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ANALYSIS OF CORPORATE COMPLIANCE TO ZIMDEF
STATUTORY PAYMENTS IN ZIMBABWE

BY

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Abstract

This study sought to analyse the corporate compliance to ZIMDEF statutory payments in Zimbabwe. ZIMDEF contributions are mandatory statutory payments by eligible employers based on cost of wage bill as defined by the Manpower Planning and Development Act Chapter 28:02 and the accompanying statutory instruments. The payment is based on 1% of the total wage bill inclusive of allowances, bonuses and benefits. In summary it looks at the total cost to the organization of employment. ZIMDEF contributions are payable by the 15th day of the subsequent month. Late payments will incur penalty interest of 10% of the total outstanding balance. In this study various stakeholders of Zimbabwe Manpower Development Fund were used that is Companies, ZIMDEF Employees and other stakeholders. The theoretical approaches of tax compliance have commonly been divided into economic deterrence theory and the wider behavioural theory (Frey & Feld, 2002). The behavioural theory encompassed the social and fiscal psychological theories. The use of deterrence theory model was mainly prevalent in the examination of tax evasion (Frey & Feld, 2002). The theory can be achieved through a number of approaches and these could be both punitive and persuasive. The researcher used questionnaires and interviews as research instruments. The study showed that the main causes of non-compliance to manpower training levy in Zimbabwe are the negative macroeconomic fundamentals, planned behaviour and poor compliance culture. The study revealed that Economic deterrents do influence the Training levy evasion behaviour. This study recommends that to reduce Manpower training levy evasion, ZIMDEF should engage defaulting employers to come up with workable payment plans. Incentives for compliance such as penalties amnesty can be put in place to improve on compliance. The respondents rated training levy contributions as very low and an increase in these can enforce a compliance culture. Recommendation was also given that further research be undertaken in order to assess the causes of training levy contribution evasion when the economic environment normalizes as this research was done when Zimbabwe was facing difficult macro-economic conditions even though the economy had adopted a multicurrency basket system to curb inflation.


Key Words: Compliance, ZIMDEF, Training Levy, Evasion.

Declaration

I declare that this dissertation is my original work except where sources have been cited and acknowledged. The work has never been submitted, nor will it ever be submitted to another university for the award of a degree.

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Dedication

This research is dedicated to my late uncle James Mazhokota the great African Educationist.

List of Acronyms and Abbreviations

ALMPS	Active Labour Market Policies
CRPD	Convention for Rights of PWDs
CEBT	Competency-Based Education and Training
IEE	Indigenization and Economic Empowerment
ILO	International Labour Organization
NAMACO	National Manpower Advisory Council
MFI	Micro Finance Institution
PIC	Provincial Implementation Committee
QIA	Quality Improvement in Informal Apprenticeship
SAEC	Sustainable African Energy Consortium
SETAs	Sector Education and Training Authorities
SLF	Sustainable Livelihoods Framework
SDERU	Skills Development Education Research Unit
SME	Training for Rural Economic Empowerment
TREE	Training for Rural Economic Empowerment
TVET	Technical and Vocational Education and Training
TWG	Technical Working Group
WHO	World Health Organisation
ZIMDEF	Zimbabwe Manpower Development Fund
ZESA	Zimbabwe Electricity Supply Authority

Definition of Key Terms

Deterrence	Is the practice of discouraging or restraining someone in world politics, usually a nation-state from taking unwanted actions, such as an armed attack. It involves an effort to stop or prevent an action, as opposed to the closely related but distinct concept of compellence, which is an effort to force an actor to do something.
Development	This is the process concerned with people's capacity in a defined and over a period to manage and involve positive change, and reduce or eliminate unwanted change.
Planning	It is the setting of objectives and deciding on the best ways of achieving these objectives.
Training	<p>According to Oxford Advanced Learner's Dictionary states that training is the process of preparing somebody or being prepared for job. In manpower development, training is therefore an indispensable element and at the same time, a vehicle for development and planning.</p> <p>According to Stemetz et al. (1969:68) training, "is a short-term process utilizing a systematic and organized procedure by which non-managerial personnel learn technical knowledge skilled for a definite period".</p>

Manpower Planning

Thomas Kempwer (1971:13) sees manpower planning as, “the name given to the drawing up of different types that the company will require over a period of years”. He believes that once a company has developed a long-range strategy (corporate planning), it become possible to estimate the number of people of all types and categories that may be required over the following years.

Ubeku (1975:25) defined manpower planning, “as part of organizational planning”. According to him, manpower planning covers much than simple planning the future manpower requirements of an organization since it hinges on all aspects of the business.

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CHAPTER 1 INTRODUCTION

1.1 Introduction

According to Schultz (1961), investment in human capital is the major long-term factor explaining the modern economic growth and development. To achieve and maintain a modern economy, continuous investment in human capital must occur alongside investments in other forms of capital and technology. The new modern theories of economic growth (80-90 years of 20th century) had begun to take the human capital as one of the main factors of economic growth. This means that the growth of education and upgrading skills operate as a multiplier which makes for faster economic growth.

Various countries worldwide have developed different funding mechanisms for human capital development. In Zimbabwe a mandatory statutory manpower training payroll tax is levied on each and every eligible employer for funding critical skills development and is administered through the Ministry of Higher and Tertiary Education, Science and Technology Development, whose minister is the Trustee of the Zimbabwe Manpower Development Fund (ZIMDEF).

ZIMDEF contributions are mandatory statutory payments by eligible employers based on cost of wage bill as defined by the Manpower Planning and Development Act Chapter 28:02 and the accompanying statutory instruments. The payment is based on 1% of the total wage bill inclusive of allowances, bonuses and benefits. Moreover, ZIMDEF contributions are payable by the 15th day of the subsequent month. Late payments will incur penalty interest of 10% of the total outstanding balance.

This chapter deals with a brief background of the study and outlines the problem statement. The research objectives, research questions and justification of study are also given. The chapter will end by giving the limitation, delimitation and definition of terms together with the chapter summary.

1.2 Background to the Study

When the Zimbabwean majority government came to power in 1980 upon the attainment of political independence the majority of the blacks took over the reins of authority and occupied various positions in industry and government. There was a massive exodus of skilled white professionals in industry and government as they left the country due to uncertainty of what the future holds. The black majority who took over in industries and public offices lacked requisite critical skills, training, experience and knowledge to execute their duties to the required satisfaction (Zvavahera, 2014). This propelled the government of Zimbabwe to redesign the management systems and policies in response to public concerns.

ZIMDEF was established by section 23 of the Manpower Planning and Development Act, 1984 (now revised Manpower Planning and Development Act Chapter 28:02 of 1996) with a broad objective of financing the development of critical and highly skilled manpower in Zimbabwe. It is administered by the Ministry of Higher and Tertiary Education, Science and Technology Development, whose minister is the Trustee of the Fund. The principal source of funding for ZIMDEF is a statutory 1% training levy which is calculated from the gross wage bill of employers under section 53 of the Act. It also derives funding from interest earned from the fund's short-term investments and from

rentals of its properties. In terms of Manpower Planning Development Act (CAP) 28:02-Section 53 (2 and 3) and section 3 of Statutory Instrument 74 of 1999 every employer is required to register and pay manpower training levy.

ZIMDEF (2013) stipulates that the earliest training levy programs in Belgium, Cyprus, Denmark, France and the Netherlands began as narrowly focused sectoral training programs in the 1960s and 1970s for a summary of European training fund programs. Apart from that, Johansson (2009) in his review, lists 62 countries with training funds worldwide. Most of these programs are found in Latin America (17 countries), Sub-Saharan Africa (17 countries), and Europe (14 countries). In contrast, there are only 7 programs in Asia and the Pacific Region. The most typical levy is about 1% of the wage bill, but with considerable variation from 0.25% of the wage bill in Uruguay; to 3% of the wage bill in Bahrain, Jamaica and Senegal; and to 4% of the wage bill in Burkina Faso (Johansson, 2009).

Since its inception ZIMDEF has funded so many activities to do with human capital development (ZIMDEF, 2013). Some of the major activities funded are payment of tuition, boarding fees and wages for apprentices. It also procures training equipment such as computers, engineering materials, workshop machinery and training consumables for Industrial Training Centres and other institutions of Higher and Tertiary Learning Institutions. ZIMDEF (2013), further acknowledges that it has to date reimbursed wages paid to skilled workers while attending upgrading training courses at national institutions as well as any other related expenses incidental to such training.

Other infrastructural development activities approved by the relevant ministry are also funded by ZIMDEF such as the construction of Harare polytechnic central library, construction of Chinhoyi University of Technology Hotel and others. In 2016 the Ministry of Higher and Tertiary Education, Science and Technology Development, offered free education for all students in public schools who registered for Science, Technology, Engineering and Mathematics (STEM) subjects. The STEM initiative was also funded by ZIMDEF as a way of trying to stimulate interests in the Sciences faculty as research done had showed that there was a skills gap in sciences to stimulate innovation and technology development in the long run for the economy.

However, ZIMDEF (1994) Act [Chapter 28:02] outlines that, although ZIMDEF derive its training revenue collection mandate from such a clearly labelled ACT and Statutory Instruments, the reports from compliance unit highlighted that there has been unfavourable non-compliance rate by eligible companies. This therefore shows that the average compliance rate for ZIMDEF has been 47 % from 2011 to 2016. In one of the presentations by the then Chief Executive Officer for ZIMDEF on one of the organised marketing outreach programmes with employers in Mutare at Golden Peacock Hotel he highlighted that, “...our compliance rate has remained comparatively low despite increased efforts to attain the short term 60% target...” (ZIMDEF, 2013:26). Although it can be termed as a model of the public private partnership in human capital development, various stakeholders are negatively affected with high rate of non-compliance to ZIMDEF levies. The income and capital base for ZIMDEF is negatively affected by non-compliance resulting in failure to fund extensively on its mandate as well

positioning ZIMDEF debtors account unfavourable on its financial accounts as they may be difficult to recover as well as the principal of time value for money.

Despite the economic conditions, ZIMDEF is still expected to finance critical human capital development in Zimbabwe. ZIMDEF Annual Report (2013) showed that the Fund was not able to pay industrial attachment allowances to university students and had not been able to equip institution of higher learning with modern equipment. This means that the Fund is failing to meet its mandate. On this basis, ZIMDEF currently is not able to collect adequate training levy to fulfil its human capital development mandate.

This research attempts to identify why there has been an increase in non-compliance to ZIMDEF levies resulting in funding gap in the human capital development matrix in Zimbabwe.

Compliance is considered as a term which describes the taxpayers' willingness to pay their taxes (Kirchler, 2007). While, Fagbemi (2010) views tax compliance as when a person seeks to comply with the tax law by full disclosure of all relevant information on all tax claims, and also (seeks) to pay the right amount, at the right time and place required by the law. It therefore means that compliance requires that the taxpayer complies with the laws, by declaring the correct income, claiming the correct deductions, reliefs and rebates and then paying all taxes on time and without having to wait for follow-up (enforcement) actions from an authority (Palil, 2010 & Sungh, 2003).

Non-compliance is the direct opposite of compliance, and can be generally seen as taxpayers' failure to remit the proper amount of tax (Palil, 2010). Comprehensively, it

can be defined as the failure on the part of a taxpayer to correctly file returns, report actual income, claim the correct deductions, reliefs and rebates and remit the actual amount of tax payable to the authority on time (Kirchler, 2007, & Palil, 2010). This act of noncompliance may either be intentional or unintentional (Sour, 2004; McKerchar & Evans, 2009).

1.3 Statement of the Problem

The vision of ZIMDEF is to be a resource mobilisation hub for human capital development for an industrialised and modernised economy by 2030. This can only be achieved through its mission of mobilising, manage and disburse resources for human capital development to contribute towards achieving an industrialised and modernised economy. As evidenced by the ZIMDEF audited debtors schedule as at 31st of December 2016 as published in its financial accounts, there is a low compliance to ZIMDEF statutory payments by eligible employers across the country. The table 1 below shows the yearly debtors value for ZIMDEF across the country from 2011 to 2016. It shows an increase in the amount of debt figure every year thereby showing an increase in the cases of non-compliance by business partners.

As evidenced by the below Table1.1 and 1.2, ZIMDEF Manicaland Debtors report, the trend shows that an average of 47% compliance with ZIMDEF obligations over the six year period from 2011-2016 whilst the majority (53%) have not been complying. This has a negative impact on financial performance of ZIMDEF as shown by the increase in levy debtors, which in essence has more than doubled over the period of six years and an average increase of \$4 million per year.

Table 1: ZIMDEF Audited Levy Debtors & Business Partner Compliance 2011/16

YEAR	YEARLY LEVY DEBTORS	VARIANCE LEVY DEBTORS	% VARIANCE LEVY DEBTORS	AVERAGE YEARLY COMPLIANCE RATE
2011	12,544,899.00	-	-	-
2012	17,145,461.00	4,600,562.00	37%	45%
2013	21,967,509.00	4,822,048.00	28%	45%
2014	25,651,371.00	3,683,862.00	14%	48%
2015	31,170,153.00	5,518,782.00	18%	46%
2016	34,585,172.00	3,415,019.00	10%	52%

Source: (ZIMDEF debtors report, 2016)

Table 2: ZIMDEF Manicaland Levy Debtors and Partner Compliance 2011/16

YEAR	YEARLY LEVY DEBTORS	VARIANCE LEVY DEBTORS	% VARIANCE LEVY DEBTORS	AVERAGE YEARLY COMPLIANCE RATE
2011	364,976	-	-	-
2012	575,827	210,851	58%	43%
2013	722,590	146,763	25%	46%
2014	691,505	(31,085)	-4%	48%
2015	824,545	133,040	19%	47%
2016	917,221	92,676	11%	50%

Source: (ZIMDEF debtors report, 2016)

The researcher was prompted to carry this study on the non-compliance of 1% training levies due to the above figures. However, the above figures can be said to be influenced

by the economic conditions of the country. In a stable economy, the government should support the industries either by subsidies things like fuel, electricity, water and having favourable imports and export regulations not forgetting the tax payments. All the above elements will enhance the productivity thereby giving room for the companies to comply with whatever regulations put in place by the government, because these companies will be making profits. However, the situation is opposite in Zimbabwe, government is struggling to support the local industries at the same time it is looking forward to these companies to comply with its regulatory frameworks. Therefore, the researcher wants to know the exact reasons why companies in Zimbabwe, particularly in Mutare not complying with the ZIMDEF 1% training levies. The focus of the research will be on Manicaland province specifically Mutare.

1.4 Research Objectives

The research objectives were to:

- 1.4.1 Examine the level of compliance to ZIMDEF 1% training statutory levies by eligible companies in Manicaland.
- 1.4.2 Investigate the reasons why companies have not been remitting ZIMDEF levies resulting in low compliance rates.
- 1.4.3 Explore how non-compliance by eligible companies to ZIMDEF Levies has affected the performance of ZIMDEF.
- 1.4.4 Explain the importance or usefulness of regulatory laws and operational procedures on compliance to ZIMDEF levies.

1.5 Research Questions

To achieve the above-mentioned objectives, the following questions were addressed:

- 1.5.1 What is the level of compliance to ZIMDEF 1% training statutory levies by eligible Companies in Mutare?
- 1.5.2 Why have companies not been remitting ZIMDEF levies?
- 1.5.3 How has non-compliance by Companies to ZIMDEF Levies affected the financial performance of ZIMDEF?
- 1.5.4 How useful are regulatory laws and operational procedures on compliance to ZIMDEF levies?

1.6 Assumption

The following assumptions were made:

- 1.6.1 That the economic conditions would remain the same throughout the research
- 1.6.2 That participants would cooperate and give honest answers during data collection

1.7 Significance of the Study

1.7.1 To the Government

The outcomes or results of the study are therefore critical for policy decision making on ZIMDEF administrative operations (Management) and recommendations on the national policy makers where the fund operations are formulated (Government). The eligible business partners (Business Community) will also be able to air their challenges and

views with regards to low compliance on ZIMDEF statutory levy contributions and be able to give out their reasons.

1.7.2 To the Organisation

If the research findings are accepted by the Zimbabwe Manpower Development Fund, the findings and recommendations assist the organisation in widening their revenue base to enable them to meet the training needs of Zimbabwe.

1.7.3 To the University

The research findings assist both current and prospect students as reference material for those pursuing their studies. This study can be used as an evaluation research aimed at assessing the fundamental challenges or causes of the decline in the compliance rate by eligible employers on ZIMDEF statutory contributions, both on the number of complying companies and value of contribution.

1.8 Delimitation of the Study

The study focuses on eligible business partners in the Manicaland region within the database of ZIMDEF and also the employees of ZIMDEF as key informants. The participants included key stakeholders of ZIMDEF in the Manicaland region and these included employers who pay and eligible for ZIMDEF 1% training levies. More specifically the study was based on the period 2013 to 2016 because of the general stable socio-economic and political environment.

1.9 Limitation of the Study

The study was focused on one region of the ten provinces in Zimbabwe. This means transferability of the findings was limited to participants of similar nature for example

business partner industry type, to the one that would have participated. Another limitation is that some participants, non-complying are difficult to locate as they are not fixed in permanent locations or physical addresses thereby giving a challenges to access them and gather essential information. The research was largely based on desk review, but also focused on collecting opinions with regards to the statutory levy compliance from a number of key stakeholders as identified by the ZIMDEF value chain. Interviews were done with the ZIMDEF employees and its management. The researcher experienced shortage of time for the research since he is a full time employee and circumvented this challenge by approaching authorities at work for a vacation leave and used the period for data collection. Some research participants were suspicious of the research motive and withdrew from participating. However, the researcher produced ZIMDEF and AUREC permission approval to undertake data from participants. The researcher further explained to participants the purpose and procedure of data collection and obtained their oral informed consent.

1.10 Summary

The chapter has brought out clearly the problem to be investigated. It provided the background to study, the statement of the problem, research objectives, justification of the study, assumptions and research questions. More so, different problem dimensions have been brought out as well as been explored as well as the study limitation. The study is aimed at determining the factors behind non-compliance by employers in paying ZIMDEF contributions and how this impacts on financial performance of ZIMDEF.

CHAPTER 2 REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter gives a description of what other authorities and researchers have alluded in respect of the study under research. In viewing the related literature attention was given to the concept non-compliance to statutory obligations in Zimbabwe. The chapter also availed related studies that have been carried out on non-compliance to statutory tax obligations by individual companies. The theoretical framework upon which this was based was presented. The in-depth exploration of the related works of literature paves way for bringing out the knowledge gap that exists in terms of the field under study. Consequently, the relevant literature review and the theoretical framework set a platform for an intense understanding of why there have been high rate of non-compliance to statutory tax obligations by companies.

2.2 Theoretical Framework

2.2.1 The Deterrence Theory

The theoretical approaches of tax compliance have commonly been divided into economic deterrence theory and the wider behavioural theory (Frey & Feld, 2002). The behavioural theory encompassed the social and fiscal psychological theories. The use of deterrence theory model was mainly prevalent in the examination of tax evasion (Frey & Feld, 2002). The theory can be achieved through a number of approaches and these could be both punitive and persuasive.

The deterrence theory is premised on dealing with the challenges of tax compliance, in an attempt to seek an enforcement mechanism that can be complemented or substituted

by the appeal to the citizen's tax morality (Ortega & Sanguinetti, 2013). According to Alm (2013), there is a widespread evidence that tax evasion or what is called illegal or intentional action which is aimed at reducing the responsibility to pay appropriate taxes is common place in almost all countries (Feld, Schmidt & Schneider, 2007). The taxpayer mind-set when engaging in tax evasion is the concept of maximizing the expected utility of the tax evasion gamble. It is based on weighting the benefits that could be attained in the event of successfully evasion when compared with the risk of being caught and contrasted with punishment that can be imposed in that instance of being caught (Feld, Schmidt & Schneider, 2007; Alm, 2013).

2.2.1 Features of the Economic Deterrence Model

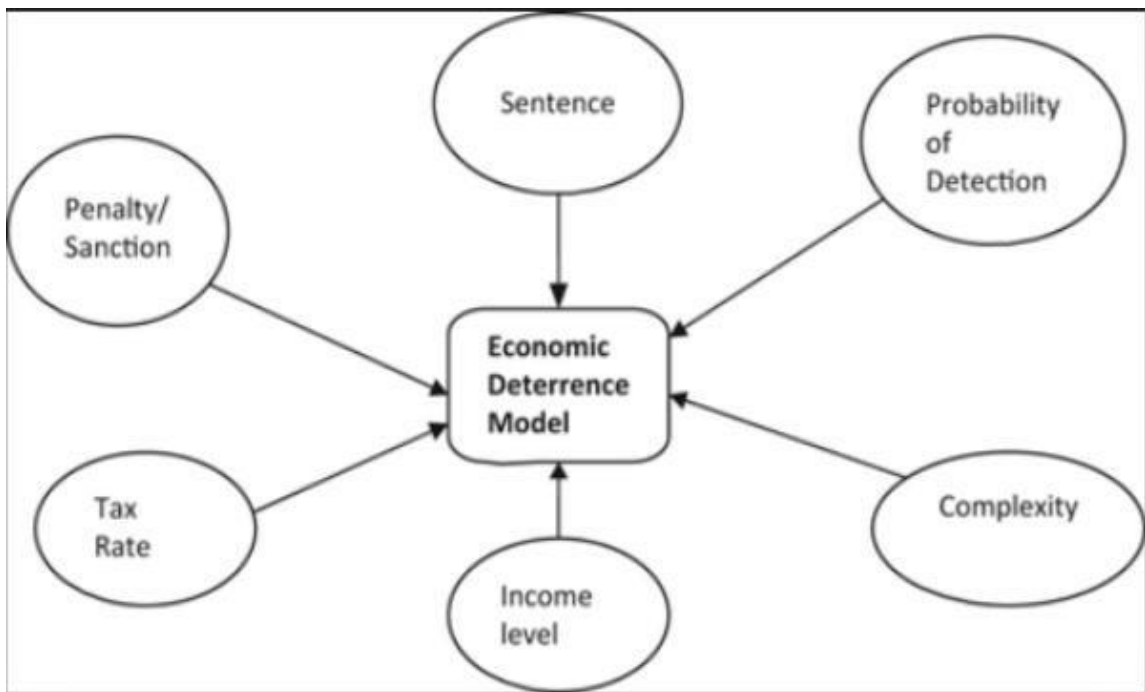


Figure 1: Features of the Economic Deterrence Model

Source: link.springer.com

This model assumes that behavior is influenced by factors such as, tax rate (which determine the benefit of tax evasion) and penalties for fraud and probability of detection (which determine costs). The economic deterrence model in its basic form views the individual taxpayer as a rational economic agent, who assesses the costs (determined by probability of detection and penalties for fraud) and benefits (determined by tax rate) of evading taxes, and thus chooses not to pay, if the benefit of non-compliance outweighs the costs (Walsh, 2012). The model thus reduces the problem to that “...of rational decision making under uncertainty whereby tax evasion either pays off in terms of lower taxes or subjects one to sanctions” (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012:3). The implication of this assumption is that when there are low audit probabilities and low penalties, the tendency for evasion will be higher, while if there is a high tendency for detection and penalties are severe, fewer people will evade taxes (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012).

It is on the basis of this assumption that the model advocates stricter audit and heavy penalties for offenders as a basis for reducing non-compliance. The economic deterrence model has over the years, undergone series of modifications and extensions, and still enjoys prominence in most studies on taxpayer compliance. However, it has also been criticized as not been realistic in explaining taxpayer compliance, since it predicts a general substantial noncompliance beyond what is obtainable in reality (Slemrod, 2007). Rethi (2012) and Slemrod (2007) observed that in spite of the existence and use of audits and penalties (which are the key components of the deterrence model), tax evasion has remained, and continuously posed significant threats to countries' economies, through loss of revenue. Besides, it has also been observed (even proven in studies) that there are

people who never evade taxes, even when the probability of detection is zero (Sour, 2004). A classic example is in the case of the United States and Scandinavia, where empirical data revealed high level of compliance “...more than what could be accounted for even by the highest feasible levels of auditing, penalties and risk aversion” (Fjeldstad, SchulzHerzenberg & Sjursen, 2012: 3). This reality has in fact led a number of authors to comment that going by the deterrence model, the actual question regarding tax compliance should be why people pay taxes, and not why people evade them (Alm, 1999; Alm et al., 1992 & Slemrod, 1992). Aside from the limitations noted above, the deterrence model has also faced criticism for failing to consider behavioral factors such as attitudes, perceptions, and moral judgments (Lewis, 1982); for neglecting the presence of codes of conducts, such as moral and ethical constraints that have potentials to prevent people from cheating in their taxes (Sour, 2004); and for neglecting the relevance that tax compliance takes place in a social context (Rethi, 2012). The aggregation of the above criticisms have thus led to the incorporation of diverse perspectives/fields– especially behavioral- into the study of tax compliance behavior, and subsequently, development of broad- based factors that affect taxpayers’ (non)compliance behavior.

Research on tax compliance based on the ‘economic deterrence’ approach considers both economic and structural factors in relation to compliance. This approach uses the utility function equation and experimental economics methods to help explain and predict compliance outcomes. The economic deterrence approach suggests that taxpayers make a cost–benefit analysis when deciding on compliance outcomes, and relies on enforcement for compliance to work. The deterrence model attempts to explain the change in compliance behaviour rather than the level of compliance. The purpose of the

economic deterrence approach is to identify causality in the change of taxpayer behaviour in response to changing certain variables under examination, while keeping other variables constant.

As pointed out by Sour (2004), a taxpayer's failure to comply may occur either because he/she made an honest mistake when filling his tax forms, or because he/she intended to evade his tax liabilities right from the onset. Sour expatiated further that non-compliance is not limited to situations where individuals underpaid (under report) only, but also includes situations where individuals overpaid (over report) their taxes. Furthermore, there is almost a general consensus that unintentional non-compliance could result from such factors as complexity, contradictions, and imprecise nature of tax legislations or tax procedure (Jackson & Millirun, 1986; Kesselman, 1994; James & Alley, 2004; & GAO, 2011). Intentional non-compliance on the other hand, are usually discussed under the terminologies/concepts of tax evasion and tax avoidance, which have enjoyed wide attention in almost all studies bothering on taxation, and are strongly regarded as activities that are unfavorable to a state's tax laws (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012).

2.2.2 Social-psychology Models

A common proposition of the theory of reasoned action is that individuals form their behavioral intentions on the bases of two basic determinants which are personal factors and social influences (McKerchar & Evans, 2009). These are commonly referred to as personal norms and social norms respectively, and have become the focus of studies based on social psychology theories explaining taxpayer behavior. They are generally noted to play important roles in determining tax compliance (Franzoni, 1999; Sour, 2004; & OECD, 2010), just as Ronan & Ramalefane (2007) specifically noted that such variables

as stigma, reputation and social norms have great impact on taxpayers' decision on whether or not to comply with tax payments. Personal norms have been defined as the deeply rooted convictions about what one ought or ought not to do (OECD, 2010).

They are in most cases difficult to change and often beyond the reach of public policy Franzoni, (1999), because they take a long time of socialization processes to be developed (OECD, 2010). In the context of taxpayer behavior, personal norms reflect the taxpayers' values, tax ethics, tax mentality, and tax morale, all of which influences attitudes towards taxes/compliance. Sour (2004) contended that engagement in acts of evasion may induce feelings of anxiety, guilt or negative self-image in taxpayers. A contention that is in line with the findings of Taylor (2001), who observed that the internal fear of experiencing feelings of guilt, along with the risk of social stigmatization have greater deterrent effect than such external factors as the risk of detection and punishment. The fear of social stigmatization as a possible deterrent factor is a confirmation of the belief that tax compliance takes place within a social context and the existence of the social norms effect on compliance behavior (OECD, 2010 & Kirchler, 2007).

Social norm, according to Alm (1999: 9) is "... a pattern of behavior that is judged in a similar way by others and that therefore is sustained in part by social approval or disapproval". This affects tax compliance since it is common for people to discuss their tax affairs with friends, family members, and at their jobs (Sour, 2004). It therefore follows that an individual is most likely to comply with tax requirements if he believes members of his reference groups also comply, just as he is also likely not to comply if he believes that members of his referent group do not comply (Lewis, 1982; Franzoni, 1999; OECD, 2010; Fjeldstad, et al., 2012; Walsh, 2012; & Ali, et al., 2013).

2.2.2.1 Motivation Crowding Theory (Frey 1997)

An economist, Bruno (1997) developed and presented a theory of individual choice that is explicitly an extension and a critique of the basic utilitarian model used in economics. Frey suggested analysing compliance with public policies within the framework of a contractualist theory of state-recipient relations.

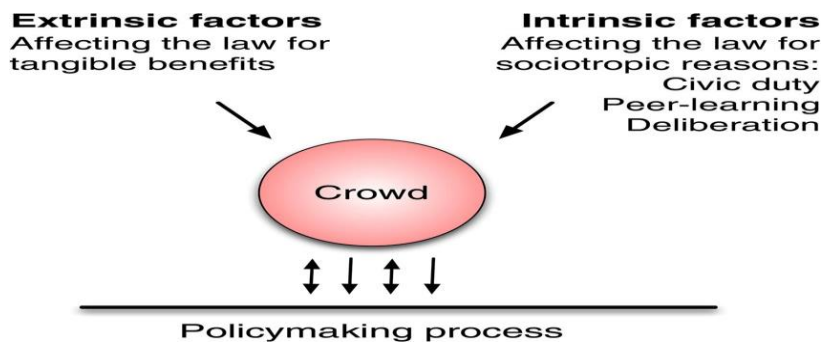


Figure 2: Crowding Theory by Frey

Frey claims that economics has totally ignored intrinsic motivation because the discipline is primarily concerned with the economic dimension of individual choices. However, intrinsic motivation is not just an extra incentive, in addition to extrinsic motivation. The two interact. (Otherwise, the effect of intrinsic motivation could be easily integrated into classic utilitarian theory.) Thus the payment reinforces one kind of motivation (extrinsic) and weakens another (intrinsic). As such, predicting behaviour becomes a challenge of determining the relative strength of one effect compared to the other.

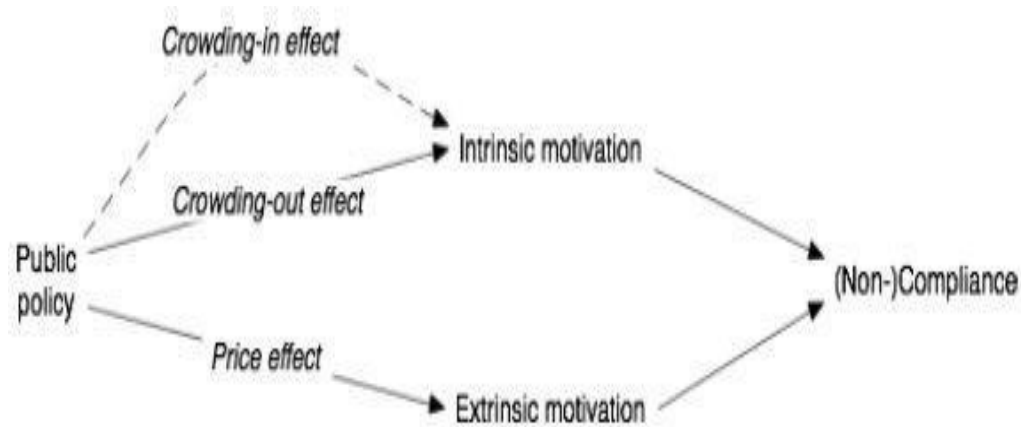


Figure 3: A Schematic Representation of Frey' Model

In this form, the model is clear and parsimonious. It assumes that intrinsic motivation and extrinsic motivation can produce the expected behaviour when those motivations are strong enough, either singly or taken together. However, the theory does not say what resistance those motivations must overcome. It also does not specify what constitutes the “threshold” between non-compliance and compliance. In a case where intrinsic motivation is strong and extrinsic motivation is weak, outside intervention may have negative effects on actors' performance. That would be the case if it significantly reduces intrinsic motivation (if the crowding-out effect is strong) and if it does not increase extrinsic motivation enough to compensate that reduction (if the price effect is insufficient).

Frey posits that the crowding-out effect becomes stronger if:

1. The regulator and the regulatee are close to one another and their interactions are embedded in a relationship;
2. The activity aimed for is interesting for the regulatee;
3. The regulated participates in the development of regulations;

Frey's basic model is very parsimonious. However, there are a number of critiques. First, one might criticize Frey for excessive optimism. There is no explicit theory of the production of intrinsic motivation in his writing. Nonetheless, he seems convinced that intrinsic motivation can be "produced", not only by socialization (although he does not use this term), but even more so by public intervention, political institutions, and discussion. A second critique is that while Frey assumes that intrinsic motivation always produces compliance, there may also be several sources of intrinsic motivation that push towards other outcomes. Some local norms maintained and sanctioned within social groups can obstruct compliance because they demand behaviour that is not in accordance with what the state regulator requests. Frey and Feld ignore the question of compliance without compensation simple obedience to authority. In fact, such obedience is inconsistent with the contractual vision of a relationship between equals that they want to apply to the relationship between the state and citizens.

2.3 Relevance of the Theoretical Framework to the Study

The application of the Economic Deterrence Theory and the Social-psychology Models is very relevant to this study because it focuses on the suppositions about the causes for noncompliance with statutory obligations or taxes. Similarly, the causes for non-compliance to ZIMDEF statutory training levies may also be articulated through the propositions of the two models. Without going into the detailed workings of these approaches, a brief outline of the main features and advantages and disadvantages of the methods employed follows.

2.3.1 Level of Compliance to Manpower Development Levies by Organisations

Manpower planning and development cannot be carried out in isolation from macroeconomic phenomena. On the other hand, that part of macroeconomics that is interested in creating jobs cannot ignore who the jobs are for in terms of the skill, sex and age base of the population. This is because the determinants of economic growth are strongly related to the characteristics of the labour force in terms of its skill, education, flexibility.

James & Alley (2004) highlighted that there are a number of forms of statutory obligations evasion which may include manipulation of figures. Business may understate employee earnings and financial accounts and documents used to declare or source documents for the calculation of the training levies. Holzmann, Genser, & Diamond (2009) added that employers can evade paying contributions by under stating the number of employees as well as understating their earnings which are used as the basis for calculation of contributions due.

2.3.2 Possible Causes of Non-Compliance to ZIMDEF Statutory Training Levies

There are a number of various reasons which may cause companies not to comply with payments of their statutory obligations. These are reviewed below;

2.3.2.1 Macro-Economic Fundamentals

This constitute part of the environment companies operate in. They are not directly influenced by internal processes of the business. These may include shrinking market size, stiff completion, economic meltdown and the liquidity crunch. These may incapacitate the contributor from paying their obligations. These are discussed below;

2.3.2.2 Financial Distress and Liquidity Crunch

Financial constraints are believed to have an impact on contribution evasion. People and corporates that are financially distressed are more prone to evading payment of statutory obligations when compared to those in less financial distress (Mohan & Sheeham, 2004). In some instances, many companies are under financial distress and most of them at the verge of collapsing. This is a possible cause for their evasion in terms of paying statutory contributions.

However, other scholars argue that entities that are liquid and not facing any financial distress may also evade (Vogel, 1974; Warneryd & Walerude, 1982). This may also be evidenced by some entities that post good financial results but still continue to evade and only pay when they are caught. Cash shortages and circulation seems to have an effect on evasion of ZIMDEF Statutory Levy payments as firms may be incapacitated from meeting their obligations. Companies' profitability is also negatively affected as demand is reduced due to failure by customers to access their funds.

2.3.2.3 High Contribution Rates

If business deem statutory obligations contribution rates as being high, they may be motivated not to pay. ZIMDEF contributions are paid wholly by the employer and employees contribute nothing. The obligations will thus be perceived to be taking a big portion of their financial resources (Kirchler, 2014). Contrary to this view, James & Alley (2002) saw that some defaulters maintain the same evasion attitude whether contribution rates are high or low.

2.3.2.4 Penalties

Other researchers concluded that penalties can be used as a deterrent to contributions evasion. Charging low penalties or charging less penalties leads to evasion (James & Alley, 2002). Torgler (2007) also concurred with James and Alley as he said that low penalties motivate contributors to evade as they will not increase their contribution arrears by a big margin. In Zimbabwe the tax revenue authority penalizes 100% whereas ZIMDEF and other statutory bodies penalize 10% for defaulting, this has seen most companies prioritizing ZIMRA payments than other statutory deductions. Nyland, Alves, & Motts (2011), however contributed that human beings are very complex and they may not all be deterred by penalties. The institution of huge penalties may thus leave the contributor in a worse off scenario and force them not to comply this is also evidenced by high defaulting rates at institutions that charge higher penalties like ZIMRA in Zimbabwe.

2.3.2.5 Perceived Benefits for Evading

Non-compliance to statutory payments maybe be as a result that companies usually do a cost benefit analysis on the expected results from evading. Hasseldine (1993); Song & Yarbrough (1978); Torgler & Schneider (2005) assumed that contributors of statutory obligations are rational economic evaders who would assess the costs and/or benefits of evasion. The principle of time value for money may override the current obligation to remit statutory levies. They try by all means to minimize their contribution liability. In the event of being caught, they would be willing to pay more, including a penalties (Song & Yarbrough, 1978; Somasundram 2005; & Torgler 2007).

2.3.2.6 Complexity of Payment Procedures

Complexity of payment procedures includes variables such as use of complex formulas that are used in determining the contributions due, time spent when a contributor is trying to comply or the time required to file returns that are required when one chose to comply (Holzmann et al., 2009). They concluded that contributors may evade when they perceive the payment procedures as being complex. For ZIMDEF what constitute a wage bill according to the ACT is different from what other employers define their own wage bill. Allingham & Sandmo (2007) however contradicted with the above view and they said that contributors may evade even if they are aware of the amounts that they are supposed to pay and this is evidenced when a contributor who is audited and given an amount to pay still continue to not comply after being given a due date.

Some employers may not have full information on formulas used in calculating ZIMDEF training levy obligations hence they are likely to comply only when they are visited by the compliance officers who will help them with the necessary calculations. Compliance costs refer to costs that have to be met by contributors in terms of time, inconvenience and filing necessary returns complying with the contribution requirements. Some contributors for example may have to travel long distances to make their payments and this may force them not to comply.

2.3.2.7 Probability of Not Being Detected

Allingham & Sandmo (1972) highlighted that high chances of detection may force contributors to comply. These chances may be increased for example by the increased visibility of compliance officers especially when they are carrying out door to door audits.

The same sentiments were supported by (Slemrod, Blumenthal & Christian, 1998). Contributors who perceive their chances of being caught as low like those who operate in rural areas and backyards building may evade on the same basis. Song & Yarbrough (1978) however argued that contributors who can perceive their chances of detection as high can still go ahead and evade thus showing that other factors other than probability of detection may be in place.

2.3.2.7 Myopic Behaviour, Ethics and Attitude

There is no doubt that social norms have gained attention into the debate of economic behaviour also in economic literature (Fehr & Gächter, 1998; Fehr et al., 2002; Fehr & Fischbacher, 2004). Social norm (or social custom) is “an act whose utility to the agent performing it in some way depends on the beliefs or actions of other members of the community” (Akerlof, 1980:749). In a tax compliance framework, it is clear that if evasion is perceived as the social norm, the likelihood of evasion increases in those individuals that belong to the community. The risk is a sort of domino effect: evasion triggers more evasion if cheating behaviour is, or at least it is perceived, widespread and tolerated.

As summarized by Kirchler (2007), given the influence of social norms and peer effects, tax authorities must ensure a correct perception on actual compliance rate and must deliver the correct information to each taxpayer: the fight against evasion does not rely only on enforcement but also on a correct information, aimed at the rise of the general civic mindedness of the community.

Research on social and personal norms have highlighted that taxpayers are not always potential criminals that only expect the right moment to break the law: taxpayers are willing to comply when they feel that this is the right behaviour; but this situation is possible as long as there is a balanced interaction between the two parties (Feld & Frey, 2002). In the model of Kirchler et al. (2008), full compliance is supposed to be obtained through two different channels: trust in authorities and power of authorities. The authors' suggestion is that if tax authority set its power to the maximum or in other words, the authority tries to sustain compliance only with severe enforcement mechanisms - taxpayers react egoistically and comply only if forced to do. Contrary, the authority should release its power and interact with taxpayers, treating them more as a client than potential criminals; this will push taxpayers to comply voluntarily.

2.4 Related Studies on Causes for Non-Compliance to Statutory Tax Obligations

This section considers the research that was done by other researchers in different countries. Most developing countries have got similar statutory obligations compliance rates. Their monthly individual compliance rates on most statutory obligations hover around 50% as the case with Social security schemes. The case study of Kenya (African journal of business and management April 2010) established that Kenya is ranked among low income countries or low compliance countries. There is hostility between statutory obligation payers and revenue collectors on issues relating to compliance.

Employers generally do not want to comply.

2.4.1 Causes of Evasion on Statutory Obligations Contributions in Kenya

The research identified the following as causes of contribution evasion in Kenya:

- statutory obligation laws that are not easy to understand
- influence from neighbors
- no rewards to voluntary contributors
- high chances of not being detected for non-compliance and corruption

Recommendations to Reduce Evasion from the Kenyan Study

- use of fines on evaders and late payers
- aggressive inspectorate teams
- Awarding rewards to voluntary payers.
- educating contributors on how to calculate their monthly obligations

The researchers concluded that most Kenyans view their statutory obligations system as unfair since there are feelings that contributors do not pay a fair share of the obligations as others pay more or less or totally evade without being noticed. The fines charged for late payment are viewed as brutal. Some of the recommendations made in Kenya to reduce evasion are; use of fines, aggressive inspectorate teams and educating employers on how to calculate their obligations.

2.4.2 Case study of Chile and Argentina 2006

The findings were also related to the Kenyan one. Nobody wants to pay statutory obligations voluntarily and the compliance rate was found to be around 52%.

Causes of contribution evasion in Chile and Argentina

- People always avoid being exploited by statutory obligations authorities hence they try by all means to evade. There is a high number of statutory obligations.
- High contribution rates.

Recommendations

- Charge fair rates on statutory obligations.
- Government should reduce the number of statutory obligations.

2.5 Summary

In conclusion, no single theory adequately encapsulates the whole of the problem of noncompliance of statutory levies. Different theories offer great insight into specific facets. While Crowding Theory by Frey offer some insight into the importance of compliance, process and time and the reasons why some organisations comply, but not others, not. The research, therefore aims to use a combination of existing economic and psychological theories to examine the non-compliance of manpower development levies and gain a holistic viewpoint of the social problem, the individuals problems and the impact of society's structures and market forces on both of these.

CHAPTER 3 METHODOLOGY

3.1 Introduction

In this chapter the researcher presents the research design and methodology that was used for this study. Research design that is used is identified, explained and their uses are justified. Then, sampling method is identified and its study suitability is explained and after which the sampling method is presented. Data generation methods and data analysis are then identified and validity, reliability explained with regard to the causes of noncompliance to ZIMDEF statutory payments by companies in Mutare. Ethical issues, trustworthiness and limitations of the study are also presented. A chapter summary concludes the chapter.

3.2 Research Design

3.2.1 Descriptive Research Design

The research was descriptive in nature. Descriptive research is concerned with describing characteristics of the problems. The researcher used descriptive research because:

- It helped to portray an accurate profile of the level of compliance to ZIMDEF 1% training statutory levies by eligible companies partners in Manicaland.
- It allowed for in-depth analysis of variables and elements in identify the reasons why companies have not been remitting ZIMDEF levies resulting in low
- Compliance rates.
- It allowed for collection of large volumes of data in the most economical way
- It also enabled generation of factual information about the data

The researcher carried out a survey of causes of non-compliance to ZIMDEF 1% training levy payments by business. This was done by investigating the business population in Mutare by means of collecting data from a sample of that population and estimating their characteristics through the systematic use of statistical methodology.

3.3 Population

The researcher obtained a sample frame of eligible companies in Mutare from the ZIMDEF clients' database. The researcher approached the ZIMDEF office to get help with determining the population to use for the purposes of the study. According to the database, 420 companies are registered to contribute the 1% ZIMDEF levy in Mutare. Participants were thus drawn from the 420 ZIMDEF registered companies.

3.4 Sampling

3.4.1 Sample Size

The actual sample size was 42 respondents which was 10% of the population. A good maximum sample size is usually around 10% of the population, as long as this does not exceed 1000.

Table 3: Sample Sizes According to Industry Classification

INDUSTRY	TOTAL NUMBER	PERCENTAGE SAMPLE SIZE (%)	ACTUAL SAMPLE SIZE
Manufacturing and Retail industry	60	14.29	6
Mining and Energy Industry	21	5	2
Timber Forestry Estates industry	49	11.67	5
Local Authorities and State Entities	40	9.52	4
Transport industry	50	11.90	5
Other	200	47.62	20
TOTAL	420	100	42

3.4.2 Sampling Techniques

Multi stage sampling approach was used for the research. Eligible companies in Mutare were divided into smaller clusters in stages to make primary data collection more manageable. The study was conveniently limited to Mutare because the researcher is based in Mutare so it would be cheaper and time saving to focus the research on Mutare.

Stratified sampling was then used to group companies in different strata depending on the industry in which the business belonged. Strata identified were:

- a) Manufacturing and retail Industry
- b) Mining Energy Industry
- c) Timber Forestry Estates Industry
- d) Local Authorities and State Enterprises
- e) Transport Industry
- f) Other

From the above strata samples were selected by convenience sampling. The researcher selected participants according to the companies which were available in the categories. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher.

3.5 Methods of Obtaining Data

The research relied heavily on primary data in order to come up with accurate and objective findings.

3.5.1 Primary Data

Primary data is data collected for the first time in the field, that is, data that has been collected for the purpose for which it is originally used. For the purposes of this study, primary data was collected using questionnaires and interviews. Questionnaires were delivered to participants drawn from the companies. A total of 42 questionnaires were distributed. The researcher used questionnaires because they enabled the researcher to reach a large number of participants in a short space of time and cheaply. Questionnaires also allowed the researcher to collect standardized data which made it simple to compile data. Questionnaires enabled participants to fill in the questions in their own free time and it ensures anonymity of the respondents which enabled them to give honest responses without any fear.

The researcher also made use of interview. 15 minute interviews were held with each participant. Interviews were used to collect data because they enabled the researcher to obtain personal feelings, perceptions and opinions which could not be obtained through

the use of questionnaires. Interviews enabled the participants to bring to light other important issues to do with challenges they face in their business operations which may not have been captured on the questionnaires. Interviews enabled more detailed questions to be asked and its response rate is high.

3.6 Data Collection Instruments

Research instruments refer to the measurement tools designed to gather data on a topic of interest from the research subjects (Paratoo, 1997). Data collection involves gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypothesis and evaluate outcomes. Data was collected from primary and secondary sources, depending on the suitability of the source for the purpose at hand.

3.6.1 Primary Data Sources

Instruments used to collect data were as follows:

3.6.1.1 Questionnaires

The questionnaire is a well-established tool within social science research for acquiring information on participant social characteristics, present and past behaviour, standards of behaviour or attitudes and their beliefs and reasons for action with respect to the topic under investigation (Bulmer, 2004). Questionnaires were office coded and data entry and analysis was carried out using SPSS and Microsoft Word. Categories were developed for various open answer questions to enable analysis in SPSS. Due to the small sample size the analysis of the verbatim record was sufficient in Microsoft Word. A simple questionnaire, involving a small sample size purposively selected from the population

was used in this pilot investigation. This simple questionnaire was used for two main reasons: (1) to provide a working example of the basic techniques employed for developing and implementing a questionnaire and (2) to create a benchmark for future studies on knowledge and perception. While a simple questionnaire was used in this investigation due to the above mentioned reasons, more comprehensive instruments have been designed based on various theoretical frameworks developed in relation to non-compliance research.

The questionnaire was clearly designed and had a simple layout. It has been thoroughly piloted and tested. Participants were notified about the study in advance with a personalised invitation. The aim of study and means of completing the questionnaire were clearly explained. The researcher was available to answer questions and collect the completed questionnaire. There was no postal questionnaire, and no need for a stamped addressed envelope. The participant felt they were stakeholder in the study. Questions were phrased in a way that holds the participant's attention. Questionnaire had clear focus and purpose and was kept concise. The questionnaire was appealing to look at, as was the researcher. The questionnaire comprised of structured/ closed questions meant to save the respondents' time. Structured questions were also necessary to make data analysis process quicker and easier. The questionnaire was hand delivered to respondents. The element of anonymity associated with the questionnaires enhanced the chances of getting honest responses.

3.6.1.2 Interview Guide

An interview guide was prepared to ensure that interviews held were quick and to the point. Open questions were used to ensure the respondents gave as much information as

they could. The researcher seek permission from the gatekeeper (Human resources/Administrators) of companies to have time to talk to respondents. In this research the human resources were the respondents since there are the ones who deal with employee welfare, (remuneration, training, and development among other things).

3.7 Data Collection Procedure

In this study the researcher sought authority to conduct research from Africa University Research Ethics Committee and it was granted as indicated on Appendix. Permission was also sought from the ZIMDEF top Management to conduct research as indicated on Appendix III. Data collection in this study followed the principle of triangulation which was obeyed. Questionnaires were also administered to the sampled population. This was done when the researcher had explained all issues of concern so that participants would feel free to express their views. In particular, the researcher also used the following data collection methods: interviews through open ended questions which were carried out among multiple people on the research sample population. The researcher specifically adopted one on one interviews, conducted focus group discussions with the various segments of the target population. Telephone interviews were also utilised to follow up on respondents who had travelled or were in a different location. They were also used to clarify information during follow up.

3.8 Analysis and Organisation of Data

Quantitative analysis techniques were used to analyse data and these included tables, bar graphs and pie charts. Tables were used to present large quantities of data arranged in labelled rows and columns. Tables were used because they are easy to refer and data

presented can be easily interpreted. Pie charts were used for presenting data that needed to be compared. They were used because they are easy to understand and quick to interpret. The researcher also used bar graphs because they facilitate comparisons by virtue of their clear visual impact. They are also easy to use when presenting quantitative data. Statistical Package for Social Science (SPSS) software was used for data analysis.

3.9 Reliability of the Findings

A good maximum sample size is usually around 10% of the population, as long as this does not exceed 1000. It is always important that a researcher has the ability to understand the answers what he gets from the respondents. According to Kvale (1996) trying to understand and interpret the subjects' responses to questions is the main task of researchers. Sometimes it was necessary to explain the questions to the participant interviewees and also stop them and ask questions to understand their answers. The researcher was fully aware about any kind of unnecessary interpretation can have the effect on the reliability of the study's analysis and result and for interviews all the conversations have been recorded.

3.10 Ethical Consideration

Given the importance of ethics in conducting research and the challenges around conducting research, universities go to great lengths to protect the dignity and safety of research participants (Silverman, 2009). Africa University has over the past years introduced a Research Ethics Committee whose aim is to ensure that ethical requirements are adhered to when research is conducted. Furthermore, the current research was initiated and registered with the (AUREC) Research Ethics Committee which is already

in existence. Therefore, this research was approved by an ethics committee. The researcher followed a formal ethical procedure by gaining written consent from participants, as it was required the researcher also ensured that research ethics were adhered to during the research process.

Several ethical considerations were taken into account to ensure that the study was conducted in an appropriate manner. To comply with ethical considerations in conducting research all participants provided verbal consent to be interviewed and to participate in the research. The participants therefore willingly participated in the study after they were approached by the researcher and the research purpose and process were explained to them. While it is common practice to request written consent, Silverman (2009) states that highly formalised ways of securing consent should be avoided in favour of fostering relationships in which on-going ethical regard for participants is sustained. In this study verbal consent was deemed appropriate. In support of this form of consent Fritz (2008) has argued that the strength of qualitative research often lies in the informality of the communication as well as the interactive nature of the research process. The consent form that was used as a guideline for the research/consent process is attached as Appendices. The purpose of the research was explained to the participants and the participants were told that should they wish to withdraw at any point during the interview they could do so. Permission to record the interview was also obtained from the participants and none of the participants had difficulties with the tape recording of the interviews. It was further explained to the participants that their information would remain confidential. The supervisor and the participants were unknown to each other. In

the final report the identity of the participants was removed and pseudonyms (a name that a person or group assumes for a particular purpose) were used for the participants.

As a result of the personal nature of the content of the research interview, the researcher found it appropriate to emphasize the confidentiality of the information and to establish trust with the participants in the early phase of the interviews. While sharing the purpose of the study with the participants the researcher also shared her background and some of her personal stories. This helped to build trust and in turn encouraged the participants to share their stories.

At the end of the interviews, both the participants and the researcher debriefed by talking about the interview process itself and the impact of the interview. The aim of the debriefing was to ensure that the participants were not left emotionally harmed or traumatised from the interview. The observable benefits of the study were immediate as the participants stated that they had enjoyed the conversations. The participants all appeared to engage freely in the conversations and this indicates that that the interview process allowed the participants to share their stories in a safe environment and without being judged.

3.11 Summary

This chapter outlined how the research was conducted, illustrating the process used to select the participants, the method used to collect data as well as the approach that was used in analysing the texts. The aim of this study was to analyse the causes of noncompliance to ZIMDEF statutory payments by companies in Mutare. The next chapter details the analysis process and describes the findings of the research. The goal

of Chapter IV is to provide the study results and demonstrate what the methodology described in Chapter III was followed.

CHAPTER 4 DATA PRESENTATION, INTERPRETATION & ANALYSIS

4.1 Introduction

This chapter covered the presentation of the study findings, analysis and interpretation in accordance with the data gathered from the questionnaire survey and the interviews. The main aim was to analyse the causes of non-compliance to ZIMDEF statutory payments by companies in Mutare as established in the problem setting of this study. Data analysis was done in using SPSS which helped to produce tables, pie charts and bar graphs thus improving the presentation of the research findings. The chapter summary was also provided at the end of the section.

4.2 Questionnaire Response

In this study, data collection involved the use one questionnaire, for various companies. The survey registered a positive response rate. This helped the researcher in obtaining more accurate and reliable responses which were sufficiently representative of the total population. The response rate was as illustrated in table 4:1:

Table 4: Questionnaires Response Rate

Participants from Industries	Questionnaire Sent	Questionnaire Returned	%
Manufacturing & Retailing	6	6	100
Mining & Energy	2	2	100
Timber Forestry Estates	5	5	100
Local Authorities & States Entities	4	4	100
Transport	5	5	100
Others	13	12	92
TOTAL	35	34	97

Source: Primary Data

Table 4.1 shows that 34 (97%) of all the questionnaires that were sent out to targeted respondents were returned. However, only 1 companies did not fully complete their questionnaires and as a result the researcher declared the 1 questionnaires as nonresponses as the missing information was important. The study therefore registered a questionnaire response rate of 97% which was partly attributed to the follow-up made on the respondents.

4.2.1 Interview Response

From the total sample of 42, interviews were done on 7 participants for an in-depth understanding of the study.

4.3 Demographics of the Respondents

4.3.1 Gender of Respondents

The study had a total 43% female respondent (18 females) whilst 57% were male respondents (24 males). This consequently denotes that the mainstreams of respondents were males and the researcher was trying to be gender sensitive. Nonetheless as a consequence of the sampling procedure that was used, the researcher accomplished to attain a just ratio of the female and male who were not on leave which made the findings easy to simplify for both male and female respondents.

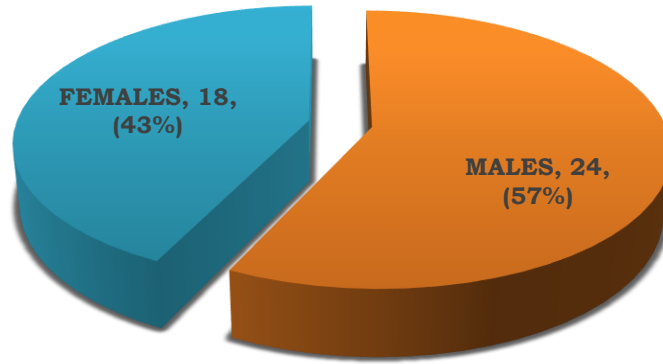


Figure 4: Gender of Respondents

More so, it is highly noted that the causes of non-compliance to ZIMDEF statutory payments by companies in Mutare is an economic phenomenon in Zimbabwe and have nothing to do with gender.

4.3.2 Marital Status of Respondents

The respondents consisted of 59.52 % married (25 individuals), 7.14 % divorced (3 individuals), 21.42% single (9 individuals) and 11.90 % widowed (5 individuals).

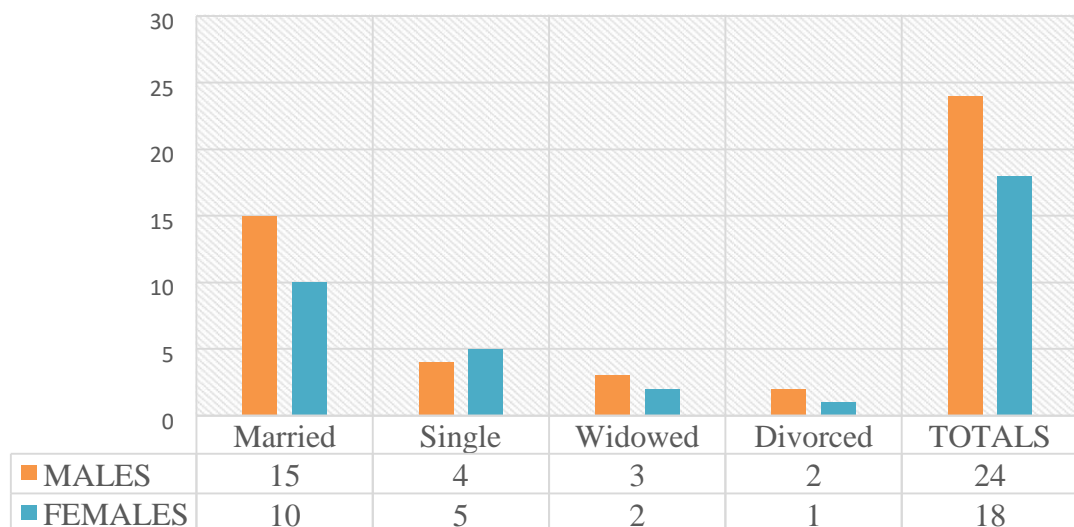


Figure 5: Marital Status of Respondent

This implies that the bulk of the people who are employed by the companies are married constituting 59,52% followed by singles.

4.3.3 Highest Level of Education of Respondents

The majority of the participants are educated and would not find it difficult to read and go through the questionnaire and give meaningful responses.

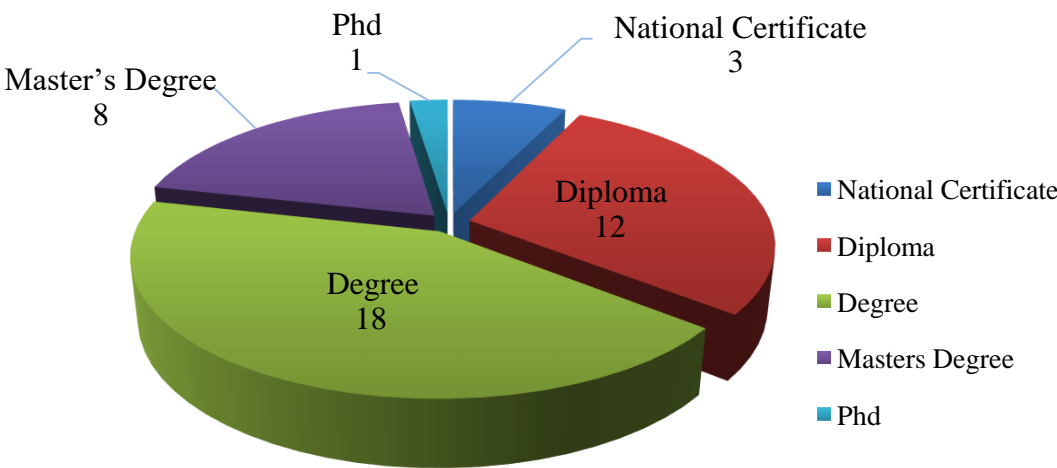


Figure 6: Highest Level of Education of Respondents

The above figure 4.3 shows that 42.9% of the participants have been educated up to Degree Level, 28.6 up to Diploma Level,

4.3.4 Length of Employment in Service

Most participants had been employed for less than 10 years, which may also influence the change in the culture as compared to prior periods.

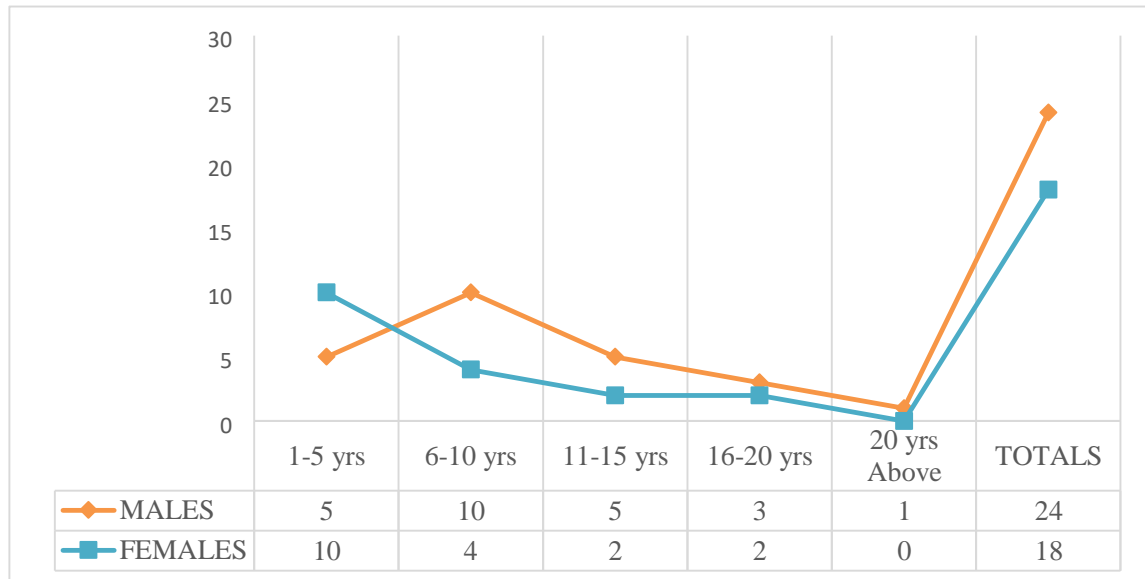


Figure 7: Length of Employment in Service

Very few had been employed for 20 years and above as reflected by 2% of the participants. This may show a new culture of adherence to statutes and regulatory compliance by the new generation of employees managing companies.

4.4 Compliance to ZIMDEF Training Statutory Levies by Mutare Companies

This question was aimed at establishing whether the 1% training statutory levies was being paid by private companies in Mutare. ZIMDEF's 1% training statutory levies is supposed to be paid on a monthly basis by the 15th day of the subsequent month. This section was meant to establish the contributor's compliance behaviour where a set of 5 questions were asked the respondents to that effect. Concerning the factors that caused

non-compliance by employers with regard to payment of % training statutory levies, the researcher asked the study respondents to rate identified causes on a Likert scale. The results are as shown in Table 4.2

Table 5: Mutare Companies Causes of Non-Compliance to ZIMDEF 1% Levies

Causes of Noncompliance	Manufacture/ Retail	Mining & Energy	Timber & Forestry	Local Authority	Transport	Other Industries
Economic Conditions	25%	50%	12%	5%	3%	30%
Lack of Government Support	50%	5%	40%	80%	9%	45%
Low benefits from the fund	5%	5%	10%	2%	33%	10%
Low penalties for evasion	10%	10%	14%	5%	10%	10%
Low trust with ZIMDEF	10%	30%	24%	8%	45%	5%
TOTAL PERCENTAGE	100%	100%	100%	100%	100%	100%

4.4.1 Economic Conditions

The results show that 2 of the respondents, (25%) from manufacturing and retailing industry highlighted the economic conditions as the major cause of their non-compliance to ZIMDEF 1% Training levies. This shows that Zimbabwe has been hardly affected by the liquidity crisis such that many companies are failing to pay 1% training statutory levies. 3 respondents from manufacturing and retailing industry indicated the lack of government support to industry as the major cause of non-compliance. One respondent from manufacturing and retailing industry said companies have low trust with ZIMDEF coupled with low penalties for evasion. 3 respondents from Local authority thus (80%)

highlighted lack of government support as the major cause on non-remittance of training levies. 2 respondents from the transport industry were of the opinion that companies have low trust with ZIMDEF Fund. All the respondents from the mining and energy industry thus 2 respondents pointed out that economic conditions is the main issue which causes mining companies to struggle to remit the 1% training levies to ZIMDEF.

4.4.2 Low Benefits offered by the Schemes

2 respondents from the transport industry (33%) pointed out that their companies have little to no benefits they are seeing from ZIMDEF Fund. The respondents argued that low benefits are being paid than what they are paying as contributions; they are demotivated from paying thus leading to non-compliance. The researcher noted that companies together with their employees do a cost benefit analyses by comparing what they are supposed to pay on a monthly basis and what current ZIMDEF beneficiaries are getting. On the other hand respondents from the Local Authority sees a lot of benefits from the Fund.

4.4.3 Low Penalties for Evasion

One respondent (14%) from Timber Forestry Estates industry said low penalties for evasion is the major cause of non-compliance to the 1% training levies to ZIMDEF. The respondent from the Timber Forestry Estates industry argued that deter contributors from defaulting and charging them high penalties will deter them from defaulting as they will be afraid of the high financial burden that will be imposed by high penalties whenever they default. The other 3 respondents from companies in Mutare seeing low penalty for evasion as a secondary factor to the non-compliance of the training levies. Among these

companies is the local authority whose respondents total disagree with the aspect of low penalties for evasion as a factor which triggers non-compliance to the 1% training levies to ZIMDEF. It is from this that the researcher realised that charging low penalties does not automatically lead to non-compliance. Increasing penalties may instead of deterring contributors from defaulting actually cause contributors to default more as their financial burden is increased.

4.5 Companies and Quality of the Services and Procedures by ZIMDEF

From the interviews conducted 6 respondents (80%) argued that there were massive misappropriated of funds from the Zimbabwe Manpower Development Fund (ZIMDEF). One respondent from one of the companies said the publicly made allegations of fraud, corruption or misappropriation by senior government leaders are not new and have over time become a common feature in the factions' soap opera-like contestations for power. He further pointed out that almost every private companies in Mutare is not satisfied with the services of ZIMDEF due to the countrywide allegations of fraud and misappropriate of funds.

In an interview with one male respondents, he said that, 'even though it is common act to steal public funds if you are a senior government official and still get away with it (at least if you are still in the correct basket), it remains a crime to criminally use or misuse public funds'. He further added, 'that top officials should be investigated and if reasonable grounds subsist, arrested and tried just like any other criminal, including those senior in government who continue on that path today'. Seven respondents (20%) of the questionnaire respondents pointed out that if ZIMDEF is to gain trust from levy payers, its funds should be used according to the dictates of the Public Finance Management Act.

4.5.1 Impact on - Financial Performance

From the interview one respondents (14%) said that contributions from companies are the major source of income in the financial performance of the organisation. The respondents added that the financial performance of the organisation should be measured with respect to its ability to meet its pay-outs to beneficiaries. In this understanding, the study respondents were asked to indicate their level of agreement or disagreement with the statement that non- compliance with payment of contributions negatively affected the financial performance of ZIMDEF. The results were as indicated in Pie Chart below 4.3.

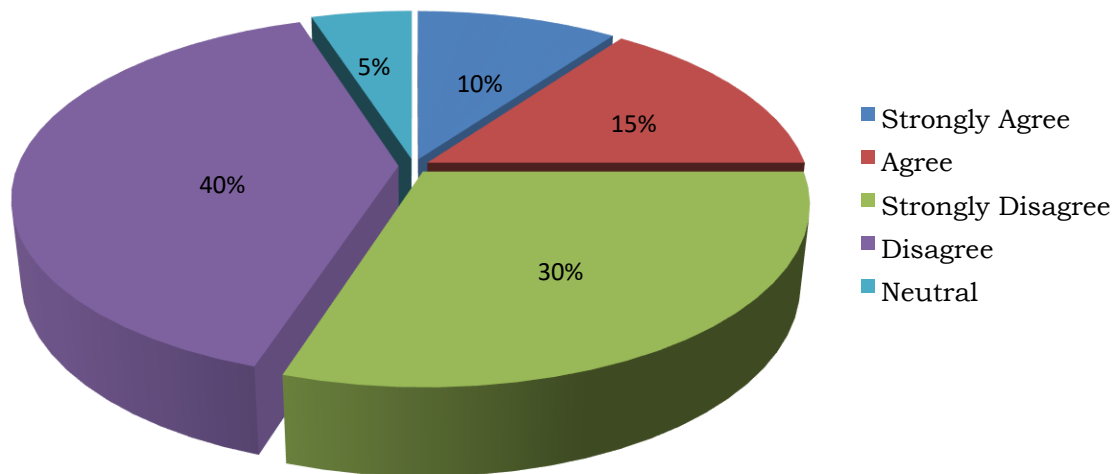


Figure 8: Views on Non-compliance and Financial Performance of ZIMDEF

Thirty one (31) respondents (75%) disagree that non-compliance of 1% training levies by companies impacts on ZIMDEF's financial performance. These respondents' cited mismanagement, corruption and mismatch of policy and actions as the major factors which impact on the financial performance of ZIMDEF operations. The results showed that a total of 10 respondents (25%) either strongly agreed or agreed and this means that

they see a positive relationship between non-compliance and financial performance. Only one respondent was neutral about the allegations of financial performance of ZIMDEF and non-compliance. The researcher noted that the non-payment of contributions by companies seriously affected its liquidity and solvency hence impairing the financial capacity of ZIMDEF to meet obligations to trainees across the country.

4.5.2 Workforce Size and Non-Compliance to ZIMDEF 1% Statutory Levy

Among other objectives, this study sought to establish whether the size of employer's workforce influenced the compliance behaviour. The respondents were asked to indicate their response to the statement that the companies' workforce size have an effect on noncompliance with ZIMDEF's 1% training statutory levies (particularly that the larger the workforce size, the higher the likely hood of non-compliance).

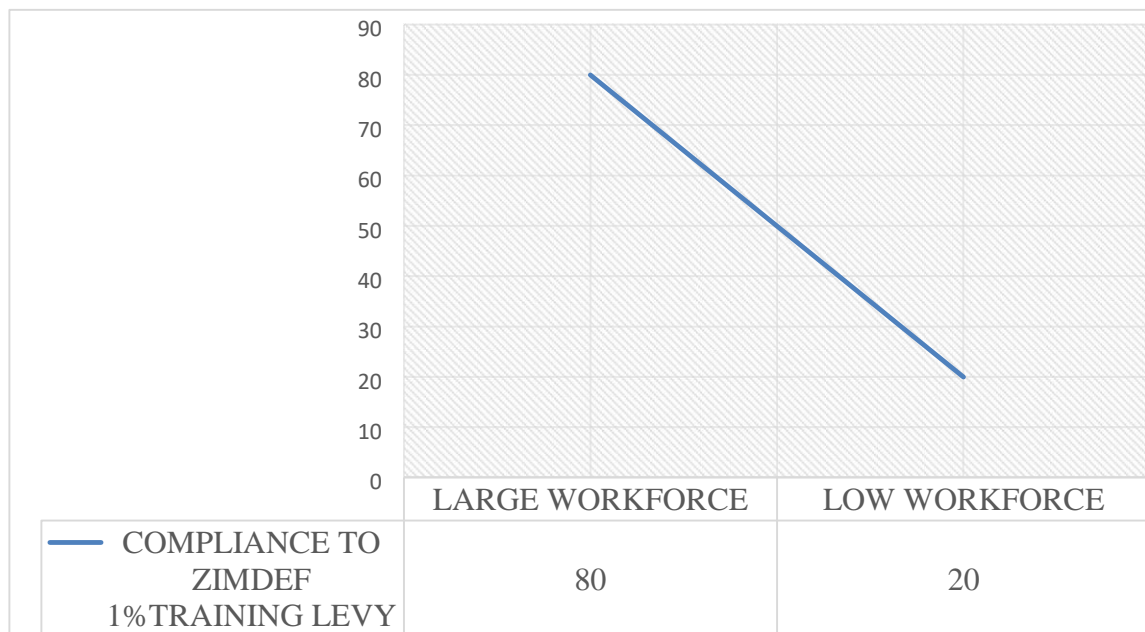


Figure 9: Effect of Workforce Size on Non-Compliance

Source: Primary Data

The results showed 80% of the respondents agreed that large workforce companies have no problems of remitting 1% training levies, while 20% of the respondents noted workforce size has no direct impact on noncompliance. The (80%) respondents who agreed that workforce size has got an effect on noncompliance were of the view that employers with a large workforce are likely to default due to a large financial burden than those with a smaller workforce. These (20%) of respondents who disagreed that workforce size has no effect on non-compliance were of the view that contributors may fail to comply irrespective of the size of their labour force.

Analysis

The researcher noted that, the outcome shows that the workforce size on its own did not have a direct impact on non-compliance as employers in both categories of either having a large workforce and those with a smaller workforce size are bound to default in terms of payment of ZIMDEF 1% statutory levies contributions depending on how they are subjected to the other important causes of non-compliance such as financial constraints and liquidity crisis. The major reasons which the researcher noted is that many private companies in Mutare are small to medium enterprises with minimum to low labour regulations abundance. With regard to workforce size these small to medium sized enterprise had an average of 50-100 employees, with no clearly spelled out legal labour and other statutory regulations that has to do with employers and employees welfares. Lastly the researcher observed that these small and medium enterprises due to the economic environment, 50% of their operations are done informal (outside the legal framework).

4.5.3 Reasons for Defaulting ZIMDEF 1% Statutory Payments

In this understanding, the researcher asked respondents the major reasons why companies not remitting their monies to ZIMDEF. The below graph shows respondents' views with regards to reasons why companies fails to remit 1% training statutory levies to ZIMDEF.

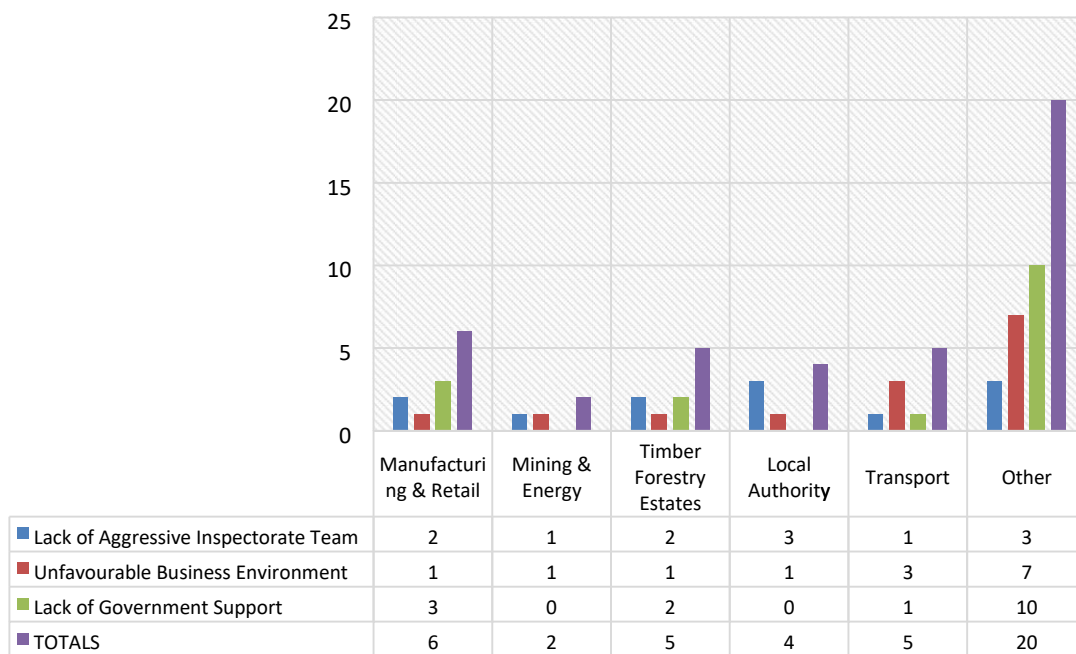


Figure 10: Challenges why Companies Not Paying ZIMDEF 1% Statutory Levies

(a) Lack of Large Aggressive Inspectorate Team

The responses who strongly agreed that there is a lack of large aggressive inspectorate team to measure against non-compliance were from local authority and other industry, with both of them having 3 respondents testifying that the non-compliance of 1% training levies is due to the lack of strong inspectorate team from ZIMDEF. Respondents from both Manufacturing, Retailing and Timber Forestry Industries were also in support of this allegations. One respondent from the transport industry also support the allegation but to

a lesser extent. Interviews with one management employee from a company within the category of Other industry said the, *‘companies view is that ZIMDEF need a push for them to comply hence employing more inspectors who will make an impact on increasing compliance rate as more contributors will be pushed to comply’*. This was the same recommendation that was put across by 90% respondents from ZIMDEF, who said that companies are not willing to pay 1% training statutory levies unless there is intensive compliance auditing.

(b) Unfavourable Business Environment

Four respondents, each from manufacturing and retail industry, Mining and Energy Industry, Timber Forestry Estates and lastly Local Authorities industries were all saying the current business environment is not conducive to most of the companies in Mutare and Zimbabwe at large. Three respondents the transport industrial companies argued that economic situation in the country significantly influences the business conditions. In an interview with one respondent from this sector further explained that government policies determine the framework in which a business operates.

Seven respondents from companies within the other industry sector strongly pointed out that business conditions are determined by a number of variables such as politics, regulations, economics, and the natural environment. Amongst the seven respondents, two other further argued that the success or failure of a company can depend to a large extent on a combination of these factors like government policies, laws, and regulations or municipal levels can directly affect a business. Property taxes, income taxes, payroll taxes (social security, insurance, health insurance), and various licensing fees, all add to

the cost of doing business. In an interview with one female respondent, she also concur with the above argument that economic and market factors such as demography, suitable workforce, wage rates, availability of capital and raw materials, transportation, communication facilities, energy sources, and the presence or absence of competitors influence the success of a business.

(c) Lack of Government Support

50% of the respondents (10 individuals) from the other industry category argued that there is no government support to industry which will enhance production so that companies will be able to comply with ZIMDEF 1% training levies. Also 3 respondents (50%) from Manufacturing and Retail Industry have the same view that there is no government support to the manufacturing and retailing industry which in turn makes it hard for companies to operate profitably. Two respondents from Timber Forestry Estates also have the same view that government is doing nothing to help Timber Industry to be viable. However, no respondent from the local authority pointed out the element of lack of government support.

4.5.4 Strategies to Increase the Compliance to Manpower Development Levies

More than 57% (24) of respondents highlighted that there are a number of options that could be pursued in an attempt to increase the compliance levels. In this understanding, the researcher asked respondents to rate pre-established options on a Likert scale the findings are presented in.

Table 6: Measures to Increase the Compliance to Manpower Development Levies

MEASURES TO REDUCES NON-COMPLIANCE	RATINGS				
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Simplifying payment and compliance procedures and laws	15%	20%	5%	40%	20%
Reducing contribution rates	25%	30%	10%	15%	20%
Increase penalties for non-compliance	30%	35%	2%	23%	10%
Increased benefits paid	20%	10%	35%	10%	25%
Employ aggressive inspectorate team	10%	5%	48%	12%	25%

(a)Simplifying the Compliance Procedures and Laws

In response to simplifying the compliance procedures and laws being a measure to curb non-compliance by contributors 15% of the respondents strongly agreed while 20% agreed. The researcher noted that employers will choose to default with payment whenever they view the compliance procedures to be complex. The respondents who were uncertain concerning implementation of simplifying compliance procedures as a measure to deal with non-compliance were just 5%. These respondents highlighted that they do not see any relationship between compliance procedures and non-compliance hence they could not support or oppose the fact that complexity of compliance procedures may lead to non-compliance of the 1% training statutory levies of ZIMDEF.

Those who strongly disagreed were 20% and those who disagreed were 40%. These respondents opposed the view that simplifying the compliance procedures and laws cannot be instituted as a measure to deal with non-compliance. One of the respondent who disputed this was from Manufacturing and Retailing Industrial Companies who said, *'whether complicated or simplified, statutory is statutory (law is law) no one should comprise on it, thereby the organisations should comply with this 1% training statutory levies despite its difficulties in calculations or what'*.

(b) Employing a Large Aggressive Inspectorate Team

One of the seven respondents interviewed argued that it's a good idea that ZIMDEF should employ aggressive inspectorate team who will monitor the remittance of the 1% training statutory levies across the country. The responses who strongly agreed that this can be used as a good measure against non-compliance were 10% and those who agreed were also 5%. The researcher noted that companies need a push for them to comply hence employing more inspectors will make an impact on increasing compliance rate. 50% of companies within Other industry sector give the same recommendation that due to harsh economic conditions, companies are not willing to pay the 1% training statutory levy unless there is intensive compliance auditing.

Respondents who disagreed were 12% and those who strongly disagreed were 25%. The researcher noted that they did not rate employing a large and aggressive inspectorate team as a good measure to curb non-compliance. Three respondents from Timber Forestry industrial companies pointed out that employers may fail to comply even after being visited by ZIMDEF inspectors. One of these three respondents added that, *'the main*

reason for not complying despite the inspector is the viability of the companies. Also many companies are operating at par with little to no profit they get’.

(c) Increasing the Penalties for Non-Payment

From the interviews 6 respondents (80%) of the respondents agreed that penalties of failing to remit the 1% training statutory levies should increase and become effective. Overall 30% of all respondents strongly agreed while 70% agreed that penalties for nonpayment of ZIMDEF should not be introduced. This view was the same as said by one respondent from transport company who said, *‘whenever low penalties are charged, they will not bring about a large financial burden and increasing the penalties result in a potential large financial burden that can frighten contributors and make them to pay’.* The respondents view increasing penalties as a good measure to reduce non-compliance with ZIMDEF payments as they felt that the increase in penalties will further place companies in a worse financial position thereby increase the number of contributors who are unable to pay.

(d) Reducing the Levy Rate

The respondents who strongly agreed that reducing contribution rates is a good measure to curb non-compliance were 25% while those who agreed were 30%. Responses from questionnaires show that companies perceived any increases in levy rate as putting companies in financial distress as costs are increased without corresponding increases in revenue. From an interview with one respondent from Mining and Energy Company, highlighted that a reduction in statutory training levies will motivate companies to pay as they are given a breathing space due to reduced costs. However, 10% respondents were uncertain that reducing levy rate would promote remittance. The respondents who

disagreed were 15% and those who strongly disagreed were 20%. These respondents said that even if contribution rates are reduced, contributors will not be lured by the reduction to pay but instead may continue with their own compliance culture.

(e) Increasing the Amount of Benefits paid by ZIMDEF

Respondents from other industry category company said in order for companies to comply with ZIMDEF 1% training levies they should increase the amount paid on rebates. One respondents from hospitality company said, *‘ZIMDEF pays rebates to employers who participate in human capital development programmes such as indenturing apprentices, release their skilled or semi-skilled workers for upgrade training courses, provide trade testing facilities and release their employees for part-time lecturing at the Ministry of Higher and Tertiary Education, Science and Technology Development’s training institutions, but all these are not being done in a proper channel.’*

Also respondents from Mining and Energy companies also argued that student’ attachment allowances should increase. One student on attachment in one of the companies in Mutare said,

‘Students from institutions of higher learning should be paid a monthly allowance to help cushion them when they are away from their training institutions during their work related learning (attachment) stints. Due to lack of funds these allowances are currently being availed to students from Polytechnics only’

All the respondents from other industry category (company) said ZIMDEF have to increase the amount of benefits paid to beneficiaries so that companies will be willing to pay. This was further explained by one male respondent who said, *‘companies can pay*

any amount of money gazetted by the statute provided that the fund will stick to its intended mission.’ 16 of the respondents (80%) from various companies pinpointed that it’s (us) employees who agreed with our employers not to pay 1% training statutory levies. One female respondent from one of the big companies in Mutare said, ZIMDEF is full of allegations of corruption, abuse of power and of outright looting by their trustee (top officials).

Analysis

Since ZIMDEF contributions are employer contributions only based on cost to the employer of the employment of staff. The payment is based on 1% of the total wage bill inclusive of allowances, bonuses, benefits, employer ZIMDEF, Medical Aid, NEC and Pension contributions, (Manpower Planning and Development Act Chapter 28:02). Companies view ZIMDEF as any other product where consumers will consider the perceived satisfaction that they place on such a product before deciding to purchase it. Companies are motivated to pay ZIMDEF contributions if the perceived value (benefits paid) increase and also if there is transparency in the management of the Fund.

The researcher noted that the new regulatory framework is changing employers’ attitudes and behaviour regarding training and skills development. The large number of employers submitting 1% training levies to ZIMDEF clearly indicates lower employer participating rate in skills development. The targets themselves are having a direct effect, but there is also an indirect effect on management processes and delivery on 1% training levies targets. To meet the required targets, employers should be encouraged to engage with outside bodies, such as employers’ professional bodies and unions in their localities for a collective effort. Capacity building with regards to financial planning and management

has been one strong need that has emerged. Coupled with time management, the ZIMDEF needs to also focus more on project management skills training as the targets are time bound.

Overall results displayed shows that the best recommended ways to reduce noncompliance were to increase the amounts of benefits to be paid by 40%. The second recommended option was reducing contribution rates by 50%. Thirdly, the respondents also felt that ZIMDEF could employ an aggressive inspectorate team as backed by 58% of the respondents. On the other hand, the researcher noted that increasing the rate of charging penalties and simplifying the payment calculations and procedures were not considered as best options from the respondent's view.

4.6 Summary

This chapter focused on presenting the data gathered from interviews and questionnaires, distributed to the respondents and interviews. The next chapter is going to provide the conclusions and recommendations as informed by the findings established in this chapter

CHAPTER 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarised the major study findings on the causes of non-compliance to ZIMDEF statutory payments by companies in Zimbabwe from 2013–2016 in order to draw conclusions and recommendations for the study. The chapter also provided suggestions that could be incorporated in the future in studies related to the subject matter.

5.2 Summary

The study set out to find the major causes of non-compliance with statutory obligations by employers on the financial performance of ZIMDEF. The researcher started by introducing the topic with the research problem and objectives that relate to the topic. Related literature was then reviewed where journals and texts were used to explore the research topic. This research provides the related literature on the causes of noncompliance with statutory obligations and the financial impact of ZIMDEF. The research methodology adopted in this research was the qualitative research method as the topic under study had two variables whose relationship was to be analysed using statistics gathered from a sample that is chosen from a large population. This led to the adoption of the descriptive research design whose aim was to describe a situation using gathered statistical data. The researcher used both primary and secondary data in carrying out the research. Secondary data complimented primary data so as to save on time and costs of carrying the research. The researcher used questionnaires, structured interviews as the research instruments. Sample of 42 respondents from Mutare companies were used. Among them were 6 from Manufacturing and Retailing Industry companies, 2 from Mining and Energy Industry companies, 5 from Timber Forestry Estates companies, 4

from Local Authorities, 5 from Transport Industry and 20 from other industries like hospitality, security, and construction among others.

The findings were presented in the form of tables, diagrams and charts in chapter 4 in analysing the data that was collected from the research so as to portray a true picture of the trends in the variables involved. Lastly, a summary of the research and findings was given with the suitable recommendations that ZIMDEF need to put in place to reduce noncompliance as it was found to be affecting its financial performance. Despite the challenges that were encountered during the research, some interesting findings and observations were made and the following conclusions came out:

5.3 Discussion

The study examined causes of non-compliance to ZIMDEF statutory payments by companies in Zimbabwe from the period of 2013–2016 and revealed the following major findings after the analysis of the primary and secondary data. The study found out that the major reasons for non-compliance with payment of ZIMDEF 1% training levies by employers were economic conditions, lack of government support to companies, low penalties for evasion, low trust with ZIMDEF Fund and low benefits being observed by companies. More specifically, the study found out that the liquidity and solvency of ZIMDEF would be adversely affected by non-compliance. The study found out that increased use of compliance inspectors had a positive impact on compliance levels of employers. The study found that there is no any definite relationship between workforce size and compliance if all measures of compliance are being put in place.

The researcher found that companies are shifting from the formal sector to the informal sector which does not pay any training levy. Also there is need for ZIMDEF to argue its 1% training levy for it to be able to meet the demands of the economy. Zimbabwe Manpower Development Fund is not paying industrial attachment for university students. There is some evidence that the legislation is impacting differentially on different types of companies. In the private sector, large companies meet the set training targets and challenges while small companies fail to meet these. The large companies seem to be able to also attempt to meet the employment equity targets while small companies are struggling. There is a funding gap in the human capital development matrix in Zimbabwe. ZIMDEF has adequate personnel; however, the personnel in place are in irrelevant departments that they fail to encourage the remittance of 1% training levies.

5.4 Conclusions

Payment of training levies to ZIMDEF can be regarded as a catalyst for skills development of an economy. It is also clear that the funding formula through the skills development levies have made an important contribution in facilitating Zimbabwean Industry success in skills development. The skills development levy has provided a creative way of funding the development of the areas of learning within the workplace. Various projects have been developed and implemented through the skills levy. Although the high training rate of large firms could be seen as of great benefit to the large numbers of employees trained, the high collective amount of grants that they claim (large and medium firms) poses a threat to the Small, Medium and Micro Enterprises (SMMEs) that are in need of skills and employment creation. Exacerbating the above mentioned challenge is the exemption of public service commission from paying skills levies. This

has resulted in a loss of revenue from a wide employer as well as other exempted industries. The reduction meant that levy funds available to support skills development and companies have been dramatically depleted. The end result is Corporates who need the skills most and are very important in creating employment have become the biggest losers from the skills development initiatives unless an alternative source of funding is found.

The study revealed a serious need for capacity building in the leadership of ZIMDEF. That will rapidly address a number of areas identified in its lack of effective service delivery. The under spending of funds and failure to meet targets are indication of a number of inter-related contributing factors that inhibit effective implementation and performance of the ZIMDEF. Due to the complex and comprehensive nature of the ZIMDEF targets, one cannot prescribe a single approach to achieve them but rather the adoption of several approaches to deal with the problems. Finally, the success of the ZIMDEF 1% training levy is dependent on the sound administrative capacity and high quality of leadership in the organisation. Effective leadership must have adequate administrative skills to implement the 1% training levy successfully. The support and guidance of the 1% training levies by the Ministry of Higher and Tertiary education science and technology development in implementing and meeting the manpower skill development targets is also critical.

5.5 Recommendations

The following recommendations were made:

Increase the benefits that are paid by ZIMDEF

Efforts should be put in place to review ZIMDEF benefits regularly so that they move in line with changes in the cost of business. This will motivate contributors to pay.

Reducing Contribution Rates

This has an impact of reducing the employers cost and can motivate them to pay though the benefits may not come as expected. This should be coupled with employing an aggressive inspectorate

Employing Strategies That Reduce Non-Compliance

The research proved that non-compliance was seriously affecting the financial performance of ZIMDEF hence the organisation needs to employ various strategies to curb non-compliance so as to safeguard the financial performance of ZIMDEF.

Compliance Policies Should Be Applied To Employers Equally

Findings show that the workforce size does not have any direct influence on noncompliance hence compliance policies should be treated equally to all contributors irrespective of their workforce size.

Increase Number of ZIMDEF Compliance Inspector

The study established that compliance levels rise if visits to the employers are increased and that bigger organisations are normally reluctant to submit contributions despite having deducted them from their payrolls. Accordingly, the study recommended that the number of well-trained and motivated compliance inspectors be increased in order to increase the level of compliance by employers. This recommendation recognised that

most companies faced financial and liquidity challenges that forced selective treatment and payment of creditors. Aggressive collection of contributions would increase the capacity of ZIMDEF to meet its financial obligations as they fell due.

Liaising with the Line Minister on New Regulations

ZIMDEF executive management should liaise with the Line Minister so as to sell their ideas pertaining to the impact of regulations on the financial performance of ZIMDEF. They should actively participate in the making of new regulations on social security administration.

Be Accommodative on Collecting Contributions

To improve its financial performance, the study recommended that ZIMDEF proactively approach non-performing companies with accommodative payment plans in view of the difficult economic environment characterised by tight liquidity constraints. In the same reasoning, priority could be given to distressed companies on tenders for major jobs and contracts with the view that outstanding contributions are deducted upfront when payment is effected for the services rendered.

Increase Educational Campaigns

The study noted that there was widespread outcry when ZIMDEF contributions were used to fund STEM students as it did not have a direct and immediate impact and benefits to industry. Moreover, the employers generally doubted the value derived from the training levy scheme' investment activities. The study therefore recommended that educational campaigns and outreach programmes be established to educate the public and companies about the benefits that are offered by the ZIMDEF training scheme, its strategic national

importance and why benefits paid out to the stakeholders. It was hoped that such education would increase the compliance levels of companies as they would most likely see ZIMDEF in the positive light a good public relations policy.

5.6 Suggestions for Future Research

Future studies could improve on the following issues. Firstly, this study was conducted at a time when Zimbabwe had adopted multi-currency. This resulted in a fairly stable but difficult extraordinary macro-economic backdrop that could have artificially affected the ability of employers to remit contributions to ZIMDEF. In the future, it would be necessary to re-examine some of the assumptions made by this research as they could potentially not apply. Secondly, the study only narrowed its geographic to Mutare in order to contain the research budget. This meant that on companies in ZIMDEF Mutare database were considered. Future studies could encompass other cities in Zimbabwe.

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Appendices

APPENDIX I: Questionnaire to Companies

My name is Cuthbert Chirahwi a student at Africa University studying Master's Degree in Public Policy and Governance. As a pre request before the completion of my studies I'm tasked by the University to conduct a research. Hence I'm conducting a research on the causes of non-compliance to ZIMDEF statutory payments by companies in Mutare. This questionnaire aims to yield your views which will be used for the success of the mentioned research. Your views and contributions will be kept secret and confidential, thus the information will only be used for academic reasons. Your cooperation will be greatly appreciated

INSTRUCTIONS

[1]. Do not write your name on the questionnaire

[2]. Tick the respective answer box to show your answer

Section A: Personal Information. NB: Tick suitable box

[1] SEX

Male ☐ Female ☐

[2] QUALIFICATION

Certificate ☐ Diploma ☐ Degree ☐ Masters ☐

Ph.D ☐ Other ☐ Specify

[3] AGE

18-24 Years		25-30 Years	31-45 Years	46-59 Years	60Years & Above

[4] COMPANY INFORMATION

Department..... Position

Strongly Agree		Agree	Strongly Disagree		Disagree		Not Sure		
1		2	3		4		5		
1	The training levy system is the major source of funding for ZIMDEF?				1	2	3	4	5
2	The current sources of funding are sufficient to meet the training needs of Zimbabwe and sustain ZIMDEF				1	2	3	4	5
3	In a deindustrialized economy, it is essential to have multiple sources of revenue.				1	2	3	4	5
4	The Manpower Planning and Development Act is the funding policy for ZIMDEF.				1	2	3	4	5
5	Industry should continue funding critical human capital development in Zimbabwe				1	2	3	4	5
6	Human capital development is essential for economic growth				1	2	3	4	5
7	The Manpower Planning and Development Act is readily available to all staff.				1	2	3	4	5
8	The levy and debt departments are the sole sections responsible for revenue collection in ZIMDEF				1	2	3	4	5
9	ZIMDEF has competent staff responsible for the collection of training levy				1	2	3	4	5
10	New personnel is inducted in applying the Manpower Planning and Development Act				1	2	3	4	5
11	Currently ZIMDEF is not paying industrial for university students				1	2	3	4	5
12	There are other sources of funding which the fund can implement to augment its 1% training levy.				1	2	3	4	5

13	Payroll levies are not appropriate in low income countries	1	2	3	4	5
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4. Is the 1% training levy charge feasible for your companies to comply with in the current economic environment?

Yes ☐ No ☐ Not sure ☐

5. To what extent does ZIMDEF educate companies on the need to remit 1% training levy?

Large extent ☐ Medium extent ☐ Lesser extent ☐ Not sure ☐

6. Does your company prioritise remitting 1% ZIMDEF training levy dues?

Yes ☐ No ☐

7. The following are the reasons why Companies do not want to comply with the 1% training levy

Reason	Strongly Agree	Agree	Not Certain	Disagree	Strongly disagree
Ineffectiveness of the 1% training levy system					
Companies highly taxed					
Levy is not used for the betterment of Zimbabwe education system					
Operator size					
Compliance costs					

7. How effective are the following strategies in improving training levy collection?

Strategy	Very Effective	Effective	Moderately	Ineffective
Introduction of an e-levy system				
Increasing levy audits				
Reducing the amount of the levies paid by firms				
Follow-ups on levy payments				
Penalties				

Please Tick where appropriate [✓]

8. The following are ways used by companies to evade paying 1% training levy to ZIMDEF

Strategy	Strongly Agree	Agree	Not Certain	Disagree	Strongly disagree
Engaging in the underground economy					
Failure to submit remittance forms					
Under-invoicing					
Under-declaration					
Hire part-time workers					

Please Tick where appropriate [✓]

9. How can ZIMDEF minimise levy evasion through the ways stated above?

Ways to evade 1% training levy	Large extent	Moderate extent	Not sure	Lesser extent
Engaging in the underground economy				
Failure to submit remittance forms				
Under-invoicing				
Under-declaration				
Hire part-time workers				

Please Tick where appropriate [✓]

10. How often does ZIMDEF audit your company to see if they comply with paying the 1% training levy?

Very often ☐ Sometimes ☐ Often ☐ Rarely ☐

11. Should ZIMDEF have an e-levy training system?

Yes ☐ No ☐ Don't Know ☐

Thank you for your cooperation

APPENDIX 2: Interview Guide for Key Informants

My name is Cuthbert Chirahwi a student at Africa University studying Master's Degree in Public Policy and Governance. As a pre request before the completion of my studies I'm tasked by the University to conduct a research. Hence I'm conducting a research on the causes of non-compliance to ZIMDEF statutory payments by companies in Mutare. The interview is designed to collect data on the topic stated above. Be assured that the data collected from this interview shall be used in absolute confidence and for academic purposes only. Feel free to give your opinion. Your cooperation will be greatly appreciated.

1. Is the ZIMDEF personnel available adequately trained and suitably qualified for the collection of training levy?
2. Is the current training levy assisting the education sector in meeting its objective?
3. Zimbabwe Development Fund is currently unable to collect the actual levy due, what could be the reasons for not collecting the levy due?
4. What strategy is ZIMDEF employing in trying to collect its training levies?
5. What are the strengths and weaknesses of the current training levy system?
6. Which Companies are not complying in remitting training levy?
7. What practices are being used by companies to evade training levy payments?
8. To what extent has ZIMDEF been able to curb the underground economy in the education sector and which measures have been adopted?
9. What measures have been put in place by ZIMDEF to mitigate the risk of training levy evasion?


10. How does the Government (Ministry) assist the ZIMDEF in the collection of training levy?
11. Should ZIMDEF continue financing apprenticeship given the current economic situation?
12. How would introduction of an e-levy system improve training levy collection?
13. What other strategies besides introduction of an e-levy system can be used by
14. ZIMDEF to improve the performance of the levy system?

APPENDIX 3: Interview Guide for Companies

The following are some asked questions during an interview:

1. What do you think are some of the compliance issues facing our company?
2. What is the most common compliance issue facing our company's industry?
3. Is the current ZIMDEF 1% training levy assisting your company in meeting its objective.
4. What are some of the weaknesses in your company's compliance program?
5. How would you respond to a request by a senior executive that might violate the ZIMDEF 1% training levy compliance policies?
6. What measures have been put in place by your company to mitigate the risk of training levy evasion?
7. What are the strengths and weaknesses of the current training levy system.
8. How should Government assist Companies in training levy tax compliance?
9. Should ZIMDEF continue financing apprenticeship given the current economic situation?
10. How would the introduction of an e-levy system improve your company's tax compliance?
11. What other strategies besides introduction of an e-levy system can be used by ZIMDEF to improve the performance of the levy system?

APPENDIX 4: Permission Letter from ZIMDEF



ZIMBABWE MANPOWER DEVELOPMENT FUND
MINISTRY OF HIGHER & TERTIARY EDUCATION, SCIENCE & TECHNOLOGY DEVELOPMENT

MEMORANDUM

TO : ENG. S Marume
ACTING CHIEF EXECUTIVE OFFICER

FROM : CUTHBERT K CHIRAHWI (REVENUE OFFICER) *[Signature]*

DATE : 10 September 2018

SUBJECT : AUTHORITY TO USE ZIMDEF AS A CASE STUDY FOR MPPG DISSERTATION.

Project Title : (Causes and Financial Impact of non-compliance to statutory payments by businesses in Zimbabwe. A case of ZIMDEF period 2009-2016)

'MASTERS IN PUBLIC POLICY AND GOVERNANCE' Africa University

I am writing to kindly seek authority to use ZIMDEF as a case study on the above-mentioned topic in partial fulfilment of my Masters in Public Policy and Governance Degree programme with Africa University. I am required to submit a dissertation titled CAUSES AND FINANCIAL IMPACT OF NON-COMPLIANCE TO STATUTORY PAYMENTS BY BUSINESSES IN ZIMBABWE with particular reference to ZIMDEF.

Compliance can be defined as the extent to which registered employers meet their contribution obligations within the stipulated time. It can also be viewed as the employers' ability and willingness to comply with contribution laws which are determined by ethics, legal environment and other situational factors at a particular time and place.

The research is an academic exercise and shall involve information gathering from most departments of ZIMDEF. Acquired information will be used purely for academic purposes and treated with higher level of confidentiality and used for the academic dissertation purpose. I have chosen ZIMDEF because I will derive many benefits from the study both on operational framework and policy perspective. ZIMDEF is a result of a constituent policy and thus the research results may also help the organisation in improving its systems for effective execution of its mandate.

Your authority is hereby sought to undertake my research focusing on ZIMDEF as a case study

Supported/Not Supported *[Signature]*

Mr. A. MADIMUTSA : REGIONAL MANAGER

Recommended / Not Recommended *[Signature]*

Mr. E. SHUMBA : A/PRINCIPAL DIRECTOR FINANCE AND ADMIN

Approved/Not Approved *[Signature]*

ENGINEER S. MARUME
ACTING CHIEF EXECUTIVE OFFICER

18/09/2018
DATE

11/10/18
DATE

11/10/2018
DATE

ZIMBABWE MANPOWER DEV FUND
CHIEF EXECUTIVE OFFICER

APPENDIX 5: Letter From AUREC



(A United Methodist-Related Institution)

INVESTING IN AFRICA'S FUTURE

AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE (AUREC)

P.O. BOX 1320, MUTARE, ZIMBABWE • OFF NYANGA ROAD, OLD MUTARE • TEL: (+263-20) 60075/60026/61611 • E-MAIL: aurec@afriau.edu • WEBSITE: www.afriau.edu

17 December, 2018

Ref: AU770/18

Cuthbert K. Chirahwi
C/O CBPLG
Africa University
Box 1320
Mutare

RE: CAUSES AND FINANCIAL IMPACT OF NON-COMPLIANCE TO STATUTORY PAYMENTS
BY BUSINESSES IN ZIMBABWE: A CASE OF ZIMDEF PERIOD 2009 - 2016

Thank you for the above titled proposal that you submitted to the Africa University Research Ethics Committee for review. Please be advised that AUREC has reviewed and approved your application to conduct the above research.

The approval is based on the following.

- a) Research proposal
- b) Questionnaires
- c) Informed consent form

- **APPROVAL NUMBER**

AUREC770/18

This number should be used on all correspondences, consent forms, and appropriate documents.

- **AUREC MEETING DATE**

NA

- **APPROVAL DATE**

December 17, 2018

- **EXPIRATION DATE**

December 17, 2019

- **TYPE OF MEETING**

Expedited

After the expiration date this research may only continue upon renewal. For purposes of renewal, a progress report on a standard AUREC form should be submitted a month before expiration date.

- **SERIOUS ADVERSE EVENTS** All serious problems having to do with subject safety must be reported to AUREC within 3 working days on standard AUREC form.
- **MODIFICATIONS** Prior AUREC approval is required before implementing any changes in the proposal (including changes in the consent documents)
- **TERMINATION OF STUDY** Upon termination of the study a report has to be submitted to AUREC.

Yours Faithfully

MARY CHINZOU – A/AUREC RESEARCH ETHICS PROGRAMME OFFICER
FOR CHAIRPERSON, AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE

