

Employee Perceptions of Skill-Based Compensation in an Algerian Juice Company

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Abstract: *The management of salaries plays a vital role in achieving an organisation's objectives, extending beyond recruitment, career planning, performance evaluation, competency assessment, and employee training. It encompasses the crucial responsibility of appropriately rewarding employees for their organisational contributions. Thus, compensation becomes a multifaceted element with both human and economic significance, presenting a complex challenge in organisational life and often becoming a subject of labor disputes. Despite the evolving economic landscape, the significance of the human element as a key factor in production and the influential role of wages in the lives of individuals and organisations remain substantial. In the Algerian context, many companies still adhere to traditional wage policies primarily based on job requirements and standardised pay scales, particularly within the public sector. However, this approach faces numerous challenges, hampering organisations from effectively fulfilling their roles and leading to a talent drain towards the private sector. These challenges primarily stem from organisational factors, such as declining wages and salaries that fail to reward workers for their performance and competencies adequately. As mentioned earlier, wages serve as crucial incentives for workers to fulfil their responsibilities. This article summarizes workers' attitudes in an Algerian juice company towards the shift in wage policies that now prioritize evaluating skills. This new approach affects employees' well-being within the organization and influences their task performance. Additionally, it brings about changes to long-established wage structures. Workers' attitudes are influenced by socio-cultural factors resulting from social interactions and organizational culture. Within a company, these attitudes vary based on workers' interests and perspectives on the desired change. While some workers support and embrace the new policy, others resist and reject it. Any organizational change the company introduces generates attitudes and behaviours that require careful analysis, as workers perceive such changes as threats to their accustomed organizational stability. Consequently, they exhibit specific behaviours and attitudes that reflect their opinions regarding the proposed modifications.*

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1. Introduction

Over the past 30 years and even more recently, several researchers have analyzed the effectiveness of competency-based compensation programs in businesses, primarily in the United States and the United Kingdom. Despite the rather negative and, at best, mixed nature of their findings, leaders in many countries persist in wanting to implement and manage merit-based compensation programs (St Onge, Buisson, 2012). The current model of wage management based on work (or job) responsibilities may now appear to be a traditional system. It does not serve the Organization's objectives since it encourages employees to reject the additional work entrusted to them, and it does not fall within the scope of their work responsibilities (Fukui, 2020), which stands as an obstacle to the continuous improvement of their performance and the achievement of the Organization's objectives.

Organizations needed to adjust and implement fresh compensation strategies that comply with modern regulatory frameworks to align with present dynamics. They also aimed to attain their goals and ensure their sustainability by revising their remuneration policies according to job responsibilities and positions. This revision was based on competency, as defined by Marie Peretti, which encompasses three types of knowledge: theoretical knowledge, scientific knowledge, and behavioral dimensions. Individuals leverage these types of expertise to optimize their task performance (Peretti, 2001). Skills-based compensation refers to a pay structure where an employee's compensation or salary is determined based on the specific skills they possess and utilize in their job role. Instead of solely considering factors like job title, seniority, or time spent with the company, skills-based compensation focuses on the employee's demonstrated abilities, expertise, and proficiency in specific areas (Richard, Kang, 2018).

Consequently, some organizations worldwide have tried to apply this new pay system. For example, in a study conducted by a lawyer in the United States of America, he confirms that 60% of companies reward their employees based on competence assessment. Likewise, 29% of companies in Europe reward their employees according to their competencies. In Canada, a study was carried out on 320 private and public companies, concluding that 10% of these companies consider competencies in remuneration, while 24% intend to adopt them (St-Onge et al., 2004). Algerian companies still do not have a pay system based on competency. Given that the issue of wages in its economic and social dimension is one of the most important issues that must be studied before it is applied, considering that any imbalance in the pay system leads to economic and social problems. However, this did not prevent an Algerian company from trying to use it, due to its importance on the organizational level, in improving the performance and efficiency of human resources and their turnover, increasing the quality of the product and improving productivity (Clemens, Kahn, Meer, 2021).

This company is “an Algerian company specialized in the juice industry, which seeks to develop and modernize all practices of the human resources management function including the pay and salary system, which the company aims to determine based on competency assessment. Determining the competency-based pay at the Juice Company is an important issue in the regulation field. It is also a new system applied to workers of the company, who have long been rewarded based on their jobs. This change in wages inevitably directly impacts employee's attitudes, behaviors and motivations since it expresses “a radical or progressive transition from current reality to a new situation. This change involves the improvement or development of the nature of the company's work or activity to achieve the objectives better”, followed by thoughtful procedures and steps, aiming at improving the Organization's performance, efficiency, and ability to solve problems encountered (Foudriat, 2011).

We will try to present by observing the positions and opinions of the juice company employees on the competency-based pay wage policy adopted by the company by attempting to make associations that clarify employees' attitudes, such as their views on the purpose of adopting this system by their employers. Do they perceive it as equitable? Do they accept the idea that wages vary from one employee to another? Are they satisfied with their current wages? Will this system affect their current level of remuneration? Moreover, how do they see their future in the juice company? These Associations allow us to analyze employees' attitudes about the pay system based on competency assessment.

2. Evolution of Algeria's Pay System

Algeria's remuneration system has gone through three basic stages in which remuneration has considerably evolved (Ministry of Finance, Algeria, 2020):

Pre-General Status of Workers (1962-1975-1978). During this period, wages were marked by instability and the lack of systems for classifying positions and remuneration arrangements for each employing organization. Starting from 1974, a notable change occurred with the introduction of Article 28 in the Finance law of 1974, specifically Ordinance No. 73-64 dated 28 December 1973. This article mandated that salaries, wages, and various forms of compensation provided by national companies, public industries, and other economically oriented public entities would be frozen at their existing rates. Furthermore, any adjustments or increments to these salaries, wages, and compensations could only be implemented through official decree.

Stage of Emergence of the General Status of Workers (1978-1990). In light of the previous era's lack of a standardized work system, including equitable pay, the General Status of Workers was enacted on August 5th, 1978. This legislation aimed to establish a fair equilibrium among various worker categories and sectors of employment.

Stage of Emergence of the Employment Relationships Legislation (90-11). This law emerged in a new economic environment consisting of entering a new phase of autonomy of the Algerian companies in 1988. It can be argued that the Employment Relationship Legislation is the inevitable consequence of economic conditions, namely entering the market economy, along with the fundamental difference between the General Status of Workers and the employment relationships Legislation. In other words, remuneration is freely determined between workers and employing companies through the occupational classification of pre-defined employment positions. The legislation known as Law No. 90-11, enacted on April 21st, 1990, pertains to work relationships and regulates both individual and collective labor relations between employees and employers. The term Employees, in this Code, refers to all individuals who perform manual or intellectual work, in exchange for a salary, within the framework of Legislation and for the account of another person who is a natural or moral public or private employer (Ministry of Finance, Algeria, 2020).

3. Methodology of the Study

In our study, we relied on a descriptive approach using the questionnaire technique to measure the perception of employees with regard to this new salary system and describe the reality in the light of the diverse attitudes, behaviors and intellectual perceptions that exist in it. Thus, our questionnaire included four themes:

- It comprised **the incorporation of personal data of the respondent** (employee) that serves only the study's objective.
- It contained questions about employees' attitudes **about the remuneration system, which will be based on a competencies assessment.** In this context, we tried to monitor workers' various attitudes and strategies towards this new policy.
- It included questions about **involving employees in the competency-based pay policy**; this theme aims to identify the mechanisms and means by which employees are involved in this organizational change.
- We devoted it to the **employee's relationship with his company.** The questions of this theme aimed at giving space for the respondent to express his relationship with his organizational surroundings, as this theme helped us in the sociological interpretation and understanding of the different attitudes of employees.

We had a questionnaire with 20 questions, mostly closed-ended. However, we included five open questions as well. Closed-ended questions provide specific information and are easier to analyze statistically. Open questions offer explanations and insights, allowing respondents to express their opinions freely. We distributed 160 questionnaires for our research. Out of those, we received 120 completed questionnaires, 12 cancelled and 28 not handed out by employees. We study employees' attitudes in the organization. The change in pay policy relies on employee acceptance and cooperation. Employees perceive the change differently based on their objectives. To analyze their behaviors and attitudes, we used random sampling. This method involves gathering information from individuals encountered randomly (Singh, Masuku, 2014). We interviewed executives, control agents, and execution agents from different socio-occupational

categories in the company. Out of 535 workers, we selected 160 as our sample. The purpose was to understand employees' views on the new pay system implemented by the organization. We ensured diversity in socio-professional groups to capture varied perspectives and attitudes. We wanted to determine if the professional category influences attitudes since the system affects all employees universally.

4. Discussion of Results

Table 1. The Attitude of Employees Towards the Objective of the Company's Adoption of a Competency Based Pay System

The objective of adopting a competency-based pay system	Repetition	Rate (%)
Increasing and maintaining the company's productivity	66	55
Motivating employees	25	20.83
Learning new skills	19	15.83
improving teamwork	10	8.33
Total	120	100

Source: Compiled by the authors, 2023

From the data of the table hereof, it is clear to us that the company's employees consider that the objective of adopting a competency-based pay system by their organisation is mainly to increase the company's productivity by 55%. Through our previous interviews with the company's executives who led this change, we concluded that achieving productivity goals and responding to market requirements is one of the most striving goals of a company through the development of a competency-based pay system, given that the company's external environment, characterised by competition and instability, makes it adopt this system to motivate employees to deliver their best performance and acquire new skills based on which they are paid. When the employees of this company responded to the questions above, they gave their opinion about their organization's adoption of this wage policy; the answer was to increase the company's productivity. The answer was the same by the leaders of the change (the executives). However, the difference lies in each employee's perception and the expressions on the employee's face when answering this question.

For them, the purpose of the company's application of this system is to serve its interests in the first place. We interviewed an employee, who stated, *“The Company sees what primarily serves its interests, and it does not care about the employee's interest, and that any system it adopts has its secrets”*. This scepticism is found in all employees regarding any organizational change. The company must fulfil its role in supporting change and addressing any uncertainty by offering sufficient information regarding its wage policy. This policy not only benefits the employees but also aids them in acquiring new competencies and skills to enhance their performance. Simultaneously, it ensures that their wages align with these acquired abilities.

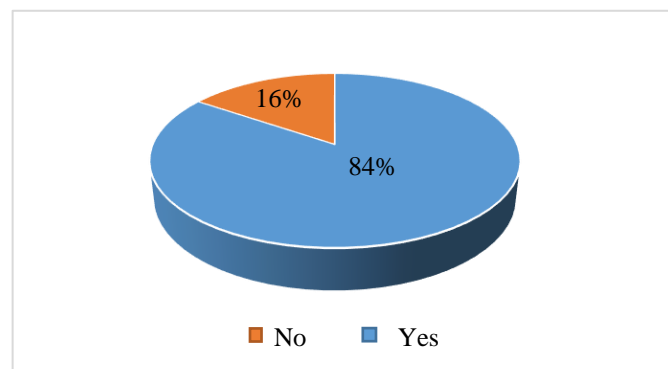


Figure 1. Workers' Attitude to the Impact of the Competency-Based Pay System on Their Current Wages

Source: Compiled by the authors, 2023

This figure shows that 84% of juice company employees consider that a competency-based pay system will affect their wages. Therefore, they are sure that their wages will no longer be fixed after implementing this policy. Regarding the impact of the new remuneration system on the wages of the company's employees, the question was asked to all our samples, including those who had not been informed about its adoption by the organization. After explaining its fundamentals, the answer was that they were fully aware that this system would affect their wages. Then, we moved on to the next question, relating to the workers' attitude as to whether they had objections if they received different wages; their answer was as illustrated in the following figure.

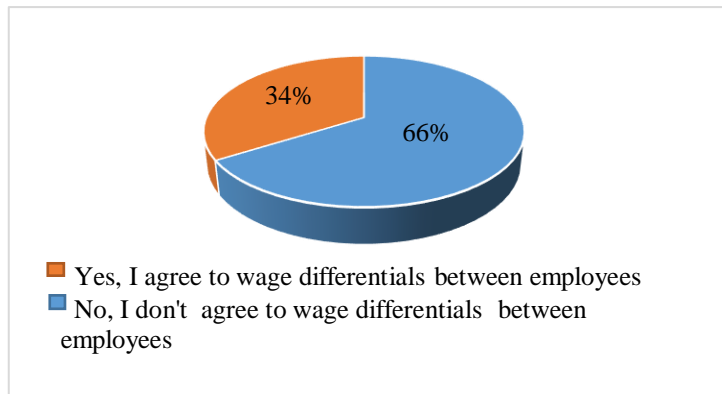


Figure 2. Workers' Attitude Towards Wage Differentials Within the Framework of the Competency-Based Pay System

Source: Compiled by the authors, 2023

This figure shows that 66% of the company's employees agree with the wage differentials under the competency-based pay system, while 34% object to this principle. Through our questioning and interviewing of some workers who did not object if their wages differed, we found that they understand the principle of entitlement to pay. According to them, everyone must be compensated according to the skills they provide, **“those who work well are paid better than those who do not work or claim to work”**, as one of the control agents stated.

Competency-Based Pay is an impetus for the employee to provide his best skills and make his utmost effort to increase productivity. Especially that the salary is an important element of an individual's life in social terms, as it determines his standard of living; the higher the employee's salary, the more comfortable he is socially, psychologically, and economically. Thus, he can satisfy his needs. "The remuneration given to the employee is one of the most fundamental motivations in the field of employment. It is not of value per se, but instead, it is used to satisfy the individual's basic needs (Hon, 2012). The competency-based pay system gives this opportunity to the employee since he is rewarded according to what they provide (Praveen, Karuppasamy, 2017). In return, he strives to achieve this to get the proper remuneration. Therefore, employees of the juice company agree upon the wage differentials between them if they are well earned. As for employees who do not accept the principle of competency-based pay, each one of them has his reasons and doubts about this system. Who are those who refuse to be paid differently? It is what we will address herein:

Table 2. The Employees' Perception of Wage Disparities Based on Their Seniority Within the Juice Company Under the Competency-Based Pay System

seniority category in the juice company \ workers' attitudes towards wage differentials	Less than 5	[5-10]	[10-20]	More than 20	Total
Agreeing to wage differentials	29 93.54%	35 94.59%	10 34.48%	02 11.76%	76 66.67%
Disagreeing with wage differentials	02 6.45%	02 5.40%	19 65.81%	15 88.23%	38 33.33%
Total	31 100%	37 100%	29 100%	17 100%	*114 100%

Source: Compiled by the authors, 2023

By analyzing the employees' viewpoints, it is possible to gain insights into their understanding and acceptance of the pay system and any concerns or objections they may have regarding wage differentials. This investigation can shed light on whether employees with varying levels of seniority perceive the system as fair and just or if they perceive it as discriminatory or disadvantageous (Mitra, Gupta, & Shaw, 2011). From the table, we notice that the general direction tends to employees who agree upon wage differentials under the juice company adoption of the competency-based pay system at 66.67%, supported by 94.59% representing employees with seniority of [5-10 years], while 33.33% of them do not agree that their wages are different. Among the employees who have worked in the company for over 20 years, the percentage stands at 88.23%.

Notably, the proportion of employees with less than 5 years of seniority and those with a seniority of 5 to 10 years is quite similar. These employees have agreed upon wage differences when their organization implemented a competency-based pay policy. It can be explained by the fact that these employees are at the beginning of their careers, that is why, they have no objection to being rewarded based on their competencies, especially as the employee at the beginning of his career in the company is underpaid owing to his lack of experience.

In addition, upon applying the competency-based pay policy, this employee seeks to exert his best efforts and acquire multiple skills to prove his worth at work, as well as to improve his remuneration, since this wage policy is not related to seniority or the requirements of the position, but rather on the skills acquired, by which the worker performs his work. The employee seeks to learn at this career stage to ensure his place within the organization. He will have later enough time to acquire new skills. Unlike workers at the beginning of their career, workers with more than 20 years of seniority in the company refuse any changes to be brought to their wages under this system and refuse to be rewarded based on it. It is because, at the end of their career, these employees had already promotions and increased their remuneration.

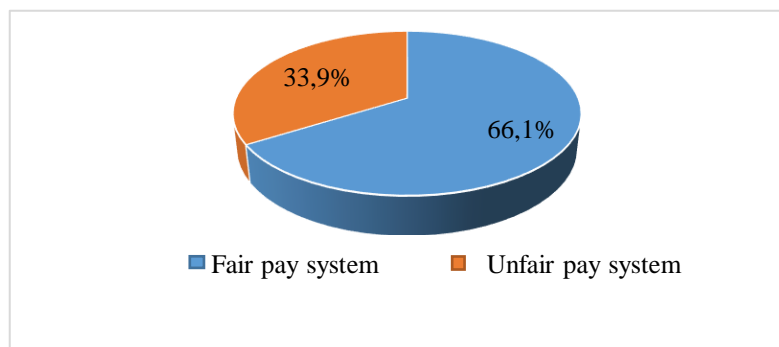


Figure 3. Workers' Attitude Towards Fairness of the Competency-Based Pay System

Source: Compiled by the authors, 2023

66.1% of the juice company employees see the competency-based pay system as fair, while 33.9% see the opposite. Employees' attitude towards the competency-based pay system as appropriate can be explained by the fact that this policy considers the employee's skills and equity. According to what he or she presents to the company, if he or she exerts efforts and diversifies his or her skills, his or her remuneration is made on this basis. The company's employee compares his contribution with that of his colleagues. For him, they are the reference he relies on for comparison (Léné, 2005).

Therefore, they believe that the Competency-Based pay system is the one that is fair to them. Since the company has different categories of workers, it is inappropriate to reward them in the same way when there are workers who do not have sufficient skills to perform their work and others who pretend to work. Within the framework of the payment system based on the job requirements, workers were paid fixed monthly wages, regardless of whether or not they made efforts by adopting a system that rewards workers following their contribution to its productivity, as well as acquiring the required competencies specified in the job description card, which makes it a fair system that values the worker's skills. However, it appears that compensation makes more sense when questioning a homogeneous population that positions itself based on the salary level of its peers and where the concept of equity becomes central (Khiat, 2017).

Table 3. Workers' Attitude Towards Wage Differences Within the Competency-Based Wage System Depending on Their Degree of Satisfaction with Their Current Salaries

satisfaction about the current wage / workers' attitudes towards wage differences	Satisfied of their current wage	Not Satisfied of their current wage	Total
Agreeing on pay differentials	18 41.86%	58 80.55%	76 66.09%
Disagreeing on pay differentials	25 58.13%	14 19.44%	39 33.91%
Total	43 100%	72 100%	115 100%

Source: Compiled by the authors, 2023

According to the table, 66.09% of the juice company employees agree on wage differentials between them under the competency-based pay system. The current wages are deemed unsatisfactory by 80.55% of employees, while 33.91% express discontent with the existing disparities. Conversely, 58.13% of employees are content with their wages. Employee's acceptance of wage differentials if the juice company applies a competency-based pay system stems from their desire to improve their wages in line with their contribution and provision to the company. They are sure they can give their best if their efforts are properly assessed and rewarded accordingly. Thus, their lack of satisfaction with their wages and acceptance of wage differentials indicate that they are willing to acquire skills and competencies to be awarded on their basis. Their dissatisfaction with their current wages and their consent to adopt a remuneration system that considers their competencies and skills also reveals how unfair they think their organization is “When a company rewards its employees according to their contribution, it improves their perception of equity. This sense of equity improves their professional satisfaction”.

As for employees who are satisfied with their current wages, we noticed through our interviews of such category who disagree that there are wage differences between them and their colleagues that their salaries are sufficient to satisfy their needs. However, these employees' answers conceal several things, as we have noticed that they reject this new wage system even though they wish to increase their remuneration in another way without applying it. For them, the company enacts rules only when they serve its interests first. Therefore, they are worried about implementing this system because of their mistrust. Therefore, they seek to maintain and show satisfaction with their current wages. For them, the competency-based pay system is a control device and a threat to their career in the company.

5. Conclusion

Implementing changes to the wage policy at the Juice Company required employees' active involvement and participation. Their engagement was crucial for successfully adopting the competency-based pay system and their commitment to making it effective. Introducing the new pay policy began with informing the Juice Company employees about the change. However, it became apparent that not all employees received the necessary information due to internal factors such as job category, seniority, and employment relationship. Consequently, the level of employee participation in establishing the competency-based pay system varied. While high-ranking executives were well-informed and considered leaders in driving the change, a smaller proportion of lower-ranking employees, who play a vital role in the company's productivity and skills, were less informed about the new pay policy.

This change shed light on the existing dynamics within the company, which had been acknowledged within the company's departments and organizational structure. The extent to which employees were informed about the change was closely tied to their relationship with their immediate managers. However, the conflicting interests between employees and managers sometimes hindered the effective dissemination of information. To ensure the legitimacy and acceptance of the new pay system, the Juice Company involved employee representatives in collective negotiations. The trade union played a significant role in both negotiation and information dissemination. This approach aimed to establish the pay system rules through mutual agreement and benefit from employees' trust in their representatives. The involvement of worker representatives as communication channels helped address doubts and uncertainties about the new system.

Employees at the company viewed the wage policy as a means to enhance productivity, but some harbored doubts because they perceived that new rules were only established when they served the company's interests. Implementing the competency-based pay system resulted in employee wage disparities, leading to mixed reactions. Personal variables and expectations, such as seniority and job satisfaction, influenced employee acceptance of the pay system. Those with 5 to 10 years of seniority generally accepted wage differentials, while those with 20 years of experience disagreed with it. Younger employees saw the system as an opportunity to secure their position and were willing to acquire new skills. In contrast, older employees resisted developing new skills and opposed the competency-based pay policy. Employees dissatisfied with their current wages perceived the system as fair and expressed a willingness to acquire new skills. However, those satisfied with their current wages rejected the system and sought pay raises through other means, doubting its proper implementation and viewing it as a constraint to increasing productivity.

Competency-based management is rapidly gaining significance as a new approach aimed at enhancing employees' competence in their work, enabling organizations to gain a competitive edge and thrive in the current context. It has proven to be an effective tool for human resources in improving organizational performance. The integration of a competency model within the HR function has bolstered both individual and organizational performance. (Tripathi, Agrawal, 2014). This study paves the way for further research to

explore how this Algerian company addressed employee resistance and identified recommended strategies for implementing changes in the wage system. Future investigations will delve into the specific actions taken by the company to overcome resistance and examine effective methods for introducing this change.

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