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# Using Distributive Justice Theory to Examine Job Stability Outcomes of IT Professionals during a Down Labor Market

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## ABSTRACT

In recent years, the underlying IT growth trends of the 1990s underwent a reversal as the new century dawned. These labor market changes have been reflected in the changing nature of employment. Distributive justice theory suggests employees' perceptions of the fairness of the outcomes that are received are based on the employees' inputs. We examine IT professionals' perceptions of job stability and resulting attitudinal outcomes and organizational attitudes of IT professionals during a down labor market through the lens of distributive justice.

## Keywords

Distributive Justice Theory, Job Stability, Job Satisfaction, Organizational Commitment, Rewards, Compensation

## INTRODUCTION

The U.S. job market for information technology (IT) professionals has traditionally been a sellers' market with higher demand than supply. The labor shortfall reached unprecedented levels during the economic boom of the late 1990s. This surge in demand for IT professionals was fueled by many factors. Growth in the telecommunications sector was driven by the telecommunications deregulation act of 1996, the new entrance of cellular and PCS wireless providers, surging demand for Internet connectivity, and the emergence of new technology such as cable modems, DSL, and satellite telephony. Y2K conversions resulted in replacement and upgrades of many existing software programs. The emergence of the Internet drove new systems development as new and existing businesses deployed Internet-based services. Each of these initiatives was IT intensive, resulting in high demand for IT professionals.

The underlying business growth trends underwent a reversal as the new century dawned. Telecommunications companies cut costs as overbuilt networks provided more capacity than the market required; the completion of Y2K projects reduced the need for conversion specialists; and Internet services, although still important, settled into more reasonable growth rates and capital dried up for new Internet initiatives. This sudden drop in activity was echoed in a slowdown in the underlying economy and resulted in business cutbacks worldwide. As profits began to drop, U.S. companies began to implement cost cutting opportunities, such as moving IT development projects offshore in order to reduce labor costs. As a result of cost cutting, the IT labor market shrank by 500,000 jobs during 2001, after years of explosive growth (ITAA, 2002).

Cyclical unemployment occurs due to demand for goods and services decreasing, which causes unemployment to rise and leads to job uncertainty (McConnel and Brue 2001). The IT labor market changes have been reflected in the changing nature of employment between companies and IT professionals. In the boom times, IT professionals were offered higher salaries, job perks and other benefits for their continued employment. However, demand for IT professionals decreased as the market slumped, which resulted in a corresponding change in their employment attitudes. Leonard (2001) reports that 67% of IT professionals believed their jobs were insecure and 30% believed that all jobs are temporary, whether or not the employer states that it is permanent.

Both practitioners and researchers need to better understand how IT professionals perceive their job stability to ensure a workforce committed to the organization. As the dynamics of the IT labor market change, it is not appropriate to assume employee attitudes will remain the same. Companies who want to retain their most qualified IT professionals must offer appropriate employment agreements that positively affect attitudinal and behavioral outcomes.

Job stability may be an organizational reward that has more effectiveness on employee outcomes during a down labor market than it does during a boom labor market. Therefore, the purpose of this study is to examine the effects of job stability as well as other types of rewards during down labor markets through the lens of distributive justice. Accordingly, the research question of this study is:

*Does job stability affect IT professionals’ attitudinal and behavioral outcomes?*

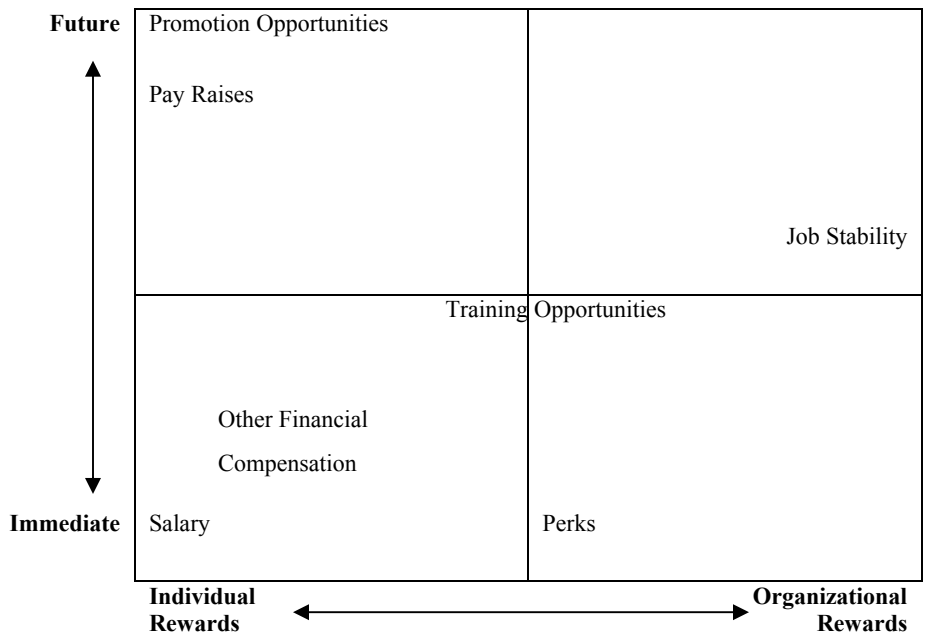
This study examines the impact of organizational outcomes through the lens of distributive justice theory, which relates employees’ organizational attitudes to their beliefs about how fairly they are rewarded by the outcomes they receive. Although most distributive justice studies have focused on the role of pay as the primary outcome (Cohen-Charash and Spector, 2001), this study also uses a broader view of job stability.

**DISTRIBUTIVE JUSTICE THEORY**

The study of fairness in organizations has led to the identification of three types of perceived justice: distributed, procedural, and interactional. Distributive justice theory concerns employees’ perceptions of the fairness of the outcomes that are subsequent to employees’ inputs. Procedural justice theory concerns employees’ perception of the fairness of the procedure in determining an appropriate extrinsic outcome, such as pay. Interactional justice theory concerns employees’ perceptions of the fairness of the relationship between themselves and their supervisors (Cohen-Charash and Spector 2001). Of these, distributive justice theory is the most directly related to the outcomes associated with job stability. Therefore, this study uses distributive justice theory to examine the relationships between various outcomes and IT professionals’ organizational attitudes during a down labor market.

Distributive justice theory predicts that employees determine the fairness of the outcomes they receive by comparison with the outcomes received by some other employee in a similar situation. Employees mentally evaluate the ratio of the outputs (outcomes) received from their company versus their inputs into their company to make this comparison. Employees compare their own output/input ratio versus the perceived ratio of a ‘comparative-other’ employee in order to make the fairness judgment (Fields et al. 2000; Jex 2002; Martin and Bennett, 1996). The identity of the comparative-other employee exists solely in the mind of each employee. It may be a specific person, or even a composite constructed from evaluations of similar situations.

Whereas many distributive justice studies have operationalized organizational outputs based solely on a measurement of salary, this study examines an organizational reward of job stability. Figure 1 illustrates one way of categorizing the reward types tested.



**Figure 1. Reward Specificity versus Reward Horizons**

This framework compares rewards based on reward specificity (individual versus organizational) versus reward horizons (immediate versus future). The bottom axis, reward specificity, varies from “Individual” to “Organizational”. Individual rewards can be unique for each individual, such as two employees in the same job in the same organization that have different salaries. On the other hand, organizational rewards are common to all employees of the organization. As a result, organizational rewards are only relevant when employees compare their situations to those at similar jobs in *other* organizations. The vertical axis of the framework represents the reward horizon. It is labeled “Immediate” to “Future”. This indicates that employees may work for lesser rewards today if they perceive they are earning even higher future rewards in terms of promotions or future pay raises.

## ORGANIZATIONAL ATTITUDES

Previous distributive justice studies have found that employees have attitudinal reactions, such as job satisfaction and organizational commitment, which are formed by the perceived fairness of their outcomes (Cohen-Charash and Spector 2001; Fields et al. 2000; Martin and Bennett, 1996). The effect of outcome fairness on organizational commitment is partially mediated by job satisfaction (Figure 2), which suggests that appropriate outcomes may build employee commitment to a company independent of job satisfaction (Kim, Price, Mueller, and Watson, 1996; Martin and Bennett, 1996).



Figure 2. Model of Fairness of Outcomes and Employee Attitudes

*Job Satisfaction* has been studied across numerous disciplines and typically has been defined as the extent to which employees feel positively or negatively toward their job or job situation. Some antecedents of job satisfaction have been shown to be job characteristics, social information processing and dispositions (Jex 2002; Thatcher, Stepina, and Boyle 2003). One study examined the effect of job perceptions on job satisfaction, finding that there was a significant relationship (Wong, Hui, and Law 1998). Research also indicates job satisfaction is related positively with performance, job involvement, and positive mood (Bhuiyan and Mengue 2002; Jex 2002; Sankar and Yeong 1997).

Organizational Commitment is a common construct used in management, marketing, psychology, and other disciplines as an antecedent to turnover, absenteeism, leader-subordinate relations, and job involvement (Eby, et. al. 1999; Raghunathan et. al. 1998). It has been defined as the degree of an employee’s identification and involvement in an organization. It includes an acceptance of and belief in the organization’s values and goals, and a willingness to exert effort for and maintain membership in the organization (Raghunathan et. al. 1998). Perceptions and attitudes of IT professionals have been shown to affect organizational commitment (Finegold, Mohrman, and Spreitzer 2002; Thatcher et al. 2003).

There have been a number of IT studies that have investigated the antecedents to job satisfaction and organizational commitment. Both salary and non-salary organizational outcomes as well as employee attitudes have been shown to significantly affect job satisfaction and organizational commitment (Finegold, Mohrman, and Spreitzer 2002; Green 1989; Sankar and Yeong 1997; Thatcher et al. 2003).

## MODEL AND HYPOTHESES

Although previous distributive justice research emphasizes the fairness of pay, the theory states that the ratio of *all* outputs (outcomes) to inputs must be perceived as fair. This study extends previous research by expanding the operationalization of outcomes to include job stability. Specifically, within the cyclical IT labor market, job stability is an important issue for organizations to consider in order to have IT professionals committed to the organization.

## Job Stability

One of the outcomes offered by an extremely stable organization is the implied promise of ongoing employment as long as inputs are satisfactory. This encompasses both job security and continuance (Probst, 2003). Job stability also is an organization-specific characteristic that is only relevant to an employee whose comparative other is in a separate organization. An employee can be more satisfied with a job because the job offers stable employment, but even if an employee is dissatisfied with a job, there may be commitment to the organization because of the promise of stable employment. The concept of fit is used to operationalize job stability as distributive justice implies a comparative other. Fit also implies that the level of job stability matches the level the employee desires, which is based on perceived alternatives.

*H1: Job Stability Fit will be positively related to job satisfaction and organizational commitment.*

*H1A: Job Stability Fit will be positively related to job satisfaction.*

*H1B: Job Stability Fit will be positively related to organizational commitment.*

Based on the background above, this study explores the model and hypotheses illustrated in Figure 3. At the core of the model are the two central constructs that are used in other studies: job satisfaction and organizational commitment. This relationship has been tested extensively in numerous disciplines and although this relationship will be examined, there is no need to add an additional hypothesis to this study.

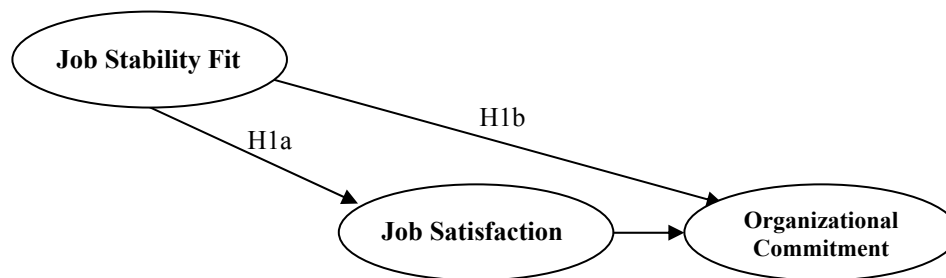


Figure 3. Research Model

## METHODOLOGY AND ANTICIPATED CONTRIBUTIONS

The study findings are based on a field survey that was developed in three stages. In the first stage, an expert panel developed a set of initial construct measures based on a mixture of pre-validated scales and new scales. Next a pilot study was used to refine and validate the measurement model. Finally, a field study of a broad range of IT professionals was completed using the questionnaire. The data that was collected is currently being analyzed and the full results will be reported at the conference.

This study contributes to the field of distributive justice research through exploring the definition of work outcomes and suggesting an expansion beyond salary. Also, rather than only individual characteristics, there are organizational characteristics such as job stability that can also be part of the distributive justice equation. Finally, the attitudinal and behavioral outcomes of IT professionals are assessed as both practitioners and researchers need to better understand how IT professionals perceive their job stability to ensure a workforce committed to the organization.

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