RELATIONSHIP BETWEEN INCOME DISTRIBUTION AND JOB SATISFACTION: THE MEDIATING ROLE OF THE DISTRIBUTIVE JUSTICE.

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ABSTRAK

HUBUNGAN DI ANTARA DISTRIBUSI PENDAPATAN DAN KEPUASAN KERJA:
KESAN PENGANTARAAN KEADILAN DISTRIBUTIF.

WONG HAI NGUON

ABSTRACT

RELATIONSHIP BETWEEN INCOME DISTRIBUTION AND JOB SATISFACTION: THE MEDIATING ROLE OF THE DISTRIBUTIVE JUSTICE.

WONG HAI NGUON

This study aims to study the mediating role of the distributive justice onto the relationship between income distribution and job satisfaction. This study had been carried out at the Mulu Press Sdn Bhd (Sin Chew Daily), Kuching. 87 employees had been made up from the organization to participate in this study. Data was collected by using the survey questionnaire method which gathered the respondents’ demographic, perception toward organization income distribution, distributive justice in the organization and the job satisfaction of respondents in the organization. Pilot study was carried out onto 20 respondents in order to test the reliability of the questionnaire before conducting the actual study. The data gathered from the actual study was analyzed using SPSS version 16.0. The direct relationship between income distribution and job satisfaction was determined by using the Pearson Correlation Analysis where the mediating role of distributive justice into the relationship was tested using the Stepwise Regression Analysis. The findings from this study indicated that there is a significant relationship between the income distribution and job satisfaction. Not only that, the result also confirmed that the distributive justice fully mediate the relationship between income distribution and job satisfaction. Besides, the findings from the study had indicated that the respondents’ position as a determinant toward the relationship between income distribution, distributive justice and job satisfaction where respondents’ monthly salary as a determinant to the respondents’ perception toward the organization’s level of distributive justice. Thus, this study supports the empirical study which carried by the previous researchers.
CHAPTER 1
INTRODUCTION

1.0 Introduction

This chapter consists of eight sections. The first part explains the background of the study. The second and third sections explain the background of the company and problem statement of the study. The following section illustrates the objectives of the research whereas the fifth and sixth discuss the conceptual framework and hypothesis of this study followed by the research questions. The next part is about the operational definition of terms and the last part is about the significant of the study.
1.1 Background of Study

Traditionally, income had been reviewed as the basic needs in life. Income acts as a criterion in improving quality of life (Tang, 2004). In the past two decades, there has been a significant increase of interest in the importance of money around the world (Mitchell and Mickel, 1999). With the current condition of global economy, income becomes very important to support life.

Income or pay is an aspect of extrinsic rewards that positively correlated to employee’s satisfaction and motivation in work (Barber et. al., 1992; Robbins and Coulter, 2007). Organization had been using income and/or pay design as a main tool to attract new employees and retain talented employees as well as granted membership to employees who work for the organization (Henderson, 2006; Milkovich and Newman, 2007; Cole and Flint, 2004). Furthermore, income is a set of employer and employees’ employment relationship whereby the existing of different expectations from both parties have effect to organizational performance (White and Becker, 1980). Therefore, there is a need to establish understanding on both parties’ expectations and aligned it with organizational goals. One of the foremost imperative elements in internal alignment is the perceived fairness for both employer and employees.

From the contemporary perspective, in order to establish an excellent pay system which take a serious look on perceived organizational justice by employees, many employers shifted the paradigms of income distribution from a traditional based to organizational strategic plan and goals (Anthony, Perrewe and Kacmar, 1996; Henderson, 2006; Milkovich and Newman, 2007; Ismail et. al., 2007). Under this strategic approach, organization will be able to deal with the vibrant turmoil in both internal as well as external condition. When it is possible to reach the level of employees’ acceptability on the system, satisfaction among employees will be increased and will lead to better productivity in job performance (Folger and Greenberg; 1985; Young, 1999; Ismail et al., 2005).
For that reason, administrating and designing a proper income distribution system is extremely important for organizations not only to attract and motivate competent employees towards excellent performance but also for employees’ attitudes towards job (i.e. job satisfaction) (Gomez-Mejia and Balkin, 1992; Henderson, 2000; Ismail et. al, 2005; Robbins and Coulter, 2007).

1.2 Background of company

Mulu Press Sdn. Bhd. (Sin Chew Daily) was established in 1929. From the time when Malaysia was still a British colony, throughout the time of the anti-Japanese struggle and the independence movement, Sin Chew has played the role of witness to history as well as being a participant. During this period, Sin Chew was twice suspended: first between 1942 to 1945, when it could not be published due to the Japanese occupation, and the second time in 1987, when its publishing license was suspended by the Malaysian government under the Printing Presses and Publications Act.

On 8 April 1988, after strenuous efforts by the present Chairman, Tan Sri Datuk Tiong Hiew King and its senior management, Sin Chew was allowed to resume publication. Since then, its circulation has increased continuously to reach almost 400,000 copies per day and become a highly influential part of the media landscape in Malaysia after 1992.

Sin Chew daily has many branches in Malaysia, such as at Johor, Pulau Pinang, Kuala Lumpur, Kuching, Miri and others. However, the main office of the organizational is at Kuala Lumpur and the office in the east Malaysia is at Kuching. These two main offices will arrange the news from the others states. Sin Chew Daily has different areas of information and it is arranged based on the reader’s interest. Now, Sin Chew Daily is the main Chinese newspaper in Malaysia.

Today, more than 1.18 million Malaysians read Sin Chew Daily Newspaper, making it not only the largest circulating Chinese newspaper in Southeast Asia, but also the largest Chinese daily outside mainland China, Hong Kong and Taiwan.
There are several departments operating in the Sin Chew Daily, Kuching branch, which are editorial department, sales and marketing and production department. The sales and marketing department and production department have their own chain of command. However, both are closely linked to the editorial department, and any important decision related to the newspaper production will be referred to the executive editor.

1.3 Problem Statement

Compensation management is part of human resource management which implies the employment contract or relationship between employer and employees that accentuate planning, organizing and controlling the various types of payment systems (e.g. monetary versus non-monetary rewards or direct versus indirect payments) for rewarding employees who perform their work or service (Rousseau, 1989 and 1995; Ismail and Junoh 2006; Kleiman, 2000).

Earlier studies on compensation have a great deal on concepts, purposes, importance of money, forms, preferences and approaches used in allocating salary (Milkovich and Newman, 2007; Mc Shane and Von Glinnow, 2005). Moreover, one particular research emphasized on pay structure and pay level as well as its correlation with employees attitude (i.e. job commitment) which mediates by distributive justice (Ismail and Halim, 2008).

However, a thorough review of such relationship reveals that there is an effect on salary to employees’ attitudes (i.e. job satisfaction) towards organization (Goodall, 2003) and this relationship might not be consistent with the perceived distributive justice.

Although many studies have been done, little was known of the mediating role of distributive justice in income distribution. With little empirical knowledge about these relationships, the need for further research in this area was imperative. Thus, it motivated the researcher to further explored this issue.
In addition, the importance of fulfilling employees’ satisfaction towards their received income was because it may affect their job satisfaction which refers to the overall attitudes of employees towards their job (Weiss and Cropanzano, 1996; Podsakoff, Mackenzie et. al., 1990; Tang, 2004).

1.4 Research Objectives

There were two research objectives in conducting this study. They were general objective and specific objectives.

1.4.1 General Objective

The general purpose of conducting this study was to identify the relationship between the income distributions, distributive justice with employees’ job satisfaction.

1.4.2 Specific Objectives

Specifically, the objectives of this study were:

To examine the relationship between income distribution with employees’ job satisfaction.

To examine the role of distributive justice onto the relationship between income distribution with employees’ job satisfaction
1.5 Conceptual Framework

Figure 1.1 Conceptual Framework


1.6 Research Hypothesis

There were two types of research hypothesis in this study. They were general hypothesis and specific hypothesis.

1.6.1 General Hypothesis

\( H_0: \) There is a relationship between income distribution, distributive justice and job satisfaction.
1.6.2 **Specific Hypothesis**

$H_1$: There is a significant relationship between income distribution and job satisfaction.

$H_2$: Distributive justice positively mediates the effect of income distribution on job satisfaction.

1.7 **Research Questions**

1.7.1 **Research Question 1**

Does the income distribution affect employees’ job satisfaction?

1.7.2 **Research Question 2**

Is there any difference in employees’ job satisfaction level based on demographic variables?

1.7.3 **Research Question 3**

Does the distributive justice mediate the effect of income distribution on employees’ job satisfaction?
1.8 **Operational Definitions of Term**

Researcher had explained the operational definition in this section while the conceptual definition will be explained more in Chapter Two (2).

1.8.1 **Income Distribution**

It refers to the amount of monthly salary, bonuses, increments and allowance that an individual employee received from his or her employer.

1.8.2 **Job satisfaction**

Job satisfaction refers to the happiness and attitudes of employees towards their jobs or tasks. Their happiness or attitudes can be positive or negative.

1.8.3 **Distributive Justice**

It refers to the involvement of the fairness in assigning or delivering employees’ salaries, bonuses, allowances and other benefits. It also refers to employees’ perception towards their income.

1.9 **Significance of the Study**

Generally, this study was important and can contribute to the theories which support the distributive justice and job satisfaction. In this study, there were three theories that strongly support the framework when the elements of distributive justice and job satisfaction were concerned. The theories were Adam’s Equity Theory, Herzberg’s Two-Factor Theory and Intergroup Theory. So, through this study, the relationship between Adam’s Equity Theory and Intergroup Theory with the Herzberg’s two-Factor Theory (Hygiene Factor) can be shown. When there was fairness in distributing employees’ income in an organization, the employees’ job
satisfaction might be increased. The increase of the employees’ job satisfaction which was affected by salary could be best explained by Herzberg’s Hygiene-Factor Theory which stated that the increase of job satisfaction was highly related with the salary expectation. Adam’s Equity Theory stated that individual will tend to compare the salary ratio with others, within his department, within his organization, or with others of the same occupation or different occupation. When the individual comparing with others from same area of job, the Intergroup Theory will strongly related to the Adam’s Equity Theory.

In this study, the cross-sectional research design was used to incorporate data from literature review, pilot study and actual study. The pilot study was used to test the validity and reliability of the questionnaire before conducting the actual study. In this study, the convenience sampling technique was used to get voluntary as well as to increase the possibility in getting accurate data through the willingness of respondents to give feedback on survey questionnaire. The used of seven-point Likert scale to gather data from respondents can increase the accuracy of the data gathered.

Besides, this study could also contribute to the Human Resource Practitioners and organization. The results and findings of this study could serve as a reference for HR practitioners in organizations in designing their pay system. In designing the pay system, the management team should consider all aspect whether internal external factors to stay competitive with other organizations. In other words, this study could also improve the pay administration skills among the management team in order to improve job satisfaction among employees in any organizations.

The justice or fairness in the income distribution will lead to the positive perspective by employees towards the pay system and this will improve employees’ behaviors, attitudes, aptitudes and motivation towards their tasks or jobs. This is because employees might feel dissatisfied if the income distribution system in the organization is not fair enough to satisfy their expectation. Thus, they will not be motivated and this will lead to the negative behaviors and decrease their work performance.
1.10 Conclusion

In conclusion, this chapter has discussed the role of the distributive justice in affecting the effectiveness of the income distribution. A good and fair income distribution system will increase employees’ work performance. So, Chapter 2 will discuss the literature review and empirical evidence which is related to the income distribution and the distributive justice.
CHAPTER 2
LITERATURE REVIEW

2.0 Introduction

This chapter is divided into five sections. The first section discusses the definition of income distribution, elements of income distribution and role of income distribution. Next section discusses the definition and the role of job satisfaction. The third section discusses the definition and role of distributive justice. The next section shows the theoretical and empirical evidence which proved the relationship between income distribution and job satisfaction. The last section of this chapter is about the theoretical and empirical evidence which shows the relationship between income distribution and job satisfaction mediated by distributive justice.
2.1 Income Distribution

2.1.1 Definition of Income Distribution

Income is defined as money received by someone as a result from working (Macmillan Dictionary, 2003). Income then refers to the mechanism of commerce in measuring value of job or person and skills (Tang et al., 2004; Milkovich and Newman, 2008). The concept of income distribution is described as the process or the approaches of allocating money to the employees. Wages and job changes are micro determinants of the function of income distribution (Cardoso & Monfardini, 2008). Income package might differ across firms or organizations from various industries. It includes allowances, bonuses, monthly salary and rise in merit pay (Tang et al. 2004). In order to determine the amount of money as salary; type, level and (or) amount of income are allocated to employees based on their merit and (or) organization’s needs, length of service and seniority (Money and Graham, 1999; Milkovich and Newman, 2005; Ismail et al., 2005).

2.1.2 Elements of Income Distribution

2.1.2.1 Adequacy of Income Distribution

Adequacy of income is a proper distribution and allocation of income and (or) pay (i.e., efficiency, fairness and compliance) (Henderson, 2006; Milkovich and Newman, 2007). It is observed through two main perspectives: quantitative (i.e. mathematical formula) and qualitative (i.e. human psychology) (Henderson, 2006; Milkovich and Newman, 2007).

In the viewpoint of quantitative perspective, the type, income is regularly determined statistics, economics and/or accounting (Henderson, 2006; Milkovich and Newman, 2007). However, in the viewpoint of qualitative perspective, adequacy of income is based on employee or
individual’s perception, feeling or judgment (Greenberg, 2003; Skarlicki and Folger, 1997). There will be an existence of adequacy in income distribution if an employee perceives that the total income received is based on his or her contribution (Adams, 1963 and 1965; Lawler, 1971).

2.1.2.2 Inadequacy of Income Distribution

Inadequacy of income is the contrast of adequacy of income. This might perceived by employees if income differential show overpayment or underpayment from one’s should received (Adams, 1963 and 1965; Lawler, 1981). Employees often rationalize and compare the income that they receive with others. Therefore, inadequacy of income may create sensitivity towards feeling of inequity and unfair distribution of income. Previous research agreed that inadequacy of income will directly leads to low employees’ satisfaction on the salary received from the organization (Adams, 1963 and 1965; Lawler, 1981; Ismail et. al. 2005).

Another issue in inadequacy of income is employees’ expectation (i.e. expectancy theory) (Werner and DeSimone, 2006). If the type, level and (or) amount of income or pay that they received do not meet their expectations or procedures in allocating income are not consistent and vague, inadequacy in income will be increased (Ismail et. al., 2007; Milkovich and Newman, 2008).