

Psychological contract and employee commitment in South African Local Municipalities: The mediating role of intrinsic rewards

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ABSTRACT

Changes are constantly happening in the workplaces, inter-alia due to the increase in technology and changes in bettering management skills. Municipalities have been failing return skilled staff and integrate employee commitment; signifying the presence of problems in employee - work relationship through perceived fulfillment of obligations between the employee and employer. Underlying mediating factors between the concept psychological contract and employee commitment in local municipalities remained unexplored. It was against this background this study examined the relationship between psychological contract and employee commitment and mediating role of intrinsic rewards.

Study followed a descriptive cross-sectional survey where 250 participants who were available during data collection were included using total population sampling. Questionnaire employed was self-administered. A significant relationship between relational psychological and intrinsic rewards (Regression coeff = 0.1905, $p= 0.0096$) was observed. Likewise, a significant relationship was observed between intrinsic rewards and transactional psychological contract (Regression coeff = 0.1820, $p = 0.0104$). This means that both transactional and relational psychological contract had significant impact on intrinsic rewards. However, intrinsic rewards had no mediating effect on the relationship between psychological contract and employee commitment.

Results of this study were quite unique in the sense that no other study in literature has reported similar results where both constructs of the psychological contract (relational and transactional) having no significant impact on employee commitment. Results of this study could be unique because the study was conducted in an African context which is a non-Western context (where the data collection tools were developed and validated) and because of this, the study is among the few studies which offer insights into the psychological contract, employee commitment and intrinsic rewards within the African context. This study was conducted at a time when the selected municipality was facing serious challenges associated with the amalgamation process which include among others high turnover rates.

KEYWORDS: Psychological contract, employee commitment, intrinsic rewards, municipality.

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CHAPTER 1

THE CONTEXT OF THE STUDY

1 Introduction

Changes are constantly happening in the workplaces because of the technology, increasing competitive market and changes in bettering management skills, the biggest issue is for organisations to gain committed employees, service delivery in general, as perceived by communities, is a serious dilemma for most South African local municipalities. The psychological contract has been widely researched and found to have a strong impact on employment relations. Rousseau among others has recently been one of the leading pioneers to develop on the concept of the psychological contract to how it is now understood as a the experience of employee and employer terms and conditions of a mutual exchange contract and obligations through perceived promises made in the reciprocal employee-organisation relationship, These mutual responsibilities permit employees to adjust to organisational life and thus lower uncertainties that may lead to lower employee commitment (Ejimonyeabala, 2014:1). A lot of studies have been done on has been done on the psychological contract and employee commitment, however much has not been done on organisational literature in linking the relationship between Psychological contract and employee commitment and investigating the mediating role of intrinsic reward on employees.

Therefore, the purpose of this study was to investigate the relationship between the psychological contract and employee commitment. Likewise, it investigated the mediating role of intrinsic rewards in selected South African municipalities. The study followed a quantitative approach in data gathering and analysis. The chapter presents the background of the study, the problem statement, research questions, research objectives, research methodology and the importance of the study. The chapter further outlines and describes the key terms and the limitations of the study.

1.1 Background

With the heightened need to retain excellent staff within organisations, it is crucial to have an understanding of the relationships which the employers develop with their employees (Bordia *et al.*, 2017:1448). This will in turn enable the employers to come up with strategies that encourage favourable workplace outcomes for instance, employee

commitment (Rees *et al.*, 2013:2781). Employee commitment is indispensable for employers to operate successful organisations (Walker, 2013:31). Employment refers to a relationship, in which employees provide their services to organisations, and are rewarded for services offered (Bosch, 2004:289). One of the fundamental aspects concerning to this exchange relationship is that there has to be mutual benefit (Rees *et al.*, 2013:2781). This implies both the employer and the employee have expectations that one party mutually responds to another party for services rendered or resources given. As an important principle underlying exchanges and the employment relationship, the norm of mutual benefit also plays an important part in predicting employees' commitment (Walker, 2013:31). The framework that has been widely used to study the perceived relationship between the employer and employee is psychological contracts (Callea *et al.*, 2016:399; Van den Heuvel *et al.*, 2015:401). Lately there has been renewed interest in the concept of the psychological contract in an effort to describe, comprehend and predict outcomes related to changes taking place in employment relationships (Callea *et al.*, 2016:399; Van den Heuvel *et al.*, 2015:401).

According to Rousseau (1989:123), psychological contract refers to an employee's beliefs concerning the terms and conditions of a mutual exchange contract between the employer and employee. These mutual responsibilities permit employees to adjust to organisational life and thus lower uncertainties that may lead to lower employee commitment (Ejimonyeabala, 2014:1). In a study that was done in China by Feifei Chen *et al.*, (2015:29), concerning the impact of the psychological contract on employee commitment it was reported that both contentment with pay and contentment with intrinsic rewards from the supervisor significantly predicted employee commitment. Several studies have also associated intrinsic rewards to employee commitment (Ajmal *et al.*, 2015:461; Shields *et al.*, 2015:239; Nazir *et al.*, 2016:596). Intrinsic rewards refer to the impetus given to the employee to work for their personal fulfilment. Employees who are intrinsically motivated may value and are stimulated by work which they perceive to be important to their organisation (Jacobs *et al.*, 2014:2); they also execute their duties for the interest and enjoyment that the job provides and they naturally perform at relatively high levels (Makki & Abid, 2017:38). Ajmal *et al.*, (2015:463) adds that intrinsic rewards are not physical and non-cash rewards. For instance, employee acknowledgement, professional development, autonomy, respect, promotion and appreciation (Ajmal *et al.*, 2015:463). However, it appears that the relationship between

the psychological contract and employee commitment and the mediating role of intrinsic rewards remains unexplored.

The psychological contract has hitherto been used in the analysis of the ever-changing work relationship (Manxhari, 2015:231). Rousseau (1989:125) was among the first scholars to define the psychological contract "*an individuals' beliefs regarding the terms and conditions of a reciprocal exchange agreement key issues here include the belief that a promise is been made and a consideration offered in exchange for it*". Considering organisational changes are constantly occurring, it becomes uncertain as to what employee or employer really owe each other, hence it becomes difficult to fulfill commitments (Karagonlar *et al.*, 2015:40). Consequently, there is an increased probability of misunderstanding and the psychological contract is not fulfilled (Restubog *et al.*, 2015:1132).

According to Rousseau (1995), the psychological contract has two components i.e. transactional and relational. Transactional contracts are directed toward material benefits for both the organisation and the employee (Guest, 2016:140). In this case, the requirements of the job and expectations are plainly outlined before getting into the contract and to calculate the costs and benefits (Zhou *et al.*, 2014:217). On the other hand, relational contracts are premised on social; or emotional and non-monetary exchanges which are vivid, not time bound and are subject to people's beliefs and perceptions (Lu *et al.*, 2016:10). Relational contracts are based on intrinsic rewards for instance trust, respect and devotion (Wang *et al.*, 2017:22), which require significant efforts by both the employer and employees (Guest, 2016:145). The relational contract is of paramount importance and organisations are increasingly investing in improving their employees to enhance employee commitment among other factors (Guchait *et al.*, 2015:290).

Employee commitment is one of the important factors affected by psychological contracts and has hitherto been defined and measured in many different ways (Albdour & Altarawneh, 2014:190). The absence of consensus in defining the term has contributed significantly to it being considered as a multifaceted construct (Anttila, 2015:3-6). Even though different dimensions of commitment exist, there is a core essence that characterises it i.e. a force that directs a person's behaviour. This study will therefore make use of Lam *et al.*, (2015:201)'s definition which describes employee commitment as a perception or belief regarding the acceptance of organisational goals

and objectives as their own. Committed employees fully accept organisational goals and values to remain attached with their organisation.

According to Kiilu (2017:45) commitment could be influenced by various forms of incentives. Ajmal *et al.*, (2015:461) adds that there is relationship between commitment and the rewards system. In a study that was done by Kumar *et al.*, (2016:94) in India; it was reported that intrinsic rewards were indispensable integrating commitment in employees. Several studies have also reported that organisations which provide opportunities to employees by their performance for the recognition and acknowledgement as rewards are less affected by employee turnover as employees get emotionally attached with their organisation (Mgedezi *et al.*, 2014:2119; Ngcobo, & Naidoo, 2015:19; Mishra & Mishra, 2017:31; Victor & Hoole, 2017:1). According to Koskey and Sakataka (2015:36) when organisations are supportive, their employees become more committed due to the social recognition which they are given.

1.2 Problem statement

Most of public sector organisations lack skilled and qualified employees to perform their duties efficiently and effectively some of employees are not committed to their organizational goals. This challenge is also common even at local municipality level in South Africa. The amalgamation of Tlokwe and Ventersdorp local municipalities into JB Marks municipality has been failing return skilled staff and integrate employee commitment (Van der Waldt, 2014:858); signifying the presence of problems in the employee - work relationship through perceived fulfillment of obligations between the employee and employer. This situation challenges on the status quo of the psychological contract within the local municipality for there is need to recognise that employees are the chief drivers of service delivery in local municipalities.

Even though efforts should be made to develop an expedient employment relationship premised on an ideal psychological contract essential for employee commitment; the underlying mediating factors between the concept psychological contract and employee commitment within the local municipality remain unexplored. Previous studies on employee commitment and psychological contract have established a direct association between the two concepts (Van Elst & Meurs, 2016:39; Quratulain *et al.*, 2016:1; Pradhan, Jena & Pradhan, 2017:18); nonetheless the actual pathway of the resulting outcome remains unclear, thus presenting an opportunity to further investigate the underlying mediating factors between these concepts. Huang (2015:31), adds that

discourse on commitment and motivation in organisational psychology has somewhat evolved independently. It is against this background this study will examine what relationship exists between psychological contract and employee commitment and mediating role of intrinsic rewards in selected South African municipalities.

1.3 Rationale of the study

The study sought to explore and describe the relationship between the psychological contract employee commitment and intrinsic rewards within local municipalities in South Africa. It had been noted that local municipalities had been failing on employing skilled and qualified staff and to integrate employee commitment; suggesting the existence of problems in the employee - work relationship through perceived fulfillment of obligations between the employee and the municipalities.

This study therefore explored the impact of the psychological contract and intrinsic rewards on employee commitment which is indispensable when it comes to service delivery. The findings will play a crucial role in paving ways to enhance employee commitment in local municipalities. The findings could guide municipal managers to regard their organisation's psychological contract and intrinsic rewards as a dimensional phenomenon which have a combined relationship to employee commitment. Ultimately the study adds to the body of knowledge of psychological contracts and intrinsic rewards in so far as they relate to employee commitment. The study is unique as it specifically investigates how the psychological contract and intrinsic rewards simultaneously affect employee commitment. Previous studies that have been done on the psychological contract and employee commitment investigated the mediating role of extrinsic rewards not intrinsic rewards.

1.4 Main objective

The primary objective of this study was to investigate and describe the relationship between the psychological contract and employee commitment. Likewise, the study will investigate the mediating role of intrinsic rewards in a selected municipality in South Africa.

1.4.1 Secondary objectives.

1. To determine the relationship between psychological contract and employee commitment.

2. To explore the mediating role of intrinsic rewards and the relationship between the psychological contract and employee commitment.
3. To explore the relationship between the psychological contract (predictor) and intrinsic rewards (mediator)
4. To explore from literature, the relationship between psychological contract and employee commitment with intrinsic rewards as a mediator.

1.5 Demarcation/delimitation of the study

The municipality is listed under Category B and is located in Dr Kenneth Kaunda District, North West Province, South Africa. It takes up approximately half of the district's geographical area. The total population of the municipality employees is 1200. Approximately 67 % of the population in the municipality is composed of the age group between 18-64 years.

The study will focus on four (4) department namely Finance, corporate service, Housing and Community service of local government municipality employees.

1.6 Research outline

Chapter 1: General background, problem statement and research methodology.

This chapter outlines the general background of the study, the problem statement, research aims and objectives, methods of data gathering and analysing and ethical considerations.

Chapter 2: Literature review.

This chapter gives a comprehensive review of literature. It will also give insight to the problem under investigation through analysing findings from other studies on a similar topic.

Chapter 3: Research Methods.

This chapter gives a description of the methods used to answer the research objectives of the study. It also gives a description of the limitations of the study and the ethical considerations followed.

Chapter 4: research results and discussion.

This chapter will describe the study results in detail.

Chapter 5: Evaluation of study, conclusion and recommendations.

Finally, this chapter gives an evaluation of the research and recommendations, conclusions and limitations of the study.

1.7 Summary

This chapter was basically the motivation to what made the researcher conduct this particular study. It also describes in detail the methods used to answer the research objectives. The following chapter outlines the state of knowledge with regards to the key-concepts used in this study: Psychological contract, employee commitment and intrinsic rewards within the South African context as well as from a regional and global perspective.

CHAPTER 2

LITERATURE REVIEW

2 Introduction

This chapter provides the state of knowledge with regard to the key-concepts used in this study. The relevance of this chapter is to provide the research context and illustrate how the current study fitted within the grand scheme of studies that were done on Psychological contracts, employee commitment and intrinsic rewards. The chapter also highlights the gaps in the field as identified what has been done, where and how it was done. This literature review enabled to generate ideas during the process, as the researcher realised the gaps in the investigation and got a fuller, more holistic view of the subject area.

2.1 Defining the construct Psychological Contract

In the human resources literatures, one of the first scholars to come up with the idea of the psychological work contract was Argyris (1960). This came about when Argyris was trying to describe what he observed as the mutual respect between the work supervisor and employees (Schein, 2015). Argyris reported that work supervisors who had experienced informal organisational culture norms before being promoted to their supervisor positions tend to support their subordinates' informal cultures as well. During the same period Levinson *et al.*, (1965:370) described the relationship that he observed between employers and employees and also named it the psychological contract. According to Levinson (1965:370) employees perceive several implied and unexpressed expectations from their employer. The scholars then defined the psychological contract as a series of mutual expectations of which the parties to the relationship may not themselves be even dimly aware but which still govern their relationship to each other" (Levinson *et al.*, 1962:21).

Towards the close of the 1980s' there was renewed interest amongst scholars in the concept psychological contract. This was due to the changes in the economy which required a new people focused management approach (Dundon *et al.*, 2014:21). Rousseau (1989:1990) then presented a refined definition of the psychological contract, indicating that the concept was widely misunderstood. According to Rousseau the psychological contract involves beliefs and perceptions about the relationship, as viewed by the employer or employee. In addition to this Rousseau (1989;1990)

mentioned that the psychological contract has a promissory characteristic. Rousseau and Tijoriwala (1998:679) contended that psychological contracts do not necessarily involve expectations, as some expectations are not contractual. For instance, a newly appointed employee may expect an increase in salary after a short period of time because the same happened in their previous appointment. Nevertheless, if this expectation is not contractually implied by the new employer, it is not included in the psychological (Robinson & Brown, 2004:308). By the same token, obligations do not necessarily hold the same contractual agreement as promises (Roehling, 2008:261). For instance, an employee may believe that their employer has an obligation to offer flexible work times because it is common practice in that particular industry. But if the employer did not promise that directly to the employee, the obligation cannot be part particular psychological contract (Rousseau & Tijoriwala,1998:679).

Over the years different definitions of the concept psychological contract have emerged and this can be alluded to the fact that different researchers defined psychological contracts in a way that best suits their study. However, for the purpose of this study the researcher will make use of the most recent definition by Rousseau (2010:191), which is “*an individual’s system of beliefs, based on commitments expressed or implied, regarding the exchange agreement with another.*” According to Rousseau *et al.*, (1995) and Shields (2007) the psychological contract has four components namely: *transactional, relational, balanced and transitional*. *Transactional* contracts are directed toward material benefits for both the organisation and the employee (Guest, 2016:140). In this case, the requirements of the job and expectations are plainly outlined before getting into the contract and to calculate the costs and benefits (Zhou *et al.*, 2014:217). On the other hand, *relational* contracts are premised on social; or emotional and non-monetary exchanges which are vivid, not time bound and are subject to people’s beliefs and perceptions (Lu *et al.*, 2016:10). *Relational* contracts are based on intrinsic rewards for instance trust, respect and devotion (Wang *et al.*, 2017:22), which require significant efforts by both the employer and employees (Guest, 2016:145).

Rousseau (1989) also identified *balanced* contracts as a combination of transactional and relational promises and obligations. Even though transactional and relational contracts do appear, on initial assessment as opposite constructs, the notion of *balanced* contracts, and other sources, indicates that in most cases employees have both relational and transactional contracts. The *transitional* contract, has been

recognized in situations where the employer has to alter the terms of the contract in order to respond to an emergency (Shields, 2007). However, for the purpose of this study focus was on the relational type because it is hypothesized that it has a mediating role the relationship between the psychological contract and employee commitment.

2.3 Forms of psychological contract

According to Shields (2007) *transactional* focus on short-term economic exchanges between the parties that employee perform at an excellent rate for whatever length of time that is required and the employer will give the employee the energising work and chances to build up his/her human capital and employability. *Transitional* reflect a breakdown of the solid agreement between parties and such arrangement often occur in unstable situation such as scaling down. *Relational* focus on long-term exchanges that include social and symbolic aspects and depending on employee loyalty and length of service. *Balance* are variable combination of the open minded time frame and mutual concern associated with relational contracts and the performance demand clear expectations associated with transactional contracts.

2.4 Psychological contract framework

Psychological contracts are affected by several actors (Aggarwal & Bhargava, 2009:11). Figure 2-1, shows a framework of understanding employment relationships based on the psychological contract.

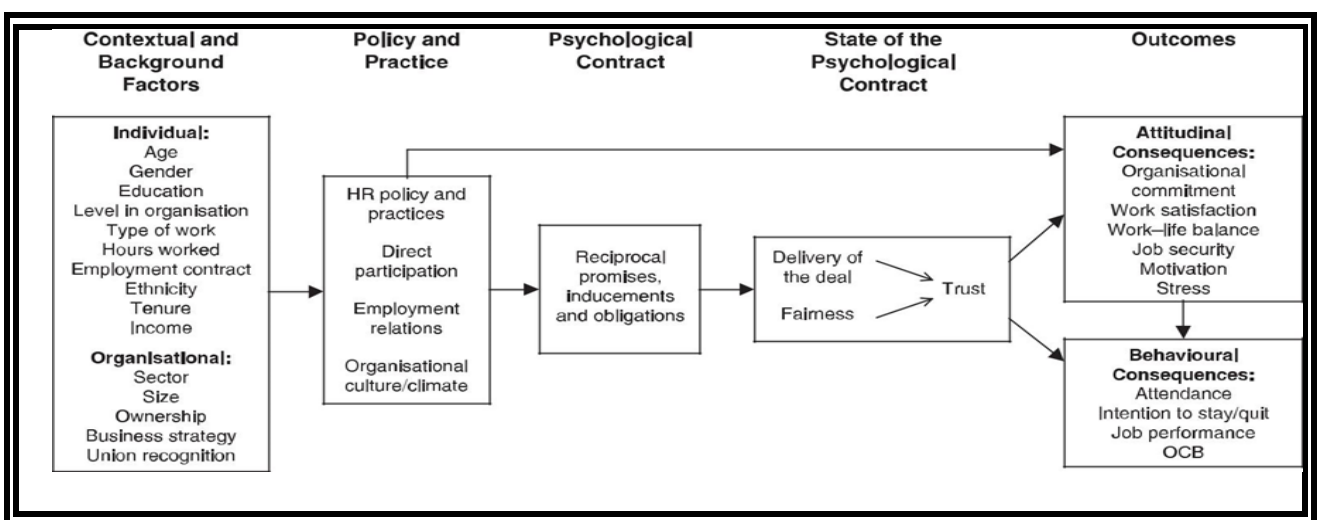


Figure 2-1: A model for applying the psychological contract to the employment relationship. Source: (Guest, 2004).

The psychological contract provides a broad analytic framework for exploring the relations within organisations (O'Donohue *et al.*, 2018:329). The psychological contract

can be used as a central organising concept where focus remains on employment relationships and the concerns of employees in a context where employees' concerns are often ignored. In addition to the psychological contract Guest's (2014) framework provides, contextual factors and policies that influence employment relations. Some of the contextual and background factors associated with the psychological contract include:

Gender: According to Vasi (2017) gender is one of the factors affecting the psychological contract. The general assumption is that women are significantly different from men in terms of their interface with their place of work (van der Heijden & Peters, 2011). Normally when women interface with the work environment they do so usually in short terms (transactional) because women tend to derive their social identity from other, more crucial, sectors of their lives for instance motherhood (Freese & Schalk, 1996). In some cases, women are regarded as "organisational liabilities" due to the fact that their priorities sometimes lie elsewhere, and do not entirely depend on their organisation as a source of identity or main source of income. On the other hand, men could be the opposite of women. In a study that was conducted by Freese and Schalk (1996). It was reported that most male employees were unhappy with opportunities for personal development as related to their female counterparts. This implies that men interphase with their workplace more on the long term (relational) basis.

Age: Aging can also affect the psychological contract (Bal, 2017:57) The aging process is linked to several changes, including changes in personality, organisational experiences, and psychosocial perceptions (Walker *et al.*, 2016:1059). According to Vantilborgh *et al.* (2015:107), the older an employee become, the more different they become from their colleagues. This implies that older employees will likewise become more different from each other and therefore show more complex patterns related to organisational experiences, including psychological contract. A study conducted by Kraak *et al.* (2017:107) indicated a significant difference in perceived fairness because of age.

Personal experiences: In addition to age, an individual's experience can also influence the psychological contract. According to Singh (1998) an individual's previous experiences can influence their attitudes and behaviour at work. This could encourage employees to focus on their personal goals instead of those of the organisation.

Hierarchical levels: Hierarchical levels within an organisation have been found to influence psychological contract (Martin *et al.*, 1998:20). People in management positions tend to have relational contract with the organisation compared to auxiliary staff. Martin *et al.* (1998:20) adds that white-collar workers normally have different expectations and training needs compared to the blue-collar workers. Martin *et al.* (1998:20) also reported in their study that while blue-collar employees' capacity development needs were associated with a desire to remain committed to their organisation, white-collar employees perceived capacity building as a means of improving their skills for them to become more marketable to other organisations

2.5 Employee commitment

Employee commitment is one of the imperative factors linked to psychological contracts and has also hitherto been defined and measured in many different ways (Albdour & Altarawneh, 2014:190). The absence of consensus in defining the term has resulted in the construct being considered as a multifaceted (Anttila, 2015:3-6). Even though different dimensions of commitment exist, there is a core essence that characterises it i.e. a force that guides the way one behaves. Lam *et al.*, (2015:201) described employee commitment as a perception or belief regarding the acceptance of organizational goals and objectives as their own. Committed employees fully accept organizational goals and values to remain attached with their organization.

According to Lee *et al.*, (2017:75), employee is perceived to be committed if they are found to be doing their work with consistency, effortlessly and with loyalty to the organisation. Commitment is mostly viewed as some sort of reflection of an employee's emotion through voluntary participation in work responsibilities (Meyer *et al.*, 2014).

2.6 Psychological contract and employee commitment

According to Mitonga-Monga *et al.*, (2018:8) a workers' readiness to commit to an organisation has been reported to be based on the congruency between the both the employer and employee's expectations. There likewise should be mutual expectations in respect to the exchange of relationships constructs the psychological contract with the system (Solinger *et al.*, 2016:494; Gupta *et al.*, 2016:2806). This sort of agreement remains as an unwritten understanding between the employer and the employee making a mutual beneficial opportunity (Kraak *et al.*, 2017:108; Bordia *et al.*, 2017:1447) reflecting the degree to which the employee relates to the organisation's vision and is

dedicated to understand its main goal and objectives. There are two types of contracts that occurs in organisational businesses: (i) *transactional contract* which entails fulfilment of short term objectives through employing people under short term basis paying high wage rates (Yang *et al.*, 2017, Vantilborgh *et al.*, 2014:217) and is described with the absence of organisational commitment (Gardner *et al.*, 2015:933) (ii) relational contract creates long lasting relationship of workers with their employers and depended on socio-emotional aspects for example trust, responsibility and commitment (Pate & Scullion, 2018:1402). The quality of the psychological contract is based on how far the employees trust that their organisation is meeting its apparent commitments well beyond the formal drafted contract of work.

Subsequently, it is assumed that this type of contract goes about as an imperative component for encouraging employee's commitment, elevating motivational levels, achieving work fulfilment and giving a feeling of professional stability (Callea *et al.*, 2016:399; Guchait *et al.*, 2015:290). Psychological contract is a conviction for tolerating the shared responsibility among employees and the organisation and is a fundamental element of directing the characteristics of organisational life (Costa & Neves, 2017:375). It is assumed that the fulfilment of the psychological contract may lead towards better commitment; decreasing employee turnover and also improving the mental wellness health of the employees (Van der Vaart *et al.*, 2015:32). In employment relationships an employee can contribute wholeheartedly for the organisation if their needs are put into consideration by the employer (Vanhercke *et al.*, 2014:592; Guest, 2016:137). This underscores some kind of role reciprocity highlighting the effect of expected fulfilment of employee-employer (Alcover *et al.*, 2017:4).

In the event that a worker can get reasonable treatment from their employer in addition to reasonable remuneration for the service rendered they are found to stay steadfast and committed to their employer (Saqib *et al.*, 2015:158; Nazir *et al.*, 2016:596, Kokubun, 2017:1). According to Anggraeni *et al.* (2017:1-2) a fair psychological contract is fundamental for a continuing, good relationship amongst the employee and the organisation. In any case, a more recent study by Li and Chen (2018:1) pointed that employees are some way or another cynical about their organisations fulfilling the promises made when joining the organisation. In another study that was done by Ballou (2013) it was reported that approximately 26% of employees are disappointed by their employers. The employees reported that their employers had failed significantly to

provide amongst other services health benefits and professional development opportunities. This breach of the of psychological contract has been reflected previous studies to be associated with decrease in employee commitment (Li *et al.*, 2015:55; Garcia *et al.*, 2018:326). Salin and Notelaers (2017:255) also added that, breaching of the psychological contract can result in intention to leave the organisation. Strategies to retain skilled employees can help in the identification of the underlying determinants that can motivate employees (Rathi & Lee, 2015:254). It has also been reported that the manner in which employees perceive the psychological contract is an integral part for understanding the significance of retention factors in an employment contract (Guchait *et al.*, 2015:290). Therefore, psychological contract stands as a relevant construct to investigate and describe the relationship between the psychological contract and employee commitment including the mediating role of intrinsic rewards.

2.7 Intrinsic rewards

In this study, mediating factors that will be explored are the intrinsic rewards. According to Renard and Snelgar (2016:209), intrinsic rewards refers to the motivation that comes from within an individual. An individual who is motivated intrinsically works for their own satisfaction and tend value challenging work they see as meaningful to the organisation. Intrinsic rewards include: achievement, empowerment, meaningful work, challenge etc. According to Aimal *et al.*, (2015:2), intrinsic rewards increase an employee's self-confidence and ultimately commitment. Intrinsic rewards are attained from the job itself and other factors like self-direction, accountability, diversity, ingenuity, capability etc. According to Dagenais-Desmarais (2018:147), intrinsic rewards can instil hard work and quality results are realised when employees are proud of what they do, believing their hard work is benefitting the organisation, finding what they do meaningful.

2.7.1 Meaningful work as part of intrinsic rewards

Employees want to feel the significance of what they are trying to achieve within their organisation (Hoole & Hotz, 2016:1). They want to know that they are meaningfully contributing to their organisation. They would want to feel that what they are contributing is important in the grand scheme of things. It is imperative that employees have a purpose and direction and feel what they are engaged with is worth giving their time (Hoole & Hotz, 2016:1).

2.7.2 Empowerment as part of intrinsic rewards

According to Ajmal *et al.*, (2015), due to the increase in global competition employees nowadays are empowered to make decisions on behalf of their companies. Within the context of intrinsic rewards, employees must be given the autonomy to make decisions on how to achieve the organisational goals and to execute tasks important to them. Human resource practice has widely recognised the ability of empowerment to intrinsically motivate employees and create a complete rewarding work environment (Victor & Hoole, 2017:1). Hanaysha (2016:298), found out in their study that employees who empowered increase their commitment as they tend to use their expertise to meet organisational goals.

2.7.3 Flexible work environment as part of intrinsic rewards

According to Beckmann (2016:1), flexible working hours can help in maintaining skilled human capital among other things by boosting their efforts, and reducing absenteeism. Giovanis (2018:51) adds that flexible working hours affects motivation in forms of productivity to the employees. Flexible working hours can significant affect performance, autonomy and motivation.

2.8 The mediating role of intrinsic rewards

It is evident from literature that there is a direct link between employee commitment and psychological contract (Van Elst & Meurs, 2016:39; Quratulain *et al.*, 2016:1; Pradhan, Jena & Pradhan, 2017:18); on the other hand, the actual pathway of the resulting outcome remains unclear, thus presenting an opportunity to further investigate the underlying mediating factors between these concepts. Huang (2015:31), adds that discourse on commitment and motivation in organisational psychology has somewhat evolved independently. It is against this background this study explored the relationship exists between psychological contract and employee commitment and mediating role of intrinsic rewards in selected South African municipalities.

2.9 The reward system in South African municipalities

According to Bwowe and Marongwe (2018:9) South African municipalities rely to a large extent on the traditional methods of compensation where compensation is predominantly base salary and employee benefits. The challenge with type of reward system is that it does not communicate or encourage strategic business priorities and it is not flexible (Bwowe & Marongwe, 2018:9). Traditional reward systems are premised

on nature of contract, entitlement and internal equity. In the event that municipalities implement a total reward approach, it can lead to a well-structured reward system, that can increase employee commitment (Suma & Lesha, 2013).

2.9.1 Psychological contract and employee commitment with South African local municipalities

Following the restructuring of local municipalities in South Africa; municipal employees have had to adapt to enormous changes that were occurring. They had to experience policy changes, processes and legislation which governs over the functions of municipalities. Consequently, the municipal employees had to establish new employment relationships and acclimatise to new systems, organisational culture and perform new roles, all demanding the advancement of their current skills (Linde & Maritz, 2013:353) The municipalities have also been failing return skilled staff and integrate employee commitment (Van der Walddt, 2014:858); signifying the presence of problems in the employee - work relationship through perceived fulfillment of obligations between the employee and employer. This situation challenges on the status quo of the psychological contract within the local municipality for there is need to recognize that employees are the chief drivers of service delivery in local municipalities. Even though efforts should be made to develop an expedient employment relationship premised on an ideal psychological contract essential for employee commitment; the underlying mediating factors between the concept psychological contract and employee commitment within South African municipalities remain unexplored.

2.10 Conclusion

The chapter provided the state of knowledge with regard to the psychological contract and employee commitment. It also gave an overview of the reward systems used in the municipalities. The rationale of the chapter was to provide the research context and show how the current study fitted within the grand scheme of studies that were done on the key concepts of the study. The following chapter will discuss the research methodology that was employed to systematically answers the research questions of this study.

CHAPTER 3

RESEARCH METHODS

3.1 Introduction

This chapter gives a description of the methods used to answer the research objectives of the study. It also gives a description of the limitations of the study and the ethical considerations followed.

3.2 Research paradigm

This study followed a positivism approach. This is a philosophy that follows the view that only “truthful” information obtained by means of observation and measurements, is trustworthy (Aliyu *et al.*, 2014:75). When following this approach, the role of the researcher is limited to data gathering and interpretation in an objective way. In this type of study, the findings are observable and quantifiable (Stage & Manning, 2015:30).

3.3 Research methods

The research methodology refers the research design and research methods, and the way in which the research phenomenon will be approached and systematically explored (Panneerselvam, 2014:20). This study is quantitative in nature and the researcher used self administered questionnaires to collect data. The approach was suitable for this research because it quantifies data and generalise results from a sample to the population of interest it's also measured the incidence of various views and opinions of the chosen sample. (Creswell, 2014).

3.4 Research design

The study followed a descriptive cross-sectional survey because it enables the simultaneous assessment of the research outcome (employee commitment) and exposures (psychological contract) as well as the mediating factors (intrinsic rewards). In order to answer the research questions (Creswell & Creswell, 2017:145).

Cross-sectional study- this study us a research tool used to capture information based on data gathered for a specific point and time. (Botma *et al.*, 2010)

3.4.1 The advantages of cross-sectional study include:

- Capturing of specific point in time, to prove and/or disprove assumptions, not costly to perform and does not require a lot of time, the date can be used for

various types of research and many findings and results and it can be analysed to create the theories or in depth research, it also contains multiple variables at the time of the data snapshot.

3.5 Target Population

The target population consisted of 1200 employees within a local municipality in Dr Kenneth Kaunda District, North-West Province (JB Marks annual report, 2016/2017:127). This includes employees from the following departments: Finance, cooperate services, technical services, community services. This target population was ideal as the study seeks to establish relationships that exist between the employee - work relationship through perceived fulfillment of obligations between the employee and employer.

3.5.1 Overview of study of research area (context)

The local municipality falls under Category B municipalities and is located in Dr Kenneth Kaunda District, North West Province, South Africa (JB Marks Annual Report, 2017:10). It takes up approximately half of the district's geographical area. The local municipality was established by the amalgamation of the two municipalities i.e. Ventersdorp and Tlokwe in 2016. According to SA Statistics (Census, 2016), the total population of the municipality is 243 527. The vast majority of the population is black Africans (77.1%) followed by whites (16.9%) (JB Marks Annual Report, 2017:12). Approximately 67 % of the population in the municipality is composed of the age group of between 15-64 years. This age group is composed of the economically active members of the population (SA Statistics, Census, 2016).

3.6 Sample size

The research made use of total population sampling where all 250 participants who were available at the day of data collection were included in the study (Etikan *et al.*, 2016:1). This is a type of convenient sampling that involves investigating the entire population. The research made use of Dupont and Plummer's (1990:119), statistical power calculator to get the sufficient sample. According to Dupont and Plummer (1990:119) at 90% confidence interval; a population of 1200 will require a sample size (n= 221), therefore for this study 250 participants were sufficient enough to obtain statistically significant results. In addition to this the researcher ensured statistical validity by doing a power calculation through the help of statistical services.

3.7 Data collection instruments

Independent variable (*psychological contract*), the researcher made use of the Psychological Contract Scale (PCS), which was developed and validated by Millward and Hopkins (1998). This scale comprises of 17 items and was administered to the sampled population as a seven-point Likert scale ranging from 1 for strongly disagree, to 7 for strongly agree. The sub-scale of *relational contract* and *transactional contract* will be used in this study. The reliability of these scales' ranges between Cronbach 0.7 and 0.8.

Dependent variables (*employee commitment*), the researcher used Meyer and Allen's (1997:61) original question items from their book "Commitment in the workplace: Theory, research, and application." Their measurement scales have been used in a number of studies and have proven to be highly reliable and valid (Meyer & Allen, 1997:61). The reliability of the scale was of was Cronbach's a coefficient 0.76. For the purpose of this study the researcher did not divide the data collection tool into sub-scale. Employee commitment was considered as one variable.

For the mediating variable (*intrinsic rewards*), the Work Preference Inventory (WPI), will be used. The work preference inventory was developed by Amabile *et al.*, (1994:596). The WPI consists of questions designed to assess employee overall intrinsic orientations toward their work. The intrinsic primary scale is sub-divided into the Challenge and Enjoyment secondary 4-point scale. The 4-point scale is rated as follows: 1=Never true of me, 2=almost never true of me, 3=almost always true of me, 4=Always true of me. The reliability of the scale was Cronbach 0.70.

3.8 Data gathering process

The sample consisted of 250 employees who were present during the time of data collection at the local municipality in Dr Kenneth Kaunda District, North-West Province. The questionnaire employed was self-administered; all the measurement scales were selected from previously established scales. The reliability of the scales was measured by Cronbach's a coefficients, and all of the scales were within the acceptable range of 0.7-0.8.

The department managers fulfilled the role of a mediator/communication link between the municipal employees and researcher. During lunch hours, department managers informed all the potential participants who about the study and introduced the

researcher to the potential participants. Department managers at the municipality also served as the gatekeeper.

Department managers organised information sessions where the researcher explained the aim, purpose and methods of the study and explained the informed consent form. The researcher explained the informed consent form and gave likely participants some time to ask questions and informed them that they had two days to consider their participation and sign the consent form. After two days, the researcher contacted the likely participants and inquired whether they were willing to participate. After the researcher had collected the signed consent forms, participants were informed that the researcher would contact them to distribute the questionnaires. The researcher used an all-inclusive sample, and distributed the questionnaires to all the available employees.

3.9 Statistical analysis

Regression based mediation analysis was done using the Statistical Package for Social Scientists [SPSS, version 22.0] (IBM, 2013). Hayes (2012) SPSS Process Macro (a versatile modelling tool available for SPSS that integrates many of the functions of existing and popular published statistical tools for mediation) was used to determine mediation and results are organised based on “models”.

3.10 Limitation of the research

- The geographical area on which this study will be restricted to the Dr Kenneth Kuanda Municipality District and therefore the sample cannot be considered representative of the rest of local municipalities in South Africa.
- The use of questionnaires developed in other contexts is limiting because they are not context-specific. The questionnaires were developed and validated in other countries that are not related to South Africa in terms of level development. This could affect the study findings.

3.11 Ethical Considerations

The researcher obtained permission to conduct the study from the North-West University ethics committee. The participants will be informed about the purpose of the study through an accompanying letter. The researcher assured the participants that they had the rights to withdraw at any time if they wished to do so. Their participation was voluntary, and their confidentiality was guaranteed.

3.12 Summary

This chapter outlined the statistical data analysis of the study, it described what tests were done in order to explain the reliability and validity of the study. Chapter four will discuss the results of the study.

CHAPTER 4

RESEARCH RESULTS

4.1 Introduction

This chapter presents the research results of the study based on the research objectives listed in the following sections. These results will be discussed with literature integration to allow reviewing of the research results in comparison to other similar studies and to show how the present study contributes to the gap that was identified in literature.

4.2 Response rate

In total, 250 questionnaires were dispatched but only 200 employees completed and returned them; a good response rate for such surveys 80% percent was achieved. Post editing and coding, all of them were found usable. The researcher made use of statistical consultation services and they approved the final sample size of 200 participants.

4.3 Statistical analysis and results

Regression based mediation analysis was done using the Statistical Package for Social Scientists [SPSS, version 22.0] (IBM Corp, 2013). Hayes (2012) SPSS Process Macro (a versatile modelling tool available for SPSS that integrates many of the functions of existing and popular published statistical tools for mediation) was used to determine mediation and results are organised based on “models”. The analysis was done in two phases: The first phase relates to relational psychological contract was used a predictor. In the second phase transactional psychological contract was used a predictor.

4.4 Phase 1: Relational psychological contract as a predictor

Model 1: Total effect of relational psychological contract on employee commitment

The objective was to explore to relationship between relational psychological contract and employee commitment. According to the Regression model summary shown in Table 4-1. According to the model the total effect of relational psychological contract on employee commitment is not significant (Coeff 0.0286, $p=0.6711$). This means the relational psychological contract does not have any significant impact on employee commitment.

Table 4-1: Total effect of relational psychological contract on employee commitment

Model summary							
	R	R ²	MSE	F	df1	df2	P
	0.0306	0.0009	1.7363	0.1808	1.0000	193.0000	0.6711
Model							
	Coeff	se	T	P	LLCI	ULCI	
Constant	3.0816	0.2266	13.5969	0.0000	2.6346	3.5286	
Relational Psychological contract	0.0286	0.0673	0.4252	0.6711	-0.1041	0.1614	

Significant: $p = 0.05^{**}$

Model 2: The relationship between intrinsic rewards and relational psychological contract.

The objective was to determine whether there was a relationship between intrinsic rewards (mediator) and relational psychological contract (predictor).

Table 4-2: The relationship between intrinsic rewards and relational psychological contract.

Model summary							
	R	R ²	MSE	F	df1	df2	P
	0.1849	0.0342	2.0342	6.8351	1.0000	193.0000	0.0096
Model							
	Coeff	se	T	P	LLCI	ULCI	
Constant	2.4988	0.2454	10.1837	0.0000	2.0148	2.9827	
Relational Psychological contract	0.1905	0.0729	2.6144	0.0096**	0.0468	0.3342	

Significant: $p = 0.05^{**}$

According to Table 3-1, there is a significant relationship between relational psychological and intrinsic rewards (Coeff = 0.1905, $p = 0.0096$).

Model 3: The relationship between relational psychological contract and employee commitment with intrinsic rewards

The objective was to explore the relationship between relational psychological contract and employee commitment with intrinsic rewards.

Table 4-3: The relationship between relational psychological contract and employee commitment with intrinsic rewards

Model summary							
	R	R ²	MSE	F	df1	df2	P
	0.0850	0.0072	1.7343	0.6992	2.0000	192.0000	0.4982
Model							
	Coeff	se	T	P	LLCI	ULCI	
Constant	3.2648	0.2809	11.6246	0.0000	2.7108	3.8188	
Relational Psychological contract	0.0426	0.0685	0.6222	0.5346	-0.0924	0.1776	
Intrinsic rewards	-0.0733	0.0664	-1.1034	0.2713	-0.2044	0.0577	

Significant: $p = 0.05^{**}$

The model shows the relationship between relational psychological contract and employee commitment with intrinsic rewards is not significant (Coeff 0.0426, $p = 0.5346$). It also shows that the relationship between intrinsic rewards alone and employee commitment is not significant (Coeff -0.0733, $p = 0.2713$).

Model 4: Indirect effect of relational psychological contract on employee commitment

The objective was to explore the indirect effect of relational psychological contract on employee commitment. Table 4-4, shows that relational psychological contract has no indirect effect on employee commitment BootCI (-0.0109, 0.0109). Meaning that the

mediating effect of intrinsic rewards on employee commitment is not significant. In actual fact it is even weaker than the total effect of relational psychological contract on employee commitment

Table 4-4: Indirect effect of relational psychological contract on employee commitment

Indirect effect of Relational psychological contract on employee commitment				
	Effect	BootSE	BootLLCI	BootULCL
Intrinsic rewards	-0.0140	0.0144	-0.0109	0.0109

Model 5: Mediating effect of intrinsic rewards on the relationship between relational psychological contract and employee commitment

The objective relates to the possible mediating effect of intrinsic rewards (the mediator) on the relationship between relational psychological contract (the predictor) and employee commitment was measured in this model. Figure 4-1, portrays this relationship based on the research results shown in Tables 4-1 to 4-4.

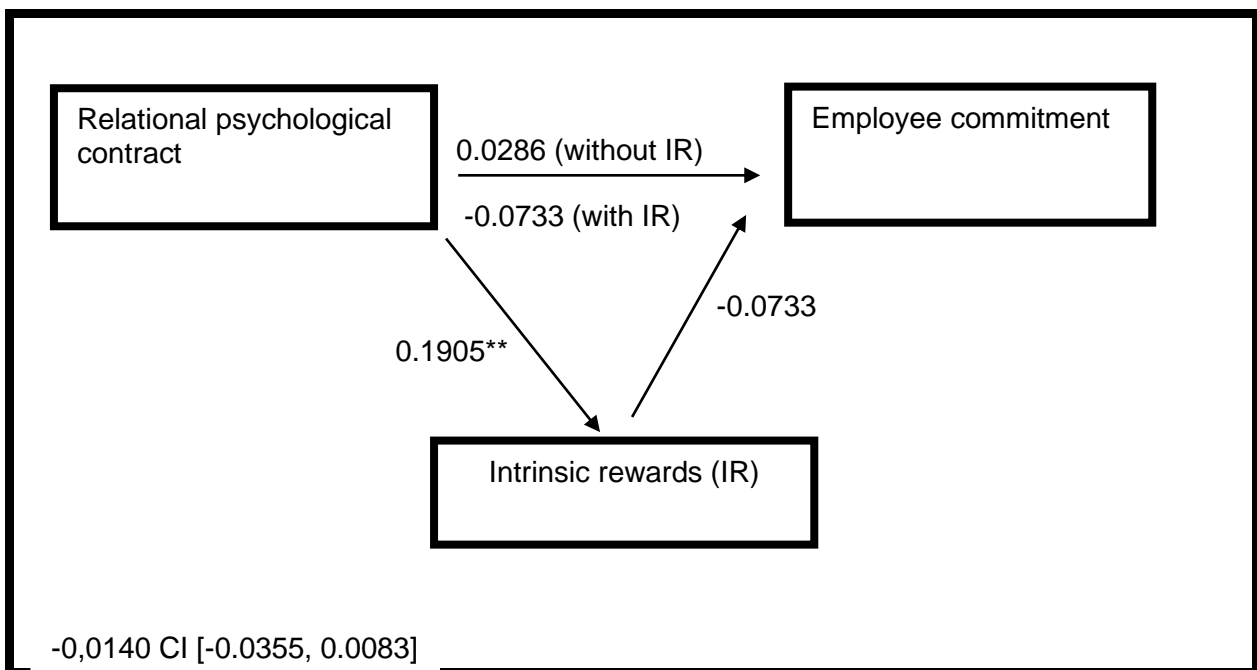


Figure 4-1: Mediating effect of intrinsic rewards on the relationship between relational psychological contract and employee commitment

4.5 Phase 2: Transactional psychological contract as a predictor

Model 1: Total effect of transactional psychological contract on employee commitment

The objective was to explore to relationship between relational psychological contract and employee commitment. According to the Regression model summary shown in Table 4-5. The total effect of transactional psychological contract on employee commitment is not significant (Coeff -0.0452, $p=0.5124$). This means transactional psychological contract does not have any significant impact on employee commitment.

Table 4-5: Total effect of transactional psychological contract on employee commitment

Model summary							
	R	R ²	MSE	F	df1	df2	P
	0.0472	0.0022	1.7478	0.4308	1000	193.0000	0.5124
Model							
	Coeff	se	T	P	LLCI	ULCI	
Constant	0.3043	0.2194	15.0579	0.0000	2.8715	3.7371	
Transactional Psychological contract	-0.0452	0.0689	0.6564	0.5124	-0.1812	0.0907	

Significant: $p = 0.05^{**}$

Model 2: The relationship between intrinsic rewards and relational psychological contract.

The objective was to determine whether there was a relationship between intrinsic rewards (mediator) and transactional psychological contract (predictor). Table 4-6, shows a significant relationship between intrinsic rewards and transactional psychological contract (Coeff 0.1820, $p = 0.0104$). This means that transactional psychological contract has an impact on intrinsic rewards.

Table 4-6: Relationship between intrinsic rewards and transactional psychological contract.

Model summary							
	R	R ²	MSE	F	df1	df2	P
	0.1831	0.0335	1.8180	6.6982	1.0000	193.0000	0.0104
Model							
	Coeff	se	T	P	LLCI	ULCI	
Constant	2.7544	0.2238	12.3071	0.0000	2.31303	3.1958	
Transactional Psychological contract	0.1820	0.0703	2.5881	0.0104	0.0433		

Significant: $p = 0.05^{**}$

Model 3: The relationship between transactional psychological contract and employee commitment with intrinsic rewards

The objective was to explore the relationship between transactional psychological contract and employee commitment with intrinsic rewards. The model (Table 4-7), shows that relationship between transactional psychological contract and employee commitment with intrinsic rewards is not significant (Coeff -0.0559, $p = 0.4264$). It also shows that the relationship between intrinsic rewards and employee commitment is not significant (Coeff 0.0587, $p = 0.4066$).

Table 4-7: The relationship between transactional psychological contract and employee commitment with intrinsic rewards

Model summary							
	R	R ²	MSE	F	df1	df2	P
	0.0762	0.0058	1.7506	0.5609	2.0000	192 000	0.5716
Model							
	Coeff	se	T	P	LLCI	ULCI	
Constant	3.1425	0.2934	10.7107	0.0000	2.5638	3.7212	
Transactional Psychological contract	-0.0559	0.0702	-0.7971	0.4264	-0.1944	0.0825	
Intrinsic rewards	0.0587	0.0706	0.8317	0.4066	-0.0806	0.1981	

Significant: $p = 0.05^{**}$

Model 4: Indirect effect of transactional psychological contract on employee commitment

The objective was to explore the indirect effect of transactional psychological contract on employee commitment. Table 4-8, shows that transactional psychological contract has no indirect effect on employee commitment BootCI (-0.0158, 0.0434). Meaning that the mediating effect of intrinsic rewards on employee commitment is not significant. However, the mediating effect of intrinsic rewards appears to be stronger than the total effect of transactional psychological contract on employee commitment.

Table 4-8: Indirect effect of transactional psychological contract on employee commitment

Indirect effect of Transactional psychological contract on Employee commitment				
	Effect	BootSE	BootLLCI	BootULCL
Intrinsic rewards	0.0107	0.0146	-0.0158	0.0434

Model 5: Mediating effect of intrinsic rewards on the relationship between relational psychological contract and employee commitment

The objective relates to the possible mediating effect of intrinsic rewards (the mediator) on the relationship between transactional psychological contract (the predictor) and employee commitment was measured in this model. Figure 4-2, portrays this relationship based on the research results shown in Tables 4-5 to 4-8.

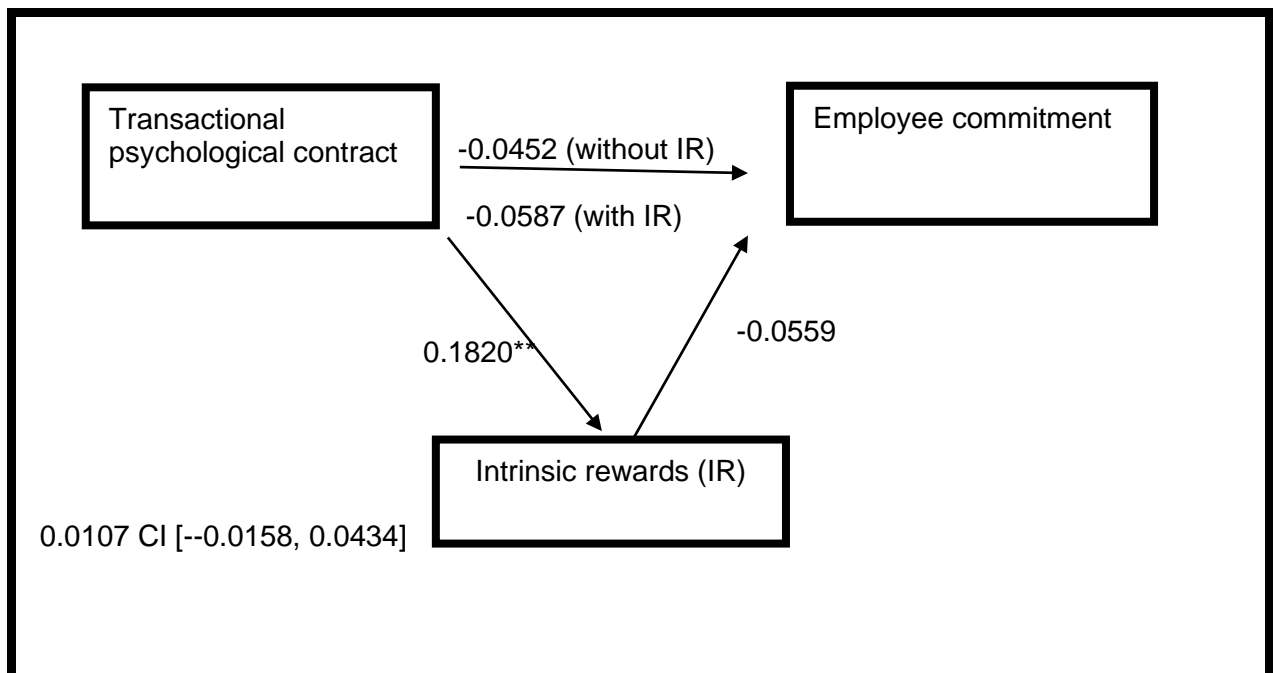


Figure 4-2: Mediating effect of intrinsic rewards on the relationship between transactional psychological contract and employee commitment

4.6 Discussion

Literature has shown that, psychological contract provides possible ways to better understand behaviours and attitudes towards an employee's commitment (Sturges *et al.*, 2005:821; Zhao *et al.*, 2007:647; Guchait *et al.*, 2015:290; Gupta *et al.*, 2016:2806). However, in this study it is quite unique as both constructs of the psychological contract i.e. relational and transactional seem to have no significant impact on attitudes towards employee commitment. However, results of this study might not be unique as the study was conducted in an African context which is a non-Western context (where the data collection tools were developed and validated) and because of this, the study is among the few studies which offer insights into the psychological contract and employee commitment within the African context. However, the research was conducted at a time when the municipality has been facing serious challenges associated with the amalgamation of Ventersdorp and Tlokwe municipalities to form JB Marks Municipality (JB Marks Annual Report, 2017:13). Amongst the challenges noted is late payment of salaries to employees and high turnover rates (JB Marks Annual Report, 2017:13). These challenges could have had an impact on the outcomes of the study.

Results show a significant relationship between the psychological contract and intrinsic rewards. This means that when employees have expectations from the employer e.g. when they feel the employer will give them a fair chance of promotion if they work hard; they tend to value the work they do. For example, the employee might see their job as an outlet for self-expression. A significant relationship was also observed between transactional psychological contract and intrinsic rewards. For example, an employee might expect to get paid for every work that they do and at the same time look for opportunities to develop their skills within the organisation. Again this result is unique and can only be attributed to the same reason that the local municipality where the study was conducted was going through challenges linked to the amalgamation process that has been alluded to earlier on. It appears there has not been any studies that were previously conducted that explain the relationships that are reported under this study.

4.7 Conclusion

This chapter gave a presentation of data that was analysed using both SPSS Process Macro (Hayes, 2012). The research methodology is explicitly discussed in chapter 1. The chapter gives an interpretation and discussion of the results presented in tables and figures; taking cognisance the study's main objective which was to investigate and describe the relationship between the psychological contract and employee commitment and also investigate the mediating role of intrinsic rewards on this relationship in a selected municipality in South Africa.

CHAPTER 5

EVALUATION, CONCLUSION AND RECOMMENDATIONS

5. Introduction

This chapter presents an overview of the research results, the relationship between the psychological contract and employee commitment and also the mediating role of intrinsic rewards on this relationship in JB Marks local municipality. The chapter presents the relationship of the research results to previous studies on the psychological contract and employee commitment from a South African and global perspective. The chapter also presents the possible explanation for the results obtained, limitations of this research, the implication of the research results and recommendations for future research.

5.1 Purpose

The purpose of this study was to investigate the relationship between the psychological contract and employee commitment. The study also investigated the mediating effect of intrinsic rewards on this relationship. This is because there is paucity in literature of studies done on psychological contracts and employee commitment within the African context. There is also a dearth in literature of studies that also explored the mediating effect of intrinsic rewards on the relationship between the psychological contract and employee commitment. A dire need existed for quantitative research to reveal the relationship between the psychological contract and employees' work attitudes they are as it is regarded as an important vehicle in effective service delivery in local municipalities in South Africa. The following were the research objectives of this study:

5.2 Primary objective

The primary objective of this study is to investigate and describe the relationship between the psychological contract and employee commitment. Likewise, the study investigated the mediating role of intrinsic rewards in a selected municipality in South Africa.

The study managed to answer fulfil the main objective as indicated in the previous chapter

5.3 Summary of findings in relation to the research objectives

The research results revealed a significant relationship the relational psychological contract and intrinsic rewards. A significant relationship was also observed between the transactional psychological contract and intrinsic rewards. The results obtained in this study could only be linked to a few previous studies which were done on the psychological contract and employee commitment with intrinsic rewards as a mediator. Table 4-1 shows how this study's results differ from other research on psychological contracts and employee commitment conducted elsewhere. Only a few studies were listed in the Table 4-5, to indicate the uniqueness in approach used by this study.

Table 4-5: How the study findings aligns or differs with other studies on psychological contracts and employee commitment

Author(s)	Other research on the psychological contract and employee commitment similar to the current study	Focus or scope	Main Findings	Similarity or differences with current study findings
Agarwal, (2011)	Relationship between Psychological Contract & Organizational Commitment in Indian IT Industry	The study empirically links the relationship between Psychological Contract and employee Commitment	The study shows that psychological contract and employee commitment are significantly related	Current study showed no significant relationship between the two variables Agarwal, (2011), did not explore underlying factors like intrinsic

Shahnawaz & Goswami, (2011)	Effect of Psychological Contract Violation on Organizational Commitment, Trust and Turnover Intention in Private and Public Sector Indian Organizations	The study explored the effect of psychological contract violation on employee commitment.	Results showed that psychological contract violation had an impact on employee commitment	Did not explore underlying factors like intrinsic rewards Current study showed no significant relationship between the two variables
Zhou <i>et al.</i> , (2014)	Psychological Contract, Organizational Commitment and Work Satisfaction: Survey of Researchers in Chinese State-Owned Engineering Research Institutions	This research explored the effect of knowledge workers' psychological contract on employee commitment and work satisfaction	The result shows that both transactional contract and relational contract have a significant effect on employee commitment.	Did not explore underlying factors like intrinsic rewards Current study showed no significant relationship between the two variables
Maia & Bastos, (2015)	Organizational Commitment, Psychological Contract Fulfilment and Job Performance: A Longitudinal Quantitative Study	The study explored the relations among psychological contract fulfilment, employee commitment, and job performance.	Psychological contract fulfilment is positively related to commitment.	Did not explore underlying factors like intrinsic rewards Current study showed no significant

Anggraeni <i>et al.</i> , (2017)	The role of psychological contract on employee commitment and organisational citizenship behaviour: A study of Indonesian young entrepreneurs in management action	The study explored the role of psychological contract on employee commitment and organisational citizenship behaviour in the light of the characteristics of the millennial generation as the owners of small and medium-sized enterprises.	Employee commitment was influenced by the ability of the employer to understand the needs and expectations of their employees regarding opportunities of self-development or enjoyable working environment	Did not explore underlying factors like intrinsic rewards Current study showed no significant relationship between the two variables
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The studies listed in Table 4-1, only relate to a small extent with the findings of this study. All the studies listed in the table reported a significant relationship between the psychological contract and employee commitment and the current study did not. There were a few similarities in terms of study findings in the sense that the literature review of the current study showed that there is a significant relationship between the psychological contract and employee commitment. Only a few studies are listed in Table 4-1, because there were a few studies identified which were similar to this study in terms of the variables explored. This study is one of the few studies within the African context that explored the relationship between the psychological contract and employee commitment with intrinsic rewards as a mediator.

5.4 Limitations of the study

The study made use of questionnaires that were developed and validated in a Western context, this could have impacted on the study findings as the study was amongst the few studies which explored the relationship between the psychological contract and employee commitment and also the mediating role of intrinsic rewards.

5.5 Conclusion

Most of the studies that were previously done on psychological contract and employee commitment reported a significant relationship between the two constructs. The present study went on to examine the mediating effect of intrinsic rewards on this relationship. It appears that the relationship between employees at JB Marks Municipality and their employer is quite unique when compared to previous research as no significant relationship was observed between psychological contract and employee commitment; neither was there a mediating effect of intrinsic rewards on this relationship. Interestingly, it appears that employees at JB Municipality can have some long-term relationships with their employer or can be heavily involved in their work if they perceive that the employer reciprocates their efforts but this is just relational psychological contract which according to the results obtained was not in a way linked to employee commitment. However, the relational psychological contract was linked to intrinsic rewards which the employer provides to the employees. On the other hand, it was observed that transactional psychological contract which is more of a short-term relationship which the employees have with the employer was also linked to intrinsic rewards but with no significant relationship with employee commitment. According to literature the later relationship is considered “normal” as transactional relationships are materialistic and employees work for economic reward without organisational commitment.

It can therefore be concluded that the relationships at JB Marks is predominantly transactional where employee expect both economic gain and materialistic rewards from their employer like recognition. Transactional because there was no significant relationship found between the relational psychological contract and employee commitment.

5.6 Implications of the study findings

If the prevailing problems that are linked to the amalgamation process of the two municipalities which include, high turnover rates and late payment of salaries. The relationship which the employees have with the municipality will predominantly remain transactional, where employees are there for economic benefit but with no intention to commit to the organisation. This eventually will become a vicious cycle which negatively impacts on service delivery. In addition to poor service delivery the turnover rates are

most likely to increase posing a great challenge on management. Chances are very high that even if the municipality can recruit employees to fill vacant posts, those employees will interphase with the organisation on transactional basis. Eventually all skilled employees will eventually start looking for opportunities elsewhere.

5.7 Summary

The Municipality has been failing return skilled staff and integrate employee commitment; signifying the presence of problems in employee - work relationship through perceived fulfillment of obligations between the employee and employer. Underlying mediating factors between the concept psychological contract and employee commitment remained unexplored. It was against this background this study examined the relationship between psychological contract and employee commitment and mediating role of intrinsic rewards. Results of this study showed that both constructs of the psychological contract i.e. relational and transactional seem to have no significant impact on attitudes towards employee commitment. Results of this study could be unique because the study was conducted in an African context which is a non-Western context (where the data collection tools were developed and validated) and because of this, the study is among the few studies which offer insights into the psychological contract and employee commitment within the African context. It was concluded that the relationships at JB Marks is predominantly transactional where employee expect both economic gain and materialistic rewards from their employer like recognition. Transactional because there was no significant relationship found between the relational psychological contract and employee commitment.

5.8 Recommendations for future research and practical applications

- Amalgamation of the two municipalities brought about organisational change. According to literature organisational change has an impact on psychological contract. This could have had an impact on study findings, therefore follow up studies should be done in the future that can explore the levels and the relationships that exist between psychological contract and employee commitment.
- Municipal Directors and Managers should get to know the cultures of the municipalities they are managing as expectations of the employee differ from

culture to culture. If managers can put an effort to get to know the cultural basics of that municipality it will help in establishing good relations with the employees.

- There is need for management to engage often with the employees on a social basis, through this management can identify the expectation of their employees and when these expectations are met, it will ultimately impact on employee commitment.

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Annexure A: Data collection tool

Psychological contract and employee commitment in South African local municipalities: The mediating role of intrinsic rewards

Dear participant

You are being asked to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. You will be asked to complete your **demographic information** in order for the researcher to explore the relationship between the psychological contract and employee commitment amongst different groups. Please read the following information carefully. Please ask the researcher if there is anything that is not clear or if you need more information.

The purpose of this study is to explore and describe the relationship between the psychological contract employee commitment and intrinsic rewards within local municipalities in South Africa. It had been noted that local municipalities had been failing return skilled staff and integrate employee commitment; suggesting the existence of problems in the employee - work relationship through perceived fulfillment of obligations between the employee and the municipalities.

This study will therefore reveal the impact of the psychological contract and intrinsic rewards on employee commitment which is indispensable when it comes to service delivery. The findings will play a crucial role in paving ways to enhance employee commitment in local municipalities.

The findings could guide municipal managers to regard their organisation's psychological contract and intrinsic rewards as a dimensional phenomenon which have a combined relationship to employee commitment. Ultimately the study will add to the body of knowledge of psychological contracts and intrinsic rewards in so far as they relate to employee commitment. The study is unique as it specifically investigates how the psychological contract and intrinsic rewards simultaneously affect employee commitment. Previous studies that have been done on the psychological contract and employee commitment have mainly included extrinsic rewards as the mediating factor.

If you have read and understood what this study is about, please answer the following questions by putting an X in the appropriate box as shown in the example below.

Employee Commitment items	Strongly Disagree 1	Disagree 2	Neither Agree Nor Disagree 3	Agree 4	Strongly Agree 5	Employee Commitment items
Do you think people work for money only?						

Employee commitment- (“How you feel about the organisation you work for and how you feel about your job”)

Employee Commitment items	Strongly Disagree 1	Disagree 2	Neither Agree Nor Disagree 3	Agree 4	Strongly Agree 5
I would be very happy to spend the rest of my career with this organisation.					
I really feel as if this organisation's problems are my own.					
I do not feel a strong sense of belonging to my organisation.					
I do not feel emotionally attached to this organisation.					
I do not feel like part of the family at my organisation.					
This organisation has a great deal of personal meaning for me.					
Right now, staying with my organisation is a matter of necessity as much as desire.					

It would be very hard for me to leave my organisation right now, even if I wanted to.					
Too much of my life would be disrupted if I decided to leave my organisation now.					
I feel that I have too few options to consider leaving this organisation.					
If I had not already put so much of myself into this organisation, I might consider working elsewhere.					
One of the few negative consequences of leaving this organisation would be the scarcity of available alternatives.					
I do not feel any obligation to remain with my current employer. (R)					
Even if it were to my advantage, I do not feel it would be right to leave my organisation now.					
I would feel guilty if I left this organisation now					
This organisation deserves my loyalty.					
I would not leave my organisation right now because I have a					

sense of obligation to the people in it.					
I owe a great deal to my organisation					

Psychological contract- (“General thoughts and feelings about your work”)

Psychological Contract Scale (PCS): Relational Sub Scale Items

	Not at all	A little	Some-what	Quite a lot	Very much
I expect to gain promotion in this company with length of service and effort to achieve goals	1	2	3	4	5
I expect to grow in this organisation.	1	2	3	4	5
I feel part of a team in this organisation.	1	2	3	4	5
I feel this company reciprocates the effort put in by its employees.	1	2	3	4	5
I have a reasonable chance of promotion if I work hard.	1	2	3	4	5
I will work for this company indefinitely.	1	2	3	4	5
I am heavily involved in my place of work.	1	2	3	4	5

Psychological Contract Scale (PCS): Transactional Sub Scale Items

	Not at all	A little	Some-what	Quite a lot	Very much
I do this job for the money.	1	2	3	4	5
I prefer to work a strictly defined set of working hours.	1	2	3	4	5
It is important not to get too involved in your job.	1	2	3	4	5
I expect to be paid for any overtime I do.	1	2	3	4	5
I come to work purely to get the job done.	1	2	3	4	5
My loyalty to the organisation is defined by the terms of my contract.	1	2	3	4	5
I only do what is necessary to get the job done.	1	2	3	4	5
I am motivated to contribute 100% to this company in return for future benefits.	1	2	3	4	5
My career path in this organisation is clearly mapped out.	1	2	3	4	5
I work to achieve the purely short terms of my job.	1	2	3	4	5

Intrinsic rewards- (Personal fulfilment)

Work Preference Inventory Items	Strongly Disagree 1	Disagree 2	Neither Agree Nor Disagree 3	Agree 4	Strongly Agree 5
I enjoy tackling problems that are					

completely new to me.					
I enjoy trying to solve complex problems.					
The more difficult the problem, the more I enjoy trying to solve it.					
I want my work to provide me with opportunities for increasing my knowledge and skills.					
Curiosity is the driving force behind much of what I do.					
I want to find out how good I really can be at my work.					
I prefer to figure things out for myself.					
What matters most to me is enjoying what I do.					
is important for me to have an outlet for self-expression.					
I prefer work I know I can do well over work that stretches my abilities.					
No matter what the outcome of a project, I am satisfied if I feel I gained a new experience.					

I'm more comfortable when I can set my own goals.					
I enjoy doing work that is so absorbing that I forget about everything else.					
It is important for me to be able to do what I most enjoy.					
I enjoy relatively simple, straightforward tasks.					
I am strongly motivated by the recognition I can earn from other people.					
I want other people to find out how good I really can be					
I seldom think about [grades and awards] [salary and promotions].					

Annexure B: Informed consent form



INFORMED CONSENT DOCUMENT

TITLE OF THE RESEARCH STUDY: Psychological contract and employee commitment in South African local municipalities: The mediating role of intrinsic rewards

ETHICS REFERENCE NUMBER: NWU-00405-19-A4

PRINCIPAL INVESTIGATOR: – Mrs N Khumalo

POST GRADUATE STUDENT: MANTOMBI RAMBUWANI

**ADDRESS: North West University
Private Bag X6001
Potchefstroom
2520**

CONTACT NUMBER: 076 391 0651

You are being invited to take part in a **research study** that forms part of my Masters in Business Administration degree. It will take you only 15-30 minutes of your time to complete the questionnaire. The study aims to explore the relationship between the psychological contract and employee commitment amongst and the mediating role of intrinsic rewards. Please take some time to read the information presented here, which will explain the details of this study. Please ask the researcher or person explaining the research to you any questions about any part of this study that you do not fully understand. It is very important that you are fully satisfied that you clearly understand what this research is about and how you might be involved. Also, your participation is **entirely voluntary** and you are free to say no to participate. If you say no, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part now.

PURPOSE OF THE STUDY

The purpose of this study is to explore and describe the relationship between the psychological contract, employee commitment and intrinsic rewards within local municipalities in South Africa.

Psychological contract-refers to an employee's beliefs concerning the terms and conditions of a mutual exchange contract between the employer and employee. These mutual responsibilities permit employees to adjust to organisational life and thus lower uncertainties that may lead to lower employee commitment.

It had been noted that local municipalities had been failing return skilled staff and integrate employee commitment; suggesting the existence of problems in the employee - work relationship through perceived fulfilment of obligations between the employee and the municipalities. This study will therefore reveal the impact of the psychological contract and intrinsic rewards on employee commitment which is indispensable when it comes to service delivery. The findings will play a crucial role in paving ways to enhance employee commitment in local municipalities. The findings could guide municipal managers to regard their organisation's psychological contract and intrinsic rewards as a dimensional phenomenon which have a combined relationship to employee commitment. Ultimately the study will add to the body of knowledge of psychological contracts and intrinsic rewards in so far as they relate to employee commitment. The study is unique as it specifically investigates how the psychological contract and intrinsic rewards simultaneously affect employee commitment. Previous studies that have been done on the psychological contract and employee commitment have mainly included extrinsic rewards as the mediating factor.

STUDY PROCEDURES

The study will only involve the use of a questionnaire to collect data.

RISKS

Through participating in this study, you can be rest assured that you will not be exposed to any harm.

BENEFITS

Please be advised that there are no direct benefits associated with this study, however by participating in this study you have assisted by providing the South African municipalities with information regarding the impact of the psychological contract and intrinsic rewards on employee commitment.

CONFIDENTIALITY

Your responses to this [survey] will be anonymous. Please do not write any identifying information on your [survey]. OR for the purposes of this research study, your comments will not be anonymous. Every effort will be made by the researcher to preserve your confidentiality including the following:

State measures taken to ensure confidentiality, such as those listed below:

- Assigning code names/numbers for participants that will be used on all research notes and documents
- Keeping notes, interview transcriptions, and any other identifying participant information in a locked file cabinet in the personal possession of the researcher.]

Participant data will be kept confidential except in cases where the researcher is legally obligated to report specific incidents. These incidents include, but may not be limited to, incidents of abuse and suicide risk.

CONTACT DETAILS

If you have questions at any time about this study, or you experience adverse effects as the result of participating in this study, you may contact the researcher whose contact information is provided on the first page. If you have questions regarding your rights as a research participant, or if problems arise which you do not feel you can discuss with the Primary Investigator, please contact the North-West University at **0860 169698**.

CONSENT

I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's signature _____ Date _____

Investigator's signature _____ Date _____

Annexure C: Ethics approval



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Economic and Management Sciences Research
Ethics Committee (EMS-REC)
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25 April 2019

Mrs N Khumalo
Per e-mail

Dear Mrs N Khumalo,

FEEDBACK – ETHICS APPLICATION 25042019 – M Rambuwani (21505780) (NWU-00405-19-A4) – MBA – Mrs N Khumalo

Your ethics application on Psychological contract and employee commitment in South African local municipalities: The Mediating role of intrinsic rewards, that served on the EMS-REC meeting of 25 April 2019 refers.

Outcome:

Approved as a minimal risk study. A number NWU-00405-19-A4 given for three years of ethical clearance.

Kind regards,



Prof B Linde

Chairperson: Economic and Management Sciences Research Ethics Committee (EMS-REC)

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2520

To whom it may concern

My name is Dr Runako M Katsidzira. I assisted Mrs Rambuwani with scientific writing and editing reference for her mini dissertation: Psychological contract and employee commitment in South African local municipalities: The mediating role of intrinsic rewards. Regarding the aspects that I worked on; I recommend that she can now submit her work for marking.

Yours sincerely,

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Signature