



## The Changing Contours of Fairness: Using Multiple Lenses to Focus the HRM Research Agenda

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## Structured Abstract

### Purpose

Organizational justice research has become the main paradigm of research in the field of HRM. The paper outlines a number of underlying challenges to which this paradigm is ill-suited. It broadens the traditional understanding of what is meant by fairness within the HRM literature to help explain how justice judgements are formed and may be used to influence societal level fairness processes. It develops a framework to aid our understanding of the fairness of decisions that individuals or organizations make.

### Design/methodology/approach

The paper presents a conceptual review of the main paradigms used in fairness research. It draws upon the organizational justice literature as the dominant paradigm in HRM research, and conducts a cross-disciplinary review that introduces a range of theories less frequently used by HRM researchers – specifically capability theory, game theory, tournament theory, equity sensitivity theory, theories of intergenerational equity and burden sharing. It demonstrates the relevance of these theories to a number of areas of organizational effectiveness.

### Findings

The paper shows that researchers are now augmenting the organizational justice research paradigm under two important pressures – (1) awareness of hidden structures that preclude the option for real fairness; and (2) new variables that are being added to the consideration of organizational justice.

### Research limitations/implications

The fairness theories are used to identify a number of important and future research agendas in the field of HRM. Many of the judgements made by employee suggested by the theories now need measurement at the individual level. It remains to be seen whether these

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3 judgements are highly situational and context-dependent or may be used to identify important  
4 individual characteristics. It is also likely that fairness judgements act as an important of a  
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6 range of HRM-related outcomes such as trust and engagement.  
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### 9 10 **Practical implications**

11 HR functions have invested significant resources in employee engagement or insight units,  
12 but if their policies trigger significant inequality of outcomes, perceived problems of justice,  
13 a lack of burden sharing, no sense proportionality, organizations may not be able to achieve  
14 other important HR strategies such as sustaining and deepening employee engagement,  
15 developing organizational advocacy, building an employer brand, or being seen to have  
16 authenticity in its values. The framework suggests a broadened educational base for HR  
17 practitioners around fairness. It also suggests that there may be complex employees segments  
18 concerning perceptions of fairness.  
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### 29 30 **Originality/value**

31 The cross-disciplinary perspective taken on fairness helps deconstruct the judgements that  
32 employees likely make, enabling organizations and individuals alike to ask more critical  
33 questions about their respective behaviour.  
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### 39 **Keywords:**

40 Fairness, Justice, Inter-generational, Hidden social structures, HRM  
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### 43 **Paper type**

44 Research paper  
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## The Changing Contours of Fairness: Using Multiple Lenses to Focus the HRM research agenda

### Introduction

A number of developments have made it timely to review concepts of fairness and the implications for research in HRM. We are living through a period where substantial transfers of costs, risk, responsibility and accountability are taking place, and these transfers are between markets, nation states and supra-national bodies, organizations and individuals – and indeed at the individual level also amongst different generations. As we consider the future of work and expectations of the employment relationship, therefore, complex questions of what is fair or unfair are being generated. The actions of organizations are invoking deep questions about what is fair or not: pension provision, questions about the adequacy or excessiveness of rewards, use of zero-hours contracts, the quality of careers across age groups, levels of social mobility, and the global sourcing of work. In terms of agency, organizations are operating in an environment where what is happening outside them may become as significant a shaper of employee behaviour as what they do within the organization.

Fairness refers to the idea that an action or decision is morally right (Tabibnia, Satpute, & Lieberman, 2008). The theoretical literature on fairness makes it clear that in any situation there are many allocations that could be considered as fair. However, which of these perceptions of fairness are actually held by people in practice? The general conclusion from the existing empirical literature is that there is no one dominant fairness concept, principally because fairness concepts differ with the context of the situation and with the individual (Otake & Wong, 2014).

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3 Given the difficulty in establishing the fairness concept, organizational scientists have  
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5 resorted to explaining the concept by providing a thorough description of the facets of justice  
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7 as an experience (Greenberg, 1987a, 1987b, 1987c, 1990; Crawshaw, Cropanzano, Bell &  
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9 Nadisic, 2013). This has become the main paradigm of research in the field of HRM. By  
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11 paradigm we mean a framework or theme that is underwritten by a set of theories,  
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13 methodologies, ways of thinking, or model. Organizational justice concerns the moral  
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15 rightness of a decision or treatment (which may be defined according to ethics, religion,  
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17 fairness, equity, or law) as perceived by individuals, in their appraisal of the fairness of a  
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19 situation. Specifically, organizational justice research suggests that individuals evaluate at  
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21 least three aspects of their work environment – (1) distributive justice - the fairness of one's  
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23 outcomes from a decision-making system (Adams, 1965; Leventhal, 1976); (2) procedural  
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25 justice - the fairness of the processes used to decide those outcomes (Thibaut & Walker,  
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27 1975; Leventhal, 1980); and (3) interactional justice - the fairness of the interpersonal  
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29 exchanges that occur during work (Bies & Moag, 1986; Greenberg, 1993). More importantly,  
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31 beyond these issues of description and structure, organizational justice research has tended to  
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33 focus on four interrelated theoretical questions: (1) why justice at work matters to  
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35 individuals; (2) what factors are antecedent to justice; (3) what are the consequences of  
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37 justice and injustice; and (4) how justice judgements are formed (e.g. Cropanzano et al.,  
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39 2001; Greenberg, 2001; Ambrose, 2002; Blader & Tyler, 2003; Crawshaw et al., 2013).  
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41 Questions one to three have received ample attention over the years (e.g. Tyler & Bies, 1990;  
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43 Cropanzano et al., 2001; Cohen-Charash & Spector, 2001; Colquitt et al., 2001; DeCremer,  
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45 2005; Crawshaw et al., 2012).

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52 Following the seminal work of Greenberg (1987a, b, c, 1990) and existing scholarly  
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54 reviews by Colquitt, Colon, Wesson, Porter and Ng (2001) on organizational justice, a  
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56 substantial literature has now evolved regarding the influential role justice plays on individual  
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3 attitudes and behaviours. Whilst research into organizational justice has many implications  
4 for the HRM domain, particularly, in our understanding of fairness as a psychological  
5 process, in judging fairness, there are a number of underlying challenges that it is ill-suited to  
6 explain. To complement this literature, in this paper we aim to explain a range of individual  
7 and organizational level fairness theories that influence societal level processes and aid the  
8 justice or fairness decisions that individuals or organizations make. The paper attempts to  
9 provide a more integrated, complete, and accurate model of the psychological determinants  
10 that underlie justice formations.  
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21 In order for academic research to address these issues, we believe that we need to  
22 broaden the traditional understanding of what is meant by fairness that is applied within the  
23 HRM literature. We argue that existing research on fairness from an organizational justice  
24 perspective leaves us with two research problems. First, we need to be able to better  
25 deconstruct *how* employees frame their judgments of fairness if we are to understand the  
26 cognitive and emotional processes through which fairness judgements are formulated, and  
27 that underlie its effects. The paper introduces a range of theories that have featured little in  
28 HRM research but that have surfaced hidden structures that may preclude the option for  
29 fairness. Second, and broadly as a consequence of the first problem, we need now to  
30 introduce some new variables and perspectives to our considerations of organizational justice.  
31 The conceptual model that we follow is summarised in Figure 1.  
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54 The aim of this paper is to deliver a credible framework for research into fairness  
55 intended to facilitate a more mature employment relationship with a richer, constructive  
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3 conversation between organizations and their employees, managers and their reports around  
4 aspects of fairness. We start by providing a detailed review of the dominant paradigm in  
5 Human Resource research on fairness - that of organizational justice. Particular attention is  
6 given to distributive, procedural and interactional justice. We then draw on cross-disciplinary  
7 work on fairness in order to make two arguments. First, when making fairness judgements,  
8 there are hidden structures that preclude the options for real fairness. These hidden structures  
9 aid the cognitive frameworks individuals use in making judgements. We draw on capability  
10 theory, game theory and tournament theory in developing this argument. Second, recent  
11 economic and global changes are creating new dimensions which need to be added to the  
12 consideration of organizational justice. We draw on inter-generations equity theory and  
13 equity sensitivity theory in developing our argument. Finally, we review the implications for  
14 HRM of a range of different literatures on fairness and maps the contours of fairness in a way  
15 that is useful to HRM researchers.  
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### 35 **Organizational Justice**

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37 The dominant paradigm within the HRM literature on fairness has been organizational  
38 justice, which comprises of distributive justice, interactional justice, and procedural justice  
39 (see; Cropanzano & Greenberg, 1997; Cohen-Charash & Spector, 2001; Colquitt et al., 2001  
40 and Greenberg & Colquitt, 2005 for literature reviews). We explain the principles that  
41 dominate this paradigm. According to Rupp, Shao, Jones & Liao, (2014) these three  
42 constructs are assumed to represent employees' perceptions of whether the outcomes they  
43 receive, the procedures used to determine outcomes, and both the information conveyed  
44 about procedures and the interpersonal treatment bestowed as information is shared, are all  
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3           *Distributive justice* is broadly defined as the fair distribution of resources (Greenberg  
4 & Colquitt 2005). Within the organizational and HR literature, it has been shown to be  
5 negatively related to turnover intention (e.g., Griffeth et al., 2000; Poon, 2012), positively  
6 related to affective commitment (Poon, 2012) and to be associated with affective (e.g.,  
7 resentment), cognitive (e.g., perceptual distortion), and behavioral (e.g., withdrawal)  
8 reactions to particular outcomes (Cohen-Charash & Spector, 2001). This form of justice is  
9 most commonly discussed in relation to equity theory (Adams, 1965). According to Adams'  
10 equity theory, people determine fairness via a deliberate and reasoned calculation and  
11 evaluation of their perceived contributions or inputs (i.e. skills, effort, performance) relative  
12 to the outcomes (tangible and intangible rewards) they have received. They then compare this  
13 ratio to some comparison or referent standard to determine whether the outcomes they have  
14 received for their efforts are fair (Nowakowski & Conlon, 2005). Injustice is thus perceived  
15 when these input-outcome ratios are felt to be positively or negatively imbalanced. A  
16 situation or event will be interpreted as unfair when three judgements are made by  
17 individuals, termed 'would', 'could', and 'should' judgements (Folger and Cropanzano,  
18 1998, 2001). A number of related theories, notably the 'fairness heuristic theory' developed  
19 by Lind (1995, 2001) and the 'uncertainty management theory' (Van den Bos and Lind,  
20 2002), argue that these judgements about fairness and equity need not be deliberate but are  
21 also made relatively automatically and intuitively. Therefore, according to this paradigm,  
22 people make equity assessments by comparing their outcomes (rewards, such as pay raises)  
23 and inputs (their contributions, such as effort exerted) to the outcomes and inputs of others  
24 (Poon, 2012). Distributions are fair to the extent that employees perceive their rewards to be  
25 proportionally matched to their contributions (Ambrose & Arnaud, 2005).  
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54           According to justice theory, there are three common "allocation norms" (Colquitt et  
55 al., 2005) that are invoked when judging the fairness of how some good is distributed. These  
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3 norms are usually termed equity, equality, and need (Deutsch, 1975). Equity-based justice is  
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5 rooted in the sense of proportion (Adams, 1965) - the sense that the outcomes individuals  
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7 receive (remuneration, a corner office, or any other valued outcome) should be awarded in  
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9 proportion to their inputs (how hard they work, how productive they are) (Morand &  
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11 Merriman, 2012). In general, the equity norm is used to foster high levels of task performance  
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13 (Leventhal, 1976). By reinforcing beneficial inputs, the decision maker is expecting  
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15 individuals to contribute increasing amounts of such inputs to the organization. The equality  
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17 rule argues that people should be rewarded equally (Young, 1995) and all participants receive  
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19 the same outcomes, regardless of their individual performance levels. This norm is used to  
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21 minimize dissatisfaction and reduce incidence of disruptive, antagonistic behavior on the part  
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23 of those who might be dissatisfied under an equity allocation rule (Leventhal, 1976). Finally,  
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25 the need rule argues that people should be rewarded based on their level of need or  
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27 deprivation (Nowakowski & Conlon, 2005). Equity, equality and need may all be applied in  
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29 different situations in organizations. For example, salary adjustments are typically made on  
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31 past performance (equity). However, travel and support budgets may be allocated identically  
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33 (equality). Choice of office space in a new building may be determined by rank in the  
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35 organization (another form of equity). Newly hired faculty may receive a large support  
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37 budget and summer stipend (need). However, there is little consensus regarding when each  
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39 type of rule is most likely to be used or when each rule is likely to be seen as most fair.  
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45 Nowakowski and Conlon (2005).

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48 *Procedural Justice* is referred to as the fairness of process used to arrive at decisions  
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50 (Konovsky, 2000). Within the HRM domain, research has shown positive relationships  
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52 between HRM practices and procedural justice. For example, Meyer and Smith (2000) found  
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54 a positive link between promotion, career development and training opportunities,  
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56 satisfaction with the employee benefits packages, performance appraisal, and perception of  
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3 procedural justice. Similarly, Paré and Tremblay (2007), in a study of information systems  
4 specialists, found that perception of procedural justice was significantly associated with fair  
5 rewards practices, skills development, non-monetary rewards and information sharing.  
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7 Finally, Tremblay, Cloutier, Simard, Chenevert & Vandenberghe (2010), in their research  
8 showed that non-monetary reward practices and bottom-up information practices act  
9 positively on procedural justice.  
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17 It is worth remembering that although this concept is now more commonly used  
18 across the organizational effectiveness literature, it originated within the context of legal  
19 procedures. Researchers studying law and psychology noted that participants in dispute  
20 resolution procedures did not merely react to the outcomes that they received, but also to the  
21 process by which they receive those outcomes (Nowakowski & Conlon, 2005). Thibaut and  
22 Walker (1975) originally developed this construct, describing the disputant reaction to  
23 different types of legal procedures in terms of their reactions to both the process used and the  
24 outcome received and the amount of influence disputants had in each stage as evidence of  
25 process control and decision control. Disputants were willing to give up control in the  
26 decision stage as long as they retained control in the process stage. Stated differently,  
27 disputants viewed the procedure as fair if they perceived that they had process control (i.e.,  
28 control over the presentation of their arguments and sufficient time to present their case)  
29 (Colquit, Colon, Wessen, Porter & Ng, 2001). This process control effect is often referred to  
30 as the "fair process effect" or "voice" effect (e.g., Folger, 1977; Lind & Tyler, 1988).  
31 Although Thibaut and Walker (1975) introduced the concept of procedural justice, their work  
32 focused primarily on disputant reactions to legal procedures. Other researchers have since  
33 then elaborated on Thibaut and Walker's work by suggesting other characteristics of  
34 procedural justice.  
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3 Leventhal and colleagues can be credited for extending the notion of procedural  
4 justice into non-legal contexts such as organizational settings (Leventhal, 1980; Leventhal et  
5 al., 1980). In doing so, Leventhal and colleagues also broadened the list of determinants of  
6 procedural justice far beyond the concept of process control. They suggested a  
7 multidimensional approach to procedural justice and argued that procedures were fair to the  
8 extent that they met six criteria: procedures need to be (1) accurate; (2) consistent, both  
9 temporally and interpersonally; (3) ethical; (4) correctable; (5) able to insure bias  
10 suppression; and (6) able to ensure representation. Hence, according to Leventhal's (1980)  
11 theory of procedural justice, a fair procedure is one that is applied consistently, is free from  
12 bias, is based on accurate information, has some mechanism for correcting wrong decisions,  
13 conforms to ethical standards, and gives those affected voice (Colquitt et al., 2001). Fair  
14 procedures are valued because they (a) give people some control over decisions and are thus  
15 regarded as instrumental for achieving fair outcomes; and (b) communicate to people their  
16 standing in a group, with fair procedures signalling that they are respected in the group  
17 (Blader & Tyler, 2005). Often the term 'procedural justice', connotes structural features of  
18 the decision-making process, such as the amount of employee voice (Nathan, Mohrman, &  
19 Milliman, 1991; Folger & Lewis, 1993), the appropriateness of evaluative criteria  
20 (Greenberg, 1986, 1987a; Nathan et al., 1991), and the accuracy of the information used to  
21 render a decision (Greenberg, 1987b).

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46 The third and final element of justice has been called *Interactional Justice*. This  
47 involves the human or social aspect of organizational practices (Chou, 2009). It focuses on  
48 the quality of interpersonal treatment (Cropanzano, Prehar & Chen, 2002; Landy & Conte,  
49 2004) and examines how people in charge of allocating resources and rewards in the  
50 workplace behave toward the recipients (Kernan & Hanges, 2002). Research has shown that  
51 interactional justice is positively related to OCB (e.g. Masterson et al., 2000) and other forms  
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3 of employee behavior and attitudes. Bies and Moag (1986) introduced this concept in the  
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5 justice literature by focusing attention on the importance of the quality of the interpersonal  
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7 treatment people receive when procedures are implemented. When making decisions about  
8  
9 interactional justice, employees judge whether their supervisor has treated them with dignity  
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11 and respect, refrained from making inappropriate remarks, or given them adequate  
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13 justification for a recent decision (Bies and Moag 1986). It is fostered when people are  
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15 treated with respect and sensitivity, and the rationale for decisions is explained to them  
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17 thoroughly (Colquitt, 2001). On this basis, some scholars have conceptualized interactional  
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19 justice as comprising two dimensions: interpersonal (capturing the personal treatment part)  
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21 and informational (capturing the explanation part) (Greenberg, 1993; Colquitt et al., 2001).  
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23 Interpersonal justice relates to how employees are treated during the enactment of procedures  
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25 (e.g., concern for one's plight; being treated with honesty, respect, and dignity).  
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27 Informational justice refers to the accuracy and quality of explanations about procedures  
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29 provided to employees (Colquitt et al., 2001).  
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### 37 **Limitations to the organizational justice paradigm**

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40 The organizational justice paradigm has had a proud history in the field of HRM and  
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42 this paradigm has served researchers in the field of HRM well. Overall, research into  
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44 organizational justice shows that perception of organizational justice has a positive  
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46 relationship with many desirable work and organizational effectiveness outcomes such as  
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48 organizational citizenship behaviors, organizational commitment, job satisfaction, trust,  
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50 turnover intentions, and job performance (Cohen-Charash & Spector, 2001; Colquitt et al.,  
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52 2001; Nowakowski & Conlon, 2005; Erkutlu, 2011; Whitman, Caleo, Carpenter, Horner, &  
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54 Bernerth, 2012; Crow, Lee, & Joo, 2012; Afari & Elanain, 2014). The paradigm is also used  
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56 to formulate ideas around the design of management policies such as employee voice and  
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3 employee engagement, or to help formulate key practices such as appraisal and performance  
4 management systems. It is used to think about the provision of access to important  
5 organizational resources, such as career systems, or information.  
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### 10 11 12 **Hidden Structures That Preclude the Option For Real Fairness**

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15 However, despite the insightful findings from these studies, there are still many  
16 limitations in our understanding of the processes through which fairness judgements are  
17 made. We have an incomplete understanding of the way in which employees, especially in  
18 today's world, make judgements about fairness. The question of how justice judgements are  
19 formed is still considered to be unresolved (Blader & Tyler, 2013) and there is sparse  
20 research into how justice judgements are actually formed. This limits our understanding,  
21 especially in a context of significant social change. There is increasing transparency around  
22 what happens inside organizations, but also more vociferous social judgment. Moreover,  
23 individuals make judgements about fairness not just as employees, but as consumers, parents  
24 and citizens. The organizational justice literature does not consider the psychological  
25 dynamics underlying the relationship between justice and individuals subsequent attitudes  
26 and behaviours. Scholars have noted that models of justice need much better articulation of:  
27 the cognitive and emotional processes by which fairness judgements are formulated  
28 (Crawshaw et al., 2013), the processes that come into play in the theories of justice as  
29 described by Cropanzano et al., (2001), and the psychological processes that underlie the  
30 effects of justice (Blader & Tyler, 2013).  
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51 A central problem with traditional organizational justice research is that it understates  
52 the importance of situations where employees are not equally placed to realise their human  
53 capabilities, due to barriers arising from structural inequalities (such as class, race, disability,  
54 gender and sexual oppression). In such contexts, not only are the cognitive and emotional  
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3 judgements that lead to perceptions of fairness more complex than suggested by  
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5 organizational justice paradigm, but HR policy responses also have to be broadened. Policy  
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7 therefore has to intervene to provide the additional assistance some people may require to  
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9 develop their capabilities and to be transformed. In order to be 'fair', policies have to make  
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11 opportunities 'real' and feasible, in two ways: they have to ensure access to valued resources  
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13 in order to give people the substantive freedoms to transform their potential capability; and  
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15 they have to help make this 'conversion' easier. It is not just a case of putting people into the  
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17 positions (for example using positive discrimination). You have to ensure people have the  
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19 holistic opportunity to cope with all the other factors that enable success – there must be no  
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21 hidden systemic barriers.  
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### 28 *Capability Theory*

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31 A second fairness paradigm for HRM researchers to consider then is the capability  
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33 approach (CA), originally developed by Sen (1999) in *Development as Freedom* and  
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35 extended by Nussbaum (2000, 2001). This paradigm is fairly common in much social policy  
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37 research, but is surprisingly rarely evidenced in HRM research.  
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41 We briefly lay out the core elements of this perspective in order to explain its  
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43 principles, and then use the example of women on boards to signal its relevance to HRM  
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45 research and several aspects of organizational effectiveness. The concept of 'capability'  
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47 suggests that the wellbeing of the members of a given group should be evaluated by reference  
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49 to their capacity to achieve a set of subjectively valued states or activities, 'functionings',  
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51 through which their potential, not just as economic agents but also as citizens, can be realised  
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53 (Sen, 1999). Departing from utilitarianism and rational choice theory, the Capability  
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55 Approach's central tenet is that the end of development should be conceptualised in terms of  
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3 individuals' capabilities to achieve a range of subjectively defined functionings. Thus a  
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5 'capability' refers to the effective opportunities which a given individual has to undertake,  
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7 with the resources or commodities that they command, the actions and activities they choose  
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9 to engage in. The CA identifies a range of 'conversion factors' through which resources or  
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11 commodities can be transformed into 'capabilities' in this sense. Conversion factors can be  
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13 derived from aspects of the physical or natural environment, but they may also be found in  
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15 organizational and institutional dimensions of societal structures (Robeyns, 2005).  
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19 Thus the capability approach provides a normative framework for judging the  
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21 effectiveness of institutional mechanisms (and the HR function and its policies is one such  
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23 mechanism) in terms of how far they extend the substantive freedom of action of individuals.  
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25 Essentially CA addresses central enlightenment themes about how to judge human progress,  
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27 how to reconcile liberty and justice, and how to take account of both procedural and  
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29 substantive requirements for ensuring social justice. CA does not imply these are easy issues  
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31 to reconcile, but there is an in-built optimism about the possibilities for rational action and  
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33 achieving fair results (Carpenter, 2009). More importantly, CA recognises that people are not  
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35 equally placed to realise their human capabilities, due to barriers arising from structural  
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37 inequalities of class, "race", disability gender and sexual oppression (Carpenter, 2009).  
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41 We argue that the theory needs to be mainstreamed and applied not just in social policy  
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43 research but moved more centrally into the HRM literature. For example, it is possible to  
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45 apply capability theory to the 'women of boards' debate. Based on merit alone, there should  
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47 be many more women represented. However, it is not just the outcome (for example, the  
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49 percentage of boards who are women) that can be used as a measure of fairness; it is also  
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51 their access to, and treatment by, a range of HR processes (selection, potential assessment,  
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53 promotion, development). Many organizations rely too much on the 'representation' measure,  
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55 and too little on the 'process' measure. Despite the multifaceted nature of positive  
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3 discrimination, the emancipation of women from systemic injustices justifies the application  
4  
5 of a human rights approach to intervening robustly. The capabilities approach looks at all the  
6  
7 factors that thwart women's progression and serve to intervene through policy to ensure fairer  
8  
9 access to resources and enhance their ability to translate this access and opportunities into  
10  
11 desired outcomes. We believe that Capability theory has considerable relevance to many  
12  
13 areas of HRM. Its attention on the requisite capacities needed to achieve a set of subjectively  
14  
15 valued states or activities, the functionings of individuals implicit in the creation of such  
16  
17 capacity, critical questioning about what really represents effective opportunities and  
18  
19 resources, and importance given to the conversion activities that must underpin any attempts  
20  
21 to improve organizational effectiveness we would argue apply to a number of areas of current  
22  
23 interest of research and practice. These questions are particularly important for issues such as  
24  
25 diversity (for example equal opportunities), discrimination (for example age, gender, sexual  
26  
27 orientation, disability, race discrimination), positive discrimination policies and practices (for  
28  
29 example women on boards), the HRM aspects of corporate social responsibility issues (for  
30  
31 example child labour, wage exploitation, fair trade and supply chain standards and social  
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33 mobility).

#### 34 35 36 37 38 39 40 41 42 *Game Theory and Tournament Theory*

43  
44 Another of the criticisms levelled against HR functions, beyond adopting too narrow and  
45  
46 individual a paradigm when thinking about fairness, has been their apparent inability to  
47  
48 influence importance power structures in organizations, thereby allowing institutional forces  
49  
50 to create contrary signals to much of their agendas. An example of such critique would be  
51  
52 questions being raised about the design of legitimate executive bonuses and rewards  
53  
54 incentives. This is another context where there may be hidden structures or unfairnesses that  
55  
56 actually mean that the 'game' is in reality not fair. We use Game theory and Tournament  
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3 theory, popular in economics research about rewards and incentives, to suggest new avenues  
4  
5 for HRM research on fairness.  
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7  
8 *Tournament theory* is used in the field of personnel economics to describe certain  
9  
10 situations where wage differences are based not on marginal productivity but instead upon  
11  
12 relative differences between the individuals (Eriksson, 2009). This theory was invented by  
13  
14 economists Edward Lazear and Sherwin Rosen in their 1981 paper ‘Rank-Order Tournaments  
15  
16 as Optimum Labor Contracts’. They used tournament theory to look at performance related  
17  
18 pay. Tournament theory is underwritten by the following assumptions. First, performance is  
19  
20 hard to quantify, and therefore rewards like promotions and raises are decided more by luck  
21  
22 than by qualifications or results. Second, since rewards are mostly based on luck, they need  
23  
24 to be big or people will not want to work hard to get them. Third, overpaying executives  
25  
26 motivates others to work hard because they can rise to the same position. Finally, a  
27  
28 tournament system is good in cultural terms for the company.  
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33 Akerlof and Holden (2012) note that the concept of tournaments, in which relative  
34  
35 output and not absolute output determine reward or punishment, have been used to explain  
36  
37 many features of firms (and their HRM) associated with organizational effectiveness. There  
38  
39 is an implicit prize structure associated within a number of inducement structures, such as  
40  
41 within-firm job promotions, wage increases, bonuses, and CEO compensation, and the  
42  
43 operation of an efficient market for scarce and valuable executive talent, or with  
44  
45 “punishments” such as firings and up-or-out policies. Optimal tournaments typically punish  
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47 more than they reward, and the prize structure depends crucially upon the distribution of the  
48  
49 shocks to the output of organizational actors, the tournament spread (prize differential).  
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52  
53 However, despite early attention from HRM researchers (Becker and Huselid, 1992) the  
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55 development and application of this theory has been left to economists. Becker and Huselid  
56  
57 (1992) conducted one of the first empirical assessments of incentives and prize differentials  
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3 in the auto racing sector. They found that differentials did have incentive effects on  
4 individual performance and driver safety, that these effects peaked when there were higher  
5 spreads, but that incentive effects diminished as the spread increased, and the prize  
6 distribution had little influence on individual driver performance. Since then most of the  
7 research has been conducted outside of HRM, with sporadic attention to important issues,  
8 such as Conyon, Peck and Sadler's analysis (2001) of the internal structure of compensation  
9 and wage setting in the boardroom and executive incentives, or Siegel and Hambrick's (2005)  
10 analysis of vertical pay disparities in executive compensation and horizontal disparities  
11 among peers on firmwide collaborations as opposed to individual or subunit achievements.  
12 One of the reasons potentially that HRM researchers might be blinded to the best way to deal  
13 with this area of policy is that the theories and models that are used to justify 'fairness' by the  
14 internal actors who shape policy come from the field of economics and philosophy. More  
15 critical arguments seem to have come from a corporate governance and legal perspective,  
16 with recent arguments that management-dominated boards have passively allowed powerful  
17 executives to extract rent in the form of excessive compensation or perks at the expense of  
18 shareholders (Elson and Ferrere, 2013) or that ex ante incentive contracts suppress unselfish  
19 prosocial behavior resulting in inefficiencies to the detriment of organizational effectiveness  
20 (Stout, 2014).

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43 Another theory that HRM researchers could engage with is *Game theory*. This is the  
44 study of mathematical models of conflict and cooperation between intelligent rational  
45 decision-makers (Myerson, 1991). One of the first formal works on game theory is the article  
46 of the logician Zermelo. However, the groundbreaking work by von Neumann (1928) on  
47 zero-sum games was one of the first articles that brought the game theory to light. This article  
48 was the basis for the book *Theory of Games and Economic Behaviour* by John von Neumann  
49 and Oskar Morgenstern (1944; 1947), by many regarded as the starting point of the game  
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3 theory (Peters, 2008). In this book, the author extended von Neumann's work on zero-sum  
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5 games and laid the groundwork for the study of cooperative (coalitional) games (Dimand &  
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7 Dimand, 1996). Although developed by economists, game theory has been utilized by  
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9 mathematicians and scholars from other disciplines. For example, in the fifties and sixties, the  
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11 further development of game theory was mainly the domain of mathematicians (Peters,  
12  
13 2008), such as Nash's (1950; 1951) work on the Nash equilibrium and on bargaining;  
14  
15 Shapley's (1953) work on the Shapley value and the core for games with transferable quality;  
16  
17 and the work of Kuhn and Tucker (1950; 1953). More recently, game theory has been used in  
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19 political science, psychology, as well as logic and biology. Its application ranges from  
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21 strategic questions in warfare to understanding economic competition, from economic or  
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23 social problems of fair distribution to behaviour of animals in competitive situations, and  
24  
25 from parlour games to political voting systems (Peters, 2008).  
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31 Despite early consideration of the need to incorporate fairness into game theory  
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33 (Rabin, 1993), again, it is interesting that it has been left to legal and corporate governance  
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35 researchers to use game theory to understand strategic interactions within the firm or between  
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37 the firm and other actors, with for example studies of inducements through the threat of  
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39 legislation rather than actual legislation, and the possession of possession of asymmetric  
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41 information, on organizational behaviour (Halftack, 2008), socially responsible buying and  
42  
43 sourcing applied to the acquisition of human talent (Bouchet, Troilo and Spaniel, 2015), and  
44  
45 unprincipled behaviour and agent misconduct in corporate governance reform (Arce, 2015).  
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49 Both these theories may be used to identify the typical rules or strategems that  
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51 'players in the game' likely wish to follow and the fall-back positions taken. Popular with  
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53 behavioural economists, they can be used to predict the behaviours that are seen as breaking  
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55 the rules, and the rational and emotional responses that might likely follow. Game theory is  
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57 applicable to a wide range of behavioral relations. For example, when the demands or desires  
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3 of one party are in conflict with those of another - be it a divorce, a labour-management  
4 negotiation, or an international dispute - no one wants to be treated unfairly. With the  
5 increasing number of disputes either within or about organizations, it is worth considering  
6 how mathematics (e.g. Game theory) might help in the search for procedures that can ensure  
7 fair and equitable resolutions of such conflicts. Research has shown the relevance of game  
8 theory in solving the issues of fairness in the distribution of goods and conflict resolution. For  
9 example many Negotiation Support Systems such as Adjusted-Winner (Brams & Taylor  
10 1996), Smart-settle (Thiessen & McMahon 2000) and Family-Winner use bargaining and  
11 game theory to provide win-win solutions to participants in disputes (Abrahams, Bellucci &  
12 Zeleznikow, 2012). The applicability of these two theories within the HRM domain is  
13 potentially broad. A number of questions might be addressed when using game theory in  
14 relation to executive pay: what is fair pay in today's corporate world? What is socially just  
15 reward? What creates imbalanced, dysfunctional or socially harmful incentives? By  
16 applying this theory, it would be possible to assess how specific stakeholders, or identities,  
17 impact such assessments. It could further be used to identify the typical rules or stratagems  
18 that 'players in the game' will likely first wish to follow, and the fall-back positions taken.  
19 This paradigm could be used to assess whether the game theory assumptions (the integrity of  
20 the game) are considered to have been fairly met, if such judgements differ across  
21 stakeholder groups, whether individuals as employees versus individuals as consumers make  
22 similar judgements of fairness. It could be used to establish or predict the behaviours that are  
23 seen as breaking the rules, of interest to regulators and behavioural economists, and the  
24 rational and emotional responses that might likely follow.

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52 Tournament theory could also help streamline understanding of the fairness/  
53 unfairness of pay systems in general, and not just elite rewards. Pay in a number of  
54 economies is now seen to be unevenly distributed, and the gap between the top 1% and the  
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3 rest of the population has been widening steadily over the last decade. Substantial and  
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5 growing pay inequality poses a serious challenge to society and government, and various  
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7 reviews, such as the Hutton Review of Fair Pay in the UK, have taken place (Hutton 2010).  
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9 How might we address whether it is fair in this domain? Do high-earners deserve such large  
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11 rewards, and how might acceptable differentials be argued? In making decisions on pay,  
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13 managers note that fairness cannot be understood as simply about equality of outcomes. In  
14  
15 practice we make judgements about an individual's 'due dessert', and this will vary according  
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17 to their differing contributions and choices, and the way in which the influence of chance and  
18  
19 external circumstances has been minimised. Fairness also requires that processes as well as  
20  
21 outcomes must be fair. Fair pay must therefore be proportional to an individual's contribution  
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23 and set by fair pay determination processes. The value of individuals' contributions will  
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25 reflect both the weight of their particular posts and their actions and efforts within them.  
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27 Some form of proportionality of treatment – whether in respect of need, or merit, or a mixture  
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29 of both, implies limits on pay dispersion. A maximum pay multiple would be one mechanism  
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31 for maintaining those limits. As well as being morally desirable, fair pay brings instrumental  
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33 benefits to organizations by supporting greater employee engagement and morale, and to  
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35 society as a whole by helping to avoid inequality traps and assisting social mobility and  
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37 incentives to productive work.  
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#### 46 **New Variables and Dimensions Being Added to the Consideration of Fairness and** 47 48 **Organizational Justice** 49

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51 If the first research problem is to better understand how justice judgements are formed, and  
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53 the cognitive and emotional processes through which fairness judgements are formulated and  
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55 that underlie its effects, then the second is to understand some of the new variables that  
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57 should now be added to our considerations of organizational justice. Over the past decade or  
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3 two, the generational gap within organizations has become more prevalent, maybe due to the  
4  
5 aging population. Workplaces are becoming increasingly age diverse (Cogin, 2012), and HR  
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7 managers are beginning to understand that the differences in generations could have an  
8  
9 impact on the effectiveness of the organization. They are now being forced to ask  
10  
11 challenging questions of their HR policy. How do we ensure fairness from one generation to  
12  
13 another by fairly passing the baton from one to another over time? What do we owe to people  
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15 who don't yet exist, or to the future existence of those who are now born? These questions  
16  
17 feature not just in the use of sovereign funds and how to deal with levels of debt (national,  
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19 corporate, personal), but in many aspects of HRM policy, such as discussions about pension  
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21 funds, corporate social responsibility, corporate governance and the long-term viability of the  
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23 organization, sustainable business models, and human rights.  
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28 In short, it is now evident that we need to see organizational justice through a Temporal  
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30 Perspective if we are to better understand how concepts of fairness might be applicable, or  
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32 become challenged, over time. Once more, HRM researchers could co-opt theory from some  
33  
34 other disciplines. A temporal paradigm has come from either a legal perspective (with  
35  
36 attention to how to avoid irretrievably compromising implicit rights and obligations  
37  
38 embedded in constitutions or other legal instruments over time) or from an environmental  
39  
40 management perspective (through attention to provision of the same resources, access to  
41  
42 these resources, and the same freedoms of choice and action across generations i.e. avoiding  
43  
44 borrowing against someone else's future?). There are two component theories that have  
45  
46 come to dominate the temporal paradigm: inter-generational equity; and burden sharing.  
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51 *Intergenerational Fairness* has its roots in John Rawls book, *A Theory of Justice*  
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53 (1971) in which one of the subjects dealt with was justice between the generations. Rawls  
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55 reflects on the original position from the perspective of multiple generations, and discusses  
56  
57 intergenerational justice under the aspect of the "just savings" principle, whereby capital  
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3 accumulation serves the purpose of establishing and maintaining a just system over time.  
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5 Rawls (1971) views intergenerational equity as a policy issue necessitating governmental  
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7 intervention to manage “social saving and investment” for the benefit of the least advantaged  
8  
9 generation. In his 1923 essay on the Problem of Generations Karl Mannheim defined a  
10  
11 generation as a group that shares both a particular span of birth years and a set of worldviews  
12  
13 grounded in defining social or historical events that have occurred during the generation’s  
14  
15 formative development years (Mannheim, 1952). A generation is also defined as a ‘group of  
16  
17 people or cohorts who share birth years and experiences as they move through time together,  
18  
19 influencing and being influenced by a variety of critical factors (Brown-Weiss, 1989). These  
20  
21 factors include shifts in society wide attitudes, changes in social, economic and public policy  
22  
23 and major events.. According to Mannheim, generational cohorts share a common  
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25 consciousness and develop collective ideas, slogans, and experiences.  
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30 Studies suggest that today’s workforce includes at least four generations spanning  
31  
32 more than 60 years in age: Traditionalists, Baby Boomers, Generation X, and Generation Y  
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34 (Smola and Sutton 2002; Wallace 2006); there are differences in expectations, values and  
35  
36 motivators across generational cohorts (e.g. Smith and Clurman, 1997; Stelzl and Seligman,  
37  
38 2009; Twenge, Campbell, Hoffman and Lance, 2010); and that in today’s workplace, the  
39  
40 likelihood that an older employee will report to a younger manager is increasing (Cogin,  
41  
42 2012). Supporters of the notion of multigenerational theory argue that people who grow up  
43  
44 in different time periods have very different sets of beliefs, values, attitudes, and  
45  
46 expectations, which in turn impact their behaviour generally and in the workplace (Inglehart  
47  
48 1997; Glass 2007). There are of course many criticisms that can be levelled at simply using  
49  
50 age cohort as a proxy for generation and there is continued debate within the HRM literature  
51  
52 about the power of generations as an explanatory variable. On the one hand Costanza,  
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54 Badger, Fraser, Severt and Gade (2012) argue that whilst generational differences can be  
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3 observed in attitudes and values (and they are generally easy to find), they can be explained  
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5 by way of being explained by life stages and general maturation. Their meta-analysis of  
6  
7 generational differences on three work-related criteria of job satisfaction, organizational  
8  
9 commitment, and intent to turnover found only moderate to small relationships. Against this  
10  
11 Cugin (2012) found generational differences in protestant work ethic when the effects of  
12  
13 culture (country) and life stage were controlled for, and Susaeta, Pin, Idrovo, Espejo, Belizón,  
14  
15 Gallifa, Aguirre and Pedrozo (2013) found significant differences between generations and  
16  
17 cultures, particularly when focusing on the life project.  
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21 This has led to a second perspective which has potential implications for fairness,  
22  
23 which is *Burden sharing*. Political sociology identifies two principal approaches to burden-  
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25 sharing, one based on a 'logic of expected consequences' (informed by a cost-benefit  
26  
27 rationale) and the other based on a 'logic of appropriateness' (informed by a norm-based  
28  
29 rationale) (March and Olsen, 1998). On this basis, some of the most important issues in  
30  
31 society today affect multiple generations of people in ways not seen before such that  
32  
33 intergenerational relations may now be conducted in ways in which the interests of present  
34  
35 and future generations are not always aligned. This perspective on intergenerational fairness  
36  
37 based on ideas of sustainable development, defined as development that meets the needs of  
38  
39 the present without compromising the ability of future generations to meet their own needs. It  
40  
41 has mainly been looked at within the context of climate change and environmental  
42  
43 sustainability, arguing that future generations of people may endure much of the burden from  
44  
45 major global-scale changes in the environment involving delayed effects (such as ozone  
46  
47 depletion, species extinction, and global warming) while gaining minimal benefits from and  
48  
49 contributing little (or not at all) to the creation of such problems (Wade-Benzoni, Hernandez,  
50  
51 Medvec & Messick, 2008). However, recent issues within organizations such as pension  
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53 provision, questions of reward, careers across different age groups, global sourcing of work,  
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3 social mobility etc., have impacts across generational groups and across different internal  
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5 employee segments and are becoming more important.  
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8 A good example of a topical HR issue which a temporal paradigm can help us  
9  
10 understand is that of pensions. When asking whether the Baby Boom generation should pay  
11  
12 more for their pensions surfaces problems of intergenerational fairness, the fundamental issue  
13  
14 is one of the distribution of the burdens of population ageing, lower fertility rates, rising life  
15  
16 expectancy, and how we face up to the financial consequences. It is not just whether we can  
17  
18 redistribute the costs more equitably, but how we do this, and whether we can look at which  
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20 generation bears the cost of one part of the problem (for example ageing and pensions)  
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22 without looking at another (for example fertility rates). If the costs of pension promises made  
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24 to sets of individuals historically, and at the time on a basis to be considered legitimate, are to  
25  
26 be met in full, what are the adjustments to be made? Given it is important that pensions are  
27  
28 sustainable and affordable over the long term, an intergenerational 'lens' on 'fairness'  
29  
30 triggers the following sorts of questions that need resolving: societally: how can we be  
31  
32 reassured that shared costs and contributions are being contained, that the revenues taken  
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34 from current and future contributors used to fund a pay-as-you-go pension benefit, match the  
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36 pension benefits of the no-longer contributors? Is the degree and balance of fairness  
37  
38 between the employee and the taxpayer based on sustainable principles over time? Are we  
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40 paying fairly for the benefits that are being offered? If we withdraw these benefits, are we  
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42 being fairer to the next generation or denying them rights their predecessors fought for?  
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### 51 *Equity Sensitivity Theory*

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54 Inter-generational equity research, then, argues that we may infer intergenerational  
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56 differences in both the perception and interpretation of fairness, i.e. the way in which people  
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3 from one generation perceive fairness, and that this may well impact the cognitive and  
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5 emotional responses associated with this. Somewhat related to this perspective of different  
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7 framing across generations is the notion that such differences in framing are in fact more of  
8  
9 an individual difference and that organizational justice research over-generalizes responses to  
10  
11 inequity. Equity Sensitivity is defined as the personality trait by means of which individuals  
12  
13 calculate their outcome/input ratios and compare them to those of others (Huseman et al.,  
14  
15 1987). Equity sensitivity originated from Adams (1965) equity theory. According to equity  
16  
17 theory, as individuals and as employees, we are concerned with how much we get (outcomes)  
18  
19 in proportion to how much we contribute (inputs). We then compare this ratio with that of  
20  
21 another individual to determine whether the situation is equitable. When things are  
22  
23 inequitable and the ratios are unequal, we are motivated to bring this equation back into  
24  
25 balance (Taylor, Kluemper & Sauley, 2009). Despite the widespread acceptance and  
26  
27 application of Adams's theory, Huseman et al. (1985) were among the first to challenge its  
28  
29 basic tenets. They questioned the notion that all individuals are equally sensitive to equity.  
30  
31 Rather, they believed that individuals have different perceptions of and reactions to inequity.  
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33 Consequently, Huseman and colleagues classified individuals into one of three categories  
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35 based on their preferences for equity: Benevolents, Entitleds, and Equity Sensitives.  
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41 Such observations drive many of our assumptions about what creates employee  
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43 engagement and is used to think about employee segmentation – and also how organizations  
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45 will create and then market different and individualised sets of rewards and benefits to groups  
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47 of employees in return for their performance at the workplace – called ‘employee value  
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49 propositions’. The concept of ‘equity sensitivity’ suggests significant differences in  
50  
51 individual notions of fairness, and distinguishes between ‘benevolents’ (givers) and  
52  
53 ‘entitleds’ (takers). Huseman et al. (1987) expounded the equity sensitivity construct, which  
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55 “...suggests that individuals react in consistent but individually different ways to both  
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3 perceived equity and inequity because they have different preferences for (i.e., are  
4 differentially sensitive to) equity” (p. 223). Individuals do not necessarily share similar  
5 interpretations of fairness and justice; however, their interpretations are based on which  
6 category they fall under. Members of the *equity sensitive* group are presumed to follow the  
7 precepts of classical equity theory (Adams, 1963), which proposes that individuals assess the  
8 ratio of their outcomes from and inputs to a relationship against those of comparison other. If  
9 these ratios are seen as unequal, inequity exists (Mudrack, Mason & Stepanski, 1999).  
10 Unlike, equity sensitives, benevolents and entitleds may be attracted to situations with  
11 unequal outcomes-to-inputs ratios, and thus not adhere to an equity norm (Mudrack et al.,  
12 1999). Benevolents are ‘givers’ who relatively are untroubled by unfair treatment and may be  
13 content with little return for their inputs. Entitleds, in contrast are ‘takers’. They seek a better  
14 deal than other and may incorporate a broad array of strategies such as shyness, charm,  
15 temper or intimidation to get their way (Husemam et al., 1987)

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32 The importance of equity sensitivity may be enhanced in ambiguous contexts in  
33 which the definition of suitable behaviour is somewhat unclear (cf. Greenberg, 1990).  
34 Ambiguity, or even conflict as to what is ethically appropriate seems to characterise an  
35 increasing number of organizations and their constituents, thus pointing to the key role of  
36 equity sensitivity in shaping responses in situations possessing ethnocultural overtones (Mudrack  
37 et al., 1999).

### 38 39 40 41 42 43 44 45 46 47 48 49 **Conclusions and Directions for Future Research**

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52 Employees use several everyday words to mean the same as fairness - equitable,  
53 impartial, unprejudiced, unbiased, objective and dispassionate. They may disagree about  
54 whether something is fair or not - they may *see it differently* - but that is not necessarily the  
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3 same as the situation actually *being* fair or unfair. It is difficult to equate fairness with  
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5 justice, or either of these with moral rightness. HR professionals face two problems: their  
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7 actions may be good for some people but bad for others; and some actions which are required  
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9 by certain duties or rights may still harm (in a general sense) some people. Whatever  
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11 solution that HR professionals arrive at may be perceived to be fair to some but unfair to  
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13 others, hence the temptation to fall back on what is perceived to be the most “reasonable”  
14  
15 solution, which is to have some kind of equitable (impartial and just) decision process – fair  
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17 to all parties in that it is dictated by reason, conscience and conformity to legitimate rules or  
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19 standards.  
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23 Traditionally HRM scholars have used an organizational justice paradigm to deal with  
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25 this. However, debates around a number of issues that are important to HRM researchers –  
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27 such as reform of pensions, the sharing of job opportunities and the quality of work across  
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29 generational groups, balancing rewards and incentivisation of senior leaders with the delivery  
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31 of valued performance, the shape of talent investments across global boundaries, the number  
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33 of women at board level and use of quotas, and so forth – demonstrates the importance both  
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35 of the need to understand and incorporate hidden dimensions to fairness into our research, as  
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37 well as some novel and additional variables. As such, we believe that research into fairness,  
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39 and an understanding of its consequences for organizational effectiveness, needs now to  
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41 become more cross-disciplinary.  
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47 In laying out the complexities of fairness, and the need now to move beyond the  
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49 organizational justice paradigm that has dominated much HRM research, we have laid out a  
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51 range of ideas from across a range of disciplines. Our argument rests on the assumption that  
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53 individual judgments about fairness, and understanding the contexts on which such  
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55 judgments are based, will increasingly matter. Whilst fairness is subjective, we need to  
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57 deconstruct *how* people are framing their judgments of fairness, if we are to have a better  
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3 chance of managing and shaping positive outcomes at the individual and organizational  
4 level. By constructing debate more openly in ways that acknowledges different frames for  
5 fairness, should result in more positive (or less harmful) individual and organizational level  
6 outcomes. We do not argue that fairness should be seen as an outcome in HRM research. It  
7 is rather best viewed as a cognitive frame to serve as an input to organizational decision  
8 making and judgements about organizational effectiveness. The research and managerial task  
9 at hand is to examine whether the quality of this decision making may be improved by  
10 examining the cognitive process behind unfairness judgments, the frames deployed, and  
11 whether particular contexts or subjects We need better understanding of the judgment  
12 processes in action. Reference to a cognitive process within the assessment of fairness, and  
13 the use of our fairness framework in this context, should make possible a more balanced but  
14 realistic conversation about the source of potential feelings of unfairness.  
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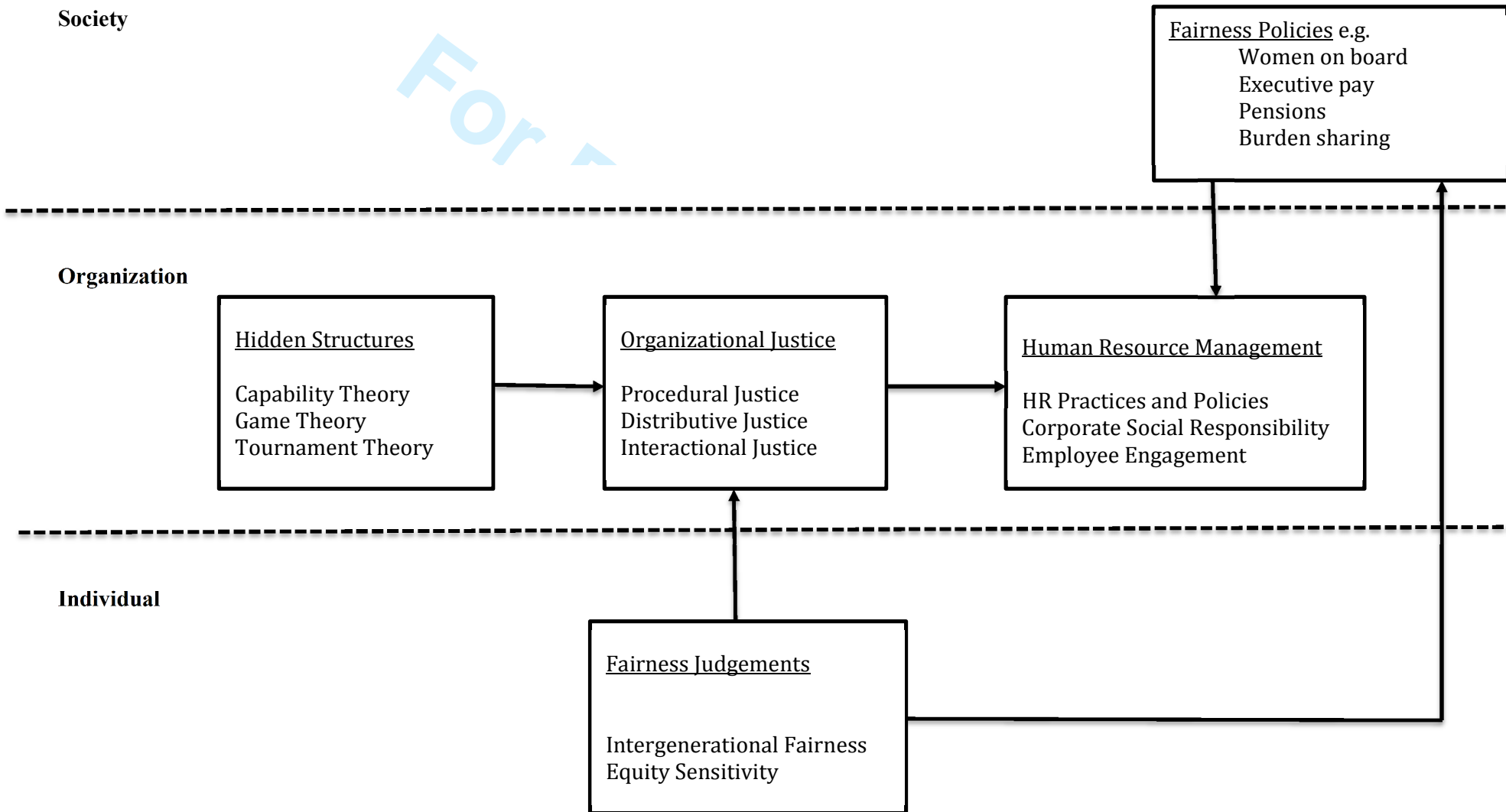
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Figure 1: Conceptual Model of Fairness and Suggestions for Future Research



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For Peer Review

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