

# Linking Distributive Justice and Procedural Justice to Employee Engagement Through Psychological Contract Fulfillment (a Field Study in Karmand Mitra Company Andalan, Surabaya)

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**Abstract**— As an important role in human resources, employee engagement becomes a competitive advantage factor in the company. The challenge that companies are struggling to survive in today's industry is how to increase engagement behavior through social exchange relation, one of which is the practice of justice. The purpose of this paper is to determine the effect of distributive and procedural justice to employee engagement with psychological contract fulfillment as a mediating variable. The study draws upon quantitative data collected by means of a questionnaire using partial least square (PLS) to analyze the data with SmartPLS software, that were administered to 52 employees in PT. Karmand Mitra Andalan the manufacturing and service's chemical company. The results show that both distributive and procedural justice has a positive correlation on employee engagement, while psychological contract fulfillment only mediated the relationship between procedural justice and employee engagement. The implications with respect to organizational functions are discussed.

**Keywords**—*Distributive Justice; Procedural Justice; Employee Engagement; Psychological Contract Fulfillment*

## I. INTRODUCTION

Over the last few years has been a surge of popularity in the role of employee involvement. Some companies make the role as a key element in business strategy. [1] cites four main driving forces maintain employee engagement plays an important role in the company that people have become a major source of competitive advantage, retention and talent war, popular appeal, and extraordinary impact. The above means that employee involvement is a factor of competitive advantage that should be owned by the company. Indonesia has a challenge related to the involvement of employees up to several years. The challenge comes from the low level of involvement of employees of their own today. This is a phenomenon that is quite problematic, because employee engagement to act as a predictor of growth-related outcomes, employee, financial performance, to the success of the organization [2], [3], [4], [5], [6].

Employees who have an attitude of low involvement in the company can also be identified by other characteristics, such as a lack of interest and enthusiasm for work or at work, the attitude of complaining, not eager to complete the task, apart emotionally and cognitively from work, the behavior is not responsive, the initiative less, as well as a lack of trying [7], [8], [9], [10]. The characteristics that indicate the level of engagement is a form of feedback on what has been done to the employees of the organization.

Among all forms of treatment organizations, several studies acknowledge that involvement is the result of organizational justice [11], [12]. Organizational justice refers to employee perceptions of fairness in behavior, decisions and actions that affect the organization of employee attitudes and behavior in the workplace [13]. The theorists claim that the concept of organizational justice focuses on two main content, namely fairness in the distribution process results (distributive justice) and the fairness of how to use the (procedural fairness) [13], [14].

Justice perceived positive employees will gain confidence in the company that will bring optimal work habits, one of which in the form of employee involvement. Such relationships are revealed in the premise SET (Social Exchange Theory), namely when employees consider support and attention to the welfare of the organization, employees will respond by trying to carry out their duties and responsibilities with a greater level of involvement [15].

Some studies reveal that there are key variables that are used to perform social exchange relations and the outcomes of organizational justice antecedents of employee engagement at the same time, the variable psychological contract (Rousseau 1995, Cropanzano & Mitchell 2005, Biswas et al. 2013). PCI (Psychological Contract Inventory) belongs to [16] showed that the psychological contract has a cognitive or emotional aspect that can then be measured globally. The second aspect is an aspect that connects the psychological contract with employee involvement.

The importance of psychological contract fulfillment practices to improve employee engagement is reinforced by [17] which states that employee engagement focuses on how

the psychological experience of working to form the presence and absence of employees in work. In addition, employee engagement with the psychological contract has an impact of mutual relations with one another, because these two variables have the same core components namely cognitive and emotional [10], [18] has been done before by Biswas et al. (2013) that engagement influenced by the employees' perception of the organization's attention and fulfillment of expectations as a result of equitable distribution and fair procedures. In contrast to previous research, the variables used to mediate distributive and procedural justice on employee engagement in this research is the psychological contract fulfillment. That is because according to the background research that focus on problems related to the extent of the psychological contract which has been met by the company, not related to organizational support, as happened in the research object belongs to [19].

[20] has also conducted research on the psychological contract fulfillment using variables distributive and procedural justice. It shows that distributive and procedural justice has significant effect on the fulfillment of psychological contracts. The study was carried out in the service sector with the honorary status, in contrast with a recent study focuses on the manufacturing and service sectors with permanent status. It was found that honorary workers are more easily satisfied with what the organization is giving them, as honorary workers have more limited expectations compared to permanent workers.

Phenomenon and research that have been conducted on research that aims to find out distributive and procedural justice on employee engagement is mediated by psychological contract fulfillment at PT. Karmand Mitra Andalan. The Company currently has several staffing issues. The existence of these problems due to low employee engagement factors in conformity characteristics mentioned previously.

All of the problems described above is most common in the production division, namely the production services division employees and chemical production. Human resources in the production division hold the most important role in this company. That's because the production of services and chemical production is the core business of the company, as well as the number of employees in this company is in the production division. Seeing the importance of the role of the production division employees at PT. Karmand Mitra Andalan, it is necessary to fix for an issue that is going on.

## II. LITERATURE REVIEW

It's important for companies to carry out the practice of distributive justice that is fair, because it will greatly affect the employee's emotional. According to [21] it is because the majority of employees are likely to be influenced by the emotions associated with the outcome about which they receive. The emotional factor that will be one determinant of employee attitudes in engaging (engage) with the company, because emotionally is one indicator of employee engagement in addition to two other indicators are physical and cognitive. The association has been demonstrated by [22] through his

research that produces the perception of distributive justice that can improve employee engagement. This means that when employees have a high perception of distributive justice to the company, the employee felt obliged to be fair as well in carrying out its role by being more involved in the company. Vice versa, if the employee has a low perception of distributive justice, the employee will tend to withdraw to escape from the job role. The premise is the basis for the conclusion that there is a positive relationship between distributive justice with employee engagement [11], [23], [24], [22], [21].

H1: Distributive justice is positively related to employee engagement.

Companies that run practice distributive justice to be fair, the less likely there are employees who have feelings of anger caused by underpayment inequity or guilt caused by the overpayment inequity. When these two effects do not occur, it will create conducive working conditions such as good cooperation, treatment of mutual respect at work, and equal treatment at work. The condition also is a benchmark in assessing the extent to which employees of the psychological contract has been fulfilled by the company [25]. The linkage between these variables is also evidenced by [26] in a study that found that when the Injustice distributive practices by the company, it will give rise to the perception that the psychological contract employees are not met. Non-fulfillment of the psychological contract later resulted in employees being less willing to provide feedback discretion (discretionary inputs). A reluctance week to give the discretionary inputs is a sign that the employees do not want to get involved (engage) for the company. Therefore, it can be the second hypothesis in this study is:

H2: Psychological contract fulfillment mediates the relationship between distributive justice and employee engagement.

The emergence of the perception that the organization gives attention in the form of procedural justice will increase the contribution of employees in the work vigor [21]. Perception of mutual obligations is recognized as a social exchange relationship. According to [27] in [19], the social exchange relationship is because of procedural justice strengthen the special trust arising from the assessment of cognitive state employees. Their vigor and cognitive relationships then become the basis that procedural justice is positively related to employee involvement. This is because the vigor and an indicator forming cognitive engagement [28]. The statement has also been demonstrated in several studies that resulted in that procedural justice that can positively improve employee engagement [29], [11], [23], [21], [30]. That is, employees who have a perception of higher procedural justice tend to do a reciprocal relationship by providing greater engagement behavior. Therefore, this study offers a third hypothesis, namely:

H3: Procedural justice is positively related to employee engagement.

[19] found that when organization provides opportunities for employees to voice discontent and make suggestions related to

the perceived procedural justice, then the psychological bond with the employees of the organization will grow stronger. The findings are also supported by some researchers who declare that there is a relationship between the perception of procedural justice on the fulfillment of the psychological contract [31], [32], [20], [19]. The fulfillment of psychological contract can influence how employees behave in a social exchange relationships (social exchange relations). Based on social exchange theory [33], employees who feel that the promises made to them have been met, meaning that employees feel that the organization has treated well. When employees are treated well, they will be more willing to get involved in the organization. The willingness to be more involved is a hallmark of the engagement behavior, when employees increasingly exerting physical effort and emotional then increase the emotional bond between employees and the organization [34]. Based on these linkages, it can be said that procedural justice will increase employee engagement behavior only if employees feel the psychological contract fulfillment. The fourth hypothesis is:

H4: Psychological contract fulfillment mediates the relationship between procedural justice and employee engagement.

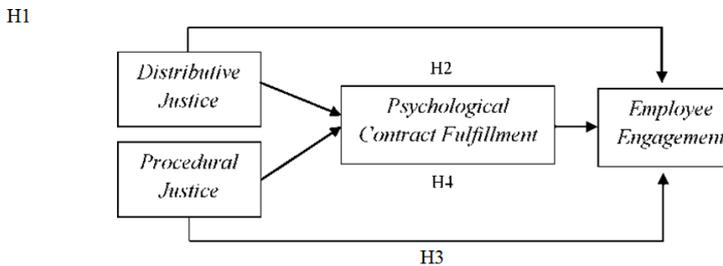


Figure 1. Research conceptual framework for the current study.

**III. RESEARCH METHODOLOGY**

This research was conducted at PT. Karmand Mitra Andalan Surabaya. The sample in this study is an overall part of the population, as many as 52 people who worked on the production. Determination of the amount of the sample is saturated sampling technique. That is because the study had a relatively small population size and is expected to achieve generalization with minimal errors. Data analysis was performed using the method of Partial Least Square (PLS) with SmartPLS software. PLS is used for limited study sample, in addition to the PLS does not require a lot of assumptions and can be applied to all the scale data.

We used [14] item scale for distributive and procedural justice. A sample item for distributive justice includes, “appropriateness outcomes with the completed work” and for procedural justice includes, “the consistent application of the rules of the company. The measurements for psychological contract fulfillment we used 13 indicators belonging [35], [36], and [25] include, “the benefits package” and “quality of work conditions”. The variable employee engagement was measured

using 11 indicators belonging to [11], includes “the employee issuing the totality of effort at work” and “highly engaged with organization”.

**IV. RESULTS**

Test reliability is a validity test that indicates how consistent indicators can explain latent variables. Reliability test may use the composite reliability as a reference. Reliability of composite value for each variable has a coefficient above 0.7 so that it can be said that all the variables are latent variables and can be used in research.

Variable distributive justice consists of four indicators, namely outcomes reflect the effort, appropriateness outcomes with the completed work, the outcomes reflect the contribution, and the outcomes justified given performance. The highest perception of respondents there on outcomes indicators reflects the effort with an average value of 3.62 and classified in the high category. It shows that the company has compensated in accordance with the effort expended by the respondent. While the perception of appropriateness was lowest for the indicators of outcomes with the completed work to the value of an average of 3.37, which means that the company provides a fairly decent compensation for the work that has been completed by the respondent. Overall, respondents' assessment distributive justice has an average value of 3.52.

Procedural justice consists of six indicators, with the perception of respondents overall gain value by an average of 3.41, which means that the respondents assess the level of procedural fairness justice run by the company is not so high. The lowest average value currently on accuracy indicator which means that the company has a fairly accurate valuation basis in determining the compensation determination procedures for the respondent. By contrast, the indicator correct ability has the highest average value that is equal to 3.56 with the high category. The vote means that the majority of respondents felt had been given the opportunity to either by the company to rectify the mistakes made.

Psychological contract fulfillment consists of 13 indicators that obtain results that respondents in this study average has a perception that the psychological contract fulfillment with the company has been adequately met by the average value of the variable of 3.39. The highest perception there on indicators treated with respect indicating that the respondent has been felt appreciated by colleagues as had been expected. While the lowest for the indicator assessment a competitive salary that is equal to 3.21. This value means that the average respondent assesses equivalence of salaries earned by such other companies have been quite in accordance with their expectations.

Employee engagement consists of 11 indicators with the lowest perception there on indicators highly engaged with the job, which means that the average respondent had enough fully engaged in their work. In contrast, the highest perception indicators contained in the curiosity that is equal to 3.46. It shows that the average respondent had been interested to know

what is happening in the company. Overall, the average respondent judge those themselves have been pretty tied up

Table 1. Test path coefficients.

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics (O / STDEV \)</b>	<b>P Values</b>	<b>Interpretation</b>
DJ -> EE	0238	0223	0120	1.981	0048	Significant
DJ -> CF	0102	0099	0161	0632	0528	Not significant
PCF -> EE	0348	0341	0158	2.210	0028	Significant
PJ -> EE	0409	0430	0192	2.133	0033	Significant
PJ -> PC	0840	0842	0154	5.459	0000	Significant

Based on the result of the path coefficients, obtained that hypothesis 1 shown positive significantly results with T-statistic values for 1981. These results suggest that someone who feels distributive justice in which they work will demonstrate the behavior of employee engagement in the work. This study supports the results of the study belongs to [11], [23], [24], [21] and [22].

The effect of mediation on the second hypothesis in this study was rejected, because it has the T-statistic for 0.632 on the path test variable distributive justice to the psychological contract fulfillment. That is, employees who feel justice in the distribution of compensation can lead to behavioral attachment to the company without the fulfillment of the psychological contract them first. The results of this study do not correspond to the research conducted by [20] who found that distributive justice significantly affect the psychological contract fulfillment.

Hypothesis 3 also shows positive significantly value, amounting to 2.133 which prove that employees who assess the company have been run by a fair procedure, and then they have a strong attachment to the company. These results support the findings of the [29], [11], [23], [21] and [30] which states that procedural justice significantly influence employee engagement.

Last path test results on hypothesis 4 shows the statistical value of 5459 which means that anyone who felt the procedural justice in their place of work will experience psychological contract fulfillment within themselves, giving rise to behavioral engagement in the work. The statement was in harmony with the results of [31], [26], [19], and [32] which states that the psychological contract mediates the relationship between procedural justice on employee engagement.

## V. CONCLUSION

Given the current business competitions which always require a qualified employee performance, increase engagement behavior seems to be very important. Judging from some theory and previous research relating to the reciprocal relationship between the company and employees, this study examined the role of distributive and procedural

justice and psychological contract fulfillment in influencing employee engagement. These results indicate that the distributive and procedural justice significantly positively related to employee engagement, as well as the psychological contract fulfillment of procedural justice mediates the relationship with employee engagement.

with the company based on the amount of the average value of 3.39.

The findings proved that the perceived fairness of employees over the distribution of rewards and procedures used by the company to improve enhance the enthusiasm of employees in the work and forge strong alliances as part of the company (engagement). In addition, the justice felt by employees over company procedures can meet employee expectations in building reciprocal relationships in the form of employee engagement.

The findings in this study have important implications for HR practices and future research. First, HR practitioners can increase employee engagement by distributing fair and reasonable compensation. Fairness in the distribution of compensation can be done to meet the requirements of internal and external consistency. As for the feasibility of the procedure for awarding compensation, HR practitioners can evaluate the assessment of any type of work. If it has obtained the value of work, the HR practitioner can determine the amount of compensation in accordance with the components of employee performance.

Second, this study has implications for future research. Although there is a lot of literature about the effect of organizational justice in improving employee engagement, but the mediating role of psychological contract employees are still rarely studied. The study found that psychological contract fulfillment justice related organizations to facilitate the distribution and the determination of remuneration related procedures in influencing employee engagement. This further strengthens the theory that psychological contract is a key variable used to perform social exchange relations [27], [37], [19].

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