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Perceptions of Fairness

The perceived fairness of process and treatment is as significant as outcomes when engaging employees, stakeholders or the public.

By David Chan

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Human beings are sensitive to the fairness of decisions made or treatment given in virtually every domain of life. Many situations in organisational life provide opportunities to evaluate and experience fairness, and these assessments influence the perceptions of and reactions to these situations.

Not surprisingly, *fairness perception* (also known as *justice perception*), a central concept in organisational psychology, has been shown in research to be important in contexts as diverse as personnel selection and staffing, performance appraisal, compensation and benefits, resource allocation, conflict resolution, layoffs, and other human resource functions. Fairness perceptions also play important roles in public policy implementation and public engagement efforts, as well as employee engagement and organisational development efforts relating to issues of attitudes, climate and behaviour.

While the vast majority of managers and leaders want to be fair and believe that they are, it is nevertheless not uncommon that employees or members of public often think and feel that they have not been treated fairly. Given the importance of the value of fairness and the potential consequences that perceptions of fairness have on employee or public reactions, it is important that we develop a better appreciation of fairness perception and its practical implications.

SOCIAL COMPARISONS

Fairness perception is rooted in social comparison. Specifically, when we react to a situation, we take into account not only our own situation but also the situations of others whom we use as references to compare ourselves with. Research shows that the choice of reference is influenced by similarity with oneself, so we tend to compare ourselves with our co-workers performing comparable jobs rather than our supervisors. In addition to similarity, the choice of reference is also influenced by proximity, accessibility and saliency. Hence, a Singaporean will readily compare himself with his co-worker or fellow student who is a foreigner despite differences such as nationality and cultural background. When social identities (e.g. nationality, sex) and intergroup relationships (e.g. locals versus foreigners, male versus female) are involved, the effects of social comparison can be very powerful and complex because additional variables correlated with group membership, which (regardless of whether they are objectively relevant or irrelevant to the situation) will be factored into the comparison process and thereby affecting perceptions of fairness.

The negative effects of unfairness are substantially stronger than the positive effects of fairness.

FAIRNESS/UNFAIRNESS ASYMMETRY

Studies show that perceptions of fairness are associated with positive emotions and attitudes, such as higher organisational commitment, and with positive behaviours such as strong organisational citizenship (e.g. helping others). Conversely, perceptions of unfairness are associated with negative emotions and attitudes, such as organisational cynicism, and with negative behaviours such as withdrawal and antisocial acts. However, the negative effects of unfairness are substantially stronger than the positive effects of fairness. This asymmetry of impact is consistent with the well-established power of negativity bias in human perception and judgement, which has been robustly demonstrated in many diverse fields of research.

TYPES OF FAIRNESS PERCEPTION

Fairness perception is multidimensional; the research literature distinguishes between two major categories of fairness: **outcome fairness** (or distributive justice) and **process fairness** (or procedural justice).

Outcome fairness refers to the extent to which we perceive that the distributions of outcomes are fair. These outcomes may be pay, benefits, promotions, scholarships, subsidies and other tangible outcomes, but they may also refer to less tangible outcomes such as praise and other forms of social recognition. In general, outcome fairness is high when we perceive that the outcomes we receive, relative to those received by others whom we compare with, are equitable in terms of the proportion of inputs to outputs. It is important to correctly identify the referents to whom comparisons are being made, since they may vary over context and time.

Outcome fairness has also been shown to be influenced by expectations of the distribution of outcomes, based on knowledge of and prior experience with the situation, organisation or policymakers. Hence, moderating expectations is a typical pre-emptive action by managers or policymakers to mitigate anticipated outcome unfairness perceived by employees or members of the public.

However, outcome fairness is also affected by what we think we deserve. Hence, even if I expect a relatively poor pay raise, which I then receive, I am likely to consider the outcome as distributively unfair if I think I deserved a higher pay raise. Consequently, while it is important to be equitable when distributing outcomes among employees, managers also need to provide regular, accurate and constructive feedback to employees on their strengths and weaknesses as well as the overall organisational situation, so that employees' expectations of outcomes and feelings of what they deserve are realistic and accurate. Similarly, policymakers need to invest significant efforts to establish realistic and accurate public expectations with regard to the distribution of policy outcomes.

Over the past three decades, research has clearly indicated that people are concerned not only about the fairness of outcomes, but also the fairness of the process that determines or leads to these outcomes. *Process fairness* is somewhat more complex than outcome fairness, with a range of different aspects

contributing to the overall perception of fairness of process. Early research in the mid-1970s on process fairness perception (in the context of legal disputes) focused on the extent to which one had control over the process or procedures used to determine outcomes. Much of the research on process control has shown that having a voice in the process — regarded as a capacity to influence but not necessarily determine the outcome — will increase perceptions of process fairness.

People are concerned not only about the fairness of outcomes, but also the fairness of the process that determines or leads to these outcomes.

Subsequent research has examined the broader structural characteristics of a fair procedure or process. Specifically, a process is more likely to be considered fair (or unfair) to the extent that the procedures satisfy (or violate) the following procedural rules:

- (1) **Accuracy.** Procedures are based on accurate and valid information;
- (2) **Bias suppression.** Procedures are not affected by personal bias, preconception or self-interest;
- (3) **Consistency.** Procedures are consistently applied across people and time;
- (4) **Correctability.** Procedures provide opportunities to modify or reverse decisions such as allowing appeals and grievances to be considered;
- (5) **Ethicality.** Procedures are congruent with the moral and ethical values held by the people affected; and
- (6) **Representativeness.** Procedures are representative in reflecting the basic concerns of the people affected.

It would be a gross mistake to think that only the distributive fairness of outcomes matters. Research has shown that process fairness predict work outcomes such as job satisfaction, organisational commitment and discretionary extra-role behaviours that benefit the organisation (e.g. suggesting improvements) or other individuals (e.g. helping others), *independent* of the effects of outcome fairness. There is also evidence that process fairness is a stronger predictor than outcome fairness in people's evaluation of the fairness of their leaders. It is also well-established that process fairness mitigates negative reactions to outcome unfairness. Finally, research has shown that the effects of process fairness become stronger when outcome fairness decreases. In other words, when outcomes are perceived as unfair, we tend to be even more highly concerned about the fairness of procedures, probably in part because we do not want the negative outcomes to be repeated.

Recent studies have also highlighted an important form of fairness known as **interactional fairness** (or interactional justice).¹ Interactional fairness may be further subdivided into *informational fairness* and *interpersonal fairness*. Informational fairness is about people's expectation that they should receive adequate information on and explanation of the process and its outcomes. Interpersonal fairness is about people's expectation that they should be treated in a respectful, honest and interpersonally sensitive manner. Violations of these informational and interpersonal expectations lead to feelings of outrage and sometimes retaliatory behaviours against the perceived source of the violation (e.g. supervisor, organisation, government).

Informational and interpersonal fairness are conceptually distinct but empirically highly correlated: both are likely to correlate with each other to affect the quality of social interactions. It is difficult to feel respected if we do not receive adequate information and explanation; conversely, it is difficult to evaluate any information or explanation provided if we feel that we are not being treated sincerely or with honesty. Interactional fairness has a direct impact on fairness perceptions, but it has also been shown to mitigate the negative effects of outcome unfairness and even process unfairness arising from violations of some of the rules of procedural fairness. Hence, given the positive effects of interactional fairness, as well as the control that we have over the social interaction process — compared with the relative lack of control over outcomes and structural aspects of process — managers and leaders should pay more attention and effort to increasing the favourability of social interactions so as to contribute to overall perceptions of fairness.

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CONTAGION AND DISCRETION

Two additional research findings in fairness perception are noteworthy. First, *our perceptions of fairness are influenced by how we see or believe our fellow employees or citizens are treated*. In practical terms, fairness perceptions are contagious: an individual's fairness perception is likely to have multiplier effects on the fairness perceptions of other individuals. Given that negative effects are stronger, it is important to bear in mind the potential widespread and lasting negative effects that unfairness perceptions would have in the organisation or society.

Fairness perceptions are contagious.

Second, research has shown that *fairness effects are stronger when the decisions are perceived as discretionary rather than non-discretionary*. In other words, people do take into account the context of the fair (or unfair) treatment that they receive. A fair outcome or process that is achieved only after being made mandatory by a successful appeal or grievance process is likely to reduce the positive effects of the individual's fairness perceptions, because the decision to fairly distribute the outcome or implement the process would be perceived by the individual as based on legal or regulatory obligation (i.e. non-discretionary) as opposed to being based on discretion — which would signal sincerity and a genuinely favourable assessment of the individual.

CONCLUSION AND PRACTICAL IMPLICATIONS

Fairness perception is fundamental, be it at the workplace or in society at large, since it affects emotions, attitudes, judgements, decisions and behaviours. If fairness perception is low and not adequately addressed, it is difficult to enhance the favourability of more complex experiences such as perceived support, met expectations and employee/public engagement and other established ingredients of a positive

experience that will in turn enhance well-being and performance, for both the employee and the organisation, as well as for government institutions and the public they serve.

The good news is that there exists a robust body of research to help us adopt evidence-based approaches to enhancing fairness perception.² We know that fairness in distributing outcomes is certainly important but so is the fairness of the process leading to the outcomes, as well as the quality of social interaction in this process. We should pay more attention to our choice of words, manner of communication, timing and other elements of engagement as we interact with employees, members of public and other stakeholders regarding decisions and other information relevant to outcomes and processes.

The basic principles of good leadership and management, such as accountability, transparency, objectivity, meritocracy, integrity, trustworthiness and compassion, will help cultivate a climate of fairness. In addition, we should distribute incentives when people are deserving, give people reasonable process control, apply procedures consistently and explain exceptional cases, obtain issue-relevant and accurate information from multiple sources before arriving at decisions to prevent perception of biased decisions, take people's values and concerns into consideration, disclose and explain information accurately as far as possible, and treat people with respect, honesty and sensitivity. These positive management and leadership behaviours, many of which would be perceived as discretionary, will reduce cynicism, increase perceived organisational/institutional sincerity and develop a climate of trust, with reciprocal positive effects on respect, morale, well-being, performance, productivity and commitment.

ABOUT THE AUTHOR

David Chan is Director of the Behavioural Sciences Institute and Professor of Psychology at the Singapore Management University. He has served as Editor and member on the boards of several journals, as well as on various councils and international advisory panels. Together with Nobel Laureate in Economics Professor Daniel Kahneman and world-renowned psychologist Professor Ed Diener, Professor Chan served on an international committee (2005–2010) supported by various international associations of psychology, which submitted to the United Nations a report on developing measures of national well-being across countries. A frequently cited scholar, he is the first non-American to receive the Distinguished Early Career Contributions Award to I-O psychology. For his contributions to psychology, he was elected Fellow of the Association for Psychological Science, the Society for Industrial and Organizational Psychology, the International Association of Applied Psychology, and the American Psychological Association.

NOTES

1. Interactional fairness is sometimes subsumed under process fairness as part of the elements of social interaction associated with processes and procedures.
2. For a review, refer to Gilliland, Stephen, & Chan, David, *Justice in Organizations: Theory, Methods, and Applications* (2001). In N. Anderson, D. S. Ones, H. K. Sinangil, & C. Viswesvaran (Eds.), *Handbook of Industrial, Work, and Organizational Psychology*, (Thousand Oaks, CA: Sage), pp 143-165.