

California State University, San Bernardino

CSUSB ScholarWorks

---

Theses Digitization Project

John M. Pfau Library

---

1990

## Perceptions of fairness and the wage setting process

Tami Diane Douglas

Follow this and additional works at: <https://scholarworks.lib.csusb.edu/etd-project>



Part of the [Gender and Sexuality Commons](#)

---

### Recommended Citation

Douglas, Tami Diane, "Perceptions of fairness and the wage setting process" (1990). *Theses Digitization Project*. 773.

<https://scholarworks.lib.csusb.edu/etd-project/773>

This Thesis is brought to you for free and open access by the John M. Pfau Library at CSUSB ScholarWorks. It has been accepted for inclusion in Theses Digitization Project by an authorized administrator of CSUSB ScholarWorks. For more information, please contact [scholarworks@csusb.edu](mailto:scholarworks@csusb.edu).

✓ PERCEPTIONS OF FAIRNESS  
AND THE WAGE SETTING PROCESS ✓

---

A Thesis  
Presented to the  
Faculty of  
California State University,  
San Bernardino

---

In Partial Fulfillment  
of the Requirements for the Degree  
Master of Arts  
in  
Psychology

---

by  
Tami Diane Douglas  
June 1990

PERCEPTIONS OF FAIRNESS  
AND THE WAGE SETTING PROCESS


---

A Thesis  
Presented to the  
Faculty of  
California State University,  
San Bernardino

---

by  
Tami Diane Douglas  
June 1990

Approved by:

  
Richard S. Trafton, Ph.D., Chair, Psychology

6/1/90  
Date

  
Janet L. Kottke, Ph.D.

  
Glória A. Cowan, Ph.D.

## ABSTRACT

The purpose of this study was to investigate how knowledge contributes to the perceptions of fairness of the wage setting process. Fairness was expected to emerge as a separate construct from organizational commitment and job satisfaction. Knowledge was expected to have an effect on the perception of fairness of the wage setting process. This effect was considered potentially direct or potentially moderated by beliefs in the free market system.

Non-student and student employees responded to a written survey about their perceptions of fairness, wage setting, beliefs in the free market system, commitment, and satisfaction. Statistical analyses yielded significant results supporting the hypothesis that fairness was a separate workplace issue for this sample. Knowledge was found to have an effect on perceptions of fairness of the wage setting process when beliefs in the free market system were taken into account.

It was concluded that fairness should be considered an employee variable, along with other workplace issues such as commitment and satisfaction. In addition, peoples' perceptions of fairness of the wage setting process was believed to be linked to organizational variables as well as larger system beliefs in the free market system.



## TABLE OF CONTENTS

Distributive Justice.....	3
Procedural Justice.....	5
Comparison of Procedural and Distributive Justice.....	7
Distributive Justice Theories.....	8
Procedural Justice Theories.....	19
Applying Procedural Justice Theory to the Workplace.....	27
Purpose of the Study.....	37
Method.....	50
Results.....	54
Discussion.....	68
Appendix A.....	75
References.....	83

## LIST OF TABLES

Table 1:	Wage Setting Processes Included in the Survey.....	55
Table 2:	Frequencies of Demographic Variables.....	56
Table 3:	Factor Matrix of Fairness, Commitment, and Satisfaction Items.....	58
Table 4:	Scale Reliabilities and Correlations Among Scales.....	61
Table 5:	Basic Statistics for the OCQ, MSQ, Fairness, and Knowledge Scales.....	62
Table 6:	The Effect of Knowledge on Fairness.....	63
Table 7:	Confidence of the Wage Setting Process Used.....	64
Table 8:	Main Sources of Knowledge of the Wage Setting Process.....	64
Table 9:	The Effect of Political Orientation and Beliefs on Perceptions of Fairness.....	66
Table 10:	The Effect of the Interaction of Knowledge and Belief in the Free Market on Fairness....	67
Table 11:	The Effect of the Knowledge-squared Variable on Fairness.....	68

It is not unusual to hear comments from people like "the amount of money I get for the work I do is unfair" or "the system we have at work for getting a raise is unfair." Such comments indicate that people want to be treated fairly in settings in which conflicts are resolved or goods are allocated. Whether or not a person perceives a system or a distribution of goods to be fair often determines if a person will be satisfied or dissatisfied with a distribution or procedure. Such an impact has been shown in political, legal, and business settings (Rasinski, 1987; Greenberg, 1986b; Greenberg, 1986c; Tyler, 1986).

In the workplace specifically, perceptions of fairness have been linked to job satisfaction, evaluations of superordinates and the organization (Tyler, 1986; Greenberg, 1987b), employer-employee relations, compensation systems (Greenberg, 1986b), obedience to processes and decisions, trust in management, quality of worklife, absenteeism and turnover (Mowday, Porter, & Steers in Greenberg, 1986c), loyalty and commitment (Tyler, 1986), and participation (Greenberg, 1986c; for a review see Lind & Tyler, 1988 and Brett, 1986).

Fairness is found to be most important in relationships of medium emotional intensity. Such relationships are characterized by participants having few strong feelings toward each other but still fearing disruption and reaping

benefits from the relationship (Barret-Howard & Tyler, 1986). This is the type of relationship that employees typically experience with their employers. The fear of disruption is based in the knowledge that they can be fired essentially at the whim of their employer. They do reap benefits, however, in the form of paychecks, health insurance, and retirement. This finding further emphasizes the importance of attending to fairness in the workplace.

In addition, people are less tolerant of inequitable outcomes that are received from organizations than those from individuals. Organizations are believed to be financially able to correct inequities more readily than individuals, individuals do not empathize with organizations, and organizationally created inequity is considered more serious than individual created inequity (Greenberg, 1986a).

It has been the goal of much research to date to identify the factors that determine or enhance perceptions of fairness. Identification and implementation of such factors increase behaviors such as trust and participation and decrease elements like negative evaluations and low job satisfaction. Greenberg (1986c) found that performance appraisal systems were perceived as most fair when they were performed frequently, allowed input from the ratees, enhanced accuracy using the "diary technique," and

discouraged rater bias by avoiding situations where the rater would benefit from a particular evaluation.

Perceptions of fairness of wages and the wage setting process are important variables in organizational life that have not been addressed in the justice and fairness literature. To investigate wage setting as it applies to this area of research, it is necessary to consider the findings to date concerning perceived fairness in the workplace.

There are two schools of thought that address questions concerning perceptions of fairness in the workplace: distributive justice theories and procedural justice theories. Distributive justice is outcome based. It focuses on the fairness of the actual division of outcomes, how people react to unfair distributions of rewards and resources and how they try to create fair ones (Tyler, 1986; Tyler and Lind, 1988; Barret-Howard & Tyler, 1986). Procedural justice is process based. It refers to how people react to the procedures used in making decisions. Rather than focusing on distributions, the focus is on how a distributive decision is made (Brett, 1986; Barrett-Howard & Tyler, 1986; Walker, 1975).

### Distributive Justice

The study of distributive justice is based on Adam's

equity theory (1963, 1965) which purports that allocation situations will be perceived as more fair when outcomes reflect levels of input. In the work environment inputs would include previous work experience, education, effort on the job, and training. Outcomes, or rewards, result from an individual's inputs. Pay is usually considered the most important outcome, although others include fringe benefits, supervisory treatment, job assignments, and status (Mowday, 1987).

People evaluate their outcomes and inputs by comparing them with those of others. Equity exists whenever the ratio of a person's outcomes and inputs are equal to the outcomes and inputs of comparison others. Inequity exists whenever the two ratios are unequal. The objective aspects of the situation are less important than a person's perceptions of the situation. For example, a person may be underpaid relative to their inputs, but she or he will not experience inequity if the comparison other is also operating under the same ratio (Mowday, 1987).

According to this theory, rewards--or outcomes--will be considered fair if the best performers receive higher rewards than poorer performers. When ratios are not considered fair, distress is felt. In such cases people will try to restore the inequity by altering or cognitively distorting inputs or outcomes, changing the comparison

other, or terminating the relationship with the allocator (Huseman, Hatfield, & Miles, 1987). In general, it is considered easier to distort other's inputs and outcomes than one's own inputs and outcomes (Mowday, 1987). An individual knows the facts of his or her own inputs and outcomes. On the other hand, an individual may find it more difficult to truly comprehend the nature of another person's inputs and outcomes because that person may misrepresent them to the individual. Also, the individual may misinterpret the other's experience of inputs and outcomes as a result of misunderstanding or through imposing his or her own biases.

### **Procedural Justice**

The second viewpoint, procedural justice, refers to the perceived fairness of procedures used in making decisions. (Brett, 1986; Barrett-Howard & Tyler, 1986). Thibaut and Walker's (1975) procedural justice hypothesis contends that the way a decision is made influences people's reactions to that decision. In other words, people not only base the fairness of a decision on what they get, but also upon how that decision was made.

Procedural justice concerns are identified by a focus on the process by which an allocation decision is made rather than the outcome of that decision (Thibaut & Walker,

1975; Greenberg, 1987c). When considering the fairness of a student's grade those concerned with distributive justice would focus on the outcome--the grade itself in relation to the student's input and the reaction of the student. Those interested in procedural justice, on the other hand, would evaluate the fairness of the grade based upon the process the instructor followed to assign the grade.

Procedural justice was initially studied in the realm of law and legal procedures (Folger & Greenberg, 1985; Lind & Tyler, 1988). It has been established that the legal process itself is more important to those involved in the system than the outcome of a trial (Lind, et. al., 1980). When social psychologists began to apply procedural justice theory to distributive decision making, two conceptual perspectives emerged (Folger & Greenberg, 1985). Thibaut and Walker's (1975) view of procedural justice stressed the control or "voice" disputants were afforded in the decision making process; Leventhal (1976; 1980) took a structural approach and proposed a list of procedural elements that contribute to fairness and a system of rules used in evaluating procedural fairness. These two views will be expanded upon later.

Procedural justice has since been applied to a variety of organizational phenomena. Folger and Greenberg (1985) found that concerns about fair procedures have an impact on



compensation systems, participatory decision-making processes, and performance evaluation systems, all of which will be discussed in detail later.

### **Comparison of Procedural and Distributive Justice**

The distinction between distributive justice and procedural justice focuses on differences between the ends or consequences of organizational outcomes--what the outcomes are--and the means or processes by which those outcomes are determined (Greenberg, 1986c). Distributive justice is the fairness of the actual division of outcomes. Procedural justice is the fairness of the steps taken in making allocation decisions.

In response to questions regarding the fairness of wages and the wage setting process, a distributive theorist would say that perceptions of fairness of wages are dependent upon what those wages are in relation to an individual's inputs and outcomes. How those wages are set, according to this theory, is irrelevant because people are concerned with "what they get." A procedural theorist would argue that people are just as concerned with why they receive a reward as with what that reward was. It has been found, they would point out, that people are more accepting of their outcomes when they feel that the process by which the outcomes were decided is fair (Greenberg, 1986c).

Although the two theoretical orientations have often been addressed in the literature as two different ways of viewing fairness and justice in the workplace, the two views complement each other and both may contribute to the perception of the same situation (Brett, 1986; Lind & Tyler, 1988; Barrett-Howard & Tyler, 1986). In addition, even if one is concerned only with procedural fairness, for example, it is important to investigate distributive fairness since the two are not mutually exclusive. Distributive theories have been the predominant focus in organizational justice research, and procedural theories arose in response to the one-sidedness of that research (Greenberg, 1986c). A complete understanding of perceptions of fairness needs to address perceptions of both outcomes and processes.

### **Distributive Justice Theories**

Distributive theories can be further categorized as either reactive content or proactive content theories (Greenberg, 1987a). Reactive content theories refer to those views of distributive justice that focus on how people react to unfair distributions or treatment; proactive content theories define how people attempt to create fair outcome distributions. The distinction is between seeking to redress injustice and striving to attain justice. Greenberg (1987a) succinctly summarized the differences

between the two approaches:

A reactive theory of justice focuses on people's attempts either to escape from or to avoid perceived unfair states. Such theories examine reactions to injustices. By contrast, proactive theories focus on behaviors designed to promote justice. They examine behaviors attempting to create just states. (p. 10)

### Reactive Content Theories

Relative deprivation theory is a reactive content theory and contributes to the understanding of perceptions of distributive justice (Greenberg, 1987a; Crosby, 1982). According to relative deprivation theory perceptions of unfair outcomes are dependent upon a comparison other. Crosby (1982) provided a clear model of relative deprivation theory. According to the model, a person will feel deprived in a situation where they want "X", see that others are getting "X", feel entitled to a "X", thought that "X" was attainable in the past, think that "X" will not be attainable in the future, and does not blame herself or himself for the failure to have "X".

For example, if a clerk wants a raise but compares herself to other clerks who don't get substantial raises, doesn't feel entitled to a raise, and blames herself for not making more money because she's in the "wrong" line of work, she will probably not experience deprivation. A female executive, on the other hand, who compares herself to male executives who make more money than she does and who

believes that her lower salary is not her fault will experience deprivation (Crosby, 1982).

The frustration-aggression hypothesis also fits into the reactive content category. According to this hypothesis, three cognitive states foster frustration and lead to the reaction of aggression or at least discontent with regard to distributions: expectancy, intentionality, and responsibility (Feshbach & Weiner, 1986).

The degree of expectation that accompanies a negative experience contributes to the experience of frustration. For example, a college graduate who is expecting to earn \$50,000 a year will be frustrated when he or she only earns \$30,000. However, the graduate expecting \$20,000 will not be frustrated at that same income level (\$30,000). The likelihood of frustration and discontent is also increased when an individual perceives that a co-worker, for example, intentionally, rather than accidentally, threw away that individual's monthly project. Knowing that the act was intentional causes more frustration and discontent than losing one's work in an accident. Finally, the greater the responsibility of the frustrating agent, the greater the likelihood of an aggressive response. For example, a manager who is told to lay off several employees is not met with as much aggression as the superordinate who commanded the manager to do so.

The role of expectations and desires in evoking frustration and aggression or discontent receives the most attention in the justice literature. Unmet expectations play a big role in predicting frustration, discontent, and hostility. Expectations are often set in accordance with comparison others. For instance, people expect their standard of living to at least meet, and often exceed, their parents' standard of living (Berkowitz, et.al., 1987). In this case, a person would expect a certain standard of living, compare her standard of living to her parents', and respond accordingly. Frustration and hostility or discontent result from unmet expectations and contentment would result if the expectations were met (Crosby, 1982).

Choice of a comparison other has been linked to income level and other demographic variables. Mirowsky (1987) found that people with a relatively low standard of living compare themselves with those who have an equal or lower standard of living. They focus on what they need to get along. As their income increases, however, they shift their comparison to those with a higher income level than themselves and focus on what they need to get ahead.

In her study on sex roles and earnings, Mirowsky (1987) also found that as a spouse's income increases, employed women feel less underpaid while employed men feel more underpaid in that situation. This was especially true in

traditional relationships. Such a finding is probably due to the social messages people receive about men being breadwinners and women only providing supplementary income. Such extremes were not found in egalitarian relationships where women and men did not differ as much about feeling underpaid when spouses received raises. This group apparently did not readily adopt the stereotype of male breadwinner roles.

Scholl, et. al. (1987) argued that individuals do not have just one comparison other, but rather make multiple, simultaneous comparisons with various referents. This implies that people experience differential equity. Differential equity is defined as a state whereby some comparison others are perceived as equitable while other referents are perceived as inequitable. It is unlikely that all referents will be equitable concurrently. In an organizational setting it was found that an employee's perception of equitable pay was based upon comparisons with others in the same organization doing the same or similar job as well as with others in different organizations doing similar jobs. As a result, people perceived pay systems designed around external markets alone (or internal markets alone) as inequitable (Scholl, et. al., 1987). For example, say the external market rate for an accountant is \$26,000 annually. If an accountant making that salary compares it

to salaries of accountants in other firms, she will consider it equitable. However, if she finds out somehow that another accountant in her firm receives \$26,000 but supervises only half the people she does, her feeling of equity is unlikely to persist. Thus, the external market pay system by itself seems unfair because it does not account for intra-organizational nuances. Scholl, et. al. further confirmed what past researchers have shown: people make and attend to both internal and external comparisons. Goodman (in Scholl, et. al., 1987) found that only 23% of his sample used a single class of referent in evaluating their pay. Hills (in Scholl, et. al., 1987) was unable to show that individuals favor either comparison and concluded that individuals tended to make both comparisons.

Scholl, et. al. concluded that the method of reducing inequity, in cases where one or both referents are perceived inequitable, varies depending on the referent. Internal equity was associated with performance. Those perceiving an internal inequity were likely to decrease their performance standards. External equity was closely associated with continued membership or intent to stay. Those perceiving an external inequity were likely to leave the organization.

Berkowitz, Cochran, Fraser, and Treasure (1987) questioned the consistent attention to social comparison in reference to perceptions of fairness and justice. They

argued that just because a person's wages are comparable to their comparison others' and they are satisfied with them does not mean that a reference to fair and just wages was ever made. For example, a nurse may know that she receives the same pay as every other nurse in the country and may even be satisfied with her pay, but that doesn't mean that she has considered whether or not it is fair or just that plumbers make more money than she does. To test the social comparison variable against other factors related to earning satisfaction and perceptions of fairness, Berkowitz, et. al. examined four factors: 1) magnitude of earnings; 2) equity considerations (defined as the discrepancy between actual outcomes and perceived deserved outcomes); 3) social comparisons; and 4) other satisfactions from work (e.g., intrinsic satisfaction). Equity considerations predicted satisfaction with pay more so than the other three factors.

Berkowitz, et. al. (1987) concluded that people have an internal standard or notion of just or deserved pay based upon their inputs such as training and education. Thus, it is the "fit" of the actual outcome with the deserved outcome that plays a role in fairness perceptions and pay satisfaction rather than the correspondence with the comparison other. Berkowitz, et. al. didn't mention the possibility that the relative value of training and education is derived by comparison. It is possible that



people establish beliefs about their deserved outcome through social comparison. It does not seem possible to test equity factors without regard to social comparison.

Regardless of the outcome to the social comparison dilemma, the commonality among the reactive content theories is the assertion that people react negatively in perceived unfair relationships. For example, according to relative deprivation theory, people feel deprived in inequitable relationships. The frustration-aggression hypothesis predicts that inequitable relationships result in frustration and aggression or discontent. These theories also share the common assumption that when faced with feeling of deprivation or frustration and aggression, a person will be motivated to exhibit some type of escape response. In the workplace this may include altering performance levels, and/or cognitively attempting to justify the outcome received (Greenberg, 1987a).

#### Proactive Content Theories

Proactive content theories of distributive justice are identified by their focus on how workers attempt to create fair distributions and seek to make decisions about the allocations of rewards (Greenberg, 1987a).

Leventhal's justice judgement model (1976, 1980), a proactive content theory, proposes that distributive justice

judgments are based on the correspondence of received outcomes to deserved outcomes. Perceptions of deserved outcomes depend on a weighted combination of the outcomes thought to be deserved according to each of several allocation rules. The distributive justice rules, which may be applied singly or in various combinations, are used to determine deserved outcomes. These rules include a contribution rule (which states that outcomes should be proportional to inputs, like Adam's equity theory), a needs rule (which indicates that outcomes should meet the needs of the recipient), an equality rule (which designates all recipients equal), and any other rule a person might consider important in an outcome distribution. Examples of other possible rules include an ownership rule (which allows owners of the goods to allocate according to their wishes) or a justified self-interest rule (which allows outcomes to be in the recipient's best interest regardless of other allocation rules).

Leventhal suggested that the weights assigned to the various distribution rules are dependent upon the goals of the allocator. For example, when maintaining social harmony is a major consideration, the equality rule will be more heavily weighted than the other rules and rewards will be divided among recipients equally. The contribution rule is followed when allocators try to benefit the most people in

the long run. This rule is perceived as the most profit-maximizing.

In review of another proactive content theory, Greenberg (1987c) cited Lerner's (1977; Lerner & Whitehead, 1980) justice motive theory. According to this theory, justice is the preeminent concern of human beings. Unlike Leventhal, Lerner disagrees that the pursuit for justice can co-exist with profit-maximization. Like Leventhal, however, Lerner proposes that allocations do not simply follow the rule of proportional equity. Lerner identified four principles that are commonly followed: 1) the competition principle, where allocations are based on the outcome of performance, 2) the parity principle, where equal allocations are made, 3) the equity principle, where allocations are based on contributions, and 4) the Marxian justice principle, where allocations are based on needs. The relationships among the parties involved dictates the principle an individual will choose to follow in a given situation. The parties may view each other as individuals or simply as occupants of positions. For example, two close friends will focus on the other's needs in allocation decisions because they relate to each other as individuals. In a competitive situation where parties relate to each other as occupants, the outcome of the performance will account for the allocation.

Although Leventhal and Lerner disagree on some details, both predict how people make decisions about allocating rewards. In addition, both theories have been supported in the research regarding reward allocation practices (Greenberg, 1987c).

Cook and Yamagishi (1983) add additional information as to how decisions in allocation are made. They report that although actual performance was assigned the majority of the weight in making allocation decisions, attributes such as age, ability, marital status, gender, and occupation were also used as allocation criteria. Just as people seem to use multiple comparisons in determining the fairness of their outcomes, they also tend to use multiple inputs to determine allocations of rewards. If a recipient was seen as an "underdog" or a low ability person in any given situation, that person received "effort" credit and was rewarded similarly to a higher ability person. It could be argued that the allocator in such a situation was operating under a need based rule.

Reactions to the fairness of one's own outcomes as well as the fairness of allocation decisions one makes is also influenced by preferences and biases. Biases in fairness result from the extensive information available about the self concerning costs, inputs, and satisfaction resulting from a project or job as opposed to the limited information

on these aspects in reference to others. Additionally, people tend to misrepresent their own qualities to benefit themselves. Because they are suspicious that others are doing the same, individuals minimize other's inputs to gain resources. These situations are labeled egocentric biases (Messick & Sentis, 1983).

The attribution of responsibility bias is a cognitive bias in evaluating inputs. In social or group situations people tend to believe that they contributed more or would have contributed more than anyone else; therefore, they believe they deserve larger rewards. In addition, there is a tendency for lower-input persons to prefer equality and higher-input persons to prefer equity. Messick and Sentis (1983) view fairness biases as being heavily influenced by what is preferred. Once a preference is known, a person will rationalize that it is fair.

### **Procedural Justice Theories**

Although distributive justice theory, of both the reactive and proactive type, is addressed in current research (see for example, Huseman, Hatfield & Miles, 1987; Brett, 1986), perceptions of procedural justice have become a more recent research trend in organization fairness and justice (Greenberg, 1987b; Lind & Tyler, 1988; Tyler, 1986). Such a trend surfaced as the result of studies that showed

people do distinguish between distributive outcomes and the procedures used to attain them and that procedural concerns accounted for more variance than distributive concerns in perceptions of fairness (Tyler, 1984; Alexander and Ruderman, 1983; Folger & Greenberg, 1985).

Greenberg (1987b) found that procedures have a profound effect on the perceived fairness of outcomes. For instance, fairer procedures were believed fairer, regardless of outcomes. A fair procedure was defined as an equitable one, where subjects were paid according to their performance. An unfair procedure was defined as one where subjects were paid according to an arbitrary event, such as which door they walked into prior to the beginning of the experiment. Even low outcomes were perceived as fair if the procedure was perceived as fair. Alternatively, higher outcomes were not perceived as fair if the procedure was believed to be unfair. Thus, perceptions of distributions are inextricably linked to the perceived fairness of the procedure used to make the distribution.

Just as the distributive justice theories can be categorized into reactive and proactive content theories, procedural justice theories can also be classified as reactive or proactive process theories (Greenberg, 1987a).

## Reactive Process Theories

Thibaut and Walker's (1975) "disputant control" procedural justice theory is a reactive process theory because it predicts how people will react to dispute resolution procedures. Folger and Greenberg (1985) distinguish between two types of control that individuals can be afforded. "Choice" control simply gives people an option between or among aspects of the procedure or outcomes. Processes that provide options are perceived as fair in an effort to escape cognitive dissonance. People are likely to choose outcomes that are congruent with their own beliefs and values. Therefore, they will likely focus on the positive aspects of their choice and will perceive the process as a fair one.

"Voice" control allows individuals to exert social influence on the decision-making body. Tyler (1987) reported that there are robust findings that procedures that provide for control and expression are perceived as fair (Thibaut & Walker, 1975; Lind, et. al., 1980; Lind, 1982; and Sheppard, 1984 in Greenberg, 1986c). He described a phenomenon called value-expressive effects that occurs when people are given a "voice" in a procedure in which they previously had been uninvolved. Giving people this heightened voice makes them feel that they were treated fairly even when what they contributed was not related to

their outcomes. Voice control, without decision control, was found to enhance fairness perception and support for authority.

Tyler (1987) provided two possible explanations for the value-expressive phenomenon. The long-term instrumentality perspective stipulates that people understand that their viewpoints and needs cannot be considered every time. But, they remain committed to the group when they believe that over time they will receive a reasonable amount of positive outcomes from group membership. The noninstrumental character perspective associates voice effects with self-esteem. It contends that people place a great deal of value on being treated politely with respect shown for their rights. Being asked for their opinion in regard to an important process seems to meet these values. In addition, their self-esteem is enhanced when they receive attention from authorities.

Tyler warned, however, that simply providing the opportunity to speak is not enough to enhance fairness perceptions of a procedure. The person must also believe that what she or he contributes is at least being considered. In addition, a person must also believe that authority figures are not acting in a biased, self-serving manner, that they are acting in good faith with good intentions, and that they have shown their legitimacy in



previous procedures.

In an effort to support Thibaut and Walker, Lind, et. al. (1980) compared adversarial justice systems and inquisitorial justice systems. There were three parties involved in their study: two disputants and a third party who controlled the process and/or the decision making. The adversary system, which mirrored the U.S. judicial system, was identified by the disputants having process control (they could choose a lawyer to defend their position) and the third party (judge) having decision-making control--issuing the verdict. The inquisitorial system provided process and decision control to the third party, meaning the judge collected the evidence, made the presentation of evidence, and presented the verdict.

In assessing people's reactions to these procedures, it was found that disputants and observers were more satisfied with the adversarial procedure and perceived it as more fair than the inquisitorial procedure because they were included in the process and were able to exhibit some sort of control. Furthermore, they perceived the verdict--or outcome--as fair, satisfying, accurate, and unbiased, regardless of the favorability of the verdict. Folger and Greenberg (1985) provided an extensive review of supporting research of the importance of process control (both voice and choice) on perceived fairness. They found that global

satisfaction with personnel systems is attributable to procedural concerns more so than to distributive concerns. For instance, with regard to compensation systems, employees were found to be more satisfied with open pay systems. In such systems, employees have access to all individual's pay levels. There is no secrecy. Open systems were preferred because employees knew how pay decisions were made and therefore felt assured that procedures were not being violated and that pay was being determined in an unbiased manner. Furthermore, when employees were faced with closed pay systems and did not know other's pay levels, they tended to exaggerate the differences between their co-worker's and their own pay resulting in dissatisfaction.

Folger and Greenberg (1985) also found that cafeteria style benefit plans met with more acceptance and satisfaction from employees than plans in which benefits were chosen for them. It was determined that employees preferred this plan not only because they could choose the benefits they wanted but also because the plan afforded them decision control. It was also found that employees became more committed to the benefit plan when they chose it.

Participatory decision-making systems, such as flextime hours and employee suggestion systems, were also found to be highly endorsed by employees (Folger & Greenberg, 1985). Again, this is a result of the procedural control--choice

and voice--afforded employees. It should be noted that these systems were only approved of when they were perceived as administered fairly. Employee suggestion systems were considered to have been administered fairly when those evaluating suggestions represented various departments in the organization; when clear, publicized goals were set before the system was implemented; and when ground rules were set beforehand about rewards for good suggestions.

Folger and Greenberg (1985) concluded that certain procedures are perceived as more fair than others, fair procedures engender outcome acceptance more than unfair procedures, and features of the procedure such as choice and voice clearly contribute to the perception of procedural fairness.

Folger, Rosenfield, and Robinson (1983) incorporated relative deprivation theory into procedural justice theory to study the perceived fairness and acceptance of the change in procedures. When a new procedure was introduced that changed the level of outcomes, more anger, resentment, and deprivation was experienced by those who would have received more resources or better rewards under the old procedure than those who would have received less resources or worse rewards under the old procedure. The discontent was eliminated, however, when the change in procedure was justified with acceptable reasons. The authors contended

that providing sufficient procedural reasons as to why referent outcomes are higher than recipient outcomes can greatly reduce perceived deprivation and resentment.

### Proactive Process Theories

Leventhal's (1976; 1980) procedural justice elements theory is a proactive process theory because it focuses on how allocations are distributed to achieve justice (Greenberg, 1987a). Leventhal proposed that when a decision is reviewed, seven procedural elements are used by an observer to form evaluations of fairness of procedures. They include the following: 1) selecting the agents making the allocation decisions; 2) setting the ground rules of the determination of potential rewards and the behaviors necessary to get them; 3) gathering and using information about the recipients; 4) structuring of the allocative decision process (e.g. whether a group or an individual serves as the decision-maker); 5) providing means to appeal unsatisfactory decisions; 6) ensuring safeguards so decision-making body does not abuse its power; and 7) furnishing change mechanisms to enable allocation practices to be altered.

The elements present in the procedure under scrutiny will be considered fair to the extent that they are 1) consistent across persons, over time; 2) bias suppressing;

3) based on accurate information; 4) correctable; 5) representative of concerns of all recipients; and 6) based on prevailing moral and ethical standards. The importance of these elements as criteria to promote fair allocation procedures was replicated by Barrett-Howard and Tyler (1986).

#### **Applying Procedural Justice Theory to the Workplace**

Tyler (1986) contended that procedural justice is particularly important in organizations when an employee is evaluating superordinates and the organization as a whole. Evidence of procedural justice, or lack thereof, also influences political behavior, loyalty, and commitment.

Greenberg (1986b; 1986c) furthered the application of procedural justice in the workplace with his study on performance appraisal procedures and what makes them fair. In this study a diary technique was used to gather the performance information for the evaluations. Specifically, managers took notes several times throughout evaluation periods. In addition, employees had the opportunity to react to their evaluation and roles of evaluator and employee trainer were separated (to discourage evaluator self-serving bias). Employees perceived this process as fair and liked the evaluator better than those who were not evaluated by this process. The perceived fairness of the

appraisal system was positively correlated with the frequency of evaluation and was not moderated by outcome of the appraisal. In sum, procedures that increase ratee's input in the evaluation process enhance accuracy and discourage rater motivation to bias results are perceived as procedurally fair. Greenberg (1986c) also concluded that absenteeism and turnover behaviors are sensitive to perceived unfairness.

Barret-Howard and Tyler (1986) stressed the importance of both procedural and distributive justice as criteria in allocation decisions. They suggested that the relationship between the two types of fairness is a positive one, when one is important the other is also important. They confirmed that procedural fairness considerations are particularly important in relationships that are unstable but desirable, where there is a task orientation, and the power between the people in the relationship is unequal. It seems that people rely on fair procedures to yield just distributions in such situations.

Barrett-Howard and Tyler (1986) also furthered the knowledge about the meaning of procedural justice in allocation decisions. Corresponding with Leventhal's (1980) procedural elements as definitions of a fair process, subjects defined the fairness of procedures around four issues: maintenance of ethical standards, suppression of

biases, use of accurate information, and consistency across people. Consistency across people was rated as the most important concern.

This study also reinforced that the perception of fairness in any given situation cannot be predicted until the goals are understood and the nature of the relationship among the people is known. Although a typology of fairness procedures is not established, they found that using accurate information is more important in competitive formal relationships than in informal relationships. Similarly, when one's goal is to maximize harmony among group members, procedural justice becomes much more important than when one is simply concerned with productivity. Those concerned strictly with productivity goals seem more concerned with distributive justice.

To date, there are several conclusions about procedural justice that can easily be applied to the organizational setting. Lind & Taylor (1988) presented them in a concise manner: 1) procedural justice effects are robust across methodologies; 2) in most situations procedural justice judgments lead to enhanced satisfaction, especially when outcomes are negative; 3) procedural justice is one of the most important factors in determining which procedure will be preferred by those affected by a decision; 4) procedures are viewed as fairer when they vest process control or voice

in those affected by the decision; 5) judgments of procedural justice enhance the evaluation of authorities and institutions and heighten commitment and loyalty; 6) perceptions of procedural justice can affect behaviors and attitudes such as disputing behavior, task performance, compliance with decisions, protest behavior, and participation in organizational activities; 7) procedural justice involves more than just how decisions are made--it also includes how people are treated by authorities; 8) process control addresses the desire for a fair outcome as well the opportunity to express one's view; and fairness will be perceived as long as the procedure is implemented fairly.

#### The Effect of Knowledge on Procedural Justice

Several variables, falling into categories of either procedural or distributive justice, have been discussed thus far as predictors of perceptions of fairness in the workplace. An issue underlying much of the discussion about procedural justice, but not directly addressed, is the possibility of an effect of knowledge on the perceived fairness of a procedure. Knowledge, or information about a subject, may prove to be another variable or predictor of a perception of fairness. In the areas such as choice and/or voice in the process, involvement in performance appraisal



systems, being aware of consistency across people and time, and simply making a judgment about the fairness of a procedure implies that a person has some knowledge-or believes they have some knowledge- about a procedure. Being involved in procedure not only affords control, but also relays knowledge.

In cases where organizational managers are beginning to accept employee participation, such as in performance appraisal procedures (Greenberg, 1986c), or when participation is expected, such as in dispute resolution (Folger & Greenberg, 1985), one would expect the participation to impart knowledge. Although involvement in a procedure--whether it is through voice or an appeals process-- does enhance perceived fairness, the investigation of knowledge in such cases may not provide any new information. Through involvement one gains knowledge. Thus, involvement in the process and knowledge of the process may be indistinguishable.

Alternatively, the knowledge of a procedure that an employee is typically not involved in may play an important role in that employee's perception of the fairness of that procedure. Dreher, Ash, and Bretz (1988) demonstrated the effect of knowledge on benefit coverage satisfaction. They found that respondents with accurate information about changes in coverage levels were more satisfied with their

benefits than those with inaccurate information. Dreher, et. al. concluded that to improve benefit satisfaction among employees, programs must be devised to inform employees about changes in benefits. It follows that the process of informing or relaying knowledge to employees about their compensation package improves the perception of that package.

It is possible that knowledge of a process can be combined with procedural and distributive justice variables to predict perceptions of fairness of a workplace procedure. A logical way to test that is to investigate fairness perceptions of a process in which employees are typically not involved. The wage setting process is such a procedure.

#### The Wage Setting Process

Wage setting is a complex procedure that can be divided into two main parts: classification of the job and assignment of wages to a person in a particular job. Classification is conducted through the use of job evaluation which identifies pertinent knowledge, skills, abilities, and tasks involved in each position in an organization. With these composites for each position, an overall hierarchy of jobs in an organization is derived. For instance, all employees who are required to have a BS degree in computer science and are responsible for

programming computers are classified as a Computer Programmer I. With five years experience, their classification may change to a Computer Programmer II. After all jobs within an organization have been defined, they are further classified into the overall organizational structure. This structure dictates which classifications report to which classifications; which jobs are entry-level and which ones require more skills and experience.

Once the set of knowledge, skills, abilities, and tasks have been defined as a certain classification, wage levels are assigned to that classification. Wage levels are typically derived from the "market wage" derived from salary surveys used to pinpoint the "going rate" for certain positions. For instance, if businesses in an organization's comparable geographic and product market pay computer programmers from \$35,000 to \$40,000 annually, the surveying organization will follow suit and set that salary range for their computer programmers. Salary surveys are not necessary for every position in an organization. If the Computer Programmer I is to make from \$35,000 to \$40,000 annually, the Computer Programmer II salary can be set a certain percentage higher. The level II salary may range from \$38,500 to 45,000 annually. Organizations typically make an attempt to mirror the market wage for competitive purposes. They also want to assure that those

classifications having a higher level of knowledge, skill, and ability requirements are paid at a higher range than those at a lower level in the hierarchical classification structure.

Recent research offers some insight into the extent to which knowledge of the wage setting process affects the perceived fairness of that process. First of all, it is entirely possible that employees don't know very much about the wage setting process. In cases where processes are not easily understood, people tend to accept and defend the status quo process. In addition, if employees have a very superficial knowledge of a process and it appears fair *prima facie*, that process will be considered a fair process (Lind & Tyler, 1988; Tyler & McGraw, 1986). Taking these findings into account, it would seem that even a small amount of superficial knowledge about the wage setting process would render it a fair one.

On the other hand, it is possible that the more people know about the wage setting process, the more they may perceive it as unfair. For example, Rynes and Milkovich (1986) criticized employer's reliance on the market wage. It is perceived by most people--and the courts--that market wages just exist and that employers are simply price-takers. It is assumed that employers have very little influence on the wages they pay their employees. Rynes and Milkovich

(1986) disagree. They argued that subjective judgments enter into all phases of wage determination. For example, decisions about the appropriate market to survey, the size and statistical analysis of the sample, the matching of jobs across samples, choice in wage policy, and when to be flexible to attract particular employees all involve judgments that vary from industry to industry and organization to organization (Milkovich & Newman, 1984 in Rynes & Milkovich, 1986).

Even though the job evaluation process of classification is often considered objective, prediction of the market wage is often the criterion by which the accuracy of the job evaluation method is measured (Rynes & Milkovich, 1986). In addition, it cannot be ignored that market wages embody and perpetuate both historical and present discrimination against women and minorities in hiring, promotion, and pay (Grune, 1982 in Rynes & Milkovich, 1986). Admittedly, these are academic arguments and the general public may not be aware of them.

In addition to the assertions of Rynes and Milkovich (1986) above, wage setting procedures do not contain any of the elements that have been found to enhance fair perceptions of organizational procedures. For example, the procedure does not promote any control or voice and expression, consistency, accuracy, and bias suppression is

not apparent, and appeals are not heard. Certainly it is possible that an employee could perceive the wage setting process as unfair.

Refusing or quitting a job is an option in response to perceived unfair wages, but that type of "choice" may only feel like a choice to people who have multiple job opportunities. Perhaps the perception of fairness of the wage setting process differs by education and income. Those people with a higher education level may be more aware of arguments against the reliance on the market wage posed by Rynes and Milkovich or they may simply question the status quo more often.

Rasinski (1987) asserted that fairness perceptions are moderated by ideological values. Those with a more liberal political orientation may be more concerned with the discrimination effects that are perpetuated with the market wage, therefore more likely to consider the market wage less fair. Those more politically conservative, however, are more likely to defend the status quo process.

On a more general level, it appears that perceptions of fairness are related to an ideological orientation toward the larger, overall economic system and how we think the relationship between employers and employees. Rasinski's (1987) model can be generalized to mean that those who are more liberal politically, could be less supportive of the

capitalistic system. Those who are more conservative politically could be more supportive of the free market system. Thus, perceptions of fairness may be related to belief in the free market system.

Wage setting in a capitalistic economy relies heavily on the market wage. So, perceptions of fairness of the wage setting process is potentially positive or potentially negative. The role that knowledge plays in that perception is also unknown. On one hand, employees may know so little about the pervasive, accepted process that they accept it, defend it, and consider it fair. On the other hand, employees may either be aware of the shortcomings of the process and believe it unfair, or they may perceive it as unfair because it lacks the elements of processes that are perceived as fair. There is also the possibility that even with the frustration that may accompany increased knowledge of the market system (such as that presented by Rynes & Milkovich, 1986), knowledge of the conflict wage setters face may promote acceptance and trust in management (Lind, 1988).

#### **Purpose of the Study**

It was the purpose of this study to investigate how knowledge contributes to the perception of fairness of the wage setting process. Several variables have been discussed

that have been found to contribute to perceptions of fairness in the workplace. Most of those variables can be categorized as either procedural justice or distributive justice variables. Procedural justice variables that have been found to contribute to the perception of fairness are as follows: employee participation in processes, including the possession of both process control and decision control; employee voice control, including both the ability to express feelings and being shown respect by management; the availability of an appeals process for employees; and management attempts to promote fairness, suppress biases, exhibit consistency with employees and justify their decision-making. Distributive justice variables that have been found to contribute to the perception of fairness are as follows: equitable salaries; expectation of salary level; comparison others, both internal and external; and employee beliefs in need-based rules, equality-based rules, and equity-based rules. Other variables that play a role in perceptions of fairness include job satisfaction; organizational commitment; employer/employee relations; employee trust in management; biases and preferences; work climate; and political orientation. All of these variables contribute to people's beliefs that practices in their workplace are fair. It is this study's purpose to identify the extent to which knowledge of, or information about, a



process contributes to the prediction of fairness perceptions of that process.

In past research, perceptions of fairness have often been undifferentiated from overall job satisfaction or organizational commitment (Lind & Taylor, 1988). Items that hint at fairness perceptions are often folded into questionnaires that are designed to measure job satisfaction and organizational commitment. However, fairness has yet to be shown as a distinct concept. The inclusion of measures of organizational commitment and job satisfaction will aid in the discovery of whether or not fairness is actually a different construct than commitment or satisfaction. The construct validity of fairness will be established through the use of discriminant validation: the correlations between fairness and commitment and satisfaction will either validate or invalidate fairness as a novel concept. If the fairness items do not correlate too highly with either measure, fairness will be shown to differ conceptually from commitment and satisfaction (Campbell & Fiske, 1967). The fairness construct is defined as a combination of both procedural and distributive justice. Procedural and distributive justice will be examined as distinct parts of fairness, each contributing its own piece of information. They will also be combined into one single construct to determine the most valid way of looking at fairness.

The effect of knowledge on the perception of fairness of the wage setting process should be especially interesting because wage setting is not a process in which employees are typically involved. In addition, as discussed above, competing hypotheses can be inferred from the literature regarding knowledge of wage setting and perceptions of fairness.

### Hypotheses

1. With regard to the fairness construct itself (the combination of procedural and distributive justice), it is expected that fairness will emerge as a construct distinct from organizational commitment and job satisfaction. Organizational commitment questionnaires measure intention to remain in an organization and a desire to work hard for it. Job satisfaction questionnaires measure an overall affect regarding the workplace and the work itself. Fairness, though not totally independent of the two previous constructs, should measure the feeling of justice associated with the workplace, with specific regard to the wage setting process.

2. It is expected that knowledge will have an effect on the perception of fairness of the wage setting process. The nature of that effect, however, is not predicted as two theoretical positions can be inferred from the literature.

A. Knowledge could have direct effect.

(1). Knowledge could have a direct, positive effect.

As knowledge, or information, is gained, people could perceive the wage setting process as more fair. Just as those people who are involved in other workplace procedures--such as performance appraisals--perceive those procedures to be more fair than those procedures they are not involved in, those who have knowledge of a process may perceive it as more fair than if they have no knowledge of the process.

(2). Knowledge could have a direct, negative effect.

There are legitimate criticisms of the wage setting process. Therefore, it could be that as a person gains knowledge about the wage setting process, disillusionment would result and the perception of fairness would decrease.

B. The effects of knowledge may be moderated by another variable, specifically political orientation. Just being liberal or conservative may predict feeling about wage setting. Those more liberal, with a supposedly greater concern for discrimination issues, will perceive the wage setting process less fair, the more they know about it. Those more conservative, who more likely will

defend our current process of setting wages, will, upon greater knowledge, perceive the wage setting process as more fair. Or knowledge may be moderated one's overall perspective on the capitalist system of work and wages--belief in the free market system. For example, the more some people know, the more they may believe that the market wage is inherently fair and not discriminatory, and the more they will you perceive the wage setting process as fair. However, those who gain knowledge and also obtain or have an overall global belief that the market wage is not fair and that it is discriminatory, will perceive the wage setting as less fair. As knowledge of the process increases, perception of fairness may vary as the result of political orientation and/or belief in the free market system.

#### Operationalization of Variables

To test fairness as a separate construct against organizational commitment and job satisfaction, the latter two were measured with standardized, reliable and valid tests. Organizational commitment was measured with the Organizational Commitment Questionnaire (Porter and Smith,

1970, in Cook, Hepworth, Wall, & Warr, 1981). Commitment is defined as an attitude that dictates the strength of a person's identification with and involvement in a particular organization. The construct is characterized by three factors: a strong belief in, and acceptance of, the organization's goals and values; a readiness to exert considerable effort on behalf of the organization; and a strong desire to remain a member of the organization (Cook, et. al., 1981).

The Organizational Commitment Questionnaire (OCQ) has 15 items, six of which are negatively worded and reverse scored. There is a seven-point response scale. Item scores are summed and the mean is taken. There is a possible range of scores from one to seven, with a higher score meaning a higher level of organizational commitment (Cook, et. al., 1981).

The reliability and validity of the test has been provided by many researchers in many settings with various groups of subjects, including full-time police officers and police employees, engineers, computer programmers, and part-time employees (see Cook, et. al., 1981, for a review of these studies). Internal reliability, as evidenced by coefficient alpha, is consistently high, ranging from 0.82 to 0.93 with a median of 0.90. Test-retest reliability coefficients are 0.72 across two months and 0.62 across

three months. Convergent validity is evidenced by the OCQ's negative correlation with stated intention to leave the organization and positive correlations with the measure Central Life Interests (Dubin, 1956), which focuses on work-oriented interests. The OCQ has been shown to yield different information than other measures, which is evidence of discriminant validity. Correlations with the measure Job Involvement (Lodahl & Kejner, 1965) ranged from 0.30 to 0.56. Correlations with job satisfaction, using the Minnesota Satisfaction Questionnaire (Weiss, Dawes, England & Lofquist, 1967), averaged 0.68 (Cook, et. al., 1981).

Job satisfaction was measured with the 20 item short form of the Minnesota Satisfaction Questionnaire (Weiss, et. al., 1967, in Cook, et. al., 1981). Job satisfaction is associated with a theory of work adjustment, which is based on the assumption that people desire to be in sync with or correspond to their work environment. Satisfaction is dictated by an individual's continuing fulfillment of work requirements, as well as the environment's continuing fulfillment of the individual's needs (Cook, et. al., 1981).

The MSQ measures overall job satisfaction which defines how an individual feels about his or her organization in general. The questionnaire also taps into two main components of satisfaction: intrinsic and extrinsic satisfaction. Intrinsic satisfaction refers how a person

feels about parts of his or her job such as the amount of independence, responsibility, and creativity exercised. Extrinsic satisfaction refers to how a person feels about external elements such as supervisors, compensation, and recognition (Cook, et. al, 1981).

The 20 items are answered on a five-point scale and scored by summing, making the score of general satisfaction range from 20 to 100. If one chooses the option of scoring the intrinsic and extrinsic components of satisfaction separately, the sum of each item representing that component is taken. There are twelve intrinsic items and six extrinsic items, resulting in a possible range of score from 12 to 60 for the intrinsic component and 6 to 30 for the extrinsic component (Cook, et. al, 1981).

The MSQ has been shown to be a reliable and valid measure job satisfaction in many work settings for a variety of different occupational groups, including civil service workers, scientists, engineers, machinists, technicians, counsellors, and clerical employees (see Cook, et. al., 1981, for a review of these studies). Over a number of studies, the internal reliability of general satisfaction has ranged from 0.87 to 0.92, with a median of 0.90; intrinsic satisfaction reliability has ranged from 0.84 to 0.91 with a median of 0.86; and extrinsic satisfaction reliability has ranged from 0.77 to 0.82, with a median of

0.80. The correlation between the extrinsic and intrinsic satisfaction scores has been reported at 0.63. Test-retest reliability has been reported at 0.89 across one week and 0.70 across one year. Convergent validity has been established by correlating the MSQ with the Job Description Index, another measure of job satisfaction. The result of that correlation was 0.71 (Cook, et. al, 1981).

Perception of fairness, as it relates to the wage setting process, has not been measured to date. As a result, a non-standardized test was used, with questions devised especially for this study. However, the basic format of the questions were designed around those questions used to measure perceptions of fairness of other processes measured to date (Lind & Taylor, 1988). A scale of distributive justice was established as well as a scale of procedural justice. The scales were scored separately, as well as together, to gain a clear picture of the fairness construct. Specific items will be discussed in a later section. Both the separate scales and the whole fairness scale were scored by summing all responses. The higher the score the more fair the wage setting process was perceived.

In this case the outcome of the wage setting process could have been defined as either the classification or the salary level. On one hand, questions regarding the process could have been directed at the job evaluation process



whereby positions are classified into a structure of job worth. It is from this process that it is decided that certain tasks, knowledge, skills, and abilities make up a position with a certain label. That position is then further categorized within the structure of all other positions in an organization. For example, a job may be evaluated and labeled an accounting position. Then it is decided where the accounting position will fall in the scheme of all other positions in the organization. Depending on the responsibilities and other criteria of the job, it may be decided that accountants should fall between computer programmers and payroll analysts.

A second way to investigate the wage setting process would have been to focus on the assignment of the wages themselves. There are certain practices, such as salary surveys, that aid in the decision that accountants should make \$30,000 annually.

The two ways to assess the wage setting process are not easily divisible. They are actually two parts that make up the process. The first part dictates internal relationships among classifications. The second assigns a salary to the position. As noted previously, often the accuracy of the job evaluation process is measured by the extent to which it reflects the market wages. For example, a job evaluation system that positioned secretaries above managers would not

be considered accurate as secretaries should make significantly less than managers according to market surveys. Another way to view the lack of distinction between the two parts of the wage setting process is to note that once a job is categorized within the organizational structure, the range of that job's salary is severely limited. For instance, if a computer programmer is paid within range Z and a payroll analyst is paid within range X, the accountant who is classified between the two positions is unlikely to be paid within any other range than Y. The most accurate definition of the wage setting process should include both classification and salary assignment. Both aspects make up the process.

In this study, both salary level and classification were examined. The purpose of this study was to focus on the entire wage setting process, not just one aspect of that process. Both classification and salary assignment make up that process, so perceptions of both needed to be investigated. Examination of both aspects of the wage setting process allowed the perception of the relationship between classification and salary assignment to emerge.

Distributive justice researchers have defined distributing specifically as the allocation of money (Berkowitz, et. al., 1987; Scholl, et. al., 1987; Leventhal, 1980; Lerner 1977;). The questions pertaining to

distributive justice perceptions in this study were also based upon salary. The questions pertaining to procedural justice perceptions, however, contained both classification and salary assignment questions because both aspects make up the process.

Knowledge of the wage setting process was assessed by listing all the general ways that employers set wages and requesting that respondents indicate their degree of confidence, or certainty, that their employer used that method. Admittedly, this is a subjective measurement of knowledge, reflecting what each respondent is certain that they know. It is not a standardized index of knowledge, but rather a measure in which each subjects' level of self-confidence could play a role in their response. This measure really tested perception of knowledge, self-assessed knowledge, and, to a large degree, certainty, rather than objective knowledge. However, it lended itself to use among all subjects who worked. An objective test of knowledge would have required knowing exactly how wages were set in the organization for which every subject worked. Such information would have been extremely difficult to obtain. There existed then a trade-off of idealistic for practical methodology. Other variables discussed in the literature review which were found to have a bearing on perceptions of fairness were also examined. They included demographic

variables such as age, income, education, and gender, political orientation, and a variable defined above as the belief or perception of fairness of the free market system. The specific items designed to measure the variables noted here are described in a following section.

## Method

### Subjects

Surveys were distributed to both full-time employees at the Counties of San Bernardino and Los Angeles and to undergraduate Psychology students at California State University, San Bernardino. All student respondents were required to be employed at the time the survey was completed. 291 out of 400 surveys were returned, for a return rate of about 72%.

Of the 291, 84 were employed by either San Bernardino or Los Angeles Counties and 207 were students. County employee respondents were volunteers; student respondents were volunteers receiving course credit for participation in the study.

### Procedure

The questionnaire consisted of two standardized measurements, as well as a pool of items developed specifically for this study. Organization commitment was

measured using the Organizational Commitment Questionnaire (Porter and Smith, 1970; number 45 through 59 in Appendix A). The OCQ is a consistently reliable measure, with coefficient alpha ranging from .82 to .93. The validity of the OCQ is evidenced by a negative correlation with intention to leave an organization and a positive correlation with work-oriented interests (Cook, et. al, 1981). Job satisfaction was measured with the Minnesota Satisfaction Questionnaire (Weiss, Dawis, England & Lofquist, 1967; number 60 through 79 Appendix A). The MSQ has also been shown to be a reliable and valid measure. The internal reliability of this measure ranges from .87 to .92. Convergent validity has been established by correlating the MSQ with another measure of job satisfaction, the Job Description Index. That correlation was .71. In addition, the MSQ has the advantage of having been tested in a variety of settings with a variety of occupational groups and is consistently reliable and valid (Cook, et. al, 1981).

To measure perceptions of fairness, a preliminary survey was developed with a generous number of statements addressing various aspects of procedural and distributive justice. A pilot study was conducted to reduce the number of statements as well as to pinpoint any troublesome statements or areas. There were 75 California State University, San Bernardino students who responded to the

pilot survey. As a result of this brief pilot study, 11 statements were deleted and several statements were reworded to make them clearer to respondents.

The final instrument consisted of 26 items addressing distributive justice and procedural justice. Respondents chose among responses on a five point Likert scale which ranged from "strongly disagree" to "strongly agree."

Perceptions of fairness with regard to distributive justice were measured by the following statements. The corresponding number of each statement on the survey is indicated in parentheses (see Appendix A).

1. I am satisfied with the amount of money I earn. (7)
2. My salary level accurately reflects my contribution to the organization. (13)
3. Compared with my co-workers, my salary is correct. (15)
4. My salary level accurately reflects my contribution to this organization. (17)
5. What I earn is the same as what I expected to earn. (18)
6. The pay I receive is the pay I deserve. (23)
7. My salary meets my needs. (24)

Perceptions of fairness with regard to procedural justice were measured with the following statements:

1. I am satisfied with the procedure used to determine my salary. (6)
2. My employers consider fairness when making policy decisions. (10)

3. The procedure used to determine my salary is fair. (11)
4. I had a say in what my job classification (e.g., accountant; secretary) would be. (12)
5. The procedure used to determine my classification is fair. (14)
6. I had a say in what my salary would be. (16)
7. My employers use objective criteria when assigning salaries. (19)
8. If I give my opinion to my employer, I believe it is given meaningful consideration. (20)
9. My employers make justified decisions when making salary assignments. (21)
10. My employers use objective criteria when assigning classifications. (25)
11. When making salary decisions, my employer is consistent in applying rules to all people without favoring some over others. (28)
12. My employers make justified decisions when making classification assignments. (30)
13. When assigning classifications my employer is consistent in applying rules to all people without favoring some over others. (31)

The other variables possibly related to perceptions of fairness (defined below) were measured by the following statements:

1. Political orientation: I consider my political orientation to be (scale from liberal to conservative). (5)
2. Perceived fairness of the free market system: Using the labor market to set wages (i.e., paying employees according to what companies in the

surrounding area pay) is fair in the end to all people. (22)

3. Perceived fairness of the free market system: Using the labor market to set wages perpetuates discrimination against women and minority groups. (32)

Knowledge of the wage setting process was measured by items 33 through 43 (see Appendix A). Respondents chose a response from a five point scale which depicted their confidence that the wage setting method was used or not used by their employer. For instance, the scale ranged from "I am positive this method is not used" to "I am positive this method is used." The largest amount of knowledge was depicted by either a "1" or a "5" response, while those responding with a "3" (unsure whether this method is used or not) were considered those with the least amount of knowledge. The different methods of setting wages included in this survey are presented in Table 1.

### Results

The most common respondent was a female, 20 years of age or under, earning an income of \$10,000 per year or less, with a completed high school education and a "moderate" political orientation. Specifically, 60.6% of all respondents were female and 48.8% were 20 years or under; however, 44.9% of respondents were evenly distributed



between the ages of 21 and 45. Over half (58.9%) of all respondents earned \$10,000 or less with the next largest segment of respondents (17.2%) earning between \$20,000 and \$30,000 per year.

---

Table 1: Wage Setting Processes Included in the Survey

<u>Wage Setting Process</u>	<u>Survey Item #</u>
Employee's past salary history	33
Hiring at the lowest salary possible	34
According to the external market wage rate	35
Internal norms of job worth	36
Performance related	37
Wage and salary surveys	38
Dictated by a parent company	39
By knowledge, skills, and abilities	40
By classification	41
Salary is negotiated	42
By point factors	43

---

The majority of people (85%) had completed high school, but not yet a Bachelor's degree. Political orientation was almost a perfect "bell curve": approximately 16% of respondents were either "liberal" or "conservative," 34% "somewhat liberal" or "somewhat conservative," and 50% were "moderate" in their political orientation. Table 2 contains frequency data for each of the demographic variables.

---

Table 2: Frequencies of Demographic Variables

<u>Variable</u>	<u>Frequency</u>	<u>Percent</u>
AGE		
20 or under	139	47.8
21 to 25	42	14.4
26 to 35	46	15.8
36 to 45	40	13.7
46 to 55	15	5.2
56 or over	3	1.0
-----		
SALARY		
under \$10K	168	57.7
\$10K to \$20K	35	12.0
\$20K to \$30K	49	16.8
\$30K to \$40K	10	3.4
\$40K to \$50K	14	4.8
over \$50K	9	3.1
-----		
SEX		
Female	174	59.8
Male	112	38.5
-----		
POLITICAL ORIENTATION		
liberal	24	8.2
'2'	49	16.8
moderate	139	47.8
'4'	49	16.8
conservative	22	7.6

---

Hypothesis 1

It was expected that fairness would emerge as a separate construct from, though not totally independent of, organizational commitment and job satisfaction. This hypothesis was strongly supported. First, a factor analysis was used to examine the data. A principal axis solution

with a varimax rotation yielded four distinct factors which accounted for a combined 41.8% of the variance (all statistical analyses were run on the statistical package SPSSX; SPSS, Inc., 1986). Table 3 presents the rotated matrix.

The first factor was identified as "fairness," and contained virtually all of the procedural and distributive justice items, with item loadings ranging from .85 to .32. The fairness factor accounted for 26.3% of the variance. This first factor was noticeably large. The underlying general method factor was most likely responsible for this outcome. It should be noted that even if the variance were to shift more evenly among the factors, the same factor structure would be observed and remain consistent theoretically.

The second factor, or the "OCQ," contained the Organizational Commitment Questionnaire items (item loadings ranged from .75 to .35 and accounted for 7.9% of the variance). The MSQ (Minnesota Satisfaction Questionnaire) items loaded on two separate factors (factors three and four). The third factor (4.6% of the variance, factor loadings ranging from .70 to .31) contained those MSQ items which refer to extrinsic satisfaction (Cook, et. al, 1981) and some procedural justice items that are also external in nature.

Table 3: Factor Matrix of Fairness, Commitment, and Satisfaction Items

Item	Factor 1	Factor 2	Factor 3	Factor 4
6	.65*			
7	.69			
8		.25	.70	
9		.34	.65	
10		.31	.57	
11	.67			
12	.32			
13	.70			
14	.50			
15	.64			
16	.38			
17	.70			
18	.58			
19	.32			
20			.61	
21	.50		.31	
22	.43			
23	.85			
24	.58			
25	.30		.32	
26			.51	
27			.70	
28	.25		.47	
29	.64			
30	.42		.46	
31			.53	
32				
45		.67		
46		.71		
47		.47		
48		.47		
49		.56	-.33	
50		.75		
51				
52		.60	-.36	
53		.41		
54		.64		
55		.54		
56		.36	-.42	
57		.69		
58		.64		
59		.54	-.26	

Table 3: Factor Matrix of Fairness, Commitment, and Satisfaction Items

Item	Factor 1	Factor 2	Factor 3	Factor 4
60				.44
61				
62				.62
63				.63
64			.58	
65		-.26	.46	
66		-.28		
67				
68		-.31		.43
69				.29
70		-.28		.68
71	.33	-.32	.43	
72	.69	-.29		
73	.36	-.29		.31
74				.49
75		-.31		.50
76		-.26	.40	
77			.50	
78		-.29	.47	.38
79		-.44	.26	.63
-----				
% Var.	26.3	7.9	4.6	3.0
-----				

\* loadings at .25 or higher

For example, the external satisfaction items refer to "how my boss handles people," and "the way company policies are put into practice." Procedural justice items that loaded onto this factor are items such as "my employer gives my opinions meaningful consideration," "my employer applies rules consistently," and "makes justified decisions." It seems that people in this sample perceived fairness as an

overall theme, but differentiated external fairness issues such as clear rules, objective criteria, and open communication from other items that defined procedural and distributive justice such as "fair procedures to determine salary" and "having salary reflect contribution."

The fourth factor contained the intrinsic MSQ items. Items loaded from .68 to .30 and the factor itself accounted for 3.0% of the variance. Items from other measures or factors did not show substantial loadings on this factor.

The internal reliability score of the fairness scale (procedural justice and distributive justice items combined) clearly suggested a single dimension interpretation. The fairness scale was highly consistent with a coefficient alpha of .91. Fairness had a high reliability and was positively correlated with the the OCQ and MSQ scales. These correlations supported the view that fairness is not independent of commitment and satisfaction. Given this dependence, fairness is still a separate construct from commitment and satisfaction. See Table 4 for a presentation of all scale reliability coefficients and correlations among the scales.

The OCQ had a scale reliability of .90 for this sample, which is within the range of .82 to .93 found by other researchers. The MSQ had a scale reliability of .89, also within the .87 to .92 range of internal reliability scores

found over a number of studies. Although the knowledge scale had a reasonable internal reliability of .75, it did not correlate with any other scale. Table 5 presents the basic statistics for each scale.

Table 4: Scale Reliabilities and Correlations Among Scales

<u>Scales</u>	OCQ	MSQ	KNOW	FAIR
Commitment (OCQ) (n=15)	.90*			
Satisfaction (MSQ) (n=20)	.68**	.89*		
Knowledge (KNOW) (n=11)	.01	-.01	.75*	
Fairness (FAIR) (n=25)	.45**	.51**	.01	.91*

n number of items on scale

\* Coefficient Alpha

\*\*  $p \leq .001$

### Hypothesis 2

Knowledge was expected to have an effect on the perception of fairness of the wage setting process. Due to the lack of theoretical background in the literature, two positions were to be investigated: knowledge having a direct effect on fairness and knowledge being moderated by

political beliefs. On the basis of this sample, no support was found for a direct effect of knowledge on fairness.

---

Table 5: Basic Statistics for the OCQ, MSQ, Fairness, and Knowledge Scales

<u>SCALE</u>	<u>N</u>	<u>MEAN</u>	<u>STANDARD DEVIATION</u>
OCQ	15	51.27	17.51
MSQ	20	71.77	12.97
FAIR	25	59.97	14.41
KNOW	11	23.06	4.41

---

Multiple regressions, specifically forced hierarchical regressions, were used to ascertain whether or not knowledge predicted fairness over and above satisfaction and commitment. Both satisfaction and commitment significantly predicted fairness (satisfaction:  $t(278) = 5.60, p < .00$ ; commitment:  $t(277) = 2.74, p < .01$ ). See Table 6 for regression data.

Knowledge was not found to significantly predict fairness over and above satisfaction and commitment. Apparently for this sample, knowledge was not directly related to fairness in either a positive or negative manner. People who reported knowing more about the wage setting process did not perceive it as more or less fair, just as



those who reported knowing relatively little about wage setting process did not consistently perceive it as fair or unfair. The amount or extent of self-assessed knowledge of the wage setting process was not directly related to perceptions of fairness of that process.

---

Table 6: The Effect of Knowledge on Fairness

<u>Criterion Variable: Fairness</u>				
<u>Predictors</u>	<u>Beta</u>	<u>t</u>	<u>p</u>	<u>R-square change</u>
MSQ	.39	5.60	.00	
OCQ	.19	2.74	.01	
KNOWLEDGE	.02	.42	.67	.001

R = .53 R-square = .29  $F_{3,276} = 36.73$

---

A possible reason for the lack of a direct relationship between self-assessed knowledge and perceptions of fairness could have been due to the overall lack of knowledge indicated by respondents, or, as measured in this survey, lack of confidence respondents had that specific methods were used. For instance, less than half of all respondents were positive that any of the 11 wage setting methods were used (or not used) in their organization (see Table 7). Respondents were most confident that negotiation between employers and employees for wage setting was or was not used.

---

Table 7: Confidence of Wage Setting Process Used

<u>Wage Setting Processes</u>	<u>Survey Item #</u>	<u>% "Positively Used" or "Positively Not Used" responses</u>
Negotiation	42	47.7
Lowest Possible Salary	34	44.7
Classification	41	40.2
Performance	37	39.2
Other Organization Dictates	39	37.1
Surveys	38	34.0
Point Factors	43	33.7
Salary History	33	32.7
Knowledge/Skills/Abilities	40	30.9
Market Rate	35	21.0
Internal Job Worth	36	18.9

---

In addition, few people reported receiving all or a lot of information on the wage setting process in their organization from a specific source (See Table 8). Of those people receiving information about the wage setting process most information was received from a supervisor or co-workers.

---

Table 8: Main Sources of Knowledge of the Wage Setting Process

<u>SOURCES</u>	<u>% "ALL" or "A LOT" responses</u>
Supervisor	29.2
Co-workers	27.2
Other	11.0
Someone Outside Organization	8.9
Pamphlet or Program	6.2

---

It was also hypothesized that knowledge may be moderated by political orientation and/or belief in the free market system. Specifically, as knowledge of the wage setting process varied, perceptions of fairness would vary as a result of political orientation and/or belief in the free market system. The three items on the survey designed to measure political orientation and belief in the free market system were not meant to form a scale and were therefore entered into the regression equation individually. Again, a forced hierarchical regression model was used. The results of the regression analysis addressing this question are presented in Table 9.

Only one of the three items, item 22 on the survey ("using the labor market to set wages is fair in the end to all people"), significantly predicted fairness ( $t(278) = 7.09, p < .00$ ). Apparently, people who believed that labor market pricing was fair also believed their wage setting process was fair.

---

Table 9: The Effect of Political Orientation and Beliefs on Perceptions of Fairness

Criterion Variable: Fairness

<u>Predictors</u>	<u>Beta</u>	<u>t</u>	<u>p</u>	<u>R-square change</u>
Politics (6)	.09	1.70	.09	
Mkt. fair (22)	.39	7.09	.00	.15
Mkt. disc.(32)	.06	1.03	.30	.00

R = .40 R-square = .16  $F_{3,277} = 17.87$

---

Item 22 ("using the market to set wages is fair to all people") also significantly moderated knowledge in relation to fairness. An interaction term was created by multiplying knowledge by item 22. This interaction term, knowledge multiplied by belief in labor market fairness, predicted fairness significantly ( $t(276) = 5.56, p < .00$ ). In addition, this interaction term was included in a forced entry regression analysis with satisfaction and commitment to investigate it's significance over and above these items. See Table 10 for results.

Specifically, as knowledge of the wage setting process increased, perceptions of fairness of the wage setting process varied by one's belief about the fairness of using the labor market to set wages. This belief held true over and above differences that existed with commitment to or satisfaction with the workplace.

Table 10: The Effect of the Interaction of Knowledge and Belief in the Free Market on Fairness

<u>Criterion Variable: Fairness</u>				
<u>Predictors</u>	<u>Beta</u>	<u>t</u>	<u>p</u>	<u>R-square change</u>
MSQ	.35	5.32	.00	
OCQ	.17	2.60	.01	
Know*Free Mkt	.27	5.56	.00	.07
R = .60 R-square = .36 $F_{3,276} = 51.05$				

When investigating the effects of interactions, Lubinski and Humphreys (1990) suggest that it is important to also investigate quadratic components. This possibility was examined with a multiple regression equation. A significant effect of a quadratic component on perceptions of fairness would indicate that at low levels of the predictor the changes in perceptions of fairness would be relatively low. As the level of the predictor increased, the effects on the perception of fairness would increase at an increasingly greater rate. This possible effect was examined with a multiple regression equation.

The multiple regression equation was a combination of a forced hierarchical model and a stepwise forward model. First, the OCQ and the MSQ were forced into the regression equation. Then the remaining variables were allowed to enter into the equation in a stepwise, forward manner.

Although both the interaction term and the knowledge-squared variable met the entry criterion ( $p < .05$ ), the interaction term independently contributed 7% of the variance in fairness, while the knowledge-squared variable contributed only 1% to the criterion variance. See Table 11 for the results of the multiple regression equation.

The predictor variable knowledge-squared was significant ( $t(284) = -2.12, p < .05$ ). However, the beta weight was small relative to the other variables. Its unique contribution and level of significance were marginal and did not warrant interpretation.

---

Table 11: The Effect of the Knowledge-squared Variable on Fairness

<u>Criterion Variable: Fairness</u>				
<u>Predictors</u>	<u>Beta</u>	<u>t</u>	<u>p</u>	<u>R-square change</u>
MSQ	.35	5.32	.00	
OCQ	.17	2.60	.01	
Know*Free Mkt	.27	5.56	.00	.07
Know-squared	-.11	-2.12	.04	.01

R = .60 R-square = .36  $F_{4,284} = 39.97$

---

### Discussion

It is generally accepted that commitment to an organization and satisfaction with various facets of a job

predict intention to remain in an organization and overall affect toward the workplace and the work itself (Cook, et. al., 1981). Based on previously cited literature, it can be inferred that feelings about the wage setting process would also be a result of commitment to and or satisfaction with an organization. In this study, perceptions of fairness were not simply a product of being committed to or satisfied with an organization or one's specific position; rather, perceptions of fairness operated in concert with commitment and satisfaction.

Essentially, people who are committed to an organization and are satisfied with their work environment may not necessarily perceive the method by which that organization sets its wages as fair. Certainly the significant prediction of fairness from the commitment and satisfaction regression equation indicated that perceiving the wage setting process as fair was, in part, related to reported feelings of satisfaction and commitment. In fact, commitment and satisfaction accounted for 55% of the variance in fairness. It appeared that more than half of the variance in respondents' perceptions of fairness were related to how committed they were to their organization and how satisfied they were there. However, 45% of the variance in fairness was not accounted for. There are other variables, not assessed in this study, on which people base,

at least in part, their perceptions of fairness. In addition, the direction of this causation is unknown. It may be that commitment and satisfaction result from perceptions of fairness. This alternative was not investigated in this study.

To an organization, the findings regarding fairness albeit preliminary, can be important. Feelings of justice have been negatively associated with troublesome behaviors such as absenteeism, turnover, and protest or disputing behaviors and positively associated with areas such as trust in management and participation in the organization (Tyler, 1986; Greenberg, 1987b; Mowday, Porter, & Steers in Greenberg, 1986c; Lind & Tyler, 1988; Brett, 1986). Although this is a preliminary study, and not a controlled experiment, human resource managers may wish to attend to perceptions of fairness as an additional individual employee variable.

Systems in organizations may be perceived as more fair if such systems incorporate factors that enhance perceptions of fairness. Fairness perceptions are enhanced by allowing input from employees, ensuring consistency and unbiased administration of systems, and allowing employees choices with regard to outcomes as often as possible (Folger & Greenberg, 1985; Tyler, 1987; Leventhal 1976; 1980).

In this study knowledge did not play a significant



direct role in the perception of fairness of the wage setting process. It is possible that knowing about a process is simply not a requirement to making a fairness judgement. However, it is also possible that self-assessed knowledge did not really capture the knowledge construct. It may well be that this questionnaire did not adequately measure knowledge of the wage setting process, especially given the overall lack of knowledge indicated by respondents. For example, knowledge was measured on the basis of respondents' confidence that a process was used rather than if a respondent objectively knew what wage setting processes were used.

In addition, sample problems may have contributed to the outcome. The majority of respondents were young, entry level employees. Perhaps higher level employees, because they feel they have more options, would believe the process is fairer.

A positive aspect of this study was that subjects came from several different companies. Given the likelihood of considerable variability in organizations, it is reasonable to suggest the findings of this are robust with respect to organizational differences. That is, the differences between companies balanced out possible company specific differences. Knowledge, as constructed in this study, was found to play a role in the perception of fairness when

moderated by the belief that the market wage is fair to all people. The market wage plays a critical role in virtually all wage setting processes as few, if any organizations, can afford to be non-competitive with their wages. Competitive wages can be set only when the "going wage rate" is known. It stands to reason that those who are confident that they know how their wages are set and believe that the basis of our capitalist system (the free market system) is fair, in turn believe that the way their wages are set is fair. It also follows that people who have wage setting knowledge and do not believe the market wage is fair will consequently regard wage setting as unfair. In general, it appears that a person's sense of fairness about wage setting is not simply a product of experience in an organization. Rather, ideological beliefs about the overall capitalist system, or the free market, play a large role in the perception of fairness of the wage setting process.

For practical purposes, getting employees to believe a particular wage setting process is fair is not a matter of selecting people on the basis of their beliefs of the free market system. It may also be self-defeating to espouse the attitude "if you think you can do better--go elsewhere." Rather, organizational managers who become aware that there is dissention among employees regarding wages and wage setting may wish to follow some the guidelines outlined

above that were found to contribute to perceptions of fairness. First, organizations that currently have a "secret" policy with regard to "who makes what" may want to try going public. Employees may find that inequities they were sure existed, do not in fact exist at all. Such an open policy will also allow organizations to exhibit consistency and lack of bias. However, it should be noted that this tactic may only make a difference to those employees who believe in the free-market. For those employees who don't believe in the free market, showing them ways that the organization is trying to extinguish discrimination, albeit within the system, may contribute to a positive attitude toward the organization.

Incorporating processes to increase perceptions of fairness will take some creativity. For example, employees are typically not given a chance for input, let alone process control in the wage setting process. It is doubtful that many organizations have an appeals process for employees who wish to grieve their salary level or have managers who justify salary decisions to employees. Incorporating a salary grievance procedure into an already existing grievance procedure may be an option for some organizations. For others, a simple justification to employees of wage setting processes and outcomes may contribute to the perception of fairness. These are all

questions warranting attention in future research.

Promoting fairness and fairness perceptions in the workplace is a new concept, as it relates to wage setting processes. It would be unreasonable to suggest that organizations must immediately attend to fairness perceptions and begin working on them. However, it is reasonable, on the basis of this study, to suggest further study of fairness, how it relates to the wage setting process, and what role knowledge of the wage setting process plays in the perception of fairness.

APPENDIX A

1. Your age is
  - a. 20 or under
  - b. 21-25
  - c. 26-35
  - d. 36-45
  - e. 46-55
  - f. 56 or above
  
2. Your salary is
  - a. under 10,000
  - b. 10,001-20,000
  - c. 20,001-30,000
  - d. 30,001-40,000
  - e. 40,001-50,000
  - f. over 50,000
  
3. Circle One: Female Male
  
4. Circle the highest level of education you have completed
  - a. did not complete high school
  - b. high school or high school equivalent
  - c. AA/AS - Community College Degree
  - d. BA/BS
  - e. graduate degree
  
5. I consider my political orientation to be (circle one number)  
1 ----- 2 ----- 3 ----- 4 ----- 5  
liberal moderate conservative

Rate the following statements according to this scale:

- 1 = strongly disagree
- 2 = disagree
- 3 = not sure
- 4 = agree
- 5 = strongly agree

- 1 2 3 4 5 6. I am satisfied with the procedure used to determine my salary.
  
- 1 2 3 4 5 7. I am satisfied with the amount of money I earn.
  
- 1 2 3 4 5 8. The relationship between the employers and the employees in my organization is very good.

- 1 2 3 4 5 9. I trust my superiors and believe they are worthy of my confidence.
- 1 2 3 4 5 10. My employers consider fairness when making policy decisions.
- 1 2 3 4 5 11. The procedure used to determine my salary is fair.
- 1 2 3 4 5 12. I had a say in what my job classification (e.g., accountant; secretary) would be.
- 1 2 3 4 5 13. My salary level accurately reflects my performance.
- 1 2 3 4 5 14. The procedure used to determine my classification is fair.
- 1 2 3 4 5 15. Compared with my co-workers, my salary is correct.
- 1 2 3 4 5 16. I had a say in what my salary would be.
- 1 2 3 4 5 17. My salary level accurately reflects my contribution to the organization.
- 1 2 3 4 5 18. What I earn is the same as what I expected to earn.
- 1 2 3 4 5 19. My employers use objective criteria when assigning salaries.
- 1 2 3 4 5 20. If I give my opinion to my employer, I believe it is given meaningful consideration.
- 1 2 3 4 5 21. My employers make justified decisions when making salary assignments.
- 1 2 3 4 5 22. Using the labor market to set wages (i.e., paying employees according to what companies in the surrounding area pay) is fair in the end to all people.

- 1 2 3 4 5 23. The pay I receive is the pay I deserve.
- 1 2 3 4 5 24. My salary meets my needs.
- 1 2 3 4 5 25. My employers use objective criteria when assigning classifications.
- 1 2 3 4 5 26. In my work place there are clear rules.
- 1 2 3 4 5 27. In my work place there is open communication.
- 1 2 3 4 5 28. When making salary decisions my employer is consistent in applying rules to all people without favoring some over others.
- 1 2 3 4 5 29. The wage setting process used is the one I prefer.
- 1 2 3 4 5 30. My employers make justified decisions when making classification assignments.
- 1 2 3 4 5 31. When assigning classifications my employer is consistent in applying rules to all people without favoring some over others.
- 1 2 3 4 5 32. Using the labor market to set wages perpetuates discrimination against women and minority groups.

Rate the following statements about how your employer conducts the wage setting process according to this scale:

- 1 = I am positive this method is NOT used  
 2 = This method is probably NOT used.  
 3 = I am unsure whether this method is used or not.  
 4 = This method probably IS used.  
 5 = I am positive this method IS used.

- 1 2 3 4 5 33. My employer examines potential employee's past salary history.
- 1 2 3 4 5 34. My employer hires at the lowest salary possible.

- 1 2 3 4 5 35. My employer strictly follows the external market wage rate for each position which is determined by what employers are willing to pay and what employees are willing to take.
- 1 2 3 4 5 36. My employer sets wages according to internal norms of job worth where the worth of a job is defined as the revenue it generates, it's characteristics, and experiences required for performance.
- 1 2 3 4 5 37. My employer sets wages so that those who expend greater effort and have more training are paid more than others.
- 1 2 3 4 5 38. My employer conducts wage and salary surveys to establish normative pay rates.
- 1 2 3 4 5 39. A separate organization dictates to my employer what salaries should be for different jobs.
- 1 2 3 4 5 40. My employer classifies jobs by looking at the knowledge, skills, and abilities required to perform it.
- 1 2 3 4 5 41. Wages are set according to classification.
- 1 2 3 4 5 42. Employers and employees negotiate salary in my place of employment.
- 1 2 3 4 5 43. In my organization, jobs are rated on several factors, given points for those factors which are pertinent, and paid according to how many points the job is worth.



44. Indicate the amount of knowledge about the wage setting process in your organization that you received from each of these sources.

- 1 = none
- 2 = a little
- 3 = some
- 4 = a lot
- 5 = all

1 2 3 4 5 a. from a program or pamphlet in my organization designed to give information about how wages are set.

1 2 3 4 5 b. from my supervisor.

1 2 3 4 5 c. from my co-workers.

1 2 3 4 5 d. from someone outside my organization.

1 2 3 4 5 e. other

Answer the following questions according this scale:

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

1 2 3 4 5 6 7 45. I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.

1 2 3 4 5 6 7 46. I talk up this organization to my friends as a great organization to work for.

1 2 3 4 5 6 7 47. I feel very little loyalty to this organization.

1 2 3 4 5 6 7 48. I would accept almost any type of job assignment in order to keep working for this organization.

- 1 2 3 4 5 6 7 49. I find that my values and the organization's values are very similar.
- 1 2 3 4 5 6 7 50. I am proud to tell others that I am part of this organization.
- 1 2 3 4 5 6 7 51. I could just as well be working for a different organization as long as the type of work were similar.
- 1 2 3 4 5 6 7 52. This organization really inspires the very best in me in the way of job performance.
- 1 2 3 4 5 6 7 53. It would take very little change in my present circumstances to cause me to leave this organization.
- 1 2 3 4 5 6 7 54. I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.
- 1 2 3 4 5 6 7 55. There's not much to be gained by sticking with the organization indefinitely.
- 1 2 3 4 5 6 7 56. Often, I find it difficult to agree with this organization's policies on important matters relating to its employees.
- 1 2 3 4 5 6 7 57. I really care about the fate of this organization.
- 1 2 3 4 5 6 7 58. For me this is the best of all possible organizations for which to work.
- 1 2 3 4 5 6 7 59. Deciding to work for this organization was a definite mistake on my part.

Answer the following questions according to this scale:

1 = Very Dissatisfied

2 = Dissatisfied

3 = I can't decide whether I am satisfied or not

4 = Satisfied

5 = Very Satisfied

On my present job, this is how I feel about:

- 1 2 3 4 5 60. Being able to keep busy all the time.
- 1 2 3 4 5 61. The chance to work alone on the job.
- 1 2 3 4 5 62. The chance to do different things from time to time.
- 1 2 3 4 5 63. The chance to be "somebody" in the community.
- 1 2 3 4 5 64. The way my boss handles his or her people.
- 1 2 3 4 5 65. The competence of my supervisor in making decisions.
- 1 2 3 4 5 66. Being able to do things that don't go against my conscience.
- 1 2 3 4 5 67. The way my job provides for steady employment.
- 1 2 3 4 5 68. The chance to do things for other people.
- 1 2 3 4 5 69. The chance to tell people what to do.
- 1 2 3 4 5 70. The chance to do something that makes use of my abilities.
- 1 2 3 4 5 71. The way company policies are put into practice.
- 1 2 3 4 5 72. My pay and the amount of work I do.
- 1 2 3 4 5 73. The chances for advancement on this job.

- 1 2 3 4 5 74. The freedom to use my own judgment.
- 1 2 3 4 5 75. The chance to try my own methods of doing the job.
- 1 2 3 4 5 76. The working conditions.
- 1 2 3 4 5 77. The way my co-workers get along with each other.
- 1 2 3 4 5 78. The praise I get for doing a good job.
- 1 2 3 4 5 79. The feeling of accomplishment I get from the job.

## REFERENCES

- Adams, J. S. (1963). Toward an understanding of inequity. Journal of Abnormal and Social Psychology, 67, 422-436.
- Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), Advances in Experimental Social Psychology (Vol. 2). New York: Academic Press.
- Barrett-Howard, E. & Tyler, T. R. (1986). Procedural justice as a criterion in allocation decisions. Journal of Personality and Social Psychology, 50(2), 296-304.
- Berkowitz, L., Cochran, S., Fraser, C., & Treasure, F. (1987). Pay, equity, job gratifications, and comparisons in pay satisfaction. Journal of Applied Psychology, 72(2), 544-551.
- Campbell, D. T. & Fiske, D. W. (1967). Convergent and discriminant validity by the multitrait-multimethod matrix. In D. N. Jackson (Ed.), Problems in Human Assessment (pp.124-132). New York: McGraw-Hill.
- Cook, J. D., Hepworth, S. J., Wall, T. D. & Warr, P. B. (1981). The Experience of Work. New York: Academic Press.
- Cook, K. S. & Yamagishi, T. (1983). Social determinants of equity judgements: the problem of multidimensional input. In D. M. Messick & K.S. Cook (Eds.), Equity Theory: Psychological and Sociological Perspectives (pp. 95-126). New York: Praeger Publishers.
- Crosby, F. (1982). Relative Deprivation and Working Women. New York: Oxford University Press, Inc.
- Dreher, G. F., Ash, R. A. & Bretz, R. D. (1988). Benefit coverage and employee cost: critical factors in explaining compensation satisfaction. Personnel Psychology, 41, 237-254.
- Feshbach, S. & Weiner, B. (1986). Personality. Lexington, Massachusetts: D. C. Heath and Company.
- Folger, R. & Greenberg, J. (1985). Procedural justice: an interpretive analysis of personnel systems. In, K. M. Rowland and G. R. Ferris (Eds.), Research in Personnel

and Human Resources Management (Vol. 3, pp. 141-183).

Folger, R., Rosenfield, D., & Robinson, T. (1983). Relative deprivation and procedural justice. Journal of Personality and Social Psychology, 45(2), 268-273.

Greenberg, J. (1986a). Differential intolerance for inequity from organizational and individual agents. Journal of Applied Social Psychology, 16(3), 191-196.

Greenberg, J. (1986b). Determinants of perceived fairness of performance evaluations. Journal of Applied Psychology, 71(2), 340-342.

Greenberg, J. (1986c). Organizational performance appraisal procedures: what makes them fair? In M.H. Bazerman, R.J. Lewicki, & B.H. Sheppard (Eds.), Research on Negotiations in Organizations (Vol. 1, pp. 25-41). Greenwich, CT.: JAI Press.

Greenberg, J. (1987a). A taxonomy of organizational justice theories. Academy of Management Review, 12(1), 9-22.

Greenberg, J. (1987b). Reactions to procedural injustice in payment distributions: do means justify the ends? Journal of Applied Psychology, 72(1), 55-61.

Huseman, R. C., Hatfield, J. D. & Miles, E. W. (1987). A new perspective on equity theory: the equity sensitivity construct. Academy of Management Review, 12(2), 222-234.

Lerner, M. J. (1977). The justice motive: some hypotheses and as to its origins and forms. Journal of Personality, 45, 1-52.

Lerner, M. J., & Whitehead, L. A. (1980). Procedural justice viewed in the context of justice motive theory. In G. Mikula (Ed.), Justice and Social Interaction (pp. 219-256). New York: Springer-Verlag.

Leventhal, G. S. (1976). Fairness in social relationships. In J. W. Thibaut, J. T. Spence, & R. C. Carson (Eds.), Contemporary Topics in Social Psychology (pp.211-239). Morristown, NJ: General Learning Press.

Leventhal, G. S. (1980). What should be done with equity theory? In K. J. Gergen, M. S. Greenberg, & R. H. Willis (Eds.), Social Exchange: Advances in Theory and

Research (pp. 27- 55). New York: Plenum.

Leventhal, G. S., Karuza, J., & Fry, W. R. (1980). Beyond fairness: A theory of allocation preferences. In G. Mikula (Ed.), Justice and Social Interaction (pp. 167-218). New York: Springer-Verlag.

Lind, E. A. (1988). The Social Psychology of Procedural Justice. New York: Plenum Press.

Lind, E. A., Kurtz, S., Musante, L., Walker, L., & Thibaut, J. W. (1980). Procedure and outcome effects on reactions to adjudicated resolution of conflicts of interest. Journal of Personality and Social Psychology, 39(4), 643-653.

Lubinski, D. & Humphreys, L. G. (1990). Assessing spurious moderator effects: Illustrated substantively with the hypothesized (synergistic) relation between spatial and mathematical ability. Psychological Bulletin, 107, 385-393.

Messick, D. M. & Sentis, K. (1983). Fairness, preference, and fairness biases. In D. M. Messick and K. S. Cook (Eds.), Equity Theory: Psychological and Sociological Perspectives (pp. 61-94). New York: Praeger.

Mirowsky, J. (1987). The psycho-economics of feeling underpaid: distributive justice and the earnings of husbands and wives. American Journal of Sociology, 92(6), 1404-1434.

Mowday, R. T. (1987). Equity theory predictions of behavior in organizations. In R. M. Steers and L. W. Porter (Eds.), Motivation and Work Behavior (pp. 89-110). New York: McGraw-Hill.

Rasinski, K. A. (1987). What's fair is fair--or is it? value differences underlying public views about social justice. Journal of Personality and Social Psychology, 53(1), 201-211.

Rynes, S. L. & Milkovich, G. T. (1986). Wage surveys: dispelling some myths about the "market wage." Personnel Psychology, 39, 71-90.

Scholl, R. W., Cooper, E. A., & McKenna, J. F. (1987). Referent selection in determining equity perceptions: differential effects on behavioral and attitudinal

outcomes. Personnel Psychology, 40, 113-127.

Steel, B. S. & Lovrich, N. P., Jr., (1987). Comparable worth: the problematic politicization of a public personnel issue. Public Personnel Management, 16(1), 23-36.

Thibaut, J., & Walker, L. (1975). Procedural Justice: A Psychological Analysis. Hillsdale, NJ: Erlbaum.

Tyler, T. R. (1986). When does procedural justice matter in organizational settings? In M. H. Bazerman, R. J. Lewicki, & B. H. Sheppard (Eds.), Research on Negotiation in Organizations. (Vol. 1, pp. 7-23). Greenwich, CT.: JAI Press.

Tyler, T. R. & McGraw, K. M. (1986). Ideology and the interpretation of personal experience: procedural justice and political quiescence. Journal of Social Issues, 42(2), 115-128.

Tyler, T. R. (1987). Conditions leading to value-expressive effects in judgement of procedural justice: a test of four models. Journal of Personality and Social Psychology, 52(2), 333-344.

SPSSx user's guide. (1986). Chicago, Illinois: SPSS Incorporated.