

COGNITIONS AND EMOTIONS: TESTING THE TENETS OF FAIRNESS THEORY

BY

AMANDA MARIE FARTHING

THESIS

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Master's Committee:

Associate Professor Deborah Rupp, Chair  
Assistant Professor Dan Newman

## **ABSTRACT**

In this study, we test the tenets put forth by Fairness Theory (Folger & Cropanzano, 2001). Fairness Theory argues that perceptions of unfairness are formulated through a cognitive process that evaluates an event in terms of the presence or absence of injury or harm, the commission or omission of discretionary conduct on the part of the entity responsible for the injury or harm, and whether or not an ethical or moral standard was violated by such conduct (termed “Would,” “Could,” and “Should,” respectively). In this paper, we examine the role each of these elements plays in the assessment of fairness. Across two laboratory studies we show that a combination of harm and moral infraction shows the strongest effects on both first- and third-party justice perceptions, anger, and subsequent behaviors, whereas perceived discretion (“Could”) has little effect. Results are interpreted in light of recent research in moral psychology.

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# CHAPTER 1

## INTRODUCTION

In the not-so-distant past, the study of organizational justice has been marked by attempts to formulate a unifying framework through which to view and understand the wide and varied research findings that have accumulated over time. Indeed, the research literature from the early days of justice study was often limited to specific areas. For example, the early economic theories of justice from Blau (1964) and Adams (1965) fueled years of research that applied only to what was later termed “distributive justice,” while later theories (e.g., Thibaut & Walker, 1975) drove the literature towards a singular focus on the fairness of procedures and decision-making. Research in the 1980’s and 1990’s turned the focus towards the interpersonal and relational aspects of justice perceptions (e.g., Bies & Moag, 1986; Tyler & Lind, 1990; and others). Research in the early 21<sup>st</sup> century started looking at organizational justice not only by type but also broke the construct down by source and level (Cropanzano, Byrne, Bobocel, & Rupp, 2001; Lavelle, Rupp, & Brockner, 2007). Even contributions to the literature during this time that sought to provide an overarching view of the organizational justice construct (e.g., Colquitt 2001; Cohen-Charash & Spector, 2001; Rupp, Bashshur, & Liao, 2007) still maintained the framework of viewing justice as a collection of different pieces – fragmenting the construct into types, and breaking those types into facets, categorizing by source, and so on. This compartmentalized approach yielded a great amount of knowledge and contribution to the understanding of what organizational justice is, to be sure, but it also left the field with a need to take a step back and view justice through a broader, less fragmented lens.

## CHAPTER 2

### LITERATURE REVIEW

#### 2-1 Fairness Theory

Fairness Theory, as put forth by Folger and Cropanzano (1998; 2001), provides a mechanism for attaining such a goal. The theory was proposed in order to generate understanding of how justice perceptions are made, and to suggest specific cognitive and emotional processes through which any kind of fairness judgment may be formed. In this way, Fairness Theory gives the field a different way to look at justice, one that doesn't rely on specific sources or targets.

At its core, Fairness Theory suggests that judgments of fairness are driven primarily by the assignment of blame, or accountability. The model borrows from research on responsibility (Schlenker, 1997) and counterfactual thinking (Roese, 1997) to propose that the assessment of the fairness of a situation is made through a series of counterfactual judgments that occur only when specific conditions are met. It proposes that there are three necessary elements for a circumstance to be considered unfair: injury (harm must be done, called the "would" counterfactual), discretionary conduct (the perpetrator of the harm must have acted under his or her own volition and control, called the "could" counterfactual), and moral transgression (the action of the perpetrator must violate some moral or ethical normative standard, called the "should" counterfactual).

It is argued that individuals make determinations about each of these conditions by making a comparison of the current circumstances to some other referential situation. Often, the referent is hypothetical – individuals imagine a circumstance that is different from the current circumstance by mentally altering some element of the situation to paint a hypothetical

alternative to their current reality. This mental re-imagining is the basis of counterfactual thinking, where one compares reality to “what might have been” (Roese, 1997).

Thus, according to Fairness Theory, to determine the fairness of a situation, an individual engages in would, could, and should counterfactual judgments--evaluating whether harm, control, and moral infraction are present by imagining a counterfactual situation and comparing that referent to the current reality. The outcome of this counterfactual analysis is said to determine whether unfairness is perceived.

According to Fairness Theory, all three of these conditions (i.e., an affirmative judgment regarding the Would, Could, and Should counterfactual) must be met in order for unfairness to be perceived. That is, unfairness is perceived when harm has occurred, the person responsible had control over his or her actions, and those actions violated an ethical standard. If one or more of these conditions is not met, fairness theory suggests that the circumstances will not be perceived as unfair. The original description of the theory also argues that the order of the counterfactual processes is fluid and that individuals may begin the cognitive process of evaluating fairness with any of the three components, and that if a condition is not met, the process ends there.

Although this process proposed by Folger and Cropanzano has been quite influential on subsequent theorizing and empirical research (e.g., PsychINFO shows the original paper that posed Fairness Theory having been cited 111 times, and the count in Google Scholar is 250), there has been very little empirical research that explicitly tests assumptions made by the model (i.e., would, could, and should counterfactuals must be affirmed for an event to be seen as unfair). Indeed, we are aware of only five studies which have sought to explore the roles of would, could, and should counterfactuals, albeit indirectly.

Colquitt and Chertkoff (2002) conducted a laboratory study where both outcome favorability (“would” in Fairness Theory terms) and the provision of an explanation (“could” in Fairness theory terms) were manipulated. The results showed a two-way interaction between outcome favorability and explanation provision on perceptions of distributive and procedural justice, with the most injustice perceived in conditions of unfavorable outcomes and no explanations. When outcomes were favorable, explanations had little effect.

Similar results were shown by Shaw, Wild, and Colquitt (2003), who showed meta-analytically a robust effect of adequate explanations on justice perceptions. Specifically, the lack of an explanation (i.e., an affirmation of the Could counterfactual) led to injustice perceptions, and the provision of an explanation deemed inadequate (i.e., an affirmation of the Should counterfactual) led to even stronger perceptions of injustice than the lack of an explanation at all.

Gilliland, Groth, Baker, Dew, Polly, and Langdon (2001) conducted three vignette studies that manipulated the explanations provided within employment rejection letters. They developed would, could, and should reducing explanations and considered their interactive effect on both justice perceptions and behavioral intentions. Results indicated a main effect for Would- and Could-reducing explanations, with the effects of Should-reducing explanations varying across studies. In one study, a three-way interaction between the counterfactuals was found, indicating that two explanations reduce injustice perceptions more than one explanation or no explanation, but three explanations did not account for any more variance than two explanations.

In a similar vein, LaHuis, MacLane, and Schlessman (2007) applied fairness theory to a study of job applicants’ likelihood to re-apply for a position after receiving a rejection. The study suggested that applicants’ perceptions of performance on a selection test represented the “would” counterfactual, while perceptions of conformity to a standard selection process rule



(providing applicants with the opportunity to “perform” during the selection process) represented the “should” counterfactual. These two factors interacted to influence job applicants’ subsequent re-application for the position.

More recent research by Brockner, Fishman, Reb, Goldman, Spiegel, and Garden (2007) applied the elements of fairness theory by assessing the impact of procedural fairness (operationalized to include both the Could and Should elements) and outcome favorability (the Would element) on attributions of responsibility, organizational commitment, and litigious intentions. These authors found further support that activation of the Would counterfactual (through low outcome favorability) is critical to fairness assessments. They also demonstrated that the interaction between Would, Could, and Should (with Could and Should operationalized as procedural justice) predicted organizational commitment, with attributions of responsibility mediating this effect. These results show that the basis of fairness theory can be extended from the theoretical into a truly applied setting.

In this study, we argue that although the empirical research above has begun a line of inquiry into the adequacy of Fairness Theory in explaining the process by which unfairness is perceived, these are, at present, indirect tests. First, we seek to test the effects of the Would, Could, and Should counterfactuals directly. Most of the previous studies have focused on manipulating explanation provision. Explanations can serve as a proxy for information about discretionary control, but the presence or absence of control itself is not encompassed by the presence or absence of an explanation. Also, the provision of explanations is most relevant for the determination of transgressor discretion, and thus only connected to the Could counterfactual.

We also argue that in order to directly test the tenets of Fairness Theory, in addition to focusing on conditions associated with the affirmation of the Could counterfactual (such as the

provision or absence of excuses/explanations), exposure to varying levels of the infliction of harm (to induce Would counterfactuals) and direct (as opposed to assumed) moral violations on the part of the transgressor (to induce Should counterfactuals) should also be studied. Finally, all of the studies above considered different facets of justice (i.e., distributive, procedural, or interactional justice). As mentioned at the start of this paper, Fairness Theory allows for the study of more global perceptions of justice, not necessarily tied to outcomes, procedures, or interpersonal treatment. In line with this theme we also seek to explore the role of Would, Could, and Should counterfactuals on overall perceptions of justice, an approach advocated for by Ambrose and Schminke (2009).

Thus, in the current study, we seek to directly manipulate harm, accountability, and moral violation in order to more completely understand the necessity for Would, Could, and Should counterfactuals in overall justice perceptions and reactions.

## **2-2 Reactions to Injustice**

The most primary “reaction” we seek to focus on is anger. Whereas Fairness Theory proposes a cognitive model for justice judgment formation, there is also an affective component (Barsky, Kaplan, & Beal, 2011; Folger, 2001; Cropanzano, Goldman, & Folger, 2003; Spencer & Rupp, 2009). First, research on counterfactual thinking indicates that the experience of negative emotions is most likely to activate the counterfactual thought process (Roese, 1997). Second, Fairness Theory points out that simultaneous to the relatively more rational cognitive process involved in assessing the fairness of situations, is a much older, evolutionarily grounded affective response, which both aids and informs the cognitive process (Folger & Skarlicki, 2008).

More specifically, Folger (2001) discusses the notion of “moral outrage,” or “deontic anger” that results in tandem with the assessment that an injustice has occurred. Deontic models

are predicated on the assumption that justice is important to people for reasons beyond self-interest, and that people are motivated by a sense of duty or moral obligation (Cropanzano, et al., 2003). Thus, we expect anger to be among the most immediate affective responses stemming from unjust experience. Research largely supports the injustice-anger connection (Barclay, Skarlicki, & Pugh, 2005; Rupp & Spencer, 2006; Weiss, Suckow, & Cropanzano, 1999), and such findings are consistent with the cognitive appraisal model of emotions (Ortony, Clore, & Collins, 1998). We also expect the effect on anger to emerge, even after controlling for trait negative affectivity (NA, Watson, Clark, & Tellegen, 1988).

A secondary set of reactions on which we seek to directly test the effects of Would, Could, and Should counterfactuals involves behavioral reactions. Indeed, decades of research evidences the robust effect of justice perceptions on a variety of behavioral outcomes (Colquitt, Conlon, Wesson, Porter, Ng, 2001; Cohen-Charash & Spector, 2002). For the current study, we chose two types of discretionary workplace behavior, one positive, and one negative, both with a strong history in I/O Psychology as being connected with fair treatment at work: organizational citizenship behavior (OCB, Borman & Motowidlo, 1993; Organ, 1997) and counterproductive work behavior (CWB, Bennett & Robinson, 2000; Gruys & Sackett, 2003; Robinson & Bennett, 1995; Sackett & DeVore, 2001; Skarlicki & Folger, 1997).

Thus, our first set of hypotheses is as follows:

Hypothesis 1: All three counterfactuals proposed by fairness theory (i.e, a) Would, b) Could, and c) Should counterfactuals) will contribute to variance in i) fairness perceptions, ii) anger, and iii) behavioral reactions (all controlling for NA).

Hypothesis 2: The three counterfactuals proposed by fairness theory (Would, Could, and Should) will interact with each other in predicting i) justice perceptions, ii) anger, and iii) behavioral reactions (controlling for NA) such that perceptions of injustice, anger, and negative work behaviors will be higher when all three counterfactuals operate simultaneously, to an extent that exceeds the three main effects of the counterfactuals. That is, the effect of each counterfactual on the negative outcomes is augmented by the presence of the other counterfactuals.

### **2-3 Third-Party Justice**

Another key aspect of Fairness Theory, which further differentiates it from the more “segmented” theoretical approaches of the past, is that it applies to both first- and third-party justice. That is, other justice perspectives, such as Equity Theory (Adams, 1965), and the Relational Model (Tyler & Lind, 1992) largely describe psychological processes inherent to individuals' first-person experiences with justice (i.e., how treatment toward an individual influences his or her subsequent behaviors). Because Fairness Theory speaks of justice as a universal, evolutionarily-based moral virtue, it speaks not only to how people interpret their own treatment, but also how they react to the (mis)treatment of others (which the literature now refers to as “third-party justice;” Skarlicki & Kulik, 2005; Skarlicki, Ellard, & Kelln, 1998). These third-party judgments follow some of the same “rules” as first-person judgments, also showing robust effects on emotion and behavior (Turillo, Folger, Lavelle, Umphress, & Gee, 2003; Rupp & Bell, 2010; Skarlicki & Rupp, 2010; Spencer & Rupp, 2009). In fact, the deontic perspective is often seen as complementing other perspectives because it accounts for justice concerns that lie beyond self-interest.

For example, both Kahneman, Knetsch, and Thaler (1986) and Turillo et al. (2002) found that individuals did not adhere to a model of strict self-interest when making judgments about the fairness of another's actions. Specifically, these authors found that people were willing to sacrifice their own resources in order to punish an individual whom they observed acting unfairly towards others, even without having been the victim of the unfairness. The argument is made that a sense of deonance (i.e., morality induced anger) motivates people to make the situation "right," even if that makes their own circumstances less favorable, at least in terms of material outcomes.

The third-party justice literature provides support for the notion that perceptions of unfairness involve the evaluation of circumstances against imaginable alternatives, especially those alternatives that maintain an ethical standard, regardless of whether the unfairness is experienced directly or merely observed. To further support this idea that justice is perceived not only as it is experienced by oneself but also as it is experienced by others, we propose that our hypotheses will apply not only in the case of first-hand experience but also when witnessing others' experiences.

Hypothesis 3: All three counterfactuals proposed by fairness theory (i.e, a) Would, b) Could, and c) Should counterfactuals) will contribute to variance in third-party observers' i) fairness perceptions, ii) anger, and iii) behavioral reactions (all controlling for NA).

Hypothesis 4: The three counterfactuals proposed by fairness theory (Would, Could, and Should) will interact with each other in predicting third-part observers' i) justice perceptions, ii) anger, and iii) behavioral reactions (controlling for NA) such that perceptions of injustice, anger, and negative work behaviors will be higher when all three

counterfactuals operate simultaneously, to an extent that exceeds the three main effects of the counterfactuals. That is, the effect of each counterfactual on the negative outcomes is augmented by the presence of the other counterfactuals.

We test Hypotheses 1 and 2 in Study 1 and Hypotheses 3 and 4 in Study 2. Study 1 required participants to take part in an organizational simulation. Study 2 was a vignette study.

## CHAPTER 3

### STUDY 1: FIRST-PERSON INJUSTICE

#### 3-1 Method

##### **Participants and procedure.**

Participants were 174 college students from a large Midwestern U.S. university who were drawn from an introductory psychology participant pool. Participants ranged in age from 18 to 31 years (mean age was 19.25 years). The sample was 58.4% White, 27.2% Asian, 6.4% Hispanic, 4.0% African American, and 5.0% non-specified. All participants earned partial course credit for their participation in the study. In addition, in order to make the organizational simulation more realistic to the participants, ten percent of the sample, selected at random, were paid the amount of money, in cash, that they were assigned as compensation in the simulation exercise (\$10). Past research has shown that experimental effects when 10% of participants are paid do not significantly differ from experimental effects when all participants are paid (Kahneman et al., 1986). Participants were made aware of this procedure before participating and were provided information about the payment process in the debriefing forms they were provided at the end of the experiment.

Individual difference measures (trait negative affect and the demographic variables) were collected in a single evening session. In the weeks following this session, participants took part in the simulation exercise. Five participants and one confederate were run through the simulation at a time. When these six individuals arrived, it was explained that five of them (the five actual participants) were arriving for an employee simulation study, and one of them (the confederate) was arriving for a supervisor simulation study, which would occur simultaneously. At this point the “supervisor” and “employees” were taken to different locations to receive

information on their roles. Once the simulation started, the supervisor was put in charge of the employees.

The supervisor commenced in assigning the employees a data entry task, informing them that they would be compensated for their work, and that he or she would be delivering them their pay. In this simulation, harm, discretionary control, and moral violation were experimentally manipulated in order to induce Would, Could, and Should counterfactuals, respectively.

*Harm/No Harm Manipulation (“Would”).* Participants received either \$0 (Harm) or \$10 (No Harm) for the work they completed.

*Discretionary Control: (“Could”).* Participants were told either that the Supervisor had sole discretion over deciding how much each participant would be paid (Control) or that the Supervisor did not make pay decisions but instead used a pre-determined chart to assign pay (No Control).

*Moral Violation (“Should”).* Participants’ compensation outcomes either conformed to or violated the equity norm that requires that individuals with the same inputs (in this case, level of performance on the assigned task) should receive the same output (in this case, the monetary payment for their work). All participants were led to believe that their task performance matched that of their fellow participants (i.e., inputs were the same), but in one condition participants were informed that their own pay was less than the pay received by the others in the group who had performed the same on the task (moral violation). In another condition, participants believed they were paid equally to their fellow participants, who had performed equally to them (no moral violation).



Thus, our study constituted a 2 (Would: Harm, No Harm) × 2 (Could: Discretionary Control, No Discretionary Control) × 2 (Should: Moral violation, No Moral Violation) between-subjects factorial design.

At the end of the simulation, anger, justice perceptions, OCB, CWB, and manipulation checks were measured. Appendix 1 contains the measures used in this study.

### **Measures.**

*Trait negative affectivity.* Trait negative affectivity was assessed using the NA subscale of the Positive and Negative Affect Scale (PANAS; Watson, et al., 1988). This subscale consists of 10 emotion words (e.g., “irritable,” “distressed,” “upset.”) to which participants indicate, using a scale ranging from 1, “very slightly or not at all,” to 5, “very much,” the extent to which each emotion is generally felt. Internal consistency for this scale was  $\alpha = .75$ .

*Anger.* State anger was measured using the state subscale of the State-Trait Anger Expression Inventory (STAXI-2), which was originally developed by Spielberger (1988). This scale is composed of 15 items, such as “I am furious,” “I feel irritated,” and “I feel like shouting out loud.” Participants indicated the extent to which they agreed with each statement using response options ranging from 1 (not at all) to 4 (very much so). The internal consistency reliability estimate for this scale was  $\alpha = .91$  in the current sample.

*Justice perceptions.* Justice perceptions were measured using the six-item Perceived Organizational Justice measure developed by Ambrose and Schminke (2009), and modified to fit the context of our organizational simulation. Three items assess individuals’ personal justice experiences (“Overall, I was treated fairly by my supervisor;” “In general, I can count on my supervisor;” “In general, the treatment I received was fair”) and three items assessing the fairness of the organization generally [“The way things worked in this organization were not fair”

(reverse scored); “For the most part, this organization treated its employees fairly;” “Most of the people who worked here would say they are often treated unfairly” (reverse scored)]. Individuals reported their agreement with each statement on a 7-point scale (1 = strongly disagree, 7 = strongly agree). The internal consistency reliability estimate for this scale was  $\alpha = .80$  in the current sample.

*Organizational citizenship behavior.* OCB was measured using the 11 items comprising Williams and Anderson's (1991) measure. The instructions were modified to fit our simulated context. Response options ranged from 1 (highly unlikely) to 7 (highly likely). Sample items include “Say something hurtful to the supervisor,” “Assist the supervisor with his/her work (even when not asked).” Higher scores indicate higher levels of participant intention to engage in citizenship behaviors. The internal consistency (coefficient alpha) of the OCB in the current sample was .86.

*Counterproductive work behavior.* CWB was measured using the 19-item version of the Counterproductive Work Behavior Checklist (CWB-C; Spector, Fox, Penney, Bruursema, Goh, Kessler, 2006), with the instructions modified to match our simulated context. Participants were asked to indicate, using a scale anchored at 1 (highly unlikely) to 7 (highly likely), how likely they would engage in the listed behaviors. Higher scores indicate higher levels of their intention to engage in counterproductive work behaviors. The internal consistency (coefficient alpha) of the CWB measure in the current sample was .91.

*Manipulation check.* To ensure that our manipulations had their intended effect on inducing Would, Could, and Should counterfactuals, participants were asked four manipulation check questions: “What was your pay?” (Would, \$0, \$10), “Your manager...” (Could, chose pay his/herself, determined pay using a matrix), “What were the co-workers in your same

performance category paid?” (Should, \$0, \$10), and “Do you think your performance on the data entry task was measured accurately?” (Should, yes, no). Individuals responded to these items by checking the appropriate choice. Analyses indicated that the accuracy rates for all three independent variable manipulations were high (Would= 97.02%, Could=72.95%, Should=94.3%). Individuals who did not answer a manipulation check item correctly were removed from subsequent analyses.

### **3-2 Results and Discussion**

#### **Descriptive Statistics**

Table 1 shows means, standard deviations, correlations, and reliabilities for all dependent variables used in this study. Table 2 provides the cell means and standard deviations for the eight conditions, for all four dependent variables. The relative size of these means is consistent with the proposed hypotheses.

#### **Hypothesis Tests**

Hypothesis 1 predicted main effects of all three independent variables (Would, Could, and Should) on anger, justice perceptions, and behavioral reactions (OCB and CWB), even after controlling for trait negative affectivity.

*Anger.* Results indicated that the main effect of Would on anger was significant such that participants who experienced harm expressed higher anger than those who did not ( $F(1, 164) = 9.908, p < .05, \eta^2 = .05$ ). The main effects of Could ( $F(1, 164) = .104, ns.$ ) and Should ( $F(1, 164) = 2.843, ns.$ ) on anger were not significant.

*Justice perceptions.* Results indicated that the main effect of Would on perceived organizational justice was significant such that participants who experienced no harm had higher perceived organizational justice than those experiencing harm ( $F(1, 164) = 39.606, p < .001, \eta^2$

= .16 ). A main effect of the Should condition was also detected, such that those who did not experience a moral violation had higher level of perceived organizational justice than those who did ( $F ( 1,164 ) = 41.410, p <.001, \eta^2 = .16$  ). Our analyses revealed no significant main effect for the Could condition ( $F ( 1,164 ) = 3.663, ns.$  ).

*Behavioral Intentions (OCB, CWB).* The main effect of the Would condition on OCB was significant such that participants who experienced no harm endorsed higher levels of OCB than those who did ( $F ( 1,164 ) = 28.747, p <.001, \eta^2 = .14$  ). However, neither the main effect of the Could condition, nor the main effect of the Should condition were found to be statistically significant ( $F ( 1,164 ) = 2.595, ns.$ ; ( $F ( 1,164 ) = 1.442, ns.$ ; respectively). The results for CWB mirrored these findings--a main effect of Would was detected ( $F ( 1,164 ) = 28.747, p <.001, \eta^2 = .09$  ), yet no significant effects were found for Could ( $F ( 1,164 ) = 2.595, ns.$  ) or Should ( $F ( 1,164 ) = 1.442, ns.$  ).

*Interaction effects.* Of course these main effects may be qualified with interactions between the independent variables. Whereas no three-way interaction was detected between our independent variables and any of our dependent variables, two two-way interactions were detected. First, we detected a two-way interaction between the Would and Should conditions on anger ( $F ( 1,170 ) = 5.262, p <.05, \eta^2 = .03$  ). The nature of the interaction is depicted in Figure 1. As is shown, there are significant mean differences between Would conditions, only when participants were simultaneously assigned to the moral violation Should condition. Cell means across the Would conditions are not significantly different from one another when a moral infraction was not committed. This suggests that both harm and a moral infraction are necessary to catalyze the anger theorized to be inherent to justice evaluations.

We detected the same Would-by-Should interaction on OCB ( $F(1,170) = 5.745, p < .05, \eta^2 = .03$ ). As depicted in Figure 2 the experience of harm only seemed to reduce intentions to engage in OCBs when a moral infraction was simultaneously perceived. The effect of harm on OCB was not significant when no moral infraction was experienced. This again suggests that both harm and perceived immoral behavior, but not actor discretion, are necessary for injustice to be perceived, although our inability to detect a Would-by-Should interaction on justice perceptions does force us to remain tentative in our conclusions.

### **Summary**

As indicated above, our Study 1 results indicated a main effect of harm (Would) on anger, justice perceptions, and behavioral intentions, and a main effect of moral violation (Should) on justice perceptions only. We did not detect a three-way interaction, but did find Would and Should conditions to interact in predicting anger and OCB, but not justice perceptions or CWB. At this point we cannot know if our non-significant results are due to the true absence of effects, low power, or improper methods.

Thus, to further test our hypotheses, and to test whether our effects also manifest themselves for observers (as opposed to experiencers) of injustice, we conducted a second study. Study 2 was similar in design [a 2(Would) x 2(Could) x 2(Should) factorial design], but in this case participants "witnessed" situations rather than directly experiencing them. Study 2 incorporated vignettes rather than an organizational simulation. Although there has been some criticism of this method in I/O Psychology research (see Murphy, Herr, Lockhart, & Maguire, 1986), suggesting that effect sizes may be higher when "paper people" are used, other research has suggested that such a method may be useful for some types of research, especially when actual applicants or employees cannot be obtained (Murphy & Cleveland, 1991). Indeed, we are

not the first to incorporate vignettes into the study of justice (see Colquitt and Chertkoff, 2002; Gilliland et al., 2001; Skarlicki & Rupp, 2010). Although lab research does stand to threaten external validity, both of our studies incorporate very realistic situations, and the use of lab experimentation in justice research has been well defended in the literature (e.g., van den Bos, 2001).

## CHAPTER 4

### STUDY 2: THIRD-PARTY INJUSTICE

#### 4-1 Method

##### **Participants and procedure.**

Participants were the same as in Study 1: 174 college students from a large Midwestern U.S. university who were drawn from an introductory psychology participant pool. Participants ranged in age from 18 to 31 years (mean age was 19.25 years). The sample was 58.4% White, 27.2% Asian, 6.4% Hispanic, 4.0% African American, and 5.0% non-specified. All participants earned partial course credit for their participation in the study.

As with Study 1, participants attended an evening session during which they completed trait NA and demographic measures. In the weeks following, they attended the experimental session. Participants were asked to read a series of fictional newspaper articles depicting an organization's approach to cost-cutting (a highly relevant topic to organizations at the time of the research, making the articles very similar to ones seen in real newspapers). Each article varied in terms of three independent variables: the extent to which harm was done to a third party (Would; the employees of the fictional organization losing their health benefits or not), the extent to which the organization had control over their actions (Could, i.e., it was the company's only option vs. there were other options available), and whether or not the action taken involved a moral or ethical violation (Should, i.e., the company left employees and their families without health coverage by giving no notice and providing no support in finding alternative coverage vs. the company "softened the blow" by giving prior notice and providing support in finding alternative coverage). The extent to which these events constituted harm, avoidability, and moral

violation was pilot tested successfully among 10 undergraduate laboratory assistants. The vignettes are provided in Appendix 3.

Upon reading the article assigned to them, participants completed measures of anger, justice perceptions, OCB and CWB.

### **Measures.**

Measures used to assess NA, state anger, justice perceptions, OCB, and, CWB were the same as those used in Study 1.

*Manipulation check.* To ensure that the experimental manipulations properly catalyzed the intended counterfactuals, Spencer and Rupp's (2009) seven-item fairness-related counterfactual thinking measure was used (see Appendix 2). Two items asked if harm was done (Would). Two items ask if the situation could have been avoided (Could). Three items asked if the actor's action violated an ethical or moral code of conduct. Participants were asked to indicate their level of agreement to each item by using a scale anchored at 1 (strongly disagree) and 7 (strongly agree). To test if the manipulations served their intended purpose, subscale scores were computed for Would, Could, and Should, and mean differences were tested on the appropriate subscale, across conditions. Result showed that individuals assigned to the harm (Would), discretion (Could), and moral violation (Should) conditions showed higher mean scores on the corresponding subscale than those assigned to the counter conditions ( $M_{Harm}=5.29$   $M_{No Harm}=4.05$ ,  $F(1,196) = 25.914$ ,  $p < .001$ ;  $M_{Avoidability}=4.90$   $M_{No avoidability}=4.78$ ,  $F(1,196) = .268$ , *ns.*;  $M_{Moral Violation}=5.63$   $M_{No Moral Violation}=3.80$ ,  $F(1,196) = 76.011$ ,  $p < .001$ ).



## 4-2 Results and Discussion

### Descriptive Statistics

Table 3 provides the means, standard deviations, correlations, and reliabilities for all dependent variables used in this study. Table 4 provides the cell means and standard deviations for all dependent variables. The relative sizes of these means are consistent with the proposed hypotheses.

### Hypothesis Tests

*Anger and justice perceptions.* The Study 2 analyses failed to detect significant main effects on anger for the Would ( $F(1,189) = .159, ns.$ ), Could ( $F(1,189) = .390, ns.$ ), or Should ( $F(1,189) = .357, ns.$ ) manipulations. However, we did find significant main effects for the Would ( $F(1,191) = 25.348, p < .001, \eta^2 = .09$ ) and Should ( $F(1,191) = 49.656, p < .001, \eta^2 = .18$ ) manipulations, but not the Could manipulation ( $F(1,191) = 1.938, ns.$ ), on perceptions of justice. These results were in the expected directions, and similar to the Study 1 effects-- participants detected more injustice when harm was inflicted (except this time on others) and when harm was inflicted via a moral infraction.

*Behavioral intentions (OCB, CWB).* Study 2 analyses involving the behavioral intentions dependent variables differed from the Study 1 results. For the third-party data, we detected a main effect for the Should manipulation on both OCB ( $F(1,192) = 4.391, p < .05, \eta^2 = .02$ ) and CWB ( $F(1,191) = 4.659, p < .05, \eta^2 = .02$ ), but found no significant effect of either the Would or Could manipulation on either OCB [ $F(1,192) = 2.613, ns.; F(1,192) = .222, ns.$ ] or CWB [ $F(1,191) = .078, ns.; F(1,191) = .476, ns.$ ].

*Three-way interaction.* A three-way interaction between Would, Could, and Should manipulations was detected in the prediction of justice perceptions [ $F(1,194) = 11.505, p$

< .005,  $\eta^2 = .04$ ]. Figure 3 depicts the nature of this interaction. As is shown, when no moral infraction (Should) is perceived, there is only a significant effect of the harm (Would) manipulation when the perpetrator's action are viewed as avoidable (Could). However, when a moral infraction is perceived, a) justice perceptions are lower than all conditions in which no infraction is perceived, and b) the buffering effect of avoidability (Could) is reduced. This would suggest that for third-party observations, injustice may be more about ethical violation than actual harm and the avoidability of circumstances. This speaks to the third-party "deontic response" described in Fairness Theory, as well as concept of moral intuition as described by Haidt (2007). We detected neither a significant three-way interaction, nor any two-way interactions for either anger or behavioral intentions.

## **CHAPTER 5**

### **DISCUSSION**

#### **5-1 Summary**

The results of Study 1 suggest that the Would, Could, and Should elements of fairness theory differ in terms of their impacts on anger, justice perceptions, and subsequent behavioral tendencies. The strongest effect was seen with the manipulation of harm, while the manipulation of discretionary control had no effect. The manipulation of the morality of the action impacted justice perceptions and behavior, and strengthened the effect of a harmful outcome. In other words, a negative outcome results in anger, perceptions of unfairness, and negative behavior regardless of whether the entity responsible for the outcome had control over his actions. Adding a moral violation to the mix makes things even worse.

In Study 2, we found that perceived harm to others increased third-party perceptions of unfairness, especially when the actions of the entity responsible for the harm were believed to be avoidable or the actions violated an ethical standard. We found that avoidability/control over one's actions was less influential on perceived unfairness when those actions were morally questionable. In fact, the most unfair circumstances in our study were found to be those that involved a moral violation, even if the circumstances were thought to be unavoidable. It would seem that in observing the harmful circumstances of others, observers weigh the moral implications of the situation more heavily than the outcome or the intentions of the transgressor when assessing fairness.

#### **5-2 Strengths and limitations**

These two studies contribute to a line of research that investigates the premises of Fairness Theory and the perceptions of justice. This research extends the scope of the literature

from indirect testing of proxy variables to a direct evaluation of the Fairness Theory tenets. These two studies provide evidence of the relative importance of each of the three counterfactuals proposed by Fairness Theory, and begins to examine how they interact with each other. This research also demonstrates how the cognitive process proposed by Fairness Theory may be different for those experiencing unfair treatment than for those who are observing the treatment of others.

The present research provides a good foundation for testing the cognitive principles behind Fairness Theory, but our ability to draw firm conclusions is, admittedly, limited. Replicating the study with a larger sample would give us more power to detect effects. In addition, the manipulation check indicated that, while high enough to be considered valid, perhaps our manipulation of the Could counterfactual (whether the Supervisor had control over his/her decision regarding pay) could have been made stronger or more clear (72.95% answered the manipulation check item correctly, which was lower than the approximately 97% and 94% for the other two items).

Indeed, it is difficult to find a realistic situation in which an entity has absolutely no discretionary control over his/her actions, especially actions that are morally questionable. It is possible that participants believed the manipulation (that is, they believed that the Supervisor was not making the pay decisions him/herself but was using a pre-determined chart) but *also* believed that the morally questionable outcome still could have been avoided somehow. Perhaps the assessment of “Could” is more complex than simply deciding whether the singular entity directly responsible for the unfair situation had control over his immediate actions. For example, in study 1, perhaps the assessment of “Could” went beyond assessing the supervisor’s ability to assign pay amounts himself versus using a pre-determined formula. While the manipulation

made it clear that the supervisor was not making the pay decision himself, participants knew that someone along the line developed the compensation system. Perhaps the assessment of control extended beyond the supervisor and applied to the unknown decision-maker who created the pay matrix. This would suggest that the assignment of accountability can be applied to multiple entities simultaneously. Further exploration of the Could counterfactual, therefore, would likely be beneficial.

As mentioned previously, there are limitations inherent in laboratory studies such as these. Study 1 was a simulation exercise, which took place in a research laboratory setting with student research assistants acting as supervisors and employees. There is some loss of fidelity in simulations, and although we tried to mimic the real-life characteristics of a work environment by using office-like rooms, requiring participants to do a data-entry task that could be a part of many clerical jobs, and providing compensation for their work, there was certainly some loss in the strength of our results due to the simulated environment.

Similarly, in Study 2, we also suffered from a loss of fidelity that is inherent in a lab experiment. Additionally, in that study we asked participants to identify feelings and thoughts about a scenario that they knew to be fictional. In measuring responses such as anger and justice, which have such powerful affective elements, there is bound to be some loss in effect sizes for those reactions when they are not driven by actual, real-life circumstances. Future research could use surveys or quasi-experimental designs to assess the same variables as in Study 2 but in a real-world setting.

### **5-3 Implications**

This research investigated the components of Fairness Theory. There have been very few attempts in the organizational justice literature to apply the theory, and most of them are indirect

tests. However, an overarching finding seems to be that the Would counterfactual is critical for initiating the cognitive process, and the Should counterfactual is the strongest in terms of driving perceptions of unfairness. Our data support these conclusions as well. An interesting finding of our studies, though, was the apparent lack of importance of the “could” variable. Fairness Theory purports that all three elements are critical to the formation of injustice perceptions, but our data suggest that control over one’s actions is irrelevant if harm is done, and especially if moral indiscretion is committed in addition to the harm. It didn’t matter to the participants in Study 1 that the “supervisor” had no control over the outcome when he paid a low wage to someone who deserved more; the action was still perceived as unfair, and they were still angry. These findings support the basic premise of Fairness Theory that justice perceptions are driven by a counterfactual thought process of assessing accountability, but they raise questions regarding the relative importance of each of the three counterfactual elements. It seems that all three elements may not be necessary for injustice to be perceived, especially in the presence of unethical behavior.

The importance of the Should counterfactual in justice perceptions can be interpreted in the context of the moral psychology literature. Haidt (2007) describes the difference between moral intuition and moral reasoning. Moral intuition involves quick, affect-driving evaluations about people or their actions. These processes are made without reason or conscious effort. Moral reasoning, on the other hand, is a slower, more controlled thought process that deliberately considers information about people and their actions to reach a moral conclusion. Haidt suggests that moral reasoning is a “post-hoc process in which we search for evidence to support our initial intuitive reaction” (p. 18). This distinction in the type of processing that one goes through when assessing the actions of another sheds light on a possible explanation for the results in our two

studies. When a moral violation occurs, affect-fueled moral intuition is activated, instantly delivering to the observer's consciousness a positive/negative assessment of the person or the behavior. Participants in the conditions that involved a moral indiscretion may have based their assessment of fairness upon this initial reaction, resulting in greater perceptions of unfairness than those who did not experience (or witness) a moral violation. Those participants who were not exposed to a moral violation may have used more controlled processing to assess fairness, which would explain the increased reliance on information related to the Could counterfactual – in the absence of moral intuition, participants looked for other information to assess the fairness of the action.

#### **5-4 Conclusion**

Generally speaking, the results of these studies provide support for the notion that injustice typically involves the infliction of harm and some degree of moral violation. In the absence of a moral violation, information regarding the control over ones' actions helps individuals execute controlled reasoning to determine the fairness of those actions, but the effect is not as strong. These findings draw together the literature on organizational justice and Fairness Theory, and can be interpreted with a focus on implications for the study of moral psychology.

## TABLES

Table 1

*Means, Standard Deviations, Correlations, and Internal Consistency Reliabilities (Cronbach Alphas) for Study 1 Dependent Variables*

Measure	M	SD	1	2	3	4	5
1. NA	24.91	4.49	<b>.75</b>				
2. Anger	17.09	5.04	.192*	<b>.91</b>			
3. Justice	27.62	10.89	.080	-.370**	<b>.92</b>		
4. OCB	51.38	12.53	-.031	-.398**	.432**	<b>.88</b>	
5. CWB	46.40	22.88	.111	-.434**	-.299**	-.738**	<b>.95</b>

*Note.*  $N = 172$ . Coefficient alphas are listed in bold on the diagonal of the table. Anger = State of anger inventory; POJ = Perceived organizational justice; OCB = Organizational citizenship behaviors; CWB: Counterproductive behaviors.

\*  $p < .05$ . \*\*  $p < .01$ .



Table 2

*Cell Means and Standard Deviations for all Experimental Conditions (Study 1)*

Outcome measures	Discretionary Control				No Discretionary Control			
	Moral Violation		No Moral Violation		Moral Violation		No Moral Violation	
	Harm	No Harm	Harm	No Harm	Harm	No Harm	Harm	No Harm
1. Anger	20.80 <sub>a</sub> (9.88)	15.67 (2.14)	16.18 (1.53)	15.83 (2.15)	18.71 <sub>a</sub> (5.01)	15.68 (1.20)	17.41 (5.05)	16.52 (5.19)
2. Justice	17.65 (5.00)	26.00 <sub>p</sub> (11.72)	25.05 (7.99)	36.74 <sub>p</sub> (4.67)	20.47 (8.54)	27.00 <sub>p</sub> (11.34)	26.88 (11.56)	37.61 <sub>p</sub> (5.81)
3. OCB	41.95 (16.30)	55.50 <sub>o</sub> (8.52)	48.73 (11.13)	55.30 <sub>o</sub> (7.89)	44.65 (15.62)	58.00 <sub>o</sub> (9.23)	50.28 (12.20)	56.74 <sub>o</sub> (10.00)
4. CWB	57.20 (30.75)	43.22 (17.66)	55.45 <sub>c</sub> (24.98)	38.87 (14.23)	53.00 <sub>c</sub> (27.72)	36.26 (15.68)	47.34 (23.70)	40.50 (16.84)

*Note.* Means within the same row, with different subscripts are significantly different ( $p < .05$ ). Standard deviations appear in parentheses.

Table 3

*Means, Standard Deviations, Correlations, and Internal Consistency Reliabilities (Cronbach Alphas) for all Study 2 Dependent*

*Variables*

Measure	M	SD	1	2	3	4	5
1. NA	24.86	4.86	<b>.79</b>				
2. Anger	16.50	2.93	.008	<b>.85</b>			
3. POJ	23.15	9.86	-.036	-.218**	<b>.95</b>		
4. OCB	50.68	11.54	-.033	-.351**	.449**	<b>.86</b>	
5. CWB	46.48	22.20	.108	.362**	-.380**	-.773**	<b>.93</b>

*Note.*  $N = 196$ . Coefficient alphas are listed in bold on the diagonal of the table. Anger = State of anger inventory; POJ = Perceived organizational justice; OCB = Organizational citizenship behaviors; CWB: Counterproductive behaviors.

\*  $p < .05$ . \*\*  $p < .01$ .

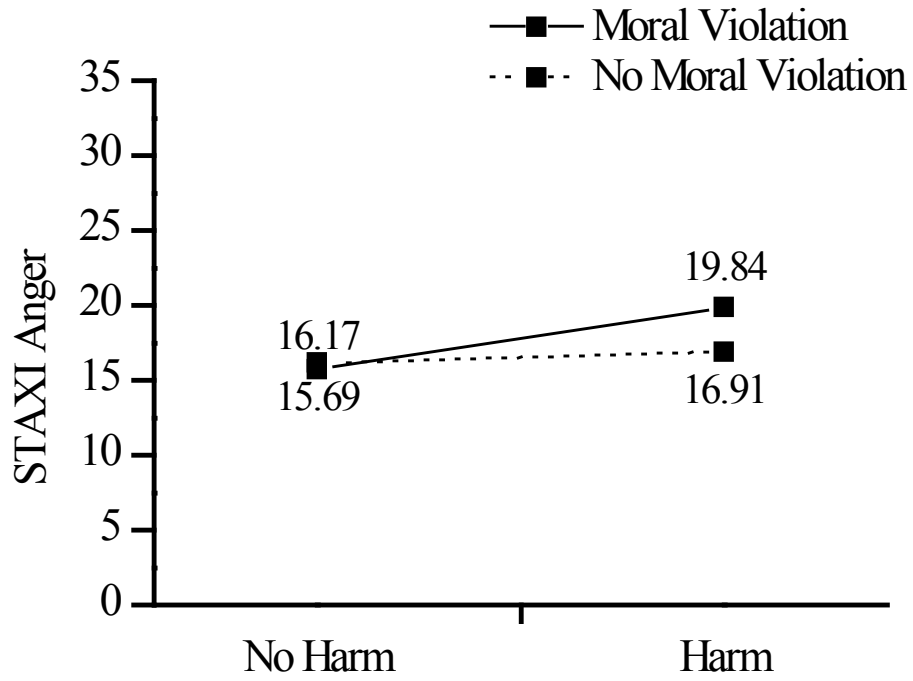
Table 4

*Cell Means and Standard Deviations for all Experimental Conditions (Study 2)*

Outcome measures	Avoidability				No Avoidability			
	Moral Violation		No Moral Violation		Moral Violation		No Moral Violation	
	Harm	No Harm	Harm	No Harm	Harm	No Harm	Harm	No Harm
1. Anger	17.00 (4.53)	15.83 (1.93)	16.22 (2.03)	16.40 (2.71)	16.88 (3.18)	16.73 (2.57)	16.15 (1.59)	16.68 (3.88)
2. POJ	16.32 (6.00)	18.33 (8.73)	20.93 (9.05)	33.24 <sub>p</sub> (7.05)	16.19 (5.81)	24.73 <sub>p</sub> (10.52)	26.15 (7.60)	26.28 (10.00)
3. OCB	48.44 (11.03)	48.71 (9.79)	50.00 (10.14)	56.76 <sub>o</sub> (10.85)	47.11 (12.19)	51.82 (12.39)	51.67 (9.02)	51.24 (14.18)
4. CWB	50.48 (18.01)	51.79 (24.74)	44.32 (23.55)	37.60 (17.88)	53.77 (28.29)	45.82 (20.50)	41.40 (15.47)	48.16 (24.12)

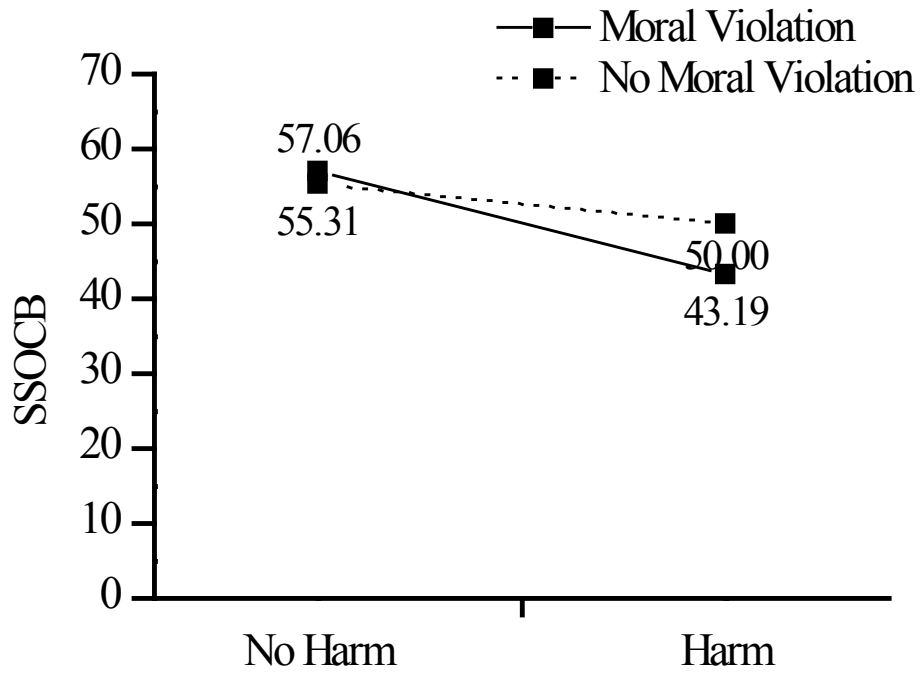
*Note.* Means within the same row, with different subscripts are significantly different ( $p < .05$ ). Standard deviations appear in parentheses.

**FIGURES**



*Figure 1*

The interaction between Harm/No Harm Manipulation (“Would”) and Moral Violation (“Should”) predicting Anger.



*Figure 2*

The interaction between Harm/No Harm Manipulation (“Would”) and Moral Violation (“Should”) predicting organizational citizenship behavior.

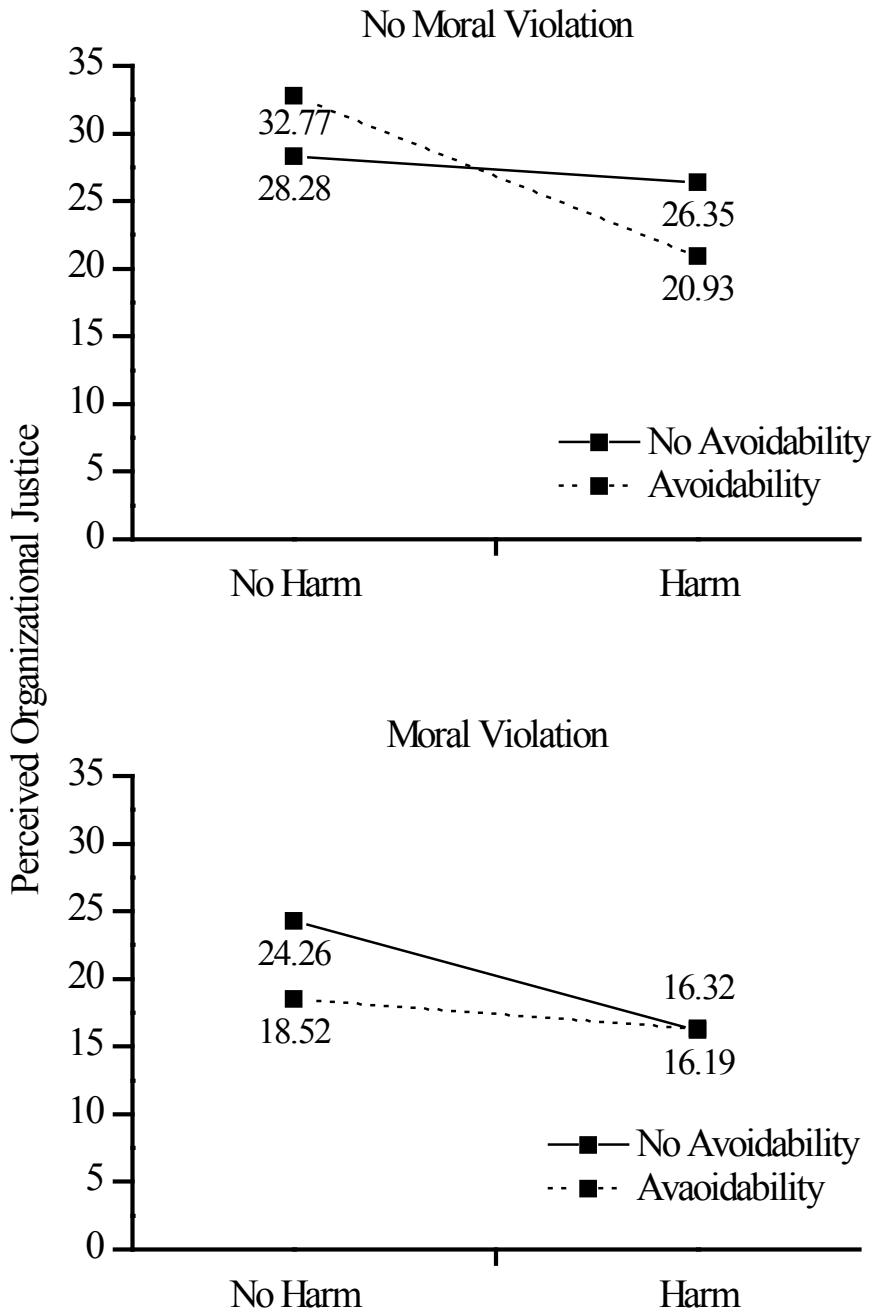


Figure 3

The interaction between Harm/No Harm Manipulation (“Would”), Discretionary Control (“Could”), and Moral Violation (“Should”) predicting perceived organizational justice.

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## APPENDIX A: STUDY 1 MEASURES

### Negative Affectivity

Read each statement and indicate your response. Please answer every statement, even if you are not completely sure of your response.

- 1 = never
- 2 = rarely
- 3 = sometimes
- 4 = often
- 5 = always

To what extent do you generally feel the following emotions:

1. \_\_\_\_\_ DISTRESSED
2. \_\_\_\_\_ UPSET
3. \_\_\_\_\_ GUILTY
4. \_\_\_\_\_ SCARED
5. \_\_\_\_\_ HOSTILE
6. \_\_\_\_\_ IRRITABLE
7. \_\_\_\_\_ ASHAMED
8. \_\_\_\_\_ NERVOUS
9. \_\_\_\_\_ JITTERY
10. \_\_\_\_\_ AFRAID

### Demographics

1. \_\_\_\_\_ Gender [M (male) or F (female)]
2. \_\_\_\_\_ Age
3. \_\_\_\_\_ Race (1=white, 2=black, 3=Hispanic, 4=Asian/pacific islander, 5=Indian, 6=other)
4. \_\_\_\_\_ Nationality
5. \_\_\_\_\_ Highest completed degree (HS= high school, UG=Bachelors Degree, M=Masters degree, PhD= PhD)
6. \_\_\_\_\_ Job experience (in months)
7. \_\_\_\_\_ Time in current job, if applicable (in months)
8. Standardized test scores (leave blank if you do not know)
  - a. \_\_\_\_\_ ACT
  - b. \_\_\_\_\_ SAT
  - c. \_\_\_\_\_ GRE verbal

- d. \_\_\_\_\_ GRE quantitative
- e. \_\_\_\_\_ TOFEL
- f. \_\_\_\_\_ Other: \_\_\_\_\_

9. Academic achievement (leave blank if you do not know)

- a. \_\_\_\_\_ Current GPA
- b. \_\_\_\_\_ High School GPA
- c. \_\_\_\_\_ Rank in High School Senior Class

#### Manipulation Check

1. What was your pay?

- 1) \$0
- 2) \$10

Answer: \_\_\_\_\_

2. Your manager

- 1) chose your pay his/herself
- 2) chose your pay using a pre-determine matrix

Answer: \_\_\_\_\_

3. What were the co-workers in your same performance category paid?

- 1) the same as you
- 2) more than you
- 3) less than you

Answer: \_\_\_\_\_

4. Do you think your performance on the data entry task was measured accurately?

- 1) Yes
- 2) No, I think I did better than the Supervisor said I did
- 3) No, I don't think I did as well as the Supervisor said I did

#### Dependent Measures

##### 1. STAXI Anger (15 items)

- I am furious
- I feel irritated
- I feel angry
- I feel like yelling at somebody
- I feel like breaking things
- I am mad
- I feel like banging on the table
- I feel like hitting someone
- I feel like swearing

- I feel annoyed
- I feel like kicking somebody
- I feel like cursing out loud
- I feel like screaming
- I feel like pounding somebody
- I feel like shouting out loud

**2. Perceived Organizational Justice (6 items including 1 reverse coding item)**

- Overall, I've been treated fairly.
- In general, I could count on the "supervisor" to be fair.
- In general, the treatment I received here was fair.
- Usually, the way things worked has not been fair. (Reverse Code)
- For the most part, I have been treated fairly.
- Most of the people who participated in this experiment would say they were treated fairly.

**3. Organizational Citizenship Behaviors (11 items including 3 reverse coding items)**

- Have above average attendance.
- Give advance notice when unable to come to work.
- Take undeserved work breaks. (Reverse Code)
- Spend a great deal of time spent with personal phone conversations. (Reverse Code)
- Complain about insignificant things at work. (Reverse Code)
- Adhere to informal rules devised to maintain order.
- Accept added responsibility when the supervisor is absent.
- Help supervisor when you have a heavy work load.
- Assist the supervisor with his/her work (even when not asked).
- Take a personal interest in your supervisor.
- Pass along work-related information to the supervisor.

**4. Counterproductive Workplace Behaviors (19 items)**

- Take property from work without permission
- Spend too much time fantasizing or daydreaming instead of working
- Falsify a receipt to get reimbursed for more money than you spent on business expenses
- Take an additional or longer break than is acceptable at your workplace
- Come in late to work without permission
- Litter your work environment
- Neglect to follow your boss's instructions
- Intentionally work slower than you could have worked
- Discuss confidential company information with an unauthorized person
- Use an illegal drug or consumed alcohol on the job
- Put little effort into your work
- Drag out work in order to get overtime
- Make fun of the supervisor
- Say something hurtful to the supervisor
- Make a judgmental comment to the supervisor about his or her gender, race, etc.
- Cursed at the supervisor
- Play a mean prank the supervisor
- Act rudely toward the supervisor
- Publicly work embarrass the supervisor

## APPENDIX B: ADDITIONAL MEASURES USED IN STUDY 2

Use the following scale to indicate the extent to which you agree or disagree with each statement. *Please do not use N/A as a response.*

- 1 Strongly Disagree
- 2 Moderately Disagree
- 3 Slightly Disagree
- 4 Neither Agree/Disagree
- 5 Slightly Agree
- 6 Moderately Agree
- 7 Strongly Agree

1. It would have been better if the organization in the article had chosen to do something different than they did.

1      2      3      4      5      6      7

2. It would have been better if the employees in the article had been treated differently.

1      2      3      4      5      6      7

3. I believe the organization in the article could have treated their employees differently from how they actually did.

1      2      3      4      5      6      7

4. I believe the organization in the article could have better controlled how they treated their employees.

1      2      3      4      5      6      7

5. I believe the organization in the article should have treated their employees differently from how they did.

1      2      3      4      5      6      7

6. I believe the organization in the article should have acted differently.

1      2      3      4      5      6      7

7. I believe the organization in the article should have expressed themselves differently.

1      2      3      4      5      6      7



## APPENDIX C: STUDY 2 VIGNETTES

Story 1 (Harm / Avoidability / Moral Violation)

October 1, 2009

### MERITCORE CORP. EMPLOYEES LOSING HEALTH INSURANCE

Beginning on July 1st, employees of MeritCore Corporation will no longer have their company-paid health insurance benefits. The company cited the current economic conditions as a factor in its decision to eliminate health insurance coverage for all of its 500 employees. The cost of providing health insurance for employees has become unaffordable, said MeritCore spokesperson Pat Anderson, and though there may have been other ways to reduce company costs - for example, eliminating bonuses or freezing salaries, MeritCore says this was the best option.

"We considered several different options. There were certainly ways to cut costs in other areas, sure. This was the route we chose to take at this time to ensure that MeritCore weathers the economic crisis."

Employees at each of the company's three locations were told on Friday that their coverage would be terminated on the following Monday, leaving many scrambling to find other coverage quickly. Others faced the prospect of going without health insurance altogether, until they could find a way to afford it on their own.

"They've obviously been thinking about this for a while - they could have given us more notice," says Ronnie Green, who has worked for MeritCore for five years. "I don't even know how to begin to find insurance for my family on my own... it could take months. Meanwhile, we don't have any coverage. They should have told us sooner that this was going to happen."

Employee health insurance accounts for about 50% of a company's personnel costs. Nationwide, about 70% of employers provide health insurance for employees.

Story 2 (Harm / Avoidability / No Moral Violation)

October 1, 2009

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"We considered several different options. There were certainly ways to cut costs in other areas, sure. This was the route we chose to take at this time to ensure that MeritCore weathers the economic crisis."

Employees at each of the company's three locations were told in January that their employer-sponsored coverage would be ending in June, and MeritCore has provided resources to assist employees in finding other coverage for themselves and their families, as well as for budgeting their salaries to account for the added expense of private coverage.

"They've obviously been thinking about this for a while - they did give us plenty of notice," says Ronnie Green, who has worked for MERITCORE for five years. "I didn't even know how to begin to find insurance for my family on my own... it took months. Thankfully, we won't end up going without coverage. They told us as soon as they could that this was going to happen."

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### Story 3 (Harm / No Avoidability / Moral Violation)

October 1, 2009

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"We considered several different options, but ultimately because all of our major expenses are written into contracts [and therefore not available for cutting from the budget], we determined that this decision was the only way to ensure that MeritCore Corporation weathers the economic crisis."

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Story 4 (Harm / No Avoidability / No Moral Violation)

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Story 5 (No Harm / Avoidability / Moral Violation)

October 1, 2009

MERITCORE CORP. EMPLOYEES WON'T LOSE HEALTH INSURANCE

Employees of MeritCore Corporation will continue to have their company-paid health insurance benefits. The company had been considering eliminating health insurance coverage for all of its 500 active employees, citing the current economic conditions. The cost of providing health insurance for employees has become unaffordable, said MeritCore spokesperson Pat Anderson, but there may be other ways to reduce company costs - for example, eliminating bonuses or freezing salaries.

"We considered several different options, and while we could have chosen to cut costs in this area, we determined that cutting employee health insurance is not the best option for us. MeritCore Corporation continues to look for other ways to weather the economic crisis."

MeritCore says they will continue to fund the health insurance benefits for its active employees by making drastic cuts to the amount of money it pays to its retirees in the form of pension checks. For many retirees, their pension is the only income they receive.

"They're robbing the retirees to pay their employees," says 72-year-old MeritCore retiree Connor Arnold. "It ain't right."

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Story 6 (No Harm / Avoidability / No Moral Violation)

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MeritCore says they will continue to fund the health insurance benefits for its active employees by tapping into the company's financial reserves. The reserves are designed to help ease the company's losses during lean years.

"We're using the reserves to get through this rough time," says Anderson.  
"It's what they're there for."

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Story 7 (No Harm / No Avoidability / Moral Violation)

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Story 8 (No Harm / No Avoidability / No Moral Violation)

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