Organizational Justice and Employee Retention: A Theoretical Framework for Malaysian and Indonesian Higher Learning Institutions

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Abstract: Employee retention has emerged as a pressing concern within knowledge-based organizations due to the non-substitutability of individual abilities and their substantial influence on organizational achievements. Therefore, the retention of proficient staff is a crucial strategic approach, particularly for Malaysian and Indonesian Higher Learning Institutions (HLIs). In mitigating this issue, fairness in organizational practices was reported by several scholars as an important element that can integrate individual and corporate needs and has proven to be a practical approach to enhancing the employees' organizational commitment, motivation and retention. Thus, this study seeks to understand the antecedents that could influence HLIs’ workforce retention. To achieve the objective, a content analysis approach is used to discover potential antecedents of fairness that affect HLIs’ workforce retention. The Organizational Justice Theory is then employed as the theoretical foundation to examine and synthesize the antecedents. Three antecedents are addressed during the examination and discussion: distributive justice, procedural justice, and interactional justice. Through this, three organizational justice propositions are offered, and the framework developed in this conceptual study highlights the retention practices and instigators. This study's conceptual nature provides preliminary insights into the employees' retention experience in the Malaysian and Indonesian HLI context. This study contributes to the body of knowledge by illuminating the antecedents that promote employee retention, resulting in a practical framework that can be used by the HLIs to formulate strategies and policies to reduce the financial and business risk due to the high employee attrition rate. Subsequently, achieving the United Nations Sustainable Development Goals of good health and well-being (Goal 3) and quality education (Goal 4).

Keywords: Organisational Justice, Higher Learning Institutions, Workforce Retention, Distributive Justice, Procedural Justice, Interactional Justice.

1. Introduction and Background

In the current volatile economic climate and amidst the transformative shifts occurring in the workforce landscape, organizations must adopt a strategic approach, exhibit adaptability, and demonstrate a keen awareness of their workforce's needs (LinkedIn, 2023). This is because, besides technology, talent management is one of the primary drivers of change in the twenty-first century. The shift in emphasis from manufacturing to the service or knowledge-based economy has now become the core of the economic base. This entails comprehending the desires of employees, assessing their skill sets, and fostering opportunities for career advancement within the organizational framework (LinkedIn, 2023). Hence, employee retention is becoming a critical agenda among knowledge organizations because the skills belonging to individuals are not substitutable, and they have a significant impact on organizational success. This situation creates a shortage and increased competition for competent workers. As such, retaining competent employees is a fundamental strategy, especially in the education sector, particularly for Malaysian and Indonesian Higher Learning Institutions (HLIs).

This worrying scenario is reflected in the Robert Walters Salary Survey Report 2023, whereby 60 percent of Malaysian employers are expected to face hardship in retaining their employees. The report further highlighted that to retain employees, companies must recognize and prioritize the significance of employees' mental and physical well-being, while concurrently maintaining a culture of open and proactive communication throughout the entirety of the year. In the case of Indonesia, the Price Waterhouse Coopers (PWC) in their Asia Pacific Workforce Hopes and Fears Survey 2023 indicated that 20 percent of Indonesian employees are thinking of changing employment once the opportunity is available. The report further
indicated that among the reasons highlighted was the unfair and inequitable treatment by their superior. Intrinsically, implementing appropriate organizational practices can integrate individual and corporate needs well and has proven to be a practical approach to enhancing the employees’ organizational commitment, motivation and retention (Shahid et al., 2018). However, for organizations to gain a competitive advantage through the support of their committed employees, studies recommended that the practices be implemented fairly so that organizational prosperity could be achieved (Shahid et al., 2020). Fairness issues deal with employees’ perceptions of the fair treatment of each exercise and process conducted by the organization, and the organizations’ fairness in distributing related organizational outcomes to employees (Adams, 1963, 1965; Greenberg, 1987a, 1987b, 1990).

Seyrek and Ekici (2017) reported that employees develop their justice perceptions towards the organization by observing the behavior of the management. If employees perceive that the organization's practices are fair, they will feel valued and respected. Therefore, it will encourage them to work productively and harmoniously. Otherwise, conflict among the employees may occur, and they will react aggressively and negatively to restore justice. Concerning this, Abbasi et al. (2022) revealed that organizational justice serves as a noteworthy mediator in the context of workplace deviant behavior among employees in the higher education sector. The injustice perceptions will subsequently affect the employees' performance and reduce their mental and physical health (Herr et al., 2018). According to Miles (2012), organizational justice is undeniably an essential element to employees, through which indirectly the organization is fulfilling the four aspects of employees' individual needs, namely the need for a sense of belonging, the need for meaning, the need for positive self-regard, and the need for control. Coherently, organizational justice has been widely acknowledged as a significant predictor of employees' work attitudes and behavior, fostering overall job satisfaction, and influencing their intention to stay Shahid et al. (2020).

Unfortunately, despite its wide acceptance as a theoretically important element in an organization, organizational justice is a neglected research area, especially within the Malaysian and Indonesian HLI contexts. The limited literature has restricted the Malaysian and Indonesian HLIs' understanding of the importance of organizational justice and has created a gap that needs to be addressed objectively. Therefore, this study intends to add to the works of literature by adding organizational justice as the study variable to understand its impact on Malaysian and Indonesian HLIs employees’ retention. In understanding the impact of organizational justice, various scholarly findings about Organisational Justice and Employees’ Retention were reviewed and the findings obtained became the basis for structuring the conceptual framework of the study.

Through the framework developed, this study hopes that the findings will assist the Malaysian and Indonesian HLIs management in managing their diverse workforce towards achieving the aspirations of both nations in developing highly skilled talent to support the demands of a growing economy. Subsequently, reaching the United Nations Sustainable Development Goals of good health and well-being (Goal 3) and quality education (Goal 4).

2. Overview and Conceptualisation of Organisational Justice

According to Ibrahim and Perez (2014), organizational justice was coined by Greenberg (1987a, 1987b) to describe how a company's management treats its employees and how those employees react to those treatments. Following this line of thought, John Stacey Adams presented the Equity Theory (1963, 1965), which postulates that workers determine whether or not they are being treated fairly by comparing their contributions (knowledge and effort) to those of others and to the outcomes that have been achieved. This move will have an impact on the response of organizational members to the organization's processes of hiring new employees, rejecting other candidates, promoting specific employees, and demoting others. The attitudes of employees will then depend entirely on their impressions of how fairly the processes are carried out and it affects the way employee thinks about their job, the company, and their superiors, and this will be reflected through their actions (Abbasi et al., 2022).

The act of comparing can take place within the confines of the organization, which is known as internal equity, or with an outside organization, which is known as external equity, and determining these comparisons and variations among employees will pose challenges to the organization (McShane & Von
Employees’ discontent and tension levels will grow if they perceive they are the victims of injustice and this might lead to negative consequences (Colquitt et al., 2005) and they may respond by decreasing or raising their output (Colquitt, 2001). On the contrary, employees will experience a positive sense of employee embeddedness if they believe they are being treated fairly (Mehmood et al., 2023). This is because the perception of fairness in both the allocation decisions (distributive justice) and the method of making these decisions (procedural justice) might result in heightened employee commitment and a decreased inclination to quit the business (Hassan, 2002). Therefore, when workers have a strong sense of organizational justice in the workplace, they are more engaged in their work, more satisfied with their jobs, more loyal to the company, less likely to quit, and more committed to staying put (Colquitt, 2001).

To comprehend the employees’ perceptions of fair assessment, Choi (2008) highlighted that it is necessary to consider two distinct paradigm perspectives: the event paradigm and the social entity paradigm. The event paradigm is employed by employees to evaluate fairness by assessing individual events that occur to them, such as receiving a pay rise, undergoing a performance review, or experiencing any other unique event. They make judgments regarding the expected, potential, or perceived benefits that should, would, or may result from these events. When employing the social entity paradigm, employees assess the overall fairness of the organization. The individuals under consideration evaluate the overall fairness orientation, encompassing equitable treatment by management, the organization, and supervisors. The beliefs of individuals will have an impact on their future behaviors and attitudes. Subsequently, these perceptions will be transformed into fundamental principles of equity that the employee anticipates an organization or individual to adhere to. Consequently, individuals will adjust their perceptions of fairness based on the results of the events. The variability of fair assessment paradigms is contingent upon the individual perspective of each employee (Miles, 2012).

In tackling the issue, McShane and Von Glinow (2020) proposed that organizations should employ three principles of equitable treatment while addressing the matter. One prominent ethical framework is utilitarianism, also referred to as the consequential principle, which centres on evaluating the consequences of employees’ actions as a kind of feedback. To elicit a positive outcome, businesses should opt for the choice that will yield the greatest degree of satisfaction for the persons involved. The second principle pertains to the individual rights of employees. This concept is founded upon the principle that all individuals possess equitable entitlements, encompassing not alone legal prerogatives, but also fundamental human rights that necessitate the fair treatment of individuals in conformity with prevailing societal moral standards. The ultimate principle is that of distributive justice, which posits that individuals ought to be granted equal advantages and responsibilities as their peers. In contrast, employees who possess lesser abilities should be allocated rewards and responsibilities that are commensurate with their inequalities. This holds significance due to Heider (1958) Balance Theory, commonly referred to as the Consistency Theory, which posits that the primary objective in human interactions is to maintain a state of emotional equilibrium. In the absence of taking action, employees may engage in efforts to regulate their emotions, reconfigure the structure of the partnership, or ultimately disengage from the relationship (Miles, 2012).

3. Antecedents of Organizational Justice

This research aims to fill the significant gap in knowledge within the Malaysian and Indonesian Higher Learning Institutions (HLIs) landscape by examining the impact of organizational justice on workforce retention. In defining and understanding the bearing of organizational justice, this study came across numerous kinds of literature that highlighted the sorts of justice that are crucial in creating employees’ views of fairness while identifying the appropriate organizational justice constructs for this research. The initial framework of organizational justice focuses solely on one sort of justice, namely the organization’s overall conceptions of fairness (Adams, 1963, 1965; Hausknecht et al., 2009; Miles, 2012). The second construct is concerned with two sorts of justice: distributive and procedural justice (Gary, 2011; Greenberg, 1987a, 1987b, 1990; Miles, 2012). The third construct is concerned with three types of justice: distributive justice, procedural justice, and interactional justice (Bies, 1987, 2001, 2005; Bies & Shapiro, 1987; Cohen-Charash & Spector, 2001). The fourth component is made up of four different sorts of justice: distributive justice, procedural justice, interpersonal justice, and informational justice (Colquitt, 2001; Miles, 2012).
Nonetheless, the most common types of organizational justice that are acknowledged and researched in the vast majority of organizational justice works of literature are interactional justice, procedural justice, and distributive justice (Ye et al., 2023). Subsequently, these three types of justice were validated by most researchers as the most valid constructs in measuring the employees’ perceptions of fairness towards organizational justice at the workplace (Park & Kim, 2023; Ye et al., 2023). As a result, in the context of this study and in accordance with the findings of previous researchers, the organizational justice constructs proposed for this study are interactional justice, distributive justice, and procedural justice.

**Distributive Justice:** According to Ibrahim and Perez (2014), the concept of distributive justice may be traced back to the discipline of political philosophy and ethics, which studied the idea of distributive justice about social contracts and economies. Homans (1961) first presented the idea of fairness as a notion that was founded on justice and fairness, which were the primary issues during that era. Subsequently, Adams (1963, 1965) presented the Equity Theory which stands on its foundation idea that an individual's perceptions towards fairness are based on the outcome they received. Therefore, according to the Equity Theory, fairness can only be achieved when rewards are distributed to employees in a manner that is proportional to the value of the contributions they make to the organization (Adams, 1963, 1965). As a consequence of this, research on distributive justice began to concentrate on the fairness of organizations when it came to doling out organizational results or rewards to their workers (Wang et al., 2010). Examples of such outcomes and rewards include salaries, promotions, increments, bonuses, and pay raises. This is because an employee's opinions of the organization's fairness in terms of the distribution of work-related outcomes influence both the employee's level of happiness and the decision they make regarding whether or not to leave their current position (Abou-Shouk et al., 2023).

Adams (1963, 1965) argues that workers’ perceptions of fairness are formed through comparisons of their own and other workers’ input, utilization, and production, as well as their respective outcomes within the organization. Work experience, skills, level of responsibility, status, performance, personal reputation, and time spent on the job are all examples of inputs that could be used to complete the assignment (McShane & Von Glinow, 2020). When workers believe that their incentives have been distributed unfairly, they may experience negative feelings and will start to act out (Wee et al., 2014). According to McShane and Von Glinow (2020), workers will take action to rectify their unfair beliefs in several ways. As a first step, they could decide to put in less work and produce worse results. Second, they could improve their output and negotiate a raise with management. Third, they may delegate tasks to coworkers for whom they know they will be paid more per hour. As a fourth option, they might complain to upper management about favoring certain employees over others. Fifth, they may work fewer hours to bring their wage more in line with their value. Sixth, they might take more time off from work or cut back on their workload. At some point, they may decide to switch departments or even leave the company altogether.

On the other hand, when workers believe their company is fair in how it distributes its resources, they are more likely to stay (Shahid et al., 2020). This is in tandem with the reported findings of Abou-Shouk et al. (2023) that distributive justice has a direct and substantial impact on employee satisfaction and retention.

**Procedural Justice:** Employees are assumed to be driven primarily by their self-interest to maximize personal outcomes, so before the introduction of procedural justice, the majority of researchers believed that distributive justice is the most important element in explaining the motivation, attitudes, and behaviors of employees. Thibaut and Walker (1975, 1978) and Greenberg (1987a, 1987b), among others, later discovered that these two notions of justice are diverse in their underlying structures. This is because, in contrast to the concept of distributive justice, procedural justice is concerned with the employees’ observations and the fairness perceptions of the organization’s methods, rules, and regulations utilized to determine various results (Greenberg, 1987b). Procedural justice, according to Piotrowska (2022), is concerned primarily with the fairness of the decision-making process in the distribution of organizational outcomes to employees.

According to Miles (2012), the concept of procedural justice may be traced back to the work that Thibaut and Walker (1975, 1978) did in the course of their investigation of the processes of conflict resolution. Whereby, despite the adverse outcomes, employees are nevertheless able to accept the choice, provided that the employees believe that the procedures that were utilized in the distribution of the outcomes were fair.
According to Blader and Tyler (2003), there are four distinct types of worries that workers have to consider while evaluating the fairness of the procedures that their company has in place. The first issue that has to be addressed is whether or not the guidelines and regulations that were used by the members of the group in the formal decision-making process are legitimate. The second issue that needs to be addressed is the effect that the guidelines and regulations have on how the members of the group are treated (the formal quality of treatment). The third issue of concern is how specific individuals holding higher ranks in the group make decisions (informal decision-making). The final issue that needs to be addressed is the informal quality of treatment that higher-ranking members of the group provide to lower-ranking members of the team.

As a consequence of this, Tyler and Blader (2003) proposed that structural rules and social rules are the two elements that affect procedural fairness. Employees think that they should be allowed to shout out their ideas during the decision-making process, which is why structural rules are related to the policies and procedures that the management should follow. Employees will have a more positive attitude when they are allowed to voice their criticisms of management and when they are informed that the company will not make decisions until after those criticisms have been given the consideration they deserve. The second component, known as social rules, is connected to the employees’ judgments of how well the management treats them throughout the process of decision-making. Respect and accountability are crucial components of social norms. Therefore, when a company treats its people with respect, such employees will feel greater value in procedural justice. If the management takes the time to explain the decisions they make, then the employees will have a reduced sense of injustice.

This suggests that employees will be more encouraged to participate in organizational activities, follow the rules, and accept the final results as being fair if they think that their organization is exercising procedural fairness (Piotrowska, 2022). To raise the degree of confidence that employees have in their company, the business must practice a transparent decision-making process that allows employees to express their opinions, views, and recommendations. In general, on the employee's end, the fairness of organizational procedures is all about consistency, suppression of prejudice, correctness, ethical behavior, and an open feedback system.

**Interactional Justice:** Interactional justice is considered to be the most important component of the workplace environment because of the correlation between interactional justice and unfair and fair treatment (Almost & Meldon, 2022). In contrast to the concepts of distributive justice and procedural justice, the concept of interactional justice focuses on how management treats its employees and the adequacy with which the formal decision-making processes of the organization are communicated to those employees (Bies, 1987, 2005; Bies & Shapiro, 1987). Interactional justice focuses primarily on the fairness of the interpersonal treatment that employees receive from their management, as well as the employees’ comprehension of whether or not the decision-making processes are effectively described to them (Almost & Meldon, 2022).

According to Bies and Moag (1986), interactional justice is also concerned with the quality of interpersonal treatment, which focuses on social sensitivity and informational reasons that employees receive from their management. This is one of the aspects of interactional justice that is stated to be concerned with the quality of interpersonal treatment. According to Froman and Cochran (2022), it has a general bearing on the degree of justice that people see in how they are treated by others within their organization. Colquitt (2001) split interactional justice into two independent components, namely interpersonal justice and informational justice.

Interpersonal justice is the degree to which management treats employees with civility, dignity, and respect (Colquitt, 2001; Colquitt et al., 2005). The concept of interpersonal justice is closely connected to the employees’ impressions of how they are treated in the business. Employees expect that they will be treated in the same manner as others in the company (Mehmood et al., 2023). Whereas, informational justice refers to how management justifies and explains to employees why and how specific decisions relating to them are taken by the organization (Colquitt, 2001; Colquitt et al., 2005). To be more specific, informational justice has a direct bearing on employees’ perceptions of fairness; particularly, that the decision maker is a trustworthy official, makes use of the appropriate information when making the decision, and will adequately justify to employees the reasons behind the decisions (Miles, 2012).
However, as instituted in the earlier parts of this study, the main focus of this study is on the concept of interactional justice as one unified construct. This phenomenon persists, notwithstanding the presence of multiple discrete elements within the interactive aspects of interactional justice. This aligns with the conclusions drawn by other scholars who have conducted research on organizational justice and have examined interactional justice as a cohesive construct (Park & Kim, 2023; Piotrowska, 2022; Ye et al., 2023). Hence, the present study will employ the idea of interactional justice, aligning with the conclusions made by prior scholars. This is because employees were reported to have a positive perception of fairness when they feel that they are being treated with dignity and respect by the management and when information regarding a choice made is given and conveyed to them adequately (Park & Kim, 2023).

Consequently, the perception of interactional justice will alter the individual sentiment of employees toward people with whom they are speaking and interacting. Employees will have the impression that they are contributing significantly to the success of the company if management takes the initiative to explain the rationale behind the decisions made by management to those employees to whom management has delegated decision-making authority (Miles, 2012). The foundation of interactional justice is the belief that every worker should be accorded the same degree of respect and dignity regardless of their position. The circumstance will provoke interactional injustice if employees believe they are not being treated properly by the company, and this might lead to employees intending to behave unfavorably (Park & Kim, 2023).

4. Theoretical Framework and Propositions

The literature review serves as a valuable resource for establishing the theoretical framework of this study, offering guidance and insights into its development. The aforementioned constructs of organizational justice were determined to be pertinent in achieving the aims of this study, which focused on investigating the correlation between organizational justice and employee retention, particularly within the context of Malaysian and Indonesian Higher Learning Institutions. The Organizational Justice Theory posits that three primary factors play a significant role in encouraging employee retention within an organization.

The framework below illustrates the dimensions that are deemed significant in augmenting employee retention, namely distributive justice, procedural justice, and interactional justice.

**Figure 1: Proposed Theoretical Framework**

Given the implications of Organizational Justice Theory and the traits that have been observed, further research is needed to analyze and understand the impact of organizational justice and employee retention, particularly within the context of Malaysian and Indonsean Higher Learning Institutions. Figure 1 illustrates the theoretical framework developed to have a better understanding of the relationship between organizational justice and employee retention. Tentatively, the following three propositions are proposed based on the theoretical framework:

- Distributive Justice has a significant positive effect on employee retention.
- Procedural Justice has a significant positive effect on employee retention.
- Interactional Justice has a significant positive effect on employee retention.
5. Conclusion

The primary objective of the present study is to construct a theoretical framework that can be utilized to identify the factors that precede and influence the concept of organizational justice. Despite the existence of several prior studies that have examined the concept of organizational justice, there has been a relative lack of emphasis given to its influence on the workforce of Higher Learning Institutions. However, it is worth noting that organizational justice plays a crucial role in the aspects that contribute to employee retention. This study aims to address the theoretical gap and mitigate the unevenness in existing research by examining the factors that influence employee retention using the framework of Organizational Justice. The utilization of the Organizational Justice Theory served as the basis for establishing the proposed theoretical framework.

The present study contributes to the existing scholarly literature on organizational fairness and workforce retention in Higher Learning Institutions by building upon prior research findings. The importance of Organizational Justice in the realm of employee retention research is emphasized. This study also functions as a basis for subsequent research and stimulates more scholarly discussions to refine and scrutinize the suggested hypotheses. As a result of employing a theoretical framework in this study, the subsequent phase entails conducting comprehensive literature reviews and substantiating the hypothesis through the use of case studies or practical research. Additional research is required to authenticate and enhance the proposed theoretical framework. Consequently, it is recommended that forthcoming investigations prioritize the use of both qualitative and quantitative research methodologies to explore the intricate connection between the factors that influence the retention of the workforce inside Higher Learning Institutions. To validate the proposed theoretical framework, it is highly recommended to incorporate viewpoints from both practitioners and academia.

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