

# INTERACTION EFFECTS OF COMMUNICATION ABOUT PAY SYSTEMS AND PROCEDURAL JUSTICE TOWARD JOB COMMITMENT

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## ABSTRACT

This paper investigates the conditional role of procedural justice in the relationship between communication about pay systems and job commitment. Data for this study were collected via quantitative and qualitative research methods. This study used 583 usable questionnaires that were gathered from the employees who had worked in Malaysian public institutions of higher learning. These questionnaires were analysed using multiple regression analysis and the results showed that procedural justice had played a moderating role in the relationship between communication about pay systems and job commitment. These results are important for improving existing compensation theories and practices. In terms of theoretical perspective, the notion of procedural justice as described in most Western countries has been successfully implemented in the compensation management model of public institutions of higher learning. From a practical perspective, these results can be used to improve the methods of communicating pay messages accurately and honestly to employees in different job classifications. If these techniques are properly implemented, they may attract, retain and motivate competent employees to commit to their organisation's goals and strategy.

Keywords: Communication about Pay Systems, Procedural Justice and Job Commitment

## INTRODUCTION TO COMPENSATION MANAGEMENT

Term Compensation is often defined as remuneration, pay and/or reward system. These terms can be used interchangeably in organisations (Anthony, Perrewé & Kacmar, 1996; Cascio, 1995; Mondy, Noe, & Premeaux, 1993; Wallace & Fay, 1988). In an organisational context, compensation is a vital segment of human capital management that emphasises planning, organising and controlling the various types of payment systems for rewarding employees who perform their work or service. These payments are usually awarded to employees based on the value of the job, the level of personal contributions, and/or the level of performance (Armstrong & Murlis, 1994; Henderson, 2000; Milkovich & Newman, 2005; Warner, 1997).

According to a strategic human capital management perspective, pay systems (e.g., monetary and non-monetary rewards) are designed and administered to meet organisational and individual goals (Adams, 1963 & 1965; Maslow, 1943 & 1954; Henderson, 2000; Kanter, 1989). At an individual level, rewards are perceived by employees as a valuable thing and that can lead to increase their satisfaction in the workplace (Adams, 1963 & 1965; Cascio, 1995; Maslow, 1943 & 1954; Young, 1999).