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The Impact of Perceived Inclusion Climate for Leader Diversity (PICLD) on Organizational Justice and Its Effects on Employee Engagement, Emotional Wage, and Happiness at Work

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ABSTRACT

In today's globalized world, workplace happiness is an increasingly important concern for many organizations, as it has a direct impact on employee productivity and well-being. An inclusive and equitable work environment plays a significant role in creating conditions that support employees' emotional and intellectual engagement, as well as providing emotional rewards that can increase their happiness. This research aims to analyze the impact of Perceived Inclusion Climate for Leader Diversity (PICLD), Organizational Justice, Employee Engagement, and Emotional Rewards on Workplace Happiness. Using a quantitative approach and survey method, data was collected from 248 employees working in various companies in Indonesia. The results showed that PICLD has a positive and significant influence on perceptions of workplace justice, which in turn increases employee engagement and emotional rewards. Employees who perceive fair treatment are more engaged and receive emotional rewards that improve their well-being. Employee engagement and emotional rewards are shown to have a positive impact on workplace happiness, so employees who feel emotionally rewarded tend to be more satisfied and happy. The implications of this research emphasize the importance of creating an inclusive, fair and supportive work environment to increase employee engagement, emotional well-being and happiness at work.

Keywords: Perceived Inclusion Climate for Leader Diversity, Organizational Justice, Employee Engagement, Emotional Wage, Happiness at Work.

INTRODUCTION

Happiness at work is a critical factor in overall organizational well-being and productivity. Research has shown that happy employees are more motivated to deliver optimal performance (Salas-Vallina, 2020); (Agustien, A. & Soeling, 2020). Employees exhibit strong emotional engagement with their work, significantly contributing to achieving company goals (Salas-Vallina, 2020). Additionally, fostering a supportive work environment that promotes employee happiness positively impacts employee retention, reduces turnover costs, and maintains continuity in

essential skills and knowledge crucial for the long-term success of the company ((Salas-Vallina, 2020).

Studies by (Salas-Vallina, 2020) and (Agustien, A. & Soeling, 2020) have indicated that workplace happiness directly affects job performance. Happy employees tend to have confidence in their ability to handle challenges effectively and solve problems efficiently (Akgündüz, Y., Alkan, C., & Güler, 2022). Moreover, organizational happiness is associated with increased productivity, lower employee turnover, and decreased customer complaints (Waal, 2018). This underscores the importance of promoting happiness at work to build a strong foundation for sustainable productivity and innovation necessary for growth and competitiveness in the market (Waal, 2018).

Employee happiness is closely related to job satisfaction, organizational commitment, and overall well-being (Elayan, 2023); (Tugade, 2023). Positive organizational behavior, work engagement, and employee commitment are interrelated with workplace happiness, highlighting the significance of employee well-being in organizational success (Tugade, 2023). Factors such as value alignment and organizational commitment are influenced by job happiness, further emphasizing the critical role of happiness in enhancing organizational dynamics (Oyelakin, E., Adetunji, O., & Oyeleke, 2022). By concentrating on creating a supportive and positive work environment that fosters employee happiness, organizations can build a strong foundation for sustained productivity, innovation, and competitiveness in today's dynamic market landscape.

However, workplace happiness also presents challenges that companies need to address, as they can impact overall company performance (Jaswal et al., 2024). First, there is the potential gap between individual expectations and workplace reality. Each individual has different expectations about factors that can enhance their happiness, such as recognition, rewards, or career growth opportunities. A mismatch between individual expectations and company practices can lead to disappointment and lack of motivation, ultimately reducing employee happiness levels (Singh & Aggarwal, 2018); (Kovacs et al., 2018). Second, differences in perceptions between management and employees regarding strategies or policies implemented to increase workplace happiness can be problematic. Management may have different views on what is necessary to create a supportive work environment, while employees may expect more recognition for their achievements or better work-life balance. Lack of understanding or effective communication between both parties can lead to a mismatch between implemented policies and actual needs from the employee's perspective (Singh & Aggarwal, 2018).

Addressing these issues involves considering factors such as Inclusive Leadership, Perceived Inclusion Climate for Leader Diversity (PICLD), work engagement, Emotional Wage, Organizational Justice, and Employee-Centric Corporate Social Responsibility as elements that can stimulate workplace happiness (Shore & Chung, 2022); (Shore & Chung, 2022). Additionally, attention should be given to factors such as Ethical Leadership, workplace fun, and trust in

enhancing employee happiness at work (Yang, 2014); (Fu et al., 2020); (Ouakouak et al., 2020); (Taştan et al., 2020).

Based on the above background, the objectives of this research are to analyze the effect of Perceived Inclusion Climate for Leader Diversity (PICLD) on Organizational Justice, examine the impact of Organizational Justice on work engagement, analyze the effect of Organizational Justice on Emotional Wage, explore the effect of work engagement on Workplace Happiness, and assess the impact of Emotional Wage on Workplace Happiness. Thus, the benefits of this research are to provide deeper insights into the importance of creating an inclusive and fair work environment, which can increase employee engagement as well as their emotional well-being. This research is expected to assist company management in designing more effective policies to increase happiness at work, through a better understanding of the role of inclusion climate and organizational justice in increasing employee engagement and happiness.

RESEARCH METHOD

This research uses a quantitative approach with a survey method to collect data from respondents. This research design is descriptive and explanatory, which aims to describe the phenomenon and explain the relationship between the variables studied, namely Perceived Inclusion Climate for Leader Diversity (PICLD), Organizational Justice, Employee Engagement, Emotional Wage, and Happiness at Work. The population in this research were all employees working in various companies in Indonesia. The sample was selected using purposive sampling technique, where respondents were selected based on certain criteria relevant to the research objectives, such as having at least one year of work experience and working in companies that implement diversity and inclusion policies. A sample size of 200 employees was selected to obtain representative data that could be analyzed statistically.

The instrument used in this research is a questionnaire consisting of several sections, each of which is designed to measure the research variables. Data was collected by distributing questionnaires online through an online survey platform, and some questionnaires were also distributed directly to employees in selected companies who were willing to participate. Respondents were informed of the purpose of the research and assured of the confidentiality and anonymity of their responses. Once the data was collected, it was analyzed using descriptive and inferential statistical techniques. Descriptive analysis was used to describe the characteristics of respondents and the distribution of research variables. Instrument validity and reliability tests were conducted to ensure that the questionnaires used were valid and reliable. Multiple regression analysis was used to test the effect of the independent variables (PICLD, Organizational Justice, Employee Engagement, and Emotional Wage) on the dependent variable (Workplace Happiness), and hypothesis testing was conducted to determine whether there was a significant relationship between the research variables.

RESULT AND DISCUSSION

Description of Research Object

The data for this research was collected using a questionnaire survey technique distributed online through Google Forms. This research involved respondents who were employees in Indonesia. Data was collected through online-distributed questionnaires, resulting in 248 eligible respondent data for the research. The general characteristics of the respondents can be seen based on gender, education, age, and length of service.

Table 1. Characteristics of Research Object

Characteristics	Category	Frequency	Percentage
Gender	Man	183	73,79%
	Woman	65	26,21%
Education	Diploma	232	93,55%
	S1/S2/S3	16	6,45%
Age	17-25 Years Old	68	27,42%
	26-40 Years Old	118	47,58%
	> 40 Years Old	62	25,00%
Length of Service	Less than 3 Months	33	13,31%
	3 Months - 4 Years	150	60,48%
	More than 4 Years	65	26,21%

Based on Table 1, data shows that out of 248 respondents, 183 are male (73.79%) and 65 are female (26.21%), indicating a significant male dominance, which may be attributed to gender bias and traditional roles in the workplace. The majority of respondents have a Diploma education (93.55%), while only 6.45% have a Bachelor's degree, suggesting that jobs in the company are more suitable for practical skills acquired through a Diploma education. In terms of age, most employees are within the productive age range of 26-40 years (47.58%), with 27.42% aged 17-25 years and 25% aged over 40 years, reflecting a balance between youthful energy and mature experience. The majority of respondents have a length of service between 3 months to 4 years (60.48%), while 13.31% have less than 3 months of service, and 26.21% have over 4 years of service, indicating that the company is actively recruiting and retaining new employees and providing opportunities for medium-term career development.

Descriptive Statistics

Table 2. Descriptive Statistics PICLD Variable

No	Indicator	Mean	Std Deviation
1	Our team members show a high level of respect for different cultural backgrounds	4,181	1,039
2	Our team members are willing to work with leaders from diverse backgrounds	3,750	1,015

The Impact of Perceived Inclusion Climate for Leader Diversity (PICLD) on Organizational Justice and Its Effects on Employee Engagement, Emotional Wage, and Happiness at Work

No	Indicator	Mean	Std Deviation
3	Our company ensures equal promotion opportunities for leaders from diverse backgrounds	4,000	0,961
4	Employees report fair treatment by minority leaders	3,964	1,081
5	Our company has a proportion of leaders reflecting various ethnic, gender, and cultural backgrounds	3,988	1,047
6	We are committed to achieving diversity in managerial and executive positions	3,992	1,026
7	Employees feel comfortable working under leaders from different backgrounds	3,996	1,074
8	Employees have a positive perception of inclusion in decision-making by diverse leaders	3,964	1,074
9	Our company provides training and development programs for leaders from different backgrounds	3,952	1,079
10	Top management fully supports diversity in leadership	4,065	1,012
Average		3,985	

Based on the data in Table 2, the average (mean) values of various indicators show a positive assessment of Perceived Inclusion Climate for Leader Diversity (PICLD) in the workplace, with an overall average of 3.985. The highest indicators are respect for different cultural backgrounds (mean 4.181, std dev 1.039) and top management support for diversity (mean 4.065, std dev 1.012). The standard deviation variations between 0.961 to 1.081 indicate differences in individual experiences related to diversity and inclusion.

Table 3. Descriptive Statistics Organizational Justice Variable

No	Indicator	Mean	Std Deviation
1	The salary I receive is commensurate with the work I do	4,206	1,066
2	I feel that the promotions I receive are fair	3,915	1,056
3	The procedures used to assess my performance are fair	4,089	1,053
4	I feel that the decision-making process in this organization is fair	3,980	1,059
5	My supervisor treats me with respect	3,931	1,030
6	My supervisor listens to my concerns	3,992	1,053
7	I receive clear explanations about decisions made	3,960	0,997
8	Information provided by organization about decisions is very comprehensive	3,919	1,019
Average		3,999	

Based on the data in Table 3, the average (mean) values of the indicators show a positive assessment of organizational justice, with an overall average of 3.999. The highest indicators are the salary received commensurate with the work done (mean 4.206, std dev 1.066) and fair performance assessment procedures (mean 4.089, std dev 1.053). The standard deviation variations between 0.997 to 1.066 indicate differences in individual experiences related to fairness in the workplace.

Table 4. Descriptive Statistics Employee Engagement Variable

No	Indicator	Mean	Std Deviation
1	I feel proud of my work and the company I work for	4,173	1,049
2	I am satisfied with my role and responsibilities in the company	3,871	1,034
3	I have a high level of loyalty to the company	4,081	1,019
4	I have a strong desire to stay with this company	4,000	1,042
5	I have a clear understanding of the company's vision, mission, and goals	3,968	1,010
6	I actively participate in decision-making in the company	3,899	1,039
7	I have good relationships with my colleagues and supervisors	4,020	1,051
8	I actively participate in company social activities	3,952	1,056
9	I carry out my tasks with energy and vitality	3,952	1,017
10	I am involved in social activities organized by the company	3,895	1,063
Average		3,981	

Based on the data in Table 4, the average (mean) values of the indicators show a positive assessment of employee engagement, with an overall average of 3.981. The highest indicators are pride in work and company (mean 4.173, std dev 1.049) and high loyalty to the company (mean 4.081, std dev 1.019). The standard deviation variations between 1.010 and 1.063 indicate differences in individual experiences related to engagement in the workplace.

Table 5. Descriptive Statistics Emotional Wage Variable

No	Indicator	Mean	Std Deviation
1	I appreciate the recognition of my achievements and contributions at work	4,177	1,018
2	I enjoy receiving positive feedback from my supervisor and colleagues about my performance	3,815	1,037
3	I appreciate the opportunity to receive training and skill development at work	4,032	0,981
4	I feel valued with a clear career development plan in this company	4,008	1,014
5	I appreciate the flexibility in working hours provided by the company	3,935	1,040
6	I feel supported by the company's flexible and supportive leave policies	3,960	1,052
7	I have positive relationships with my supervisor and colleagues at work	3,996	1,036
8	I appreciate the inclusive and collaborative work culture created in this company	3,964	1,077
9	I appreciate the level of freedom given in decision-making at work	3,956	1,054
10	I feel valued with the delegation of tasks that give responsibility in the company	3,964	1,043
Average		3,981	

Based on the data in Table 5, the average (mean) values of the indicators show a positive assessment of emotional wage, with an overall average of 3.981. The highest indicators are recognition of achievements and contributions (mean 4.177, std dev 1.018) and opportunities for training and skill development (mean 4.032, std dev 0.981). The standard deviation variations

between 0.981 to 1.077 indicate differences in individual experiences related to emotional wages.

Table 6. Descriptive Statistics Happiness at Work Variable

No	Indicator	Mean	Std Deviation
1	I feel helped by the availability of adequate work facilities at work	4,210	1,048
2	I appreciate the attention to workplace accident risk levels	3,786	1,033
3	I feel supported by a high level of social support from colleagues	4,077	0,972
4	I appreciate open communication with my supervisor in carrying out daily tasks	3,984	1,026
5	I feel valued by the availability of professional training and development provided by the company	3,899	0,999
6	I feel clear about my role and responsibilities in the job	3,927	1,092
7	I am satisfied with the salary and benefits provided by the company	4,024	1,053
8	I feel recognized for my work achievements and contributions	3,980	1,096
9	I appreciate the ability to work flexibly provided by the company	3,984	0,986
10	I feel there is attention to the level of stress experienced in the job at the company	3,972	1,012
Average		3,984	

Based on the data in Table 6, the average (mean) values of the indicators show a positive assessment of happiness at work, with an overall average of 3.984. The highest indicators are the availability of adequate work facilities (mean 4.210, std dev 1.048) and social support from colleagues (mean 4.077, std dev 0.972). The standard deviation variations between 0.972 to 1.096 indicate differences in individual experiences related to happiness at work.

Structural Equation Modeling (SEM)

Structural Equation Modeling (SEM) was used in this research to examine the relationships between the variables studied: Perceived Inclusion Climate for Leader Diversity (PICLD), Justice, Employee Engagement, Emotional Wage, and Happiness at Work. SEM allows researchers to test theoretical models developed based on research hypotheses.

Measurement Model Analysis (Outer Model)

Measurement model analysis (outer model) was conducted to ensure that the indicators used in this research were valid and reliable in measuring the intended latent variables. The results show that all indicators have a loading factor value greater than 0.70, meeting the criteria for convergent validity. The Average Variance Extracted (AVE) for all constructs also exceeds the threshold of 0.50, indicating good convergent validity. Reliability values, measured using Composite Reliability and Cronbach's Alpha, are all above 0.70, indicating that the constructs have very good internal consistency. Discriminant validity is also met, as indicated by AVE values greater than the correlation between constructs and cross-loading results showing that indicators correlate more strongly with their own constructs than with others.

Structural Model Analysis (Inner Model)

Structural model testing involves assessing path coefficients, t-statistic values, and R-squared (R^2) for each relationship in the model. The results show that all R^2 values for endogenous latent variables are above 0.95, indicating that the model has a very good ability to explain the variability of the dependent variables. High R^2 values indicate that the independent variables in this model are very effective in predicting the dependent variables.

Path coefficients show significant and strong relationships between latent variables. X1 has a direct and very strong influence on X2, with a path coefficient of 0.976. X2 also significantly influences X3 and X4, with coefficients of 0.976 and 0.980, respectively. Furthermore, X3 and X4 significantly influence Y, with path coefficients of 0.453 and 0.533. All these relationships are significant at the 95% confidence level, indicating that the independent variables have a strong and significant influence on the dependent variables in this model. f^2 values show the substantial impact of latent variables at the structural model level, especially for relationships X1 to X2, X2 to X3, and X2 to X4, all of which have very large f^2 values.

Hypothesis Testing

Table 7. Hypothesis Testing

	Hypothesis	Estimate	P-Value	Keputusan
H1	H1: Perceived Inclusion Climate for Leader Diversity (PICLD) Positively and Significantly Affects Justice	0,976	0,000	H1 supported
H2	H2: Justice Positively and Significantly Affects Engagement	0,976	0,000	H2 supported
H3	H3: Justice Positively and Significantly Affects Emotional Wage	0,98	0,000	H3 supported
H4	H4: Engagement Positively and Significantly Affects Happiness at Work	0,453	0,000	H4 supported
H5	H5: Emotional Wage Positively and Significantly Affects Happiness at Work	0,533	0,000	H5 supported

Hypothesis testing results show that the data support each hypothesis proposed in this research. Here is a detailed explanation for each hypothesis:

H1: Perceived Inclusion Climate for Leader Diversity (PICLD) Positively and Significantly Affects Justice

The first hypothesis testing results show that PICLD has a positive and significant effect on workplace justice perception. With an estimate of 0.976 and a p-value of 0.000, this indicates that the higher the employees' perception of the inclusive climate promoted by leaders, the higher their perception of justice in the workplace. Employees who feel that the organization values and supports diversity in leadership tend to feel that the treatment and opportunities given to them are fair.

H2: Justice Positively and Significantly Affects Engagement

The second hypothesis testing results show that the perception of justice significantly affects employee engagement. An estimate of 0.976 and a p-value of 0.000 indicate that when employees feel treated fairly in various aspects of work, such as promotions, compensation, and performance evaluations, they are more likely to be engaged and motivated to contribute positively to the organization. Trust and respect for management built from perceived justice enhance employees' intrinsic motivation.

H3: Justice Positively and Significantly Affects Emotional Wage

The third hypothesis testing results show that the perception of justice in the workplace significantly affects emotional wages. With an estimate of 0.98 and a p-value of 0.000, this result indicates that when employees feel treated fairly, they receive fair financial compensation and emotional rewards that enhance their well-being. Recognized and perceived emotional rewards help build strong emotional bonds between employees and the organization.

H4: Engagement Positively and Significantly Affects Happiness at Work

The fourth hypothesis testing results show that employee engagement significantly positively affects happiness at work. An estimate of 0.453 and a p-value of 0.000 indicate that employees who are emotionally and intellectually engaged in their work tend to experience greater satisfaction and happiness with their jobs and relationship with the organization. High levels of engagement create meaningful and satisfying work experiences as employees feel their contributions positively impact the organization.

H5: Emotional Wage Positively and Significantly Affects Happiness at Work

The final hypothesis testing results show that emotional wage has a significant positive effect on happiness at work. With an estimate of 0.533 and a p-value of 0.000, this result indicates that when employees feel recognized and emotionally supported in the workplace, they are more satisfied with their jobs and feel greater overall happiness. Positive emotional wages enhance job satisfaction and intrinsic motivation, helping reduce stress and tension.

CONCLUSION

This research has successfully addressed the research problem and objectives by confirming the significant influence of Perceived Inclusion Climate for Leader Diversity (PICLD) on organizational justice, and the subsequent impact on employee engagement, emotional rewards, as well as happiness at work. The findings clearly show that PICLD positively influences employees' perceptions of workplace fairness, indicating that inclusive leadership is critical to improving the sense of fairness among employees. This is in line with the research objective to analyze the role of PICLD in improving organizational justice. In addition, the results also show that organizational justice not only increases employee engagement, but also increases

emotional rewards, which further strengthens the relationship between workplace justice and emotional well-being.

An important contribution of this research lies in providing an empirical basis for understanding the critical role of inclusive leadership and organizational justice in improving employee engagement and happiness. Future research could deepen the analysis by including other variables such as the role of organizational culture or different leadership styles in strengthening this relationship. In addition, future research could explore the impact of PICLD and organizational justice in different industry sectors to provide more comprehensive insights into how these factors contribute to organizational sustainability and productivity. Thus, this research not only contributes to the academic literature related to human resource management, but also opens up opportunities for future research that focuses more on the various dimensions of inclusive leadership and workplace well-being.

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The Impact of Perceived Inclusion Climate for Leader Diversity (PICLD) on Organizational Justice and Its Effects on Employee Engagement, Emotional Wage, and Happiness at Work

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