

Meaning of Equity Theory and it is Prioritized by Leaders in Organizations

Murtadhi Hussain AlFayez

Abstract

Do recognitions make a difference in the work environment? The Equity Theory expresses that it does! Left unaddressed, employee's lingering issues about fairness, equity... can significantly affect employees' morale, organization productivity. According to Robert Tanner; gone are the days when managers used to command employees; Organizations now work under a pace of progress that is unforgiving and unwavering. Clients through online networking now have a great deal more energy to influence a business' primary concern and its business sector notoriety. Employees bring diverse generational desires that originate from various backgrounds. Given all of this, it's not amazing the lack of employee motivation is a regular range of concern. The substance of the Equity Theory, concocted by John Stacey Adams in 1963, is the guideline of decency and parity; where employee's level of motivation is connected to their perception of equity, fairness, justice practiced by their management in the work place.

Human resource management has the challenge of variations in the ability of individuals to perform a particular task. When some vacancies arise in an organization, the HR department will purpose to select and recruit employees into the position. Specifications are given on the skills and competencies required for the role, academic qualifications, the specific roles and responsibilities, and possibly the remuneration package attached to the position. Given that employees come

with varied qualifications and experiences, the management may offer different salary packages to individuals in similar positions doing similar tasks. Conversely, individuals with similar qualifications may have different abilities to perform a given task. This variation or disparity will negatively affect the performance of some employees when the remuneration is standard (Hu, Schaufeli, & Taris, 2013). They will strive to adjust their work to match others.

Equity Theory was developed by John Stacey Adams in 1963 to illustrate the possible reactions of employees who feel there is some partiality in the way they are handled or rewarded in an organization (Gardner, 1998; Bell & Martin, 2012; Morrand & Merriman, 2012). The theory has since been applied in classical management to help deal with employees' concerns. Adams observed that when the employees feel that there is inequity in the organization, they may limit their performance only to the level that they consider commensurate with the kind of reward they receive (Bell & Martin, 2012; Hu, Schaufeli and Taris, 2013). This implies that employees who have better ability will just relax after accomplishing what they perceive to be enough for a given day. Alternatively, the employees can start to negotiate with their superiors for better terms of contract. This particularly

applies to the employees who do not want man-hours to go into waste and at the same time expect to be rewarded for the extra work done. The third option may emerge when the employees do not want to waste time and the efforts to negotiate for better deal are also fruitless (Bell & Martin, 2012). The employees may then be forced to leave the organization and look for greener pastures elsewhere.

As mentioned above, the leaders and HR managers have to pay attention to Equity Theory as it directly impacts on successful Human Resource Management. The employees will have good performance at work when they have job satisfaction. The job satisfaction, in turn, follows from the general condition of work, including salaries and benefits given to the employees, as well as resources available to perform the tasks (Bakker

&Demerouti, 2007; Hu, Schaufeli, & Taris, 2013). The modern day managers only teach employees how to do something and not why it just has to be done that way (Bell & Martin, 2012). More precisely, there is a lot of emphasis on how the employees should put efforts to maximize profits to the organization. There is little focus on what the high profitability should mean to the employees in return.

When employees come up with some innovation, they should be highly motivated to ensure the new project records a success (Bayar, Chemmanur, & Liu, 2010). The employees will be motivated when there is a system of performance evaluation so that the best performing employees are rewarded and appraisal is done to the non-performers. It will be a waste of the available resources if some employees are not engaged fully at work. Equity Theory

simply guides that people should earn depending on what they do- the earnings should be comparable to what is earned by the others at the same level doing similar tasks (Morrand & Merriman, 2012). Besides, the process of selection and recruitment of employees is very costly and the HR department would not be ready to conduct it regularly. The management then has to listen to the employees' concerns in order to retain them.

References

- Bakker, A. B., & Demerouti, E. (2007). The job demands-resources model: State of the art. *Journal of Managerial Psychology*, 22(3), 309-328.
- Bayar, O., Chemmanur, T. J., & Liu, M. H. (2010). A theory of equity carve-outs and negative stub values under

- heterogeneous beliefs.
Journal of Financial Economics
- Bell, R. L., & Martin, J. S. (2012). The relevance of scientific management and Equity Theory in everyday managerial communication situations. *Journal of Management Policy and Practice*, 13(3), 106-115.
- Gardner, C. E. (1998). Equity theory: Perception is reality. *DVM*, 29(12), 3F-4F.
- Hu, Q., Schaufeli, W. B., & Taris, T. W. (2013). Does equity mediate the effects of job demands and job resources on work outcomes? An extension of the job demands-resources model. *Career Development International*, 18(4), 357-376.
- Morrand, D. A., & Merriman, K. K. (2012). "Equality Theory" as a counterbalance to Equity Theory in human resource management. *Journal of Business Ethics*, 111(3), 133-144.