

Predicting Employees' Loyalty through Organizational Justice: The Moderating Role of Union Effectiveness

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ABSTRACT

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Encouraging fair management practices can foster positive behaviors among employees, such as loyalty. Previous studies have shown that organizational justice is one of the many key drivers of organizational loyalty. However, most of these studies have been carried out in different countries and in non-unionized organizations, leaving an opportunity to fill a gap in the literature. Guided by the social exchange theory, the present undertaking will narrow the gap by examining the direct influence of organizational justice on organizational loyalty in unionized firms and introduces union effectiveness as a moderator variable to investigate the direction of this relationship. The participants are union members ($n = 383$) from various manufacturing companies in the third district of NCR, Philippines.



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Using PLS-SEM, the study found that different domains of organizational justice (procedural, distributive, informational, and interpersonal justice) have a significant and direct impact on organizational loyalty. Furthermore, the study revealed that union effectiveness moderates the direct relationship of procedural, distributive, and informational justice to organizational loyalty. However, union effectiveness does not moderate the relationship between interpersonal justice and organizational loyalty. Research implications and limitations are discussed in this study.

INTRODUCTION

It is the right of every worker to organize and form unions, to cooperate, and to promote and protect mutual interests in any industry. According to Kalaimathi and Hemalatha (2021), the primary role of unions is to fight for better rights, working conditions, wages, hours, and benefits for workers. More importantly, unions provide an opportunity for workers to collectively act against injustices that they may perceive from the management (Bakırtaş & Kandemir, 2017). Peou (2014), explained that unions have also promoted the workers' freedom to organize. Unions can have a positive impact on companies by increasing job satisfaction (Gopinath, 2016); (Hammer & Avgar, 2005), reducing absenteeism (Payá Castiblanque, 2020), and lowering attrition rates (Jiang & Yao, 2020). However, unions may also influence management's decision-making, which can lead to friction and power struggles (Pitzer, 2018; Tiro, 2022). According to the Bureau of Labor Relations (BLR), the highest number of registered unions and members belong to the manufacturing sector in the National Capital Region (NCR) based on the national labor statistics they conducted in the first quarter of 2023. Upon looking at the current research trends regarding unions, most studies and articles have examined unions in the manufacturing sector from various countries. Oktafien et al. (2023) explained that the direction of research on unions is focused primarily on the central role of unions to their members and their direct influence on management prerogatives. Specifically studies that examine the impact of union activities on the human resources management of companies (Dhal, 2015). Only a few studies have examined the external influence of unions on the interaction between the management and their employees.

Hence, there is an opportunity to utilize existing research about unions and conduct a study to provide empirical evidence that can lead to additional insights or perspectives. Particularly, we can examine the external influence of unions in companies and if they can potentially promote citizenship behaviors. According to Podsakoff et al. (2000), there are seven (7) kinds of citizenship

behaviors: helpful behaviors, sportsmanship, self-development, organizational conformity, individual initiative, civic virtue, and organizational loyalty. Although there is no official consensus on which type of citizenship behavior is the most desirable, there is an increasing number of studies that explore the potential link of organizational justice to a specific type of citizenship behavior, which is organizational loyalty. The studies of Arqawi et al. (2018), Mehdad and Khoshnami (2016), Radmanesh (2015), and Hur et al. (2014) examine the direct relationship between organizational justice and organizational loyalty. Cropanzano and Ambrose (2015) suggest investigating different sources of justice, such as unions, and examining their interactive influence on fairness. Previous studies have shown that unions can serve as an effective means of promoting organizational justice. Therefore, it leads us to the question: Does management gain from the increased of justice perception brought by the unions?

Furthermore, is there still a consistent relationship between organizational justice and loyalty when union effectiveness is introduced as a moderator variable? This study focused on linking organizational justice to employees' citizenship behavior in the company and include unions as an external factor that may affect the said relationship. The present undertaking explores how successful unions influence the employees' loyalty behaviors towards their company. The use of union effectiveness as a moderator is guided by the study of Memon et al. (2019).

FRAMEWORK

The present study utilizes the social exchange theory (SET) (Blau, 1964) and organizational justice theory (Greenberg, 1990) as the theoretical underpinning, which can be applied in various fields, including business management. The social exchange theory provides a theoretical framework for understanding the relationship between the management and their employees. Cropanzano and Mitchell (2005) stated, "Social exchange relationships evolve when employers take care of employees, which engenders beneficial consequences." Hence, if the management treats their employees fairly, they are more likely to be committed to the organization's success (Nazir et al., 2019). From the management's perspective, investing in organizational justice (cost) will lead to organizational loyalty (benefit). Furthermore, union effectiveness (see Figure 1) is used as a moderator variable to examine further the direct relationship between organizational justice and organizational loyalty.

Organizational Justice. The term organizational justice was conceptualized by (Greenberg, 1990), and it refers to the perceived fairness of employees in their organization's behaviors, management practices, and activities that would affect

their attitudes and behaviors. Organizational justice has three sub-constructs: procedural justice, distributive justice, and interactional justice (Bies & Moag, 1986; Colquitt, 2001). The interactional justice dimension was further divided into two sub-constructs: interpersonal and informational justice (Colquitt, 2001; Greenberg, 2001). Previous studies have shown that a high perception of organizational justice leads to various positive outcomes in the workplace, such as job satisfaction (Sia & Tan, 2016), organizational commitment (Cugueró-Escofet et al., 2019), employee engagement (Lamprakos et al., 2018), and organizational citizenship behaviors (Podsakoff et al., 2000; Gan & Yusof, 2018). In contrast, a low perception of organizational justice will lead to emotional exhaustion or burnout (Tziner et al., 2020), counterproductive work behavior (Al-A'wasa, 2018), and cyberloafing (Oosthuizen et al., 2018). Arqawi et al. (2018), have also investigated and identified the potential linkages between procedural and organizational loyalty. Likewise, Radmanesh (2015), Mehdad, and Khoshnami (2016) have established the link between organizational justice and organizational loyalty. Therefore, the researcher proposes the following hypotheses;

- H₁ Procedural justice significantly influences organizational loyalty.*
- H₂ Distributive justice significantly influences organizational loyalty.*
- H₃ Informational justice significantly influences organizational loyalty.*
- H₄ Interpersonal justice significantly influences organizational loyalty.*

Organizational Loyalty. Podsakoff et al. (2000) published a critical review of the theoretical background of organizational citizenship behaviors and indicated organizational loyalty as one of its seven dimensions. Since then, loyalty has been numerously studied throughout the years in an organizational context and can be traced in other research and articles as one of the many factors or consequences of organizational citizenship behavior and organizational commitment. Koçoğlu Sazkaya and Dede (2018), argued that organizational loyalty and organizational commitment often need clarification. The common point is that they both signify belongingness towards an organization; however, the differentiating point is that loyalty is a more robust and unilateral emotion. Likewise, Hur et al. (2014) argued that organizational loyalty reduces employee turnover, and those with a strong sense of organizational loyalty are more likely to stay even if the organization faces difficult times that will bring an uncomfortable situation to its members.

Furthermore, Arqawi et al. (2018) explained that organizational loyalty is an employee's emotional attachment to the organization and the desire to stay and work. Moreover, Arqawi et al. (2018).

defined organizational loyalty as a degree of conformity of the individuals with

their organization and association with their desire to make the most significant bid or effort for the organization in which they work with a strong desire to continue their membership. This study examines organizational loyalty as a type of organizational citizenship behavior (Podsakoff et al., 2000). It establishes its potential links to organizational justice, supported by previous studies of Arqawi et al. (2018), Radmanesh (2015), and Hur et al. (2014).

Union Effectiveness. Carillon and Sutton (1982) identified four (4) domains of union effectiveness: organizing effectiveness, institutional effectiveness, political effectiveness, and effectiveness in rendering direct member services. However, Carillon and Sutton (1982) deemed that the fourth domain, “effectiveness in rendering direct member services,” is the most frequently researched domain of union effectiveness. Pyman (2002) likewise explained that union effectiveness is the union’s ability to deliver improved work and working conditions. Therefore, an effective union is excellent in providing direct services to its members.

Moreover, Gall and Fiorito (2014) proposed a “goal-system” framework to advance the understanding of union effectiveness by helping to focus upon more identifiable ultimate measures. Specifically on the indicators of union effectiveness in terms of *wage premia*, *benefit premia*, fairness at work, electoral success, fairness in society, membership growth, member activism, and financial viability. Two of Bryson’s (2003) seven areas of union effectiveness assessment are associated with fairness. Gall and Fiorito (2014) likewise argued that the primary goal of unions is to bargain with their employers to establish fair wages and working conditions. This study pioneers the use of union effectiveness as a moderator construct to analyze the direction of the hypothesized relationship. Nowakowski and Conlon (2005) stressed the importance of recognizing the role of moderators in the justice literature because it leads to developing a richer perspective on moderation to advance the field of organizational justice. Cropanzano and Ambrose (2015) have suggested examining a broader range of justice sources, including unions, and examining the interactive influence of different sources of fairness. Various research and publications suggest that unions can influence the employees’ loyalty and how they perceive justice in the workplace. Hence, the researcher proposed the following hypotheses;

H₅ Union effectiveness moderates the relationship between procedural justice and organizational loyalty.

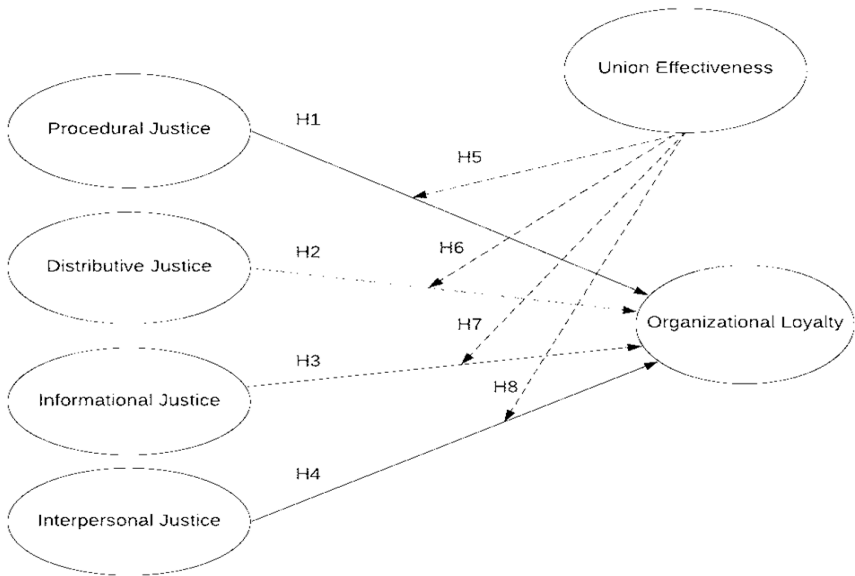
H₆ Union effectiveness moderates the relationship between distributive justice and organizational loyalty.

H₇ Union effectiveness moderates the relationship between informational justice and organizational loyalty.

H₈ Union effectiveness moderates the relationship between interpersonal justice and organizational loyalty.

This study conceptualizes the moderating role of union effectiveness in the relationship between organizational justice and organizational loyalty by utilizing the social exchange theory (Blau, 1964) and Colquitt's (2001) theory on organizational justice. Figure 1 shows the proposed conceptual framework.

Figure 1: *Proposed Conceptual Framework of this Study*



OBJECTIVES OF THE STUDY

The main objective of this study is to examine how organizational justice impacts employees' loyalty towards their organization. Additionally, the study aims to investigate the potential moderating effect of union effectiveness on the relationship between organizational justice and organizational loyalty. The current undertaking aims to fill a gap in the literature on organizational justice and organizational loyalty by pioneering the use of union effectiveness as a moderator variable in future research. Furthermore, this study examines whether effective unions influence employees' commitment to their firm or organization.

METHODOLOGY

Research Design

This study utilized a predictive-causal research approach as the appropriate design of this study. This approach can relate independent variables to dependent variables to generate predictions for the values of dependent variables given a set of values for the independent variables (Hair et al., 2019). The research design was also used for the moderation analysis.

Participants

A purposive sampling technique was utilized to gather the data for this study. As defined by Etikan et al. (2015), purposive sampling is a nonprobability or nonrandom sampling technique that does not need any underlying theories or a specific number of participants. The participants in this study are union members in manufacturing companies operating in the third district of NCR, Philippines. The researchers requested data from the Bureau of Labor Relations (BLR) to identify the specific number of the population. Table 1 refers to the population of union members in the third district of Metro Manila.

Table 1

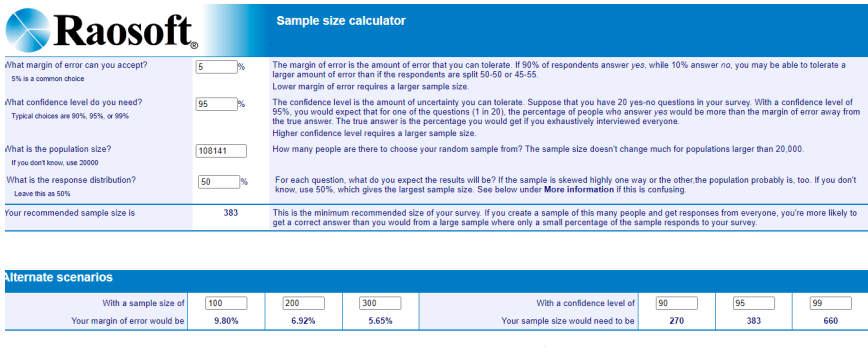
No. of Registered Enterprise-Based Unions (EBUs) and Members in the Third District of NCR

City	Manufacturing Industry	
	Total No. of Registered Unions	Total No. of Union Members
Caloocan City	533	25,465
Malabon City	300	13,814
Navotas City	114	3,342
Valenzuela City	1,325	54,536
Total No. of Union Members		108,141

Source: Bureau of Labor Relations Statistical Data last January 20, 2022

To compute the minimum sample size, the researcher used Raosoft.com, an online free sample size calculator with a 95% confidence level and a 5% margin of error. The sample size computed was 383. Figure 2 shows the user interface of Raosoft.com and the results of the sampling calculator.

Figure 2. Sample Size Calculator



To obtain the target samples needed in this study, the researcher sought the assistance of the local labor and employment offices to contact various labor groups and leaders in the targeted area of NCR. The researcher was able to gather 383 valid samples from four (4) cities – Caloocan City ($n = 113$), Malabon City ($n = 58$), Navotas City ($n = 16$), and Valenzuela City ($n = 196$).

Instrumentation

A self-administered questionnaire was utilized to measure the latent variables in this study. There are three parts to the questionnaire. The first part contains a 5-item scale adapted from Bryson (2003), Pyman (2002), and Gall and Fiorito (2014) to measure union effectiveness. The researcher then presented the 5-item scale to a labor relations expert at the DOLE-CAMANAVA field office to validate the indicators of the union effectiveness scale for localization. The second part contains a 3-item scale adopted from Hansen et al. (2013), which is a short version of the Colquitt (2001) scale to measure the four (4) domains of organizational justice for a total of 12 items. The third part contains a 3-item scale adapted from Arqawi et al. (2018), Radmanesh (2015), and Hur et al. (2014) to measure organizational loyalty. Organizational justice and organizational loyalty scales are measured using a 5 point Likert scale; 5 indicates strongly agree, and 1 means strongly disagree. Union effectiveness scales use a 5 point Likert scale where 5 means very good, and 1 means very poor.

Statistical Technique

The statistical treatment used to measure the hypothesized relationships in this study was Partial Least Squares Structural Equation Modelling (PLS-SEM). Partial least squares modeling is a widely used variance-based structural equation modeling

technique in business and social sciences, according to Henseler et al. (2016). The PLS-SEM is capable of modeling latent variables, accounting for measurement errors, and testing theories, making it useful for many research questions, especially prediction and moderation analysis (Henseler et al., 2016). The partial least squares (PLS) path modeling is done using WarpPLS 8.0 by Kock N. (2015).

Research Ethics Protocol

This undertaking has passed proposal review and has been authorized by the Polytechnic University of the Philippines' appointed adviser and panel of experts. The researcher has met all of the requirements and swears an oath to the participants that their data were used solely for academic purposes, and that any data collected will only be shared for verification of the findings with any institution that will publish the findings of this study. The research's findings and evaluation are not intended to damage the image of any specific individual or organization that participated in this study.

RESULTS AND DISCUSSION

Partial least squares-structural equation modeling (PLS-SEM) was utilized to measure the hypothesized relationships. Three statistical analyses were performed in this section – (1) assessment of the measurement model, (2) evaluation of the structural model, and (3) gauging the robustness of the structural model.

Assessment of the Measurement Model. In assessing the measurement model, the validity and reliability of the latent variables are established. We measured variable reliability using Cronbach's alpha (CA) and composite reliability (CR).

Table 2
Convergent Validity and Reliability of Latent Variables

Latent Variables/ Item	Factor Loading	Average Variance Extracted (AVE)	Cronbach's Alpha (CA)	Composite Reliability (CR)
Union Effectiveness				
UE1	0.875	0.753	0.918	0.938
UE2	0.870			
UE3	0.877			
UE4	0.847			
UE5	0.868			
Distributive Justice				
DJ1	0.869	0.760	0.842	0.905
DJ2	0.870			
DJ3	0.876			
Procedural Justice				
PJ1	0.892	0.779	0.858	0.914
PJ2	0.906			
PJ3	0.850			
Interpersonal Justice				
IJ1	0.882	0.748	0.831	0.899
IJ2	0.894			
IJ3	0.817			
Informational Justice				
IFJ1	0.894	0.749	0.831	0.899
IFJ2	0.894			
IFJ3	0.804			

Organizational Loyalty				
OL1	0.892	0.808	0.881	0.927
OL2	0.914			
OL3	0.891			

All factor loadings are significant ($p < 0.001$).

According to Kock and Lynn (2012), the CA and CR must be at least 0.70 to claim that each variable exhibits internal consistency. Based on the results in Table 2, union effectiveness (CA = 0.918; CR = 0.938), distributive justice (CA = 0.842; CR = 0.905), procedural justice (CA = 0.858; CR = 0.914), interpersonal justice (CA = 0.831; CR = 0.899), informational justice (CA = 0.831; CR = 0.899), and organizational loyalty (CA = 0.881; CR = 0.927) passed the requirement of construct reliability. Convergent and discriminant validity were gauged to establish the validity of the latent variables. In convergent validity, the average variance extracted (AVE) must be at least 0.50, and factor loadings must be significant ($p < 0.05$) and must load at least at 0.50 (Amora, 2021). From the results in Table 2, the AVEs of the latent variables - union effectiveness (AVE = 0.753), distributive justice (AVE = 0.760), procedural justice (AVE = 0.779), interpersonal justice (AVE = 0.748), informational justice (AVE = 0.749), and organizational loyalty (AVE = 0.808), and the corresponding factor loadings passed the requirements for convergent validity.

Table 3
Discriminant Validity of the Latent Variables

	UE	DJ	PJ	IJ	IFJ	OL
UE						
DJ	0.539					
PJ	0.603	0.798				
IJ	0.489	0.665	0.668			
IFJ	0.492	0.643	0.663	0.796		
OL	0.638	0.762	0.738	0.742	0.709	

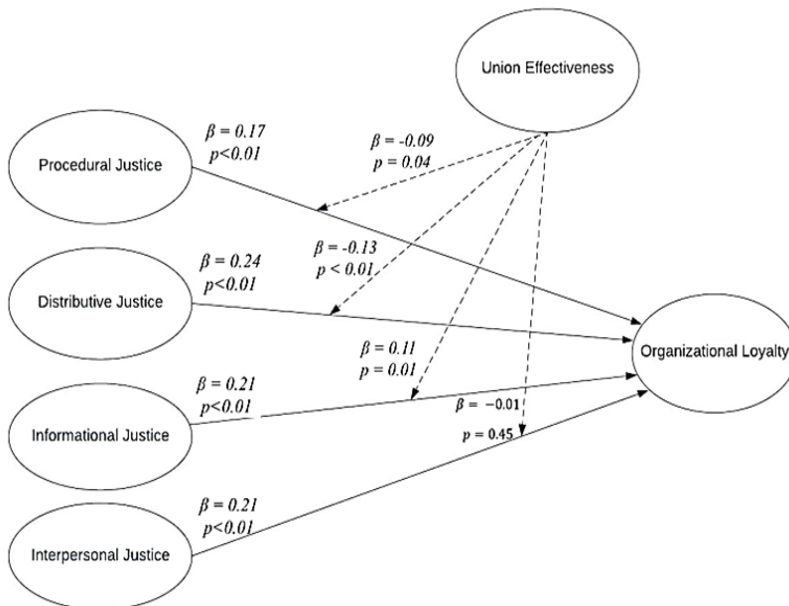
UE – union effectiveness; DJ – distributive justice; PJ – procedural justice; IJ – interpersonal justice; IFJ – informational justice; OL – organizational loyalty.

Furthermore, discriminant validity was also measured using the heterotrait-monotrait ratio of correlations (HTMT). According to Clark and Watson

(1995), to claim that the latent construct exhibits discriminant validity, the HTMT ratios must be at most 0.85. Based on the results in Table 3, all latent variables loaded < 0.85 . Thus, discriminant validity is established.

Evaluation of the Structural Model. This phase of PLS-SEM evaluates the path coefficients and the corresponding effect sizes of each path. Figure 3 and Table 4 summarize the results of the structural model evaluation. The findings revealed that procedural justice has a significant and positive influence on organizational loyalty ($\beta = 0.172$, $p < 0.001$) that has a small effect size ($f^2 = 0.112$). Moreover, distributive justice was also found to significantly and positively influence organizational loyalty ($\beta = 0.237$, $p < 0.001$) with a medium effect size ($f^2 = 0.158$). Thus, H_1 and H_2 are supported and are consistent with the findings of Radmanesh (2015) and Arqawi et al. (2018). According to Arqawi et al. (2018), procedural fairness significantly and positively influences organizational loyalty. On the other hand, the result from Radmanesh (2015) was also similar to Arqawi et al. (2018) and result that procedural justice and distributive justice have a positive and meaningful effect on organizational loyalty.

Figure 3. Structural Model with Parameter Estimates



In terms of informational justice and organizational loyalty, the results showed that the two variables are significantly and directly related ($\beta = 0.205$, $p < 0.001$) with a small effect size ($F^2 = 0.124$). Moreover, interpersonal justice was found to have a significant and positive effect on organizational loyalty ($\beta = 0.214$, $p < 0.001$) with a small effect size as well ($F^2 = 0.138$). Therefore, H_3 and H_4 are supported, similar to the findings of Radmanesh (2015) and Mehdad and Khoshnami (2016). The findings support previous research indicating that organizational justice has a positive influence on organizational loyalty.

Moderation analysis was also performed to measure the moderating influence of union effectiveness on the relationship between the dimensions of organizational justice and organizational loyalty. The results showed that union effectiveness negatively moderates the relationship between procedural justice and organizational loyalty ($\beta = -0.088$, $p = 0.042$, $F^2 = 0.045$) and between distributive justice and organizational loyalty ($\beta = -0.0132$, $p = 0.004$, $F^2 = 0.076$) with small effect sizes. Thus, H_5 and H_6 are supported. The findings indicate that an increase in union effectiveness weakens the relationship between procedural justice and loyalty, as well as distributive justice and loyalty. Since unions have already delivered improved working conditions, it is apparent that employees might divert their loyalty from the management to the union (Bakırtaş & Kandemir, 2017). Likewise, Dhal (2015) explained that employees are more loyal to the union when the union successfully bargains with the management to deliver improved benefits.

Additionally, the findings revealed that union effectiveness positively moderates the relationship between informational justice and organizational loyalty ($\beta = 0.114$, $p = 0.012$) with a small effect size ($F^2 = 0.057$). The result suggests that union effectiveness strengthens the link between informational justice and organizational loyalty. Therefore, H_7 is supported. According to Bies (2001), informational justice is the extent to which communication is developed honestly and fairly. Bryson (2003) explained that unions are more effective at sharing information as long as they have the right amount of power and support from the management. This study showed that union effectiveness would slightly strengthen the relationship between organizational justice and organizational loyalty. The management can rely on unions to provide information on their behalf in a way employees can easily understand.

Table 4
Direct and Moderating Effects

Hypotheses	Path coefficient (β)	p-value	Standard error	Effect size (f^2)	Decision
<i>Direct effects</i>					
H ₁ PJ → OL	0.172	<0.001	0.050	0.112	Supported
H ₂ DJ → OL	0.237	<0.001	0.049	0.158	Supported
H ₃ IFJ → OL	0.205	<0.001	0.050	0.124	Supported
H ₄ IJ → OL	0.214	<0.001	0.050	0.138	Supported
<i>Moderating Effects</i>					
H ₅ UE * PJ → OL	-0.088	0.042	0.050	0.045	Supported
H ₆ UE * DJ → OL	-0.132	0.004	0.050	0.076	Supported
H ₇ UE * IFJ → OL	0.114	0.012	0.050	0.057	Supported
H ₈ UE * IJ → OL	-0.007	0.449	0.051	0.003	Unsupported

UE – union effectiveness; DJ – distributive justice; PJ – procedural justice; IJ – interpersonal justice; IFJ – informational justice; OL – organizational loyalty. Effect sizes were measured using Cohen's (1988) criteria – 0.02 – small, 0.15 – medium, and 0.35 – large.

On the contrary, union effectiveness was found to have no significant moderating effect on the relationship between interpersonal justice and organizational loyalty ($\beta = -0.007$, $p = 0.449$). Thus, H₈ is not supported. It may suggest that more data is required or that the variables' interrelationships may not be possible. In addition, there is a possibility that union effectiveness might yield a better result if the moderator variable adopted a 7-point Likert scale, as suggested by Memon et al. (2019).

Robustness of the Structural Model. To test the robustness of the structural model, common method bias, R², and Q² were measured. In measuring common method bias, the full collinearity variance inflation factor (FCVIF) was gauged. According to Kock. (2015), to say that the variables are free from full collinearity problems, the FCVIF of each variable must be at most 3.30. Based on the results in Table 6, all latent variables - union effectiveness (FCVIF = 2.031), distributive justice (FCVIF = 2.443), procedural justice (FCVIF = 2.432), interpersonal justice (FCVIF = 2.165), informational justice (FCVIF = 2.095),

and organizational loyalty (FCVIF = 2.640) passed the common method bias test. Coefficient of determination or R^2 was also gauged. Based on the result in Table 5, the R^2 value of the outcome variable (organizational loyalty) reflects a moderate effect, meaning that the variability of organizational loyalty is 60% due to the dimensions of organizational justice. Lastly, predictive relevance was measured using Stone-Geisser's Q^2 . According to Kock (2023), Q^2 must be greater than zero. Based on the result in Table 5, the Q^2 coefficient is more than zero. Thus, the predictive validity of the structural model is established.

Table 5

Common Method Bias Test, R^2 , and Q^2

Construct	FCVIF	R^2	Q^2
Union Effectiveness	2.031		
Distributive Justice	2.443		
Procedural Justice	2.432		
Informational Justice	2.095		
Interpersonal Justice	2.165		
Organizational Loyalty	2.640	0.600	0.599

The R^2 value was interpreted using the criteria set by (Chin, 1998): 0.67 – substantial; 0.33 – moderate; 0.19 – weak.

CONCLUSIONS

The present study revealed that when management practices organizational justice, their employees' exhibit organizational loyalty. This observed interaction extends beyond mere economic exchanges between the two groups and is characterized as a social exchange. According to Blau (1964), social exchange entails voluntary behaviors driven by the anticipated returns individuals expect from others, grounded in the principle of reciprocity. The study's findings indicate that when management demonstrates organizational justice, employees are more likely to reciprocate by remaining loyal or devoted, ultimately benefiting the organization's productivity.

On the other hand, perceived injustices and inequities may lead to increased union activities as employees seek to voice their dissatisfaction with management. In this study, successful unions have the potential to redirect employees' loyalty from management to the union. The findings suggest that employees may shift their loyalty toward the union, perceiving it as a defender of their rights and interests in the face of unfair treatment by management. However, the researchers

recommend a qualitative approach to corroborate these findings and further explore the external influence of unions on the citizenship behaviors of employees in a unionized workplace. This additional investigation would contribute to a more comprehensive understanding of the dynamics outlined in this study.

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