



The Impact of Organizational Justice on Employee Retention: Evidence from Oman

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ABSTRACT

Increasingly, retaining competent employees is becoming a major concern for organizations. Sustainability and success of organizations are dependent on reducing turnover. Therefore, this research is designed to identify the role played by organizational justice dimensions in retaining employees within organizations. For that, a sample of 148 respondents working in Omani airports was selected for the study. The results reveal that all three dimensions of organizational justice i.e., distributive, procedural and interactional justices have positive and significant impact on employee retention. Implications and directions for future research were also discussed.

Keywords: Employee Retention, Distributive Justice, Procedural Justice, Interactional Justice

JEL Classifications: G2, J28

1. INTRODUCTION

Employees are the main source of achieving organizational objectives. It is almost impossible for the organizations to succeed without the effort and commitment of their employees (Rad and Yarmohammadian, 2006). Retention of good employees in an organization is becoming one of the biggest challenges, which the companies' nowadays are facing. HR personnel along with top level management are focusing all their efforts to reduce turnover and retain effective employees; this effort is important as it reduces costs and increase chances of success for the organizations (Mitchell et al., 2001).

Several factors can affect the retention of employees within an organization. One of the important factors is the feeling that one is treated fairly i.e., justice. Employees like to be associated with an organization where they feel that their contributions are rewarded fairly (Al-Zu'bi, 2010). Employees who feel that they are treated fairly would reflect positive behaviors (Abu Elanain, 2009). Organizational justice is found to have a strong impact on employee's turnover intentions (Karatepe and Shahriari, 2012;

Sarnecki, 2015). If employees perceive that justice prevail in the organization then their chances of staying with their organization will increase (Rastgar, 2013).

Previous research on organizational justice has focused on identifying its relationship with and its impact on turnover intentions (Karatepe and Shahriari, 2012; Kumar, 2014; Sarnecki, 2015). However, there is a scarce empirical evidence on the role of organizational justice on employee retention (ER) which creates a need of the current research which is trying to fill this gap by conducting a research in the Middle East area specifically in Sultanate of Oman.

Sultanate of Oman is passing through a difficult phase as the oil prices are going down and government is left with less budget. As a consequence, organizations are also facing trouble and it is becoming difficult for them to retain the employees. The current research is an attempt to help organizations working in Oman to identify the main factors that affect employees' retention. Therefore, the main aim of this research is to find out the role played by the organizational justice dimensions in retaining competent employees within the organization.

2. LITERATURE REVIEW

2.1. ER

One of the most serious issues facing organizations nowadays is retaining good employees. Employees are moving from one organization to another in search for better package and benefits. In this scenario, organizations spend a huge amount of money and efforts to identify and implement the factors that can retain their workforce (Mitchell et al., 2001). The aim of the management within the organization is to retain the employees for the maximum period of time to avoid costs, attain stability in workflow and increase profit (Suresh and Krishnaraj, 2015).

Retention is defined as a deliberate attempt of an organization to design an environment where by all the efforts are focused towards engaging employees in a longer term (Chaminade, 2007). Its main purpose is to avoid the loss of experienced employees because such employees upon leaving take organizational secrets with them (Abbasi and Hollman, 2000). It is considered to be most difficult aspect for any organization as they keep on identifying the strategies for retention of employees (Litheko, 2008).

Retention of effective employees is an essential component of an organizational strategy. Identification and implementation of such strategies makes an organization able to manage its talent (Lockwood, 2006). The talent available at different levels within the organization judges various aspects of organizational processes and systems and then decide whether to stay with or leave the organization (Hausknecht et al., 2009).

One important factor that employees take into consideration while deciding to stay with the organization is their perception of organizational justice. The perception of fair treatment from the organization make them satisfied and thus improve their performance (Fernandes and Awamleh, 2006). ER is also considered as one of the important factor contributing to organizational performance. If an organization fails to retain its effective employees then it would not be able to exploit their skills in order to maximize the performance (Zachariah and Roopa, 2012).

Available literature identifies a number of factors that affect ER including HR practices (Walia and Bajaj, 2012), job satisfaction and working conditions (Akila, 2012), career development (Eyster et al., 2008), compensation (Feldman, 2000), employee motivation, talent management (Chitsaz-Isfahani and Boustani, 2014) and organizational justice (Karatepe and Shahriari, 2012; Kumar, 2014).

The organizations which are successful in creating a perception among their employees that they are rewarded equitably and fairly are able to develop a workforce that is satisfied, have higher performance and remain retained with the organization (Al-Zu'bi, 2010). The likelihood that employees will retain with their organizations will increase if they perceived that they are fairly treated (Yao et al., 2004). Organizational justice has a strong effect on retaining valuable employees (Bakhshi et al., 2009).

2.2. Organizational Justice

Organizational justice is described as how leaders make use of procedures that are fair to all to determine the outcome (Colquitt et al., 2001). It is only concerned with the fair ways to treating employees (Randeree, 2014). In fact, organizational justice has become a main interest to many researchers. The reason is that organizational justices have proved to have strong relationship with many variables. Previous literature shows that organizational justice plays an important role in explaining many behavioral outcomes within an organization (Greenberg, 1990; Imran, 2015; Moorman, 1991). Organizational justice proved to be one of the important factors that clarify employee's reaction to unfair work outcomes, procedures and relations (Alsalem and Alhaiani, 2007).

There is a discrepancy among researchers regarding the number of dimensions of organizational justice. Some researchers have conceptualized organizational justice as having three dimensions (Bakhshi et al., 2009; Bies and Moag 1986); others have conceptualized justice as having four dimensions (Cole et al., 2010; Duffy et al., 2013; Gupta and Kumar, 2012). However, this research would be conceptualizing organizational justice as having three dimensions namely: Distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) as these are widely used dimensions.

PJ deals with the perception concerning the fairness rules and procedures regulating a process. Presence of this form of justice leads to satisfaction with the process (Fatima et al., 2015; Nabatchi et al., 2007).

DJ deals with the perception of employees regarding the fairness of the reward system. When comparing with others, an employee must feel that the rewards are distributed fairly without any discrimination i.e. according to their contribution and level of effort (Alsalem and Alhaiani, 2007).

IJ refers to the perception of fairness while interpersonal treatment. It relates to the perception of the kindness and respect people receive while explaining the decision and searching for the information (Bies and Moag, 1986).

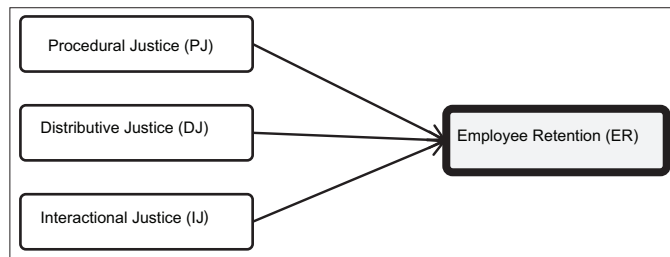
Available literature in the field of industrial psychology has proved a positive impact of organizational justice on number of outcomes. These include satisfaction (Bakhshi et al., 2009); commitment (Ali and Saifullah, 2014); organization citizenship behavior (Jafari and Bidarian, 2012). However, the outcome of interest nowadays is ER.

From the above discussion, it is amply clear that there exists sufficient ground to treat procedural, distributive and IJ as direct factors influencing ER in the research model and thus the following hypotheses is considered (Figure 1):

H1: Employees' perception of PJ has direct and significant impact on ER.

H2: Employees' perception of DJ has direct and significant impact on ER.

H3: Employees' perception of IJ has direct and significant impact on ER.

Figure 1: Proposed research model

3. METHODOLOGY

The researcher controlled samples of 148 respondents from employees working in Omani airports were selected to collect data for the study using a structured closed-ended questionnaire.

Measurement items used in this research have been adapted from literature. ER items were adopted from Kyndt et al. (2009). Also, dimensions of organizational justice were measured using a 20-item scale developed by Niehoff and Moorman (1993). The distributive, procedural and interaction dimensions of justice comprised of 5, 6, and 9 items, consequently. All the items were measured at five-point Likert-type scale ranging from 1 to 5 (strongly disagree - strongly agree).

The sample consists of 80% males and 20% females, maximum respondents are between 26 and 40 years old. 18% of the respondents held higher school certificate, 27% held diploma, 40% were graduate. 8% were postgraduate and 7% had any other qualifications.

4. RESULTS

Descriptive analysis of the study variables (Table 1) shows that the mean values ranges from 3.05 to 4.44 for DJ and ER.

Also, correlational analysis was applied to confirm the validity of the construct. Table 2 shows the reliability analysis and correlation matrix for the study variables. The Table 2 shows that scales are highly reliable to be used with alpha values ranging between 0.74 and 0.92. The correlation matrix reveals that ER is positively and significantly related with DJ ($r = 0.449$, $P < 0.01$); PJ ($r = 0.516$, $P < 0.01$); and IJ ($r = 0.495$, $P < 0.01$).

Table 3 reveal results of regression analysis of all dimensions of organizational Justice (i.e., DJ, PJ and IJ) with ER. The Table 3 shows that all dimensions of organizational justice (i.e., DJ $\beta = 0.241$, PJ $\beta = 0.232$ and IJ $\beta = 0.242$) $F = 25.536$, $P < 0.001$ has a positive and significant impact on ER.

5. DISCUSSION

Findings of this study suggest that distributive, procedural and IJ play important role in strengthening ERs in Oman particularly in airports. These findings are consistent with previous researches (Al-Zu'bi, 2010; Bakhshi et al., 2009; Yao et al., 2004).

Table 1: Descriptive statistics of study variables (N=148)

	Variables	Number of items	Mean	SD	Min	Max
I	ER	5	4.44	0.889	1	5
II	DJ	5	3.05	0.732	1	5
III	PJ	6	3.32	0.763	1	5
IV	IJ	9	3.65	0.766	1	5

SD: Standard deviation, ER: Employee retention, DJ: Distributive justice, PJ: Procedural justice, IJ: Interactional justice

Table 2: Reliability analysis and correlation matrix of study variables (N=148)

	Variables	Number of items	I	II	III	IV
I	ER	5	(0.74)			
II	DJ	5	0.449*	(0.78)		
III	PJ	6	0.516*	0.491*	(0.83)	
IV	IJ	9	0.495*	0.389*	0.685*	(0.92)

* $P < 0.001$, (Chronbach's alpha in parenthesis). ER: Employee retention, DJ: Distributive justice, PJ: Procedural justice, IJ: Interactional justice

Table 3: Regression analysis of justice dimensions with ER (N=148)

Model	R ²	F	B	SE	β	t
1 (constant)	0.347	25.536*	1.628	0.330		4.929*
DJ			0.298	0.094	0.241	3.102*
PJ			0.270	0.114	0.232	2.362
IJ			0.281	0.108	0.242	2.609*

* $P < 0.001$. DJ: Distributive justice, PJ: Procedural justice, IJ: Interactional justice, ER: Employee retention, SE: Standard error

Organizations in order to retain employees invest their efforts in identifying the factors that can help in this regards. Organizational justice is considered to be an important factor contributing in retaining the employees. If employees perceive that their organization is treating them fairly and equitably according to their efforts then their loyalties with the organization increase and they want to stay with the organization (Al-Zu'bi, 2010). Thus organizational justice is a considered to be a strong predictor of employees' intentions relating to their retention within an organization (Bakhshi et al., 2009). The likelihood that employees will stay with their current organization increase if they perceive they are fairly treated (Yao et al., 2004).

This research has theoretical and practical implications for both academic researchers and managers. Theoretical contribution of current research is in the field of organizational justice as this is among the few researches exploring organizational justice as a predictor of ER. Previous literature focuses on turnover intentions but less empirical evidence is available for ER. Current study is an important contribution in existing literature as it fills this gap. In addition, managers and policy makers in Oman can take advantage of the findings of current research and create perceptions of organizational justice through fairness of policies, procedures and rewards system in order to retain their skilled workforce.

This study suffers from certain limitations which can be the focus of future researches. The research only explores the relationship between organizational justice and ER. It did not examine other variables and it did not examine the interrelationship among justice dimensions. Thus, future researches may explore the

interrelationship and the role of other variables like employee engagement, leadership, organizational culture and climate. Secondly, the research is limited to one sector. Future researches can replicate the same study in different sectors.

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