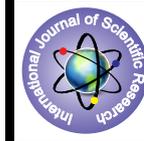


An Empirical Study of Organizational Fairness Among Employees in Selected Companies in Chandigarh Region



Management

KEYWORDS : organizational fairness/ justice, socio demographics variables, and trust

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ABSTRACT

The purpose of the paper is to determine the perception of organizational fairness among employees across public and private sector insurance companies and across socio demographics variables. Data is collected from two levels i.e. middle level and entry/lower level of different zonal and branch offices of select insurance companies in Chandigarh Region i.e. Chandigarh, Mohali and Panchkula using convenience sampling. The total sample size in the study is 146 employees. Results indicate that the employees of public sector insurance company have more positive perception of organizational fairness than the employees of private sector insurance company. The perceptions of employees in both public and private sector insurance companies vary across years of experience but it does not vary across gender. A positive perception of organizational fairness will assist employees to feel as members of the organization, to become more responsive in relationships in the workplace and to develop relationships based on trust. It is suggested that when decisions are made about the job of the employees, management should be sensitive to the personal needs of the employees, deals them in a truthful manner, treat them with respect and dignity and show concern for the rights of an employees.

Introduction

Indian economy has witnessed several changes in its structure. The entire decade of nineties saw enormous changes in business as mergers and acquisitions, surge of technology driven innovations and burgeoning of global economy era. The LPG (Liberalization, Privatization and Globalization) effect of the reforms in India during this period, threw many new challenges on various sectors of economy, especially the financial sector which is regarded as the life line of any nation's economy. There was a remarkable improvement in the Indian Insurance industry soon after the entry of many national as well as international private insurance players, who posed challenges and healthy competition which in turn results in restructuring and revitalizing of insurance sector. The rapidly advancing technology has generated sweeping changes in organizations, and their effects are far-reaching. Important changes in organizational structures and practices have a profound effect in the workplace. It is expected that employees will act according to organizational rules and regulations if they are treated fairly and receive the outcomes they desire. Employee's perception of fairness in the workplace is termed as Organizational Fairness. It is a major issue in human resource management. It can be classified as distributive fairness (employees' perceptions of the rewards they receive such as pay or promotions), procedural fairness (employees' perceptions of the formal procedures that are used to determine the rewards), and interactional fairness (employees' perceptions of the fairness of how the procedures are put into action). Research has shown that employees are more committed to the organization, have more trust in their organization and management, perform both in-role and extra-role performance OCB, and are more satisfied when fairness is perceived as being fair.

The term 'Organizational Fairness' was coined by French (1964) to describe individuals' perceptions of fairness in organizations. Greenberg (1990) defined "Organizational fairness refers to how fairly the organization is perceived as carrying out its activities". Organizational fairness refers to fairness in the workplace, and in particular, employees' perceptions of fairness and how fair treatment influences other employee work-related variables (Moorman, 1991). The study of organizational fairness has progressed steadily since Adams (1965) introduced the concept of inequity in distributive situations. He mentioned that a man suffers from cognitive dissonance when things do not go in the manner as he or she expected. Cognitive dissonance was cited by Adams as the theoretical underpinning of equity theory. The basic belief in equity theory is that fairness will be seen to exist when outcomes are distributed in proportion to inputs. When outcomes are inequitable (i.e., when outcomes exceed or fall below a person's inputs), one experiences psychological distress and therefore seeks to restore equity. In order to be perceived as fair, the allocation of benefits and burdens among members of a group should comport with the con-

tributions of each member. His work led to a period of research focusing on the fairness of pay, rewards or outcomes in work settings, which is commonly referred to as distributive fairness. It is the form of organizational fairness that focuses on people's beliefs that they have received fair amount of valued-work related outcomes (equity, equality, and needs). It affects worker's feelings of satisfaction with their work outcomes, such as pay and job assignments. Distributive fairness refers to outcomes that are consistent with implicit norms for allocation, such as equity or equality, which is considered to be a product of fair decision processes through procedural fairness and interactional fairness (Moorman, 1991). Distributive fairness is concerned with the actual outcome of decision (i.e. pay raise, bonus, and promotion).

Thibaut and Walker (1975) began to research procedural fairness in the 1970's and defined procedural fairness as being concerned with the procedure used in the allocation of resources. Procedural fairness tries to explain the outcome of those decisions based on what procedure this outcome has been reached. Procedural fairness stressed the significance of fairness of the methods or procedures used (decision criteria, voice, control of the process). Unfair procedures not only make people dissatisfied with their outcomes but also lead them to reject the entire system as unfair. Leventhal (1976) were among the first to demonstrate that procedural fairness could be viewed as extension to equity theory in that it researched the domain of allocation process. Bies & Moag (1986) were among the first to begin the research of interactional fairness and defined interactional fairness as being concerned with the quality of treatment received from decision-makers and whether they show respect, sensitivity and explain decisions thoroughly. It is established upon the perceived fairness of the interpersonal treatment received, whether those involved are treated with sensitivity, dignity and respect, and the nature of the explanations given. Interactional Fairness is people's perception of the fairness of the information used as the basis for making decision. Interactional fairness prompts feelings of being valued by others in an organization. Interactional fairness refers to how frequently workers are treated with respect by supervisors and how often they are given rationales for decisions.

Organizational fairness is important because it has been linked to critical organizational processes such as commitment, citizenship, job satisfaction, and performance. The principles of fairness in a society help define the rights and obligations of people relative to each other and to the social institutions of which they are a part (Stevens & Wood, 1995). Social fairness is generally concerned with the belief that society should be based on giving individuals and groups' fair treatment and a just share of the benefits of the society without discrimination by class, gender, ethnicity or culture (Fua, 2007). The most important duty in ensuring social fairness in schools is the responsibility

of school administrators. In this context, leadership behaviors of school administrators must contribute to the development of a conscience of fairness and equality among students and other school personnel (Cunningham & Cordeiro, 2003).

Review of Literature

Tansky (1993) concluded that there was positive relationship between perceptions of overall fairness, organizational citizenship behavior, employee attitudes, and the quality of the supervisory/subordinate relationship based on the fairness and organizational citizenship. Ehrhart (2004) investigated the antecedents i.e. leadership and procedural fairness climate of unit-level organizational citizenship behavior (OCB) that there was positive association of servant leadership and procedural fairness climate with unit level OCB. Hoy & Tarter (2004) investigated a study on organizational fairness in schools and confirmed that there was positive relationship between trust and fairness. Bhal (2005) conducted to test the mediating impact of three types of fairness-distributive, procedural and interactional on LMX-citizenship relationship that contribution dimension of LMX was more likely to predict citizenship behavior than affect dimension of LMX. Further, procedural and interactional fairness fully mediated the relationship of perceived contribution with citizenship behavior. However, distributive fairness did not mediate this relationship. Giap, Hackermeier, Jiao & Wagdarikar (2005) concluded in the study to determine organizational citizenship behavior and perception of organizational fairness in student jobs among 50 students of German University doing part-time jobs: first is, Positive perception of OJ was a predictor of OCB, second is, demographic backgrounds, like age, language and study program had less influence on someone's workplace behavior and his/her perception of equity and equality, third is, in gender differences i.e. women relied on distributive fairness, male students did not feel appropriately rewarded by their salary, last is, on cultural differences i.e. Most of foreign students showed less altruism than German students taken into consideration. Hubbell & Chory-Assad (2005) conducted a study to determine whether different types of fairness i.e. distributive, procedural and interactional fairness relate to managerial and organizational trust and found that procedural fairness was the strongest predictor of both organizational and managerial trust, distributive fairness only predicted managerial trust, and interactional fairness did not predict both organizational and managerial trust.

Chen, Lin, Tung & Ko (2008) suggested that both ingratiation and perception of organizational fairness were positively associated with individuals' OCB toward their supervisors. However, for individuals performing OCB toward their jobs, only the perception of distributive fairness showed a positive correlation, and neither motivational forces i.e. social exchange and impression management was positively associated with individuals OCB toward their co-workers. Burton, Sablynski & Sekiguchi (2008) investigated that leader member exchange moderated the relationship between both distributive and procedural fairness and OCBs. Teachers had positive perceptions regarding organizational citizenship and organizational fairness and there was a moderate positive relationship between the teachers' organizational citizenship and organizational fairness perceptions (Yilmaz & Tasdan, 2009).

Research Methodology

The present study examines the perception of organizational fairness among employees across public and private sector insurance companies and across socio-demographics variables. Data is collected from two levels i.e. middle level and entry/lower level of different zonal and branch offices of select insurance companies in and around Chandigarh i.e. Chandigarh, Mohali and Panchkula using convenience sampling. Data is collected from 146 employees (82 employees from LIC Insurance Co. Ltd. and 64 employees from HDFC Standard Life Insurance Co. Ltd.) located in and around Chandigarh. From the list of insurance companies given in the IRDA Annual Report for the year 2008-09, Out of top ten insurance companies according to their net premium earned, two life insurance companies i.e. one public sector company namely **Life Insurance Corporation of India** and one private sector company namely **HDFC Standard**

Life Insurance Company Limited are selected for the study.

To measure distributive fairness, seven-point likert-type scale ranging from "strongly disagree" to "strongly agree" developed by Price and Mueller (1986) is adapted in the study. To measure procedural Fairness and interactional fairness, seven-point likert-type scale ranging from "strongly disagree" to "strongly agree" developed by Niehoff and Moorman (1993) is adapted in the study.

Objectives of the study

- To study the perception of employees towards organizational fairness among public sector and private insurance companies.
- To study the perception of employees towards organizational fairness across gender and work experience.

Scope of the study

The scope of the study is limited to employees working in selected public and private sector insurance companies in and around Chandigarh.

Hypotheses of the study

H1: There exists no significant difference in the perception of employees towards organizational fairness among public and private sector insurance companies.

H2: There exists no significant difference in the perception of employees towards organizational fairness across gender.

H3: There exists no significant difference in the perception of employees towards organizational fairness across work experience.

The reliability of standardized scales used in the study has measured by calculating Cronbach's alpha. For the purpose of analyzing data, normality of data has checked by using Kolmogorov-Smirnov test, Shapiro-Wilk test and Levene's test. Non parametric tests namely Mann-Witney U test and Kruskal-Wallis test are used in the study.

Findings

Table 1: Respondent's Profile

Variables	Category	Frequency	Percentage
Gender	Male	83	56.8
	Female	63	43.2
Marital Status	Single	61	41.8
	Married	85	58.2
Age (years)	Less than 25	18	12.3
	25-29	30	20.5
	30-34	35	24.0
	35-39	35	24.0
	40-45	19	13.0
	More than 45	9	6.2
Education	Diploma	20	13.7
	Graduate	63	43.2
	Post Graduate	36	24.7
	Others	27	18.4
Years of experience with current organization (years)	Less than 5	46	31.5
	5-9	50	34.2
	10-15	35	24.0
	More than 15	15	10.3
Organization	Private	67	45.9
	Public	79	54.1

A profile of respondents is presented in Table 1. There is majority of male respondents (56.8 percent) in the sample. The majority of the respondents are married (58.2 percent). Most of the respondents are graduate (43.2 percent). Most of the respondents comes under the category of working experience of "less than 5years" and "5-9years".

The reliability analysis is summarized in Table 2. The Cronbach's alpha for all variables were above 0.5 (indicating that these measures were reliable for the study).

Table 2: Reliability analysis

Variables	Cronbach's Alpha
Distributive Fairness	0.629
Procedural Fairness	0.665
Interactional Fairness	0.599

The standard deviations for the organizational fairness variables namely distributive fairness, procedural fairness and interactional fairness are quite low, indicating that dispersion is not widely spread (according to a normal distribution) as presented in Table 3.

Table 3: Data Presentation

Label	Mean	S.D.
Distributive Fairness	4.49	0.52
Procedural Fairness	4.18	0.49
Interactional Fairness	3.89	0.48

Table 4 presents the statistic (D) for checking the normality of data with Kolmogorov-Smirnov (K-S) test and Shapiro-Wilk (S-W) test. Using K-S test for Organizational Fairness data, the distribution for private sector insurance company, $D(146) = .291$, $p < .05$ and distribution for public sector insurance company, $D(146) = .129$, $p < .05$, appears to be non

Table 4: Tests of Normality

Variables	Organization	Kolmogorov-Smirnov		Shapiro-Wilk	
		Statistic	Sig.	Statistic	Sig.
Organizational Fairness	Private sector	.291	.022	.724	.001
	Public sector	.129	.007	.832	.020

normal. Shapiro-Wilk test for Organizational Fairness data, the distribution for private sector insurance company, $D(146) = .724$, $p < .05$ and distribution for public sector insurance company, $D(146) = .832$, $p < .05$, appears to be non normal. Hence, the findings highlights that data is not normally distributed.

Table 5: Test of Homogeneity of Variance

Variables	Levene Statistic, F (based on mean)	Sig.
Organizational Fairness	3.647	0.059

Table 5 presents the results of Levene's test. For organizational fairness data, Levene's statistic, $F(146) = 16.4$, $p < .05$ indicates that data violate the assumption of homogeneity of variance.

Hence, the assumptions of parametric tests have not met; the study is being carried out using non parametric tests.

Table 6 presents that for Organizational Fairness, the significance value ($p=0.000$) of Mann-Whitney test is less than 0.05 at 5% significance level. Hence, null hypothesis (i.e. H1) is rejected. It depicts that there exists a significant difference between the perception of employees towards organizational fairness among private and public sector insurance companies.

Table 6: Mann-Whitney U Test

Label	Insurance companies	Organizational Fairness
Mean Rank	Private sector	44.16
Mean Rank	Public sector	76.21
Z		-4.996
Asymp. Sig. (2-tailed)		.000

It is concluded that the employees of public sector insurance company has more positive perception towards organizational fairness than employees of private sector insurance company.

Table 7: Mann-Whitney U Test

Label	Gender	Organizational Fairness
Mean Rank	Male	58.30
Mean Rank	Female	65.81
Z		-1.161
Asymp. Sig. (2-tailed)		.246

Table 7 presents that for Organizational Fairness, the significance value ($p=0.246$) of Mann-Whitney test is more than 0.05 at 5% significance level. Hence, null hypothesis (i.e. H2) is accepted. It depicts that there exists no significant difference between the perceptions of employees' organizational fairness across gender.

Table 6: Kruskal Wallis Test

Label	Years of experience	Organizational Fairness
Mean Rank	Less than 5years	44.26
Mean Rank	5-9years	59.55
Mean Rank	10-15years	80.94
Mean Rank	More than 15years	87.05
Chi-Square		24.081
Asymp. Sig.		0.000

Table 6 presents that for Organizational Fairness, the significance value ($p=0.000$) of Kruskal Wallis test is less than 0.05 at 5% significance level. Hence, null hypothesis (i.e. H3) is rejected. It depicts that there exists a significant difference between the perceptions of employees towards organizational fairness across years of experience. Hence, it is concluded that those employees with work experience of "10-15 years" and "more than 15 years" have more positive perceptions towards organizational fairness than the employees with work experience of "0-5 years" and "5-9 years".

Discussion and Conclusion

In the present study, it is determined that employees of public sector insurance company has more positive perception of organizational fairness as compared to employees of private sector insurance company. Also, employees having years of experience of "10-15years" and "more than 15years" have more positive perception of organizational fairness than employees having years of experience of "less than 5years" and "5-9years". Gender does not play an important role while perceiving organizational fairness by employees. The results of present study are not in accordance with some of the previous studies. Giap, Hackermeier, Jiao & Wagdarikar (2005) findings, for example, showed that women have more positive perception of distributive fairness than men i.e. women relied on distributive fairness, male did not feel appropriately rewarded by their salary. But findings of the present study support the study conducted by Yilmaz & Tasdan (2009) which showed that organizational fairness perceptions did not vary according to gender.

Accordingly, it is suggested that when decisions are made about the job of the employees, management should be sensitive to the personal needs of the employees, deals them in a truthful manner, treat them with respect and dignity and show concern for the rights of an employees. It is expected that employees will act according to organizational rules and regulations if they are treated fairly and receive the outcomes they desire. The employees' perceptions of the rewards they receive such as pay or promotions, perceptions of the formal procedures that are used to determine the rewards and perceptions of the fairness of how the procedures are put into action. Research has shown that employees are more committed to the organization, have more trust in their organization and management, perform both in-role and extra-role performance or organizational citizenship behaviour, and are more satisfied when fairness is perceived as being fair. A positive perception of organizational fairness will assist employees to feel as members of the organization, to become more responsive in relationships in the workplace and to develop relationships based on trust. Factors that influence

organizational fairness should be detected such as job satisfaction, organizational culture, organizational trust, organizational commitment, individual characteristics, leader-member exchange, wage system etc.

Scope for future research

The present study determines the perception of employees' fairness in insurance sector only. It can be also extended to other sectors namely information technology, banking, education etc.

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