a whole exceed its previous year's performance? Always [] sometimes [] never [] not sure []
35. My performance is highly influence by the reward systems in place.
Strongly agree [] Agree [] Not sure [] Disagree []
Strongly Disagree []
36. My salary adequately rewards me for my contribution to organizational performance.
Strongly agree [] Agree [] Not sure [] Disagree []
Strongly Disagree []
37. Increase in employee reward will result in increase in employee and organizational performance.
Strongly agree [] Agree [] Not sure [] Disagree []
Strongly Disagree []

APPENDIX B

QUESTIONNAIRE FOR MANAGEMENT OF THE TAX REVENUE

AGENCIES

Please tick the option applicable

- n. sex: male female
 - o. Age : 15 – 24 25 – 34 35 – 44 45 - 54 55 and above
 - p. How long have you been working in this organization?
 4 Years and below 5 – 9 years 10 – 14 years
 15 – 19 years 20 – 24 years 25 – 29 years 30 years and above
 - q. Level of education:
 Diploma Bachelors Degree Post-graduate
 - r. Professional
 others (specify).....
 - s. Which of these levels do you belong to
 Junior staff senior staff
 middle management senior management
1. Name of revenue Agency.....
 2. Functions.....
.....
 3. Mission.....
.....
 4. Vision.....
.....

5. Organogram.....
.....
6. Number of employees.....
7. Do you have a comprehensive reward system for your employees?
Yes () No ()
8. If your answer to 7 above is yes, please list them.
.....
.....
9. Do you have a performance target setting and appraisal system in place for your employees? Yes () No ()
10. If your answer to 9 above is yes, do you get the employees involved in performance target setting and appraisal systems? Yes () No ()
11. If your answer to 9 above is yes, how often do you meet your employees for this exercise in a year?
12. In your view what is the reason for the performance target and appraisal system in your organization?
.....
.....
13. Are all your employees able to achieve the targets set for them?
Yes () No ()
14. Is the organisation as a whole able to achieve its annual target?
Yes () No ()

15. If your answer to 14 above is yes, how often?

Always () Most often () Not most often ()

16. In determining employees' salary or other rewards, do you link their performance to the reward? Give reason Yes () No ()

Reason.....

17. Please provide in the table below your revenue collections for the past 10 years (1996 – 2005) as against the organisational target?

| Year | Target | Collections |
|-------|--------|-------------|
| 1996 | | |
| 1997 | | |
| 1998 | | |
| 1999 | | |
| 2000 | | |
| 2001 | | |
| 2002 | | |
| 2003 | | |
| 2004 | | |
| 2005 | | |
| TOTAL | | |

18. Please provide in the table below your total expenditure on employees' basic salaries, consolidated salaries, and allowances for the past 10 years (1996 – 2005)

| Year | Basic salary (GH¢) | Consolidated salary | Allowances |
|-------|-----------------------|------------------------|------------|
| 1996 | | | |
| 1997 | | | |
| 1998 | | | |
| 1999 | | | |
| 2000 | | | |
| 2001 | | | |
| 2002 | | | |
| 2003 | | | |
| 2004 | | | |
| 2005 | | | |
| TOTAL | | | |

APPENDIX C

OFFICES AND CONTACTS OF IRS

| No. | Office | Address | Location | Tel. Nos. |
|-----|-------------------------|------------------------------|---|----------------------------|
| 1 | Headquarters | P. O. Box 2202Accra | Off Starlets 91 Road Ministries | 021-675701-7 |
| 2 | Greater Accra Zone 1 | P. O. Box 13854 | Agbogboloshie Market | 021-661115 /687683-6 |
| 3 | Greater Accra Zone 2 | P. O. Box 93 Legon-Accra | Legon (Okponglo) | 021-502330/ 50232/6/7/9 |
| 4 | Large Taxpayer Unit | PMB, Accra | Revenue Towers, Osu | 021-760015/ 761038/34 |
| 5 | Ashanti Region | P. O. Box 8420 Kumasi | Asokwa (Opp. Owner Agencies) | 051-21134 |
| 6 | Western Region | P. O. Box 348Takoradi | Habour Business Area , Takoradi | 031-23468/031- 23378/9 |
| 7 | Eastern Region | P. O. Box 390Koforidua | George Street Koforidua | 081-22696/ 22731/223250 |
| 8 | Central Region | P. O. Box 471Cape Coast | Ist Floor, Ministries Blk Chapel Square, | 042-32688 |
| 9 | Brong Ahafo Region | P. O. Box 108 Sunyani | Opp. Ghana Highway Authority, | 061-27365/ 23579/ 23235 |
| 10 | Volta Region | P. O. Box 166 | Block 'C' Stadium Rd, Ho | 091-28367 |
| 11 | Northern Region | P. O. Box 105, Tamale | 36 Unit, Ministries Blk, Tamale | 071-22181/25914 |
| 12 | Upper East Region | P. O. Box2206, Bolgatanga | SSNIT Building,Ministries, Bolga | 072-23628/9 22367/23352 |
| 13 | Upper West Region | P. M. B. Wa | 2 nd Floor, CEPS Building | 0756-22138/ 2253/20788 |

Source: Internal Revenue Service (2006)

APPENDIX D

OFFICES AND CONTACTS OF CEPS

| OFFICES | PHONE NUMBERS |
|-----------------------|-----------------------|
| Head quarters | 021-666841-4/677317-9 |
| K. I. A. Aviance | 021-762922-3/762838 |
| K. I. A. arrival hall | 021-777404/777290 |
| Accra (James town) | 021-664694/663170 |
| Tema | 022-202771-2/202667 |
| Aflao | 0962-30224/30271 |
| Dabala junction | 0966-44222 |
| Akanu | 0962-31195 |
| Koforidua | 081-23020/24215 |
| Ho | 091-26615/28199 |
| Batumi junction | 091-25177 |
| Kpetie academy | 091-28125 |
| Takoradi | 031-22121-2/22056 |
| Wa | 0756-22185 |
| Lawra | 0756-22889 |
| Kumasi | 051-25760/37152 |
| Sunyani | 061-27185/23147 |
| Tamale | 071-22799/22293 |
| Bole | 0743-22046 |
| Bolgatanga | 072-23450/22506 |
| Missiga | 0754-22385 |
| Paga | 0742-22498 |
| Elubo | 0345-22021/22029 |

Source: CEPS, A Guide for importers & Exporters and the Public. P.20

APPENDIX E

OFFICES AND CONTACTS OF THE VAT SERVICE

| | STATIONS | LOCATION | TELEPHONE/FAX | ADDRESS |
|----|--|---|---|---------------------------------|
| 1 | HEAD OFFICE COMMISSION ER'S LINE | Near IRS Head Office Ministerial Area | 661525/6 & 674187 FAX: 674186/244912 | P.O. Box 17177 Accra |
| 2 | KANESHIE LVO | Industrial Area, Katenit Building | 224368/244910-9 FAX: 244912 | PMB 197 Accra- North |
| 3 | ADABRAKA LVO | NCR Building- Accra | 245755/247955-6 FAX: 247958 | PMB G. P. O. |
| 4 | RINGWAY EST. LVO | Opposite Police Headquarters- Accra | 223976/224276/2 21714 | PMB 63 Cantonments- Accra |
| 5 | TEMA LVO | SSNIT Flats (Comm.5) Behind TTL Club Hse. | 022-205854/201290 FAX: 022-201290 | P.O. Box CE12391 Tema |
| 6 | KUMASI LVO | SIC Building, Near Prempeh Assembly Hall | 051- 26738/29457/27772 051-27772 | VAT Service PMB, Kumasi |
| 7 | TAKORADI LVO | 2 nd Floor, SIC Building, Near Harbour Roundabout | 031-21107 FAX: 21337 | P. O. Box 615 Takoradi |
| 8 | KOFORIDUA LVO | SSNIT Building (4 th Floor) | 081-22516 FAX: 081-22313 | P. O. Box 2034 Koforidua |
| 9 | CAPE COAST VSO | 1 st Floor Municipal District Edu. Block Near Jubilee Sch. | 042- 32072/30469/35926 FAX: 042-30469 | P. O. Box CT. 958 Cape Coast |
| 10 | SUNYANI VSO | Cocoa House (4 th Floor) | 061-23580/23066 FAX: 061-23067 | P. O. Box 1745 Sunyani |

| | | | | |
|----|---------------|---|---|-------------------------|
| 11 | TAMALE VSO | Near Police Headquarters, Towards Reg. Admin. Office | 071- 23445/22204/25342 FAX: 071-23445 | P. O. Box 530 Tamale |
| 12 | HO VSO | Light house, Big Market | 091-26789/27212 FAX: 091-27212 | P. O. Box 134 Ho |
| 13 | WA VSS | SIC Block Near Adonis Cinema | 0756-22421/20726 FAX: 0756-22421 | P. O. Box 526 Wa |
| 14 | BOLGA VSS | SNIT Building (Sacred Heart Catholic Church) | 072-22171/23477 FAX: 072-23477 | P. O. Box 509 Bolga |
| 15 | AFLAO | CEPS Complex- Aflao | 0962-30663/30693 | P. O. Box 289 Aflao |
| 16 | OKAISHIE | | | |
| 17 | MADINA | Hollywood, Zongo Junction | | |
| 18 | NKAWKAW | | | |
| | SPINTEX | | | |

Source: The VAT NEWS, 2007, pp. 47

APPENDIX F

PERFORMANCE INDICATORS FOR IRS FROM 1995 - 2006

| YEAR | CONSOLIDATED | | BASIC SALARY | | ALLOWANCES | REVENUE COLLECTED | |
|------|--------------------|------------|-------------------|---------|---------------|----------------------|---------|
| | AMOUNT | %AGE INCRE | AMOUNT | % INCRE | AMOUNTT | AMOUNT | % INCRE |
| 1996 | 10,208,938,872.00 | #DIV/0! | 8,448,567,343.11 | #DIV/0! | 1,760,371,527 | 424,650,919,182.00 | #DIV/0! |
| 1997 | 12,376,950,976.30 | 21.24 | 10,616,579,447.41 | 25.66 | 1760371530 | 604,378,354,934.00 | 42.32 |
| 1998 | 16,113,189,630.36 | 30.19 | 13,702,917,703.19 | 29.07 | 2410271930 | 786,303,294,994.00 | 30.10 |
| 1999 | 18,837,584,986.42 | 16.91 | 16,178,459,987.76 | 18.07 | 2659125000 | 899,758,723,193.00 | 14.43 |
| 2000 | 23,403,477,070.88 | 24.24 | 16,605,353,058.53 | 2.64 | 6798124020 | 1,407,364,731,756.00 | 56.42 |
| 2001 | 31,319,580,584.78 | 33.82 | 20,863,654,940.30 | 25.64 | 10455925640 | 2,109,677,314,827.75 | 49.90 |
| 2002 | 43,094,652,787.69 | 37.60 | 30,122,381,046.67 | 44.38 | 12972271740 | 2,842,975,321,479.29 | 34.76 |
| 2003 | 68,140,145,472.03 | 58.12 | 42,388,104,977.48 | 40.72 | 25752040500 | 4,081,463,620,593.08 | 43.56 |
| 2004 | 98,548,575,384.64 | 44.63 | 60,765,623,785.08 | 43.36 | 37782951600 | 5,304,395,280,817.71 | 29.96 |
| 2005 | 130,254,038,769.94 | 32.17 | 77,553,679,013.43 | 27.63 | 52700359690 | 6,518,525,160,070.00 | 22.89 |

Source: Questionnaire to Management of IRS

