

## Justice perception and turnover Intentions with moderating role of locus of control

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### Abstract:

*Bonding between organization and employees provides a useful opportunity for enhanced growth and proficiency of organization. Biggest concern for organizations nowadays is how to retain the best manpower for effective output. This study, justice perceptions and turnover intentions with moderating role of locus of control, aims to examine locus of control as a moderator on the effects of distributive justice, psychological contract and job satisfaction on turnover intentions. This study also explored the relationship of the aforementioned variables with turnover intentions. Participants for the study were lecturers both from public and private sector universities, selected through convenient sampling technique. Cross-sectional data was collected. Regression Analysis was conducted to analyze data. Analysis revealed interesting insights and guidelines for practical and academic implications.*

**Key words:** Distributive Justice, Turnover Intentions, Psychological Contract, Locus of Control and Job Satisfaction.

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## **1. Introduction:**

One of the susceptible issues that the organizations are suffering from is the cost occurring from the employees' lack of interest in the organizational activities and their intentions to quit job. Employees' intention to leave the organization affects the growth and performance of the organization by casting upon it numerous fears in the form of lack of productivity, effectiveness issues and incurring visible and hidden costs. According to Mobley (1982), the intended turnover of employees can cause a great dysfunction in organizational setup thus leading to harmful effect on organizational effectiveness and efficiency. Intention to leave stands as a construct where employee intends to withdraw from organization which may be due to dissatisfaction with the organizational processes or aspects. Intention to leave is defined as deliberate and conscious effort of employee to quit the organization (Emberland and Rundmo, 2010; Mishra and Bhatnagar, 2010).

Different researchers have tried to identify and study antecedents of intention to leave and have been associated with the aspects like leadership support, organizational commitment, and job satisfaction (Price, 2001; Chiu et al., 2005). According to Locke (1976), job satisfaction is defined as ".....a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences". According to Norris and Niebuhr (1993), job satisfaction (JS) acts as an employee's immediate reaction towards the work environment, this work environment thus enables to institutionalize perceptions and beliefs about the organization. JS acts as a strong determinant in evaluating employee's job attitudes and HR practices' effectiveness (Saari and Judge, 2004). The employee's satisfaction may act as a strong determinant in his attitude towards high or low TOI (Lee, 1987; Meyer, 1993).

According to Addae (2006), employees establish a relationship of reciprocity with the organization in terms of

what they do for the organization and in response what the organization provides them with, which may be in non-verbal form. This unexpressed form of contract has been pointed out as Psychological Contract by Schein (1980), who further supports it as a strong determinant of organizational behavior. Psychological contract has been defined by Rousseau (1989) as the employees' belief about the terms of mutual exchange agreement that exists between themselves and their organizations. An employee forms contract with organization perceiving set of obligation which the employer has towards them and they have towards organization.

Another factor which may count in determining employee's attitude toward job is fairness that he or she perceives in the organization. According to Cruceru and Macaresu (2012), organizations that create an atmosphere of justice help to yield rewards for the organization in the form of retention, motivation and effective and efficient task performance. Literature on organizational justice has lead to identification of three prominent domains, distributive, procedural, and interactional justice (for example, Cohen-Charash and Spector, 2001). Distributive justice refers to perceptions of fairness relating to the results or outcomes of allocation (Deutsch, 1975).

Levenson (1981), discoursed about locus of control as an internal-external construct which is defined as, "a generalised expectancy to perceive reinforcement either as contingent upon one's own behaviors (internal control) or as the result of forces beyond one's control and due to chance, fate or powerful others (external control)". A person's ability of having control on his fate may lead to different behavioral patterns, those who believe that they have supremacy over their fate are termed as internals and those believing otherwise as externals (Rotter, 1966). Internals believe that they have control over their fate and they possess the ability to normalize the situation they are

in whereas “externals” belief of other factors affecting them would lead them to a more dissatisfied situation.

Despite number of researches that have been carried out on turnover intentions there still appears a gap which sets basis for this study. First, though numbers of studies have indentified distributive justice, psychological contract and job satisfaction as predictor of the turnover intention (Addae, 2006; Suazo et.al., 2005; Lee and Mowday, 1987; Tett and Meyer, 1993) yet understanding of unified effect of all these variables on turnover intentions is rarely discussed.

Furthermore, the moderating effect of locus of control on the relationship of variables with the turnover intentions is also overlooked. Hence, this study attempts to address there gaps in cultural setting of Pakistan addressing another probable vacuum. The study aims to address the problem of enfolding the areas in banking sector in Pakistan that causes employees towards turnover intentions.

## **2. Literature Review:**

### ***2.1. Distributive Justice and Turnover Intentions:***

Fair treatment that an employee receives in the organization stands as an important notion for establishing justice perception. Various studies (Folger and Konovsky, 1989; Martin and Bennett, 1996) have indicated that justice perceptions are closely related to the job outcomes. According to Loi (2006), employees try to evaluate the organization from various aspects and distributive justice acts as one of the salient factor. According to Karatepe (2012), distributive justice is the perceived fairness of outcomes and if an employee perceives that he or she has been treated fairly in organization, it will help to perform in an efficient way and on the other side if the perception of justice is distorted it will influence an employee in a negative way by providing reasons to quit the organization. We may thus hypothesize that:

**H1:** Distributive justice has a significant impact on Turnover Intentions.

Locus of control is about how people perceive between their actions and their outcomes. Internals and externals both have their own perspectives regarding perceptions of justice. Internals may view allocation of resources fair by comparing it to their outputs whereas the externals may regard it unfair assuming others factors to be responsible for their performance failure. This leads to following hypothesis:

**H1<sub>a</sub>:** Locus of control moderates the relationship between distributive justice and turnover intentions.

### ***2.2. Job Satisfaction and Turnover Intentions:***

According to Reed (1994), an employee's dissatisfaction with certain aspects of the job leads to reduced commitment and acts as a strong catalyst evoking search for an alternative job. Researchers have identified the fact that Job satisfaction has a negative correlation with turnover (Mowday et al., 1982). According to Spencer and Steers (1981), employees with low performance have strong negative relationship among JS and TOI .So it can be hypothesized that:

**H2:** Job satisfaction has a negative impact on turnover intentions.

Studies have provided evidence that LOC is a considerable predictor of JS (Judge et al., 2003). According to Rotter (1966), as internals are more satisfied so their intention to leave the organization is low as compared to externals who are less satisfied. Therefore, it can be hypothesized that:

**H2<sub>a</sub>:** Relationship between job satisfaction and turnover intentions is moderated by Locus of Control.

### ***2.3. Psychological Contract and Turnover intentions:***

Psychological contracts are implicit agreements between two parties about what both expect to receive and reciprocate to each other (Robinson, 1996; Morrison and Robinson, 1997;

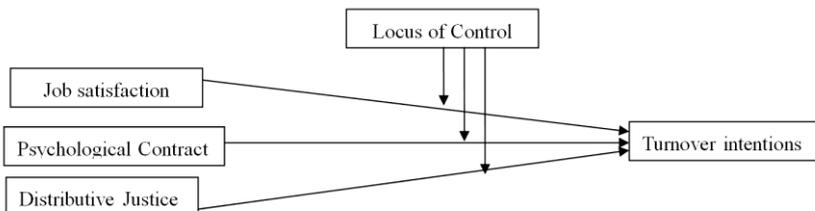
Rousseau, 1989). According to Rusbult and Farrell (1983), the employee evaluates psychological investment along with costs and benefits that are associated with job when making a decision of turnover. If the organization performs a psychological breach it produces a tendency of counterproductive behavior from employees; turnover intention being the last product (Turnley and Feldman, 1999). Thus psychological contract acts as a strong determinant for an employee during transition phase. We may therefore hypothesize that:

**H3:** Psychological contract has negative impact on turnover intentions.

According to Rotter (1966), the way an individual identifies or judges the potency of link between his own actions and their outcomes is termed as locus of control. Rotter (1966) further says that, an individual may develop the attitude toward life through the perceptions that are reinforced by experiences thus leading to beliefs forming ties with circumstances and improving them or thinking the circumstances affecting them and breaking chances of survival or enhancement. The internals may consider forming a strong contract with the organization based on their own effort whereas externals form firm psychological contract with organization as result of influential factors. This perceiving of the contract formation will establish their intentions to either be the part of organization or to leave, it is hypothesized that:

**H3a:** Relationship between psychological contract and turnover intentions in moderated by Locus of control.

**Figure 1: Conceptual framework**



### **3. Methodology:**

Data is collected through a self administered questionnaire consisting of measures for constructs distributive justice, job satisfaction, and psychological contract, locus of control and employee turnover intentions adopted from earlier studies.

Sample for the study consists of lecturers in the universities from Multan, Sargodha, Lahore, Islamabad and Karachi. Sample was selected through purposive sampling. Four hundred and thirty respondents were contacted for data. Two hundred responses were received from the data yielding a response rate of 47%.

#### **3.1. Measures:**

**3.1.1. Distributive justice** has been measured by using the 4-item scale developed by Colquitt (2001), measuring the construct with, “Does your compensation (pay) reflect the effort you have put into your work?” and responses were recorded on 5-point likert scale ranging from 1 strongly agree to 5 strongly disagree.

**3.1.2. Job satisfaction** has been measured by Minnesota Satisfaction Questionnaire (MSQ given by Weiss et al., (1967) consisting of 20 items. This scale is composed of 3 dimensions, intrinsic job satisfaction, extrinsic job satisfaction and general satisfaction. Response were measured on 5 point likert scale ranging from 1= strongly agree to 5= strongly disagree. The intrinsic job satisfaction consists of 12 items; extrinsic job satisfaction consists of 6-items and 2-items for general satisfaction.

**3.1.3. Psychological contract** has been measured using 18-item scale developed by Raja et al.

(2004). Both transactional and relational contracts were measured on 9-item each. 5 point Likert scale was used to record responses where 1 represents 'strongly agree' and 5 represents 'strongly disagree'.

**3.1.4. Locus of control** has been measured on scale developed by Rosenberg (1965). It consists of six questions items like "When I make plans, I am almost certain I can make them work". Response were measured on 5-point likert scale ranging from 1= "Strongly agree" to 5= "Strongly disagree".

**3.1.5. Employee Turnover intention** has been measured by using 3-item scale developed by Mobley et.al, (1978). The responses were recorded on likert scale where responses are ranked from 1 = "Strongly agree" to 5= "Strongly disagree".

#### 4. Analysis:

Based on the model specification, data was first analyzed for scale reliability and it was found that scale is significantly reliable with decent cronbach alpha ( $\alpha$ ) values. Table 1 presents reliability values for each variable. Scale demonstrated satisfactory internal reliability for each variable.

Prior to running interaction estimation in multiple regression analysis, correlation matrix was first generated to identify the relationship between modeled variables. Table 2 highlights correlation matrix.

**Table 1: Scale Reliability**

Sr.#	Cases N	Variable	Cronbach Alpha $\alpha$
1	200	PC	0.855
2	200	JS	0.926
3	200	LOC	0.860
4	200	TOI	0.878
5	200	Dist Just	0.843

#### 4.1. Multicollinearity:

Multicollinearity is existence of high correlation between predictors of the study. This leads to inflated estimations and ultimately wrong model predictions. In order to identify and locate possible instances of multicollinearity, correlation among independent variables was estimated. If correlation among model predictors exceeds its specified strength, we can presume that multicollinearity can exist. Some studies posit that correlation as strong as at value of 0.80 poses real hazards of multicollinearity. Correlation matrix generated hereunder is evident of the fact that relationship among exogenous variables in this study does not reflect any instances of multicollinearity. For further verification of the phenomenon, variance inflation factor (VIF) in multicollinearity diagnostics provide fairly accurate picture.

**Table 2: Correlation Matrix**

	PC_computed (A)	JS_computed (B)	dist_justice (C)	locus_of_control (D)	turnover_inte (E)
A	1				
B	.767**	1			
C	.733**	.654**	1		
D	.352**	-.522**	.323**	1	
E	-.646**	-.484**	-.852**	-.656**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.2. Multiple Regression:

In order to test hypotheses of the study multiple regression analysis was performed with interaction term to identify moderating effects of locus of control. Regression analysis provides us with significance, magnitude and direction of the relationship as conceptualized in hypothesized model. Table 3, 3a and 3b present regression results of the study.

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Table 3 Model Summary

Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Sig. Change	F	
				Change	df1	df2			
1	.734 <sup>a</sup>	.539	.522	.96191	.539	32.097	7	192	.000

a. Predictors: (Constant), JS\_LOC, dist\_justice, locus\_of\_control, PC\_computed, JS\_computed, DJ\_LOC, PC\_LOC

b. Dependent Variable: turnover\_intention

Table 3a ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	207.888	7	29.698	32.097	.000 <sup>a</sup>
	Residual	177.653	192	.925		
	Total	385.542	199			

Table 3b Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	8.431	.475		17.748	.000
	PC_computed	-2.690	.544	-1.484	-4.940	.000
	JS_computed	-.799	.481	-.464	-1.662	.098
	dist_justice	.753	.366	.540	2.058	.041
	locus_of_control	-1.465	.271	-1.069	-5.409	.000
	PC_LOC	.934	.173	2.315	5.401	.000
	DJ_LOC	-.223	.114	-.559	-1.957	.052
	JS_LOC	.073	.152	.156	.479	.632

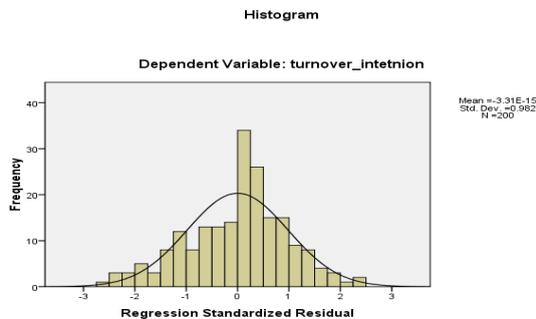
Table 3 presents model adequacy in explaining estimation i.e. impact of independent variables on dependent variables. Adjusted R<sup>2</sup> value of 0.522 identifies that model is fairly fit. Table 3a explains analysis of variance and significance of model specification. Table 3b presents regression coefficients of predictors and interaction terms. p and t values highlight significant predictors and interaction terms. Values given in table 3b show that distributive justice and psychological

contract along with their interaction terms are significant in predicting turnover intentions. Unstandardized beta coefficients ( $\beta$ ) show negative values for psychological contract and interaction term of distributive justice which is evident of the fact that increase in psychological contract decreases turnover intentions. On the other side distributive justice perceptions increase turnover intentions (given positive beta coefficient) but its interaction term reduces turnover intentions.

### 4.3. Data Normality

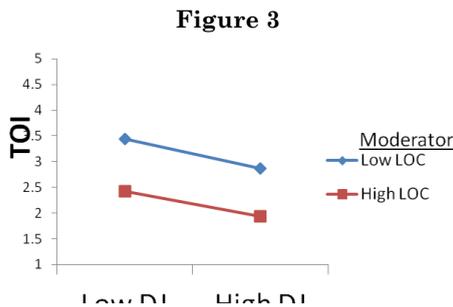
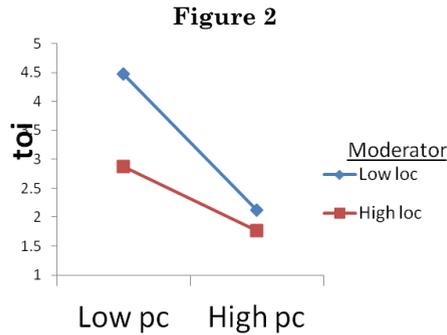
Data normality should precede regression takes 3, 3a, 3b. In order to run regression analysis, normal distribution of data pertaining to predicted is an important assumption. Histogram curve in figure 1 confirms the normality of data.

Figure 1



### 4.4. Simple slopes for Moderation:

Hypothesis underlying moderation holds that interaction is either positively or negatively inflated upon exposure of moderator to the relationship. This can be verified by simple slopes drawn on various interactions as hypothesized in the study. Figures 2 and 3 confirm that Locus of control has significant moderating effect on interaction between PC and TOI and DJ and TOI.



## 5. Conclusion:

The research findings indicate psychological contract and distributive justice as predictors of turnover intentions. Perception of fairness and strong bonding with organization stands as strong indicators for employees to retain employees in organization. These both indicators not develop confidence of employees but along with them establish their faith on the beliefs and values of organization. Organizations should commence their efforts and policies for implementing an environment that provides employees with a cushion of trust and belief on organization not only to decrease turnover rather to augment their efficiency and prolific abilities.

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