

# Equity theory

# Background

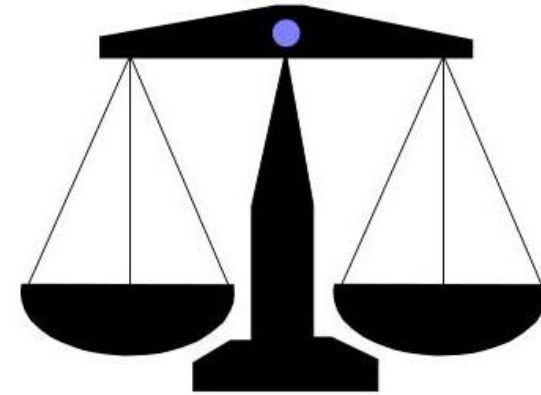
J.Stacy Adams, 1963  
Psychologist



**‘employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others’**

# Background

Thoughts of fairness, comparison other  
Person's willingness to work  
Thoughts, perceptions, judgements  
motivation



# Key Points

**The ratio of inputs to outcomes~ satisfaction with the job**

## 1 inputs

Participants' contributions to the relational exchange .

Time

Education

Experience

skills

Effort

Loyalty

Hard Work

...

## 2 outcomes

Benefits receiving from the job

Job security

Salary

Recognition

Reputation

Responsibility

Sense of achievement

Praise

...

# Key Points

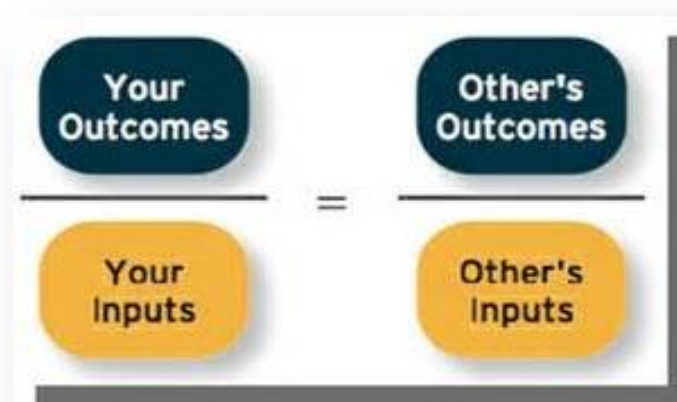
Social comparisons > (in)equity perception

Focus:

Whether the distribution of resources is fair to both relational partners

Equity:

**Similar ratio bw benefits and contributions**



# Key Points

Propositions:

Self-inside: Individuals seek to maximize their outcomes

Self-outside: Group can develop systems of equity to maximize collective rewards

Others-inside: Individuals feel distress when in inequitable relationships

Other-outside: Individuals attempt to eliminate their distress by restoring equity.

# Application in business

Primary assumptions:

1. Equity norm: Employees expect a fair return for what they contribute to their jobs
2. Social comparison: Employees determine what their equitable return should be after comparing with coworkers
3. Employees will seek to reduce the inequity either by distorting inputs and/or outcomes in their own minds(altering inputs and/or outcomes, leaving the organization.)

# Application in business

Implications for managers:

1. People measure the totals of their inputs and outcomes
2. Different employees ascribe personal values to inputs and outcomes
3. Employees are able to adjust for purchasing power and local market conditions
4. There are limits to the balance of the scales of equity, employees can find excessive executive pay demotivating
5. Staff perceptions of inputs and outcomes of themselves and others may be incorrect
6. Overcompensate may increase effort. However, he may also adjust the values of his inputs, internalized a sense of superiority and actually decrease his efforts



# Critisms

demographic and psychological variables

one might feel that his compensation is equitable to other employees', but view the entire compensation system as unfair (Carrell and Dittrich, 1978).