Effect of Quality of Work Life on Job Satisfaction and Organizational Performance: A Structural Equation Analysis

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Abstract

All the organizations are in a position to retain their employees happy and satisfied for the continuous work flow towards success. By ensuring the quality of work life at the work place, the employers can retain their talents and tends towards the job satisfaction and organizational performance. These two positive outcomes along with quality of work life needed to be treated positively to keep the employees motivated to provide their contributions to the organizational effectiveness. With this background the purpose of this study is to find out the degree of relationship among quality of work life, job satisfaction and organizational performance among the bank employees. In total 357 employees were selected from both public and private sector banks. Explorative Factor Analysis was adopted for the validation and Structural Equation Modeling was used to test the extent of relationship among the variables. The results of the study shows that there is positive significant relationships among quality of work life, job satisfaction and organizational performance.

Keywords: *Quality of Work Life, Job Satisfaction, Organizational Performance, Structural Equation Modeling.*

Introduction

Human resource is the most powerful and valuable ingredient for the successful survival of any organization. Hence it is most comprehensive that employees are utilized to the maximum extent by negotiating both individual and organizational goals. In this ensuring employees' performance at the greater degree is depends on the way the organization treats their personnel in a quality way. Since human resources are dynamic thus it is very difficult to manage them unless providing proper working environment, descent compensation, adequate incentives, less stress job autonomy and proper leadership style. These factors are influenced the employees' job satisfaction and their performance to a maximum level. Based on this the present study conducted with aim of exploring the relationship between Quality of Work Life, Job Satisfaction and Organizational Performance.

Review of Literature

Quality of Work Life (QWL) ensures that the amount of quality relationship between employee and the entire working feasibilitiesthat includes acceptable and rational compensation, safe and secured working conditions, opportunities for development, opportunities for getting next step in the career ladder, integration among the co-workers, a good work-life balance, adequate rewards and recognitions (Chelte, 1983).Mirvis and Lawler (1984) insisted that factors like remuneration, number of working hours, safe working conditions, equal salary, equitable opportunities for growth and development are the core dimensions of quality of work life. Baba and Jamal (1991) are listed the dimensions of quality work life likethe amount of involvement, level of work load, less role conflict,

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lack of job stress, organizational commitment and turn-over intentions.

QWL is obvious to increase the employee's job satisfaction and organizational efficiency, by minimizing the negative employees' behaviour and through justice and fair treatment (Mullins, 1996). Hossain and Tariqual (1999), in their study, have found that there was a positive correlation between quality of work life, job satisfaction and performance of employeessignificantly.

Lau, Wong, Chan and Law (2001) established an evidence that the quality of work life in an organizationimproves the satisfaction of the employees by ensuring rewards, guaranteeing jobsafety and security and supporting career advancement opportunities.Heskett, Sasser and Schlesinger (1997) strongly argued that quality of work life proceededthe employees' attitude towards their jobpositively, make them to have a harmonies rapport with their colleagues and organization that ultimately leadintto the organization's successful survival. QWL is not only meant for the employee's personnel wellbeing but also improve the employee's happiness towards his job (Beaudoin and Edgar, 2003). Saklani (2004) aimed to measure the significance of quality of work life empirically relating to employees' performance, and to measure the perception of their job satisfaction and their performance in working places. The result of the study produced evidencesthat apart from monetary concerns, employees in India are given high value to the issuesthat supports theirself-esteem and self-actualization needs.

Objectives of the Study

The present empirical study has been carried out the following objectives.

- To find out the effect of quality of work life on job satisfaction
- To find out the effect of quality of work life on organizational performance

Hypothesis

Based on the review of the literature the study develop the following hypothesis.

- **Ha1**: There is a significant effect of quality of work life on job satisfaction.
- **Ha2**: There is a significant effect of quality of work life on organizational performance.

Research Methodology

The study is primarily empirical in nature. Both primary and secondary data are used for the study. Primary data is collected through a structured questionnaires and secondary data is collected from research articles, journals, surveys, RBI reports, books, dissertations and internet. The population of this study is the bank employees who all are involving all the hierarchy from both public sector and private sector banks in Madurai District. By collecting information from various banks and its associations, it is estimated that over all 4570employees are working in the study area. The study followed the formula which was defined by the research division of the National Education Association for determining sample size (Krejcieand Morgan, 1960). Based on that formula the appropriate sample size for this population is 357. Stratified random sampling method was adopted to select samples for this study. The different banks were divided into two stratums like private and public sectors. These two strata are further divided into branches of each bank. To ensure the representation of each sample of the population, the respondents were randomly selected from different branches of various sectors of banks. The variables regarding quality of work life, job satisfaction and organizational performance were measured by five point Likert scale which ranges from '1' as strongly disagree to '5' as strongly agree. The descriptive analyses and explorative factor analysis are done using SPSS software and the Structural Equation Modeling developed by using LISREL.

Data Analysis

Demographic and Job Profile of the Respondents

Out of the total 65.3 per cent of the public sector employees and 34.7 per cent of the private sector employees are involved in the study. According to the age of the respondents 46.2 per cent of them are between the ages of 35 years to 35 years and it is noted that the young employees below the age of 25 years is 21.8 per cent in the banks. It is found that 61.8 per cent of the employees are male and 38.2 per cent are female and maximum are married (56.8%). Out of the total respondents, 49.6 per cent are graduates and 45.2 per cent are post graduates.

Exploratory Factor Analysis

EFA is used to test the validity of the items used in the measurement scale. There are 23 items are used to measure the employees' perception on quality of work life, job satisfaction and organizational performance. In the output of EFA, the KMO value was found to be 0.94 and it shows the degree of common variance among the variables is high, so the factor analysis can proceed. Bartlett's test of sphericity shows that significant value p is 0.000 which is less than 0.05, says there are underlying relationships between the variables.

Table 1: Extraction of Factors

Factor Name	Eigen Value	% of Variance	Cumulative % of Variance
Quality of Work Life	11.03	47.96	47.96
Job Satisfaction	2.42	10.518	58.47
Organizational Performance	1.53	6.67	65.14

The varimax rotation method of principal component analysis was adopted to assess the variables with significant correlation among the 23 variables. Consequent upon this,the significant variables (based on the threshold of 0.5) were rotated and this gave rise to Eigen values of: 11.03, 2.42 and 1.53; percentage of variance of: 47.96, 10.518 and 6.67; andcumulative percentage of: 47.96, 58.47 and 65.14. The result of the rotated componentmatrix is shown in Table 5. Thus the 3 factor together cumulatively account for 65.14 percentage of the total variance in the study. therefore the total items are grouped into three factor and labeled as quality of work life with 10 items, job satisfaction with 7 items and organizational performance with 6 items, and it further the reliability were tested. **Table 2** presents the means, standard deviations, reliability (Cronbach's á), and zero-order correlations.

Table 2: Means, SDs, Reliability and Zero-order Correlation Coefficients

Scale	Items	Mean	SD	α	QWL	JS	OP
Quality of Work Life (QWL)	10	3.89	0.709	0.931	1		
Job Satisfaction (JS)	7	3.23	0.765	0.895	.579**	1	
Organizational Performance (OP)	6	3.45	0.761	0.923	.589**	.662**	1

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

Scale reliability was evaluated using Cronbach's alpha (coefficient alpha) coefficient. Nunnally (1978) recommends an alpha value of 0.7 is acceptable for exploratory research. The reliability statistics are 0.931, 0.895, and 0.923 respectively to the above three factors. In summary, the reliability coefficients for the constructs employed in the study exceed the minimum threshold value of 0.7 which ensured the adequate internal consistency of the scale.

Discriminant validity

Discriminant validity was assessed by the variance extracted estimates should be greater than the squared correlation estimate (Fornell and Larcker, 1981) It enables to establish the independence of the constructs used in the study. Discriminant validity measure explains whether the three constructs used in this study are distinct among themselves. If the value of variance explained of any two constructs are higher than the square of the correlation among those two constructs, it said to be the constructs are having discriminant validity. It is evident that (see **Table 3**) variance explained score of all factors is higher than the squared correlation of two factors. Thus, it can be concluded that the scale used for data collection in this study ensured the adequate discriminant validity.

Table 3. Discriminant Validity

	CR	AVE	MSV	ASV	JS	QWL	OP
JS	0.897	0.557	0.508	0.448	0.746		
QWL	0.932	0.582	0.387	0.383	0.622	0.763	
OP	0.924	0.669	0.508	0.443	0.713	0.615	0.818

Structural Equation Modeling

For this study to explore the impact of quality of work life on job satisfaction and organizational performance, Structural Equation Modeling (SEM) is used. It is a critical multivariate technique which is an extension of General Linear Model (GLM) and includes two phases: developing measurement model by using confirmatory factor analysis and developing the path model. All the measured constructs in this study were tested by applying Confirmatory Factor Analysis with the AMOS software. Regarding the model fit indicators, the study used the threshold of $\chi 2/df$ ratio as less than 3.0 is treated acceptable; the other indices like *Comparative Fit Index, Incremental Fit Index*, and *TLI* index value are more than 0.9 are fairly acceptable but values above 0.95 are highly preferred; and the *RMSEA* index is equal to 0.05 or below is reflected as a good fit, and between 0.05 to 0.10 an acceptable fit. The measurement model for this study is presented in **Figure 1**. The fit indices of the model gives the values like GFI is 0.841, TLI is 0.902, CFI is 0.912, and RMSEA is 0.08. These fit indices are ensured the adequate model fit to measurement model of the data.

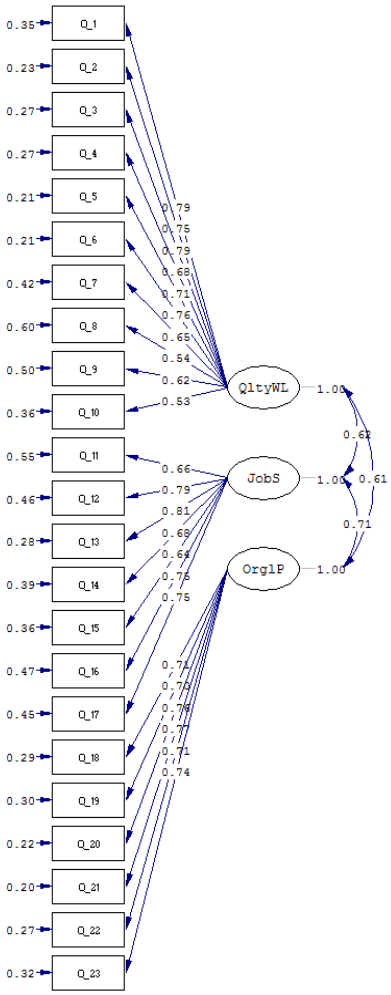

Figure 1: Measurement Model

Structural Model

The tested structural model of the current study is presented in **Figure 2**. In that model quality of work life is the independent variable and the job satisfaction and organizational performance are dependent variables. The present study, the structural model provided a chi-square (÷2) value as 775.03, degrees of freedom is 227. The values of other indices like the normed chi-square (NC = ÷2 /df) is 3.41which is lower than 5, GFI is 0.854, TLI is 0.9, CFI is 0.91, and RMSEA is 0.07 ensured the adequate fit of the model. The results of model test are depicted in **Table** ***.

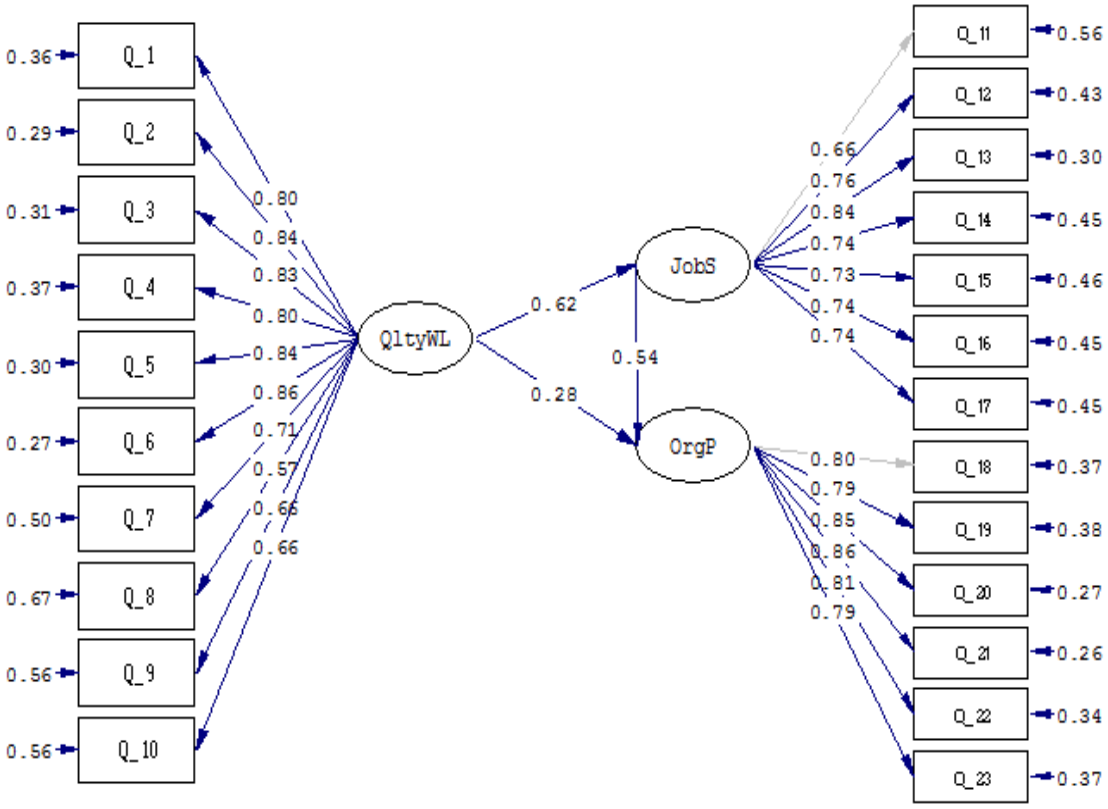

Figure 2: Structural Model

Table 4: Fit Statistics of the Models

Model	χ2	χ 2/df	GFI	TLI	CFI	RMSEA
Measurement Model	804.76	3.54	0.841	0.902	0.912	0.08
Structural Model	775.03	3.41	0.854	0.90	0.91	0.07

The results of the model testing gave the good fit indices for the model. The indices of GFI, TLI, and CFI disclosed adequate fit of the model, and RMSEA ensured a good fit. The path coefficients between exogenous variables and endogenous variables are significant at 5 per cent of the significant level.

Hypothesis Testing

Table 5: Model Path Coefficients

Constructs	Path coefficients	Sig.
QltyWL → JobS	0.62	***
QltyWL → OrgP	0.28	***
JobS → OrgP	0.54	***

With the results of SEM the following hypotheses are analyzed,

H_a1: There is a significant effect of quality of work life on job satisfaction.

The standardized co efficient between quality of work life and the job satisfaction (0.62) are significant at 0.05 level. Therefore it is concluded that the ***H_a1*** is accepted, and there is a significant positive impact of quality of work life on job satisfaction.

H_a2: There is a significant effect of quality of work life on organizational performance.

The standardized co efficient between quality of work life and the organizational performance (0.28) are significant at 0.05 level. Therefore it is concluded that the ***H_a2*** is accepted, and there is a significant positive impact of quality of work life on organizational performance.

Conclusion

In the present study correlation analysis finds that there is a positive significant relationship between three factors quality of work life, job satisfaction and organizational performance. This finding is supported by the previous studies reveals that, working environment, career growth, working condition and compensatorypolicy and benefits have positive and significant influenceon the job satisfaction, and further it improves the organizational performance.Path analysis reveals that there is more influence of job satisfaction than the quality of work life on the organizational performance. It is ensured that QWL has positive impact on the performance in direct effect, but through job satisfaction it almost doubles the effect of organizational performance. From this findings the study suggested that the organizations have to concentrate on improving the job satisfaction through quality of work life, which ultimately resulted at high organizational performance.

Based on the discussion it is concluded that, there is positive significant relationship between quality of work life, job satisfaction and performance of the bank employees. Also the study finds that job satisfaction has more impact on the employees' performance than quality of work life. So the banks need to concentrate more providing quality working setup to increase the job satisfaction, so that it increases the overall performance of the organizations. This present study was limited to the population of certain geographical restrictions, hence the generalizations of the results may not represent the entire banking employees across the country as a whole.

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