

CHAPTER II

LITERATURE REVIEW

2.1. Introduction

This chapter contains a summary of the literature regarding organizational justice and employee well-being that will be the main reference in this research. The chapter will start with a discussion about organizational justice, the development of the theory & the dimensions of the organizational justice, and the method to measure organizational justice. Then, a theory of employee well-being, the factors that may affect employee well-being, and its measurement are presented. Lastly, a number of researches will be presented to build and support the main hypothesis that will be used in this research.

2.2. Definition of Organizational Justice

The streams of organizational justice concept came from the Relative Deprivation Theory by Stouffer, Suchman, DeVinney, Star, & Williams (1949) in Cohen (2015) & Jackson (2019). As summarized by Pettigrew (1967) in Jackson (2019) Relative Deprivation Theory following a certain principle: (i) the individual receives or anticipates an outcome; (ii) the person determines the value of this result by comparing it with some type of standard, which is generally the result of a comparable other outcome; (iii) if the result gained is less than the standard, the person feels a feeling of moral indignation or unhappiness. The RD theory is comparable with Equity Theory by Adams (1965) (Cohen,2015; Jackson2019).

Equity Theory by Adams (1965) in Yean and Yusuf (2016) argues that equity and inequity judgments are derived from comparisons between one's self and others based on inputs and outcomes. Adams in his theory argues that when people treated fairly, they will be more motivated, that motivation can be transformed into positive work behavior and attitudes (Yean and Yusuf, 2015). In 1975 the study and investigation about justice revolve around distributive justice and the outcomes based on equity theory and RD theory (Gamage, 2014). During that period of time, major work by Thibaut and Walker (1975) released, they're highlighting the process of determining distributions was an addition to the overall justice framework (Gamage, 2014).

A study by Leventhal (1976) about the justice judgment model exposed the limitation of Adam's Equity Theory (Jackson, 2019). The theory of equity was suggested as a unitary dimension based on merit-determined justice, while Leventhal in his study, argues that there is an additional principle regarding to equality and need (Kerwin Jordan & Turner,2015). Allocations based on merit are connected with a primary objective of economic productivity and are therefore allocated using the equity rule. However, this one-dimensional approach did not consider other potential circumstances where distribution fairness can also be called into question (Cropanzano,2015). For example, the impact of distributions among group members where the primary purpose is the prospect of cohesion and the development of social relations can be better served by the rule of equality in allocations (Cropanzano,2015).

Thibaut and Walker (1975) conducted research in the courtroom setting, they introduced the concept of procedural justice which they are outlining the importance of processes in the decision-making (Cohen,2015). Thibaut and Walker in their study also found that being able to voice the idea/opinion during the process of decision making and the ability to influence the outcome will affect the perceived of fairness (Cohen,2015). Following their study, Leventhal (1980) applied the concept of procedural justice into a non-legal context he introduced the notion of procedural justice to an organizational level (Cohen,2015). Greenberg (1987) in Yean and Yusof (2016) described organizational justice as to how employees perceived toward certain behavior of the company that can be affected and changes the employees' attitude and behavior.

Bies and Moag (1986) introduced to prominence the communication of decision outcome, an aspect of the allocation process that was mainly unknown until the mid-1980s, as a dimension of justice, and became the third component of the organizational justice concept (Kerwin, Jordan & Turner,2014). Greenberg (1990) in (Sert, Elçi, Uslu, & ener, 2014) defined organizational justice as the quality of social interaction in the workplace. Greemberg (1990) in his study also developed a much-challenged discussion of whether communication fairness was a single independent factor in organizational justice or the second dimension in procedural justice. Interactional justice and procedural justice have been seen as the social and formal aspects of a single structure (Jackson,2019). Bies (2001) in Corpanzano (2015) further developed the concept of interactional justice, proposing a two-dimensional construction of interpersonal justice, representing dignity and

propriety, and informational justice, depicting truthfulness and reasoning. This finding has been continuously backed in the studies of organizational justice so far (Bies, 2001; Colquitt, 2001; Cropanzano, Prehar, & Chen, 2002 in Huong, Zheng & Fujimoto, 2016).

2.3. Dimensions of Organizational Justice

Organizational justice consist of four dimensions namely, distributive justice, procedural justice, and interactional justice, with two sub-dimension in interactional justice dimension namely, interpersonal justice and informational justice. Each of dimension is related and constitutes with the overall organizational fairness system (Ambrose & Arnaud, 2005; Ambrose & Schminke, 2007 in Yusof and Yean, 2015). In the absence of any of them, the development of effective organizational justice will be difficult. For instance, to guarantee equity in the allocation of benefits for staff, the option to award rewards should be based on a fair procedure and precise data (Yusof and Yean, 2015).

A. Distributive Justice

Distributive justice refers to an allocation's perceived of fairness or, more broadly, to how people judge what they receive (Perez-Archaederra, Briones, Garcia-Ortiz, 2014). This dimension was likely the first type of justice that draws attention and continue to receive wide exposure from organizational justice scholars (Cropanzano, 2015). The concept itself correlate to the politics of the organization (Weiss, Suckow, & Cropanzano, 1999 in Burke, 2017). Ambrose, Scabright, & Schminke (2002) in Gugliemi, Mazzetti, Villano, & Topa Cantisano (2018) classify

this dimension as a structural component of justice because of the norm of an organizational system that has influence toward outcomes. There are three principles that an individual can use to assess if their result is fair namely, equity, equality, and need (Deutsch, 1985 in Burke,2017).

Equity principle described as the system which ensures that everyone gets a fair allocation based on their contribution instead of equal distribution (Roger. Ashfort,2014; Burke, 2017). There are distinct models of equity. however, equity theory by Adams' (1965) by far is the most influential. According to his study, individuals calculate equity by comparing two outcome & input ratios. The first ratio is their own outcome divided by their outcome while the second one is a referent's outcome divided by referent's input. These two proportions should be aligned for equity to existing (Gamage,2014). A counterintuitive prediction of equity theory is that people are concerned about over-reward and under-reward (Cropanzano,2015; Burke,2017). Over-reward described as when an individual believes that their reward or recognition is bigger than their input while under-reward defined as when an individual believes that their reward or recognition is lower than their input (Heery & Noon, 2008). If this situation happened, Adams found that an individual will seek to restore the equity by increasing their performance (if the payment is fixed) or lowering their performance (if the payment is not fixed) (Cropanzano,2015).

Equality rule approached that an individual received fair allocation without considering their input. This rule is to be used when the aim is to enhance group cohesion or when the objective is to increase productivity the firm/individual will

preferred to use equity theory (Cropanzano,2015; Burke, 2017). There is some proof that showing the equality approached are more preferred rather than equity when an individual or a group want to make decision regarding to negative decision, such as budget cuts (Singh & Coudhary, 2018). An individual preferred to have the same amount of suffering when it comes to sharing a negative experience or consequences. Equality approached may also have a benefit in the processing of information since it is a very straightforward approach that needs less effort than others. (Cropanzano,2015)

The last principle is a need, it refers to providing an individual based on their perceived of the deficit. For example, a company provides a family leave policy (e.g. birth of a child, taking care of a newborn baby) only employees who meet certain criteria may receive time off. However, need allocation rule is less studied in organizational science. Even though a profit-making firm made a decision based on this rule (Cropanzano,2015).

In practice, an individual tends to used a combination of the three principles so that they are not always used in a pure form (Cugueró-Escofet and Rosanas,2013). For instance, when the firm wants to determine a minimum wage for each position in the firm, they will use the equality approach. However, when it comes to remuneration or merit the firm will use the equity approach based on each employees' contribution. These and other types of mixed approaches aim at balancing the advantages and weaknesses of the various equity principle.

B. Procedural Justice

Procedural justice refers to the perception of fairness regarding to the decision-making process or the set of policies used to make decisions about allocation (Colquitt & Rodell, 2011). Greenberg (1990) in Lee & Wei (2017) argues that distributive justice does not recognize or solve an individual's search of a fair procedure. Cropanzano and Schminke (2001) and De Connick (2003) as summarized in Sert, et al (2014) said that Procedural justice relies on the method used to determine the quantity of sanctions or rewards and assesses their validity. The idea of procedural justice refers to the organization's policies in a comparable vein to distributive justice. However, procedural justice-focused on overall attitudes of the organization (Sweeney & McFarlin, 1993 in Lai Wan, 2016).

The streams of procedural justice can be found in several works of literature. Such as the role of process control by Thibaut and Walker (1975) in Cohen (2015); Leventhal, Karuza & Fry (1980), list of procedural rules in (Kurian,218); and Bies and Moag (1986) in Jackson (2019), the role of interactional justice. The process of procedural justice become more critical toward the outcome of evaluation, especially communication of procedural standards, Employee voice can affect employee attitudes in the process (Jackson,2019). Folger (1977) in Folger & Stein (2017) argued that permitting individuals influenced to input or influence in decision-making is one of the most effective methods used to promote perceived of fairness. However, the perceived of fairness cannot be achieved unless the decision-maker supports and recognizes the input of the individual. Kickul, Lesterm & Finkl, (2002) criticized the Thibaut and Walker's process control model, they argue that

the model does not include the factor of the interactional, non-instrumental effect of procedural justice (Jackson,2019).

The development of Thibaut and Walker's model by Leventhal (1980) takes into consideration to the importance of fair procedure and decision-making processes (Jackson,2019). Leventhal, Karuža, and Fry (1980) suggested a list of six rules to decide whether the procedure is fair. In particular, the practice should constantly accommodate all sides, be bias-free, use precise data in decision making, take into consideration the opinions of all (something like voice), be correctable in a situation of error, and stay compatible with current standards of ethics (Kurian,2018). These six criteria remained influential, though in some situations some extra rules may also be important. For example, people prefer to receive advance notice in some situations before something potentially happens (Cropanzano,2015). Greenberg (2005) in Sert, et al (2014) shows that, while judging the fair procedural justice, individuals bring distinct requirements into account. (Greenberg,2005 in Sert, et al,2014). These requirements are:

- Opinion in decision-making: they perceive procedural justice when people are given a voice in the decision-making process.
- Consistency in the application of rules: the rules used in the decision-making process must be equal and applicable to all.
- Information accuracy: fair decision must be based on precise data
- Opportunity to be heard: Any error that has been created must be corrected by everyone

- Safeguard against bias: Decision-makers must not be allowed to bias the results

C. Interpersonal Justice

Bies & Colleagues proposed the third dimension of organizational justice called as interactional justice (Bies & Moag, 1986; Bies & Shapiro, 1987, 1988; Bies, Shapiro & Cummings, 1988) in Fortin (2008) as summarized by Cohen (2015) stated that the model of organizational justice involved with the personal interaction of the superior-subordinate relation is regarded as interactional justice and is specifically concerned with the behavior of employees during the procedural justice. Different from distributive and procedural justice which focused on the relationship between employees and the firm, perceived of injustice on interactional justice will affect the relationship between individuals rather than the organization (Schweiger, Ivancevich, & Power, 1987 in Uzelac, Bauer, Matzler, Waschak, 2016). Bies (2001) in Cropanzano and Molina (2015) argued that individuals evaluate fairness via social or communication criteria in addition to formal outcomes and procedures. That is, they are looking at how others have handled them. Broadly defined, these cultural standards were discovered to drop into at least two classifications – interpersonal justice and informational justice. This finding also backed up by meta-analyses from Greenberg (1993) in Lily (2016) as well as Colquitt and colleagues (Colquitt, Conlon, Wesson, Porter, Ng K, 2001; Colquitt, Scott, Rodell, Long, Zapata, Conlon, Wesson, 2013) and in Lily (2016).

Interpersonal justice is about the dignity and respect, people are treated with an interpersonally fair interaction would prevent private thing of individual, prevent abrasiveness, prevent bigotry and other forms of a private thing. Some academics have stated that this interpersonal spectrum of interactional justice has a particularly clear connection to immorality assessments (Cropanzano,2015; Lily 2016).

D. Informational Justice

Informational justice relates to the supply of adequate proof and explanations, and this is particularly crucial when situations go worse. Research has discovered, in specific, that organizations should provide social accounts, showing the employee why situations occur as they do. Such as reports are essential in alleviating unfair sentiments (Shaw, Wild, Colquitt, 2003 in Corpanzano,2015; Lily 2016). In particular, informational justice shifts the response and receptivity of workers to procedures, as knowledge and explanations allow those affected to accept the underlying procedural reasoning (Greenberg,1993 in Ellis, Reus, & Lamot, 2009)

There is some discussion about the structure of interactional justice. Many academics merge interpersonal justice with informational justice. This leads to a three-factor fairness model – distributive, procedural and interactional (Corpanzano,2015). Greenberg (1993), Colquitt, et al (2001), and Colquitt, et al (2013) in his study distinguish the interpersonal and informational components and produce a model of four factors (Lily, 2016). Both methods appear to be psychometrically working (Cropanzano,2015). Choosing between the three and

four-factor approached depending on the researcher's objectives and the fundamental concept of the study (Corpanzano,2015).

2.4.Measuring Organizational Justice

Organizational justice was measured in 3 dimensions namely, distributive justice, procedural justice, interactional justice with two sub-dimensions on interactional justice namely, interpersonal justice and informational justice. According to Colquitt & Rodell (2015), there are two approached to measure organizational justice. The first one was emphasized on dimensional distinction and the second one was deemphasized on the dimensional distinction (Colquitt & Rodell, 2015). Emphasized on dimensional distinction approached use “faceted justice” to assessing the perception of justice, while deemphasized on dimensional distinction approached use “latent justice” to measure justice (Colquitt & Rodell, 2015). The proposed measurement of faceted justice by Colquitt (2001) can be used to measure faceted justice directly (Ernoksen, 2015). This questionnaire widely used by some scholar to measure faceted justice (Shminke, Arnaud, & Taylor, 2015; Spagnoli & Farnese, 2017; Alkhadher & Gaderlab, 2016)

2.5.Definition of Employee Well-Being

World Health Organization (WHO) described employee well-being as A complete state of physical, mental and social well-being, not just the absence of disease or infirmity (WHO, 1946 in Guest, 2017). Lately, the OECD has developed a variety of objective indicator of employee well-being as an aspect of it is “better life” initiative that also focused on subjective well-being (OECD, 2013). Those

definitions above address a definition of general well-being, while this study focuses on work-related well-being which describe as 'the overall quality of the experience and work of an employee (Warr, 1987 in Grant, Christianson & Prince, 2007). Based on Warr's study they argued that there are three dimensions in work-related well-being namely: psychological, physical, and social well-being. This study focused on psychological well-being. However, it does not mean that other spectrum is not an important aspect of work-related well-being.

Psychological (mental) well-being in general described as fulfillment and realization of one's ability (Badrinarayan, 2016). Psychological well-being refers to a psychological function on a person, satisfaction in life, and the ability to preserve and form relationships that benefit each other (Stewart-Brown, Janmohamed, 2008). Moreover, psychological well-being including feelings like "independence, personal growth, self-acceptance, intent of existence, mastery, and constructive interactions, happiness, and positive emotions" (Ryan & Deci, 2001 in Badrinarayan, 2016). A literature background on Steptoe, Deaton, and Stone (2015) study reported that there are two main aspects of psychological well-being. The first one is hedonic well-being and the later one is eudaimonic well-being.

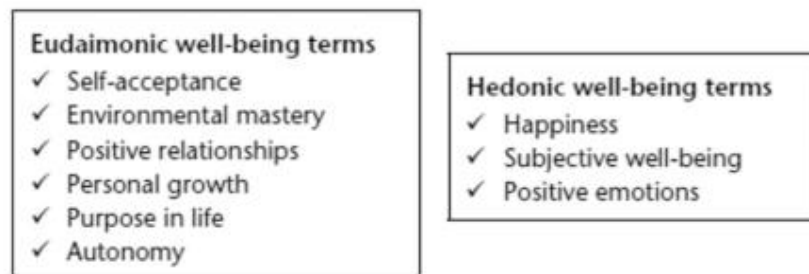


Figure 1. Hedonic and eudaimonic aspects of PWB (Johnson, Robertson, Cooper, 2017)

Recent studies accepted that psychological (mental) well-being covers two perspectives hedonic and eudaimonic well-being. (Stewart-Brown, Jammohamed 2008; Kay, Smith, & Dickman, 2017; Rahmani, Gnoth, & Mather, 2018). Even though in some circumstances both concepts of psychological well-being may overlap each other, but both are distinctive elements of psychological well-being (Huta & Ryan, 2010). Ed, Suh, Lucas & Smith (1999) and Ryan & Deci (2001) as summarized by Johnson, Robertson, & Cooper (2018) refer hedonic well-being as a subjective feeling of happiness, fewer negative emotions, and enjoyment and sometimes this aspect refers to subjective well-being (SWB) as illustrates in figure.

2. Moreover, in Huta & Ryan's study argues that there are two stimulants that trigger the hedonic senses of person: (1). The feelings of relaxation and convenience, or the feelings of energy in physical and psychological condition; (2). The feelings of pleasure on doing or experience certain activities.

The second perspective is eudaimonic well-being. Eudaimonic well-being relates to positive relations with other people, psychological function, and personal-realization (Stewart-Brown,2008). Ryff (2013) in his study stated that there is six

key parts of eudaimonic well-being, such as self-acceptance, environmental mastery, positive relationship, personal growth, purpose in life and autonomy. Ryan, Huta, & Deci (2008) as summarized by Niemiec (2014) have break down the eudaimonic well-being as three basic psychological needs such as autonomy, competences, and relatedness. They argue that these three needs are important for psychological growth, integrity, and well-being.

2.6.Factor Affecting Employee Well-Being

Employee well-being has become an important aspect to the organization such as an indicator of organizational health (Wilson, Dejoy, Vandenberg, Richardson, & McGrath, 2004 in Badrinarayan, 2016), and organizational flourishing (Ilies, Plutt, & Aw, 2015). Many studies found several factor in the organization level that can affect employee well-being such as: working in night shift and performing overtime job can decrease the employee well-being (Antonio, Valeria, Alberto, Antonio, 2017), workplace health promotion (Nohammer, Stummer, & Schustershitz, 2011), social climate and loneliness (Oya & Oznur, 2011), workplace stress and positive organizational behavior (Cartwright and Cooper, 2013). Leadership style of supervisor or higher hierarchy position in an organization might be a factor that affecting the employee well-being, for instance: ethical leadership (Chughtai, Byrne, Flood, 2014), transformational leadership (Sharifirad, 2013) and authentic leadership (Rahimnia, & Sharifirad, 2014).

In the meta-analysis by Karina, Morten, Chidibere, Marja, Eveliina, and Kerstin (2017), employee well-being was found to be affected by several factors. Among

84 quantitative research that covering at least one variable of workplace resources found that HR practices, job crafting, leader-member exchange (LMX), and resilience affect employee well-being. Other factor that may affect employee well-being is unemployment. A study by Helliwel & Huang (2014) found that unemployment can affect employee well-being directly and indirectly.

2.7.Measuring Employee Well-Being

In general employee well-being was measured in three dimensions namely: psychological well-being, physical well-being, and social well-being. While this study is more focused on psychological well-being as a dimension of employee well-being. Psychological (mental) well-being cover two perspectives: hedonic and eudaimonic. NHS Health Scotland developed Warwick-Edinburgh Mental Well-Being (WEMWBS) to measure psychological well-being (Stewart-Brown, Jammohamed, 2008). WEMWBS questionnaire covered most attributes of psychological well-being. Areas that is not covered by WEMWBS are purpose in life (Tennant, Hiller, Fishwick, Josep, Weich, 2007).

WEMWBS has been used widely to measure psychological well-being in workplace/office/worker/organization context (Page, 2012; Bericat,2016; Zhamg & Lee, 2019).

2.8.Previous Study on Organizational Justice and Employee Well-Being

There is quite a number of research on the effect of organizational justice on employee well-being. A study from Rai (2015) about the correlation between four dimensions of organizational justice and employee mental health found that there

is a strong correlation between organizational justice and employee mental health. In his study, Rai also stated that anxiety and depression are important contexts to understand mental well-being. Singh, Singh, and Singh (2013) in their study about the correlation between perception of justice to psychological well-being among executive found that distributive justice and informational justice has a positive correlation to the six dimensions of eudaimonic well-being along with total psychological well-being. While procedural justice was found to have a positive correlation with six dimensions of eudaimonic well-being as well as total psychological well-being. Moreover, interactional well-being was significantly correlated to the six dimensions of eudaimonic well-being as well as total psychological well-being.

Organizational justice also linked with work stress through emotions. A study by Perez-Rodriguez, Topa, and Belendez (2019) found that distributive justice, procedural justice, and interactional justice will affect work stress directly and indirectly through emotions. Moreover, when employees perceived unfairness it will lead to negative emotions and will increase their work stress level. If employees perceived fairness it will lead to positive emotions thus decreased their level of work stress. Organizational justice also found as a moderating effect on the relationship between workplace bullying and hotel employee well-being (Hsu, Liu, & Tsaur, 2019). Hsu, Liu, and Tsaur in their study found that hotel employee well-being has significantly positive correlated with procedural justice, distributive justice, and interactional justice. Moreover, low procedural justice, distributive justice, and interactional justice, workplace bullying had significantly effects hotel

employees' well-being in a negative way. While, on high procedural justice, distributive justice, and interactional justice, the effect of workplace bullying on hotel employees' well-being was found not significant.

2.9. Theoretical Framework

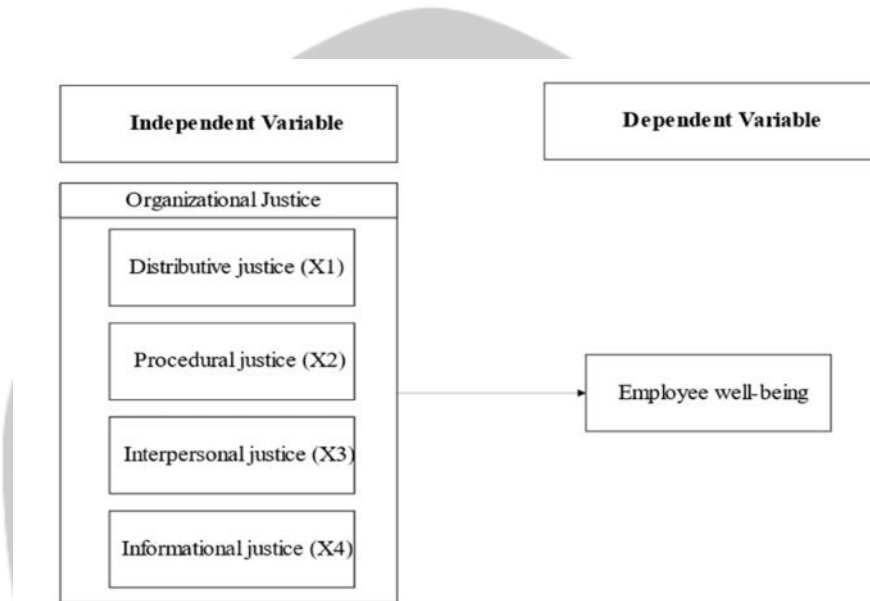


Figure 2. Theoretical Framework

2.10. Hypothesis

Several studies were found the effect of procedural justice and employee well-being. Procedural justice refers to employees' perceived of fairness throughout the decision-making process or process of set a new policy (Colquitt, Rodell, 2011). Rai (2015) in his study found that procedural justice has a positive correlation on employee mental health. Huong, Zheng, and Fujimoto (2016) measuring the correlation between procedural justice and employee well-being on the tourism sector in Australia reported that there is a positive correlation between procedural justice and employee well-being. Moreover, Ybema and van den Bos (2010) found that low levels of procedural justice will effect to depressive symptoms on employees thus effect on their well-being. When there is a lack of control in procedures, rules or decision-making process, employee tend to have low level of perceived of justice (Ybema and van den Bos (2010) therefore increasing their anxiety and exposed to unhealthy physical and psychological status (Herr, Bosch, Loerbroks, Genser, Almer, van Vianen, Fischer, 2018) and preventing them to increasing their level of employee well-being (Cassar and Buttigieg, 2015; Rami, Garg, Rastogi, 2018). As such, the following hypothesis is formed :

H1: There is a positive effect between procedural justice and employee well-being

Perez-Rodriguez, Topa, and Belendez (2019) in their study found that distributive justice can affect work stress through emotion which relates to employee well-being. Distributive justice refers to employees' perceive of fairness toward allocation or how employees judge what they receive (Perez-Archaderra,

Briones, Garcia-Ortiz,2014). A study from Hsu, Liu, & Tsaur (2019) stated that distributive justice has a positive effect on hotel employee well-being. Their study also found consistent with a study from Singh, Singh, and Singh (2013). A variety of output that shapes the employees perceived of distributive justice such as pay, merit, or promotion (Cohen,2015). Cropanzano and Schminke (2001) in Cropanzano and Molina (2015) based on Adam's equity theory stated that employees will be compared their input/output ratio with their fellow employees to judge their perceived of justice on distributive justice if there is an inequality on distributive justice it will lead to stress of the employees which negatively affect employee well-being (Moliner, Martinez-Tur, Ramos, Peiro, and Cropanzano, 2008). As such, the following hypothesis is formed :

H2: There is a positive effect between distributive justice and employee well-being.

Interactional justice refers to how employees perceived fairness toward their interaction with the supervisor or other person on a higher hierarchy position (Cohen,2015). According to Colquitt (2001) in Cropanzano and Molina (2015), these dimensions are divided again with interpersonal justice and informational justice as sub-dimension. Interpersonal justice focused on treated employees with dignity, respect, and courtesy. Employee will used their social interaction quality with their supervisor to judge the perceived of interpersonal justice, they will use certain indicator (i.e. treated with dignity, respect, and courtesy) to judge it, when employees perceived injustice on this dimensions it will lead to employee stress and decreased the level of employee well-being (Judge and Colquitt 2004 in Huong, Zheng, and Fujimoto, 2016; Moliner, et al, 2008). Huong, Zheng, and Fujimoto

(2016) also found that interpersonal justice has a strong relationship with employee well-being in the tourism sector. As such, the following hypothesis is formed:

H3: There is a positive effect between interpersonal justice and employee well-being

Informational justice focuses on the application and explanation of decision-making procedures. The procedure used to determine outcomes increases the perception of information fairness. A high perception of organizational justice can give employees a positive feeling while a low perception of informational justice can cause negative feelings, such as frustration, anger and hatred and it will lead to decreased the level of employee well-being (Cropanzano,2015; Hsu, Liu & Tsaur, 2019; Jackson 2019). Moliner, et al (2008) found informational justice had to affect employee well-being (low burnout and high engagement). Lawson, Noblet, and Rodwell (2009) in their study suggested that four dimensions of organizational justice have a significant correlation with the psychological of the employee. In order to increase the perceived fairness in the organization and increased employee well-being, Heponiemi, Kuusio, Sinervo, Elovainio (2011) suggested that managers should provide timely, honest, and accurate information to their subordinates. As such, the following hypothesis formed :

H4: There is a positive effect between informational justice and employee well-being