

Perceptions of Negative Inequity at Work and the Behavior of Individuals

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Abstract – The aim of this article is to find out how perceptions of negative inequity at work influence individuals' behavior based on the example of members of Estonian organizations. Perceptions of inequity are analyzed using John Stacey Adams' equity theory, which states that individuals compare the input and outcome of their work with some comparison base and adjust their behavior according to the equity or inequity they perceive. For example, when they feel negative inequity they can decrease their input, increase outcomes or leave the organization. The empirical study was conducted in 2011 and 2013 and the final sample consisted of 174 members of Estonian organizations. The results showed that individuals usually adapt their behavior according to how fair or unfair they are treated in their opinion. In addition, the reaction to perceived negative inequity depends on the respondents' socio-demographic background, including gender, age, position, tenure and education. Consequently, this should be taken into account when negative behavioral consequences are not desired.

Index Terms — Human Research Management, organizational aspects, productivity

I. INTRODUCTION

The interest of every organization is that its members give their best effort. One element that may influence individual behavior at work is the perception of inequity. Evaluating inputs and outcomes and estimating their fairness compared to some comparison base is the core of Adams' equity theory [1]–[3].

The most commonly researched aspect of fairness in previous studies is how different levels of pay influence people's behavior. For example, experiments have been carried out to ascertain how being under and/or over paid influences work quality [3], [4], work productivity [5] and work performance [6], [7]. Nevertheless, behavioral consequences other than reducing or enhancing performance have been researched very little (e.g. how negative inequity influences absenteeism [8] and turnover intentions [9]).

The aim of this article is to find out how perceptions of negative inequity at work influence individuals' behavior

based on the example of members of Estonian organizations. The intention is to investigate possible actions organizational members take on perceiving negative inequity. Therefore, several options are taken into account: decreasing inputs, increasing outcomes and leaving the organization. To the author's knowledge no previous research considering such multiple aspects has been carried out. In addition, to the author's knowledge no articles on equity theory using Estonian data have been internationally published. Consequently, it is important to know how fair or unfair members of Estonian organizations perceive their treatment in order to comprehend the extent of the inequity problem and its possible influence on work behavior.

Firstly, in the theoretical part of the article, Adams' equity theory is introduced and implementations of this theory by other authors are discussed. Secondly, the sample and methodology of the survey are introduced. Thirdly, in the empirical part, an overview is made of how fair or unfair members of Estonian organizations perceive their treatment in their organization and what actions are more likely to be taken in response to negative inequity. Finally, results are discussed and limitations are put forward.

II. THEORETICAL BACKGROUND

This section will provide a description of Adams' equity theory, its components and previous research results on this topic. Adams' approach is compared with other authors' views in this matter and some critical points about the theory are put forward.

The basis of this research is Stacey Adams' equity theory according to which individuals constantly judge whether they are treated fairly or not. Adams proposed his equity theory in the 1960s and this theory was especially widely researched in 1960s and 1970s. Some studies have also been made in recent years; for example [8], [10]–[12]. The main components of this theory are:

- 1) Inputs;
- 2) Outcomes;
- 3) The "other" or basis for comparison;
- 4) Result of the comparison;
- 5) Reactions to the situation.

In the following, the components of the theory are explained more thoroughly. Firstly, inputs are the

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contributions that a person brings to the job. Adams listed 13 different inputs a person can make. These are presented in bold type in Table I. Over the years several authors have added other inputs to the list. For example, work quality, time and dedication [8] and loyalty [13]. Consequently, the list of inputs is not rigidly fixed and various authors may see different inputs in this context. What is more, it is not entirely clear exactly what aspects people consider when evaluating fairness in a given situation, as there are numerous possibilities.

Secondly, the different outcomes suggested by various authors are also listed in Table I. The original factors suggested by Adams are again indicated in bold type. As we can see, the main emphasis here is on rather financial incentives and status. Over the years more “soft” issues have also been added by other authors to the outcomes in the equity theory context. For example, supervision quality and recognition, uncertainty and relationships with co-workers are relevant here. As we can see, as for inputs also in the case of outcomes, no strict list is formed and different authors may have different views. However, in previous studies mostly monetary incentives have been analyzed as outcomes ([3], [5], [14]–[16] etc.), which shows that most often it is presumed that people compare their income with others or their own prior experiences. Again, it is not possible to say exactly what aspects one individual may observe when deciding whether a situation is fair or not – there are numerous options from which to choose.

TABLE I

POSSIBLE INPUTS AND OUTCOMES AS A BASIS FOR ESTIMATING EQUITY

Inputs	Outcomes
Education, intelligence, experience, training, skill, seniority, age, gender, ethnic background, social status, effort, personal appearance, health	Pay, intrinsic rewards, seniority benefits, fringe benefits, job status, status symbols
Work quality ^c , time ^c , dedication ^c , responsibility acceptance ^e , job knowledge ^{de} , loyalty ^f contributions to organization or group ^c	Supervision ^{abc} , working conditions ^{ab} , monotony ^{abc} , uncertainty ^a , recognition ^{cde} , promotion ^{cde} , co-workers ^{bc} , prestige ^e

Sources: bold type [1], ^a[12], ^b[19], ^c[20], ^d[21], ^e[8], ^f[13].

Thirdly, the matter of the “other” or a basis for comparison is discussed. In Adams’ original work [1], he states that the “other” is an individual or group used for comparison. It can be a co-worker or colleague, a relative or neighbor, a group of co-workers, a craft group or an industry-wide pattern. He also stresses that this “other” to compare with can also be the person him or herself, for example, relative to a previous job or according to estimations of the future. It is proposed that individuals mostly compare themselves with others from a similar occupation or work tasks or education [1], [17]. Consequently, a sales person with a higher education expects to have fair outcomes with other sales people who have a higher education. He or she also pays attention to how many inputs others contribute.

Fourth, the potential results of comparisons will be discussed. When a person has weighed his or her inputs and outputs compared to the “other”, three possible results may

appear: negative inequity, equity, positive inequity.

In the case of negative inequity a person feels that he or she is getting less back from the job compared to what he or she is giving. Previous studies are quite supportive of this part of the theory, concluding that when negative inequity is felt a person reduces their quality of work, productivity, performance and so on [2], [18].

On several occasions, cases of positive inequity have also found proof [5], [3], [22]; although, the results have not been so consistent compared to those of negative inequity. For example, studies by references [23] and [24] have found no differences between over compensated and equally compensated groups. In studies by references [25] and [26], some hypotheses have been proven and some not. Consequently, when people feel, for example, overpaid they do not improve their performance in the same way as they might reduce their performance in cases of underpayment. Reference [27] discusses that overcompensated organizational members will more likely adjust their perception but not their behavior.

In the case of perceived equity, it is proposed that a person is motivated to maintain the situation – inputs stay the same and the person hopes for the same outcome.

Whether a person sees the situation as fair or unfair depends sometimes on individual characteristics. Therefore, it could well be that in the same circumstances people perceive things differently, which makes it very hard, for example, for the management to implement different tactics. For example, reference [14] discusses what influence gender, age and education may have towards perception of pay equity. Reference [28] has also suggested that intelligence, and social and religious values may also influence equity perception.

Fifth, reactions to unfair situations will be discussed. When a person perceives inequity he or she experiences tension. In order to reduce the tension some actions are taken. In his original work, Adams suggested six options when a person perceives inequity:

- change inputs;
- change outcomes;
- psychologically distort his or her inputs and outcomes;
- increase, decrease, or distort the inputs and outcomes of “others”, or force the “other” to leave the field;
- change the referent or basis for comparison;
- leave the field (department, organization).

In many other articles and books, the same options or these with minor modifications have been proposed (e.g. [12], [19], [20], [29]). In a few cases, some of Adams’ original options have been left out and fewer ways to react to inequity have been proposed. For example, references [30] and [15] have presented four behavioral consequences. Now the six ways to behave in response to inequity from the original work by Adams are introduced more thoroughly. Both positive and negative inequity are considered.

When there is negative inequity; that is, the person gives more than he or she gets back he or she may decrease inputs, for example, by lowering productivity or quality. In the case of positive inequity, a person can foster productivity and

quality and general effort. Additionally, he or she may increase his or her training or education etc. [1].

As with inputs, a person can also change outcomes. In the case of negative inequity, a person can obtain a pay increase, additional benefits, perquisites or status. In response to positive inequity, a person can request to have his or her pay, benefits, status and so on reduced. Although, this is not very probable it is theoretically possible according to Adams [1].

The psychological distortion of inputs and outputs means that a person can mentally justify the situation; for example, how much effort he or she provides, the relevance of his or her education etc. When positive inequity is perceived, the person could see the responsibilities the job brings, the expert skills it needs and feel less tension.

Changing inputs, outputs or behavior in “others” is another way to affect perceived inequality. For example, when a person feels that the “other” is not working hard, he or she can encourage him or her to work more. By contrast, when a person perceives that the “other” is overstraining him or herself, he or she can recommend a smaller workload.

Sometimes it is wise to change the referent person or group or basis of comparison. In a poor country, for example, it is not reasonable to make comparisons with counterparts from wealthy countries because often the income levels in a poor country are generally lower.

The last opportunity to change the inequity is to leave the field. When the situation is unbearable for the person he or she can also leave the organization, requests a transfer to another department etc. Absenteeism is also considered an option here (come late, leave early, take sick days etc.).

Although, equity theory has been more or less accepted in scientific circles, including having been voted as one of the most influential theories in the field of organizational behavior [31], and presented to students in almost every book on “Organizational behavior”, it has also been subject to some criticism. The most important issues are as follows:

- Equity theory is more trustworthy in underpayment situations [27], [32], [33] compared to overpayment situations;
- Generally, laboratory experiments have proven the theory more than studies in actual organizations [28]. Consequently, in real life, more factors could affect individual behavior compared to the laboratory settings;
- This theory does not consider other ways of resource allocation than equity. For example, resources could be allocated based on needs, hierarchy etc. [32];
- It focuses on distributive justice and does not take into account procedural or interactional justice [33];
- Sometimes individuals may react not to unfairness concerning themselves but unequal situations related to others [34];
- Although, the theory offers a variety of ways to react to inequity, it does not specify what the individual experiencing inequity is likely to choose as a response [35].

The author of this article would like to add to this list the problem that most research in this field has been based on pay

inequity, but we do not know how much individuals consider other outcomes and interactions between outcomes. A similar problem exists in relation to inputs. In addition, we do not know with whom people mostly compare themselves and how the behavioral outcomes differ according to individual characteristics.

Despite these criticisms, Adams’ equity theory provides a solid basis for analyzing how perceptions of inequity could influence the behavior of members of Estonian organizations. The research sample and method will be introduced in the following section.

III. SAMPLE AND METHOD

The study was conducted in 2011 and 2013 among members of Estonian organizations. All in all, 174 individuals participated. Most of the respondents were younger women working at the level of a specialist with a higher education (see Table II).

TABLE II
SOCIO-DEMOGRAPHIC DISTRIBUTION OF THE SAMPLE (%)

Variable	Grouping	%
Gender	male	43.1
	female	56.9
Tenure	3 or more years	63.8
	less than 3 years	36.2
Age	30 years and more	44.3
	less than 30 years	55.7
Education	higher	68.4
	no higher	31.6
Position	manager	21.8
	specialist	51.7
	worker	26.5

Source: author’s calculations on the basis of collected data.

To analyze how perceptions of negative inequity influence the respondents’ behavior, a questionnaire was designed. The author decided to concentrate on reactions to negative situations because Adams’ theory has shown more relevance in this area. Therefore, overcompensation is not analyzed.

Firstly, the questionnaire asked how fairly individuals are treated in their organization, and answers were given on the following scale: very fair, rather fair, rather unfair, very unfair.

Previous research has shown that inequity influences behavior; therefore, it is important to find out how fair or unfair the respondents in the sample from Estonian organizations estimate their treatment in their organization. Very little research on this topic has been conducted, and to the author’s knowledge, none (that is internationally available) based on Estonia.

The second question asked respondents what their reactions to unfair treatment had usually been. One criticism of Adams’ theory is that it is not exactly known what reactions individuals prefer in unequal situations. The intention here was to find out what potential reactions to unfair situations individuals prefer in Estonian organizations. Very little research has been conducted in this area, and nothing has been published internationally about Estonia.

The first option in an unfair situation is to change the inputs (decrease performance to a large extent or a small extent). The second option is to change the outputs (ask for a raise or talk to a supervisor). The third option here is to leave the job. The other three options from Adams' original theory are not specifically analyzed here, but indirectly it is presumed that if a person "does nothing", he or she has decreased the tension from the inequity using psychological distortion, changing the basis of the comparison or some other technique.

Finally, questions about the socio-demographic background of the respondents were added. As Adams' theory does not specify the impact of individual characteristics, the intention here was to explore in greater detail what characteristics may influence perceptions of equity and how, and what behavioral choices are more probable among various groups that perceive negative inequity. Consequently, the most common background variables – gender, tenure, age, education and position – have been added to the analysis.

To analyze the data, a mean comparison using the non-parametric Mann-Whitney U test and Kruskal-Wallis test was adopted. The acceptable significance level chosen was 0.05. When more than two groups of independent variables are involved, the LSD (Least Significant Difference) test is used to compare the groups. It is known as a post hoc procedure when pair wise comparisons are made.

IV. RESULTS

Firstly, the author analyzed how fairly the respondents felt they were being treated in their organizations. Quite a large number of the respondents felt that they were being treated very fairly (15.5%) or rather fairly (55.2%). Still, we can say that 27.6 per cent of the respondents felt that they were being treated rather unfairly and a few felt that they were being treated very unfairly (1.7%). No statistically significant differences were found here according to socio-demographic background.

Secondly, the author analyzed how the respondents usually reacted to unfair treatment. In this case several answers were allowed because people may have reacted differently in different situations. The results showed that most participants reacted to the unfair situation. Only eight per cent did nothing. The most popular way to react to unfairness was to ask for a raise (63.2%). Quite a large proportion decreased their performance by a small extent (44.8%), and some a large extent (5.2%). Therefore, we can say that unfairness influences performance to some extent but not for all people. About forty four per cent of the participants discussed the situation with their supervisor hoping to change the situation. Quite a large amount of the participants left their job (28.3%), which indicates that in unfair situations some individuals may react rather resolutely. In addition, quite a number of differences in opinions were discovered according to the socio-demographic background of the respondents, and these are presented below. As only eight per cent of the respondents reported that they did nothing, no socio-demographic differences can be brought out in their case. Two options – "decreased performance to a large extent" and "decreased

performance to a small extent" – were combined in the following analysis because only about five per cent decreased their performance to a large extent.

Performance was decreased in response to an unfair situation more by female participants compared to male participants ($p < 0.05$ in Mann-Whitney U test) (see Table III). This indicates that women choose more to react to unequal situations with less effort (e.g. decreasing input). However, men choose rather to discuss the situation with their supervisor ($p < 0.05$ in Mann-Whitney U test). Consequently, men are more likely to influence the outcomes.

TABLE III
REACTION CHOICES TO UNFAIR SITUATION (%)

	Decreased Performance	Asked for a Raise	Discussed with the Supervisor	Left the Job
Male	36.0	68.0	52.0	28.0
Female	51.5	59.6	38.4	28.3
Manager	63.2	78.9	63.2	47.4
Specialist	52.2	64.4	36.7	30.0
Worker	34.8	47.8	43.5	8.7
Higher education	58.8	68.1	43.7	32.8
No higher education	30.9	52.7	45.5	18.2
Age under 30	51.5	56.7	35.1	29.9
Age 30 and more	48.1	71.4	55.8	26.0
Tenure under 3	58.7	52.4	28.6	31.7
Tenure 3 or more	50.0	69.4	53.2	26.1

Source: author's calculations on the basis of collected data

When comparing the respondents' opinions according to their position in the company, we can see that managers are more likely to affect outcomes as they are more likely to ask for a raise and are more likely to discuss the situation with the manager than specialists and workers ($p < 0.05$ in Kruskal-Wallis test and LSD test) (see Table III). Both managers and specialists are more likely to decrease performance compared to workers ($p < 0.05$ in Kruskal-Wallis test and LSD test) and are also more likely to leave the job compared to workers ($p < 0.05$ in Kruskal-Wallis test and LSD test).

By grouping the respondents on the basis of educational level we see that those with a higher education tend to decrease performance more than respondents without a higher education when they perceive unfairness ($p < 0.05$ in Mann-Whitney U test) (see Table III). They are also more likely to leave the organization and ask for a raise compared to respondents without a higher education ($p < 0.05$ in Mann-Whitney U test).

Younger participants (see Table III) and participants with shorter tenure (see Table III) are not very eager to ask for a raise or discuss the situation with a supervisor ($p < 0.05$ in Mann-Whitney U test).

To sum up the analysis, we can say that about a third of the respondents perceive negative inequity in their current organization. This can lead to serious behavioral consequences – about a third of the respondents have left a job because of unfairness, and about a half have decreased their performance. Nevertheless, there are several differences in behavior

according to socio-demographic background, which should be taken into account when desiring to reduce inequity.

V. DISCUSSION AND LIMITATIONS

The results showed quite clear support for Adams' equity theory, as only eight per cent of the participants claimed that they had done nothing in response to perceived unfair treatment. Generally, negative inequity seems not to be a very serious problem in Estonia, but still approximately a third of the respondents felt that they were treated rather unfairly or very unfairly. From previous studies, reference [8] has also found in their survey that many respondents felt that compared to their co-workers they were treated unfairly as they spent more time, effort and energy but receive fewer rewards and recognition for the work they did. This indicates that inequity may be a quite widespread problem, and the topic needs further research.

According to this study it can be concluded that many respondents choose to change outcomes when they feel inequity. About sixty-three per cent of the participants reported that they have asked for a raise, and about forty-four per cent discussed the situation with a supervisor in order to obtain greater equity. No previous result can be brought out here and consequently it is not possible to say how widespread this approach to changing the outcome is in other countries. But generally, choosing to change outcomes in response to inequity is very a positive tendency because we can expect that when people feel that they are being treated unequally, they draw the manager's attention to it and try to change the situation. Nevertheless, half of the respondents decreased their performance to a small extent or a large extent. This result shows that quite a number of organizational members choose to give less effort in the first place or after changing outcomes has not succeeded, and this kind of performance lowering is in accordance with numerous previous studies (e.g. [2], [18], [36]). Consequently, not all organizational members choose to reduce performance, but it is still a very likely option. The most worrying result is that about third of the respondents left the organization when they felt inequity. The studies by references [9], [37] show also that greater feelings of unfairness lead to higher turnover rates in organizations. Reference [8] has also proven that inequity can lead to withdrawal behaviors like coming late to work or leaving early from work. These kinds of behaviors may become quite costly to organizations.

When observing behavior in unfair situations, many differences also emerge according to the socio-demographic background of the respondents. This research showed that the following groups are more likely to try to change their outcomes:

- men (compared to women);
- managers (compared to specialists and workers);
- respondents with longer tenure;
- older respondents;
- respondents with a higher education.

Those more likely to change inputs include:

- women (compared to man);
- managers and specialists (compared to workers)
- respondents with a higher education.

Those more likely to leave the job include:

- managers and specialists (compared to workers);
- respondents with a higher education.

Considering these results, we can say that individuals with different backgrounds may react differently when they feel inequity. For example, managers and specialists are more likely to choose to leave the organization compared to workers. Perhaps managers and specialists are more confident that they will find another job. In addition, respondents with a higher education are probably more confident and more likely to leave the organization. Especially specialist level employees may not announce their discomfort and as a consequence the reasons for their leaving may not be understandable to employer. Therefore, it is hard to improve the situation.

Individuals with a higher education and managers and specialists are more likely to change inputs. The reason for this could be that individuals with a higher education and higher positions work in places where it is possible to reduce performance so that no one notices. Individuals without a higher education and workers may more often work according to piece rates and when their performance is lower they gain less income so this option is not attractive to them. In addition, female respondents reported that they have decreased performance more in response to perceived unfairness. Female organizational members may choose not to announce their discomfort related to inequity to managers because women are generally more insecure and anxious compared to men, and that is also characteristic of women in Estonia [38].

Individuals with longer tenure as well as older participants are more likely to change outcomes when they perceive unfairness. This means that more experienced organizational members are loyal to their organization and are not eager to leave the organization, perhaps because they do not want to start from the beginning in a new place, and rather hope that they can change things in the current organization. In addition, maybe older individuals feel that it is not so easy to start a new career in a new place compared to younger people. Managers and respondents with a higher education are also more active in trying to change outcomes compared to specialists and workers and those respondents who do not have a higher education. It could well be that managers and individuals with a higher education have more resources and power and courage to change things in the organization.

The main limitation of this research is that we have to rely on the statements of the respondents in estimating their behavior. Naturally, it is possible that the participants were not totally honest. In future research, questionnaires could be complemented with estimations of real performance, turnover rates etc. In addition, more respondents with a greater variety of background characteristics could be added to the survey because in this study the sample size is rather small. What is more, it would be advisable to ask additional questions about which inputs and outcomes people look at to estimate the fairness of the situation in an organization because at the

moment we know that several individuals feel that they are not treated fairly, but the exact reason for this needs to be clarified. In addition, we do not know who people mostly compare themselves with. Are they comparing themselves with one or several co-workers or are they taking into account their own previous experiences and so on. How people behave when they are being overcompensated in ways other than overpayment would also be a valuable direction for research. Finally, respondents from different countries could also be compared to find out whether there are any cultural variations in perceptions of equity.

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