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## Equity Sensitivity

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### **Abstract:**

*The purpose of this paper is to analyze the equity sensitivity among the working group of people and the students. A primary survey has been conducted for analyzing the equity sensitivity amongst the working group and the students. Many of the studies in different areas and sectors have been conducted by various researchers. The objective of this paper, is analyzing whether there is significant difference between equity sensitivity amongst the working people and students or not. For this a questionnaire has been used and the data collected has been analyzed and tested for some statistical tools to check the hypothesis. And as per the test it is found that there is no significant difference between equity sensitiveness among the working people and students.*

**Keywords:** Equity, Sensitiveness, significant difference

### **1. Conceptual Framework of Equity Theory**

Equity theory, developed in the early 1960s by behavioral psychologist John S. Adams, is concerned with defining and measuring the relational satisfaction of employees. Adams suggested that employees try to maintain a balance between what they give to an organization against what they receive, and base satisfaction with their own balance on perceptions of the same balance in colleagues.

The 'inputs,' or what the employee gives to an organization, can be broken down to many metrics including time, loyalty, effort, tolerance, flexibility, enthusiasm, personal sacrifice, skill and trust in superiors. Outcomes include 'hard' factors, such as salary, job security and employee benefits, but extend to less tangible aspects such as praise, sense of achievement, praise and reputation. Equity theory is based on a principle that peoples' actions and motivations are guided by fairness and that discrepancies in this fairness in the workplace will spur them to try and redress it. According to Carrell and Ditrch (1978), employees who perceive inequity will seek to reduce it, either by distorting inputs and/or outcomes in their own minds ("cognitive distortion"), directly altering inputs and/or outcomes, or leaving the organization.

In business psychology, equity theory comes under the umbrella of organizational justice, which is concerned with employee perceptions of a company's internal and external behavior and how these perceptions fuel or change their own attitudes and behavior.

### **2. Balancing Employee Inputs and Outputs**

Adams' Equity theory calls for a fair balance to be struck between an employee's inputs (hard work, skill level, tolerance, enthusiasm, and so on) and an employee's outputs (salary, benefits, intangibles such as recognition, and so on).

According to the theory, finding this fair balance serves to ensure a strong and productive relationship is achieved with the employee, with the overall result being contented, motivated employees.

Adams' Equity theory is named for John Stacey Adams, a workplace and behavioral psychologist, who developed his job motivation theory in 1963. Much like many of the more prevalent theories of motivation (such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory), Adams' Equity Theory acknowledges that subtle and variable factors affect an employee's assessment and perception of their relationship with their work and their employer.

The theory is built-on the belief that employees become de-motivated, both in relation to their job and their employer, if they feel as though their inputs are greater than the outputs. Employees can be expected to respond to this in different ways, including demotivation (generally to the extent the employee perceives the disparity between the inputs and the outputs exist), reduced effort, becoming disgruntled, or, in more extreme cases, perhaps even disruptive.

It is important to also consider the Adams' Equity Theory factors when striving to improve an employee's job satisfaction, motivation level, etc., and what can be done to promote higher levels of each.

To do this, consider the balance or imbalance that currently exists between your employee's inputs and outputs, as follows:

- Inputs typically include:  
Effort, Loyalty, Hard work, Commitment, Skill, Ability, Adaptability, Flexibility, Tolerance, Determination, Enthusiasm, Trust in superiors, Support of colleagues, Personal sacrifice.
- Outputs typically include:  
Financial rewards (such as salary, benefits, perks), Intangibles that typically include: Recognition, Reputation, Responsibility, Sense of achievement, Praise, Stimulus, Sense of advancement/growth, Job security.

While obviously many of these points can't be quantified and perfectly compared, the theory argues that managers should seek to find a fair balance between the inputs that an employee gives, and the outputs received.

- Equity Theory Focuses on people's perceptions of the fairness (or lack of fairness) of their work outcomes in proportion to their work inputs
- A relative outcome to input ratio comparison to oneself or to another person (referent) perceived as similar to oneself.
- Equity exists when a person perceives that their outcome/input ratio to be equal to the referent's ratio.  
If the referent receives more outcomes, they should also give more inputs to achieve equity.
- Inequity exists when worker's outcome/input ratio is not equal to referent.  
Underpayment inequity: ratio is less than the referent.  
Workers feel they are not getting the outcomes they should for their inputs.  
Overpayment inequity: ratio is higher than the referent.  
Workers feel they are getting more outcomes than they should for their inputs.
- Restoring Equity: Inequity creates tension in workers causing them to attempt to restore equity.  
In underpayment, workers may reduce input levels to correct (rebalance) the ratio or seek a raise.  
In overpayment, workers may change the referent person and readjust their ratio perception.

If inequity persists, workers will often choose to leave the organization.

### 3. Four propositions of Equity theory

- Individuals seek to maximize their outcomes (where outcomes are defined as rewards minus costs).
- Groups can maximize collective rewards by developing accepted systems for equitably apportioning rewards and costs among members. Systems of equity will evolve within groups, and members will attempt to induce other members to accept and adhere to these systems. The only way groups can induce members to equitably behave is by making it more profitable to behave equitably than inequitably. Thus, groups will generally reward members who treat others equitably and generally punish (increase the cost for) members who treat others inequitably.
- When individuals find themselves participating in inequitable relationships, they become distressed. The more inequitable the relationship, the more distress individuals feel. According to equity theory, both the person who gets "too much" and the person who gets "too little" feel distressed. The person who gets too much may feel guilt or shame. The person who gets too little may feel angry or humiliated.
- Individuals who perceive that they are in an inequitable relationship attempt to eliminate their distress by restoring equity. The greater the inequity, the more distress people feel and the more they try to restore equity. (Walster, Traupmann and Walster, 1978)

### 4. Research Hypothesis

- To study the equity sensitivity among the working people.
- To study the equity sensitivity among the students.
- To check the difference in the equity sensitivity amongst the working people and students.

### 5. Research Methodology

The research focuses on equity sensitivity among the working people and the students of University of Delhi. In order to find equity sensitivity in Delhi University, 50 students and 50 people from on job working environment were chosen. Our sample size is of 100 people. Territorial scope was local in this study. This field work has been conducted in the month of March, 2014 with 100% response rate. Questionnaire for the survey has been collected from the book of "Organizational Behavior by Stephen's P Robbins".

Appendix 1 contain the questionnaire and the data from the working people and students have been collected. The questionnaire contains some questions related to the equity sensitivity. For each question, 10 points were divided between two answers (A and B) by giving the most points to the answer that is most liked by the respondent and the fewest points to the answer least liked by the respondent. The respondent was given an option to give the same number of points to both answers also or use zeros if they like. However, it was ensured that 10 points were used on each question. The points allocated to the following items: 1B, 2A, 3B, 4A and 5B were summed up and the total score was calculated. The total score was between zero to 50. On the basis of score, the following three equity sensitivity groups were identified. They are labeled and defined as follows:

- ENTITLED - Individuals who prefer their outcome/input ratios to be less than others. The scores less than 29 are classified as entitled.

- EQUITY SENSITIVES - Individuals who prefer outcome input ratios to be equal. The scores between 29 and 32 are classified as equity Sensitive.
- BENEVOLENTS - Individuals who prefer their outcome/input ratios to exceed those of others.

Average and standard deviation of each group is calculated to determine the “how identical are views” of the three groups towards the equity.

**6. Data Analysis**

	BENEVOLENTS	EQUITY SENSITIVE	ENTITLED
Number of People	48	34	18
Mean	24.70833	30.52941	36.33333
Standard Deviation	3.045459	1.160859	3.613699

The data collected is presented in the table below representing the Benevolent, Equity sensitive and Entitled among the students (Off- job) and working people (On-job). To test the hypothesis here, chi-square test was used.

	OFF-JOB	ON-JOB	TOTAL
BENEVOLENT	22	26	48
EQUITY SENSITIVE	16	18	34
ENTITLED	12	6	18
TOTAL	50	50	100

- Ho : There is no significant difference between equity sensitiveness amongst the working people and students
- H<sub>1</sub>: There is a significant difference between equity sensitiveness amongst the working people and students.
- Alpha = 0.1 level of significance for testing these hypotheses

To use chi- square test, we first found the expected frequencies for each of the six cells. Let’s demonstrate how to find them by looking at the cell. A total of 48 of the 100 in table are benevolent. So we can use figure 48/100 (A) to estimate the proportion in the total sample size who are benevolent. Similarly 50/100 (B) estimate the proportion of the off-job people. If equity sensitiveness and the type of people (on-job or off-job) are independent we can use equation 4-4 to estimate the proportion in the first cell.

$$\begin{aligned}
 P(\text{first cell}) &= p(A \text{ and } B) \\
 &= p(A) \times p(B) \\
 &= 48\% \times 50\% \\
 &= 0.24
 \end{aligned}$$

Because 0.24 is the expected proportion in the first cell, the expected frequency in that cell is 0.24 × 100= 24 people

In general we can calculate expected frequency for any cell with equation

$$Fe = RT \times CT / n$$

Fe = expected frequency in the given cell

RT = row total for the row containing that cell

CT = column total for the column containing that cell.

n = total number of the observations.

Now we can calculate expected frequencies and the value of the chi-square statistic.

Row	Column	Fo	Fe	(RT×CT)/n	Fo-Fe	(Fo-Fe) <sup>2</sup>	(Fo-Fe) <sup>2</sup> /Fe	
1	1	22	24	48*50/100	-2	4	4/24=	0.167
1	2	26	24	48*50/100	2	4	4/24=	0.167
2	1	16	17	34*50/100	-1	1	1/17=	0.059
2	2	18	17	34*50/100	1	1	1/17=	0.059
3	1	12	9	18*50/100	3	9	9/9=	1
3	2	6	9	18*50/100	-3	9	9/9=	1
							<b>square of X=</b>	<b>2.452</b>

Sum of all  $[(Fo-Fe)^2/Fe]$  is 2.452

The figure in this table is with “2” degrees of freedom ( number of rows -1 =2) × (number of columns-1=1) is “2”, showing 0.1 level of significance..

As we can see the value of the chi-square is 2.452 falls within the acceptance region. Therefore, we accept the null hypothesis that there is no significant difference between the equity sensitiveness amongst the working people and students. In other words we can say that the equity sensitiveness amongst the working people and students is independent to each other.

## 7. Conclusion

The conclusion of the study is that the people from the working environment and students are equity sensitive but there is no significance difference between the equity sensitivity of the working group of people and students. The equity sensitiveness amongst the working people and students is not dependent. Both of them are facing similar kind of equity sensitivity.

## 8. References

1. <http://www.hrzone.com/hr-glossary/equity-theory-definition>.
2. [http://www.mindtools.com/pages/article/newLDR\\_96.htm](http://www.mindtools.com/pages/article/newLDR_96.htm).
3. Stephens P. Robbins

## 9. Appendix 1

### HOW EQUITY SENSITIVE ARE YOU?

Place yours points in the blank next to each letter.

In any organization where I might work :

1. It would be more important for me to :

-----A. Get from the organization

-----B. Give to the organization

2. It would be more important for me to :

-----A. Help other

-----B. watch out for my own good

3. It would be more concerned about :

-----A. what I receive from the organization

-----B. What I contribute to the organization

4. The hard work I would do should :

-----A. Benefit the organization

-----B. Benefit me

5. My personal philosophy in dealing with the organization would be:

-----A. If you don't look out for yourself, nobody else will

-----B. It's better to give than to receive