FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF POLITICS AND PUBLIC MANAGEMENT

AN INVESTIGATION INTO THE IMPACT OF THE DISPARITY IN INCENTIVE PAYMENT ON THE PSYCHOLOGICAL CONTRACT OF EMPLOYEES: THE CASE STUDY OF MIDLANDS STATE UNIVERSITY

A DISSERTATION

BY:

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DECLARATION

I………………………………………… certify that this is original work specifically undertaken by myself for the **Bachelor of Science in Politics and Public Management Honours Degree** and that all references are acknowledged.

Date………………………………………

Signature…………………………………

SUMMARY

The present study examined the investigation into the impact of disparity in incentive payment on the psychological contract of employees. The case of Midlands State University from January 2010- January 2014. A part of 81 part-time, full time and contract employees participated in this study. Results showed that incentives had a significant effect on one's job satisfaction, intention to remain and perceived organizational support. Additionally there is a significant interaction between psychological contract and employee commitment and performance, morale, turnover, incentives and trust between the employee and the employer. An incentive develops organizational citizenship behaviour which varied depending on psychological contract.

Organisations provide incentives in order to attract, return, maintain and stand competition. Most of the employees at Midlands State University (MSU) are extrinsically motivated as they are highly concerned with the incentives provided by their employer. The practice motivates employees and affects employees' level of engagement as well as job performance. The disparity in incentives affects commitment and performance of the majority of employees. The cross analysis of the link between the disparity of incentives payment levels and firm commitment and obligation fulfilment shows both a negative and positive relationship. Employees in different grades have different motivators. Incentives boost employees' morale and lead to low employee turnover. Major causes of disparity on remuneration and psychological contract used at MSU were indicated as employee grade, qualifications, status, experience and employee performance. The research found that the scheme has both negative and positive effects to the employer and employee.

The provision of the scheme leads to low employee turnover, boost employee morale, attract more and competent employees to the organization and leads to trust between the employer and the employee. However the disparity in incentive payment leads to dissatisfaction.

The concept of psychological contract is closely linked or associated with the concept of incentives. Lower incentives have ripple effects to the organization .Research found that majority of respondents ware fulfilling their obligation to the organization very well irrespective of the grade of incentives they were receiving.

CHAPTER 1

1.0 INTRODUCTION

This chapter introduces the following key features of this research: background to the research, statement of the problem, research questions, research objectives, purpose of the research and significant of the research. Assumptions, delimitations and limitations to the research are also discussed in this chapter. The research will also introduce the importance of incentive payment.

1.1 Background of the research study

Midlands State University(MSU) introduced the payment of incentives to its staff members when the economy was dollarized in 2009.The payment of incentives was influenced by low incomes that majority of the staff received which were not adequate to sustain their day to day living. This resulted in high labour turnover; absentees, and low staff morale and organisationdisengagements.However, incentives are paid differently among the members of the staff according to grades of employee. According to Meyer (1995) employees consider themselves to be top performers thus large differences in rewards are often hard to communicate to the employees and are regarded as unfair. Compensation policies and procedures influence the psychological contract between the individual employee and the organisation, thus the reward system and practices of the organisation have consequences through this contract. The contract between the individual employee and the organisation is created by employee perceptions thus rewards offered by the organisation influence the contract irrespective of whether the rewards are fair, unfair, equitable or inequitable.

1.2 Statement of the problem

The payment of monetary incentives to staff members at Midlands State University was introduced with the aim of motivating staff, increasing morale, improved the condition of service for employees, build a team work, add value to the employment contract and increase loyalty whilst reducing high labour turnover, absenteeism, and organisation disengagement. The psychological contract play a pivotal role because, employees tend to associate different levels of rewards and incentive payment to motivate, job satisfaction, absenteeism, commitment, morale, and organisational engagement. In light of differences of incentives paid to different employees, the researcher purported to find out how this disparity is influencing the psychological contract of employees using Midlands State University as a case study.

1.3 Aims and Research objectives

The objectives of the study are:

- To assess the disparities in incentive paid at MSU
- To assess the employees appreciation of the disparities in incentive payment system at MSU
- To analyse the impact of the disparity in incentive payment on the psychological contract of employees at MSU
- To assess the effects of the disparity in incentive payment on employees at MSU
- To make recommendations to MSU's compensation policy

1.4 Research questions

The research questions are as follows:

- Are there any disparities in incentives being paid to the employees at MSU?
- How do employees perceive the disparity in incentive payment at MSU?
- What are the impacts of the disparity in incentive payment on the psychological contract of employees at MSU?
- What are the effects of the disparities in incentive payment of employees at MSU?

1.5 Importance of the study

The importance of the study is evaluated with reference to three key stakeholders: the researcher, MSU, and Human Resources practitioners. The study is important to the researcher because it increases the knowledge of the researcher in the area of study and how to carry a research. It also gives knowledge to the researcher in the concept of the psychological contract. The research provides an understanding to Human Resources practitioners of the concept of the psychological contract and how the psychological contract is affected by rewards offered by organisations. It also provides a platform of how to use the psychological contract to retain and motivate staff in the organisation. The research increases

MSU's data bank for other scholars whom in future might need to carry out research on the concept of the psychological contract. The recommendations made can be used to mould the strategic plans of the compensation policies of MSU.In addition, the research provides a platform to the institution of improving its compensation policy at the workplace and how to reduce high staff turnover. The research provides information on how to improve employee/employer relationship at the workplace by maintaining a motivated workforce.

1.6 Delimitations of the study

- This research study mainly focused on the impact of the disparity in incentive payment on the psychological contract of employees using MSU employees during the period of January 2010 to January 2014 as a case study.
- The researcher will try by all means to highlight the purpose of the study to the people he will be dealing with.
- The researcher should be in a position to construct questions that will make the respondents feel comfortable in providing information that is avoiding to be too personal

1.7 Limitations of the study

- Financial problems affected the research findings in which the researcher was in need of money for photocopying questioners, printing, typing the project.
- Some members were not in their offices due to meetings, hence there was lack of cooperation.
- Misinterpretation of research questions by respondents affected the research.

- Some of the respondents refused to relieve important information which could have aid to this research.
- To access official and confidential information was very difficult.

1.8 Assumptions of the study

The researcher has all the access to the vital information and the information obtained from the population is accurate, complete, relevant unbiased and can be relied on.

The population sample is a true representative of the whole population

1.9 Methodology

Methodology deals with specific methods and techniques that are used in order to come up with a valid research findings .It represents an overview of the methods to be used in the case study. Areas covered include the research approach, research design, sampling frame, sample size, sampling procedure, research instruments, sources of data and methods of data presentation and analysis.

1.10 Research Approach

The researcher will use both quantitative and qualitative methods of data analysis. According to Denzin, (1978), Schatzman and Strauss (1973), Loffland (1971) qualitative describe reality in accurate verbal terms not in numbers and measurements. According to (Swetman, 2010), qualitative research is naturalistic and it humanises the research process by raising the role of respondent to be equal to that of the researcher-communicative. Quantitative is designed to study variables that can be measured in numbers, thus it includes graphs, pie charts.

1.10.1 Research design

According to Kerlinger (1986:276), a research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions. As noted by Armstrong (2009), there are different research designs namely: descriptive designs, the correlation research design, experimental research design, survey design and case study. The descriptive survey provides an excellent vehicle for the measurement of attitudes, behaviour and views of employees.

The researcher noted that such an approach will allow for an in-depth investigation of the issue understudy. It should, however be noted that qualitative studies have subject analysis, lack representation sample and results often are not easy to generalise. There are always some complexities when it comes to the selection of research methodologies and data collection methods due to limitations linked to them. The design was chosen for this research because it had the ability to generate data describing the composition and characteristics of the relevant group such as the MSU staff. All in all, this design made it easy when making predictions about the perception of employees. The descriptive survey provides an excellent vehicle for the measurement of attitudes, behaviour and views of employees.

1.10.2 Population and sample.

1.10.2.1 Population.

A population refers to a full set of cases from which the sample is taken (Saunders, 2004). The population for this research was 540 employees at MSU. This population was made up of academic and non-academic employees at MSU who were employed at the institution during the period of January 2009- January 2014.

1.10.2.2 Sample size

These are few participants representing the whole population on the study. Sample sizes of 70 employees out of the total population were chosen.

According to Neil (2006) a sample representative of the population should be between 10-30%, hence sample size used in this research will be a true representation of the total population because it constituted 15% of the total population.

1.10.3 Sampling procedure

The researcher used non-probability sampling technique in carrying out this research study.

1.10.3.1 Non probability sampling.

This is a technique whereby the chances of population being selected are not known (Saunders, 2004). The researcher used convenience sampling and purposive or judgemental sampling in this study.

1.10.3.2 Convenience sampling

This is a sampling technique where participants are selected because of their convenient accessibility and proximity to the researcher (Neil, 2006). The researcher used this sampling technique because it was fast, inexpensive, easy and respondents were readily available.

In addition, the researcher used convenience sampling not just because it is easy to use, but because it allowed the researcher to obtain basic data and trends regarding to this study without complications. The sampling technique was also useful in documenting and detecting relationships between the disparity in incentive payment and the psychological contract of employees.

This method has got disadvantage of sampling bias and the sample may not be true representation of the entire population. However, the researcher tried to overcome this disadvantage through the use of a little bigger sample size, which is the university that is, administration, supervisory, lecturers and non-academicstaff. The stratified sampling method will be suitable for the line managers and all junior grades at the University.

1.10.3.3 Purposive sampling

The researcher will also use purposive sampling or judgemental sampling in his research. According to Neil, (2006), purposive sampling is a technique that relies on the judgement of the researcher’s own thinking about the phenomena when it comes to selecting the subject to be studied. The researcher used this method because it enabled the researcher to use his judgement in selecting the best participants to answer the required information. The researcher chose those respondents whom he felt, served the research purpose. The sample elements were chosen because it was felt that they were a true representative of the population of interest and that accurate information could be elicited from them. Judgemental sampling also enabled the researcher to select elements which he considered to be representative of the population through choosing elements from all the categories of the university that is, administrators, supervisory, lecturers and secretarial.

1.10.4 Research instruments

The researcher will use the following techniques to gather data. In the study the researcher shall use questionnaires and interviews as instruments to collect primary data.

1.10.4.1 Questionnaires

According to Macios (2008) , a Questionnaire is a series of written questions that are given to respondents in order to obtain and elicit statistical information that is not available in documented record about a given topic.

The researcher designed a questionnaire which was presented on a five point like rating scale. The questionnaire was made up of eleven questions which consisted of six closed ended question and five open ended question. Closed ended questions allowed respondents to choose answers from the list of responses that were given and open ended questions allowed the respondents to express their views on the impact of disparity in incentive payment on the psychological contract of employees

The questionnaire has its advantages as a tool of data collection. Data was analysed more scientifically and objectively than other forms of research instruments. Inaddition, large amounts of information can be collected from a larger number of people in a short period of time and in a relatively cost effective way. The results of the questionnaires were quickly and easily quantifiable by the researcher through the use of software package. When data was quantifiable, it was used to compare and contrast other research and can be used to measure change in a more practical way.

However, a questionnaire has its disadvantages: it is time consuming thus it required more time on designing the questions. It also lacked validity because there is no way to tell how truthful respondents were in their responds. The respondents might have interpreted differently thereby giving biased information on their different interpretations. For example, what was good to someone may be poor to someone; therefore there is a level of subjectivity that is not acknowledged. In this research some respondents who occupied senior positions were *so* occupied such that they could not attend to a questionnaire. This reduced the respondents' rate resulting in the sampling size being reduced and this in turn made it difficult to generalize the findings to the whole organisation. To encounter the weaknesses of a questionnaire, the researcher made use of interviews.

1.10.4.2 Interviews

Interviewing is a technique that is primarily used to gain an understanding of the underlying reasons and motivations for people's attitudes, preferences or behaviour. Interviews can be undertaken on a one-to-one basis or in a group.

There are various types of interviews that include: personal interview, telephone interviews and group interviews. The researcher opted for group interviews as it involves the interaction of three or more people and enables the researcher to save time. The researcher drafted interview questions went to the respondents and conducted his interviews. Each group of respondents was asked separately and was given a full detailed purpose of the study. Structured interviews were used and it helped both the researcher and the respondents to keep focused to the topic under discussion. The use of interviews helped the respondents on the discussion since the researcher could stimulate the interest of the respondents when they showed no interest to the topic.

The advantages of using interview on the impact of the disparity in psychological contract on employees at MSU are that the interviewer can observe the facial expressions on respondents giving room for probing on the question which results in the interview obtaining detailed responses. The interview assures greater data accuracy because responses can be double checked and there is greater flexibility and the interviewer is able to take control of the respondents of the respondent by further probing in instances where the respondents provides half answers.

One of the disadvantages of interview was that of being costly to set up. I n addition there were high chances of respondent bias by the interviewees in order to please or impress, create false personal image, or end interview quickly.

1.10.5 Steps to increase the reliability and validity of data:

According to Seaman (1987) ,reliability refers to the stability, consistency, accuracy and dependability of an instrument and validity refers to the extent to which an instrument measures what is purported to measure. After the questionnaire and interview guide has been designed, a mini pilot study was conducted to correct and remove any ambiguity in the questionnaire and interview schedule with Great Zimbabwe University. The sample size consists of 7 respondents. This enhanced the reliability of the research instruments because the respondents have the characteristics with the population understudy. Since sample, unbiased and direct wording in both closed and open ended questions will be used; the reliability of research tools is enhanced because respondents clearly understood the questions.

Validity of data collection instruments used in this study is enhanced by the fact that questions will be derived from the research objectives with each question being checked if it linked to the research objectives. Furthermore the questionnaire will be checked for completeness and interviews checked for quality. The questionnaires will also be checked for legibility and consistency through the pilot study. This pilot testing helps the researcher to locate any ambiguous terms that require modifications and ascertain the clarity and simplicity of the wording. The instruments were then validated and standardised after consideration of what the exercise sought to establish.

1.10 .6 Data Collection Procedures

The researcher wrote a letter (Appendix 1) seeking permission from management to execute the study. The researcher attached introductory letter (Appendix 2) with questionnaire to clarify the intention of the study. All employees were provided with the questionnaire through hand delivery. The respondents were self-selected and reviewed for their informed consent, then completed a questionnaire. The self-administered questionnaires were then distributed to respondents by hand to ensure that they got to the right respondents. The researcher distributed the questionnaires in the offices of respondents and agreed to collect the questionnaires after roughly three hours. In addition, some employees were allowed one day to complete the questionnaire then agreed with the researcher to hand back the completed questionnaires the following day. All responses were confidential and no identification of source of information was apparent in the research as all the questionnaires were hand collected by the researcher.

1.10.7 Methods of data analysis

Analysis of data is a process of gathering, modelling and transforming data. As argued by Holloway (1997), in order to generate findings that transform raw data into new knowledge, a qualitative researcher must engage in active and demanding analytical processes throughout all phases of the research .The researcher would use the thematic analysis, which move beyond counting explicit words or phrases and focus on identifying and describing both implicit and explicit ideas within the data that is, themes. The method requires more involvement and interpretation from the researcher. Codes are developed to represent the identified themes and applied or linked to raw data as summary markers for later analysis.

1.10.8 Data Presentation

Various methods of data presentation were used to fully give a clear picture of the trends in the data. The researcher presented the data in simple tables and figures. Tables were used because they are easy to understand and interpret. Figures such as bar graphs and pie charts were used to present data. These enhanced effective interpretation of data and are always very important when making comparisons. Analysis and discussion of the data was done each presentation.

1.10.9 Summary

This chapter looked at the background to the study, statement of the problem, research questions, and justification of the research, delimitations and limitations of the study, objectives of the research. It also looked at the research design, sampling procedure as well explaining the reliability of validity of instruments used in research and the data collection and presentation procedures.

1.10.10 Breakdown of the study.

The research comprises of four chapters as indicated below:

Chapter 1: Introduction and Background to the study.

The chapter outlines the statement of the problem, objectives of the research questions, justification of the study, limitations and de-limitations of the study as well as the research methodology.

Chapter 2: Literature review and theoretical framework.

The chapter reviews various researches which were done by various researchers. The chapter will also explore various theories put by other scholars on the psychological contract of employees. It will also include a gap on what was left by other scholars.

Chapter 3: Data Presentation, Discussions and Analysis.

The chapter will present data, discuss it as well as analysing it. The data collected from the field will be presented using graphs and descriptions on how the targeted sample responded.

Chapter 4: Conclusions and Recommendations.

This is the last chapter of the thesis which will provide conclusions of the study and give recommendations to the study.

CHAPTER 2

LITERATURE REVIEW AND THEORATICAL FRAMEWORK

2.0 Introduction

The chapter reveals the relevant literature and aims to highlight the conceptual and theoretical issues and core dimensions of the psychological contract and incentives. It also highlights empirical evidence on the psychological contract concept and the payment of incentives as it relates to and supports the study of the impact of the disparity in incentive payment on the psychological contract of employees. Previous research has been carried out that is relevant to the research question.

Literature review is a process that gives readers with a lot of information and knowledge about the subject he will be studying, it can however, be argued that such process may be challenging as one has to integrateviewpoints of various scholars in order to come out with a new point, thus filling the gap that were left by other scholars.Brynard etal (1997:54) stated, "a researcher should always try to follow the last mentioned action, as this is path to the creation of new knowledge.''

According to Meyer (1995), incentives refers to any form of payment which intends to achieve some specific change in behaviour or any factor that enables or motivates a particular course of action and counts as a reason for preferring one choice to the alternatives .Furthermore incentives promote or encourages specific action or behaviour among employees during a particular defined period of time. Incentives are categorised into two forms that is monetary and non-monetary

2.1 Monetary Incentives

Financial or monetary incentives involve rewarding employees with money rather than an increase in salary. They include profit sharing, bonuses, warrants, stock opinion and mutual funds provide through company pensions plans (Kepner 2001). These incentives are used to motivate employees, attract more sales, boost productivity, link individual employees and business performance, and to retain existing staff. According to Chow (1993), the use of monetary incentives is aimed at boosting morality of employees, thereby increasing productivity in an organisation.

2.2 Non Monetary Incentives

Non-financial incentives or non-monetary incentives refers to rewards given to employees in the form of goods received on a monthly basis, holiday packages, flexible hours of work, training, pleasant work standards, sabbaticals, vouchers, free health assistant and child care support (Nelson 1999).These incentives play a pivotal role in team building, enhancing the quality of life of employees and add value to the employment contract. Theuses of non-monetary incentives play a pivotal role in increasing productivity in an organisation. Inaddition, the employee output system tends to link these incentives to quantifiable measures of the employee's performance.

2.3 The psychological contract

According to Armstrong (2006), psychological contract is an individual's belief regarding to the terms and conditions of employment relationship and the reciprocal exchange agreement between the employer and the employee. According to Rousseau (2001), the terms and conditions of this contract are unwritten, informal and inferred from actions happened in the past as well as statements made by the employer during the recruitment process or in performance appraisals. This contract is distinguishable from the legal contract of employment relationship in the way that it is the fairness or balance between what the employee puts into the job and how the employee is treated by the employer. However, as noted by Coyle-Shapiro and Kessler (2002), the psychological looks at the reality of the situation as perceived by both parties in the employment relationship .Key issues to the contract include, the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations which are characterised by respect, trust, compassion, empathy, fairness and objectivity. According to Huiskamp and Schalk (2002), when an employer has not made specific promises in that regard, every employee appreciates clarity, fairness and good communication. On the other hand every employer appreciates employees dealing properly with confidential information and doing good work. In addition to general obligations, the psychological contract is further argumentum with written agreement such as the employment contract. According to Legge (1995), employers' obligations to employees are to provide safe working environment, job security, good carrier prospects, opportunity to be involved in decision making, up to date training and development, fair pay and pay increase to maintain standard of living. More so, employees are expected to demonstrate loyalty ,work extra hours when necessary, look for ways to save cost, accept transfer to different job in the organisation, work diligently in pursuit of organisational goals, and maintain harmonious relationship with work colleagues .Furthermore the psychological contract is influenced by both employers and employee's expectations. This contract comprise of two aspects which are: the transactional and relational contracts.

2.4 The transactional aspect of the psychological contract

According to Armstrong (2009:263), the transactional contracts are formal contracts that have well described of exchange between employer and employees. According to Conway and Briner (2005), the main focus is material rewards in return for well-defined employee contribution to organisation. A good example of a transactional contract would be temporary secretarial work, commitment and development and skills are negligible and a specific wage rate and period of employment is agreed upon.

2.5 The relational aspect of the psychological contract

According to Armstrong (2009: 263**) ,**relational contracts are formal contractsthat have well described terms of exchange between employer and employees which are often expressed financially. They contain specific performance requirements. Mullins (2005) noted that the relational contract is based on social exchange and emotional involvement as well as long term ended obligation centred on support, loyalty and trust. They tend to be far more long term and involve significant investment by both the employer and employee. Occupations which involve extensive training such as law and medicine are said to be characterised by relational aspects of the psychological contract. The maintenance of the relational contract is paramount to a health enduring work relationship.According to Robinson (1996), what sets a relational psychological contract apart from the transactional contract is the long term focus that requires mutual satisfaction in both socio- emotional and economic relations rather than certain performance reward contingencies . In order to maintain proper working relationship this specific type of contract must remain fulfilled.

2.6 Types of incentives used in the organisations

There are different types of incentive schemes that organisations can adopt in order to achieve certain objectives and goals. These schemes include the following,

2.6.1 Individual incentive scheme plan

According to Beardwell and Holden (2001:515), individual incentive schemes are incentives that directly reward the outcome of performance of an individual.Examples of such system includes piecework, output and target based bonuses. According to Adams (2006), the standard hour plans were the incentive pay rates are set based on the completion of a job in predetermined "standard time." If employees finish their work in less than the expected time, their pay is still based on the standard time for the job multiplied by their hourly rate. In addition, employees may be awarded a merit pay. This is a permanent cumulative salary increase the firm awards to an individual employee based on his or her individual performance.

2.6.2 Group Incentive scheme plan

Types of these incentives include:

- Team incentive – According to Beardwell and Holden (2001), team incentives are incentive schemes that directly reward the output or productivity of a group or team. According to Dessler (2000:440), team incentives are like individual incentive plan but they give pay over and above base salary to all team members when the group or team collectively meets a specified standard for performance, productivity or other work related behaviour.
- Gain sharing plan – this is a type of an incentive program where both employees and organisation share the financial gains according to a predetermined formula that reflects improved productivity, efficiency, reduced cost, outstanding performance, best results and profitability.

2.6.3 Organisational Incentive scheme plan

These types of incentives include: promotion based incentives, casual incentives and pension contributions by employer, stock options and bonuses. Other non-financial incentives such as educational benefits, long term service awards, recognition, family support, holidays can also be paid to employees, This type of incentive constitute an element of the rational aspect of the psychological contract. For example this is based on the fact that the employer made specific promises of rewarding long service of employee to the organisation with annual bonuses and contribute a certain percentage to the employee future pension income through direct benefits (Harbring, 2004). Furthermore, such incentive payment communicates to employees that their efforts have been noticed. According to Adams, (2006). These incentives are encouraged because they are independent of the amount of employee's final salary. They offer a way to improve the employment relationship between employee and employer with considerations being paid to the formal written terms of employment. For example hours of work, holidays, can be used to compensate duties and responsibilities of employees and also valuing what the employer bring in to the job like effort, time, loyalty and innovative ideas.

2.7 The significance of incentives in organisations.

Changes in the employment contracts and labour markets such as the movement from market-based method of payment to hierarchical methods of payment have an impact on organisation's performance. According to Guest and Conway (1998), these changes over the years resulted in employers looking for ways to motivate, retain, reduce staff turnover, absentees whilst increasing organisational engagement and building a paternalistic for themselves. The payment of incentives is one of the key elements that employers have resorted in order to attract, motivate, and reduce staff turnover.

Meyer, (1995), organisational incentives schemes are associated with egalitarian pay systems which are motivated by horizontally and hierarchical payment methods.

Under the concept of management by objectives human resources has developed practices such as the incentives schemes in order to motivate employees as human resources. However, changes and fragmentation in the labour markets mainly influenced by firms trying to gain competitive advantage affected the ways incentives are administered and implemented in many organisations.

According to Lazear (2000), incentives are used to reinforce, shape behaviour, encourage employee loyalty, foster team work and ultimately facilitate the development of desired culture that encourage and supports the achievement of organisational goals. Management's decisions in determining incentive distribution is fundamental to the individual psychological contract and the way employees fulfil their obligations to the organisation. Many organisations are implementing incentives programs in order to obtain a desired organisation culture, In light of these growing trends towards flexible employment relationship, employee longevity and loyalty may quite possibly by a hindrance to the deployment of human resources in organisations rather attributes to be nurtured. Dex and McCulloch (1995) argue that the payment of financial incentives by the employer do not tie employees to particular employers. This reflects to a shift of emphasis by employers from the relational to the transactional components of psychological contract in the employment relationship.

2.8 Distribution of incentives in organisations

Organisations can consider adopting various methods of payments in the distribution of incentives. According to Bloom (1999), organisations can adopt a hierarchical incentive distribution payment method. This is when large portion of financial and non-financial rewards are paid to few individuals and the rest of the members get less rewards as we move down to the organisation hierarchy. Employees are rewarded according to their performance. Furthermore, rewards and wages levels are determined in the organisation because individuals differ in their skills and abilities and different jobs differ in their demands and requirements.

However, this aggressive method of treating employees differently from each other is detrimental to employee’s morale, engagement and the way they fulfil their obligation and reciprocating to the organisation. According to Heyman (2005), employees feels badly if a co-employer receives bigger reward hence the effect of inequality is to reduce morale and ultimately production and performance.

2.9 Employees’ perception of incentive schemes.

Organisational rewards policies and practices are strategic tools to achieve specific goals. According to the employment relationship, the psychological contract is characterised by a reciprocal exchange between the employer and the employee. When the employer provides labour, hard work, useful suggestions to the company and cooperating with others and carrying out dependably duties they expect to be treated fairly in return. The employer must reciprocate by rewarding the employee fairly, recognising their hard work through promotions, paying the employee on time, offer training and development. The psychological contract between the employee and the organisation is created by perceptions and attitudes of the individual determine behaviour. According to Sutton and Griffin ,(2004),thus the use of rewards such as incentives motivates many types of behaviour .According to Adinolfi (2007), disparity in remuneration and incentive payment represents the change in employment relationship from relational to transactional. These changes bring lack of job security, distrust, and low motivation levels as employees try to balance inputs to the rewards offered by the organisation.

2.10 Theories and rationales

Theories have been developed so as to understand the role of incentives in organisations. These include the Expectancy theory, Agency theory, reinforcement theory and the Equity theory, the psychological contract theory, Social Exchange theory.

2.10.1The expectancy theory

According to Decenzo and Robbins (2003:321), expectancy theory argues that the strength of tendency to act in a certain way depends on the strength of an expectation that the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual.It includes therefore. Attractiveness.Attractiveness is the reward that can be achieved on the job. The theory also includes performance reward linkage which is the degree to which the individual believes that performing at a particular level will lead to the attainment of each job outcome. Expectancy theory also include effort performance linkage which the perceived probability by individual that exerting a given amount of effort will lead to performanceAccording to Lindner, (2000),if the rewards are of low value to the individual they are unlikely to encourage the individual to more exert effort

This theory is an economic model of human behaviour. It assumes that individuals have preferences regarding the rewards they receive in exchange for their investment of time and resources. They use the preferences to select amongst any array of possible behaviours. This theory recognises the difference between individuals in the valence of various rewards and explains why some employees are highly motivated when certain rewards are provided and others are not.

2.10.2 The Agency theory

Theoretical developments based on this theory have demonstrated the advantages of adopting a performance-based pay in order to attract superior employees and induce greater efforts from existing workforce. According to Lazear (2000), increased productivity should be compensated with higher earnings system of payment in which a proportion of earnings is related to either the level of worker effort or the level of output. Incentive payment system therefore include system of payment by results such as piecework, on both individual and group bases .It is also used to cover schemes in which workers may be encouraged to perform well without any necessary relationship to production, for example attendance bonuses, merit pay, performance related pay. More rarely it is used to describe longer term reward system in which workers are entitled to share in the company's performance and profitability, such as profit-related pay and employee share ownership plans. The Agency theory also states that employees have utility for increases in wealth. It assumes that people are rational and they make choices based on the ability to increase either their wealth or leisure hence they act in a way to maximise expected efforts with the rewards offered and satisfaction they derive.

2.10.3 The Equity Theory

According to the Equity theory (1963), employees enter into employment relationship basing on the concept of reciprocal agreement, in this exchange relationship employees believe that they are contributing to the organisation. For example, being loyal, trust worth, and putting maximum effort. In return they expect to receive a set of equally valuable inducement such as job security, support, and respect as well as fair reward. Furthermore, employees during this exchange relationship they engage in psychological comparison and that determines if the rewards are being delivered fairly and equitably.

The employee compares their contribution ratio over time to what the organisation has presumably promised. When employee perceive a change in what is received versus what is expected this triggers cognitive analysis of the employment relationship (Shore and Barksdale, 2006). The Equity theory also assumes that employees are motivated by two things that is; what they think the payoff is for a particular behaviour and how much they value that payoff. The combinations of these two factors motivate employees. In other words,employees make more effort when performance –based incentives are used because of the rewards associated with hence it adds value to their transactional contract.

2.10.4 Social exchange theory

According to Armstrong (2009:277), the concept of the psychological contract can be traced back to the early works of Blau (1964), social exchange theory, which explains social exchange and stability as a process of negotiated exchanges between parties. Social exchange theory sets out to explain organisation behaviour in terms of rewards and costs incurred in the interaction between employer and employee .There are four concepts which include:

1. Rewards- payoffs that satisfy needs emerging from the interactions between individuals and their organisations
2. Costs- fatigue, stress, anxiety, punishments and the value of rewards that people has lost because of lack of opportunity.
3. Outcomes in rewards minus costs- If positive the interaction yields a 'profit' and this is satisfactory as long as it exceeds the minimum level of expectation.
4. Level of comparison- people evaluate the outcome of an interaction against the profit they are foregoing elsewhere.

   According to the social exchange theory (Shore and Barksdale, 1998), a productive employment relationship exists when there is large degree of balance in perceived employee-employer obligation.

2.10.5 Management and Organisational theory.

In Management and Organisational theory, employee attitudes such as trust, faith, commitment, enthusiasm, and satisfaction depends heavily on a fair, even and balanced employment relationships. Employees' attitudes and feelings are strongly determined by their treatment at workplace whilst at the same time their attitudes and feelings strongly influence how they view themselves and their relationship with the employer. The basic underlying principle of the psychological contract is that employees seek fair treatment at the workplace. According to Rousseau (2001), this emanates from the notion that the contract is driven by employees feeling and perceptions and the organisation behaviour towards the employees

2.10.6 Reinforcement theory

Reinforcement theory is defined as the process of shaping the individuals behaviour by rewarding the desired behaviour through motivating them by increasing pay or to give bonuses to achieve the goals and values of the Organisation. Positive reinforcement in an organisation can be achieved in many ways like praising the employee if he has achieved his targets and giving incentives.

2.11Empirical Evidence

The researcher viewed previous researches done on the subject understudy. The evidence and results on or related to the impact of the disparity in incentives and other rewards in other several organisations was presented.

A research by Forth and Millard (2004) on the impact on the use of incentives to achieve organisational goals found out that the use of incentives has effects on the firm performance and job satisfaction. From their study of 123 organisations in Canada which used highly intensive skilled labour and high research and development whilst adopting equitable employment practices. Their results distinguishably found that majority of employees (65%) where highly satisfied with what they were getting. However, their study concluded that 53% of the employees concluded that, incentives raise both productivity and profitability but if the compensation is substantial enough and is regarded to be equitable by the employees.

A research done by the University of Theodosius in 20002 in examining the impact of differences in rewards and pensions paid to employees on encouraging research. Their research findings showed that the majority of employees (54%) who were highly paid exert a positive attitude towards their work and high levels of job satisfaction and they could submit more research papers as compared to their counterparts. This is similar to a survey by Sparrow and Marchington (1998) of 128 employers in financial services organisations in the United States who found out that majority (78%) of respondents agreed that use of monetary and non-monetary incentives had positive effects on employee's motivation, commitment and builds a sense of belonging to the organisation and influence commitment and the way employee fulfil their obligations and duties to these financial institutions.

According to the research carried out by Anderson and Schalk (2000), using the Justice theory in 30 employees of a local Consultancy company in the United Kingdom using performance related incentives such as bonuses, profit share, and holiday abroad to reward the most outstanding performer found the following: His findings revealed that 73% of the employees', majority of them being at lower level were not satisfied with the incentive scheme. These results showed that the scheme created tension amongst employees, destroying team work and raises conflicts of interest. Rather they wanted the scheme to be removed as they felt that the supervisors were acting in favouritism and the rewards were used to maintain social distance amongst employees in the same category.

A research by Harbring (2004) in Austria is on the use of different incentive. It found that there was no any relationship between the employees who receive more benefits as compared to those at the lower level. He found negatively inversely u-shaped interrelation between the rewards they received and the level of their firm performance. There was evidence suggesting that majority of employees both on fulltime and fixed-term contracts have a more positive view of their psychological contract with employers (Guest and Conway, 2001). His conclusions were that the payment of monetary direct benefit to employees may not alter behaviour of employees.

In contrast, Lallemand, Plasman (2004) and Heyman (2005) comment that there is a link between the dispersion and disparity of intra-firm rewards levels and firm performance for Belgium and Sweden firms, respectively. Both find a positive relationship which showed that the level of wage dispersion related benefits among employees is negatively related to several measures of individual and team performance. They found out a decrease in firm profitability and level of productivity during the time the incentive was in place. Using data from a local household survey they found out that majority of employees were not fully engaged with their employer because the scheme created envy and social tension amongst employees.

Pfeffer and Langton's (1999) study of 15 University institutions in Australia finds a 57.6% increase in research productivity and collaboration among college and university faculties with increasing wage disparity related benefits as compared to 43.3% who did not have disparities. They argue that the employees' attitudes towards pay incentives are an important determinant of their effectiveness and factors such as personal background characteristics such as age, level of education and organisation tenure determines the perception of the employees' towards these schemes. They also found a decrease in outcomes of perceived psychological contract breach such as negative employee attitudes like, unfavourable work behaviours such as redundancies and voluntary turnover in majority for these organisations.

In contrast, a research by Loretto , White and Duncan (2000) in 156 voluntary organisations in the United Kingdom found that 83.8% of employers viewed their organisational incentives schemes in terms of personal transaction. Their findings indicated that employers regarded performance related pay as one of many options the organisation can adapt in the short run but in the long run it was believed to be counter-productive. They also found that employers believe that incentive schemes were concerned about motivating employees for certain behaviour in the short run but in the long run incentives schemes diminish their utility to employees as they seek other means of satisfaction. When performance related pay was introduced motivation declined over the period of its operation.

A research by Robinson and Morrison (1995) of 356 contingent workers in Canada manufacturing companies to unravel how employees perceive their organisations' compensation procedures and practices found that majority (84%) of these employees indicates a low level of engagement. They found a relationship between differences in rewards and the way individual employees fulfil their obligations and duties. They concluded that low level of life satisfaction, organisational commitment, job satisfaction and performance to the organisation by contract workers reflects that temporary and permanent employees hold different expectations with regards to their employment relationship.

However, the researcher finds a gap left by other researchers on the concept of the impact of the disparity of payment on the psychological contract on employers. Other researchersemphasized on the effects of incentives such as creating tension between employees due to hierarchical payment. However, the researcher noted that incentives play a pivotal role in an organisation as it boost staff morale, motivate staff, build teamwork and reduces absentees, high labour turnover. Hence, this is a gap left by other scholars.

2.12 Summary.

This chapter looked at the concept of incentives and psychological contract. It also highlighted the types of incentive used in an organisation, the role of incentives schemes in organisation and how employees perceive incentive schemes. It also looked at the theories on the psychological contract of employees in incentive payment.

The literature reviewed gives the knowledge on all aspects of incentives and the psychological contract, thereby enabling the researcher to know what to consider when investigating various aspects that could affect the scheme. The chapter looked at other previous researches that were done by other researchers and their findings. The next chapter presents data, analysing it and discussion.

CHAPTER 3

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

3.0 Introduction.

This chapter deals with presenting data, analysing it and discussion of research findings. Data gathered in this researcher was presented using bar graphs, tables, pie charts. The analysis and discussion was done below each and every diagram.

3.1 Response rate.

The researcher distributed questionnaires to employees at Midlands State University main campus, Batanai Campus and the Graduate School of Business Leadership campus basing on the sample size of 70

The table below shows the response rate:

Table 3.2: Percentage distribution of the response rate. (n=70).

Questionnaire	Absolute Frequency	Relative Frequency %
Usable Return	**57**	**84**
Non-usable return	**11**	**16**
Total	**70**	**100**

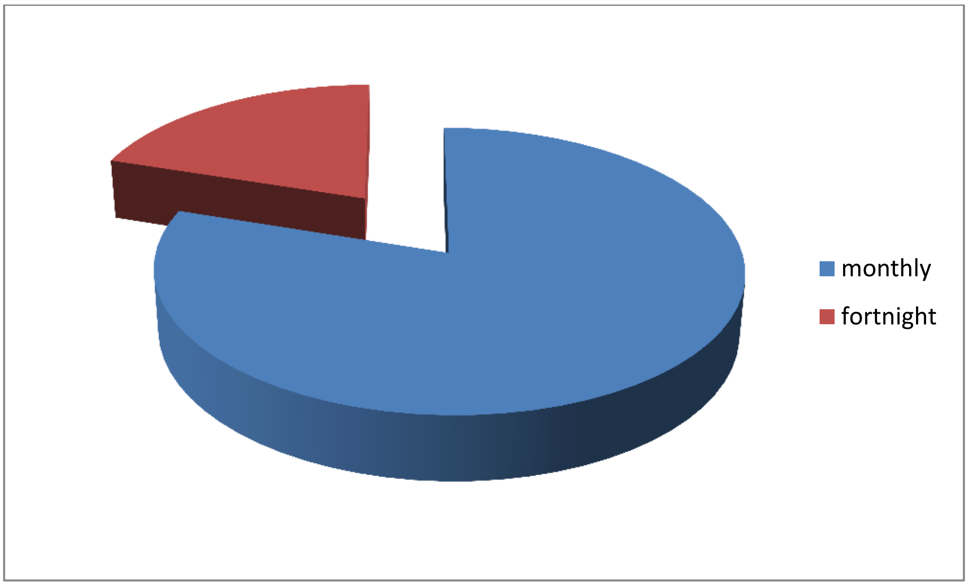
(Source: Questionnaire 2014)

The result in the table 3.2 above shows a usable rate of 84% which will be used in data presentation, interpretation, analysis and discussion below together the same data from interviews

3.3. Incentive payment

The figure 3.3 below shows when incentives are earned.

Figure 3.3: Responses showing when incentives are received (n=59).



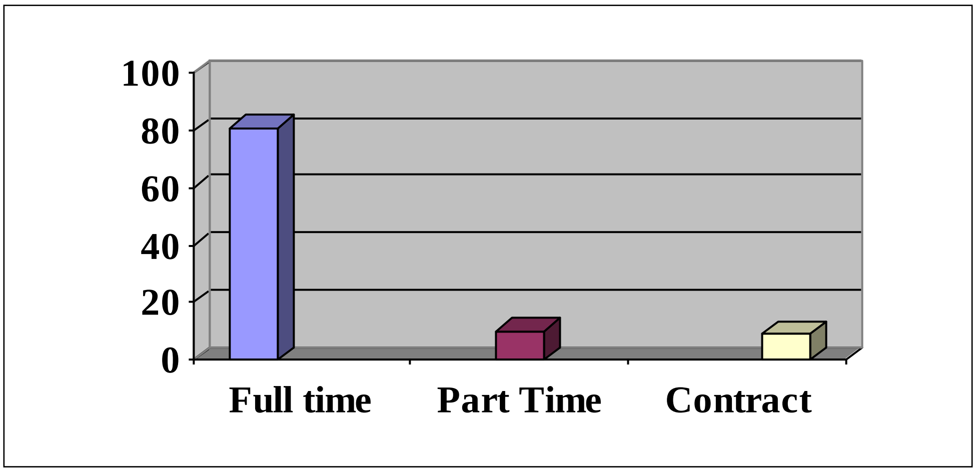
(Source: Questionnaire 2014)

The figure 3.3 above show that majority of the respondents (80) indicated that incentives are received on a monthly basis.

3.4. Employment Status

The respondents had different employment status. The figure 3.4 overleaf shows how the respondents were distributed across different employment status.

Figure 3.4.Percentage distribution of employees by status (n=59).

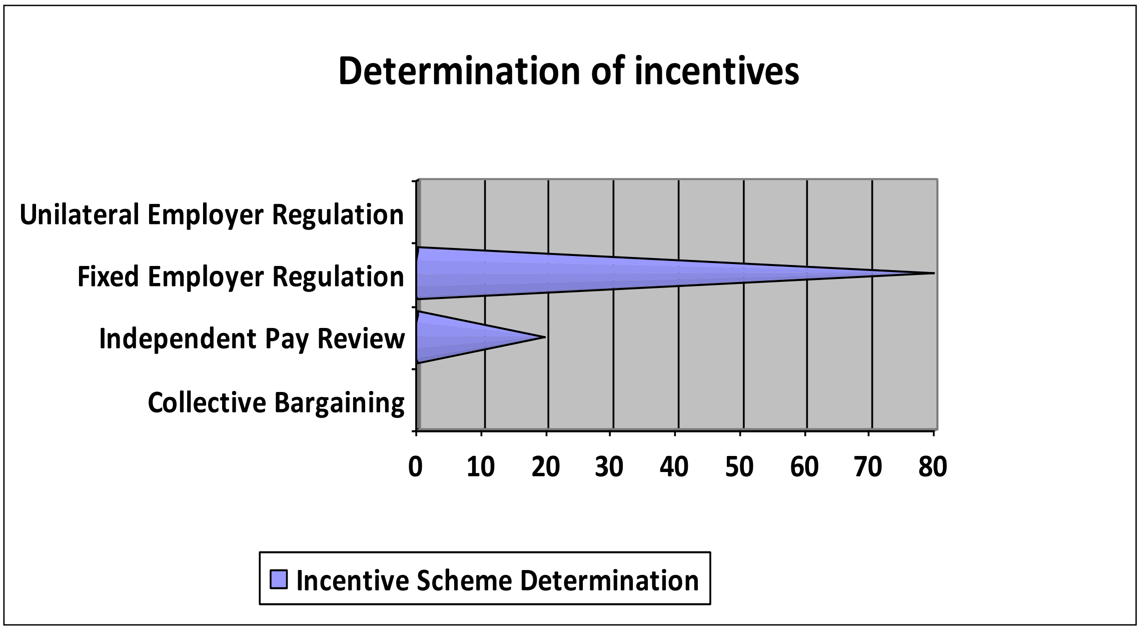


(Source: Questionnaire 2014)

The figure 3.4 above shows that majority of the respondents (81%) were full time or permanent employees, 10% are on part time basis and 9% are on contract basis.

3.5 Determination of incentives scheme.

The figure 3.5 overleaf shows how the incentives scheme is determined in the organisation.



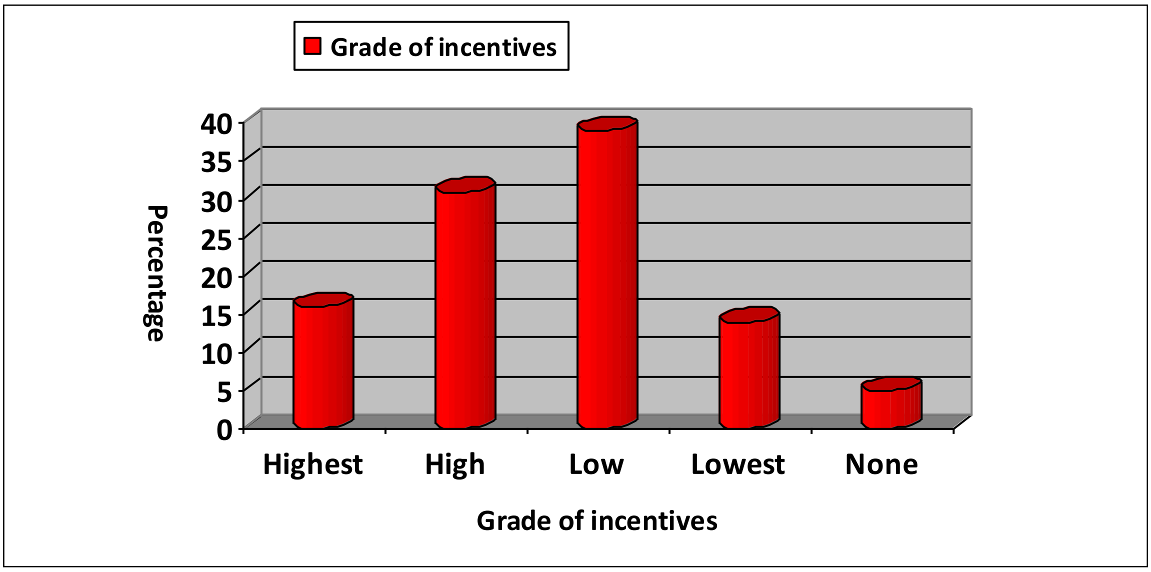
(Source: Questionnaire 2014)

The results in figure 3.5 above show that most of the respondents (80%) indicated that the incentive scheme is determined by fixed employer regulations and independent pay review in the organisation, 20% of the respondents indicated that the incentive scheme was being determined through independent pay reviews. The incentive scheme for MSU is determined through fixed employer regulations and independent pay review in the organisation. This is in contrast to the findings by Lambert and Larcker (2005) who found that the payment determination in an organisation does not vary within the same organisation because it becomes difficult to reward performance at organisational level, team level and individual level through merit payment.

3.6. Distribution of incentives by grades

The figure 3.6 below illustrates the grade of incentives which employees are receiving in the organisation.

Figure 3.6: Distribution of incentives received by employee (n=59).



(Source: Questionnaire 2014)

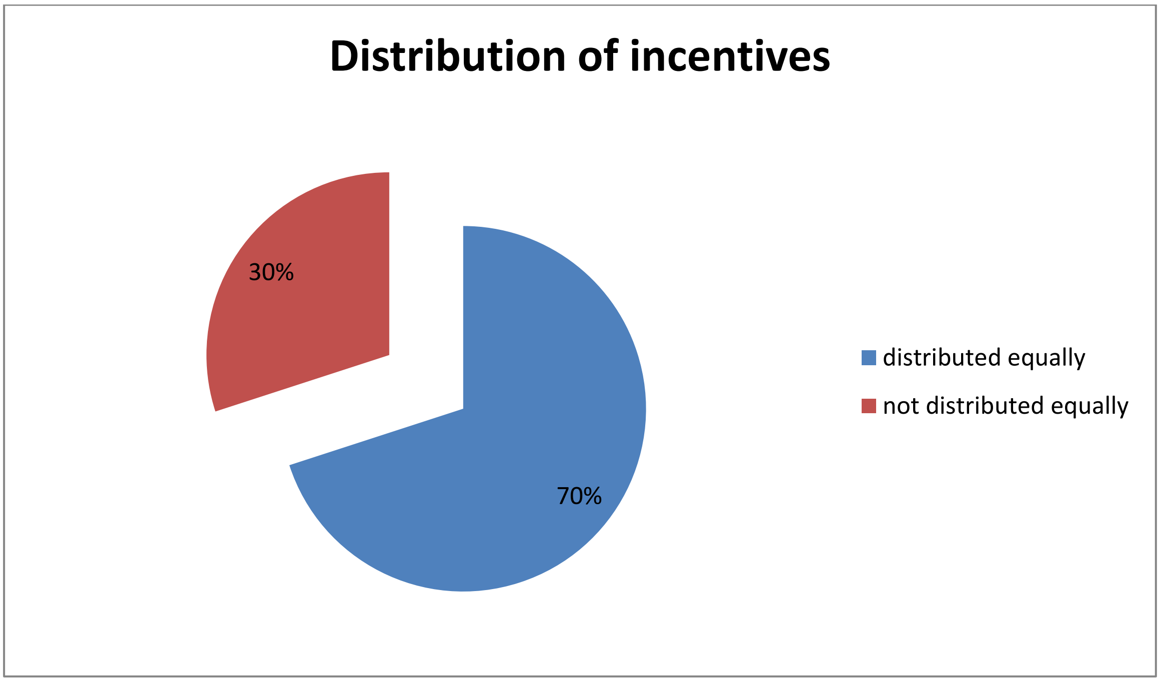
The figure 3.6 above illustrates that most of the employees (53) received the lower grade of incentives whilst (47%) received these high grades of incentives. The figure 3.6 above indicates a normal distribution in the incentives received by employees with highest frequency being at the low grade. It is clear that majority of respondents received low and high incentives. However, the distribution of incentives from highest to none shows that incentives are not distributed equally in the organisation. This concurs with Forth and Millard

(2004) study of institutions who found that senior employees usually receive highest grade of incentives that those at lower ranks.

3.7. Should the incentives be distributed equally in the organisation?

The figure 3.7 overleaf illustrates the respondents of employees on whether incentives should be distributed equally or not equally in an organisation

The figure 3.7: Respondents on whether incentives should be equally distributed (n=59)



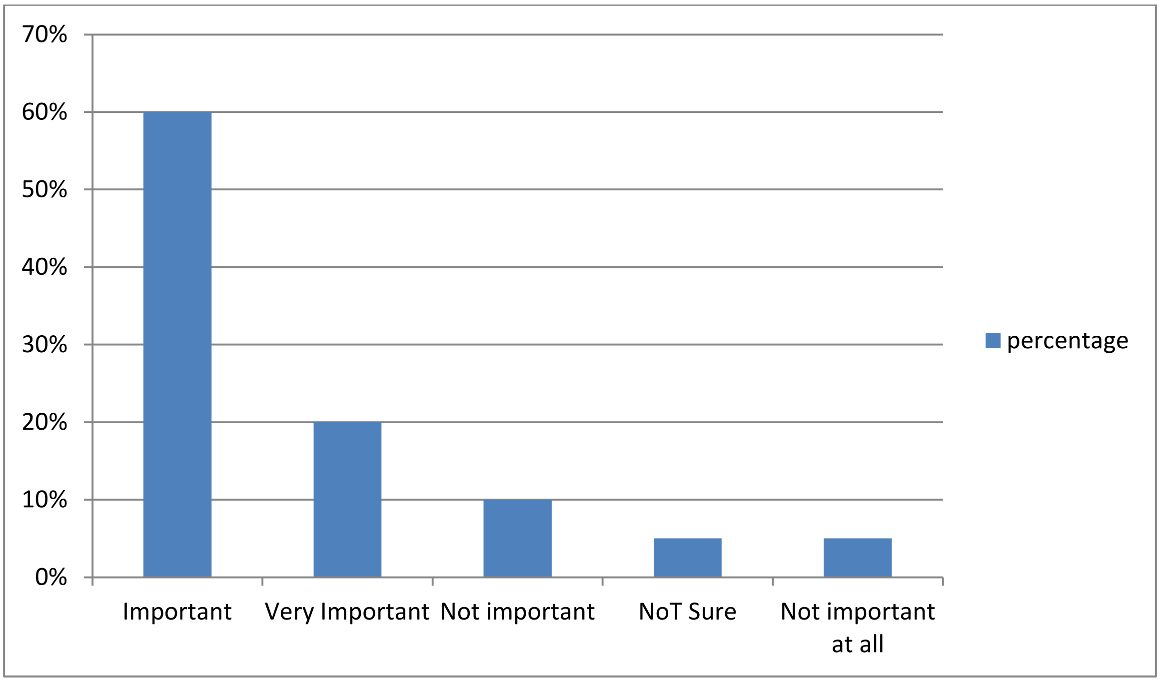
(Source: Questionnaire 2014)

Results in figure 3.7 above show that majority (70%) of the employees were of the view that incentives should be distributed equally in the organisation. Only 30% of the employees were of the opinion that incentives should not be equally distributed. The above data indicates that majority of the respondents want the incentive scheme to be distributed equally in the organisation.

3.8. Importance of the disparity in incentive payment to employees.

The figure 3.8 below illustrates how important the disparity in incentive payment is to different employees.

Figure 3.8: Responses showing how important is the disparity in incentives (n=59)



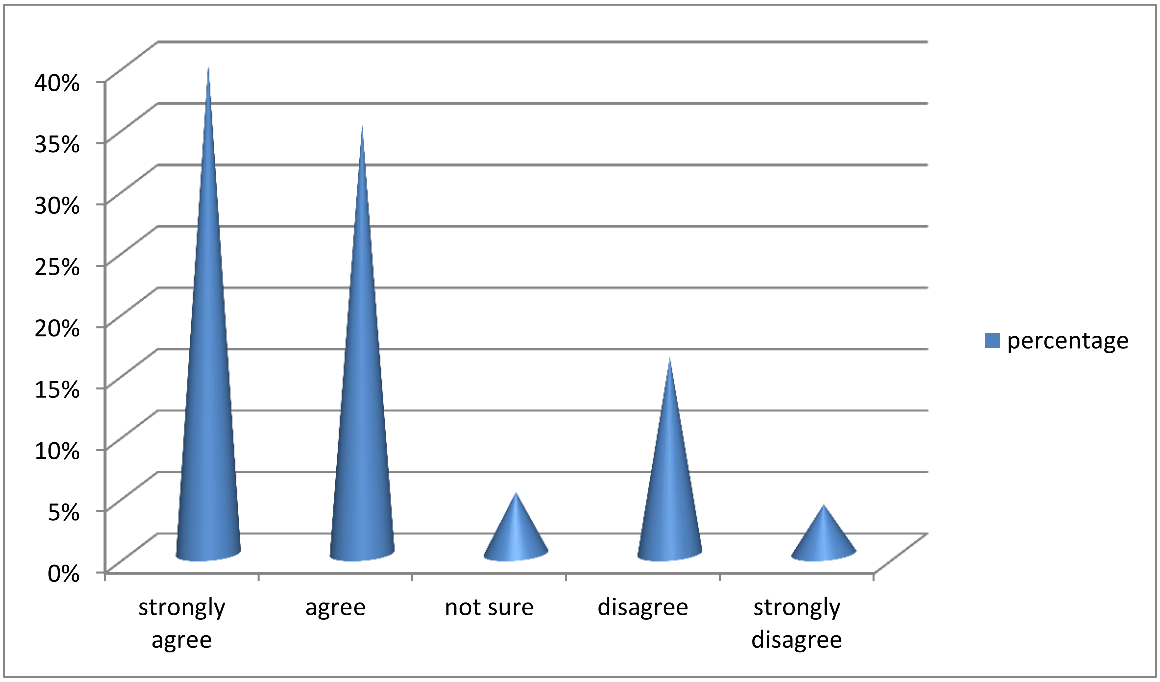
(Source: Interview Guide 2014)

The figure 3.8 above shows that the majority (60%) of the respondents considered the disparity in incentive payment to be important while 20% of the respondents stated that the disparity is very important. 10% of the respondents indicated that the disparity was not important. This has been supported by the equity theory. (Adams, 1963), which states that employees evaluate the relation of their own labour input and labour output compared to that of their colleagues. Even though having accepted a certain incentive or wage inequality as equitable because of different task requirements employees judge the difference as unfair. However, the high level of responses in the importance of the disparity shows that both employees who were receiving incentives regards that a certain gap should be maintained. If the relationship is perceived to be unfair, individuals tend to reduce their effort in order to adjust to this imbalance.

3.9. The disparity in incentives affects performance and commitment.

The figure 3.9 below illustrates if employee's agree or disagree on whether the disparity in incentive payment affects their commitment and performance to the organisation.

Figure 3.9: The responses of employees of on whether they agree or disagree that disparity in incentives affect their commitment and performance (n=59)



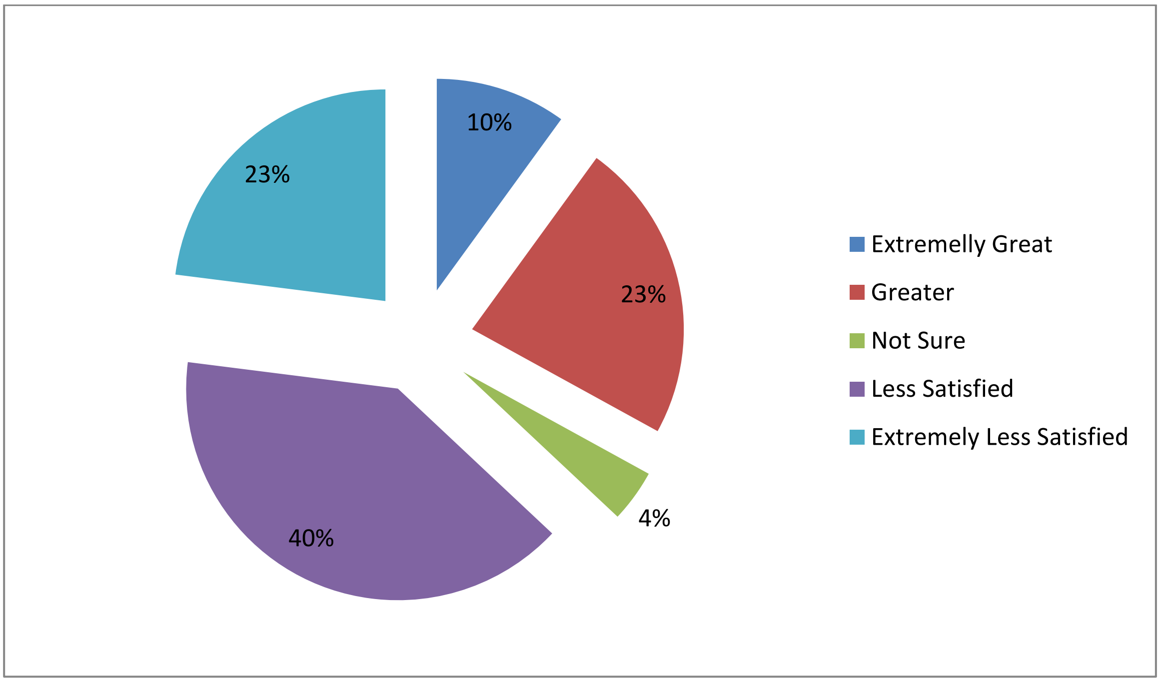
(Source: Interview Guide 2014)

Results in figure 3.9 above show that majority (75%) of the respondents strongly agreed and agreed that the disparity in incentive payment affect their performance and commitment in an organisation. Whilst 16% of the respondents disagreed, 4% strongly disagreed and 5% were not sure that the disparity in incentive payment affect their performance and commitment in organisation. According to George (1987), inequality in incentives and rewards leads to reduction of morale and ultimately affect production, commitment and performance of employees.

3.10 The extent to which employees are satisfied with the level of incentives they receive.

The figure 3.10 below illustrates the extent to which employees were satisfied with the level of incentives they were receiving.

Figure 3.10: The extent to which employees were satisfied with the incentive scheme (n=59)



(Source: Questionnaire 2014)

Results in figure 3.10 above show that majority of the respondents (63%) were not satisfied with the level of incentives they were receiving whereby 23% of this number being extremely less satisfied and 40% being less satisfied. 23% were satisfied to a greater extent and 10% were satisfied to extremely great. Whilst 4% of the respondents were not sure with the level of incentives they were receiving. This shows that the majority of the employees did not appreciated the role of the incentives scheme in motivating them as well as enhancing their welfare. This has been supported by, a study by Anderson and Schalk (2000), using the Justice Theory reviewed that 73 percent of the employees' majority of being at lower level were not satisfied with the incentive scheme.

3.11. Effects of the disparity in incentives on employees.

Table 3.11: Effects of disparity in incentives payment on employees (n=59).

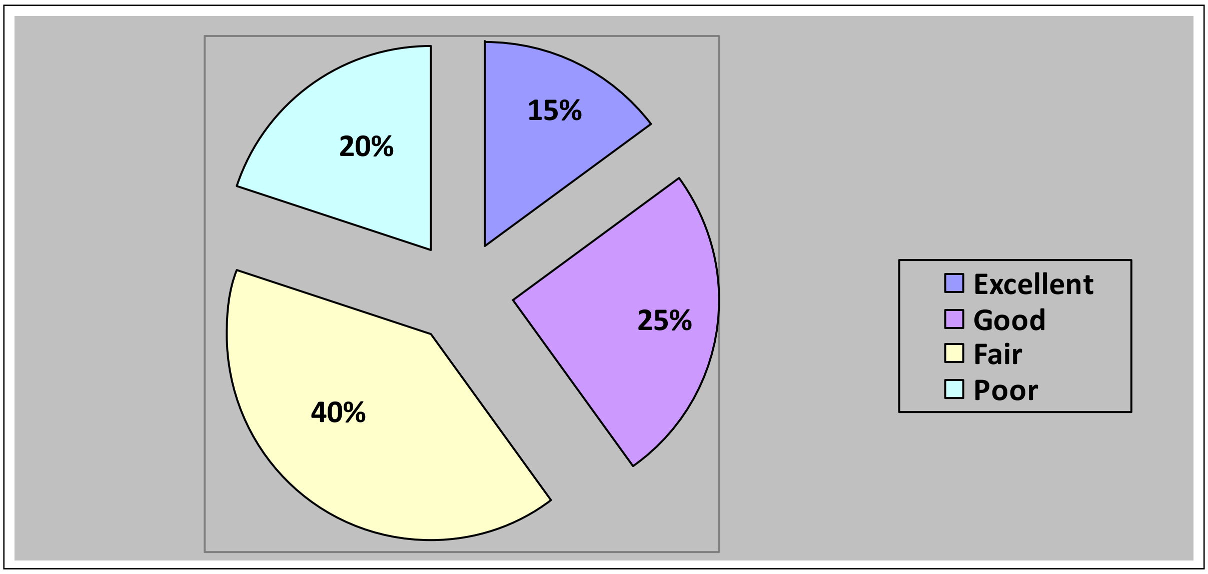
	Percentage
A) Leave any time I choose	**5**
B) Fulfil only limited duties	**14**
C) Do what I am paid to do	**12**
D) Perform only required duties	**7**
All of the above	**25**
None of the above	**31**
Total	**100**

(Source: Questionnaire 2014)

The table 3.11 above show that majority of respondents (69%) were affected by the disparity in incentives payment and thus engaged in one or all of the negative attitudes at work place. The data from interviews indicated that the possible reactions to the large disparity are to reduce future efforts, dissatisfaction or quitting due to destroyed motivation. This has been supported by Guest and Conway (2002) who posits that employees seems to react extremely sensitive levels is possibly perceived as fair because of differences in human capital or tasks.

3.12. The effectiveness of incentive scheme.

Figure 3.12: Responses showing the effectiveness of the incentive scheme to the organisation (n=59).

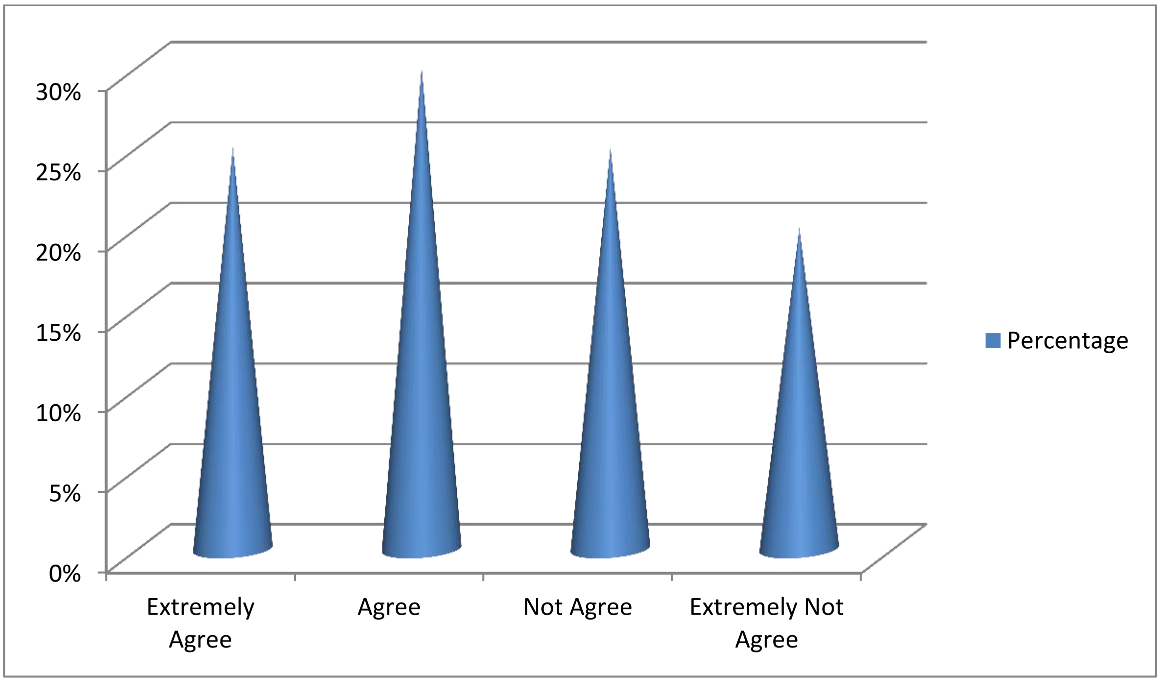


(Source: Interview Guide 2014)

The results in figure 3.12 shows that the majority of the respondents (40%) regarded the incentive scheme to be fair, 25% regarded the incentive scheme to be good, and 15% indicated that the incentive scheme is excellent. From the research it shows that the majority of the respondents rated the incentives scheme to be effective although there may be disparities in the payments. The effectiveness of the incentive scheme is measured by its ability to retain motivate, increase morale, bringing innovative ideas to the organisation, increase employee engagement and improvement in service delivery. This is similar to Pfeffer and Langton's (1993) study of 15 institutions in the United Kingdom which finds a 57.6% increase in research productivity and collaboration among college and university faculties which was achieved because of the use of incentives

3.13. How the organisation meet the expectation of employees.

Figure 3.13: How the organisation meets the expectation of employees (n=59).



(Source: Questionnaire 2014)

Results in figure 3.13 above show that the majority (55%) of the respondents indicated that the organisation fulfil its expectations to the employees to a greater extent, whereby 25% extremely and 30% agree that the organisation fulfil its expectations to the employees. Whilst 25% of the respondents did not agree and 20% extremely not agree that the organisation meets their expectations to a lesser extent. However, comparing a way the University fulfilled its obligation and the way employees fulfilled their obligation show that the exchange relationship in the employment is not fair.

3.14 Discussion of Research Findings

The research found out that the majority of the respondents 81% are full time employees. This shows that fulltime employees constituted the majority of the employees. The research finds that the incentive scheme for Midlands State University was being determined through independent pay reviews with incentives received on a monthly basis. Robinson (2002) argues that an organisation's decision to adopt a certain scheme in determining rewards policies is critical in ensuring that the organisation achieves its objectives.

The research (Figure 3.9) found that the disparity in incentives payment has an effect on majority of the employee's (69%) commitment and affects the way they fulfilled their obligation to the organisation. This concurs with Guest and Conway (2002) who argue that inequality in benefits and monetary incentives, and fairness consideration of these benefits influence human beings and lead to opposed effects such unwillingness to go an extra mile for the organisation and reduced engagement to the organisation. This has been supported by the fairness consideration theory which states that employees become unmotivated and reduce effort or even quit their jobs if they perceive to be to be paid unequally.

In addition, the research (figure 3.8) found that majority (60%) of employee's regards that the disparity has an effect on the way they fulfilled their duties hence can cause adverse effects to the employment relationship such doing reducing effort or quitting. The respondents stated that large gaps in benefits demotivated them because they use the same transport, shops and schools. Despite considerable validation, there is only limited evidence tying the disparity in incentive payment to the behavioural outcomes predicted.

The study (figure 3.9) found out that majority (75%) of employees fulfilled their different obligations to their employer despite the fact that the disparity in incentives affected their commitment to the organisation. This concurs with Robinson (2000) who posits a high level of obligation fulfilment by an employee is an indicative of a high relational aspect of their psychological contract, where there is high level of obligation fulfilment and the employee is committed to stay with the host organisation long enough. Furthermore, this study (figure 3.13) also found out that the organisation meets the expectation of employees in the organisation despite the fact that the disparity affects organisational commitment. However, the exchange relationship is not balanced with the employee obligating more that the organisation.

Summary

This chapter looked at how data was presented, analysing it and discussion. The data was presented in the form of tables, graphs and charts. The next chapter covers the summary of the research findings, conclusions and recommendations for future researches.

CHAPTER 4

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.0. Introduction

This chapter presents summary of the research findings, conclusions and recommendations of the study.

4.1 Summary of research findings

Majority (81%) of the respondents were full time employees and they received incentives. Incentives were being paid once a month and the determination was through fixed employer regulation and independent pay reviews. Majority (70%) of the respondents were of the opinion that incentives should be distributed fairly and equally.

The disparity in incentives affects commitment and performance in an organisation as noted by (75%) of the employees. The cross analysis of the link between disparity of incentives payment levels and firm commitment, and obligation fulfilment shows both a negative and positive relationship.

In addition, the research found the majority (63%) of the respondents were not satisfied with the level of incentives they were receiving. This resulted in them in engaging in negative behaviour such as fulfilling only limited duties, dismissing at any time.

The research found that the scheme has both negative and positive effects. However, the disparity in incentive payment leads to dissatisfaction. The research found that the majority of respondents were fulfilling their obligation to the organisation very well irrespective of the grade of incentives they were receiving. The research also found that MSU is meeting its obligation to the employees fairly.

4.2 Conclusions

The following conclusions were made in this research:

- Majority of the employees want incentives to be equally distributed in the organisation.
- There is a negative relationship between disparity in incentives and the way employees fulfil their duties.
- The disparity in incentive payment undermined the individual commitment to the organisation which has serious implications on the employee’s obligation.
- Despite the disparity in incentive payment, the scheme is effective and should be maintained

4.3 Recommendations

4.4 The following recommendations were made:

Based on the above results, the incentive scheme should be maintained and large disparities in incentives should be reduced to reduce negative behaviour towards work whilst retaining the current staff and motivating employees.

- For the remuneration and incentive strategy to be effective, it must be congruent with and based on, the overall strategy of the organisation.
- There is need to narrow the gap in the way incentives are to be distributed between employees in the same grades and management because the wider gap leads to negative effects, which destroy psychological contract.
- It is recommended that management consult employees before introducing and implementing the incentives schemes and working conditions, and good management practices such as performance management, appropriate communication and training programs.

- The University should establish a clear link performance and pay out. If incentives are to get individuals to change their behaviour or improve their performance, employees must see a clear link between their efforts and their incentive pay outs

- There should be a clear checks and balances system to determine whether the plan has achieved its desired results. In addition, the plan should be tied to the University's goals, such as providing fast and reliable service to stakeholders so that employees can see the link between better performance and higher incentive pay outs.

- The University should link the incentive scheme with strategy of the organisation and ensure that effort and rewards are directed related.

4.5 Recommendations for future research

Whilst acknowledging the incomplete nature of the information base on the impact of the disparity in incentives payment on the psychological contract of employees. Future studies should analyse whether disparity in the distribution of non-financial incentives affect the levels of employee engagement which is a closer aspect of the psychological contract and how this affect performance appraisal and service provision of employees.

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APPENDIX 1: INTRODUCTORY LETTER AND QUESTIONNAIRE

My name is **Jabulani Mbanga**, a student at **Midlands State University** studying Bachelor of Science Degree(Honours) in **Politics and Public Management.**

I am carrying out a study on **the impact of the disparity in incentive payment on the psychological contract of employees the case study of Midlands State University.** The information gathered will be purely used for academic purposes and your responses will be treated as confidential, so feel free to complete this questionnaire. Your co-operation will be greatly appreciated.

Please read the following instructions:

Tick the appropriate or fill in the space provide

QUESTIONNAIRE

1) Are there any incentives provisions in the organisation (MSU)?

Yes ☐ No ☐ Not sure ☐

2) What determines the incentive scheme at Midlands State University?

Unilateral employer regulation ☐ Fixed Employer Regulation ☐ Independent Pay Review ☐ Collective Bargaining ☐

3) What is your employment status?

Full Time ☐ Part Time ☐ Contract ☐

4) When are incentive earned?

Monthly ☐ Weekly ☐ Fortnight ☐

5) What grade of incentive do you receive?

High ☐ Low ☐ Lowest ☐ None ☐

6) Should be incentives distributed equally?

Explain why,

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7) How does the disparity in incentive affect the performance and commitment of employees?

Explain why,

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8) To what extent are the employees satisfied with the incentive scheme?

Extremely great ☐ Great ☐ Extremely less ☐ Less ☐

9) What are the effects of the disparities in incentives on employees?

Give reasons for your answer,

……………………………………………………………………………………………………

10)How does the organisation meet the expectation of employees?

Explain why,

APPENDIX 11: INTERVIEW GUIDE

Human Resources Department's Interview Questions.

How do you view the incentive scheme at MSU?

How do you feel about the disparity in the incentive scheme?

Work Related Learning Department Interview Questions

Briefly explain how does the disparity in incentives payment affect you at the workplace?

Do you view the incentive payment scheme is effective?

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