

A Field Study of the Impact of Indirect Compensation on Organizational Loyalty to Workers in NAFTA (GPL) Bechar Algeria

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DOI Link: <http://dx.doi.org/10.6007/IJARBSS/v7-i10/3386>

Published Date: 16 October 2017

Abstract

The purpose of this study is to identify indirect compensation and its impact on organizational loyalty in NAFTA. The research problem can be summed up as follows: How did indirect compensation affect organizational loyalty ?

The Organizational Loyalty: is the extent to which the personnel are faithful to the organization, having feelings of bonding, inclusion, care, responsibility and devotion towards it.

Compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee's to increases the loyalty

Keywords: Indirect Compensation Organizational Loyalty, Financial Incentive, Promotion, Social Relations Retirement Plans

Introduction

Indirect compensation includes non-monetary benefits provided to workers, such as pension funds, mobile phones, company cars, health and life insurance, overtime pay, and annual leave. In fact, it includes everything from legally obligated health insurance to social security, child care, and more. It is essential to understand that employers can include standard

contractual, non-monetary features covering annual leave, as well as valuable benefits such as healthcare, in indirect compensation. Indirect compensation differs from direct compensation, which is monetary compensation paid directly to employees for their services, starting with their salary. Instead of being paid directly to an employee, indirect compensation is calculated as an extra component of the base salary.

Every organization must describe its mission and understand the circumstances in which it operates and formulate a strategy and structure for achieving its objectives. The human resources strategy it acquire must devote to its success and empower it to retain attract and motivate the employees essential for high levels of performance (Greene).

Compensation is an important matter which needs to be considered because it directly or indirectly impact effectiveness and competitiveness of a business as well as the well-being of employees. It is a significant instrument for employers in affecting employee attitudes such as perceptions of fairness and employee behavior including whether an employee is attracted to and remains with the employer and how employees effectively utilize their time at work. It has a major effect on employees' values of living and communicates to them the degree to which the employer values their contribution. The compensation package is normally differentiated into Direct and Indirect Compensation. These comprise financial and non-financial rewards¹

the main reason for the study of this subject is to provide managers with the opinions and ideas that help improve workers' attitudes towards work or organization. The problem of the study: "What is the effect of Indirect compensation on organizational loyalty among workers in NAFTAL (GPL) Bechar Algeria

Hypotheses:

- ❖ There is the impact of Indirect compensation and organizational loyalty.
- ❖ There are statistically significant relationship between the Social Security and organizational loyalty.
- ❖ There are statistically significant differences between the financial incentive and organizational loyalty..
- ❖ There are significant differences between the Workers' Compensation and organizational loyalty.
- ❖ no statistically significant relationship between Retirement Plans and organizational loyalty.
- ❖ no statistically significant relationship between organizational affiliation and organizational loyalty...

The Organizational Loyalty

The Concept of Organizational Loyalty

Employee loyalty is essential to any successful organization. Employee loyalty has several components and can be defined as commitment to the overall success of the company; feeling or believing that the organization is the best fit for their life and career. Being loyal to an organization includes being satisfied with your job and not looking for other employment opportunities.

It is often said that it is extremely important for the organizations to provide a healthy work environment, in order to attract and retain qualified, highly committed, and loyal workforce,

¹ Ahmed, M., & Ahmed, A. B. (2014). The impact of indirect compensation on employee performance: An overview. *Public policy and administration research*, 4(6), 27-30

because committed and loyal employees reinforce employees' motivation to act in the best interest of organizations they work for. Employees' loyalty is important for the organization because employees are a vital resource for the organization, especially since they represent a significant investment in term of locating, recruiting, training let alone salaries, welfare plans, bonuses and rewards etc.²

believes that organizational loyalty is the strength of the match (link) between the individual with his organization and his association with it. showed that loyalty is a psychological condition reflects the relationship of the individual in the organization in which it operates. identified the loyalty as strength of correlation of the individual with its organization, and that the individual who shows a high level of organizational loyalty in the organization in which it operates it has a strong belief to accept the goals and values of the organization, ready to make every possible effort to serve the organization, and has a strong desire to continue working in such organization. Research efforts aiming at rooting the concepts of organizational loyalty, building models that diagnose its dimensions and correlations and develop its measurements tools emerged and succeed.³

Individuals are indispensable in maintaining the organizational activities play an important role in ensuring the event as a resource. Therefore, the roles played by the Degree of individual groups, which strengthens the sense of belonging. Sense of Belonging to an organization of individuals with the relevant literature, many studies has been done to determine the status and influence. These studies were made on the topics of organizational commitment "determine the level of commitment" , "determine the factors affecting the organizational commitment" , "loyalty and satisfaction, motivation, empowerment, leadership, etc., to determine the relationship between concepts" by the organization a sense of belonging.⁴

Organizational loyalty, organizational commitment, just like that feeling of belonging to an organization against the psychological and behavioral. This is a high level of emotion and feelings of the individual against the organization, whereas continuous presence in the organization with the desire arises.

They pointed out that the individual who owns the affiliation of the organization, which employs enjoys a state of harmony and contentment and interact with his institution and its employees, and pointed to the specific qualities characterize these individuals and have an impact in determining the extent of organizational loyalty of the individual, and these qualities:

- ❖ accept the organization's goals and values of a strong belief.
- ❖ ready and a strong desire to make the maximum possible effort for the benefit of the institution on its behalf.
- ❖ serious desire in the province to carry on an individual's membership in the organization.

² Employees Loyalty and the Organization, Available <http://ispatguru.com/employees-loyalty-and-the-organization/>

³ Al-Ma'ani, A. I. (2013). Factors affecting the organizational loyalty of workers in the Jordanian commercial banks. *Interdisciplinary Journal of Contemporary Research in Business*, 4(12), 878-896.

⁴ Uygur, A., & Koç, H. (2010). Organizational Loyalty and Organizational Commitment: An Analysis of Political Parties. *Journal of Business Research*, 2 (4), 79-94.

Indirect Compensation

Indirect compensation is the name given to the more casual term “*employee benefits*”. Employee benefits refer to any number of “*bonuses*” a company provides an employee for joining, staying, and exceeding expectations with it.

Compensation management is one of the most important elements of personnel management. It includes economic rewards in shape of wages and salaries as well as in different forms of non-wage economic payment known as fringe benefits, indirect compensation or supplementary pay. The subject of Compensation and for that matter Indirect Compensation is of great importance because it affects the wellbeing of the individuals in the concerned organizations. According , Indirect compensation helps organizations to attract and retain highly competitive employees which are seen as strategic resources in getting competitive advantage. Therefore, this research work has been done to look at the impact of Indirect Compensation on the performance of employees. Organizations should pay the necessary attention to the Indirect compensation, as this will help to boost the morale of employees which will in turn result in higher productivity.⁵

The Advantages of Indirect Compensation

- ❖ Go back several decades, and the idea of providing extra compensation to an employee would have been thought of as silly, even unnecessary. Nowadays though, as Human Resources teams begin to understand more and more about employee motivation, providing additional compensation seems to make more sense.
- ❖ A company stands to benefit from the bonuses given to an employee as a happy employee is a productive one. An employee that feels less stress, feels appreciated, and feels valued is likely to stay at a company, and try their best for it. They’ll also become sick less, and enjoy an increase in productivity.

Some type of Indirect Composition offered by Today Organization ⁶

- ❖ Social security: this is managing insurance system by the rules of employee must pay into system and contain
- ❖ perchance of pay up to maintain limit. And also average monthly wages give the security of the employee.
- ❖ Workers compensation: it also says that employee from loss of salary associated extra job related illness. The laws generally provide the medical expenses.
- ❖ Retirement plan: it gives that a sources of income who have retail money paid for a previous services .Give the time of employment one from of plan is contribution plan also known as beneficial annual plain.
- ❖ Paid holiday: The new year day, independent day which is called holiday plain of employee to employee
- ❖ Paid for vacation generally depend on employee services. Most of the companies unit less than one year.

⁵ Ahmed, M., & Ahmed, A. B. (2014). The impact of indirect compensation on employee performance: An overview. *Public policy and administration research*, 4(6), 27-30.

⁶ Hameed, A., Ramzan, M., & Zubair, H. M. K. (2014). Impact of compensation on employee performance (empirical evidence from banking sector of Pakistan). *International Journal of Business and Social Science*, 5(2)

- ❖ Other benefits: It also involves the additional benefits food services may be wide range purchases discount

Examples of Indirect Compensation⁷

- ❖ Some examples highlighting compensation given indirectly are mentioned below:
- ❖ **Insurance:** This covers life and accidental insurance.
- ❖ **Leave Travel:** This includes travel allowances and leave allowances for holidays
- ❖ **Leave Policy:** This includes sick leave, casual leave, maternity leave and other leaves which an employee is entitled to.
- ❖ **Retirement Benefits:** This includes pension allowances and other old age benefits
- ❖ **Flexible timings:** This includes the option to come to office at timing apart from normal office hours in case of emergency and personal problems.
- ❖ **Hospitalization:** This includes medi-claims and other health benefits, claims of medical check up and medication expenses and more.
- ❖ **Overtime Policy:** This includes being paid for working beyond normal office hours for their service and associated facilities.
- ❖ **Holiday Lodges:** This includes access to company guest house and guest quarters on company visits or holidays.
- ❖ All these summarize indirect compensation which can be given to employees by an organization.

The Field Study:

The study population and type of Sample: The study population consisted of NAFTAL Bashar is composed, and has been selected in a random sample.

II. Analyzing the results of the questionnaire

We used to divide the Likert where it meets every question from the axis of the questionnaire five options divided into grades as follows:

class V	Fourth class	third-class	second-class	First-class
Acceptable strongly	Acceptable	balanced	not agree	Strongly Disagree

⁷ Indirect Compensation .Posted in Human Resource Terms, Total Reads: Available
[.http://www.mbaskool.com/business-concepts/human-resources-](http://www.mbaskool.com/business-concepts/human-resources-)

2--Research Model :

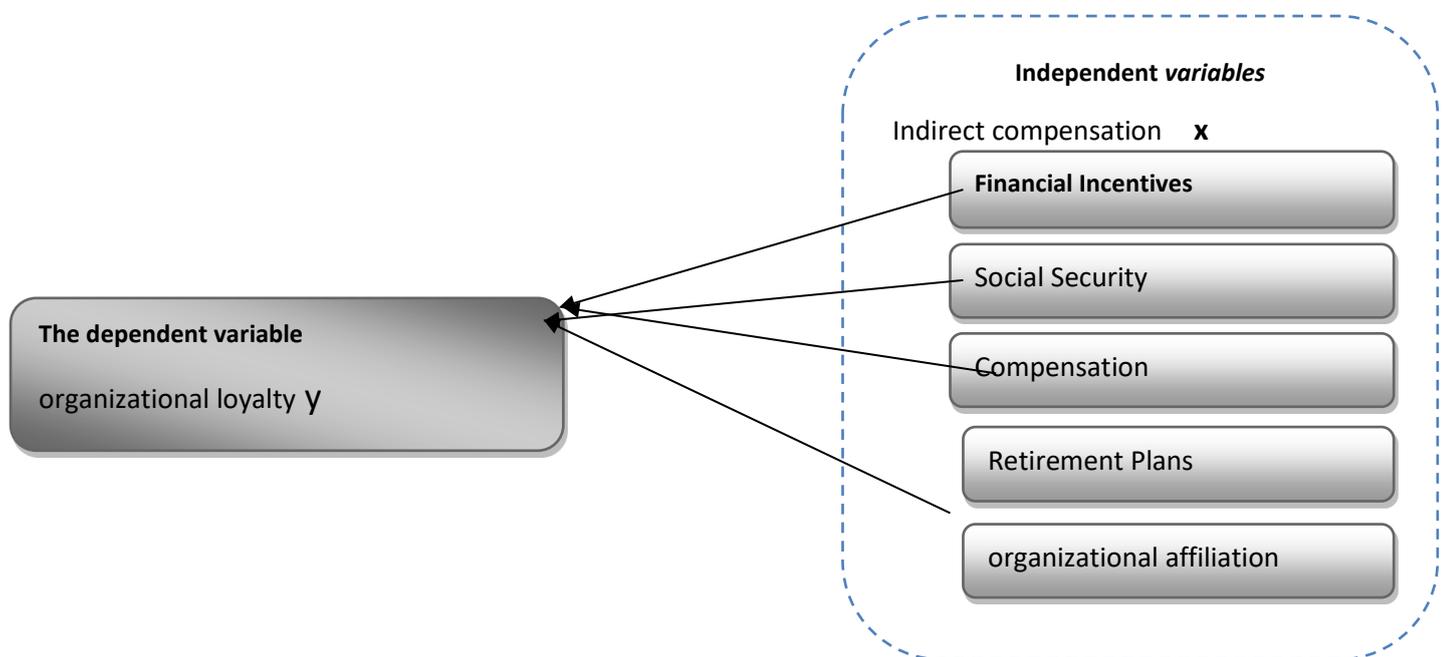


Figure 2. The Conceptual Framework of the Research

2-Results of the study data analysis and hypothesis testing

2-1- data analysis

Table 1.

Demographic Data of Samples

		Choices	%
Gender	Male	17	65.4
	Female	9	34.6
	Total	26	100.0
Age	Less than 30 years	6	23.1
	31 to less than 40 years	17	65.4
	41 to less than 55 years	3	11.5
	56 years and over	0	100.0
	Total	26	23.1
Qualification	Secondary	7	26.9
	Academic	17	65.4
	Graduate Studies	2	7.7
	Total	26	100.0
Work Experience	1 to less than 4 years	6	23.1
	5 to less than 10 years	17	65.4
	11 to less than 13 years	3	11.5
	Total	26	100.0

Function	Director of the Department	2	7.7
	Senior management	4	15.4
	Executive management	17	65.4
	Other Functions	3	11.5
	Total	26	100.0

Source: Preparation researchers relying on SPSS output

❖ Test the Hypotheses of the Study:

Reliability

Table (2). Reliability

Alpha of Cronbach	Number of elements
0,83	21

Note from Table (2) alpha coefficient greater than the minimum acceptable and is 60% to overall reliability coefficient 83%, indicating a high reliability

3- Hypothesis Testing:

Hypothesis 1

Relationship of the Indirect compensation and organizational loyalty

H0: There were no statistically significant differences between the Indirect compensation and organizational loyalty

H1: There are significant differences between the Indirect compensation and organizational loyalty

Table (3): Model Shortcut

Model	The correlation coefficient R	Factor Specific R ²	Factor Specifically Debugger	the standard
1	.5730	.3280	.3000	.217140

Source: data spss

Table note the correlation coefficient R = 57.3% and say that it is somewhat average correlation between the Indirect compensation and organizational loyalty and R² coefficient of determination of 32.8% to 32.8% of any of the changes that occur in organizational loyalty caused by the change in the Indirect compensation

Accepting or rejecting the first hypothesis at the Level of Significance 0.05

Table (4): ANOVA^b test of the impact of Indirect compensation and organizational loyalty

Model		Sum of squares	freedom Degree	Average square	Value s d	Level of Significance 0
1	Regression	.5530	1	.5530	11.732	.002 ^a 0
	Residuals	1.132	24	.0470		
	Total	1.685	25			

- a. Valeurs prédites : Indirect compensation
 - b. Variable dependante : organisationnel loyalty
- Source: data spss

through the table There are Sig less than α means we reject H0 and accept H1

First result: there statistically significant differences between the Indirect compensation and organizational loyalty

Table (4):Transactions

Model		Standard non transactions		Standard transactions	t	Level of Significance
		A	the sta error	Bêta		
1	Indirect compen sation	3.002	0.542		5.538	0.000
		0.403	0.118	0.573	3.425	0.002

Source: data spss

Through the table can be written regression equation between the Indirect compensation X1 and organizational loyalty Y as follows

$$Y = 0.403X1 + 3.002$$

Hypothesis 2

Relationship of the Social Security and organizational loyalty

H0: There were no statistically significant differences between the Social Security and organizational loyalty

H1: There are significant differences between the Social Security and organizational loyalty

Table (6):Model Shortcut

Model	The correlation coefficient R ¹	Factor Specifically R2 ¹	Factor Specifically Debugger	the standard
1	0.387 ^a	0.150	0.114	0.24432

a. Values predates : Social Security

Source: the preparation of researchers and the adoption of the spss.

Table note the correlation coefficient R = 0.387, equivalent to 38.7% of it and say that there is little between Social Security and organizational loyalty As for the coefficient of determination R2 = 15 0. This means that 15% of the changes that occur in organizational loyalty caused by the change in the Social Security

Accept or reject the hypothesis at the Level of Significance $\alpha = 0.05$

Table (7):

ANOVA^b test of the impact of Social Security and organizational loyalty

Model		Sum of squares	freedom Degree	Average square	Values d	Level of Significance
1	Regression	0.252	1	0.252	4.225	0.051 ^a
	Residuals	1.433	24	0.060		
	Total	1.685	25			
<p>a. Valeurs prédites : Social Security b. Variable dépendant : organizational loyalty</p>						

Source: data spss

through the table There are Sig less than α means we reject H0 and accept H1

Second result: there statistically significant differences between the Social Security and

Table (8):Transactions

Model		Standard non transactions		Standard transactions	t	Level of Significance
		A	the standard error	Bêta		
1	Social Security	3.841	0.495		7.766	0.000
		0.227	0.111	0.387	2.056	0.051

Source: Data SPSS

Table (9): Model Shortcut

Model	The correlation coefficient R1	Factor Specificall	Factor Specifically Debug	the standard error
1	0.379	0.144	0.108	0.24515

Through the table can be written regression equation between the Social Security X2 and organizational loyalty Y as follows

$$Y = 0.227 X2 + 3.841$$

Hypothesis 3

There are significant differences between financial incentive and organizational loyalty;
H0: There were no statistically significant differences between financial incentive and organizational loyalty

H1: There are significant differences between financial incentive and organizational loyalty

By table note the correlation coefficient $R = 0.379$, equivalent to 37.9% and from him to say he is weak link is somewhat between financial incentive and organizational loyalty relationships either specifically $R^2 = 0.144$ coefficient that is 14.4% of the changes that occur in organizational loyalty caused by the change in financial incentive.

Table (10):

ANOVA^b test of the impact of **organizational loyalty** and financial incentive

Model	Sum of squares	freedom Degree	Average square	d Values	Level of Significance
1 Regression	.2420	1	.2420	4.035	.056 ^a
Residuals	1.442	24	.0600		
Total	1.685	25			

a. Predicted values: (constants)_ financial incentive

b. Dependent variable: **organizational loyalty**

Source: data spss

Since Sig greater than α means reject H1 and accept H0

There were no statistically significant differences between organizational loyalty and

Table (11): Transactions

Model		Standard non transactions		Standard transacti ons	t	Level of Signi fican ce
		A	Bêta	Bêta		
	financial incentive	3.550	0.650		5.457	0.000
		0.282	0.141	0.379	2.009	0.056

a. Dependent variable: **organizational loyalty**

Source: data spss

Through writing table regression equation between the X3 financial incentive and organizational loyalty Y

$$Y + 0.282X3 + 3.550$$

4Hypothesis

❖ **Relationship of the Workers' Compensation and organizational loyalty.**

Where H0 says there is no statistically significant relationship between Workers' Compensation and organizational loyalty and H1 were no significant differences between Workers' Compensation and organizational loyalty

Table (12): Model Shortcut

Model	The corre coefficient	Factor Specific 2 R	Factor Specific Debugger	the standard er
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	IR			
1	0.388 ^a	0.151	0.115	0.24418
a. Predicted values: (constants : Workers' Compensation Source: data spss				

Correlation coefficient R = 0.333, equivalent to 33.8% of this and to say that there is little between Workers' Compensation and organizational loyalty while 2 R correlation coefficient of determination = 0.115 means that 11.5 % Of changes in organizational loyalty caused by change in Workers' Compensation

Table (13): ANOVA^b test of the impact of Workers' Compensation and organizational loyalty

Model		Sum of squares	freedom Degree	Average square	Value ds	Level of Significance
1	Regression	0.254	1	0.254	4.257	0.050 ^a
	Residuals	1.431	24	0.060		
	Total	1.685	25			
a. Predicted values: (constants : Workers' Compensation b. Variable dependant : organizational loyalty Source: data spss						

Since Sig less than α means we reject H0 and accept H1

Table (14): Transactions

Model		Standard non transactions		Standard transactions	t	Level of Significance
		A	Bêta	Bêta		
1	Workers' Compensation	3.995	0.418		9.546	0.000
		0.195	0.095	0.388	2.063	0.050
Variable dependant : organizational loyalty						

Source: data spss

Through the table we can conclude gradient between Workers' Compensation and organizational loyalty
Y equation

$$Y = 0.195X + 3.995$$

Hypothesis 5

Retirement Plans and organizational loyalty

Hypothesis H0: There were no statistically significant differences between Retirement Plans and organizational loyalty

Hypothesis H1: there is a statistically significant relationship between Retirement Plans and organizational loyalty

Table (15): Model Shortcut

Mod	The corre coefficient R	Factor Specifica 2R	Factor Specific ally Debugger	the standard error
1	0.552 ^a	0.304	0.275	0.22101
a. Predicted values: (constants) Retirement Plans				

Source: data spss

Through the table R correlation coefficient = 0.552, equivalent to 55.2% of it and say that the average somewhat between Retirement Plans and organizational loyalty The correlation coefficient of 0.275 R² specifically means that 27.5% of the changes that occur in organizational loyalty caused by the change in the Retirement Plans.

Table (16):

ANOVA test of the impact of Retirement Plans on organizational loyalty

Model	Sum of square s	freed om Degr ee	Average square	Values d	Level of Significa ce	
1	Regression	0.513	1	0.513	10.494	0.003 ^a
	Residuals	1.172	24	0.049		
	Total	1.685	25			
a. Predicted values: (constants) Retirement Plans						
b. Variable dependant: organizational loyalty						

Source: data spss

Sig less than α means we reject H₀ and accept H₁

There are statistically significant relationship between Retirement Plans and organizational loyalty

Table (17):Transactions

Model	Standard transactions	non the standard	Standard transactions	t	Level of Significa nce
	A		Bêta		A
1	(constant s) Retireme nt Plans	3.377	0.458	7. 3 7 8	0.000
		0.322	0.099	0.552 3. 2 3 9	0.003
b. Variable dependant: organizational loyalty					

Source: data spss

Through the table draw regression equation between Retirement Plans X5 and organizational loyalty Y

$$y = 0.332X5 + 3.377$$

Hypothesis 6

Relationship of the organizational affiliation and organizational loyalty

H0: There statistically significant relationship between organizational affiliation and organizational loyalty

H1: no statistically significant relationship between organizational affiliation and organizational loyalty

Table (18): Model Shortcut

Model	correlation coefficient R1	Factor specifically R21	Factor Specifically Debugger	the standard error
1	0.210 ^a	0.044	0.004	0.25903

a. Predicted values: (constants) Organizational affiliation

Source: data spss

Through the table we note that R correlation coefficient = 0.21, equivalent to 21% of it and say that weak link is somewhat between stimulus and organizational loyalty As for the coefficient of determination R2 = 0.044, or 44% of the changes that occur in organizational loyalty caused by the change in the stimulus

Table (19):

ANOVA b test of The impact of Organizational affiliation on organizational loyalty

Model	Sum of squares	freedom Degree	Average square	d Values	Level of Significance
1 Regression	0.075	1	0.075	1.111	0.302 ^a
Residuals	1.610	24	0.067		
Total	1.685	25			

a. Predicted values: (constants) Organizational affiliation

b. Variable dependant : organizational loyalty

Source: data spss

Since Sig less than α means we reject H 0 and accept H 1

No statistically significant relationship between Organizational affiliation and organizational loyalty

Table (20):Transactions

Model	Standard transactions non	Standard transactions		t	Level of Significance A
		A	the standard error		
1 constants) Incentives	3.615	1.175		3.077	0.005
	0.255	0.242	0.210	1.054	0.302

b. Variable dependant : organizational loyalty

Through the table can be written regression equation between Organizational affiliation X6 and organizational loyalty Y

$$Y = 0.225X_6 + 3.615$$

Conclusion

Been through this field study is an attempt to shed light on the impact of indirect compensation on organizational loyalty to workers in NAFTAL (GPL) Bechar Algeria Algeria, through the design of a questionnaire that measures the relationship between them :

Results of the Study:

1. Indirect compensation is a set of influences that Triger the motivation and feeling of workers in order to create Functional loyalty which has the great impact on labor's movement to satisfy their needs and desires which is reflected on the direction of their behavior and their relationship with the organization **"This proves the validity of the first hypothesis."**
2. Functional loyalty is an important key to determine to what extent individuals are compatible with the institution. This can be clearly seen throughout the effectiveness of the cooperation between organizations. **"This negates the validity of the second hypothesis."**
3. Create a system of indirect compensation in institutions ensures the equalization of partitions among the staff. In addition, it's strength-out the principle that all employees have access to benefits and compensation which indirectly increases the confidence of workers towards their organization and makes them feel fair and equal in rights this lead to a better sense of loyalty to the organization. **This proves the validity of the third hypothesis. "**

In lights of this study we suggest some recommendations as following:

- Increase and strength the areas of cooperation and communication between the administration and employees throughout listening to their demands and concerns to make them feel secure and heard.

- Gain employee's trust by introducing them to the indirect compensation available in the organization, allow them to participate in making decisions and creating an appropriate incentive system.
- Study the compensation prevailing in the surrounding organizations to cope with the economic, social, psychological and civilizational changes that affect the behavior of individuals.

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