

DISTRIBUTIVE JUSTICE AND THE EFFECT OF BENEFIT TYPES ON JOB PERFORMANCE WITHIN FEDERAL GLC IN SARAWAK, MALAYSIA

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Abstract

This study was conducted to measure the moderating effect of distributive justice in the relationship between benefit types and job performance. A survey research method was used to gather 150 usable questionnaires from employees who have served in Malaysian federal government linked companies in Sarawak (GLCOMPANY). Outcomes of testing a moderating model using a hierarchical regression analysis showed that (1) interaction between distributive justice and medical treatment had not increased job performance, and (2) interaction between distributive justice and official duty claims had increased job performance, and (3) interaction between distributive justice and promotions had increased job performance. This study demonstrates that distributive justice does act as a partial moderating variable in the benefit program models of the organizational sector sample. In addition, the implications of this study to theory and practice, methodological and conceptual limitations, and directions for future research are also discussed.

Keywords: Distributive Justice, benefit types and job performance

Introduction

The benefits program is a part of a total compensation package where it is often defined as a non-monetary reward, non-cash payment and/or indirect payment. These terms are used interchangeably in organizations, but it still refers to the same thing (Henderson, 2006; Milkovich & Newman, 2007). In a compensation management perspective, the benefits program is often viewed as an employer designs and administers the various types of indirect payments to reward its employees who perform jobs or services (Henderson, 2006; Milkovich & Newman, 2007). The design and administration of the benefits programs are often affected by the dynamic changes that occur outside and inside organizations. Inside organizational factors are also called internal alignment variables (e.g. corporate strategies, management philosophy, nature of jobs, and level of outcomes). Outside organizational factors are also known as external competitive variables (e.g. economic pressure, government policies, laws and regulations, ownership, culture and customs) (Henderson, 2006; Arnault, Gordon, Joine & Phillips, 2001; Milkovich & Newman, 2007). Considering these factors, most organizations have changed their paradigms from a traditional job-based benefits (e.g. compulsory allocations, welfare, social needs and recreation) to one that emphasizes employee contributions (e.g., performance and flexible benefit packages) (Bergmann & Scarpello, 2002; Henderson, 2006). Many scholars think that allocating the type, level and/or amount of benefits properly based on both criteria may help individuals to fulfill their needs and expectations, as well as improve their standards of living and statutes in society (Tremblay, Sire & Pelchat, 1998; Williams, 1995; William, Malos & Palmer, 2002). Thus, it may lead employees to support the organizational and human resource management's strategies and goals (Henderson, 2006; Milkovich & Newman, 2007).

The early development of a compensation system much focuses on the internal properties of the benefits program. For example, many researches describe the definitions, objectives, types and importance of benefits program, as well as methods of distributing non-financial rewards to all employees within organizations (Henderson, 2006; Miceli & Lane, 1991; Williams, 1995). Further research in this area reveals that distributing benefit types properly may directly influence individual outcomes, especially job performance. For example, medical benefits, official duty claims and promotion are identified as the most important benefit types. If these benefits are properly allocated based on job and performance, this can lead to an enhanced job performance in organizations (Henderson, 2006; Williams, 1995). Surprisingly, a careful observation of such relationships shows that the effect of the benefit types on job performance is not consistent if feelings of distributive justice are present in organizations. This relationship explains that an individual perceives justice about the distribution of medical treatments, promotion and official duty claims can lead to increased job performance (Adams, 1963, 1965; Greenberg, 2003; Summer & Miller, 2000). However in many studies have done, the moderating effect of distributive justice in benefit program models is less emphasized. Hence, it motivates the researchers to examine the moderating effect of distributive justice in the relationship between benefit types and job performance.

Literature Review

Definitions of Variables

Medical treatments, official duty claims, promotion, job performance and distributive justice are distinct constructs. Medical treatment is often viewed as a fixed non-monetary payment which is provided by an employer to increase and maintain employees' well being, such as physiology and psychology (Bergmann & Scarpello, 2002; Henderson, 2006). In this study, medical treatment is defined as an individual perceives that the basic medical coverage provided by his/her employer is adequate to support his/her medical care. Official duty claims are a type of fixed non-monetary payment, which is provided by an employer to its employees who carrying out official job outside the office, attending courses and training (Henderson, 2006; Lipold, 2002). In this study, official duty claims are defined as an individual perceives that the claims for doing official work provided by his/her employer are adequate to support his/her expenses. Promotion is also called a self-satisfaction benefits where it refers to when an individual perceives that he/she is given equal opportunity to hold higher positions in an organization. If a worker is promoted to a higher position he/she will gain more non-monetary and monetary rewards (Henderson, 2006; Morris, Arzmi & Wood, 2004). In this study, promotion is defined as an individual perceives that he/she is given opportunity to hold higher positions based on job and/or performance. Job performance is generally defined as individual employees accomplishing their respective work goals, meet their expectations or achieve a benchmark set up by their organizations (Bohlander, Snell, & Sherman, 2001; Eysenck, 1998). In this study, job performance is defined as an individual willing to perform job in the workplace. Distributive justice is a segment of organizational justice theories, which emphasizes perceptions of fairness in rewards allocation (Adams, 1963, 1965; Greenberg, 2003; McShane & Von Glinow, 2005). Many scholars think that the constructs are interrelated. For example, if an individual perceives fairness about the benefits allocation rules, this may lead to increased job performance (Adams, 1963 & 1965; Davis & Ward, 1995; Lipold, 2002; Morris, Arzmi & Wood, 2004).

Hypothesis Development

This study was conducted in three Malaysian federal government linked companies in Sarawak (GLCOMPANY) that involve the postal, telecommunication and aviation services. As requested by the owners of the organizations, the names of these companies were anonymous. In the GLCOMPANY, the various of types of benefit are allocated to all employees based on standardized policies and procedures set up by the stakeholders. For example, the managers of the GLCOMPANY allocate medical treatment, official duty claims and promotion to their employees based on two major criteria, i.e., job (e.g., length of service and seniority) and/or performance (e.g., the ability to perform tasks). Most employees feel that such benefit types complement monetary rewards (i.e., salary and bonus) that may protect their rights and welfare. For example, medical benefis are provided to treat employees who experience acute diseases and certain

chronic diseases. Official duty claims are provided to employees who work after working hours away from the main place of work. Promotion is given to employees based on merit and / or working experiences. Majority of the employees feel that the ability of managers to properly allocate such rewards based on such criteria will invoke their feelings of distributive justice. As a result, it may lead to increased positive personal outcomes, especially job performance. Although many studies have been done, little is known about the moderating role of distributive justice in the benefit program models of the organizations. Empirical evidence supporting the study is limited because of the paucity of research literature in this country (Azman, Yusof & Sulaiman, 2007; Sulaiman & Mamman, 1996).

The moderating role of distributive justice in the GLCOMPANY benefits program has gained strong support from benefits research literature published in most Western countries. For example, Davis and Ward (1995) studied about health treatment programs and found that adequately allocating the benefits program had invoked employees' feelings of distributive justice, which could lead to increased job performance. Besides that, an investigation about official duty claims conducted by Lipold (2002) revealed that adequately distributing the duty claims to employees who carry out official duties outside regular working hours and outstation had invoked employees' feelings of distributive justice. This might lead to enhance job performance. Further, Morris, Arzmi and Wood (2004) studied about the remuneration system and found that giving equal opportunities to hold higher promotions based on job and / or performance had invoked employees' feelings of distributive justice, this could lead to higher job performance.

The compensation research literature is consistent with the notion of Adams' (1963, 1965) equity theory, which emphasizes which an individual's perception of fairness about the distribution and change of resources may affect his / her attitude and behavior (deCarufel, 1986; Greenberg, 2003; McShane & Von Glinow, 2005). For example, when employees perceive the interaction between output (e.g., benefit types) and input (e.g., effort and skills) ratio as equitable, this may motivate their performance. When employees perceive inequity in the interaction between such output and input ratio, this may cause discomfort. When employees perceive other employees are rewarded more for the same effort, they will react negatively (e.g., shirk) to correct the output to input imbalance. Relying on Adams' (1963, 1965) equity theory, feelings of equity or inequity about benefits program may affect job performance (Davis & Ward, 1995; Lipold, 2002; Morris, Arzmi & Wood, 2004).

Based on the above evidence, it seems reasonable to assume that fairness of benefit types will influence GLCOMPANY employees as this feeling influences Western employees. Equity theory suggests that if GLCOMPANY employees perceive fairness about the type of benefits that they receive from their employers, this may lead to greater job performance. Therefore, it was hypothesised that:

- H1: Distributive justice moderates the effect of medical treatments on job performance
- H2: Distributive justice moderates the effect of official duty claims on job performance
- H3: Distributive justice moderates the effect of promotion on job performance

Research Methodology

This study used a cross-sectional research design that allowed the researchers to integrate training management literature, the in-depth interview, the pilot study and the actual survey as a main procedure to gather data. The use of such methods may gather accurate and less biased data (Cresswell, 1998; Sekaran, 2000). At the initial stage of this study, in-depth interviews were conducted involving ten non-executives and executives of the GLCOMPANY. They are selected based on purposive sampling where they have good knowledge and experiences in compensation management. Information gathered from such employees helped the researchers to understand the nature of the benefits program, distributive justice characteristics and job performance characteristics in the organizations. After refining, categorizing and comparing the information with relevant theoretical and empirical evidence, this was used as a guideline to develop the content of the survey questionnaires for a pilot study. Next, a pilot study was done by discussing the survey questionnaires with the above participants in order to verify the content and format of survey questionnaires for an actual study. The survey questionnaire consisted of three sections. In the first section, medical treatments had three items, official duty claims had four items, and promotion had four items that were modified from benefits programs literature (Cole & Flint, 2004; Haslinger & Sheerin, 1994; Henderson, 2006; Milkovich & Newman, 2007). In the second section, distributive justice had 6 items that were modified from distributive justice literature (Adams, 1963, 1965; Greenberg, 2003; Summer & Miller, 2000). In the third section, job performance had 8 items that were modified from organizational behaviour literature (Adams, 1963 & 1965; Lawler & Hall, 1970; Milkovich & Newman, 2007). All items used in the questionnaires were measured using a 7-item scale ranging from “strongly disagree/disatisfied” (1) to “strongly agree/satisfied” (7). Demographic variables were used as a controlling variable because this study also focused on employees’ attitudes. The back translation technique was used to translate the survey questionnaires in Malay and English languages. This will increase the validity and reliability of the instrument (Van Maanen, 1983; Wright, 1996).

The unit analysis for this study is employees who have worked in GLCOMPANY. Considering the constraints of the organization rules, a convenience sampling technique was used to gather data from the sample of this study. Two hundreds questionnaires were distributed to employees through contact persons (e.g. secretary of department heads, assistant HR managers, supervisors and/or HR managers). Of the number, 150 usable questionnaires were returned to the researchers, yielding a response rate of 75 percent. The survey questionnaires were answered by participants based on their consents and voluntary basis. Statistical Package for Social Sciences version 14.0 was used to analyze the validity and reliability of measurement scales using factor analysis, reliability analysis, correlation matrix table, and thus test the research hypotheses.

Research Findings

Table 1 shows the sample profile. Most respondents were male (59.3%), married employees (78.7%), ages more than 41 years old (47.3%), Malays (50.7%), SPM/SAP

holders (54.7%), worked more than 21 years (35.3%), supporting group (70.7%) and had monthly salaries from RM2001 to RM3000 (48%).

Table 1: Participants’ Characteristics in GLCOMPANY

Gender (%)	Age (%)	Education (%)	Length of Service (%)	Position (%)
Male = 40.7 Female = 59.3	< 29 yr = 2.0 21-25 yrs = 8.7 26-30 yrs = 10.7	UPSR = 2.7 PMR = 17.3 SPM/SA = 54.7	<2 yrs = 33 3-5 yrs = 20 6-10 yrs = 20	Management = 24.7 Group Supporting = 70.7 Group Others = 4.7
<u>Race (%)</u> Malay = 50.7 Chinese = 12.0 Indian = 2.0 Native = 0.7 Others = 4.7	31-35 yrs = 13.3 36-40 yrs = 18.0 >41 yrs = 47.3	STPM = 6.0 DIPLOMA= 11.3 DEGREE = 8.0	11-15 yrs = 25 16-20 yrs = 22.7 >21yrs = 35.3	<u>Salary (%)</u> <RM1000 =13.3 RM1001-2000 =31.3 RM2001-3000 =48.0 RM3001-4000 = 7.3
	<u>Marital Status (%)</u> Single = 20.7 Married = 78.7 Widow/ = 0.7 Widower			

Note: N=150
SRP/LCE/PMR: Sijil Rendah Pelajaran/Lower Certificate of Education/Penilaian Menengah Rendah SPM/MCE: Sijil Pelajaran Malaysia/ Malaysia Certificate of Education
STPM: Sijil Tinggi Pelajaran Malaysia

Table 2 shows that the factor analysis with direct oblimin rotation was done for five variables with 25 items. The Kaiser-Mayer-Olkin Test (KMO) which is a measure of sampling adequacy was conducted for each variable and the results indicated that it was acceptable. All research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin’s value of 0.6, were significant in Bartlett’s test of sphericity, had eigenvalues larger than 1, the items for each research variable exceeded factor loadings of 0.50, and the research variables exceeded the acceptable standard of reliability analysis of 0.70 (Nunnally & Bernstein, 1994). The results of statistical analysis support the notion of Adams’ (1963, 1965) equity theory and empirical studies (Davis & Ward, 1995; Lipold, 2002; Morris, Arzmi & Wood, 2004; Milkovich & Newman, 2007). This result demonstrates the goodness of data for this study (Hair, Anderson, Tatham & Black, 1998).

Table 2: Goodness of Data

Measure	Items	Factor Loadings	KMO	Bartlett’s Test Of Sphericity	Eigen value	Variance Explained	Cronbach Alpha
Medical Treatment	3	.64-.82	.64	86.58; p=.000	1.89	63.12	0.78
Official Duty Claim	4	.72-.88	.73	288.83; p=.000	2.71	67.71	0.84
Promotion	4	.73-.86	.83	328.69;p=.000	2.99	74.72	0.89
Distributive Justice	6	.74-.90	.92	693.32; p=.000	4.51	75.14	0.93
Job Performance	8	.44-.76	.76	388.68;p=.000	3.61	45.11	0.82

Table 3 shows that the results of Pearson correlation analysis and descriptive statistics. The means for the variables are from 4.69 to 5.56, signifying that the adequacy of medical treatments, adequacy of official duty claims, promotion opportunity, level of distributive justice and level of job performance are ranging from high (4) to highest level (7). The correlation coefficients for the relationship between the independent variable (i.e., medical treatment, official duty claims and promotion), the moderating variable (disributive justice) and the dependent variable (job performance) were less than 0.90, indicating that the data were not affected by serious colinearity problem (Hair et al., 1998). The measurement scales that met the acceptable validity and reliability standards were used to test research hypotheses.

Table 3: Matrix correlation shows Mean, Standard Deviation and correlation between variables

Variables	Mean	Standard Deviation	Pearson Correlation (r)				
			1	2	3	4	5
1. Medical Treatment	5.47	0.94	5.47	5.47	5.47	5.47	5.47
2. Promotion	4.69	1.26	4.69	4.69	4.69	4.69	4.69
3. Official Duty Claim	4.89	1.10	4.89	4.89	4.89	4.89	4.89
4. Distributive Justice	5.04	1.01	5.04	5.04	5.04	5.04	5.04
5. Job Performance	5.56	0.73	5.56	5.56	5.56	5.56	5.56

Note:

Correlation is significant at level * $p < 0.05$, ** $p < 0.01$, *** $P < 0.001$

Reliability estimates are shown in diagonal (value 1)

Moderating effects are a type of interaction where the strength of the relationship between an independent variable and a dependent variable is changed when other variables are present. The pearson correlation analysis was unable to determine the moderating role of distributive justice in the hypothesized model. A moderated multiple regression analysis (as recommended by Cohen and Cohen, 1983) was used to test the influence of distributive justice in the relationship between benefit types and job performance. This procedure stresses the development of a multiplicative term, which is used to encompass the interaction effect, and to calculate two R^2 s, one for the equation, which includes only main effects (main-effect model) and the other for a three-term equation (product-term model), which includes both the main and interaction effects. This technique may separate the component parts of the product term from the term itself to account for the complex combination of variance due to main and interaction effects. Standardized coefficients (standardized beta) were used for all analyses. Results of an interaction are evident when the relationship between interacting terms and the dependent variable is significant. The fact that the significant main effects of predictor variables and moderator variables simultaneously exist in analysis it does not affect the moderator hypothesis and is significant to interpret the interaction term (Baron & Kenny, 1986).

Table 4 shows the results of the hierarchical regression analysis with the interaction between benefit types and distributive justice as the moderating variable and job performance as the dependent variable.

Table 4: Results of the Hierarchical Regression Analysis for Testing Moderating Model

Variable	Dependent Variable (Job Performance)		
	Model 1	Model 2	Model 3
<u>Control Variables</u>			
Gender	- 0.04	0.04	0.70
Marital Status	0.06	0.08	0.08
Age	- 0.27	- 0.30	- 0.29
Race	- 0.00	- 0.01	0.01
Level of Education	0.07	0.06	0.05
Length of service	0.43**	0.45**	0.44**
Position	0.05	0.03	0.03
Salary	- 0.10	- 0.11	- 0.11
<u>Independent Variables</u>			
Medical Treatment		0.06	- 0.41
Official Duty Claims		0.04	- 0.13
Promotion		0.12	1.23***
Distributive Justice		0.18**	0.27
<u>Moderating Variable</u>			
Medical Benefit x			
Distributive Justice			0.84
Official Duty Claims x			0.40*
Distributive Justice			- 1.70***
Promotion x Distributive			
Justice			
R ²	0.07	0.15	0.25
R ² Change	0.01	0.07	0.17
F	1.26	1.99*	2.98***
Δ R ²	0.07	0.08	0.10
F Δ R ²	1.26	3.29*	6.07***

Note: *p<0.05; **p<0.01; ***p<0.001=Level of Significance

The table showed the outcomes of testing moderating hypotheses. Firstly, interacting variables (medical treatment x distributive justice) insignificantly correlated with job performance ($\beta=0.84$, $p=0.16$) in Step 3, indicating that H1 was rejected. Secondly, interacting variables (official duty claims x distributive justice) significantly correlated with job performance ($\beta=0.40$, $p=0.53$), indicating that H2 was supported. Thirdly, interacting variables (promotion x distributive justice) significantly correlated with job performance ($\beta=-1.70$, $p=0.001$), indicating that H3 was supported. This result demonstrates that (1) the strength of direct relationships between official duty claims and job performance, and (2) the strength of direct relationships between promotion and

job performance have been affected, which can be a signal that distributive justice does act as a partial moderating variable in the benefit program models of the organizational sector sample.

Discussion, Implications, Limitations and Directions for Future Research

This study confirms that distributive justice partially moderates the effect of benefit types on job performance. In the organizational contexts, the management (i.e., HR manager/manager) allocates the various types of benefits based on the organization policies and procedures. For example, the employers provide medical treatment, official duty claims and promotion to their employees based on jobs and/or performance. Majority of the employees believe that the rules are properly implemented to handle official duty claims and promotion exercises. This will strongly invoke employees' feelings of distributive justice. As a result, it may lead to increased job performance in the organizations.

The implications of this study can be divided into three major aspects: theoretical contribution, the robustness of research methodology, and practical contribution. From the theoretical perspective, the findings of this study show that adequacy of official duty claims has invoked the employees' feelings of distributive justice, which can lead to an increased job performance. This result is consistent with studies by Lipold (2002). Besides that, an opportunity to hold higher positions has invoked the employees' feelings of distributive justice, this can lead to an enhanced job performance. This finding supported by a studies by Morris, Arzmi and Wood (2004). In sum, the effect of official duty claims and promotion on job performance has increased when employees' feelings of distributive justice are present in the organization. Conversely, the coverage of medical treatments has not invoked the employees' feelings of distributive justice. This can lead to decreased job performance. This result is not consistent with studies by Davis & Ward (1995). In sum, the findings of this study has shown that feelings of distributive justice have played a partial moderating role in the benefit program models of the organizational sector sample.

The information gathered from the in-depth interviews revealed that external factors could overrule the moderating role of distributive justice in the relationship between medical treatment and job performance. The possible reasons are firstly, communicating the information about benefits program is not openly practised between management and employees. Lack of such communication systems will not help employees to understand the technical terms, types and conditions of medical care regulations. This situation will invoke the employees' misconceptions and misjudgements about the benefits system and this may lead to decreased job performance. Secondly, the management does not have sufficient autonomous power to make faster decisions about medical treatments. For example, the HR managers/managers will usually follow the standardized policies and procedures set up by the stakeholders in handling medical expenses. They often take quite a long time to identify which type and amount of medical treatments are eligible for all employees, and they cannot overrule the administration layers (e.g., HR Department and Finance Department) in order to expedite the approval process. For

example, in many cases, the management of the organizations has taken few months to approve the employees' medical claims. This situation will invoke the employees' feelings of dissatisfaction about the process and systems of handling medical claims, thus lead to a decreased job performance.

With respect to the robustness of research methodology, the data collection procedure used in this study had increased the psychometric properties of measurement scales. This may lead to the productions of accurate and reliable findings. Regarding the practical contributions, the findings of this study may be used as guidelines by employers to improve the design and administration of the benefits program. Improvements can be done in the following areas: firstly, design a customised benefits training program based on the organization's strategy and goals. For example, properly implementing such training programs may help employees to understand, respect and support the benefits program policies and procedures. Secondly, change recruitment and selection policies to suit the current organizational changes. For example, recruiting knowledgeable and experience people to hold important positions are very important because they may create various types of creative benefits plans in the organizations. Finally, review the rules for distributing benefits according to external organizational changes. For example, appropriately increasing the type, level and/or amount of benefits to high performing employees and/or experienced employees may capture their hearts and minds to sacrifice for the interests of organization. If such suggestions are heavily considered this will motivate employees to increase positive attitudinal and behavioural outcomes (e.g., increase satisfaction, commitment and performance, as well as decrease absenteeism and turnover). Thus, these positive outcomes can motivate employees to achieve organizational strategy and goals.

The conclusion drawn from the results of this study should consider the following limitations. Firstly, this study was a cross-sectional research design where the data were taken at one time 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 (Cresswell, 1998; Sekaran, 2000). Secondly, this study only examines the relationship between latent variables (e.g., benefit types, distributive justice and job performance) and the conclusion drawn from this study does not specify the relationship between specific indicators for the independent variable, moderating variable and dependent variable. Thirdly, the outcomes of multiple regression analysis have focused on the level of job performance variation explained by the regression equations and it is 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 is identified, there are still a number of unexplained factors that can 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, the sample for this study was taken from one organizational sector that allowed the researchers to gather data via survey questionnaires. This may affect the ability of generalizing the results of this study to other organizational settings.

Directions for future research should consider several suggestions. Firstly, cross-sectional research design has a number of shortcomings, other research designs such as longitudinal studies can be used as a procedure for collecting data and describing the patterns of change, directions and magnitude of causal relationships between variables of interest (Cresswell, 1998; Sekaran, 2000). Secondly, to fully understand the moderating effect of distributive justice in benefits program systems, more types of organizational sector need to be used as referents in future research. Thirdly, as an extension of the distributive justice studies, the theoretical constructs of procedural and interactional justice need to be considered in future research because they have been widely recognized as an important link between benefits program and personal outcomes (e.g., satisfaction, commitment and performance) (Adams, 1963, 1965; Ambrose, 2002; Milkovich & Newman, 2007). Thus, job performance, job commitment, and deviant behaviors have been found to be important outcomes of the effect of distributive justice in benefits program management (Ambrose, 2002; Greenberg, 2003; Miceli & Lane, 1991; Williams, 1995). The importance of these issues needs to be further explained in future study.

Conclusion

This study confirms that distributive justice does act as a partial moderating role in the benefits program management of the studied organizations. This result has partially supported benefits research literature mostly published in most Western countries. Therefore, current research and practice within benefits program need to consider perceptions of distributive justice as a critical aspect in benefits management system. These findings further suggest that incorporating of distributive justice into benefits program will increase positive subsequent personal outcomes (e.g., increase commitment, satisfaction and performance, as well as decrease deviant behaviors). Thus, it may motivate employees to support organizational and human resource management's strategies and goals.

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