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Incentive Systems and Organizational Commitment Among Employees

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Abstract: This study aims to investigate the correlation between incentive systems and organizational commitment. To achieve this objective, a quantitative approach was adopted, utilizing a simple random sample of 48 employees from the Naftal gas liquefaction enterprise in Tiaret. Data were collected using the Incentive Systems Questionnaire (Radjem et al., 2019) and the Organizational Commitment Questionnaire (Mahi, 2016). The findings revealed that the employees experience low levels of both organizational commitment and satisfaction with the current incentive systems. Despite this, correlation analyses demonstrated a moderate positive relationship between financial incentives and organizational commitment, alongside a strong positive relationship between non-financial incentives and commitment. Additionally, moderate positive correlations were observed between organizational commitment and the dimensions of promotions, rewards, and incentive equity. Overall, the results confirm a statistically significant positive relationship between the various dimensions of incentive systems and the level of organizational commitment. These findings highlight the critical need to develop comprehensive incentive policies to enhance workplace loyalty and belonging within the organization.

Keywords: *Incentive systems, Organizational commitment, Financial incentives, non-financial incentives, Employee loyalty.*

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Introduction:

Organizations, regardless of their production or service nature, strive to achieve their goals by fostering strong social and organizational relationships among their employees. Recognizing the human element as the primary driving force of production, modern organizations aim to provide optimal physical, social, and psychological working conditions to enhance employee motivation and performance.

In the field of Work and Organizational Psychology, incentive systems are considered a crucial independent variable that positively influences work motivation. The effectiveness of these incentives often varies based on individual differences, such as gender and age. For instance, Ataya (2016) found significant differences in employee attitudes toward work incentives based on gender. Furthermore, inadequate incentive systems such as poor social services or insufficient financial allowances have been shown to negatively impact job performance and overall service quality (Hermas, 2015). Ultimately, the effectiveness of the incentives provided by an organization directly reflects on employees' job satisfaction and their commitment to the workplace.

Organizational commitment is a critical behavioral variable, generally defined as a psychological state where an individual identifies with the organization, believes in its goals, and actively strives to achieve them. Previous research highlights its critical role in organizational success. Studies have shown a positive correlation between organizational commitment and overall effectiveness (Al-Khafaji, 2020), as well as a strong association with organizational culture and core values (Al-Oufi, 2005) .

A decline in organizational commitment typically leads to negative organizational outcomes, including increased absenteeism, tardiness, high turnover rates, and diminished job satisfaction. Conversely, elevated commitment improves organizational performance, enhances effectiveness, and ensures that employee objectives are closely aligned with those of the organization.

Despite the well-documented importance of both concepts, there is a continuous need to explore how specific incentive systems affect organizational commitment within vital economic and service sectors. Therefore, this study focuses on a critical industrial setting to address the following primary research question:

Is there a statistically significant relationship between incentive systems (and their dimensions) and organizational commitment among employees at the Naftal gas liquefaction enterprise in Tiaret?

1. Research Hypothesis

1.1. **H1:** There is a statistically significant relationship between the overall incentive systems (including their various dimensions) and the level of organizational commitment among employees at the Naftal gas liquefaction enterprise in Tiaret.

2. Theoretical background:

2.1. Organizational Commitment:

Organizational commitment is a fundamental concept in organizational psychology, generally defined as the psychological strength of an individual's attachment to their organization (Mowday, Steers, & Porter, 1979). It reflects the degree to which employees identify with organizational goals and values, and their willingness to exert effort on behalf of the organization.

The most widely accepted and empirically validated framework for understanding this construct is the Three-Component Model (TCM) developed by Meyer and Allen (1991). According to this model, organizational commitment is not a uni-dimensional construct but rather a psychological state that takes three distinct forms, each characterizing the employee's

relationship with the organization differently.

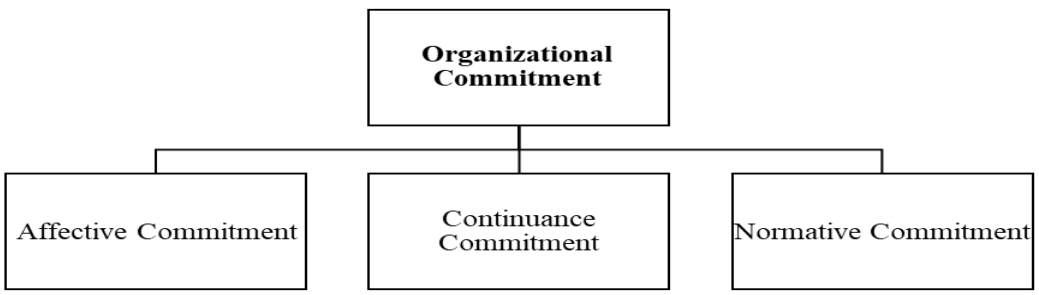
Table 1
Dimensions of Organizational Commitment

Dimension	Psychological Basis	Behavioral Implication
Affective Commitment	Emotional attachment and involvement	High voluntary performance and dedication.
Continuance Commitment	Awareness of the costs associated with leaving	Retention based on economic or social necessity.
Normative Commitment	Feeling of moral obligation to remain	Loyalty driven by internalized norms or reciprocity.

Note. Adapted from the Three-Component Model of organizational commitment by Meyer and Allen (1991).

Employees rarely experience these three components in isolation; rather, they typically develop a complex psychological profile where varying degrees of affective, continuance, and normative commitment coexist. For instance, an individual might feel a strong emotional bond to their workplace, while simultaneously recognizing the financial risks of leaving and feeling a moral obligation toward their colleagues. However, despite this dynamic interplay, affective commitment consistently emerges as the most potent catalyst for desirable organizational outcomes. When employees remain in an organization primarily because they want to, their motivation is driven by an intrinsic alignment with the company's core values. This internalized dedication significantly amplifies overall job satisfaction and proactive performance. More importantly, it profoundly transforms how employees interact with motivational strategies; those with high affective commitment are more likely to perceive incentive systems not merely as transactional exchanges, but as genuine validations of their efforts and vital contributions to the organization's success.

Figure 1
Dimensions of Organizational Commitment



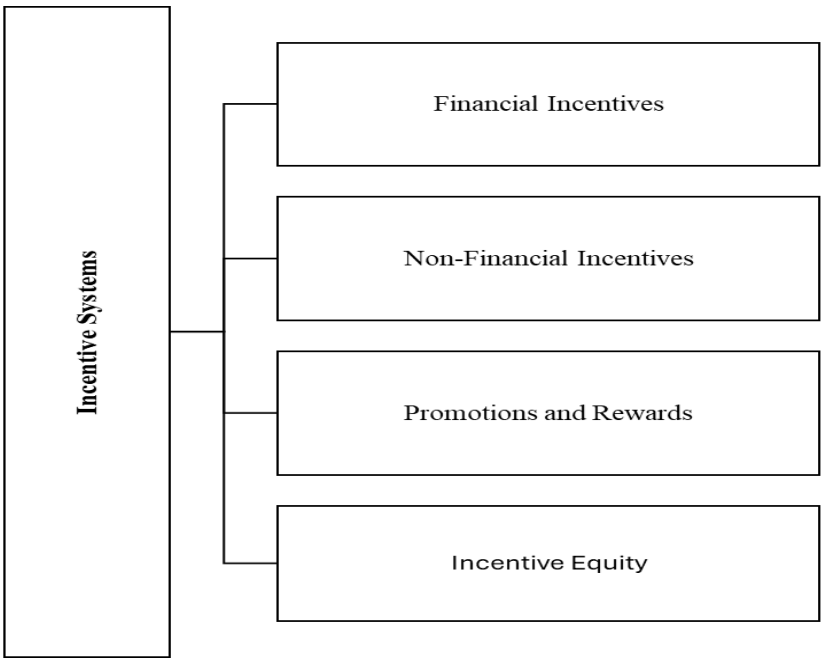
2.2. Dimensions of Incentive Systems:

Incentive systems in modern organizations are multifaceted, encompassing various strategies designed to motivate employees and align their goals with organizational objectives. Based on the literature and the scope of this study, incentive systems are conceptualized through four primary dimensions:

- **Financial Incentives:** These refer to direct monetary rewards provided to employees in exchange for their performance and effort, such as base salary, bonuses, and profit-sharing. They are essential for fulfilling fundamental economic and security needs (Robbins & Judge, 2019).
- **Non-Financial Incentives:** These represent the psychological and social rewards that enhance an employee's sense of value and belonging. They include verbal recognition, certificates of appreciation, participation in decision-making, and a supportive work environment. These incentives target higher-order psychological needs, such as esteem and self-actualization (Armstrong, 2014).
- **Promotions and Rewards:** This dimension involves career advancement opportunities and performance-based perks. Promotions serve as a dual motivator, offering both an increase in financial compensation and an elevation in social and professional status within the organization.
- **Incentive Equity:** Grounded in Equity Theory (Adams, 1965), this dimension reflects the employees' perception of fairness regarding how incentives are distributed (distributive justice) and the transparency of the procedures used to allocate them (procedural justice). Perceived equity is a critical determinant of how effective an incentive system will be in fostering actual commitment.

Figure 2

Dimensions of Incentive Systems



3.Methods and materials:

3.1. Research Design A quantitative, descriptive-analytical correlational design was employed to investigate the relationship between incentive systems and organizational commitment. This approach is highly appropriate for examining current phenomena and determining the nature and strength of relationships between variables in an organizational setting.

3.2. Participants The target population comprised 372 employees and administrative staff at the Naftal gas liquefaction enterprise in Tiaret, Algeria. A simple random sampling method was utilized to distribute 80 questionnaires. A total of 48 valid responses were retrieved, representing a response rate of 12.90% of the original population.

Demographic analysis revealed that the majority of the participants were male (89.6%, n = 43), with females representing 10.4% (n = 5). This gender distribution reflects the industrial nature of the workplace. In terms of age, the largest segment was over 40 years old (62.5%), followed by the 30-40 age group (29.2%), while those under 30 accounted for only 8.3%. Furthermore, the participants exhibited high levels of professional experience, with 64.6% having more than 10 years of service, and 25% having between 5 and 10 years. This experienced demographic profile is consistent with the sensitive and highly technical nature of gas liquefaction operations.

3.3. Measures Data were collected using two main instruments, which were subjected to a pilot study to ensure their suitability for the target environment:

- **Incentive Systems Questionnaire:** Developed by Radjem et al. (2019), this 32-item scale assesses the impact of organizational incentives across four dimensions: Financial Incentives (items 1-7), Non-Financial Incentives (items 8-14), Promotions and Rewards (items 15-19), and Incentive Equity (items 20-32). Construct validity was confirmed via Pearson correlation coefficients between each item and its respective dimension, which yielded statistically significant values ranging from .41 to .88 ($p < .01$). The scale demonstrated excellent internal consistency, with a Cronbach's alpha coefficient of .95.
- **Organizational Commitment Questionnaire:** Adopted from Mahi (2016) and originally based on the Meyer and Allen (1990) model, this 15-item scale measures commitment through three dimensions: Affective Commitment (items 1-5), Normative Commitment (items 6-10), and Continuance Commitment (items 11-15). Pearson correlation coefficients for the item-total correlations ranged from .57 to .88 ($p < .01$), indicating strong construct validity. The reliability of the scale was robust, yielding a Cronbach's alpha of .88.

3.4. Procedure and Data Analysis The field study was conducted between March 1 and April 15, 2025. An initial exploratory study was carried out to identify the study population and confirm the feasibility of the psychometric tools. Following data collection, statistical analyses were performed using SPSS software. The analytical procedures included frequencies and percentages for demographics, normality tests to guide the choice of statistical methods, Pearson correlation coefficients for hypothesis testing, and Cronbach's alpha for reliability assessment.

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5. Results

To test the main hypothesis, which proposed a statistically significant relationship between incentive systems (including their dimensions) and organizational commitment, a Pearson correlation analysis was conducted.

The results of the correlational analysis are summarized in Table 1.

Table 2

Pearson Correlations Between Incentive Systems Dimensions and Organizational Commitment

Variables	r	p	Direction & Strength
Financial Incentives	.48**	< .001	Moderate, Positive
Non-Financial Incentives	.60**	< .001	Strong, Positive
Promotions and Rewards	.45**	.001	Moderate, Positive
Incentive Equity	.47**	< .001	Moderate, Positive
Total Incentive Systems	**.58**	**< .001**	**Moderate, Positive**

Note. $N = 48$.

5.1. Main Findings

The quantitative analysis revealed a statistically significant, moderate positive correlation between the overall implementation of incentive systems and the level of organizational commitment among the surveyed employees ($r = .58$, $p < .001$). This core finding fully supports the main research hypothesis. It clearly indicates that as the quality, relevance, and effectiveness of the incentive systems improve, employees' psychological attachment and dedication to the organization rise in tandem. In practical terms, when employees perceive that the organization is actively investing in their motivation and well-being, they reciprocate with a stronger sense of loyalty and a greater willingness to contribute to the enterprise's long-term goals.

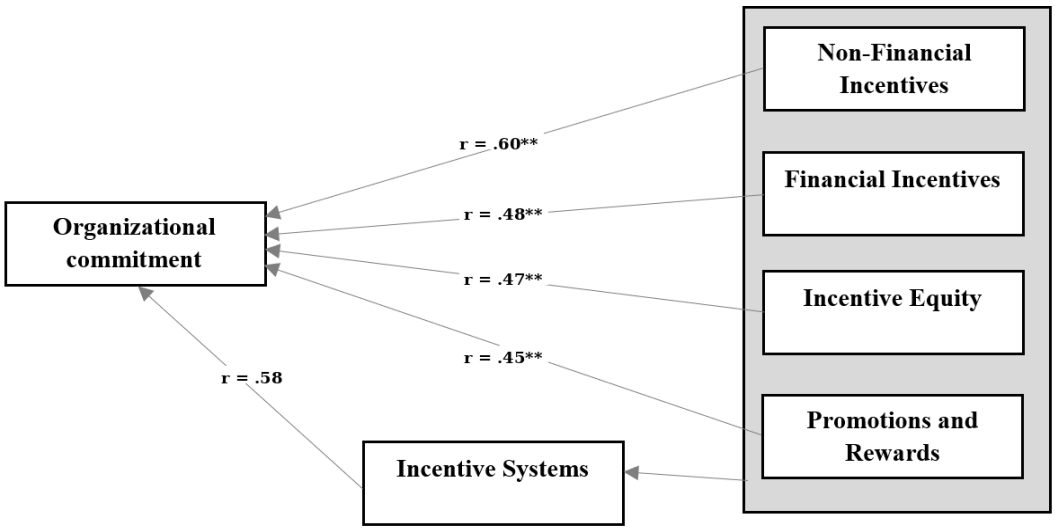
When breaking down the overall incentive system into its specific dimensions, the data provided a deeper, more nuanced understanding of what truly drives employee commitment in this specific industrial setting:

- Non-Financial Incentives: Interestingly, this dimension exhibited the strongest positive correlation with organizational commitment ($r = .60$, $p < .001$). This suggests that psychological and social rewards such as verbal recognition, a supportive organizational climate, and a genuine feeling of being valued by management resonate deeply with the employees. In a physically and mentally demanding workplace, these intangible factors play a paramount role in fostering an authentic emotional bond between the worker and the organization.
- Financial Incentives: The analysis demonstrated a moderate, positive relationship between direct monetary rewards and commitment ($r = .48$, $p = .001$). While a fair baseline salary, allowances, and financial bonuses remain fundamental for fulfilling basic economic security needs, the data implies that financial compensation alone is not the sole, or even the primary, driver of deep-seated organizational loyalty for this particular demographic.
- Incentive Equity: Perceptions of fairness showed a moderate, positive correlation with commitment ($r = .47$, $p < .001$). This metric underscores the critical psychological importance of transparency and distributive justice. When employees believe that rewards and recognition are allocated fairly, transparently, and without bias, it builds institutional trust. This sense of equity acts as a foundational pillar that significantly strengthens their normative and affective commitment to the enterprise.
- Promotions and Rewards: Tangible career advancement opportunities displayed a moderate, positive relationship with organizational commitment ($r = .45$, $p = .001$). This reflects the employees' inherent need for professional growth and a predictable career trajectory. The assurance that dedication and high performance will be met with career

progression encourages employees to invest their future within the current organizational structure rather than seeking opportunities elsewhere.

Figure 2

Pearson Correlations between Incentive Systems Dimensions and Organizational Commitment



Note. r represents the Pearson correlation coefficient. p-values indicate the statistical significance of the correlations. ** $p < .01$.

Overall, the findings paint a comprehensive and interrelated picture: all dimensions of the evaluated incentive systems are positively and significantly intertwined with organizational commitment. However, the remarkably prominent role of non-financial incentives highlights a crucial human element in the workplace employees are driven not exclusively by economic gain, but profoundly by the human desire for respect, equity, and psychological support within their professional environment.

6. Discussion

The primary objective of this study was to explore the relationship between incentive systems and organizational commitment among employees at the Naftal gas liquefaction enterprise. The overarching finding indicates a statistically significant, moderate positive correlation between satisfaction with incentive systems and the level of organizational commitment.

These results align consistently with previous literature. For instance, Hermas (2015) emphasized the critical role of incentives in enhancing service quality, a key indicator of organizational commitment. Similarly, Al-Khafaji (2020) demonstrated how variations in organizational effectiveness and employee productivity are deeply intertwined with their commitment levels. Furthermore, the findings support Al-Oufi (2005), who linked organizational culture of which incentive systems are a core component to commitment.

Notably, the study revealed that the baseline levels of both organizational commitment and satisfaction with current incentive systems were low among the sampled employees. This decline in commitment is directly associated with their dissatisfaction with the incentives provided. This situation highlights a critical gap between employee expectations especially considering the physically and mentally demanding nature of the gas liquefaction industry and the organization's response to their needs. Such a gap fosters feelings of underappreciation, leading to reduced motivation, potential increases in turnover intentions, and higher absenteeism.

The strong correlation found specifically with non-financial incentives suggests that psychological rewards, recognition, and a supportive work environment are just as crucial, if not

more so, than financial compensation in this specific industrial context.

7. Conclusion and Practical Implications

In conclusion, employee satisfaction with incentive systems is a fundamental determinant of their organizational commitment. Effective and well-aligned incentive structures enhance employees' emotional attachment to the organization, driving them to achieve its goals with efficiency and dedication. Conversely, inadequate incentives lead to a noticeable decline in workplace engagement, posing risks to overall performance and organizational stability. Developing comprehensive, balanced incentive strategies is not merely a motivational tool, but a necessity for building a healthy, sustainable work environment that ensures competitiveness in the vital energy sector.

Based on the findings, the following practical recommendations are proposed for organizational leadership and human resource management:

- **System Revision:** Conduct a comprehensive review of current incentive systems, ensuring a balanced diversification between financial and non-financial rewards that accurately reflect the demanding nature of the work.
- **Focus on Non-Financial Rewards:** Develop robust non-financial incentive programs, such as public recognition, professional development opportunities, and career advancement paths, given their strong proven impact on affective commitment.
- **Open Communication:** Foster transparent communication channels to regularly gather employee feedback and suggestions regarding their needs and the fairness of the incentive distribution.
- **Leadership Training:** Implement training programs for administrative leaders to enhance their understanding of motivational dynamics and their role in cultivating a stimulating work environment.

While this study provides valuable insights, its findings are confined to the specific instruments used and the demographic context of the Naftal enterprise in Tiaret. Future research should expand on these findings by incorporating qualitative methods, exploring other vital sectors, and investigating additional mediating variables that may influence the relationship between incentives and organizational commitment.

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