

## **RELATIONSHIP BETWEEN PARTICIPATION IN PAY SYSTEMS AND JOB COMMITMENT: DOES INTERACTIONAL JUSTICE ACT AS A MEDIATING VARIABLE?**

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*Compensation management literature highlights that employees who actively participate in pay systems may have increased job commitment. A careful observation of such relationships shows that employee participation in pay systems indirectly affect job commitment via interactional justice. The nature of this relationship is less emphasized in compensation management models. The evidence is used as a foundation to develop conceptual schema for this study. A survey research method was used to gather 917 usable questionnaires from employees who have worked in Malaysian Institutions of Higher Education (MIHE). Outcomes of testing mediating model using a stepwise regression analysis showed that the inclusion of interactional justice in the analysis had increased the effect of participation in pay system features (i.e., participation in pay allocation and participation in pay procedure) on job commitment. Further, this result confirms that interactional justice does act as a full mediating variable in the compensation system models of the organizational sector sample. In addition, the implications of this study to compensation theory and practice, methodological and conceptual limitations, and directions for future research are discussed.*

### **I. INTRODUCTION**

Compensation is widely recognized as an important human capital management function, which refers to an employer's design and administration of pay systems. The design of pay systems is often defined as an employer creates the type, level and/or amount of pay based on job and/or performance whereas the administration of pay systems is usually defined as an employer uses pay systems to rewarding its employee (Henderson, 2007; Milkovich & Newman, 2008). In organizations that promote high performing work cultures, participation in pay systems work effectively because they believe that considering

employees' views in the design and administration of pay systems may increase the credibility of pay systems (Hewitt Associates, 1991; Lawler, 2000).

Participation in pay systems is often defined as an employer encourages its employee who works in different hierarchical levels and categories, such as top managers, compensation professionals, internal experts (e.g., accounting and operating systems), external experts (e.g., outside consultants that have specialized knowledge and credibility) and employee representatives (e.g., supporting staff) to involve in designing and administering the various types of pay

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programs (e.g., pay for job and pay for performance) (Kim, 1999; Lawler, Mohrman & Ledford, 1995; Ledford & Hawk, 2000). If such participation styles are properly conducted, this will attract, retain and motivate employees to achieve the major objectives of the organizational pay system: efficiency (i.e., improving performance, quality, customers, and labor costs), equity (i.e., fair pay treatment for employees through recognition of employee contributions and employees' needs) and compliance with laws and regulations (Milkovich & Newman, 2008). Hence, it may lead to sustain and enhance organizational competitiveness in a global economy (Gomez-Mejia & Balkin, 1992a & 1992b; Henderson, 2007).

In the early development of compensation system much highlight the internal properties of its system. At this stage, many studies give more focus on describing the concept, purposes, forms and significance of participation in compensation system (Lawler et al., 1995; Maurer, Shulman, Ruwe & Belcherer, 1995). A recent research in this area shows that allowing employees to participate in allocating pays and participate in the procedures of distributing pays will strongly invoke employees' self-esteem, sense of belonging and positive perceptions, this may lead to increased notion of job commitment

(Robinson, Kraatz & Rousseau, 1994; Liu, Lepak, Takeuchi & Sim, 2003).

Surprisingly, a careful investigation of such relationships reveals that effect of such participation styles on job commitment is indirectly influenced by interactional justice (Coyle-Shapiro, Morrow, Richardson & Dunn, 2002; Skarlicki & Folger, 2003). This relationship explains that the capabilities of managers to use good treatments (e.g., show respect and accountable) in distributing pays will strongly increase employees' perceptions of justice about the managers' styles, which in turn, lead to increased job commitment in organizations (Adams, 1963, 1965; Colquitt, Conlon, Wesson, Porter & Ng, 2001; Robbins, Summers, Miller & Hendrix, 2000). Even though numerous studies have been done, little is known about the mediating role of interactional justice in organizational compensation system (Heneman, 2002; Heneman & Judge, 2000; Robbins et al., 2000). Hence, it motivates the researchers to examine the mediating role of interactional justice in the relationship between participation in pay systems and job commitment that occurs in MIHE (Malaysian Institutions of Higher Education). This organization sector plays a most important role in producing professional and semi-professional human resources for both private and public organizational sectors in Malaysia.

## II. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

The participation in pay systems, interactional justice and job commitment are distinct constructs. Participation in pay systems is recognized as an important compensation management feature that may be used to support the goals and strategy of the compensation system (Milkovich & Newman, 2008). It is often viewed as an employer encourages employees in different hierarchical levels and categories to discuss

and share information-processing, decision-making, and/or problem-solving activities related to pay systems. Collective decisions made through such participation styles will be used to design and administer pay systems that consider employees' needs and expectations (Henderson, 2007; Lawler et al., 1995).

The level of employee participation in pay systems may range from consultation to

full participation, which can affect pay decisions (Kim, 1999; Lawler, 2000; Milkovich & Newman, 2008). In Western organizations, for example, top managers, compensation professionals, internal (e.g., accounting and operating systems) and external experts (e.g., outside consultants that have specialized knowledge and credibility) have been involved in the design of pay allocations and the administration of pay procedures (Kim, 1999; Lawler, 2000). Participation in pay allocation is often viewed as employees being given the opportunity to provide ideas in establishing rules for determining the type, level and/or amount of pay based on the major goals of compensation system, stakeholder's needs and/or organizational strategy (Lawler, 2000, Kim, 1999; Maurer et al., 1995; Milkovich & Newman, 2008). In this study, it is defined as an individual is allowed to provide suggestions and comments about the rules of allocating rewards in organizations.

Participation in pay procedure is often seen as employees are allowed to involve in both input and output. Participation in input allows employees to give suggestions and determine the enterprise's goals, resources, and methods. Participation in output permits employees to share the rewards of profitability and/or the achievement of productivity objectives (Lawler, Mohrman & Ledford, 1992; Lawler et al., 1995; Kim, 1999). In this study, it is defined as an individual is allowed to discuss and offer suggestions about the procedures of allocating pays in organizations.

Job commitment may be defined as an employee identification, belief in and acceptance of organizational goals and values, a willingness to put in high effort on behalf of the organization, and a desire to remain or maintain membership with the organization (Blau & Boal, 1987; Ivancevich & Matteson, 1993; Mowday, Steers, & Porter, 1979). If an employee feels high attachment with an organization, it means he or she identifies with an organization and its

goals in order to maintain membership to facilitate the goal (Blau & Boal, 1987; Ivancevich & Matteson, 1993). In sum, the definitions highlight that commitment is one component of work-related attitudes which affect long or short term relationship between an employer and its employee. Commitment can be seen in two distinct, but related dimensions: attitudinal and behavioral commitment (Becker, 1960; Mathieu & Zajac, 1990; Mowday et al., 1999). Attitudinal commitment relates to the degree of loyalty, individual identification and involvement in the organization. Behavioral commitment represents the process by which individuals interact with an organization and that process focuses on the actions of the individuals. This study focuses on the global job commitment where it refers to a person who wishes to remain in the organization, this will increase his/her commitment to job (Meyer, Allen & Gellatly, 1990; Meyer, Stanley, Herscovitch & Topolnytsky, 2002). Based on the discussion, job commitment is often defined as an individual feels pride, contentment and resolve to stay with the organization.

Interactional justice is an aspect of procedural justice theories (Bies & Shapiro, 1987; Ismail, Ismail & Boerhanoeddin, 2007a; Tyler & Bies, 1990), which states that an individual is sensitive to the quality of interpersonal treatment that they receive from their managers. If an individual perceives that decision makers (e.g., manager or supervisor) practice fair treatment (e.g., shows respect and accountable) in allocating resources and/or implementing work procedures, this will invoke employees' feelings of interactional justice (McShane & Von Glinow, 2005; Skarlicki & Folger, 1997). In this study, it is defined as an individual perceives fairness about the managerial styles in allocating the type, level and/or amount of pay and implementing the procedures of distributing remuneration in an organization.

Within a compensation management framework, many scholars think that the constructs are highly interrelated. For example, an individual perceives justice about the capability of a manager to use fair treatments in determining the type, level and/or amount of resources (e.g., non financial rewards and/or financial rewards) and implementing the procedures of distributing pays (e.g., non financial rewards and/or financial rewards) will strongly invoke his/her feelings of interactional justice, which in turn, lead to increased positive subsequent attitudinal and behavioral outcomes, especially job commitment (Bies, Shapiro, & Cummings, 1988; Cohen-Charash & Spector, 2001; McShane & Von Glinow, 2005).

In the MIHE, pay systems are designed and controlled by the stakeholders and administered by the Human Resource Management Departments (HRMDs) of the institutions. The HRMDs have used a standardized and centralized approach to ensure equity in determining pay levels to all employees who work in the similar and/or different job groups. In terms of pay design, the departments are given little autonomous power to determine pay level, but they are given flexibilities to use their creativities and innovations to administer pay level policies based on procedures formulated by the stakeholders. The effectiveness of pay level policies is often assessed based on employees' feelings of interactional justice. Based on the information gathered from 15 non-academic and academic staff who participated in the in-depth interviews, the majority of employees often compare their bosses' styles in determining pay levels with other employees who have held the same positions and/or qualifications within the institutions. If employees perceive that their bosses consistently practice equity treatments (e.g., respect employees' opinions, openly discussing performance ratings, and accountable for their decisions) in distributing pay levels (e.g., non-monetary

rewards, monetary rewards and/or both), this will strongly increase their feelings of interactional justice and thus, lead to increased positive attitudes and behaviors (e.g., satisfaction, commitment and performance). The nature of this relationship is interesting, but the mediating role of interactional justice is neglected because of the paucity of compensation research literature in this country (Ismail et al., 2007a; Sulaiman & Mamman, 1996).

The studies are consistent with compensation research literature published in most US organization settings. Many studies about pay allocation in US organizations advocate that allowing employees to involve in the development of measures and targets for determining incentive pays and negotiating pay allocations for improving their welfares (Eaton, 1999) will strongly invoke employees' perceptions of fairness about the managers' treatments. As a result, it may lead to an enhanced job commitment (Adams, 1963 & 1965; Eaton, 1994). Besides, many studies about pay procedures in US organizations scholars support that allowing employees to openly discuss about the procedures of distributing non-monetary and monetary rewards (Coyle-Shapiro et al., 2002; Paul, Niehoff, & Turnley, 2000) will strongly invoke employees' perceptions of justice about the managers' treatments, this may lead to increased sense of commitment with an organization (Coyle-Shapiro et al., 2002; Greenberg, 2003; Sweeney & McFarlin, 1993).

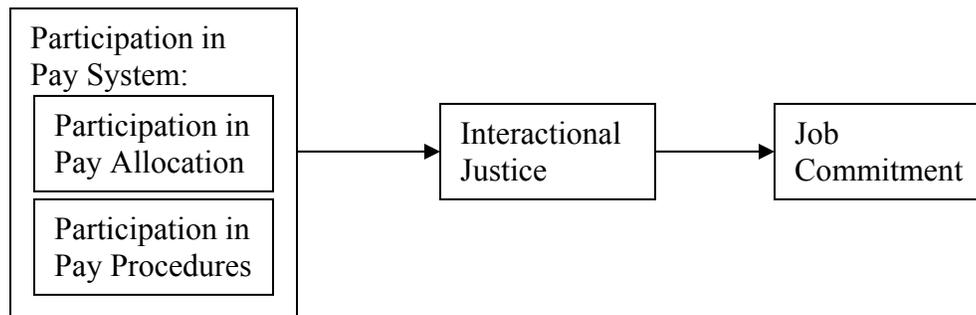
Numerous empirical studies have been shown to support the notion of interactional justice (Greenberg, 2003; Skarlicki & Folger, 1997). This theory highlights that Adams' (1963, 1965) equity theory and Allen and White's (2002) equity sensitivity theory emphasize on the concept of equity treatment in pay allocations whereas procedural justice theories give more attention to the concept of equity treatment in pay procedures (Cropanzano, Byrne, Bobocel, & Rupp, 2001; Greenberg, 2003; Leventhal, 1980;

Thibaut & Walker, 1978). Within a compensation framework, if an individual perceived that decision makers (e.g., manager or supervisor) practice fair treatments (e.g., show respect, are accountable, adopt a proper decision-making style and communication openness) in such participation styles, this would strongly invoke employees' feelings

of interactional justice. As a result, personal outcomes like commitment to the job might be increased (Eaton, 1994; Fay & Thompson, 2001; Ismail et al., 2007a).

The literature has been used as a foundation to develop a conceptual framework for this study as shown in Figure 1.

**Figure 1**  
**Theoretical Framework of Relationship Among Participation in Pay System, Interactional Justice and Job Commitment**



Based on the framework, it seems reasonable to assume that the fairness of managers' treatments in pay systems participation will influence MIHE employees as this condition has been shown to influence US employees. Thus, interactional justice theory further suggests that if MIHE employees perceived fairness in their managers' treatments in pay systems participation, this may lead to greater job

commitment. Therefore, this study hypothesized that:

- H1: Interactional justice positively mediates the effect of participation in pay allocations on job commitment
- H2: Interactional justice positively mediates the effect of participation in pay procedures on job commitment

### III. RESEARCH METHODOLOGY

This study used a cross-sectional research design where it allowed the researchers to integrate compensation research literature, the in-depth interviews,

the pilot study and the actual survey as main procedures to gather data for this study. As advocated by many researchers, the use of such methods may gather accurate and less

biased data (Cresswell, 1998; Sekaran, 2000). In-depth interviews were first conducted involving 15 experienced academic and non-academic staff in MIHE sector. They were selected based on purposive sampling which required that they have good knowledge and experience in compensation management. Information gathered from such employees helped the researchers to understand the nature of participation in pay systems, interactional justice characteristics and job commitment characteristics in the organizations. After refining, categorizing and comparing the information with relevant theoretical and empirical evidence, the result was used as a guideline to develop the content of survey questionnaires for a pilot study. Their information was sought to develop the content of survey questionnaire for a pilot study. Next, a pilot study was conducted involving 20 experienced academic and non-academic staff who had worked in MIHE sector. Their feedbacks were used to verify the content and format of questionnaires developed for the actual survey. The survey questionnaires were translated using back translation technique as this would ensure the validity and reliability of the instrument (Hulland, 1999; Wright, 1996).

The survey questionnaire had three sections. First, the section on participation in pay allocations and participation in pay procedures had three items each that were modified from compensation management literature (see Coyle-Shapiro et al., 2002; Eaton, 1994, Kim, 1999; Milkovich & Newman, 2008). Second, the section on interactional justice section had 4 items that were developed based on organizational justice literature (see Giacobb-Miller &

Victorov, 1998; Greenberg, 2003; Jones, Scarpello & Bergman, 1999; Moorman, 1991; Thibault & Walker, 1978). Finally, job commitment was measured using a 3-item Job Commitment Scale developed by Mowday, Steers & Porter (1979). These items were measured using a 7-item scale ranging from "very strongly disagree/dissatisfied" (1) to "very strongly agree/satisfied" (7). Demographic variables were used as a controlling variable because this study focused on employee attitudes. The items used to measure the research variables are shown in the Appendix 1.

The unit of analysis for this study was employees who have worked in MIHE sector. A convenient sampling technique was used to gather data from the sample of this study. The technique was chosen because HR managers did not provide the list of registered employees and did not allow the researchers to randomly distribute survey questionnaires to employees who have worked in non-academic and academic divisions within the organizations. After obtaining permissions to conduct a survey from the organizations, 5000 survey questionnaires were distributed to employees who have worked in non-academic and academic divisions through their supervisors, HR managers and/or department heads. Of the total number, 917 usable questionnaires were returned to the researchers, yielding a response rate of 18.34 percent. The survey questionnaires were answered by participants based on their consent and on a voluntary basis. A Statistical Package for Social Science (SPSS) version 14.0 was used to determine the validity and reliability of measurement scales, and thus test research hypotheses.

#### IV. RESEARCH RESULTS

Table 1 shows the sample profile. More than half of the respondents were female

(51%), and the remaining 49% was male. Most respondents aged between 26 to 30

years (30%). A large number of respondents had a bachelor degree (30%). The majority of respondents were support staff (40%). Most respondents worked in the academic division (70%). Respondents who had worked less than 2 years (28%) were the majority group. The biggest group of respondents served as

permanent and confirmed staff (70%). The salaries of the majority of respondents were between 1001 and 1500 (26%). Malaysian citizens were the largest respondent group (99%). Finally, employees who worked in public institutions of higher learning were the largest group (64%).

**Table 1**  
**Sample Profile**

Sample Profile	Sub-Profile	Percentage
Gender	Male	49
	Female	51
Age	Less than 25 years	16
	26 to 30 years	30
	31 to 35 years	20
	36 to 40 years	15
	41 to 45 years	10
	More than 46	9
Education	SRP/LCE	5
	SPM/MCE	21
	STP/HSC	4
	Diploma	17
	Bachelor	30
	Master	19
Position	PhD	4
	Professional & Management Group	16
	Supporting Group	40
	Professor	1
	Associate Professor	3
	Lecturer	38
Division	Assistant Lecturer	2
	Academic	70
Length of Service	Non-Academic	30
	Less than 2 years	28
	3 to 5 years	27
	6 to 8 years	14
	9 to 11 years	7
	12 to 14 years	6
Type of Service	More than 15 years	18
	Permanent & Confirmed	70
	Permanent & Probation	15
	Contract	12
Salary (Ringgit)	Temporary	3
	Less than 1000	18
	1001 to 1500	26
	1501 to 2000	20
	2001 to 2500	11
	2501 to 3000	8

Sample Profile	Sub-Profile	Percentage
	3001 to 3500	7
	3501 to 4000	2
	4001 to 4500	2
	4501 to 5000	1
	5001 to 5500	1
	5501 to 6000	1
	More than 6001	3
Citizenship	Malaysian	99
	Non-Malaysian	1
Institutions		64
		36

Note: SRP/LCE: Sijil Rendah Pelajaran Malaysia/Lower Certificate of Education  $n=917$   
 SPM/MCE: Sijil Pelajaran Malaysia/Malaysia Certificate of Education  
 STP/HSC: Sijil Tinggi Pelajaran/Higher School Certificate

Table 2 shows the results of validity and reliability analyses for measurement scales. The survey questionnaires consisted of 31 items, which related to four variables: participation in pay allocations (5 items), participation in pay procedures (14 items), interactional justice (6 items) and job commitment (6 items). The factor analysis with direct oblimin rotation was first done for all variables. Table 2 shows the results of factor analysis process which condensed 31 items into 13 items. Next, the Kaiser-Meyer-Olkin Test (KMO) that is a measure of sampling adequacy was conducted for each variable and the results indicated that it was

acceptable. Specifically, these statistical results showed that: 1) all research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin's value of 0.6; 2) all research variables were significant in Bartlett's test of sphericity; 3) all research variables had eigenvalues larger than 1; 4) the items for each research variable exceeded factor loadings of 0.50 (Hair, Anderson, Tatham & Black, 1998); and 5) all research variables exceeded the acceptable standard of reliability analysis of 0.70 (Nunnally & Bernstein, 1994). These statistical results confirmed the validity and reliability of measurement scales used for this study.

**Table 2**  
**The Results of Validity and Reliability Analyses for Measurement Scales**

Measure	Items	Factor Loadings	KMO	Bartlett's Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Participation in Pay Allocations	3	.51 to .87	0.66	580.16, $p=.000$	1.93	64.33	0.72
Participation in Pay Procedures	3	.72 to .90	0.69	95.50, $p=.000$	2.17	72.48	0.81
Interactional Justice	4	.79 to .91	0.82	1869.93, $p=.000$	2.90	72.56	0.87
Job commitment	3	.74 to .88	0.68	694.46, $p=.000$	2.03	67.58	0.76

Table 3 shows the results of Pearson correlation analysis and descriptive statistics. The means for the variables are from 4.0 to 5.0, signifying that the levels of participation in pay allocations, participation in pay procedures, interactional justice and job commitment ranging from high (4) to highest (7). The correlation coefficients for the relationship between the independent variable (i.e., participation in pay allocations and participation in pay procedures) and the

mediating variable (i.e., interactional justice), and the relationship between the independent variable (i.e., participation in pay allocations and participation in pay procedures) and the dependent variable (i.e., job commitment) were less than 0.90, indicating the data were not affected by serious co-linearity problem (Hair et al., 1998). The measurement scales that had high validity and reliability were used to test research hypotheses.

**Table 3**  
**Correlation Matrix Result for the Research Variable**

Variable	Mean	Standard Deviation	1	2	3	4
1. Participation in Pay allocations	5.0	1.4	1.0			
2. Participation in Pay Procedures	4.0	1.4	0.39**	1.0		
3. Interactional Justice	5.0	1.4	0.46**	0.59**	1.0	
4. Job commitment	5.0	1.2	0.34**	0.41**	0.44**	1.0

Note: \*Significant at  $p \leq 0.05$ ; \*\*Significant at  $p \leq 0.01$ ; \*\*\*Significant at  $p \leq 0.001$

Pearson correlation analysis was unable to determine the mediating effect of interactional justice in the hypothesized model. A stepwise regression analysis was recommended to assess the magnitude and direction of each independent variable, and vary the mediating variable in the relationship between many independent variables and one dependent variable (Foster, Stine & Waterman, 1998). Baron and Kenny (1986) suggest that a mediating variable can be considered when it meets three conditions: first, the predictor variables (i.e., participation in pay allocations and participation in pay procedures) are

significantly correlated with the hypothesized mediator (i.e., interactional justice). Second, the predictor and mediator variables are all significantly correlated with the dependent variable (i.e., job commitment). Third, a previously significant effect of predictor variable is reduced to non-significant or reduced in terms of effect size after the inclusion of mediator variables into the analysis (Wong, Hui & Law, 1995). Standardized coefficients (standardized beta) were used for all analyses in the regression analyses. Table 4 and 5 show the outcomes of testing hypotheses using a stepwise regression analysis.

**Table 4**  
**Results of Stepwise Regression Analysis with Interactional Justice as the Mediating Variable, Participation in Pay Allocations as the Independent Variable and Job Commitment as the Dependent Variable**

Variable	Job commitment		
	Step 1	Step 2	Step 3
<i>Control Variables</i>			
Sex	-0.02	-0.01	-0.01
Age	0.16***	0.15**	0.14***
Education	-0.10	0.02	0.03
Position	-0.05	-0.04	-0.04
Division	0.03	0.03	0.02
Length of Service	-0.08	-0.04	-0.01
Type of Service	0.15***	0.15***	0.16***
Salary	0.00	0.03	0.03
Citizenship	-0.05	-0.06*	-0.07
Institution	-0.22***	-0.16***	-0.13***
<i>Independent Variables</i>			0.37***
Participation in Pay Allocations			0.28***
<i>Mediating Variable</i>			
Interactional Justice			
R <sup>2</sup>	0.12	0.24	0.29
Adjusted R <sup>2</sup>	0.11	0.23	0.28
F	12.80***	26.27***	30.88***
$\Delta R^2$	0.12	0.12	0.05
F $\Delta R^2$	12.80***	141.11***	62.10***

Note: Level of Significant at \*  $p \leq 0.05$ ; \*\*  $p \leq 0.01$ ; \*\*\*  $p \leq 0.001$

The table shows that the inclusion of interactional justice in Step 3 verified interactional justice as a mediating variable for the participation in pay allocations and job commitment relationship ( $\beta = .28$ ,  $p = .000$ ), therefore H1 was fully accepted. The inclusion of this variable in this step explained 29 percent of the variance in the dependent variable. This result explained that before the inclusion of interactional justice into the analysis in Step 2, participation in pay allocations (Step 2:  $\beta = .37$ ,  $p = .000$ ) was significantly correlated with job commitment. As shown in Step 3 (after the

inclusion of interactional justice into the analysis), the previous significant relationship between participation in pay allocations and job commitment did not change to non-significant (Step 3:  $\beta = .22$ ,  $p = .000$ ), but the strength of such relationship was decreased. This result confirmed that the strength of participation in pay allocations and job commitment relationships was strongly influenced by interactional justice, signifying that interactional justice played a full mediating role in the relationship between such variables.

**Table 5**  
**Results of Stepwise Regression Analysis with Interactional Justice as the Mediating Variable, Participation in Pay Procedures as the Independent Variable and Job Commitment as the Dependent Variable**

Variable	Job commitment		
	Step 1	Step 2	Step 3
<i>Control Variables</i>			
Sex	-0.02	-0.01	-0.01
Age	0.16***	0.17***	0.16***
Education	-0.095	-0.05	0.00
Position	-0.05	-0.03	-0.03
Division	0.03	0.02	0.01
Length of service	-0.08	-0.09	-0.02
Type of service	0.15***	0.14***	0.15***
Salary	0.00	-0.01	0.01
Citizenship	-0.05	-0.04	-0.06
Institution	-0.22***	-0.16***	-0.12***
<i>Independent Variables</i>		0.27***	0.12***
Participation in pay procedures			0.34***
<i>Mediating Variable</i>			
Interactional justice			
R <sup>2</sup>	0.12	0.19	0.27
Adjusted R <sup>2</sup>	0.11	0.18	0.26
F	12.80***	18.75***	28.06***
$\Delta R^2$	0.12	0.06	0.09
F $\Delta R^2$	12.80***	68.64***	106.50***

Note: Level of Significant = \* $p \leq 0.05$ ; \*\*  $p \leq 0.01$ ; \*\*\*  $p \leq 0.001$

The table shows that the inclusion of interactional justice in Step 3 verified interactional justice as a mediating variable for the participation in pay procedures and job commitment relationship ( $\beta = .34$ ,  $p = .000$ ), therefore H2 was fully accepted. The inclusion of this variable in this step explained 27 percent of the variance in the dependent variable. This result explained that before the inclusion of interactional justice into the analysis in Step 2, participation in pay procedures (Step 2:  $\beta = .27$ ,  $p = .000$ ) was significantly correlated with job commitment. As shown in Step 3 (after the

inclusion of interactional justice into the analysis), the previous significant relationship between participation in pay procedures and job commitment did not change to non-significant (Step 3:  $\beta = .12$ ,  $p = .000$ ), but the strength of such relationships was decreased. This result confirmed that the strength of participation in pay procedures and job commitment relationships was strongly affected by interactional justice, signifying that interactional justice played a full mediating role in the relationship between such variables.

## V. DISCUSSION, IMPLICATIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study confirmed that interactional justice played a full mediating role in the relationship between participation in pay systems and job commitment. This study revealed that the capabilities of managers to provide positive treatments (e.g., showing respect, being accountable, displaying communication openness and displaying no bias) in dealing with pay systems have increased employees' perceptions of interactional justice, therefore this may act as a strong determinant of job commitment. The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology, and practical contribution. In terms of theoretical contribution, this study showed two important findings: first, participation in pay allocations has increased employees' feelings of interactional justice, and this may lead to an increased job commitment. This result is consistent with studies conducted by Eaton (1994). Second, participation in pay procedures has increased employees' feelings of interactional justice, and this may lead to an enhanced job commitment. This result is consistent with studies conducted by Coyle-shapiro, Morrow, Richardson and Dunn (2002) and Paul, Niehoff and Turnley (2000). In sum, the findings of this study have recognized that interactional justice plays an important role as a full mediating variable in the relationship between participation in pay systems and job commitment. The notion of procedural justice has been successfully applied within the organizational sector sample.

With respect to the robustness of research methodology, psychometric assessments have been able to verify the validity and reliability of measurement scales. This may lead to the production of accurate findings. Regarding the practical contributions, the findings of this study may

be used as guidelines by employers to improve the rules of determining and distributing pays in organizations. In terms of pay allocation, multiple criteria (e.g., length of service, promotion and current cost of living) could be used as a basis for determining pay allocations. If these criteria were implemented, employers could allocate the type, level and/or amount of pay that meet employees' expectations and needs. With respect to pay procedure, communication openness needs to be employed in discussing the processes and systems of distributing pays in organizations. If these communications were done, this might decrease employees' misjudgments and increase their understanding about the procedures of allocating the type, level and/or amount of pay in organizations. If the aforesaid suggestions were to be earnestly considered by employers, employees' positive perceptions (e.g., fairness, satisfaction and/or trust) could be improved. As a result, there could be more positive subsequent attitudinal and behavioral outcomes (e.g., satisfaction, commitment, performance and good work ethics). These positive outcomes in turn may lead employees to maintain and support organizational strategy and goals.

The conclusion drawn from the results of this study should consider the following limitations. First, this study was a cross-sectional research design in which the data were collected only once within the duration of this study. This research design did not capture the developmental issues (e.g., intra-individual change and restrictions of making inference to participants) and/or causal connections between variables of interest. Second, this study only examined the relationship between latent variables and the conclusion drawn from this study did not specify the relationship between specific

indicators for the independent variable, mediating variable and dependent variable. Third, the outcome of multiple regression analysis focused on the level of performance variation explained by the regression equations and it was also helpful to indicate the amount of dependent variable variation not explained (Tabachnick & Fidell, 2001). Although a substantial amount of variance in dependent measure explained by the significant predictors was identified, there were still a number of unexplained factors that could be incorporated to identify the causal relationship among variables and their relative explanatory power. Therefore, one should be cautious about generalizing the statistical results of this study. Finally, this study used a convenient sampling technique to collect data from employees who have worked in a single organizational sector. In this manner, the nature of this sample may decrease the ability of generalizing the results of this research to other organizational settings.

The conceptual and methodological limitations of this study need to be considered when designing future research. First, other potential organizational and personal characteristics should be used in future researches because they may provide meaningful perspectives in understanding the way individual similarities and differences affect participation in compensation system.

Second, longitudinal studies should be utilized because they are able to collect data and describe the patterns of change, as well as the direction and magnitude of causal relationships between variables of interest. Third, to fully understand the effect of participation in compensation system on job commitment via their impact upon perceptions of interactional justice, more types of organizational sectors (e.g., local and multinational private companies) need to be used as a pay referent in future study. Fourth, as an extension of the interactional justice studies, the theoretical construct of distributive justice needs to be considered in future research because it has been widely recognized as an important link between participation in compensation system and individual attitudes and behaviors (e.g., job satisfaction, intention to stay and job performance (see Adams, 1963 & 1965; Ismail, et al., 2007a; Ismail, Ismail & Sulaiman, 2007b; Tang & Chiu, 2003). Finally, job performance, turnover, and deviant behaviors have been found to be important outcomes of the effect of interactional justice in compensation management literature (see Sweeney & McFarlin, 1993; Ismail et al., 2007a; Tang & Chiu, 2003). The importance of these issues needs to be further elaborated in future research.

## VI. CONCLUSIONS

This study showed that interactional justice was a mediating variable in the relationship between participation in pay systems and job commitment. These findings were consistent with compensation research literature published in most Western countries. Thus, current research and practice within compensation management models need to consider perceptions of interactional justice as a critical aspect of organizational

compensation system. The findings of this study further suggested that employees' perceptions of justice about the participation styles in compensation system will strongly induce positive attitudinal and behavioral outcomes (e.g., satisfaction, commitment, performance and good work ethics), and this may lead employees to maintain and support organizational strategy and goals.

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## NOTES

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**APPENDIX A**  
**PARTICIPATION IN PAY SYSTEMS SURVEY**

Using the scale below, please **TICK** (/) the most appropriate response for the following statements.

1=Strongly Disagree/Dissatisfied  
2=Disagree/Dissatisfied  
3=Slightly Disagree/Dissatisfied  
4=Not Sure/Neutral

5=Slightly Agree/Satisfied  
6=Agree/Satisfied  
7=Strongly Agree/Satisfied

<b>SECTION 1: YOUR PARTICIPATION IN PAY SYSTEMS</b>		Strongly Disagree	Disagree	Slightly Disagree	Not Sure/Neutral	Slightly Agree	Agree	Strongly Agree
1.1	<b>YOUR PARTICIPATION IN PAY ALLOCATIONS</b>							
1.	<i>I am given the opportunity to express my opinions regarding the amount of salary I receive compared to my workload.</i>							
2.	<i>I am involved in planning recognition rewards.</i>							
3.	<i>The most productive workers in my organization receive the highest rewards.</i>							
4.	My boss discusses job performance standards that may influence my wage rate with me.							
5.	My boss consults with staff to determine candidates for the excellent service awards.							
1.2.	<b>YOUR PARTICIPATION IN PAY PROCEDURES</b>							
1.	<i>I am given opportunity to:</i>							
1.1	<i>discuss about my salary and wage structure</i>							
1.2	<i>negotiate about my wage level for my job</i>							
1.3	<i>suggest the benefits level for my position</i>							
2.	I am given an opportunity to question reward administration practices.							
3.	My immediate boss explains changes in salary procedures and policies.							
4.	I am allowed to openly and freely ask my boss about guidelines used to determine my promotion.							
5.	I am allowed to request further clarification or additional information about reward decisions							
6.	My boss discusses recommendations related to my pay with me.							
7.	My boss discusses opportunities for my attendance of training programs with me.							
8.	My staff association has influence in reward administration practices.							
9.	My staff association is represented in promotion practices.							
10.	There are mechanisms in the organization for raising questions about wage inequality.							

Appendix A (cont'd)

11.	There are no prohibiting policies that restrict staff from discussing reward issues in the workplace.							
12.	There are no prohibiting policies that restrict staff from discussing promotion issues in the workplace.							

<b>SECTION 2: TO WHAT EXTENT ARE YOU SATISFIED OR DISSATISFIED WITH THE INTERACTING STYLE OF YOUR IMMEDIATE BOSS?</b>		Strongly Dissatisfied	Dissatisfied	Slightly Dissatisfied	Not Sure/Neutral	Slightly Satisfied	Satisfied	Strongly Satisfied
1.	To what extent are you satisfied or dissatisfied with the:							
1.1	<i>accountabilities showed by your immediate boss in representing your pay interests with upper management</i>							
1.2.	<i>support showed by your immediate boss when he/she feels you have a valid complaint about your pay.</i>							
1.3.	<i>frankness and candidness exhibited by your immediate boss in discussing with you about your pay raises.</i>							
1.4.	<i>honesty and ethics showed by your immediate boss in dealing with your pay issues.</i>							
1.5	performance criteria used by your immediate boss in making pay decisions.							
1.6.	communication openness showed by your immediate boss when you appeal or challenge about promotion decisions.							

<b>SECTION 3:      JOB COMMITMENT</b>		Strongly Disagree	Disagree	Slightly Disagree	Not Sure/Neutral	Slightly Agree	Agree	Strongly Agree
1.	<i>I told my friends that this is a great organization to work for.</i>							
2.	<i>I find that my values and the organization's values are very similar.</i>							
3.	<i>This organization really inspires the very best in me in terms of job performance.</i>							
4.	I am willing to put in a great sense of effort beyond that normally expected in order to help this organization be successful.							
5.	I feel very little loyalty to this organisation.							
6.	It would take very little change in my present circumstances to cause me to leave.							

Note: Italicized items were used in the analysis.

**SECTION 4: PERSONAL DATA**

This section contains a set of question about your personal details regarding your service in this organization. These questions are for general purposes only and will not be used to identify you.

Please answer the questions below by **TICKING (/)** the appropriate brackets or writing your answer in the space provided.

1. I am:                     Male                     Female
  
2. My age:
 

<input type="checkbox"/> Less than 25 years	<input type="checkbox"/> 36 to 40 years
<input type="checkbox"/> 26 to 36 years	<input type="checkbox"/> 41 to 45 years
<input type="checkbox"/> 30 to 35 years	<input type="checkbox"/> More than 46 years
  
3. My highest education level:
 

<input type="checkbox"/> LCE/SRP	<input type="checkbox"/> Bachelor
<input type="checkbox"/> MCE/SPM	<input type="checkbox"/> Master
<input type="checkbox"/> HSC/STP	<input type="checkbox"/> PhD/Professional Doctorate
<input type="checkbox"/> Diploma	(Such as DBA etc)
  
4. My position:
 

<input type="checkbox"/> Management & Professional Group (e.g., administrator, engineer, etc)	<input type="checkbox"/> Professor
<input type="checkbox"/> Supporting Staff (e.g., clerk, technician, etc)	<input type="checkbox"/> Associate Professor
<input type="checkbox"/> Other position: _____	<input type="checkbox"/> Lecturer
  
5. My division/department:
 

<input type="checkbox"/> Academic Division/Department (e.g., Faculty, School, Institute/Centre/ Teaching/research-related unit)
<input type="checkbox"/> Non-Academic Division/department (e.g., Chancellery, Registrar/Human Resource Office, Student Affairs, etc)
<input type="checkbox"/> Other
  
6. My length of service:
 

<input type="checkbox"/> Less than 2 years	<input type="checkbox"/> 9 to 11 years
<input type="checkbox"/> 3 to 5 years	<input type="checkbox"/> 12 to 14 years
<input type="checkbox"/> 6 to 8 years	<input type="checkbox"/> More than 15 years

7. My type of service:

- I have been appointed on a permanent basis and am confirmed in my position
- I have been appointed on a permanent basis and am in a probation period
- I have been appointed on a contract basis
- I have been appointed on a temporary basis
- I have been appointed on a secondary basis

8. My gross monthly salary (Malaysian Ringgit)

- |   |   |
|---|---|
| <input type="checkbox"/> Less than 1000 | <input type="checkbox"/> 3501 to 4000   |
| <input type="checkbox"/> 1001 to 1500   | <input type="checkbox"/> 4001 to 4500   |
| <input type="checkbox"/> 1501 to 2000   | <input type="checkbox"/> 4501 to 5000   |
| <input type="checkbox"/> 2001 to 2500   | <input type="checkbox"/> 5001 to 5500   |
| <input type="checkbox"/> 2501 to 3000   | <input type="checkbox"/> 5501 to 6000   |
| <input type="checkbox"/> 3001 to 3500   | <input type="checkbox"/> More than 6001 |

9. My nationality:

- |  |  |
|--|--|
| <input type="checkbox"/> Malaysian citizen | <input type="checkbox"/> Non-Malaysian citizen |
|--|--|

10. Types of Institution:

- |  |   |
|--|---|
| <input type="checkbox"/> Public Higher Educational Institution | <input type="checkbox"/> Private Higher Educational Institution |
|--|---|