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EQUITY THEORY AND BEHAVIOR IN ORGANIZATIONS

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Equity theory is a social psychological theory concerned with justice in interpersonal relationships. It is intended to be a general theory, useful for predicting human behavior in a wide variety of social interactions. The theory has been applied to predict people's responses in such diverse areas as employer-employee relationships, exploitative relationships, philanthropic relationships, and intimate relationships (for a review, see Berkowitz and Walster [Hatfield], 1976). In this chapter, we will argue that Equity theory provides an orderly framework for understanding business and social relationships in the industrial organization.

Equity theory can be considered a natural framework for analyzing relationships in the business setting. In a business setting, it is usually fairly easy to specify who is in a relationship with whom. Employers know they are in a relationship with their employees. Foremen know they are in a relationship with their linepeople. The linepeople, who work side by side tightening identical bolts on identical auto bodies, are in a relationship with each other. It is also usually

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fairly easy to specify what factors should "count" in exchanges that occur in a business setting. Probably both employers and employees, if required to enumerate the inputs they consider important, can agree that intelligence, education, skill, training, experience, seniority, effort, and so on, are critically important in determining how much pay an employee should receive.

Equity theorists have generated a fascinating array of equity predictions concerning the employer-employee relationship. In this chapter, we will review the voluminous research that has examined how equity operates in that relationship. We will also explore how equity theory is relevant for understanding the exchanges that occur between coworkers and between superiors and subordinates. Finally, we will discuss individual and situational factors that can influence perceptions and reactions to equity. We begin with an overview of Equity theory.

I. EQUITY THEORY: AN OVERVIEW

Equity theory is a strikingly simple theory (See Hatfield et al. (1980) or Walster (Hatfield) et al. (1978).) It is composed of four interlocking propositions:

Proposition I: Individuals will try to maximize their outcomes (where outcomes equal rewards minus punishments).

Proposition IIA: Groups (or rather the individuals comprising these groups) can maximize collective reward by evolving accepted systems for equitably apportioning resources among members. Thus, groups will evolve such systems of equity, and will attempt to induce members to accept and adhere to those systems.

Proposition IIB: Groups will generally reward members who treat others equitably and generally punish members who treat each other inequitably.

Proposition III: When individuals find themselves participating in inequitable relationships, they will become distressed. The more inequitable the relationship, the more distress they will feel.

Proposition IV: Individuals who discover they are in inequitable relationships will attempt to eliminate their distress by restoring equity. The greater the inequity that exists, the more distress they will feel, and the harder they will try to restore equity.

An equitable relationship is said to exist when the person evaluating the relationship (who could be one of the participants or an outside observer) concludes that all participants' relative gains are equal. Inequity arises if one participant's ratio of outcomes to inputs is either larger or smaller than his/her partner's. The following mathematical formula is used to calculate equity:

$$\frac{(O_A - I_A)}{(|I_A|)^{k_A}} = \frac{(O_B - I_B)}{(|I_B|)^{k_B}},$$

For a review of other formulae that have been proposed for calculating Equity, see Adams (1965), Alesseio (1980), Harris (1976), Moschetti (1979), or Zuckerman (1975).

A. Definition of Terms

Inputs (I_A or I_B) are defined as "the scrutineer's perception of the participants' contributions to the exchange, which are seen as entitling them to reward or punishment." The inputs that participants contribute to a relationship can either be assets, which entitle them to rewards, or liabilities, which entitle them to punishment. In different settings, different inputs are assumed to be relevant. In industrial settings, people assume that such assets as capital or manual labor are relevant. In other settings, however, such assets may not be considered relevant.

Outcomes (O_A and O_B) are defined as "the scrutineer's perception of the rewards and punishments participants have received in the course of their relationship with one another." Positive outcomes are referred to as rewards, while negative outcomes are called punishments. The participants' total outcomes, then, are equal to the rewards they obtain from the relationship minus the punishments that they incur.

The exponents K_A and K_B in the above formula take on the value of +1 or −1, depending on the sign of A and B's inputs and the signs of their gains (outcomes − inputs). If I and (I −O) are both positive (or both negative) K_A or $K_B = +1$; otherwise K_A and $K_B = -1$.

B. Who Decides Whether a Relationship is Equitable?

According to the theory, equity is in the eye of the beholder. Observers' perceptions of how equitable a relationship is will depend on the assessment of the value and relevance of the participants' inputs and outcomes. If different observers assess participants' inputs and outcomes differently, and it is likely that they will, it is inevitable that they will disagree about whether or not a given relationship is equitable. For example, white collar employees may feel that a degree from a prestigious university is a relevant input entitling them to positive outcomes. Their employer might disagree. Moreover, an "objective" observer may perceive the matter in an entirely different way.

C. The Psychological Consequences of Inequity

According to Proposition III of Equity theory, individuals who find themselves participating in inequitable relationships, will feel distress. This will occur regardless of whether they are the beneficiaries or the victims of inequity. The distress experienced by overbenefited individuals may be labeled guilt, dissonance, empathy, fear of retaliation, indebtedness, or conditioned anxiety. The distress experienced by underbenefited individuals may be labeled anger or resentment. The distress which both the overbenefited and the underbenefited feel is generally assumed to arise from either retaliation or self-concept distress. Retaliation distress occurs when exploiters or victims are concerned that others may denigrate or even punish them. Self-concept distress occurs when they become distressed over violating their own self-expectations and moral standards.

D. Techniques by Which Individuals Reduce Their Distress

Proposition IV of Equity theory states that individuals who are distressed by their inequitable relationships will try to eliminate such distress by restoring equity to their relationships. There are two ways by which participants can restore equity: They can restore either actual equity or psychological equity.

Participants can restore *actual equity* by altering their own or their partner's relative gains in appropriate ways. For example, imagine a secretary who feels her boss underpays her. She could reestablish actual equity in various ways: She could neglect her work (thus lowering her own inputs), demand a raise (thus raising her own outcomes), make mistakes so that the boss will have to work harder undoing what she has done (thus raising the boss' inputs), or sabotaging company equipment (thus lowering the boss' outcomes). The ingenious ways people contrive to bring equity to inequitable relationships are documented by Adams (1963).

Participants can restore *psychological equity* to their relationships by changing their perceptions of the situation. They can try to convince themselves and the other that the inequitable relationship is, in fact, perfectly fair. For example, the exploitative employer (in the last example) could try to convince himself that the relationship with his underpaid and overworked secretary was, in fact, perfectly fair. For example, he could restore psychological equity by minimizing his secretary's inputs ("You wouldn't believe how slow she is"), by exaggerating her outcomes ("She's gaining invaluable experience"), by exaggerating his own inputs ("Without my creative genius the company would fall apart"), or by minimizing outcomes ("The tension on this job is giving me an ulcer"). If both these strategies fail, individuals can always reduce inequity by "leaving the field."

E. Actual versus Psychological Equity Restoration

At this point, equity theorists confront a crucial question: Can one specify when people will try to restore actual equity to their relationship, versus when

they will settle for restoring psychological equity? From Equity theory's Propositions I and IV, one can make a straightforward derivation: people may be expected to follow a cost-benefit strategy in deciding how they will respond to perceived inequity. Whether individuals respond to injustice by attempting to restore actual equity, by distorting reality, or by doing a little of both, has been found to depend on the costs and benefits participants think they will receive from each strategy. (See Berscheid and Walster [Hatfield], 1967; Berscheid et al., 1969; or Weick and Nesset, 1968).

II. THE EMPLOYER-EMPLOYEE RELATIONSHIP

The relationship in the organization that has been examined most frequently by equity researchers is the employer-employee relationship. The approach of this research has been to treat the employer-employee relationship as asymmetrical. It is assumed that the employer "acts" and the employee "reacts." Thus, in studying employer's behavior, what is examined is whether employers allocate resources equitably and what motivates them to do so. In studying the employee's behavior, what is examined are their reactions to their perceptions of equitable/inequitable treatment by their employer.

We will first examine employers' equitable behavior in their allocation of resources. Then we will turn our attention to where the most productive (and voluminous) research in the industrial area has been—examining how employees react to equity and inequity.

A. The Employer

A primary task of employers is to allocate pay, promotions, and other resources to employees. How employers choose to divide up a finite amount of resources among several workers has always been an interesting question to industrial psychologists. Perhaps more interesting, however, is *why* employers make the distribution decisions they do.

There are several different possible allocation norms that employers can choose in deciding how to allocate resources (Lerner, 1974; Pruitt, 1972; Leventhal, 1976; 1980). According to the *equity* norm, rewards and resources are distributed according to contributions. According to the *equality*[1] norm, resources are distributed evenly, regardless of contributions. A norm of *need*[1] (or social responsibility) would dictate that employers allocate more to those in greater need. Other norms include a norm of adhering to commitments, a legality norm, a reciprocity norm, and a status norm (see Leventhal, 1980).

Why would employers choose to allocate pay and other resources equitably instead of, for example, allocating resources according to *need*, or allocating resources *evenly* regardless of input?

Leventhal (1976) embarked on a research program designed to find out what motivates employers to behave in equitable vs. inequitable ways. Leventhal argued that very few businessmen are committed to abstract ideals of equity and justice. They pay their employees fairly because they believe they ought to do so. They follow the equity rules because of the benefits they produce—both for the employer and for the company. The real question, Leventhal argues is: Why do employers follow equity norms?

Leventhal reviews several "pay-offs" that employers can reap from equitable behavior:

1. *Motivating Workers to Produce*

One benefit that employers have for allocating pay equitably is that it helps to foster productivity. Experimental and field studies indicate that paying higher wages to good workers and lower wages to poor workers elicit better future performance (see Collins and Guetzkow, 1964; Homans, 1974; Lawler, 1971; Pondy and Birnberg, 1969; Porter and Lawler, 1968; Steiner, 1972; and Weinstein and Holzback, 1973).

Leventhal hypothesizes that employers believe that behaving equitably will foster productivity because such behavior results in the following:

1. Workers who are most productive will continue to have access to the resources they need to continue to be able to make large contributions.
2. Workers whose behavior is most useful are reinforced for their behavior, and this reinforcement will motivate them to continue to perform usefully.
3. Workers whose behavior is not useful will be encouraged to increase the quality and quantity of their work in order to eventually reap greater rewards.
4. All workers will become aware that there is a strong link between performance and rewards, and this will work to facilitate their productivity.

2. *Attracting Superior Workers to the Company; Weeding Out the Inferior Ones*

By allocating resources and reward equitably, employers may improve the overall productivity of the work group in an additional way. Inferior workers, dissatisfied with their low salaries, will leave the group. Superior workers will want to remain in the group because they are being rewarded for their productivity. Furthermore, superior workers from the outside will be attracted to the group because they know that they will be rewarded for their contributions. There is some experimental evidence to suggest that employers are especially likely to follow the equity norm when they are eager to get the best possible work force (Landau and Leventhal, 1976).

3. *Conforming to Business World Norms*

Sometimes employers behave equitably not because they are consciously trying to increase productivity, but simply because they are conforming to a policy of distributing rewards and resources according to performance. Generally, the business world feels that it is appropriate to pay people fairly. It is generally taken for granted that the better the employees' work, the higher the salary they should get.

That employers are sometimes simply conforming to an established distribution rule, rather than trying to foster productivity, is demonstrated in experiments in which the allocator (subject) continues to distribute the rewards equitably even when the recipient has no further task activity (see, for example, Lane, Messe, and Phillips, 1971; Lerner, 1974; Leventhal, Popp, and Sawyer, 1973; Mikula, 1974).

4. *Avoiding Conflict*

Sometimes, employers may treat their workers equitably simply to avoid conflict. When resources are perceived to be distributed in an unjust manner, workers become dissatisfied (Adams, 1965; Homans, 1974). Distributing resources according to an equity norm would most likely lead to satisfaction and harmony among workers when the employees feel that they *should* be rewarded on an equitable basis. However, Leventhal (1976) presented evidence to suggest that workers have the highest degree of satisfaction and harmony when resources are distributed equally. In addition, studies indicate that allocators tend to choose to distribute equally when they are desirous of reducing conflict and increasing satisfaction and harmony among workers (Leventhal, Michaels, and Sanford, 1972). Actually, a point somewhere between allocating equitably and allocating equally, may be most optimal for avoiding conflict among workers. This is because workers are probably most satisfied with a norm that maximizes their own rewards. Low-input workers maximize their rewards under equality, while high-input workers maximize their rewards under equity. In sum, Leventhal (1976) argues that employers will treat employees equitably only so long as it is profitable to do so.

Another question about allocator's behavior that has interested researchers is whether there are certain individual factors that influence whether allocators choose to distribute rewards equitably vs. equally. Many studies have found that men and women tend to have different strategies in reward allocation. In general, men are more likely to allocate rewards equitably while women are more likely to allocate rewards equally. This sex difference in reward allocations is often explained by the different socialization experiences of men and women. Men are socialized to be concerned with achievement and getting ahead, while women are socialized to be concerned with social and interpersonal harmony (for a review of this research, see Kahn et al., 1980).

While research examining the equitable behavior of employers has focused primarily on their role as allocators, there are many other aspects of the employers' behavior that could be examined from the framework of equity theory. Employers are in reciprocal relationships with their employees, but how employers react to equitable/inequitable behavior by their employees has not been examined. Reactions of employees to equitable/inequitable treatment by employers, however, has received a great deal of attention.

B. The Employee

Equity theorists predict that employees react to inequitable pay (both underpay and overpay) by exercising an unpleasant emotional state, which subsequently motivates them to reduce the inequity. Employees can restore equity by either actually altering inputs or outcomes *or* by distorting reality and convincing themselves that they are being fairly treated. Furthermore, if all else fails, employees can "leave the field" by rejecting the job. The research evidence, which is reviewed below, indicates that employees generally react as equity theorists would predict.

Most of the research examining employee reactions to pay has been based on laboratory experimentation. Subjects are hired to perform routine, unskilled tasks, and perceived inequity is induced by either manipulating the pay rate or by manipulating the subject's perceived qualifications for the job. A few field studies have also been conducted to examine how employees respond to real situations in existing organizations.

a. Distress. Equity theory predicts that people become distressed or dissatisfied when they are inequitably treated. Research in the workplace supports this prediction. Because job dissatisfaction is common in large organizations and is related to such important employee behaviors as absenteeism, turnover, and productivity, much research has been devoted to understand its antecedents. It has long been known that satisfaction on the job is at least somewhat related to perceptions of an equitable reward system. For example, it was found in the classic Hawthorne studies that dissatisfaction among the Western Electric Company employees was related to feeling that their seniority and ability were not being adequately rewarded (Roethlisberger and Dickson, 1939). In another industrial field study, job dissatisfaction was found to be related to perceived injustice (Jacques, 1961). Among British factory workers, Jacques found that underpaid workers showed "an active sense of grievance, complaints, or the desire to complain, and—an active desire to change jobs." But, more interestingly, he found that overpaid workers were distressed too; they showed "a strong sense of preferential treatment—with underlying feelings of unease."

While the above field studies suggest that perceptions of inequity and job dissatisfaction are related, experimental evidence provides support for a causal

relationship between inequity and dissatisfaction. Pritchard, Dunnette, and Jorgenson (1976) hired Minnesota men to work as clerks in their "Manpower firm." At the time the men were hired, they were promised an equitable salary. After they had gone through a day of orientation, however, they were told by the employer that the recruitment flyers had been in error, and that as a consequence, their salary would be changed. While some of the men remained at an equitable salary, others were either underpaid or overpaid.

During the week the men worked, their satisfaction with their equitable/inequitable situation was measured in two ways. The men were asked to rate their feelings on the Minnesota Satisfaction Questionnaire, which measures satisfaction with five dimensions: work, supervision, people, pay, and promotions. The results were fairly clear: equitably treated workers were more satisfied with their jobs than were either overpaid or underpaid workers. Additional evidence that equitably paid workers are more satisfied than markedly underpaid or overpaid workers comes from a variety of sources (see, for example, Dittrich and Carrell, 1979; Giles and Barrett, 1971; Homans, 1953; 1961; Jacques, 1956; Klein, 1973; Patchen, 1961; Stouffer et al., 1959; Vroom, 1964; Zalezneck, 1958).

Equity theorists often view distress as an intervening variable. The distress (or dissatisfaction) that arises from perceptions of inequity, is a source of tension which motivates the individual to reduce the perceived inequity. Thus, inequity perceptions lead to feelings of distress, which in turn, lead to particular behaviors such as tardiness, absenteeism, turnover, or change in productivity. Most of the research on employee reactions to equity/inequity has examined how employees try to restore equity. We will now turn our attention to the area in which the bulk of the research on employee reactions to inequity has been conducted—restoration of equity.

b. Restoration of Equity. How do inequitably paid workers handle their feelings of distress and dissatisfaction? According to equity theory, two strategies are available to them—they can try to restore actual equity or psychological equity. An impressive body of literature indicates that workers seem to do both.

(1) Restoration of actual equity. Studies examining how workers react to inequity by changing the quantity or quality of their performance (their inputs) have dealt with either underpayment or overpayment conditions and either piece-rate or hourly compensation. Most of the research has concentrated on the overpayment condition.

In an early classic study, Adams and Rosenbaum (1962) examined how overpaid hourly and piece-rate workers would react to their advantageous inequity. They proposed that hourly and piece-rate workers would respond to inequity in entirely different ways. Overpaid hourly workers were expected to increase their inputs in order to restore equity—by increasing the quantity and quality of their work. In contrast, overpaid workers on a piece-rate basis were expected to decrease quantity and increase quality of work. This strategy by overpaid piece-rate workers lowers their own outcomes, but increases their inputs to the employer.

Adams and Rosenbaum (1962) tested this hypothesis by hiring interviewers and then paying them either by the hour or by the interview, and leading them to feel either overpaid or equitably paid. The results of the experiment were striking. As predicted, when interviewers were paid by the hour, overpaid workers conducted far more interviews than did their equitably paid counterparts. When workers were paid by the interview, however, overpaid interviewers produced far less than their equitably paid counterparts. (In subsequent research, Adams (1963) and Adams and Jacobson (1964) demonstrated that overpaid workers also produced better interviews than their equitably paid colleagues).

A number of other studies have also demonstrated that overpaid workers will produce work of greater quantity than equitably paid workers (Arrowwood, 1961; Goodman and Friedman, 1968; Lawler, 1968; Pritchard, Dunnette and Jorgenson, 1972; Wiener, 1970). Not all research, however, supports the predictions about overpayment inequity (see, for example, Anderson and Shelly, 1970; Evans and Simmons, 1969; Friedman and Goodman, 1967; Valenzi and Andrews, 1971; Lawler, Koplin, Young and Fadem, 1968; Wood and Lawler, 1970). In some of these studies, for example, overpaid workers did not adjust the quantity and quality of their work. At a closer scrutiny, however, the results of these studies suggest that overpaid workers may be restoring equity in other ways—for example, they may be restoring psychological equity, as we will discuss later.

Although overall there is substantial support for equity theory in the overpayment condition, the research has been criticized and several alternative explanations have been offered. In particular, it has been proposed that when perceived inequity is induced by manipulating the subject's perceived qualifications for the task, the subjects may experience threatened self-esteem and/or threatened job security. For example, in a review of Adams and Rosenbaum's (1962) equity research, Pritchard (1969) noted with devastating clarity:

> The essence of E's statement seems to be: (1) what is an unqualified person like you doing here; (2) you will be a poor interviewer; (3) you will cause errors in my data; (4) I'm going to raise hell with the idiot who sent you over here; (5) I have to hire you, but I don't want to; (6) you will have to be extremely careful of these interviews; (7) you may think this stuff is simple, but it's not; and (8) I'm forced to pay you at the going rate, but you don't deserve it. E then proceeds to describe the extremely simple interviewing procedure (p. 186).

Such a challenge to the worker's qualifications could no doubt, create lower self-esteem and/or the fear of losing one's job. Subjects may work harder, not to restore equity with an employer, but to prove to themselves that they are capable of performing the task and/or to protect their job.

In support of the alternative explanation of threatened self-esteem is a study by Weiner (1980). He manipulated whether or not the task was ego-involving, and found that overpaid subjects produced more than equitably paid subjects only when the task was ego-involving (and thus central to their self-concept). He argued that the overpaid subjects were attempting to restore self-esteem, and not equity. Other support for the alternative explanation of threatened self-esteem comes from Andrews and Valenzi (1970) and Lawler (1968).

Fewer experimental studies have examined how *underpaid* workers react to their disadvantageous inequity, perhaps because the results have tended to be consistent and subject to fewer alternative explanations. The basic hypothesis is that underpaid hourly workers will decrease the quantity and quality of work, while underpaid piece-rate workers will increase the quantity but decrease the quality of work.

In one experimental test of this contention, Lawler and O'Gara (1967) examined whether underpaid piece-rate workers would restore equity by increasing the quantity and decreasing the quality of their work. They hired men as interviewers and led some to feel equitably paid and others to feel underpaid. The results strongly supported equity theory; underpaid piece-rate interviewers conducted far more interviews of far worse quality than did their equitably paid colleagues. In general, most of the research examining reactions in the underpaid condition has been supportive of equity theory predictions (for reviews, see Adams and Freedman, 1976; Goodman and Friedman, 1971; or Pritchard, 1969).

Some recent field studies have examined the consequences of inequity perceptions on performance in real organizations. In one interesting study (Lord and Hohenfeld, 1979), the effects of disadvantageous inequity on the performance of major league baseball players who began the 1976 season without a contract agreement was examined. The major league baseball players were underpaid relative to previous seasons and in comparison to other major league players. In a time-series analysis of recorded performance over several years, it was found that underpaid players performed worse during the period around the strike than at other times. In particular, their batting average, home runs, and runs batted in were significantly lower. While recognizing that there could be other alternative explanations, the researchers concluded that an equity theory interpretation was most consistent with the results.

(2) Restoration of psychological equity. Workers may try to set things right in yet another way—they can try to restore psychological equity. Overpaid and underpaid workers can distort reality and convince themselves that they are being fairly paid. According to some writers, this occurs very frequently, particularly among workers who are overpaid. Locke (1976), for example, argues that employees who are overpaid are likely to adjust what they believe is equitable treatment in order to justify what they are getting. They may decide that if the company is willing to pay so much, they must be making a valuable contribution. In other words, the overpaid employees increase the value of their inputs in order to psychologically restore equity. As we mentioned earlier, this may have been the strategy taken by overpaid subjects in studies that are classified as unsupportive of equity theory predictions in the overpayment conditions.

Studies on the resolution of inequity suggest that psychological restoration may be time dependent. Workers' initial reactions to inequity are sometimes quite different than their long-term reactions. It may be that, as Adams and other researchers have demonstrated, when workers first find out that they are being over or underpaid they become concerned and set out to remedy things. However, if the inequity were to continue, overpaid workers would probably begin to wonder why, if they are so unqualified, their employer doesn't fire them and hire someone better. With time, the underpaid workers would be forced to ask themselves why, if they are really so exploited, they don't quit and go elsewhere. Both overpaid and underpaid workers would come to realize that restoring psychological equity is far less costly than restoring actual equity.

Lawler et al. (1968) tested the hypothesis that overpaid piece-rate workers would initially try to set things right by producing less work of higher quality, but that they would eventually raise their evaluations of their own inputs. They hired men and women as interviewers and led some to believe that they were being equitably paid (were qualified for their work) and some to believe that they were being overpaid (were underqualified for their work). The interviewers were hired for three sessions, spaced over a six-day period. At the end of each session, the researchers determined the quantity and quality of the interviewers' work. In addition, the interviewers were asked to complete a questionnaire, which asked how fairly paid they felt.

At the initial session, overpaid piece-rate interviewers reacted as they had in past studies: they interviewed fewer people, but did a far better job in each interview, than did their equitably paid colleagues. However, the strategy of the overpaid interviewers changed by the second and third sessions. By then, the overpaid workers' work was no better or worse than the equitably paid workers. It was not that equity had become unimportant, however. The authors argue that the overpaid interviewers simply switched to a more profitable mode of equity restoration—from the restoration of actual equity to the restoration of psychological equity. Over time, overpaid interviewers became increasingly convinced that the employer was wrong and that they *were* qualified for their jobs. In fact, by the final day of work, overpaid interviewers (who had initially been told they were not qualified) were actually more confident about their qualifications than were equitably paid interviewers (who had initially been told they were qualified).

In other studies, it has been found that psychological restoration may occur immediately after a payment injustice occurs. In one study (Gergen, Morse, and Bode, 1974), students were recruited in Italy and in United States for an applied psychology study, ostensibly being conducted in the hope of improving air-ground communication. Subjects were either made to feel overpaid, equitably paid, or underpaid. The subjects' task was a difficult one. Words from a "pilot," along with an irritating "static," were broadcast to the students. It was their job to identify as many words as they could, which required intense concentration.

To their surprise, the researchers found no differences in the overpaid/equitably paid/underpaid students' work. However, they did find sizable differences in the students' *perceptions* of the difficulty of the task and in their definitions of a "fair wage" for such work. The more the men were overpaid, the more insistent they were that the air-ground communication task was a difficult one. Equitably paid and underpaid men did not differ in their perception of task difficulty. The researchers also found that the more the men were paid, the more they felt they deserved to be paid. There is other evidence that overpaid and underpaid workers may make themselves feel better by changing perceptions of their own and their partner's relative gains (see Adams, 1965; Lawler et al., 1968; Lawler and O'Gara, 1967; Weick, 1964).

(3) Leaving the field. Until now we have considered only those special cases in which workers were committed to their jobs. In the studies we described, applicants were often already on the job when they discovered they would be equitably or inequitably paid. The researchers carefully designed things to insure that employees, equitably paid or not, would stay on. In real life, however, employees have more options than that. Employees can accept their working conditions or they can withdraw psychologically (coming into work late or not at all), request a transfer, or simply quit outright.

Equity theory would predict that the equity/inequity of the business relationship should have a critical impact on a person's eagerness (or reluctance) to stay in the situation. Equitable relationships should be fairly stable relationships, while inequitable relationships should be fairly fragile. There are some experimental data to support these contentions.

An experiment by Schmitt and Marwell (1972) was conducted to examine whether subjects would withdraw from an inequitable situation to one less profitable, but more equitable. This is behavior, the authors noted, that would be considered "seriously irrational" by economists. The researchers gave teams of workers a choice of how they wanted to conduct a task: they could work cooperatively (and earn a lot of money), or they could work individually (and earn just a little money). There was one catch; however, sometimes all the cooperating workers were paid the same amount of money each time the team made a correct response (equity condition). At other times, the cooperating workers were paid markedly different amounts (inequity condition).

It was found that when the pay schedule was equitable (cooperating workers receive equal pay for equal work), the subjects behaved rationally. They chose to cooperate most of the time. However, as the researchers predicted, when the pay schedule was inequitable, the workers behaved "irrationally." As the workers' payoffs became increasingly unbalanced, workers were more and more likely to quit cooperating and withdraw to the individual task, where they received low but equitable wages. Workers seemed to be more interested in equity than in money.

A second bit of evidence that equitable relationships are more stable than inequitable ones comes from a study by Valenzi and Andrews (1971), which was designed to test a different hypothesis. In this study, women were hired to perform clerical tasks. On the first day of work, all the women were equitably paid. However, when the women reported back for their second day of work, some were overpaid, some were underpaid, and some remained equitably paid. The wage change was explained to be a result of a budget change in the government funding of the project. Valenzi and Andrews predicted that the workers would differ in their productivity and craftsmanship as a function of whether they were overpaid, equitably paid, or underpaid. However, the researchers did not find any differences in productivity and work quality between the different workers. What they did find, however, was interesting. While all the overpaid and equitably paid clerks remained on the job, 27% of the underpaid women quit. While it was not specifically investigated, it is also possible that the overpaid workers, and the underpaid workers who didn't "leave the field," were choosing to restore psychological equity, which is a less costly strategy than restoring actual equity or leaving the job.

There are also some naturalistic data in support of the contention that equitable relationships are more stable than inequitable relationships. A few researchers have interviewed management and workers in governmental agencies and in large corporations. It has been found in these studies that equitably paid employees are especially loyal employees. For example, Dittrich and Carrell (1979) found that clerical employees who perceived their work situation as inequitable (as measured on the Dittrich and Carrell (1976) *Organization Fairness* questionnaire) were more likely to be absent and were more likely to quit than employees who perceived their work situation as equitable. (See, also, Dittrich and Carrell, 1976; Finn and Lee, 1972; Telly, French, and Scott, 1971). It seems, then, that equitable relationships are more stable than inequitable ones. Furthermore, evidence suggests that underpaid employees are more likely than overpaid workers to withdraw from an inequitable situation.

III. EQUITY IN OTHER RELATIONSHIPS IN THE ORGANIZATION

There are many other relationships in the organization in addition to the employer-employee relationship. For example, coworkers have relationships with each other, and there are relationships between superiors and subordinates. Indeed, not only are there more of such relationships in the organization, but these relationships may be more interesting than the employer-employee relationship. As pointed out by Campbell and Pritchard (1976), the relationship between the employer and employee is very impersonal when compared to the relationship between people who have contact with each other. Workers may not feel upset

about "cheating" an impersonal organization, but they may feel upset about cheating a coworker or a superior they see everyday.

A. The Co-worker Relationship

While the resources exchanged among coworkers are not as easily quantifiable as the monetary rewards and units of work exchanged in the employer-employee relationship, nonetheless there are many resources that are exchanged. Coworkers may help each other out in various ways. They can take turns manning car pools, buying each other lunch, exchanging advice, and even doing each other's work.

Research examining how people respond to help given by another of equal status is useful for understanding exchange in the coworker relationship. In this research, experiments are conducted where subjects are working together on a task, and one subject (often a confederate) offers help to another subject. In general, this research has found that equitable helping relationships are more satisfying and more stable than inequitable ones (for a review, see Hatfield and Sprecher, 1982).

This experimental evidence suggests that two factors may influence how people react to help offered by a coworker: (a) Was the coworker's help intentional? and (b) Was the help unselfishingly motivated? As suggested by the theories of Heider (1958), Jones and Davis (1965), and Kelley (1967), the recipient of aid attempts to determine if the helpful coworker was intentionally motivated to provide help—or if the help was either "accidentally" provided or dictated by organizational role requirements. In general, research indicates that people will be more inclined to reciprocate if they have been intentionally helped rather than accidentally or reluctantly helped. For example, in a study by Greenberg and Frisch (1972), subjects were given aid by another "subject," and were led to believe that they were either intentionally or accidentally helped. Recipients who thought the aid was intentional were more likely to reciprocate than were those who thought it was accidental. Similar results have been found in several other studies (see Garrett and Libby, 1973; Goldner, 1965; Goranson and Berkowitz, 1966; Greenberg, 1968; Gross and Latane, 1974; Leventhal, Weiss, and Long, 1969).

In reciprocal helping relationships (such as the coworker relationship), it is important not only that helping behavior is "intentional", but also that the help is given for the "right reasons." When coworkers offer to help "out of the goodness of their hearts" our reaction is an immediate one: we feel affection and gratitude; we resolve to return their kindness. If, on the other hand, coworkers make it brutally clear that they expect a return with interest, we are far less touched by their generosity and may be less concerned about repaying the kindness. In an experimental illustration of this, Tesser et al. (1968) found that the helper's motives had a strong effect on feelings of gratitude expressed. Subjects were given various stories describing the motives a helper had for doing particular acts of helping. Subjects expressed more gratitude for the helper when he or she was described as giving primarily to benefit the recipient than when he or she was described as giving for other more "selfish" reasons. Other data in support of this contention come from Brehm and Cole (1966); Broll, Gross, and Pilivian (1974); Krebs (1970); Leeds (1963); Lerner and Lichtman (1978); and Schopler and Thompson (1968).

Why, in equity terms, should people have different reactions to coworkers whose help is voluntary and unselfishly given as opposed to coworkers whose help is involuntary or even "ulteriorly motivated?" First, recipients may feel that "goodness" and "unselfishness", in and of themselves, are positive inputs to a relationship. Thus, they may feel that "unselfish" coworkers deserve a bigger return than "selfish" donors, who perform the same acts. Second, the recipients may be more eager to maintain a relationship with a generous coworker than with a selfish one. Thus, they may be especially willing to treat the others equitably by repaying their kindness.

Relationships between coworkers vary in intimacy. Some coworkers may barely know each other, while other coworkers may be close and intimate friends. Some theorists have argued that the dynamics of exchange are different in intimate vs. casual relationships. Clark and Mills (1979), for example, distinguish between communal and exchange relationships. In a communal relationship, members are concerned about one another's welfare, and benefits are given in order to meet the other's needs. There is no expectation that the generous giver is entitled to anything in return. In an exchange relationship, on the other hand, benefits are given with the expectation that they will eventually be reciprocated—and often sooner rather than later.

Clark and her colleagues have conducted several experiments examining how exchange of helping favors is different in communal vs. exchange relationships. In one study, Clark and Mills (1979) found that attaching an obligation to aid increases attraction in a potential exchange relation but decreases attraction in a potential communal relation. In addition, a request for aid (in the absence of previous aid from the other) decreases attraction in an exchange relation but increases attraction in a communal relation. In another study (Clark and Waddell, 1981), subjects were asked to imagine how they would react if someone asked for their help in either a communal or exchange relationship, and if they were either repaid or not. When subjects were not repaid, they felt less upset if it was a communal relationship than if it was an exchange relationship. In a third study by Clark (1981), college students read a description of a person benefiting another, followed by the other benefiting the person. In one condition, both benefits were identical—and the benefit was either a ride home or lunch. In the other condition, the benefits were noncomparable—the ride home was the first benefit and the lunch was the second benefit, or vice versa. After reading the description, the subject rated the degree of friendship between the two people.

When the benefit was noncomparable, subjects were more likely to believe that the people were close friends.

The findings from these studies, however, do not contradict what would be expected on the basis of equity theory. While equity theorists do not assume that different norms govern the exchange of benefits in intimate vs. nonintimate relations, they argue that the exchanges in intimate relationships are far more complicated than are those in casual encounters. Equity theorists have argued that close relationships are different from more casual relationships in at least the following two ways (See Hatfield et al., in press.):

1. *Length of relationship:* In general, intimate relationships endure over a longer period of time than do casual relationships. Because it is easier to keep a balance sheet over the short-term than over the long-term, it is easier to calculate equity in casual relationships than in intimate ones. Furthermore, casuals may be less tolerant than intimates of inequities since they realize that they may not have forever to set things right. Thus, favors received in casual relationships will likely be reciprocated within a short period of time, while a long period of time may pass before favors received in intimate relationships are reciprocated.
2. *Resources Exchanged:* While casuals are often limited in the type of resources they exchange, intimates have a wide variety of resources that they can give and take. Foa and his associates (Donnerwerth and Foa, 1974; Foa, 1971; Foa and Foa, 1971; 1980) have listed six classes of resources—love, status, information, money, goods and services—that are exchanged in interpersonal relationships. Coworkers who are only casual friends probably exchange only those resources whose value is commonly understood—money, goods, and services. In contrast, coworkers who are intimate friends probably negotiate exchanges involving all types of resources. Furthermore, intimates and casuals probably differ in the degree to which they substitute resources. Casuals are likely to exchange in the same context ("You buy me lunch on Wednesday, and I'll buy you lunch on Thursday"). In contrast, intimates are likely to exchange in a variety of contexts.

B. Superior-Subordinate Relationship

What about the relationship between superiors and subordinates? This is a relationship that is similar in many ways to both the coworker relationship and the employer-employee relationship. It is also a type of relationship that has not received much attention by equity researchers. However, because modern organizations are increasingly characterized by complex lines of authority, the superior-subordinate relationship will probably gain future research attention.

Much exchange can potentially occur between superiors and subordinates. What is exchanged in this relationship overlaps a great deal with what is exchanged both in the coworker relationship and in the employer-employee rela-