

CONSEQUENCES OF PERCEIVED ORGANIZATIONAL JUSTICE: AN EMPIRICAL STUDY OF WHITE-COLLAR EMPLOYEES

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ABSTRACT

Employees' perception of fairness and organizational justice on pay practices are important antecedents of pay satisfaction, job satisfaction, commitment and turnover intention. Previous research shows the importance of different dimensions of organizational justice and its relationship with pay satisfaction, job satisfaction, commitment and turnover intention. The present empirical study is focused on perception on fairness of pay system as a whole in terms of distributive justice, procedural justice and interactional justice and its impact on various outcomes (pay satisfaction, job satisfaction, commitment and turnover intention). For studying the relationship we have collected data from 70 white collar employees. The result shows that interactional justice is a stronger predictor of turnover intention as well as job satisfaction than procedural and distributive justice. The results also illustrated distributive justice is a stronger determinant of pay satisfaction as well as organizational commitment than interactional justice. In the regression analysis we found the relationship between procedural justice and outcomes are not significant.

Keywords: Organizational justice, Distributive Justice, Procedural Justice, Interactional Justice, Pay satisfaction, Job satisfaction, Organizational commitment, Turnover Intention.

INTRODUCTION:

Organizations are more concerned with employee's perception on organizational justice (Greenberg, 1987) because this has an impact on employee attitudes and behaviours. Research shows that organizational fairness has positive and negative impact on various outcomes. Previous research on organizational justice reveal that the dimensions of organizational justice are positively correlated to pay satisfaction (Folger & Konovsky, 1989; McFarlin and Sweeney, 1992; Trembly et. al., 2000; Xiaoyi Wu and Chunben Wang ,2008), job satisfaction (McFarlin and Sweeney,1992; Trembly et. al.,2001, Al-Zu'bi, Hasan Ali.,2010) commitment (Colquitt *et al.*, 2001; Kumar et al.,2009) and negatively related to turnover intention (Kim and Leung. 2007; Haar et al., 2009). According to an employee, an organization is fair based on his perception of how well the organization treats its employees. If the employees feel the perceived justice is fair: the pay satisfaction, job satisfaction and commitment will be higher and vice versa. Similarly, lack of perceived justice increase the turnover intention.

Organizational justice is defined as the "perceptions of fairness and their impact on behavior in organization" (Beugre' 1998). Researchers studied fairness as three classes of organizational justice: a) procedural justice (Thibaut and Walker (1975); b) interactional justice (Bies and Moag, 1986); and c) distributive justice (Adam, 1965). Procedural justice is the fairness on the compensation processes / procedure or it is the fairness of the means used for making decisions about the outcomes /amounts (Folger & Konvsky, 1989). Interactional justice (Bies and Moag, 1986) is the fairness of superiors in terms of pay, communicating the right information and giving necessary guidelines to the subordinates in order to achieve the goal. Therefore researchers considered it as the social side of fairness (Greenberg, 1994). Interactional Justice focuses on how superiors interact and communicate the right information about the procedures with the employees. It shows the fairness in superior-subordinate relationship through sharing the right information and treating them well. It includes two aspects of justice, therefore earlier researchers included two specific types of interpersonal treatment (e.g., Greenberg, 1990a); the first one is interpersonal justice and the second is informational justice. Interpersonal Justice is the degree to which people are treated with politeness, respect and dignity (Greenberg, 1990). Informational justice is the degree of fairness on conveying information relating to pay and its distribution. It provide explanations to employees why procedures were used in certain way or why outcomes were used in a certain fashion (Colquitt et al., 2001) and also an effort to justify decision and procedures (Bies and Shapiro, 1988; Greenberg, 1993). Distributive justice is the perceived fairness on the amount received and calculates the fairness of the system by comparing the ratio of one's contribution to one's outcome/other's outcome (Adam, 1965).

In Indian context, there are hardly any studies focused on white collar employees to assess the relationship of these justice dimensions on individual outcomes (pay satisfaction, job satisfaction and turnover intention) and organizational outcome (organizational commitment). Therefore the present study tried to understand the correlation of three organizational justice dimensions (Procedural Justice, Interactional justice and Distributive Justice) and their relationship to individual and organizational outcomes. The study also tried to understand which justice dimension has more variance with pay satisfaction, job satisfaction, commitment and turnover intention.

LITERATURE REVIEW:

Organizational justice and personal outcomes (pay satisfaction, job satisfaction, turnover intention)

Organizational justice is an important predictor of various outcomes and many studies tried to understand the relationship of these justice factors and outcomes. Many researchers studied the effects of distributive and procedural justice on satisfaction (Lowe and Vodanovich, 1995; Colquitt et al., 2001; Cohen-Charash and Spector, 2001; Xiaoyi Wu and Chunben Wang, 2008; Folger and Konvsky 1989). According to Colquitt et al., (2001), "different justice dimensions are moderately to highly related, they contribute incremental variance explained in fairness perceptions". Research conducted by Cohen-Charash and Spector, in 2001, found distributive and procedural justice are linked to pay satisfaction.

Xiaoyi Wu and Chunben Wang (2008) investigated the relationship between pay fairness and employees' pay satisfaction in ten hotels in China and found that employees' perception of distributive justice, procedural justice, interactional justice and informational justice are important antecedents of employees' pay satisfaction.

In overall fairness perceptions, distributive justice judgments were found to be more influential than procedural justice judgments (Leventhal, 1980, p. 133). Folger and Konvsky (1989) found distributive justice is a better predictor of pay satisfaction than procedural justice perceptions and had more variance in satisfaction with pay than did procedural justice. McFarlin and Sweeney (1992) studied the relationship between distributive justice and procedural justice on personal and organizational outcomes and found that distributive justice is a major predictor of two personal outcomes (pay satisfaction and job satisfaction) compared to procedural justice.

Distributive justice is also found as a good mediator between individual pay satisfaction and job satisfaction (McFarlin and Sweeney, 1992; Fong, 2003). A study conducted by DeConinck and Stillwell (2004) found distributive justice can be predicted by pay satisfaction.

Rezaiean et al., (2010) found a positive association between organizational justice and job satisfaction. A Meta-analytic review of 183 justice studies conducted by Collquitt et al in 2001, found distributive justice and procedural justice had high correlations with job satisfaction. In another study, distributive justice relating to pay, benefits, and rewards were found to be significantly linked to job satisfaction and turnover intentions (Haar and Spell, 2009).

Procedural justice is found to be a stronger predictor of turnover intention than distributive justice (McFarlin and Sweeney, 1992). A study conducted by Masterson, it is found that procedural justice has more impact on withdrawal (Masterson et al. 2000) than interactional justice. Therefore we hypothesize

HYPOTHESES:

- Hypothesis 1a: Distributive justice is a stronger determinant of pay satisfaction than procedural Justice.
- Hypothesis 1b: Distributive justice is a stronger determinant of pay satisfaction than interactional justice.
- Hypothesis 2a: Distributive justice is a stronger determinant of job satisfaction than procedural justice.
- Hypothesis 2b: Distributive justice is a stronger determinant of job satisfaction than interactional justice.
- Hypothesis 3a: Procedural justice is a stronger determinant of turnover intention than distributive justice.
- Hypothesis 3b: Procedural justice is a stronger determinant of turnover intention than interactional justice.

Organizational justice and organizational outcome (commitment):

Organizational commitment is an employee's emotional attachment and the associated behaviors/attitudes (Meyer and Allen, 1991) towards an organization. It is the force that binds an employee towards the organization (SamGnanakkan, 2010). It shows employees' loyalty towards the organization. Meyer & Allen identified three dimensions of organizational commitment; affective commitment, normative commitment and continuance commitment (Meyer & Allen, 1991).

Earlier studies focused on the relationship between different dimensions of justice and organizational commitment. In a study conducted among 213 full time Canadian students, it is found distributive justice didn't have any impact on affective commitment but interactional justice have an impact on affective commitment (Barling and Phillips, 1992). Previous research studies show that procedural justice mediates organizational outcomes like organizational commitment. McFarlin and Sweeney (1992) found procedural justice is a stronger predictor of organizational commitment and turnover intention than distributive justice. Colquitt et al., (2001) in their study found the strong association between procedural justice and organizational commitment than distributive justice. According to Masterson et al., (2000) procedural justice is a stronger predictor of organizational commitment than interactional justice.

Changes in employee attitude has an impact on various outcomes (turnover and turnover intention), therefore many studies focused on employees' perception on organizational commitment. Porter et al., (1974) studied the relationship between commitment and turnover. A study conducted by Lum et al, found commitment is negatively related to turnover intention (Lum et al., 1998). All the previous studies show the importance of procedural justice in organizational commitment. Therefore we hypothesize

HYPOTHESES:

Hypothesis 4a: Procedural justice is a stronger determinant of organizational commitment than interactional justice

Hypothesis 4b: Procedural justice is a stronger determinant of organizational commitment than distributive justice.

METHOD:

Sample:

The study was based on the primary data which was collected from different professionals. The data was collected through a structured questionnaire. The questionnaire was given to 110 employees and the response rate was 63%. Out of the total 70 respondents 82% were male employees and 18% were female employees. The sample consists of 13 senior level employees, 48 middle level and 9 junior level employees. The average work experience of the respondents was 8.8 years.

Measures:

Pay satisfaction: The four dimensions of the pay satisfaction scale used by Heneman and Schwab (1985) is considered an effective measure of pay satisfaction (Timothy et al., 1994). Many researchers have done confirmatory analysis to check the reliability of pay satisfaction and found the four dimension questionnaire is more appropriate for studying pay satisfaction (Judge and Welbourne, 1990; Judge and Welbourne, 1994; Mulvey et al., 1991). Therefore we used the same questionnaire for our study. The questionnaire composed of five item scale ranging from 'strongly disagree' to 'strongly agree'. We used four variables used for assessing pay level satisfaction, four variables for benefit satisfaction, four variables for pay raise satisfaction and six variables for pay structure and administration satisfaction. The questionnaire used is included in the annexure. The Cronbach's alpha value for pay level satisfaction was found to be 0.90, benefit satisfaction was 0.88, Pay raise satisfaction was 0.77 and pay structure and administrations was 0.77.

For the analysis we used SPSS 18. The factor analysis was done for 31 items using principal component analysis with varimax rotation. After the analysis we got five factors. The details are given in Annexure 1. The value for Kaiser- Mayer- Olkin (KMO) test (a sample adequacy test) was found 0.85 and is reliable for the study. Turnover Intention: The turnover intention was measured using a two item scale used by Ohana (2010) and respondents indicated their response through a five-point Likert scale ranging from 1 = 'Strongly disagree' to 5 = 'strongly agree' (Annexure 1). The coefficient alpha reliability estimate for this scale is 0.83.

Organizational Commitment: Organizational commitment was measured using three item scale and got Cronbach's alpha coefficient 0.864 which is valid for the study. Response was collected by using five-point Likert scale ranging from 1 = 'Strongly disagree' to 5 = 'strongly agree' (Annexure 1).

Job satisfaction: Job satisfaction was measured by using 6 questions relating to job and work related aspects and the Cronbach's alpha was found to be 0.883. Response was collected by using five-point Likert scale ranging from 1 = 'Strongly disagree' to 5 = 'strongly agree' (Annexure 1).

We used five-point Likert scale ranging from 1 = 'Strongly disagree' to 5 = 'strongly agree' to collect the perception of employees on various justice factors.

Distributive Justice: Distributive justice was measured using five variables and checked the reliability. The Cronbach's alpha coefficient was found to be 0.913 (Annexure 1).

Procedural Justice: Procedural justice was measured using 9 variables and found the Cronbach's alpha value is 0.938 (Annexure 1).

Interactional Justice: We have used 8 questions to understand the perception of interactional justice and found its Cronbach's alpha is 0.951 which shows that it is reliable for the study (Annexure 1).

RESEARCH METHODOLOGY:

For the study, we used descriptive statistics, correlation and regression analysis. For finding the relationship we used procedural justice, distributive and interactional justice as independent variables in the regression analysis. The dependent variables were pay satisfaction, job satisfaction, organizational commitment and turnover intention.

RESULTS AND DISCUSSIONS:

The mean value (Table 1) shows that employees are moderately satisfied with different organizational justices. Commitment of employees is found less and turnover intention is observed moderately high. The high value of standard deviation in turnover intention shows the high variability in the opinion of employees on turnover intention. This high variability in turnover intention may be due to the difference in the perception and fairness of employees on various dimensions of pay satisfaction or because of the attitude difference between employees. From the table (Table 1), it is clear that procedural justice is positively and moderately related to distributive justice, interactional justice and overall pay-satisfaction, and negatively related to turnover intention. The relationship of procedural justice on job satisfaction and commitment is not significant.

Distributive justice is highly correlated with interactional justice, overall pay satisfaction, job satisfaction, commitment and moderately related to turnover intention. Interactional justice is positively correlated with pay satisfaction, job satisfaction and moderately related with commitment and negatively related to turnover intention. Overall pay satisfaction is moderately related to job satisfaction, commitment and negatively related to turnover intention. There is a moderate positive association between job satisfaction and commitment.

Organizational justice factors are negatively associated with turnover intention. Commitment and job satisfaction are negatively correlated with turnover intention. The negative relationship of turnover intention and Interactional justice is high compared to all other variables.

Table 1: Relationship between organizational justice factors and outcome variables

	Mean	S.D	PJ	DJ	IJ	Overall Pay satisfaction	Job Satisfaction	Commitment	Turn Over Intention
PJ	3.34	0.91	1	.363**	.258*	.334**	0.233	0.171	-.237*
DJ	3.14	0.94		1	.630**	.791**	.491**	.526**	-.37*
IJ	3.43	0.90			1	.602**	.511**	.400**	-.437**
Overall Pay satisfaction	3.14	0.86				1	.464**	.439**	-.311**
Job Satisfaction	3.63	0.79					1	.342**	-.397**
Commitment	2.82	0.92						1	-.284*
Turn over Intention	3.16	1.128							1

** P<.01, * P<.05

S.D- Standard Deviation, PJ-Procedural Justice, DJ-Distributive Justice, IJ-Interactional Justice

In order to get a clear understanding of the predictive behavior of each justice, we conducted regression analysis.

RESULTS OF HIERARCHICAL REGRESSION ANALYSIS:

Separate regression analyses were performed for outcome variables such as pay satisfaction, job satisfaction, commitment and turnover intention with distributive justice, procedural justice and interactional justice.

Table 2 shows distributive justice and interactional justice are strong determinants of pay satisfaction. It explains 63% of variances. It means that distributive and interactional justice contribute 63% of pay satisfaction. Out of the three justice dimensions, distributive justice (0.666, $p < 0.001$) is found to be a strong determinant of pay satisfaction compared to procedural justice (0.047, $p > 0.05$) and interactional justice (0.169, $p < 0.05$). The result supports the first hypothesis (1a) that distributive justice is a stronger determinant of pay satisfaction than procedural justice (procedural justice is not significant in this case). The result shows the importance of distributive justice in pay satisfaction. This study supports previous researchers' contribution of justice dimensions on pay satisfaction. Earlier researchers found distributive justice is a stronger predictor of pay satisfaction (Folger and Konovsky, 1989; Sweeney and McFarlin, 1993; Scarpello and Jones, 1996; Tremblay et al., 2000) than procedural justice (Folger and Konovsky 1999). These changes may be due to the difference in the attitude of employees. The result suggests that organization should focus more on the outcomes than procedure because employees are more concerned about what they actually receive (outcomes) than the means to reach the decision (procedure). Here employees concern is more on how the amount is distributed and the fairness in the distributive justice.

The study is also true for hypothesis (1b) i.e. distributive justice is a stronger predictor of pay satisfaction (0.666***) than interactional justice (0.169*). This result supports the previous findings of researchers like McFarlin and Sweeney; their findings are highly supportive to the importance of distributive justice in pay satisfaction (McFarlin and Sweeney 1992).

Distributive justice (0.263, $p < 0.05$) is a more powerful predictor of job satisfaction than procedural justice (0.052, $p > 0.05$). This supports hypothesis 2a. The role of procedural justice in job satisfaction is not significant in the study. Distributive justice and Interactional justice are found to be the determinants of job satisfaction and are significant. The adjusted R^2 for job satisfaction is 0.27 and it explains 27% of variances. Previous studies support the high correlation between procedural justice and job satisfaction (Wesolowski & Mossholderm, 1997) but the present study shows that there is no significant relation between procedural justice and job satisfaction.

Interactional justice (0.331, $p < 0.01$) is a stronger predictor of job satisfaction than distributive justice (0.263, $p < 0.05$). The hypothesis 2b is not supported. The result shows that superior's role in decision making and interpersonal relations coupled with informational justice is having an influence on the satisfaction level of employees.

Out of the three justice dimensions, interactional justice is found as a determinant of turnover intention. The regression analysis shows that the relationship between procedural justice and turnover intention is not

significant. This result is not supporting both hypothesis 3a and 3b. The relationship with Interactional justice (-0.417, $p < 0.05$) and turnover intention is significant and it explained 18% of variances. The importance of superior subordinate relation in turnover intention is clear in this study. This supports the previous findings in gallop survey conducted among 80,000 employees regarding the reason for attrition. According to Buckingham and Coffman (1999) "If you're losing good people, look to their immediate supervisor. Besides salary, the immediate superior, is the reason people stay and thrive in an organization. And he's the reason why they quit, taking their knowledge, experience and contacts with them". The study strongly supports the role of interactional justice in pay and organizational decision.

In this study, only distributive justice (0.463, $p < 0.001$) is significantly related to organizational commitment. 25% of organizational commitment can be determined by distributive justice. The result support Lowe and Vodanovich's (1995) findings where they found stronger relationship between distributive justice and organizational commitment than between procedural justice and organizational commitment. In this study the role of procedural justice and interactional justice is not significant with organizational commitment. From the regression analysis it is clear that there is no significant relation between procedural justice and organizational commitment. The hypotheses 4a and 4b are not supported in this study.

Table 2: Regression analysis

Independent Variable	Dependent Variable			
	Pay Satisfaction	Job satisfaction	Organizational commitment	Turnover Intention
Constant	0.513	1.787	1.073	5.494
Procedural Justice	0.0475	0.052	-0.027	-0.132
Distributive Justice	0.666***	0.263*	0.463***	-0.148
Interactional Justice	0.169*	0.331**	0.116	-0.417**
Adjusted R ²	0.630	0.279	0.253	0.180
F	40.1***	9.90***	8.774***	6.04***
DOF	3,66	3,66	3,66	3,66

* $p < .05$

** $p < .01$

*** $p < .001$

The importance of distributive justice is clear in this study and it supports Adam's equity theory (Adam, 1965). If employees find inequity, it will lead to dissatisfaction with pay which is considered as an antecedent of organizational commitment, job satisfaction, turnover intention and turnover.

In the present study, the relationship between organizational commitment and distributive justice is significant. Previous studies show that procedural justice was an important mediating variable in organizational commitment. But in this study the predictive behaviour of procedural justice and organizational commitment is insignificant. The reason may be employees are not much bothered about the procedural aspects of pay. Most the employees we interviewed were not given much importance to the procedure and their concern was more the amount of pay they receives and the hikes. Their focus was more on what they receive in their hands in comparison with their own worth, with competitors pay or with other units/teams pay. The importance of procedural justice looks similar to the concept of Herzberg's two factor theory (Herzberg, 1959). From this we propose *procedural justice is not a satisfier but its absence can cause dissatisfaction*. In future researchers can focus on this concept.

A study conducted by Chang (2002) found that, in collectivist communities organizational commitment is affected more by procedural justice than distributive justice. According to Hofstede's (1980) cultural dimensional study, India is a collectivistic country. Then, a country like India procedural justice should be a major determinant of commitment. In this study we found that the role of procedural justice is insignificant, and distributive justice is found as a determinant of organizational commitment. These differences in findings may be due to the changes in compensation practices, where companies use merit pay practices (pay is based on performance of the employee) rather than fixed pay. If pay is based on performance, then employees will be more focusing on individual performance rather than a team performance which may end up in an individualistic culture rather than a collectivistic culture. Employee attitudes and behaviour differs in each culture and in future researchers can do a comparative study of the similar relationship in various Indian states

which are known for its cultural diversity and analyze the outcomes.

THEORETICAL AND PRACTICAL IMPLICATIONS:

The present study shows the importance of distributive and interactional justice in pay satisfaction, job satisfaction, organizational commitment and turnover intention. In India employees' give more importance to distributive and interactional justice compared to procedural justice. Therefore organizations have to focus more on the distributive and interactional justice. As a theoretical perspective, it shows the relationship of distributive justice, procedural justice and interactional justice on individual and organizational outcomes.

CONCLUSION:

The present study supports the importance of distributive justice in pay satisfaction, job satisfaction and organizational commitment. In this study distributive justice is not significantly related to turnover intention, but its indirect influence on the mediating variables of turnover intention is important. In future researchers can focus on distributive justice and its indirect relationship to turnover intention. Interactional justice is found to be a predictor of turnover intention and it is having a direct impact on turnover intention.

In earlier studies procedural justice was found as a strong predictor of organizational commitment and turnover intention but in this study the role of perception on procedural justice is not significant. This may be due to the cultural differences. Previous study shows that culture has an influence on the perception of employees on various justice factors. Therefore in future researchers can compare whether culture has an impact on employees attitude and behavior based on their perception of different justice dimension.

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ANNEXURE 1- FACTORS

	Rotated Component Matrix(a)						Chronbach's alpha
	Component						
	F1	F2	F3	F4	F5	F6	
My boss gives appropriate feedback	0.839	0.288	0.063	0.06	0.12	0.158	0.951
My superior is fair in his judgment on my performance	0.821	0.267	0.193	0.066	0.203	0.066	
In general, I think my superior treat me fairly	0.82	0.147	0.159	0.218	0.184	0.16	
My boss gives regular feedback on my performance	0.799	0.319	0.03	0.101	0.139	0.069	
My superior gives me accurate performance ratings	0.789	0.257	0.292	0.076	0.174	0.107	
My boss tells what is required me to perform better	0.764	0.209	-0.003	0.3	0.04	0.246	
I am satisfied with my immediate supervisor	0.743	0.114	0.256	0.071	0.125	0.211	
Superiors/seniors are truthful in salary negotiations	0.632	0.409	0.104	0.229	0.109	-0.031	
Ensures better performers receive higher pay increments than poor performers	0.102	0.842	-0.007	0.116	0.155	0.166	0.938
Ensures that Individual contribution is adequately rewarded	0.269	0.796	0.028	0.299	0.077	0.1	

Are thorough and clearly differentiate performance levels	0.293	0.789	0.025	0.133	0.08	0.052	
Ensures that team/group performance is adequately rewarded	0.148	0.776	-0.105	0.363	0.172	0.09	
Gives clarity on the behaviours I am expected to do	0.45	0.747	0.096	0.002	-0.022	0.054	
Have performance measures that are clearly linked to business objectives	0.317	0.741	0.17	0.059	0.063	0.151	
Ensures pay is a good reflection of my performance	0.228	0.629	0.39	0.413	0.068	0.091	
Ensures fair promotions and transfers	0.505	0.577	0.035	0.253	0.112	0.198	
Ensure appraisal is a fair assessment of my performance	0.461	0.538	0.303	0.229	0.083	-0.003	
I think I would be guilty if I left my current organization now	0.139	0.139	0.88	0.031	0.027	0.092	0.864
I would be very happy to spend the rest of my career with my present organization	0.174	0.079	0.819	0.244	0.137	0.042	
I feel myself to be a part of this company	0.196	-0.046	0.756	0.234	0.143	0.15	
I am fairly paid or rewarded considering the amount of effort, I put into the work	0.285	0.531	0.292	0.519	0.151	0.169	0.913
My pay is fair compared to people doing similar work in my company	0.134	0.415	0.216	0.739	0.184	0.063	
My pay is fair compared to people doing similar work in other companies	0.239	0.415	0.209	0.65	-0.036	0.127	
I am fairly paid compared to those working in other units of my organization	0.216	0.413	0.266	0.637	0.208	0.016	
My organization pays better salaries than other similar organization	0.232	0.447	0.353	0.478	0.038	0.278	
I am actively looking for another job	0.123	-0.086	-0.104	-0.052	-0.91	-0.201	0.883
I am seriously thinking about quitting my job	-0.29	-0.158	-0.103	-0.131	-0.872	-0.044	
I am satisfied with the hours of work	0.014	0.286	0.251	-0.031	0.031	0.736	0.737
I am satisfied with the nature of work itself	0.295	0.203	0.181	0.206	0.237	0.649	
I am satisfied with the co-workers	0.373	0.204	-0.09	-0.033	0.192	0.639	
I am satisfied with the security of the job	0.173	-0.173	0.05	0.446	0.102	0.619	
Extraction Method: Principal Component Analysis.							
Rotation Method: Varimax with Kaiser Normalization.							
