

THE MODELLING OF  
PARTICIPATIVE PROCEDURAL  
JUSTICE TO IMPROVE  
EMPLOYEE JOB  
SATISFACTION USING  
STRUCTURAL EQUATION  
MODELING

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# THE MODELLING OF PARTICIPATIVE PROCEDURAL JUSTICE TO IMPROVE EMPLOYEE JOB SATISFACTION USING STRUCTURAL EQUATION MODELING

(Empirical Study on Textile Industry and Products in West Java)

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## ABSTRACT

The present study aimed to develop the concept of and fill the gap between the compensation system and job satisfaction, in order to improve employee performance. This gap has been caused by the contradictory findings in research into the influence of compensation on job satisfaction. A new proposition has therefore been offered through this study, that is, the use of Participative Procedural Justice as a tool in bridging the gap.

Seven hypotheses have been developed and tested using the data gathered from 232 respondents who were the representatives of workers' unions in the textile and textile product industry in West Java. Data analysis was conducted using Structural Equation Model (SEM) run by statistics software SPSS 16 and AMOS 16.0.

The results showed that 4 hypotheses were significant while the other 3 were insignificant. Since this study proves that participative procedural justice is a valid mediation variable, it can then be employed as a human resource tool to improve employee job satisfaction. The current research has tested a new concept which plays a role in mediating the relationship between compensation and employee job satisfaction. Further, this research has also conducted a test on the variables of labor union representative support, organizational support in enhancing participative procedural justice, which will affect work satisfaction and finally can improve employee performance.

**Key words:** Participative Procedural Justice, Labor Union Representative Support, Organizational Support, Job Satisfaction, Employee Performance, Structural Equation Modeling.

The Modelling of Participative Procedural Justice To Improve Employee Job Satisfaction Using Structural Equation Modeling, (Empirical Study on Textile Industry and Products in West Java)

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## I. INTRODUCTION

Today, the competitiveness among organizations is increasing, which is impacting the organizational dynamics. Organizations are facing constantly dynamic conditions and fast-changing environments; thus, they need to find strategies to resolve this issue. The various dynamics of organizational life produce different kinds of behavior shown by members of organizations. Therefore, it is widely believed by organizations that employee behavior has an influence on organizational function.

Job satisfaction is one of the topics of continuous interest and importance to scientists and practitioners alike. The reason for this is that job satisfaction can affect the overall running of an organization. Job satisfaction is a key factor to achieving optimum work outcomes. When an employee feels satisfied with their job, they will make great efforts to to accomplish their duties. Therefore, employee performance will be optimized.

One of the influencing factors of employee job satisfaction is compensation. Every organization should endeavor to increase its employees' work satisfaction through the provision of fair and appropriate as well competitive compensation plans. Factors that contribute to job satisfaction are among others, fair and appropriate compensation programs, job safety, flexible work schedule and employee engagement programs (1)(Bandura 2001). Compensation satisfaction is determined by compensation fairness, level of compensation and compensation administrative practices(2) (Schuler and Jackson, 1996).

When an organization gives support to its employees, they are expected to demonstrate more loyalty, higher motivation in doing their jobs as they take pleasure in working, and this will in turn, increase the organization's performance. Unsatisfied employees will have the tendency to avoid tasks and responsibilities, which will lead to disruptions to the company's process of achieving its objectives. In addition to frequently avoiding their work, unsatisfied employees are more likely to resign from their organizations. Satisfied employees, on the other hand, have better health, live longer, and have a happy life outside their organizations as well. Managers believe that there is a tendency for happy employees to be more productive compared to those who are not(3) (Robbins, 1996).

Job satisfaction essentially refers to how much an employee likes their job (4) (Cherrington, 1987). Job satisfaction is the attitude of workers towards their jobs in general as discussed over employee or staff attitude usually mean job satisfaction (3)(Robbins, 1996). Since work is an important part of an individual's life, job satisfaction also affects the person. Accordingly, job satisfaction is life satisfaction (5)(Weber and Davis, 1982).

The issue of compensation is also very interesting to study in more depth for employees' existence and perceptions of compensation system are of great importance to an organization. Compensation plans are a form of organization's commitment to the welfare of its employees as well as a way of showing appreciation to the employees' contributions to the achievement of organizational goals.

Compensation systems are used to appeal to candidates to be part of an organization (6)(Mondy,2008). In order to gain highly skillful employees, compensation is considered as encouragement given by the organization to show appreciation to employees' contribution to

the organization. When it has formed a good perception among the employees, they will subsequently make commitment and love to their organization because they feel they have gained something from it in the form of salary, health benefits, bonuses, and skill development through training programs they participate in (7), (8) (Tsui et.al.1997; Foiritto et.al. 2007).

The purpose of management in an organization in general is to provide assistance in achieving strategic long-term successes. Compensation is the overall reward given to employees to compensate for their services or contributions to the organization (6) (Mondy, 2008). Another common term used which has a similar meaning with compensation management is reward management. (9) Amstrong (2010) states that reward management is associated with strategic formulation and implementation, which aim to reward employees fairly, equally and consistently in connection with their value to the organization, and therefore, it helps the organization reach its strategic goals.

A number of researchers have investigated issues in compensation system within organization: (10)(1)Azman Ismail and Adanan Mat Junoh's (2011) research titled "Relationship between perceived procedural justice, communication about payroll systems and job performance". They suggested that current research and practice in compensation management models take consideration of procedural justice as an important part of compensation system. If procedural justice perception is integrated within a compensation system, then further positive work-related attitudes will be exhibited: satisfaction, commitment, performance, ethics, productivity, and quality. These constructive results will then motivate employees to support both objectives of organizational resources management, i.e. human and strategies. (11)(2) Azman Ismail, Hayazi Abdul Rahman and Wan Khairuzzaman Wan Ismail's (2007) research titled "Moderating effect of procedural justice on the relationship between participation in payroll systems and personal outcomes". Based on the model of payroll system used in the hotel industry sector in Malaysia, they confirmed that procedural justice has played a crucial role as a partial moderator in it.

Based on the above research into compensation system and job satisfaction, it can be gathered that a good compensation system will give satisfaction to employees and will allow an organization to recruit and retain its qualified employees.

Previous studies on issues of compensation in relation to employees' job satisfaction have also been done. In their study, (2)Schuler and Jackson (1996) found that compensation (also as a system) could be the key to effective human resources management to fulfill both business and employees' needs. Therefore, determining compensation is a complex task as there are numerous factors to take into consideration due to the fact that it involves both the needs of organization and employees.

Satisfaction is definitely the most significant predictor of intention to stay and leaders have to consider a few strategies in overcoming related factors (12)(Brown, Yoskioka and Monu, 2004). The study conducted by(13) A.Scott State Rood and Andrew Holdnak (2013) from Grand valley State University and University of West Florida USA titled "An Analysis of Compensation Patterus and Job satisfaction Issues of Resort Recreation Profesional", found that compensation has significantly been proven to affect work life and job satisfaction.

There are also other research findings that are not in support of the above-mentioned studies. A study titled "Low Pay, Higher Pay and Job Satisfaction within the European Union: Empirical Evidence from Fourteen Countries" was conducted by(14) Luis Deaz Serrano and Jose A. Cobral Vieira (2005) who examined differences in job satisfaction between low and high pay in European Union. The results showed that in high pay the satisfaction was low while low pay indicated lower satisfaction in comparison with high pay, and this applied in the majority of European countries, with the exception of England, where employees with low pay demonstrated higher job satisfaction from the points of view of highly-paid employees.

The research findings of (15) Leontaridi and Sloane (2001) in England showed that workers with low pay conveyed higher job satisfaction than their counterparts with higher pay, meaning that these results do not support the assumption that low-paid workers express low job satisfaction as well. This appears to be in line with the view that says low-paid workers are likely to receive different compensation in the form of non-monetary benefits. Similar conclusion was also drawn from the study of (15) Jones and Sloane (2003) and Leontaridi et.al. (2004) who found important differences in determining factors of job satisfaction across countries. Their research also explained that empirical evidence on work quality could not be generalized in all European labor markets. This is essential in policy making in European Union countries.

The globalization era has penetrated multiple aspects of human life. This has brought quite a large impact on economics, in particular the industries in Indonesia, namely trading, manufacturing and services. Therefore, the powerful influence of business environment has urged companies to do restructuring so that they could survive and compete, all of which require strategic designs.

Economic growth has an influence on a variety of life sectors, one of which is the growing opportunities for professional organizations or companies to explore and develop. Professional organizations, like any other organizations, are a system that connects resources in order to achieve certain objectives. Organization is a social and technological tool consisting of human and physical factors. People fulfill their functions and perform their obligations, which lead to the achievement of rational targets.

In order for an organization to meet its set goals, it has to be able to maximize the potentials of its employees including their feeling of satisfaction working in the company, coordinate group activities, execute fair and equal compensation plans, as well as create a supporting work climate for its employees or provide any necessary support. In other words, a company should find ways to enhance its employees' efficiency and effectiveness, which will result in increased employee performance.

Employee compensation is an issue between employees and their organizations or companies. Employees require decent compensation, and likewise, companies also want to provide the compensation demanded by the employees. Nevertheless, the issue is whether the compensation is decent in the perception of the employees, or whether the company has the ability to provide the compensation required by its employees. These kinds of issues are faced by most companies not excluding the Textile and Textile Products (TPT) industry. The condition of the TPT industry in Indonesia is explained below.

The TPT industry in Indonesia in general and in West Java more specifically plays a vital role due to the massive workforce employed in this sector and the fact that textile is one of the main export commodities that are a source of foreign income for the country. The TPT industry in Indonesia has dealt with many challenges up to the present time. The issues concerned are among others the expensive energy costs, uncondusive port infrastructures, out-of-date machines and illegal imported products.

These issues have caused the TPT industry in Indonesia to run inadequately. The operational costs are relatively higher and the productivity is lower. Notwithstanding the difficult circumstances, the Indonesian TPT industry is still considered an important player in overseas markets and is even highly competitive in international markets. The evidence of this can be seen from the large annual contribution the textile and textile products sector makes in terms of foreign exchange earnings. The TPT industry still plays a key role in the national economy as it contributes 11, 7% to national exports, 20, 2% to national trade surplus, and 3, 8% to gross domestic products (GDP); it provides a large source for jobs, up to 1.5 million labors. The total number of companies in the TPT industry in Indonesia is over 2.699 with a total investment

of Rp 135.7 trillion. The TPT industry locations are concentrated in West Java (57%), Central Java (14%), Jakarta (17%) and others (12%) distributed in East Java, Bali, Sumatera and Yogyakarta.

Due to the substantial number of existing textile companies and employees, it is clear that competition among those companies will become stronger. This should actually become a motivation for entrepreneurs and workers to raise their awareness of the circumstances around them in response to the various issues concerning themselves and their organizations.

This awareness can then be used as a basis to strive for success by developing ideas, finding innovative ways to boost themselves and their organizations in order to win competitions or at least to survive. Ensuring that employees keep receiving fair treatment and organizational support is also a contributing factor to competing successfully or surviving in the business. This will be achieved if both employees and organizations play their roles well in their respective tasks and responsibilities.

If the above scheme is executed, employee satisfaction will be fulfilled and finally, employee performance increased, which then will improve the state of the organization.

Based on the above background insight, compensation system, labor union support, organizational support, and job satisfaction in increasing work performance become interesting research topics, particularly due to the contradictory findings of empirical studies on the effects of compensation on job satisfaction where some were significant while others were not. Further, the business phenomenon surrounding the TPT industry where demonstrators kept showing their dissatisfaction, the big labor force within TPT industry, and the contribution it gives in terms of foreign exchange earnings have put an additional emphasis on the importance of conducting research in this area.

## 2. HYPOTHESES DEVELOPMENT

### 2.1. Relationship between Information Quality of Payroll System and Participative Procedural Justice

Communication in payroll system is often defined as information exchange and comprehension building on payroll system (16) (Ismail & Mat Junnoh, 2008). Communication in the context of compensation management entails transferring payroll messages from one person or group to another person or group via verbal and non-verbal or written communication. More specifically, communication can also promote employee's better understanding of their award and credibility as part of the compensation plan implementation in the payroll administration (17), (18), (Fitzgerald, 2000; Hewitt Associates, 1991; Nelson, 1998; Nielson, 2002).

There are two types of communication strategies adopted by most organizations (10) (Ismail & Mat Junnoh, 2008). First, communicating information from employee to organization or decision maker. The second type is the communication of payroll from organization to employee (19), (20), (21) (Henderson, 2000; Lawler, 1982; Milkovich & Newman, 2005; Wallace & Fay, 1988).

Previous studies on compensation management mainly focused on direct relations between communication of payroll system and perceptions of procedural justice. One study conducted by (10) Ismail and Mat Junnoh (2008) found that there was a strong influence of the relationship between communication of payroll system and individual behavior (job satisfaction and job achievement) when procedural justice was incorporated. This concept is considered consistent with the concept of the procedural justice theory which states that in order that employees understand the fairness of the payroll system and process, organizations should include them in the decision-making process to ensure fair principles or treatment, communicate any

information accurately and consistently, reduce prejudice, and allow opportunity for improvement.

Participative procedural justice is a joint concept originated from organizational justice and participation. The connection of the concept with the influence of compensation system on organizational justice, mainly procedural justice, has made it the more appealing to investigate. Compensation system is a common tool used to attract highly-skilled individuals to join an organization so they will feel convenient.

Employees perceive compensation system justice as remuneration and other types of wages that comply with the rules and regulations of the organization (7)(Tsui, et.al.1997). Employees who perceive the compensation they receive as a form of support from their organization to their welfare will return the reward by showing citizenship behavior in order to obtain promotion and increase their bonuses (22)(Choi dan Chen, 2007). Employee participation refers to the involvement of employees in decision making, particularly in decisions concerning compensation plans that are underway. The procedural justice theory examines the influence of decision-making procedure on attitude and behavior (23)(Walker et.al., 1974).

Decision-making process greatly affects the acceptance of a decision made (23) (Thibhaut and Walker, 1975). Therefore, there are occasions where, regardless of their disagreement with a decision, an employee still accepts that decision because of the fair process of decision making (Procedural Justice).

Several studies confirmed that proper allocations of payment or payroll structures could have significant effects on employees (24),(16) (Adams, 1963, 1965; Mekar, 1999, 2002 in Ismail et.al. 2009).

Furthermore, on the influence of administration management on compensation, (10) Fayol (1930) in Ismail et.al (2009) believed that financial incentive is a reasonable representative in improving employee efficiency and productivity due to the perception of equality resulted from it. When employees' participation is allowed in the decision-making process, then proper allocations of salary level decided will lead to increased participative procedural justice (25) (Dessler, 2006; Hellriegel and slocum, 1996).

This concept is in line with the procedural justice theory that states that engaging employees in the decision-making process to ensure fair principles or treatment, communicate information accurately and consistently, reduce prejudice, and give opportunity for feedback, will boost employees' understanding of the justice of the payroll system and process in an organization.

Based on the above overview, the first hypothesis is proposed:

**H1:** The higher the information quality of the payroll system, the better the perception of participative procedural justice will be.

## 2.2. Relationship between Information Quality of Payroll System and Job Satisfaction

Researchers have looked into effects of compensation system on job satisfaction. In their study on communication about payroll system, (10)Ismail and Mat Junnoh (2008) identified honesty, supervisor encouragement, reward system, and good working condition as organizational characteristics that had positive effects on job satisfaction. Many of the previous studies on compensation management have looked into the direct relationships between communication about payroll system and procedural justice perception (26),(27),(Lind & Tyler, 1988; Pettijohn et.al. 2001; Sinclair, 2000). One of the findings showed that the effects of communication about salary system on individual attitude and behavior were job satisfaction and work performance (28), (17)(Chang & Chen, 2002; John et.al. 1996; Fitzgerald, 2000; Greenberg. 2003)

According to (10)Ismail and Mat Junnoh (2008), current research and practices in compensation management model need to consider procedural justice perception as an integral part of compensation system. If procedural justice perception is integrated with compensation system, further personal positive outcomes will then be found, such as job satisfaction.

The above studies have led to the inference that communication about compensation system affects job satisfaction. (29)Ismail et.al (2009) emphasized that scientifically, in management compensation is a mechanism which motivates an employee to work to their fullest capacity. This confirmed Taylor's view that was based on the development of fair incentive systems (29) (Heyel, 1982, Ismail et.al. 2006).

Furthermore, Ismail et.al said that leaders should have clear ideas about objectives, types and components of a payment system due to its likelihood to interest, retain and motivate competent employees in order to maintain the power of organizational competitiveness in the global economy.

The above elaboration has led to the assumption that if a compensation system or, in this case, information quality of payroll system is executed well, then job satisfaction will be experienced by employees. The expectation is, if job satisfaction improves, employees will put their best effort into their work.

Therefore, the second hypothesis is proposed below:

**H2:** The higher the information quality of Payroll System is, the higher the job satisfaction will be.

### **2.3. Relationship between Labor Union Representative Support and Participative Procedural Justice**

Labor union is an organization that is established by and for labors voluntarily, democratically, continuously and permanently, whose purpose is to: 1) protect and defend the rights and interests of labors; 2) amend work conditions and terms through agreements with management or entrepreneurs; 3) protect and defend the rights of their family in the event that they become sick or lose their jobs; 4) endeavor to make management listen to and consider their voices or opinions prior to making a decision.

As partners of an industry, workers require justice and have the rights on the earnings of the industry. Even though they have the power to overcome general issues encountered, among others low wages, bad health services, and work safety, workers are unable to strive for their rights on their own against investors and management who have power, money and influence.

In this case, workers realize and acknowledge that individually they do not have enough strength to achieve their goals. However, only by collectively organizing themselves and their activities can they then maintain their dignity as individuals and workers; respect the instructions of business owners; work hard to improve and maintain their livelihood; increase wages, and socioeconomic status, welfare, and other benefits. In Indonesia, the law governing trade union is the 1945 Constitution of the Republic of Indonesia. Being one of the means of realizing the mandate of the 1945 Constitution, the industrial functions of labor union support are monitoring and ensuring orderly and aspirational production, and also striving for the welfare of its members and their family. This is in accordance with Act No.21 of 2000 about labor union, which states that labor union is a tool to strive for, protect, and defend the interests as well as the welfare of workers and their family. Additionally, it creates a harmonious, dynamic and just industrial relationships.

In relation to creating justice, there is a strong connection between the existence of labor union and participative procedural justice. The reason for this is when trade union is relied upon

by workers and is capable of playing its roles well, they will feel satisfied if the participative procedural justice is also executed properly.

Based on the above elaboration, the following hypothesis is proposed:

**H3:** The higher the labor union representative support is, the higher the perception of participative procedural justice will be.

#### 2.4. Relationship between Organizational Support and Participative Procedural Justice

Perceived organizational support is the extent to which employees that their organization values their contribution, gives support, and cares about their well-being. Company's success is not solely dependent upon its leader, but also upon the level of employee engagement in organizational activities and goal achievements.

Greater employee engagement is required as an effort to build strong employee loyalty, so positive perceptions will be formed. Providing support is essential for any organization to attain success since it will lead to job satisfaction and eventually increase employee performance.

Therefore, following the perceived organizational support, it is expected that participative procedural justice will be improved. This means that in order for an organization to meet its objectives, employee involvement, here referred to as participative procedural justice must be executed in a proper manner, and consequently, employees will perceive their organization positively. This emphasizes the importance of organizational support.

When a fair compensation system has been implemented due to the existence of labor union, employees will perceive it as a form of organizational support. Further, (22)Choi and Chen (2007) said that an employee who perceives the compensation s/he receives as a form of welfare support given by his/her organization will return it through citizenship behavior, in order to gain promotions and more bonuses.

The citizenship behavior shown is also a form of appreciation from the employee through their hard work, so they will ensure their participation in the decision-making process. This is an endeavour to show the organization that they care and their relationship with their organization is reciprocal.

The above explanation has led to the proposal of the hypothesis below:

**H4:** The higher the perception of organizational support is, the greater the participative procedural justice will be.

#### 2.5. Relationship between Participative Procedural Justice and Job Satisfaction

The concept of participative procedural justice is resulted from the combination of two concepts: organizational justice and participation. Both concepts equally give significant effects to employee job satisfaction. It has been proven by the research conducted by Wardani (2009), which described the strong connection between employee participation and procedural justice. Furthermore, the study found that the role of responsibility center management (RCM) is closely related with procedural justice. If RCM works effectively and efficiently, then procedures are implemented fairly, which will increase managerial performance and lead to job satisfaction. This shows there are positive relationships and significant between procedural justice and job satisfaction and performance through budget participation.

In their study, (30) Suhartini and M. Ikhwanul Hakim (2010) found significant influence of organizational justice on job satisfaction. Similarly, Sheppart in (30) Suhartini and Hakim (2010) conveyed that the feeling of equality toward compensation will improve job satisfaction as well as satisfaction with organization, which will eventually encourage positive work behavior. The above mentioned research findings have led the authors of the present study to

propose a conceptual combination between the concept of procedural justice and that of participation in order to generate a composite concept, which can affect employee job satisfaction positively.

Positive effects of participation on job satisfaction have been investigated by (31) Brooke and Price (1989). Their research findings have proven both partially and simultaneously that employee involvement components, which are group support, participation in decision making, and task independence have significant effects on employee job satisfaction.

Therefore, combining the concepts of procedural justice and participation will produce better results as both concepts have positive influence on job satisfaction.

Then, the following hypothesis is proposed:

**H5:** The higher the participative procedural justice is, the higher the employee job satisfaction will be.

## 2.6. Relationship between Organizational Support and Job Satisfaction

Perceived organizational support is an antecedent variable of job satisfaction (32) (Babakus et.al, 1996; Kahumuza and Schlechter, 2008). According to (13) Rhoades and Eisenberger (2002), perceived organizational support is also considered as a global belief formed by every employee about their organization's policies and procedures; resources received; interactions with their supervisor, and the extent to which their organization cares about their well-being.

Research into effects of organizational support on job satisfaction is substantial. One conducted by (30) Desiana (2012) found that perceived organizational support has a positive relationship with job satisfaction and affective commitment. (33) Roby Sambung's (2011) study findings indicated positive influence of organizational support on job satisfaction and organizational citizenship behavior (OCB). Similarly, (34) Ariani (2011) also found significantly positive relationships between perceived organizational support and job satisfaction.

Based on the above scientific support, the sixth hypothesis is proposed below:

**H6:** The higher the organizational support is, the higher the employee job satisfaction will be.

## 2.7. Relationship between Job Satisfaction and Employee Performance

Job satisfaction is a positive emotional state resulting from the evaluation of one's work experiences (35) (Mathis dan Jackson, 2001). Job satisfaction affects organizational life. It is also a positive or negative attitude an employee has toward the employee's job. This attitude is the result of the employee's perception of his/her job (36) (Greenberg and Baron, 2000; Ivancevic and Matesson, 2002). An employee who has a high level of job satisfaction demonstrates a positive attitude toward his/her job, while an employee with a low level of job satisfaction shows a negative attitude toward his/her job. Job satisfaction shows an attitude, and not behavior (3) (Robbins, 1996), hence the great effects on employee performance. One study conducted by (9) Baskoro, Hidayat and Djoko (2013) confirmed such effects.

Job satisfaction plays a role in more efficient usage of human resources in attaining productivity as well as high quality standards (9) (Dessler, 2007). (37) Luthan (1997) defined job satisfaction as attitudes developed by employees on a continuous basis toward a variety of work aspects such as wages, coworkers, promotions, and the jobs themselves. Job satisfaction is not static, yet it can influence and modify different strengths within an individual. One of the factors that drive many educated and competent individuals to work is to find job satisfaction. Job satisfaction will be fulfilled if there is a strong motivation to achieve good work performance.

Further, satisfaction is a pleasant or unpleasant emotional state in which employees find their jobs. Job satisfaction reflects the feeling one has toward one's job and everything in it. The elements that support the achievement of good work performance are personal, for instance how satisfied an employee is with his/her job.

Based on the above theories and research findings, the authors of the present study have proposed the seventh hypothesis, which is as follows:

**H7:** The higher the job satisfaction is, the higher the employee performance will be.

## EMPIRICAL RESEARCH MODEL

An empirical model related to the hypothesis development is presented in the diagram below:

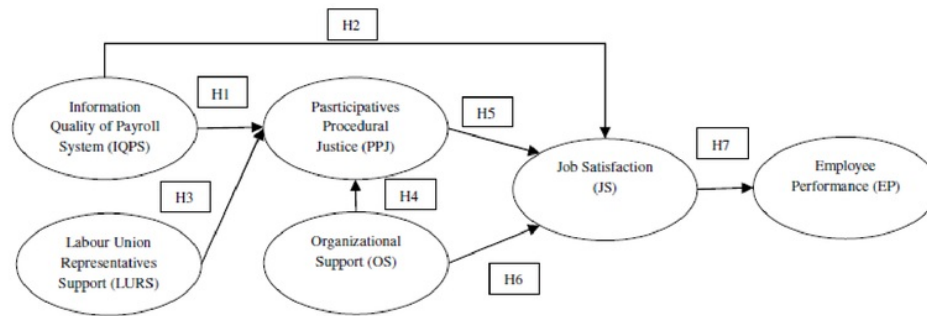


Figure 1 Empirical Research Model

## 4. RESULT AND DISCUSSION

### 4.1. Goodness of Fit Model

Table 1 Goodness of Fit of Research Model

Goodness of Fit Index	Cut off Value	Result	Model Evaluation
Chi-Square (df = 395)	<442,341	230,615	Fit
Probability	≥ 0,05	0,062	Fit
CMIN/DF	≤ 2,00	1,159	Fit
GFI	≥ 0,90	0,921	Fit
AGFI	≥ 0,90	0,899	Marginal
TLI	≥ 0,95	0,978	Fit
CFI	≥ 0,95	0,981	Fit
RMSEA	≤ 0,08	0,026	Fit

The results of the model fit testing presented in table 1 above indicate that the overall test criteria fall within good category or fulfill the scoring criteria required. However, the fit index values of GFI and AGFI fall within marginal category because the values of GFI and AGFI range from 0 (poor fit) to 1 (perfect fit) and AGFI 0.90 are good fit. The GFI value is 0.921 so it is categorized as fit and the AGFI score is 0.899 which is less than 0, 90 or commonly called marginal fit.

On the Chi-Square test, a model is considered fit if the chi-square count value is less than Chi-square table value. The smaller the Chi-square count value is than that of the Chi-square table, the better the model is as there is no difference between the population estimation and the tested sample. This research model shows that the Chi-square count value is 230.615 and the

1 Chi-square critical/table value with the number of DF = 395 is 442.341. This means that the research model shows no difference from the estimated population, or in other words the model is accepted for the Chi-square value in this research is smaller than its critical/table value. Other components, namely Probability (P), RMSEA, CMIN/DF, TLI, CFI are also within the expected value range, while the value of AGFI index is categorized as marginal, meaning that it is below the expected value. However, the overall model is good.

#### 4.2. Hypotheses Testing

After SEM assumptions have been tested and model fit run, the hypotheses were tested to determine the causality relationships between the variables. The result of the test was shown in the Regression Weight value in the CR column (identical with t-count), then compared with its critical value (identical with t-table). The critical value for the significance level 0.05 (5%) is 1,998 (lihat pada t-tabel), while the critical value for the significance level 0,1 (10%) is 1,66 (see t-table). If the value of CR > critical value, then the research hypothesis is accepted, while if the value of CR < critical value, then the research is unaccepted. The regression weight scores of the relationships between variables are seen in table 4.43.:

Table 2 Regression Weights

			Estimate	S.E.	C.R.	P	Label	Information
PPJ	<---	IQPS	.386	.143	2.703	.007	par_13	H 1
PPJ	<---	OS	.046	.058	.795	.427	par_15	H 4
PPJ	<---	LURS	.453	.101	4.496	***	par_17	H 3
JS	<---	PPJ	.656	.111	5.933	***	par_14	H 5
JS	<---	OS	-.045	.068	-.654	.513	par_16	H 6
JS	<---	IQPS	-.093	.166	-.562	.574	par_21	H 2
EP	<---	JS	.222	.055	4.046	***	par_26	H 7

#### 4.3. Hypotheses Testing Results

Table 3 Hypothesis Results

Hypothesis	Hypothesis Statement	Result
Hypothesis 1	Effect of Information Quality of Payroll system on Participative Procedural Justice	Acceptable/Significant
Hypothesis 2	Effect of Information Quality of Payroll system on Job Satisfaction	Unacceptable
Hypothesis 3	Effect of Labor Union Representative Support on Participative Procedural Justice	Acceptable/Significant
Hypothesis 4	Effect of Organizational Support on Participative Procedural Justice	Unacceptable
Hypothesis 5	Effect of Participative Procedural Justice on Job Satisfaction	Acceptable/Significant
Hypothesis 6	Effect of Organizational Support on Job Satisfaction	Unacceptable
Hypothesis 7	Effect of Job Satisfaction on Employee Performance	Acceptable/Significant

## 5. CONCLUSION

Based on the above mentioned research problems gained from previous study findings as well as from TPT Industry in West Java, it can be concluded that the main issue in the present study is: "How can job satisfaction be improved and the work performance of the employees of TPT Industry be enhanced through the development of the information quality of payroll system, labor union representatives support, organizational support and participative procedural justice?"

The above table 3. Shows that the support for hypotheses 1 and 3 strengthens the variable of participative procedural justice, which is influenced by the variables of information quality of payroll system and labor union representative support in order to achieve job satisfaction. On hypotheses 2, 4, and 6 it is found that job satisfaction is neither significantly nor directly influenced by information quality of payroll system. Similarly, the organizational support variable does not have any significant influence on job satisfaction either directly or indirectly. Nevertheless, when the variable of information quality of payroll system indirectly influences job satisfaction, organizational support can be powerful if the variable of participative procedural justice shows significance.

The overall significant support resulted from the hypotheses testing has provided answers to the research problem, which have led to the construction of 2 models in enhancing employee job satisfaction, which are described as follows:

The first model describes the steps to improve job satisfaction by improving the information quality of payroll system through the improvement of participative procedural justice and job satisfaction, which will subsequently influence employee work performance.

The findings of this study demonstrate the crucial role of participative procedural justice in bridging the gap between compensation system and job satisfaction. As a result, participative procedural justice can be put into practice along with the information quality of payroll systems, and the support from the representatives of labor unions in order to enhance job satisfaction, and will subsequently, develop employee performance.

### 5.1. Theoretical Implications

The current study gives contribution to the Equity theory, which says that justice is the drive that keeps someone motivated in their work. Consequently, employers or board of directors should give fair treatment to employees. Objectivity and justice should be the basis of evaluation and recognition of subordinates' behavior, as well as compensation or punishment. This means job satisfaction will increase when employees are treated fairly and are involved in the process of decision making (Participative procedural justice). This can occur if there is improvement in communication about payroll system and labor union support.

The present study also contributes to *Resource-Based View* (RBV) that holds the view that the key success to an organization originate in its resources. Employee performance will elevate when job satisfaction is reached.

Additionally, contribution is given to the Agency theory in that agency-related conflicts can be minimized through participate procedural justice. When its adequate implementation has taken place, then agents' and principals' interests will be obtained as well.

Finally, some contribution is given to the stakeholder theory. This theory is a theory of organizational management and business ethics. In business ethics, it is argued that all stakeholders have the rights to be treated fairly by an organization.

### 5.2. Management Implications

The management implications of this research are concerned with ways to increase job satisfaction, which will have impact on the increase of employee performance, such as:

**First**, job satisfaction can be improved directly through participative procedural justice.

**Second**, job satisfaction can be increased by participative procedural justice in an indirect way, that is through the support from labor union representatives and information quality of payroll system.

### 5.3. Research Limitations

In the process and results of this research there are several limitations, which are as follows:

**First**, statistically, the explanatory power of independent variables to dependent variables is considered perfect if it approximates 100%, indicated by the  $R^2$  value of 1. The statistical analysis using the structural equation model in the AMOS 16.0 software shows that the  $R^2$  value or coefficient of determination for the endogenous variable of employee performance is 0.152, meaning that the antecedent variables' power to explain the employee performance variable is weak. According to Kline (2004), if the coefficient of squared multiple correlation ( $R^2$ ) is less than 0.2, it is indicative of weak explanatory power of exogenous variables to endogenous variables.

**Second**, it is the respondents' extensive areas and the indirect meetings with the respondents.

**Third**, there are careless, unreliable responses in the questionnaires and questions that were not fully comprehended by the respondents.

**Fourth**, respondents were experiencing difficulty in reading and understanding the statements in the questionnaire, particularly the open questions, probably because they were unfamiliar with some things and the majority of the respondents was high school graduates.

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