

# The influence of incentives, recruitment and selection on the employee loyalty in the National Oil Corporation in Libya

<sup>1</sup>Nadia Aboulgasem, <sup>2</sup>Assoc. Prof. Dr. Valliappan Raju  
<sup>1</sup>PhD candidate, <sup>2</sup>Sr. Lecturer, Limkokwing University, Malaysia  
<sup>1</sup>Faculty of business and management,  
Limkokwing University of Creative Technology, Cyberjaya, Malaysia

**Abstract:** Employee loyalty is one of the new era issues, which has worsened over the last decade due to many reasons. The rapid global competition for the skilled human resource and the slowdown of the economy globally has driven the organizations to seek factors that improve their employee loyalty. The purpose of this study is to investigate the impact of incentives, recruitment, and selection on the employee loyalty in the National Oil Corporation in Libya. This study is based on a quantitative research approach; a questionnaire instrument is used to collect the primary data from 320 employees from NOC. The finding of this study confirmed a significant and positive contribution from incentives and recruitment and selection on the employee loyalty of NOC. It recommends that recruiting new employees must be handled by a special committee, which able to set optimal requirements for talented staff.

**Keywords:** incentives, recruitment and selection, employee loyalty, NOC, Libya

## 1.0 INTRODUCTION

Human resource represents the power of any organization, where the manpower forms the main engine of organization, all the organization members in the various organization levels belong to the manpower, despite the management level of organization, and the nature of humanity comes in the front of organization interests. The world without humans is unimaginable. Human resources are the most valuable of any organization, it's considered as the cornerstone of any workplace. It carries out daily operations including dealing customers, and management of cash flows, and operating machinery, and decision-making, and advises their subordinates, and including many other vital functions of the organization (Ulrich, 2013). Taking care for this source' practices works to improve the employee loyalty within the organization, which causes severe side effects such as productivity, and the migrant of skilled labor. In this context, several previous studies have paid attention toward relative factors that influence the human resources issues.

### 1.1 Research Problem

The National Oil Corporation (NOC) is considered as one of the main pillars of the Libyan economy (Abulkasim et al., 2016). Employees in such organization have to be selected to meet the level of provided services. The unstable situation in the country over the period 2011-2016 (Boeke and Roy, 2016) have affected the incentives to the NOC employees, declining the purchase power of the local currency and increasing the inflation rate (East, 2017), it has forced employees to shift to other employers. In another side, the lack of the appropriate provided incentives forced the NOC to look forward for recruiting new employees, which has formed another challenge for the corporation to fill the gap of the resigned employees. Providing a proper

strategy to solve these issues has forced the top management to re-evaluate two essential pillars of judgment that incentives, recruitment and selection, and how these two concepts influence its employees loyalty in return.

### 1.2 Objective

- To identify the impact of incentives on the employee loyalty in NOC
- To identify the impact of recruitment and selection on the employee loyalty in NOC

### Framework

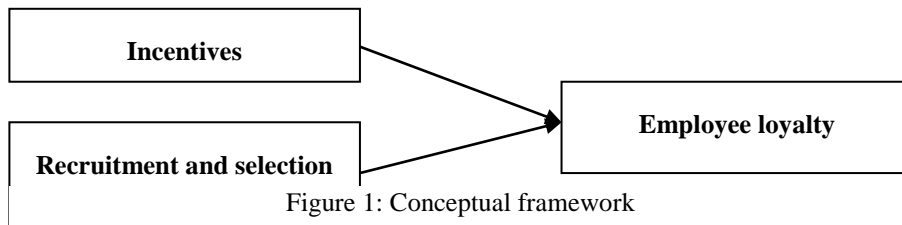


Figure 1: Conceptual framework

## 2.0 LITERATURE REVIEW

Traditionally, the power to remain together with the organization in the long term was meant by worker loyalty. It essential for the organization because worker devotion may be measured by the quantity of time one work for the business or organization (Guillon and Cezanne, 2014), as the economy is transforming: downsizing, a restructuring that is join forces had made the meaning of worker devotion change. Worker devotion is unable to be quantified by the full time they work for the business alone, and it need to range from the level of dedication worker makes when they're on the job (Ibrahim and Al Falasi, 2014). Hassan, Nawaz, Abbas, and Sajid (2013) define devotion as the openness of an employee invest in or forfeits for the business to reinforce a relationship. So, the intent characterizes devotion to interacting together with the organization in the long term, which plays a positive role in the retention of members in the business. While job satisfaction primarily targets the perspective of worker toward his present occupation, worker devotion investigates a broader framework, which will be worker's approach toward the organization (Noor and Jamil, 2014).

Worker retention describes practices and policies from leaving their occupation; firms utilize to avoid precious workers. It includes taking measures to encourage workers to keep in the organization for the utmost time frame. Hiring aware individuals for the task is important for a company. But retention is much more significant than hiring. This can be valid as many companies have underestimated costs related to employee turnover of essential staffs (Jamil and Neem, 2013). Employee Turnover prices can incur with issues including reference tests, security clearance, temporary worker costs, relocation costs, proper training prices and induction expenses. Hidden costs and other invincible prices like missed deadlines, loss of customer, lower morale, and organizational knowledge's negative understanding of firm image could also occur. This is the reason keeping top talent has changed into a main concern for a lot of organizations now (Putri and Yuliansyah, 2017). Supervisors must push plenty of work in ensuring the worker's employee turnover are consistently low, as they may be getting growing recognition of which workers are critical to the organization of their worth to the organization aren't readily reproduced. Many critical analyses are conducted to minimize the potential incidence of a deficit of highly skilled workers who possess the special knowledge to perform at elevated levels; as such occasion will lead to a lot of organizations who did not keep these high performers to a negative state. They'd be made by having an understaffed capable workforce that can reduce their competitiveness because of a specific sector.

Most research workers (Legkauskas and Mazilauskaitė, 2015, Pološki Vokić and Hernaus, 2015, Preko and Adjetey, 2013, Zahari and Bakar, 2016) have tried to answer the inquiry of what determines people's intent to

step down, sadly to date; there continues to be little consistency in findings. Therefore, there are lots of reasons why people switch for other organization and leave their present occupation. The extent of the work strain, low commitment in the organization; and job dissatisfaction bring about the resignation of workers. Ample research also has certified the relationship between satisfaction and behavioral goals for example worker's retention and distributes word of mouth. Numerous studies demonstrated how high workers participation is can relate to the intent of making an organization. Lacking chances to learn and self-development on the job could function as a key for worker discontent leading to employee turnover. Other studies also suggested that workers will keep in their organization if she or he has a good relationship with all the individuals he/she is working approximately with. Organizations are thus proposed to offer team building opportunities, where interaction and discussion might be carried out not only within but outside their working hours. Hired workers can act in numerous manners; they may show fewer citizenship behaviors or report less commitment, not since they lack excitement for his or her occupation, but instead because states in the working environment don't lead them to do this (Indradevi, 2013).

The compensation is an essential role in engaging and retaining good personnel, in particular those personnel who gives the best productivity or distinctive skill which is essential to the corporation since the corporation invests huge amount on their training and development. In general satisfaction develops from a mixture of awards than any single award. Both awards must be considered as timely and linked with successful productivity. The staff should recognize the award proposed as appealing (Dickson, 2014). Yaseen (2013) carries out a study to endorse employee satisfaction with pay; companies have evolved mechanism that is designed to endorse pay equity with similar intrinsic individuals. The outcomes of unfairness in employee pay concerning the outer labor markets are possibly very serious for a company, which would be impossible to engage and keep the professionals (Deci and Ryan, 2014). They enclose that high total recompense does not nevertheless, assure that the best employees are kept. In order to keep them, a corporation must also pay its better executors more than it pays poorer executors and the distinctions must be essential in the assertions of the employee. In accordance with Cerasoli, Nicklin, and Ford (2014) that corporation practices the strategy of low salaries if the work is simple and needs less training and corporations competing in labor markets, practice the strategy of high salaries.

Several researchers dispute that competitive compensation packet is the only keen obligation and also establish keen obligation on the employees side. Nevertheless, the promotion of compensation towards retention, assist in retention of staff regardless their ability and promotion to the corporation and it probably influence both desired and undesired turnarounds. The overall amount of compensation proposed by other corporations also influences the turnaround. The company which propose high compensation packet as juxtaposed to others would have a huge number of candidates applying for inductive and have lower turnaround rate. Furthermore, the high compensation packet, the corporations would establish culture of superiority (Ismail et al., 2015). Several companies perform very good employee retention strategy without proposing high compensation. In such occasions, a broad number of elements seem effective retention of personnel. The subsistence of other retention elements cannot be disregarded. The corporation's goal to retain their valuable personnel productivity pay is contemplated significant element for it.

Labor market deficits and recruitment complications have resulted in a more competitive market of recruitment. Selection and recruitment play a significant role in rendering the service. If used effectively it can be cost efficient in more than one method. According to the viewpoint of managers that the goal is to gain the high return on investment from human capital. Investments like wages, cost of recruitment, and advantages are anticipated to be returned in the shape of revenues. Mwangi (2013) described that star executors often return 3

to 7 times their wage's value in performance. If the appropriate individual is assigned, training cost will be decreased, gaps in delivery minimized, and service enhanced, placing the corporation in a position of accomplishing its key productivity goals of reliability, cost, rapidity and quality

### 3.0 RESEARCH METHODOLOGY

This study relies on the quantitative approach, the main reason of using the quantitative approach in this study to provide a proper fertile ground discussion about the study investigations. In addition to provide a better perception of the influence of incentives, recruitment and selection on the employee loyalty, which can't be predicted from the qualitative approach only, using quantitative analysis will work to enhance the data constancy of the final conclusion of the study (Hussein, 2015). The population of this study is the total employees of NOC, which are 75,000 according to the NOC (NOC, 2016); hence, the study sample is 382 participants based on Payne and McMorris (1967) sample determinants table. For the purpose of collecting this study data, a questionnaire instrument will be used. The measurements of this study have adopted from previous studies. The measurements of the recruitment and selection factor have adopted from (BABAEI, 2011, Kleiman, 2004), while the incentives factor measurements from (Al-Nsour, 2011), and the measurements of employee loyalty from (Arsić et al., 2012, Khuong and Tien, 2013). The obtained primary data of this study will be tested by employing SPSS software, the correlation and regression tests will be used to examine the impact of incentives, recruitment and selection on the employee loyalty in NOC.

### 4.0 FINDINGS AND DISCUSSION

Table 1 shows the respondents profiles, a total of 320 employees have participated from NOC. In term of age, the age category (36-45) has the highest score (n=154, 48.1%), age category (25-35) has got (n=45, 14.1%), age category (46-55) has got (n=96, 30%), while the age category (above 56) has got (n=25, 7.8%). Most of the participants are male (n=174, 54.4%), while the female participants (n=146, 45.6%). In education level, most of the NOC hold a bachelor degree (n=188, 58.75%), high school level (n=11, 3.4%), diploma level (n=21, 6.6%), master level (n=55, 17.19%), PhD level (n=44, 13.75%), and other (n=1, 0.3%). The income level of the participants is ranged from LD100 to LD 1501 and above, for the income level (LD100 – LD500) has scored (n=21, 6.6%), income level (LD 501- LD 1000) has scored (n=81, 25.3%), income level (LD 1001- LD 1500) has scored (n=174, 54.4%), and income level (LD 1501 and above) has scored (n=44, 13.75%). For the experience profile of the participants, most of the participants belong to the experience category (3-5 years) (n=122, 38.1%), experience category (below than one year) (n=100, 31.3%), and experience category (5 years and above) (n=98, 30.6%)

Table 1: Respondents profile

Demographic	Numbers and Percentage of Respondents	Demographic	Numbers and Percentage of Respondents
Age		Income level	
25-35 yrs	(45) , 14.1%	LD100 – LD500	(21) , 6.6%
36-45 yrs	(154) , 48.1%	LD 501- LD 1000	(81) , 25.3%
46- 55 yrs	(96) , 30%	LD 1001- LD 1500	(174) , 54.4%
>56	(25) , 7.8%	LD 1501 and above	(44) , 13.8%
Educational Level		Experience	
High school	(11) , 3.4%	Below than one year	(100) , 31.3%

Diploma	(21) , 6.6%	3 – 5 years	(122) , 38.1%
Bachelor	(188) , 58.75%	5 years and above	(98) , 30.6%
Master	(55) , 17.19%	Gender	
PhD	(44) , 13.75%	Male	(174) , 54.4%
Other	(1) , 0.3%	Female	(146) , 45.6%

Table 2 shows the result of reliability test, which aim to measure the internal consistency of the variables items. The Cronbach alpha for the model constructs has ranged between 0.727 and 0.844, this clarifies a good internal consistency for the model construct.

Table 2: Reliability test

Factors	Items	Cronbach Alpha
Incentives	5	0.844
Recruitment and selection	3	0.727
Employee loyalty	4	0.838

For the purpose of identifying the relationship between incentives, recruitment and selection, and employee loyalty among NOC employees, the correlation test is employed. Table 3 shows a significant and positive relationship between incentives and employee loyalty ( $r=0.699$ ,  $p=0.000$ ), as well as a significant and positive relationship between recruitment and selection and employee loyalty ( $r=0.569$ ,  $p=0.000$ ).

Table 3: Correlations test

		Incentives	Recruitment and selection	Employee loyalty
Incentives	Pearson Correlation	1		
	Sig. (2-tailed)			
Recruitment and selection	Pearson Correlation	.647**	1	
	Sig. (2-tailed)	.000		
Employee loyalty	Pearson Correlation	.699**	.569**	1
	Sig. (2-tailed)	.000	.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 4 shows the result of regression test, this test is employed to examine the contribution of incentives and recruitment and selection to the employee loyalty in NOC. The adjusted  $R^2$  value is 50.9%, this means the model construct significantly explains the employee loyalty of NOC employees. As the T value is ranged between 3.914 to 11.068 for the construct, and P-value were less than 5% for all the construct, the regression

result shows a significant contribution from both incentives and recruitment and selection to the employee loyalty. Looking at the coefficients of the variables,  $\beta$  weight for incentives 0.569, and  $\beta$  weight for recruitment and selection is 0.201, which means that incentives has higher impact and contribution to the employee loyalty of NOC.

Table 4: Regression test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.404	.091		4.419	.000
I	.600	.054	.569	11.068	.000
RS	.212	.054	.201	3.914	.000
Adjusted R <sup>2</sup>	50.9%				

a. Dependent Variable: Employee loyalty

b. Independent variables: I: incentives, RS: recruitment and selection

The result of this study is consistence to the result in the literature; it provides evidence that NOC employees are affected by the level of incentives and the recruitment and selection policy of the company. These result emphasized the role of boosting the employee retention to the company, Warning (2014) stated that the struggle for talent meant that the importance in corporations shifted from the selection to the attractiveness of staff. Recruitment incorporates these practices and performance conducted by the corporation with the main target of recognizing and engaging possible staff. It has been long considered as a significant part of human resource management as it implements the important option of designing an essential resource (Chaneta, 2014). The strategic recruitment's importance is frequently stated in the research Boxall and Purcell (2011) the importance being upon the necessity to engage and keep high quality individuals in order to obtain a competitive advantage, as is constant with the resource-oriented viewpoint.

## 5.0 CONCLUSION AND RECOMMENDATIONS

This study provides an empirical evidence of the impact of incentives and recruitment and selection on the employee loyalty of NOC. The analysis result showed a significant impact from both the incentives and recruitment and selection on the employee loyalty. It can be argued that an incentive is considered as one of the determinants of employee loyalty of NOC. The internal conflict within the country over the period 2011-2017 has affected the life style of the employee; this impact is resulted from the sharp depreciation of the local currency. This situation encouraged the Libya citizens even that employed under NOC, or under other organization to seek after other income sources. This result confirmed the importance of legislate a clear recruitment program for the company, as their loyalty can be expected based on the first stages of selection. Based on the study findings, this study recommends two suggestions as follow:

- 1- The unstable situation of the Libyan country must be taken into the NOC management consideration, where employees need much care compared to previous periods. Hence, revising the incentives structure of the NOC is recommended

- 2- Selecting the NOC employees is the first step of improving the employee loyalty. Hence, recruiting new employees must be handled by a special committee, which able to set optimal requirements for talented staff

## REFERENCES

- ABULKASIM, M. I. M., MUTALIB, M. A., ABDULAZIZ, A. M. & IBRAHIM, M. 2016. The Impact of Human Resource Management (Hrm) Practices on Labour Productivity in Libyan National Oil Corporations: The Mediating Role of Social Skills. *Mediterranean Journal of Social Sciences*, 7, 201.
- AL-NSOUR, M. 2011. Relationship between incentives and organizational performance for employees in the Jordanian Universities. *International Journal of Business and Management*, 7, 78.
- ARSIĆ, M., NIKOLIĆ, D., ŽIVKOVIĆ, Ž., UROŠEVIĆ, S. & MIHAJLOVIĆ, I. 2012. The effect of TQM on employee loyalty in transition economy, Serbia. *Total Quality Management & Business Excellence*, 23, 719-729.
- BABAEI, D. 2011. MEDIATION EFFECTS OF BEHAVIOR OUTCOMES IN THE RELATIONSHIPS BETWEEN HUMAN RESOURCE PRACTICES AND FIRM PERFORMANCE. School of Graduate Studies, Universiti Putra Malaysia.
- BOEKE, S. & ROY, V. Z. J. D. 2016. Transitioning from military interventions to long-term counter-terrorism policy: The case of Libya (2011-2016). *Security and Global affairs*.
- BOXALL, P. & PURCELL, J. 2011. *Strategy and human resource management*, Palgrave Macmillan.
- CERASOLI, C. P., NICKLIN, J. M. & FORD, M. T. 2014. Intrinsic motivation and extrinsic incentives jointly predict performance: A 40-year meta-analysis. *Psychological Bulletin*, 140, 980.
- CHANETA, I. 2014. Recruitment and Selection. *International Journal of Management, IT and Engineering*, 4, 289.
- DECI, E. L. & RYAN, R. M. 2014. The importance of universal psychological needs for understanding motivation in the workplace. *The Oxford handbook of work engagement, motivation, and self-determination theory*, 13-32.
- DICKSON, B. J. 2014. Who wants to be a communist? Career incentives and mobilized loyalty in China. *The China Quarterly*, 217, 42-68.
- EAST, M. 2017. Republic of Tunisia Impact of the Libya Crisis on the Tunisian Economy.
- GUILLOIN, O. & CEZANNE, C. 2014. Employee loyalty and organizational performance: a critical survey. *Journal of Organizational Change Management*, 27, 839-850.
- HASSAN, M. U., NAWAZ, M. S., ABBAS, G. & SAJID, M. I. 2013. Impact of high performance work practices on employee loyalty and financial performance through mediation of employee satisfaction: An empirical evidence from the financial sector of Pakistan. *Middle-East Journal of Scientific Research*, 16, 1037-1046.
- HUSSEIN, A. 2015. The use of triangulation in social sciences research: Can qualitative and quantitative methods be combined? *Journal of Comparative Social Work*, 4.
- IBRAHIM, M. & AL FALASI, S. 2014. Employee loyalty and engagement in UAE public sector. *Employee Relations*, 36, 562-582.
- INDRADEVI, R. 2013. Employee commitment towards employee loyalty. *ACADEMICIA: An International Multidisciplinary Research Journal*, 3, 180-186.
- ISMAIL, A., ZAIDI, M. F. & ANUAR, A. 2015. Administrator'S Role In Performance Based Reward As A Determinant Of Employee Outcomes. *Management and Marketing Journal*, 13, 92-110.

- JAMIL, R. & NEEM, H. 2013. The impact of outsourcing external recruitment process on the employee commitment and loyalty: empirical evidence from the telecommunication sector of Pakistan. *Journal of Business and Management*, 8, 69-75.
- KHUONG, M. N. & TIEN, B. D. 2013. Factors influencing employee loyalty directly and indirectly through job satisfaction—A study of banking sector in Ho Chi Minh City. *International Journal of current research and academic review*, 1, 81-95.
- KLEIMAN, L. S. 2004. *Human resource management: A managerial tool for competitive advantage*, Atomic Dog Publishing.
- LEGKAUSKAS, V. & MAZILAUSKAITĖ, R. 2015. A study of effects of psychosocial factors on employee loyalty in Lithuania. *Management of Organizations: Systematic Research*, 45-61.
- MWANGI, D. 2013. A SURVEY OF COMPETENCY BASED RECRUITMENT AND SELECTION PRACTICES ADOPTED BY REGISTERED HOSPITALS IN NAIROBI.
- NOC. 2016. Corporation Background [Online]. Available: <https://noc.ly/index.php/ar/-نبيذه-عن-المؤسسة/لمحة-عن-المؤسسة>.
- NOOR, A. & JAMIL, S. 2014. Factor Effecting Employee's Satisfaction and Employee's Satisfaction Contribution towards Employee's Loyalty in Public Sector Organizations of Pakistan. *International Journal of Innovation and Applied Studies*, 7, 434.
- POLOŠKI VOKIĆ, N. & HERNAUS, T. 2015. The triad of job satisfaction, work engagement and employee loyalty—The interplay among the concepts. *EFZG Working Paper Series/EFZG Serija članaka u nastajanju*, 1-13.
- PREKO, A. & ADJETEY, J. 2013. A study on the concept of employee loyalty and engagement on the performance of sales executives of commercial banks in Ghana. *International Journal Of Business Research And Management*, 4, 51-62.
- PUTRI, M. & YULIANSYAH, Y. 2017. CAN RELIANCE ON MULTIPLE PERFORMANCES MEASURES (RMPM) BOOST EMPLOYEE PRODUCTIVITY THROUGH EMPLOYEE LOYALTY? *Jurnal Akuntansi*, 21.
- ULRICH, D. 2013. *Human resource champions: The next agenda for adding value and delivering results*, Harvard Business Press.
- WARNING, S. 2014. How to pick your staff? Using data envelopment analysis. *Management Research Review*, 37, 815-832.
- YASEEN, A. 2013. Effect of Compensation Factors on Employee Satisfaction-A Study of Doctor's Dissatisfaction in Punjab. *International journal of human resource studies*, 3, 142.
- ZAHARI, T. & BAKAR, A. 2016. The relationship between interpersonal trust, employee satisfaction, employee commitment, leader support and employee loyalty: A study of the employees in an automotive sector in Malaysia. *Universiti Utara Malaysia*.