

# The Perceived Fairness of Human Resource Practices

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*Drawing upon organizational justice theories, this paper proposes a conceptual framework for understanding the psychological processes that employees go through when evaluating the fairness of their organization's human resource practices. Specifically, this paper articulates (a) the effects of perceived fairness of internal human resource practices; and (b) the mechanisms through which these perceptions can be modified.*

## INTRODUCTION

“The concept of justice has interested scholars over millennia. Dating back to antiquity, Aristotle was among the first to analyze what constitutes fairness in the distribution of resources between individuals (Ross, 1925). This theme was rejuvenated in the seventeenth century by Locke’s (1689/1994) writings about human rights and Hobbes’s (1651/1947) analysis of valid covenants, and was revisited in the 19<sup>th</sup> century by Mill’s (1861/1940) classic notion of utilitarianism.” - (Greenberg & Colquitt, 2005, P. 4)

This impressive and illuminating introduction appearing in Greenberg & Colquitt’s (2005) seminal *Handbook of Organizational Justice* highlights the diverse nature and importance of justice as a theoretical concept. Indeed, justice has been approached and studied through an array of lenses, perhaps most prominently through that of modern philosophy (Rawls, 1999, 2001; Nozick, 1974). However, over time scholars began conceptualizing justice across broader contexts including organizational environments. Known commonly as “organizational justice” in the management literature, perceptions of justice and fairness within business settings has captured the interest of scholars across the globe.

Organizational justice is comprised of three correlated, but conceptually distinct dimensions. *Distributive justice* refers to the perceived fairness of decision making outcomes (Homans, 1961). Employees assess distributive justice by evaluating whether workplace outcomes such as pay, rewards, promotions, and the like are allocated according to proper norms. *Procedural justice* refers to the perceived fairness of decision making processes (Thibault & Walker, 1975). Employees assess procedural justice by evaluating whether they were able provide direct input into the process (i.e. voice), whether procedures for appeals were in place to correct an unjust outcome (i.e. correctability), whether the process was free of discrimination (i.e. bias suppression), and the like, concerning the decision-making process. Lastly, *interactional justice* refers to the appropriateness of treatment employees receive from

organizational authorities (Bies & Moag, 1986). Employees assess interactional justice by evaluating whether authority figures treated them with sincerity (i.e. respect) and whether authorities refrained from making improper remarks (i.e. propriety). In the aggregate, distributive justice, procedural justice, and interactional justice collectively form the overall construct of organizational justice.

These dimensions of justice, while important in their right, also have clear implications for employers and employees alike. Indeed, organizational justice has been shown to build trust and commitment (Colquitt, Conlon, Wesson, Porter, & Ng, 2001), improve job performance (Cohen-Charash & Spector, 2001; Colquitt et al., 2001), improve social exchange relationships between leaders and subordinates (Cropanzano, Prehar, & Chen, 2002; Rupp & Cropanzano, 2002), foster employee organizational citizenship behaviors (Cohen-Charash & Spector, 2001), and build customer satisfaction and loyalty (Masterson, 2001; Maxham & Netemeyer, 2003).

As shown in the above review, organizational justice has manifested itself across innumerable research domains. It is not surprising then to learn that an extensive amount of research has been aimed at applicants' fairness perceptions of external human resource (HR) practices (e.g. selection tools). For example, Boudreau & Rynes (1985) and Murphy (1986) found that applicants' fairness reactions to selection procedures may influence organizational recruitment efforts, which, in turn, can influence overall hiring efforts. Yet this research has focused exclusively on individuals external to the organization (e.g. job applicants) and their fairness reactions to external HR practices. However, some research regarding fairness perceptions and certain individual internal HR practices has also been given attention in the literature. Specifically, some attention has been aimed at understanding employees' perceptions of fairness relative to performance appraisal systems (Nurse, 1995; Taylor, Tracy, Renard, Harrison, & Carroll, 1995) and compensation packages (Choi & Chen, 2007; Scarpello & Jones, 1996). Given the notable importance of fairness perceptions in HR, it's surprising to find that research investigating individuals internal to the organization (e.g. employees) and their reactions to the differential effects of internal HR practices (e.g. smoking policies, health care plans, etc. as a whole) have been given sparse treatment in the literature.

One might acknowledge that internal HR practices for an organization will undoubtedly impact its members in different and important ways. Some internal HR practices, such as retirement plans, are (in general) available to all employees of an organization. Due to the overarching availability of such practices to employees, junior or senior, top performer or low performer, it becomes increasingly difficult and thus uninteresting to attempt to identify differences in employees' fairness perceptions. However, there remain those internal HR practices that do have a differential impact on employee perceptions of fairness. Some examples would be day care services, regulatory controls such as smoking bans, and family healthcare coverage. In these instances, depending on whether an employee is married, has children, and/or smokes, they will be affected differently by the company's internal HR practices than someone who does not fall within any of these categories. This underdeveloped state of organizational fairness perceptions, which has been a recurrent flaw within the HR literature; only serves to hinder adequate theoretical development as well as meaningful empirical research.

Drawing upon organizational justice theories this paper proposes a framework for understanding the psychological processes that employees go through when evaluating the fairness of their organization's internal human resource practices. Specifically, this paper articulates (a) the effects of perceived fairness of internal human resource practices; and (b) the mechanisms through which these perceptions can be modified. Furthermore, it proposes ways in which organizations can structure their internal HR policies and practices to facilitate employee perceptions of fairness.

## **THEORY**

Research indicates that general HR practices can enhance firm performance (Arthur, 1994; Becker & Huselid, 1998; Delaney & Huselid, 1996) and improve employee attitudes (Appelbaum, Berg, & Kallenberg, 2000). Moreover, research indicates that these effects hold across different types of companies in different countries around the world (Bae & Lawler, 2000; Chang, 2001). If general HR

practices can enhance firm performance, it follows that employees' fairness perceptions of HR practices should have practical implications on firm performance as well. In addition to firm performance, research also indicates that employee satisfaction and commitment are affected by internal HR practices (Chang, 1999; Chang, 2005; Gartner & Nollen, 1989). If general HR practices can improve employee satisfaction and commitment, it follows that employees' fairness perceptions of internal HR practices should also have practical implications on employee satisfaction and commitment. Research by Chang (2001; 2005) and Gartner and Nollen (1989) suggest that perceptions of HR practices indeed do just that.

While existing research has focused exclusively on procedural justice, these findings can be expanded to include an overall perception of organizational justice (a summative effect or perception). Here we refer to an employee's overall perception as his/her beliefs about the overall diverse aspects of his/her organizations internal HR practices.

According to the Fishbein model (Fishbein, 1963), an individual may hold many beliefs regarding various aspects of a particular object, and accordingly their overall attitude toward the object is a summation of these individual beliefs and evaluations. This model has been applied extensively in consumer research. For instance, a consumer's attitude toward a particular product is considered a function of the summative value of the strength of beliefs about many different characteristics and qualities which the consumer believes the product holds (Fishbein, 1963; Gardner, 1985). The Fishbein Model was first applied to employee attitudes in the workplace in Chang (2003). In that study, Chang focused exclusively on compensation and job security. Chang (2005) later applied the Fishbein Model to overall general HR practices. However, in that study she addressed perceived effectiveness of overall HR practices rather than their perceived fairness. Applying the Fishbein Model to organizational HR policies and practices, an employee's fairness perception toward a particular practice can be thought of as a summation of the many beliefs regarding various aspects of a practice, and accordingly their overall fairness perception toward the practice is a summation of these individual beliefs and evaluations.

Referring back to the example presented earlier regarding day care services, smoking policies, and family healthcare we can see how the Fishbein model can be applied. An employee who is married with children but whom does not smoke will clearly have different fairness perceptions of his/her company's internal HR practices than someone who is single without children, but whom does smoke. In this instance we might find that the former holds higher levels of overall justice/fairness perceptions of his/her company's internal HR practices as contrasted with the latter. Therefore, it is proposed:

*Proposition 1A: Employee's perceptions of fairness regarding their company's HR practices will act as a summation of the beliefs held about each individual HR practice.*

*Proposition 1B: HR practices that positively impact an individual will increase perceptions of overall fairness.*

*Proposition 1C: HR practices that positively impact an individual's coworker but not the individual will decrease perceptions of overall fairness.*

*Proposition 1D: HR practices that negatively impact an individual will decrease perceptions of overall fairness.*

*Proposition 1E: HR practices that negatively impact an individual's coworker but not the individual will increase perceptions of overall fairness.*

### ***The Problems Associated with Varying Internal HR Practices***

Research indicates that several positive attitudes and behaviors result from perceptions of fairness including job performance and satisfaction (e.g., Cohen-Charash & Spector, 2001; Colquitt et al., 2001). Accordingly, HR departments should focus on encouraging and fostering perceived fairness within their many policies and practices. Homan's (1961) initial ideas regarding distributive justice were advanced by Adams's (1965) equity theory and became a staple for addressing justice issues in organizational contexts. Adams advanced Homans's (1961) discussion on profits and investments, articulating the concept of distributive justice as a ratio of weighted inputs and outcomes. These outcomes were

considered to include items such as pay, promotion, work responsibilities, and the like. Adams discussed inputs as including items such as education, experience, effort, and the like.

Adams argued that employees consciously assess their total inputs relative to their total outcomes to develop a perception of justice (or lack thereof) based on whether their inputs were matched by their outcomes. In circumstances where employee outcomes were in excess of inputs, employees were said to experience guilt. In contrast, in circumstances where employee inputs exceeded outcomes, employees were thought to experience feelings of anger and resentment. Adams went on to discuss how employees not only compare their own inputs to their own outcomes but also how they compare their input-to-outcome ratio to the input-to-outcome ratio of comparison others (e.g. coworkers). For instance, if an employee's input-to-outcome ratio is significantly less than that of a coworker earning similar pay, then the employee will likely believe payment inequity to exist. This perceived inequity consequently will produce feelings of anger and resentment (Homans, 1961). This is especially relevant when considering that employees who work in organizations where each employee may be affected differentially by their company's internal HR practices. In such cases that certain employees feel that their coworkers are receiving more benefits (through the company's internal HR practices) for the same work it is likely to lead to feelings of resentment and reductions in effort.

*Proposition 2A: During work related activities, individuals will engage in fairness assessments of HR practices relative to their coworkers.*

*Proposition 2B: During work related activities, when an individual perceives their relative benefits from HR practices to be less than those of coworkers, they will reduce their effort in order to balance their work-related inputs to outcomes.*

Yet it seems paradoxical to develop a set of HR practices that will satisfy the needs and wants of all employees equally. Therefore, rather than adjust the specific HR practices of an organization we provide an alternative framework so as to create a balance among employee justice perceptions.

### ***Social Identity Theory***

Social identity theory (SIT) argues that one's concept of self is comprised of both personal and social identities (Ashforth & Mael, 1989; Tajfel & Turner, 1979; Turner, 1982). One's personal identity is regarded as an individual's characteristics including knowledge, skills, abilities, personal appearance, etc. In contrast, one's social identity is comprised of an individual's membership in social groups as well as the individual's sense of attachment and belonging to that social group (Tajfel, 1981). In summary, personal identity refers to an individual as a single person whereas social identity refers to an individual as a person belonging to some social group.

According to SIT, individuals are motivated to either enhance their personal identity through individual accomplishments or enhance their social identity through attachment and belonging to a valued social group. Individuals are believed to engage in self-categorization wherein they place themselves into particular social categories. After doing so they engage in ingroup comparison to enhance their self-perception and maintain a positive self-concept (Abrams & Hogg, 1988). This social identity process has been referred to as "the sequence of social categorization-social identity-social comparison-positive ingroup distinctiveness" (Tajfel, 1979, P. 184).

As an individual's social identity increases in importance, their individual self-concept should become more group oriented in nature. As an individual begins to emphasize a collective belonging, they should shift from personal identity orientation to one of social identity (Brewer & Weber, 1994; Hogg & Turner, 1987; Spears, Doosje & Ellemers, 1997; Turner, Oaks, Haslam & McGarty, 1994). This identity should become more salient to the individual over time leading their attitudes and behavior to be largely dictated and affected by their social group membership (Shin, 2003). Therefore, we argue that creating a sense of social identity among the members of a work unit and coworkers in general will moderate employees perceptions of organizational justice in relation to HR practices. For instance, an individual who thinks of his/herself in respect to his/her personal identity is likely to perceive larger feelings of

inequity in the internal HR practices of his/her organization as opposed to someone who identifies his/herself with a larger social faction. This shift towards a social identity should transfer the individual's previous feelings of inequity towards feelings of acceptance and likely happiness for those who do benefit from differentiated internal HR practices.

*Proposition 3A: An individual's level of social identity is positively correlated with fairness perceptions regarding HR practices.*

*Proposition 3B: An individual's level of personal identity is negatively correlated with fairness perceptions regarding HR practices.*

### **Organizational Identity Theory**

Tyler and Lind (1992) articulate how perceived fairness is related to the concept of organizational identity. Fairness with respect to the equitable distribution of resources as well as fair policies and practices indicates to employees that they are being treated with respect. Accordingly, they experience increased self-esteem when they believe fair treatment exists in their organization (Konovsky & Brockner, 1993; Tyler & Blader, 2000).

Individuals also derive identity-oriented information from fair policies and practices. Specifically, the more organizational justice perceived by individuals the more likely they feel pride and respect (Tyler, Degoe, & Smith, 1996; Tyler & Lind, 1992). As employees begin to feel respected by their employer, they also begin to identify more with their employer and become more motivated to work in the best interests of the employer (Tyler & Blader, 2000; Shin, 2003).

Fair policies and practices communicate identity relevant information to employees because agents of the organization are considered representatives of the group, for which employees desire to belong to (Lind & Earley, 1992; Tyler et al., 1996; Tyler & Lind, 1992). Thus, if employee form overall perceptions of organizational justice, they are also likely to form a positive social identity from belonging to an organization which fosters said fairness and justice. Accordingly, fair treatment should enhance organizational identity.

*Proposition 4A: General perceptions of organizational justice are positively related to higher levels of perceived organizational identity.*

*Proposition 4B: Perceptions of organizational identity are positively related to perceptions of social identity.*

*Proposition 4C: Perceptions of organizational identity will mediate the relationship between organizational justice perceptions and social identity.*

### **CONCLUSION**

HR managers are the stewards for personnel charged with confronting and addressing concerns related to fairness and perceived injustice. Their positions inherently involve making critical decisions that affect the everyday lives of their organization's most important asset – namely, people. As with any critical decision, it is unlikely that everyone can be appeased and will hold all decisions regarding pay, promotions, etc. as being equitable and fair to all involved.

While HR managers may attempt to promote formal processes for the fair allocation of resources to all, many plans fall short or their objective and perceived injustice is left in the wake. A deeper understanding of the thought process employees engage in when evaluating the fairness and objectiveness of human resource management practices is crucial for businesses. It is still unlikely that a “one-size-fits-all model” exists for ensuring fairness among employees. Yet, if employees perceive themselves to belong to a larger social order, then any feelings of inequity may be mitigated by virtue of social and organizational identity.

## Implications

This paper proposed a framework for understanding organizational justice perceptions of company HR practices. There has been virtually no theoretical model that has sought to provide a better understanding of the psychological processes associated with employee justice perceptions of HR practices. This paper highlights the important mediating and moderating roles of social identity and organizational identity in the evaluation of fairness of HR practices. Specifically, in situations where HR practices have differential effects on perceptions of fairness, attention should be directed towards fostering a social identity and organizational identity in order to balance out perceived inequities.

Additionally, this paper suggests that perceived fairness plays an important role in the development and implementation of HR practices. Previously, perceived fairness in the HR literature has focused predominantly on selection procedures and compensation models. This paper provides insights for how perceived fairness affects employees' attitudes toward differentiating HR practices and how it should be addressed by the organization. By articulating the important role of fairness, this paper extends previous thinking on justice theories in organizational contexts and in examining human resources.

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