

Impact of Organizational Justice on Employee Engagement in Banking Sector of Pakistan

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Abstract: Employee engagement is a key variable for organizational success. The aim of this study was to explore dynamics of employee engagement in banking sector of Pakistan. This study utilized all three dimensions of organizational justice including procedural distributive and interactional justice as independent variable. With the help of literature current study proposed four hypotheses regarding organizational justice and employee engagement. Banking sector was selected for conducting this research. Random sampling was used to select 312 respondents of banks located in Lahore a second biggest city of Pakistan and 30th most populated urban area in the world. A structure questionnaire was designed to collect the data. SPSS and AMOS were used for statistical analyses including regression and correlation. This study provided beneficial insight about employee engagement in banking sector of Pakistan. Same kind of studies in other sectors can help professional to understand overall linkage between organizational justice and employee engagement in corporate sector of the country.

Key words: Pakistan % Organizational justice % Distributive Justice % Procedural Justice % Interactional Justice % Employee engagement % Banking sector of Pakistan

INTRODUCTION

According to Cremer organizational justice is “a dominating theme in organizational life” [1]. It may be defined as “perceptions of employees about fair treatment received from an organization and their behavioral reaction to such perceptions” [2]. Organizational justice is consisted of three kinds which are named as i) distributive justice ii) procedural justice iii) interactional justices [3]. Distributive justice is described as the fairness of distribution of resources or about results orientations [4]. Procedural justice is described about the employee’s theoretical fairness of the procedures [4]. Interactional justice is explained the kind of the interpersonal behavior between employees [5]. This study will engage all these three dimensions of organizational justice to explore their impact on employee engagement in banking sector of Pakistan.

In recent times, there has been a wide focus of researchers on employee engagement and its impact on organizational performance for competitive advantage. Baumruk described the noteworthy role of employee engagement but also mentioned this aspect as “the

missing link” that is one of the significant dimensions of organizational success [6]. Employee engagement is mentioned as a “new and emerging area” of 21st century [7]. Thus, employee engagement is visualized as the prominent factor for the success of organizations which still needs much more investigation to find its exact role on organizational performance. Sacks argued that “there is a surprising dearth of research on employee engagement in the academic literature” [7]. Robinson, Perryman, & Hayday also concluded that “there has been surprisingly little academic and empirical studies on one of most popular concept i.e. employee engagement” [8]. According to Kahn employees engagement is defined as, “people employ and express themselves psychically and emotionally and cognitively during role performances” [9].

According to a research conducted in 2011, on banking sector of UK, up to 72% employees are not happy with their current jobs and 66 % employees want to change their jobs. Researches of the Gallup and some other agencies concluded that 3 out of 4 workers were not engaged during their jobs. According to the Gallup’s study in 2006, more than seventy percent workers from different American organizations were not engaged. The

findings about the concept of engagement mentioned that the wide range of employees today, approximately half of all American employees are disengaged with their organizations [10, 11, 12]. Furthermore these researchers also referred this lower level of engagement as an “engagement gap” which surprisingly causes a \$300 billion loss in productivity. Most of investigations conducted regarding the employee engagement are largely done by practitioners and consulting firms. There is the scarcity of investigations regarding employee engagement in academic literature [8].

Research Question: What is the impact of organizational justice on employee engagement in banking sector of Pakistan?

Literature Review

Employee Engagement: William Kahn in 1990 described the term employee engagement on the basis of Goffman’s 1961 role behavior speculation [9, 13]. This theory proposes that employee attitudes are formed by the demands and regulations of other employees [14]. Thus, ‘employees’ attitudes can be calculated by investigation about their roles; the term “role” is taken from the theatrical world [14]. William Kahn recommended that employees can perform the responsibilities that are not mentioned in their job descriptions. Kahn also asserted that employees are likely to attach themselves according to their roles or improving their individual personality with these roles [9].

Kahn defined employee engagement as the “harnessing of organizational members themselves to their work roles” [9]. Kahn’s ethnographic studies on camp analysts and architect engineers concluded that employee engagement was a variable of concern and it took place at the physical, cognitive and emotional stages. According to Kahn in the process of employee engagement “people employ and express themselves psychically, cognitively and emotionally during role performances”. Researchers visualized employee engagement as “passion for work”. Rich defined the physical engagement as “it is the strong involvement of one’s physical energies towards a certain task, ranging from laziness to vigorous involvement” Rich concluded that physical engagement varies from lethargy to vigorous participation [15].

Cognitive engagement is the intense focus of one’s attentions on the work tasks leading to thorough absorption and resistance to disturbances [16]. Emotional

engagement is a dominant link with employee’s precise feelings, ideas and views about the job leading to feelings of enthusiasm and pride [15]. The opposing word of emotional engagement is “emotional absence”. A substitute concept of employee engagement is introduced by Dutch researcher Schaufeli in 2002. Schaufeli and his colleagues classified employee engagement as a “positive, fulfilling, work-related state of mind” [17]. Schaufeli’s model of employee engagement is consisted of 3 main aspects named as vigor, dedication and absorption. Vigor is termed as “high levels of energy and mental spirit” [18] and it is same like Kahn’s physical engagement. Vigorous employees are eager to spend substantial force in their tasks and powerfully performing their roles efficiently even in challenging atmosphere. Dedication is a composition of manners encircling passion for their job, delight and stimulation [18]. This description of dedication is same like the term of Kahn’s emotional engagement. Lastly, absorption is defined as “being fully concentrated and deeply engrossed in one’s work” [18]. This term is also the same as the like the term of Kahn’s cognitive engagement.

Kahn also concluded that “harnessing” is assorted according to employee’s three kinds of states. These states are termed as meaningfulness, safety and availability. According to Kahn (1990), meaningfulness is described the perceived benefits which are providing the base to the employees for exerting their powers in their job roles. When employees identify that their job roles are meaningful then they believe to be respectful and supportive for their organizations. Meaningfulness is changed with common characteristics of the job and the excellence of job associations [9]. Safety imitates the employee’s superficial skills to articulate his/her factual character despite the fear of retaliation or other harmful consequences. Availability is a perception which uses to calculate the convenience of wherewithal for the achievement of job duties [9]. It is concluded that when the job role is meaningful, the work situation is secured and more benefits are offered then employees try to express vigor and try to express good performance regarding their job roles [9].

Organizational Justice: Organizational justice essentials are commonly used as expressive variables in institutional studies. Organizational justice is defined as “a dominating theme in organizational life” [1]. It may also be defined as “justice refers to perceptions of employees about fair treatment received from an organization and their

behavioral reaction to such perceptions” [2]. Organizational justice consists of three kinds named as (a) distributive justice (b) procedural justice (c) interactional justice [3].

Distributive justice is defined as “the fairness of output in term of contribution, needs and equity perspective” [19, 38]. Studies in early 1960s regarding justice gave much attention on distributive justice. A prominent research proposed the concept of the equity theory [20]. According to an estimation fairness was not dependent upon the fixed level of results. But it depended upon social assessment of input with output ratios. For calculating fairness, Adams asserted that first of all evaluate the ratio of employees’ role input with the financial or social reward output [20]. According to Byrne & Cropanzano, Adams generated its theory as a justice theory. And this was applicable in the circumstances of working institutes [21]. In institutional background, input consisted of experience, education and effort. And output consisted of salary, promotion and different kinds of rewards. Equity theory is main source for conducting the organizational justice research but, this became famous in mid 1980s [22].

According to Cropanzano & Ambrose, procedural justice is defined as “the fairness of the means or procedures by which decisions are made or outcomes are achieved” [21, 37]. According to researchers procedural justice was focused on results and procedures of organization, some described 6 procedural regulations to evaluate the fairness of events. These rules were steadiness, unfair repression and correctness of information, reliability and ethicality [23]. This definition has proposed factors associated with the procedural justice. Cropanzano & Greenberg concluded that these factors were very valuable after somewhat modification [24]. Numerous researches regarding procedural justice have concluded that it will give the chance to state the views of employees i.e., voice. So it is the main source of increasing the assessments for the perceptions of fairness [19, 25].

“A classic debate in the organizational justice literature concerns the question of whether procedural justice and distributive justice are independent constructs” [26]. In previous twenty five years, the research regarding fairness has attained much importance in different fields [26]. These researches are majorly done in subjects such as psychology, HR, management, economics, science of organization and law. Distributive and procedural justices were considered as main parts of

organizational justice [27]. In literature, a long debate is in progress about distributive and procedural justice being separate or independent constructs [26]. Many researchers have unsuccessful diffused statistically difference between distributive and procedural justice. For example Sweeney & McFarlin and Welbourne, Balkin, & Gomez-Mejia have exposed that correlation between distributive justice and procedural justice is more than 0.70% [28, 29]. Moreover, studies of Conlon, Porter, & McLean Parks, Holbrook & Kulik and Martocchio & Judge, also reported that inter correlation between procedural and distributive justice was very high, they also asserted that it is better to combine and measure these constructs in a single term “fairness” despite separate measure [30, 31, 32]. Meta analyses also confirmed that distributive justice and procedural justice were not the different forms. For example, meta analysis of [27] proposed that correlation between procedural justice and distributive justice may vary from 0.34 to maximum level 0.77. This study also confirmed that large number of studies described that correlation between procedural justice and distributive justice was more than 0.50%. Meta analytical study of Cohen-Charash and Spector described that correlation between these constructs was equal to 0.55% in field-survey and 0.62 in lab-surveys as a whole [33]. They also described that in individual researches the coefficient of correlation was very high i.e. 0.89 in field and 0.88 in lab-surveys. Moreover, a meta analysis of Viswesvaran and Ones accounted that coefficient of correlation between these constructs was 0.57 [34]. It is noted that Cohen and Cohen proposes that if the coefficient of correlation between two constructs is more than 0.50 then these terms are highly correlated [35]. Conlon and his colleagues also proposed that constructs of justice were extremely correlated [30]. All these researchers had believed that it is difficult for the respondents in many conditions to differentiate between distributive and procedural justice.

However, some researchers like Colquitt, Greenberg, Leventhal, were in support of using these constructs separately [27, 23, 3]. Whereas some researchers Like Greenberg, Bies & Moag, proposed that Interactional justice is the part of procedural justice [5, 22].

Form above discussion it is concluded that researchers are still in debate that distributive, procedural and interactional justice are separate forms or different from each other. These researchers also pointed that previous studies did not focus social interactions. On the basis of this fact they proposed another type of justice named as interactional justice. It may be defined as

“the fairness of the interpersonal treatment [employees] receives during the enactment of organizational procedures” [5]. There is disagreement between different researchers regarding interactional justice [36]. Bies and other researchers propose that interactional justice is different from other form of justice i.e procedural justice and distributive justice. On the basis of their findings they proposed it as a separate factor from procedural justice and distributive justice.

Hypothesis Development: Fairness and justice are likely to be the important conditions in working environment. A lack of fairness can intensify burnout while positive expectations of justice can enhance engagement. Moreover, Saks assumed that procedural justice is positively associated with employee engagement [7]. Saks also proved that distributive justice is positively linked with employee engagement [7]. Some researchers proposed that interactional justice is different from other form of justice i.e procedural justice and distributive justice. A lot of researchers are agreed on the fact that interactional justice has noteworthy impact on employees’ observations and behaviors [36]. Interactional justice is considered as a 3rd kind of organizational justice [5]. On the basis of above facts this study has proposed following hypotheses.

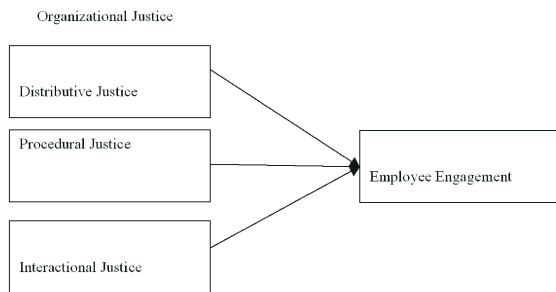
H1: There is a significant impact of distributive justice on employee engagement.

H2: The procedural justice leads to higher level of employee engagement.

H3: Interactional justice has positive and significant impact on employee engagement.

H4: Organizational justice is positively associated with employee engagement.

Research Model



Instrument for the Study: This study utilized an instrument with 28 items developed with the help of previous articles published in the same area of research. Cronbach alpha of the instrument for organizational justice was 0.841 and for employee engagement it was 0.953 for this study. Factor loading of all 28 items included in the instrument was more than 0.50. Items with the value less than 0.50 were dropped before analyses.

Data Collection: Data was collected with the help of structured questionnaire. Simple random sampling technique was used. Respondents for this study were officer level employees of banking sector. Overall 423 questionnaires were distributed. 322 questionnaires were retrieved with the response rate of 76%; out of received 312 questionnaires were selected for final analyses, rest were not complete.

Correlation Analysis: Table 1 shows the correlations among the variables and represents correlation matrix for all variables of the study. Pearson correlation reports that all variables are significantly correlated with each other. Hence, suggesting that there is strong association among variables.

Regression Analysis: In Table 2 and Table 3 the details of regression analyses are described. The relationship and effect of independent variables on dependent variable are shown with the help of regression analysis. The value of R Square illustrates the extent of effect that independent variable have on dependent variables. The value of R Square is accepted when it is greater than 25%. After that P-value illustrates the actual level of relationship. In the regression analysis if the value of P is less than 0.05, then the hypothesis is accepted. It is generally accepted that if the value of P is less than 0.10, it will be considered significant. The value of F illustrates the extent of association among dependent and independent variables. Greater the value of F, greater will be the association among variables.

The above table shows the relationship of organizational justice with employee engagement. It gives the value of $R^2 = 0.548$ and value of $p=0.00$ i.e. $< .01$. This shows that organizational justice is a significant predictor of employee engagement in banking sector of Pakistan. It may cause 54% variation in employee engagement.

Table 1: Correlations Analysis

	Employee Engagement	Distributive Justice	Procedural Justice	Interactional Justice
Employee Engagement	-			
Distributive Justice	.561**	-		
Procedural Justice	.410**	.613**	-	
Interactional Justice	.425**	.565**	.578**	-

** Correlation is significant at the 0.01 level,* Correlation is significant at the 0.05 level

Table 2: Relationship of organizational justice with employee engagement

	B	Std. Error	Beta	T-Value	P-Value
Constant	1.957	.153		12.786	.000
Organizational Justice	.548	.049	0.537	11.195	.000
Adjusted R-square	.286				
F	125.334				0.00
Durbin-Watson	1.639				

Dependent Variable: Employee Engagement

Table 3: Relationship of Distributive, Interactional and Procedural justice with Employee engagement

	B	Std. Error	T-value	P-value
Constant	1.063	.218	4.877	.000
Distributive Justice	.346	.048	7.203	.000
Interactional Justice	.115	.049	2.331	.020
Procedural Justice	.042	.049	.866	.387
Adjusted R Square	0.327			
F	51.427			0.00
Durbin-Watson	1.602			

Dependent Variable: Employee Engagement

Table 4: Coefficients and model Summary

Dependent Variable	Independent Variables	Estimate	S.E.	C.R.	P	Results
Employee Engagement	Distributive Justice	.346	.048	7.238	0.000	Accepted
Employee Engagement	Interactional Justice	.115	.049	2.342	0.019	Accepted
Employee Engagement	Procedural Justice	.042	.049	.870	0.384	Rejected
P Value		0.000				

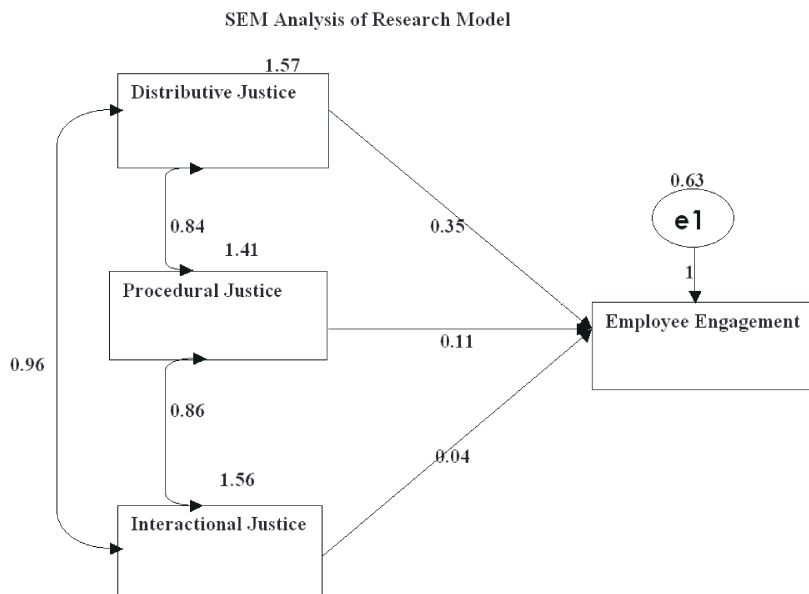


Fig. 2: SEM Analysis of Research Model

In Table 3 the relationship of distributive, interactional and procedural justice with employee engagement has been reported separately. Table indicates that distributive justice is one of the predictors of employee engagement. It gives the value of $\beta = 0.346$ and value of $p < .01$. From this it is concluded that distributive justice can cause 34.6 % variation in employee engagement. This result is same as the result of Saks [7], distributive justice was positively associated with employee engagement in his findings. In this study interactional justice has value of $\beta = 0.115$ with p value less than 0.1 which shows that interactional justice has positive influence on employee engagement and can cause 11.5% variation in employee engagement. Procedural justice a third predictor of employee engagement in this study proved to be insignificant. This is again according to the findings of Saks [7] who established that impact of procedural justice on employee engagement is not significant.

Hypotheses were tested with the SEM analysis. These results are shown in the table 4. These results also demonstrate that organizational justice can enhance the level of employee engagement in banking sector of Pakistan.

CONCLUSION

Findings of this study suggest that organizational justice plays important role in promoting employee engagement in corporate sector particularly in banking. Leaders in banking sector may enhance the level of employee engagement by employing organizational systems which strengthen justice in and around organizational practices. Although according to the findings of this study procedural justice is not significantly associated with employee engagement. However one can easily understand the importance of all three dimensions of organizational justice including distributive, interactional and procedural justice to fortify employees' engagement as it is evident in Table 2 that collectively all three showed significant impact on dependent variable.

This study provides evidence to senior practitioners in banking sector of Pakistan that to erect justice in all procedures and systems of the organization can guarantee loyal and committed employees to serve over long period of time, thus reducing turnover and improving organizational productivity and efficiency.

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