

Constructing a Case for Equity Theory: An Exercise to Help Students Understand the Differences Between Equity and Equality

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ABSTRACT: This paper addresses the challenges students face in distinguishing between equity and equality, particularly in understanding the core principles of equity theory. While the theory is central to explaining perceptions of fairness and motivation, the term “equity” is often misunderstood due to its varied definitions across different fields. To clarify this concept, the paper presents a practical exercise that helps students recognize the difference between equity and equality, focusing on fairness in organizational rewards. The exercise draws on students’ innate sense of fairness, fostering peer discussions and building a foundation for understanding equity theory. Designed for undergraduate students with limited professional experience, the activity has proven effective in both in-person and online classes. Biblical principles are incorporated to provide additional context and emphasize fairness in decision-making. The exercise highlights the importance of equity theory in organizational settings, offering insights into motivation, justice, and the ethical distribution of rewards.

KEYWORDS: motivation, equity, equity theory, fairness, experiential learning instruction

INTRODUCTION

Equity theory (Adams, 1964, 1965) is a fundamental model for explaining people’s perceptions of fairness and subsequent motivation, particularly in organizations. Yet students often have difficulty correctly explaining the theory’s central concept and how it influences motivation, despite having implicit models of equity. The problem of articulating what equity is and why it matters is largely due to repeated exposure to the term in different contexts. Students with finance or accounting backgrounds, for example, think of equity as the value of an asset after selling it and paying off any related debt (e.g., a home mortgage). Diversity, equity, and inclusion (DEI) initiatives are pervasive in education. This movement has co-opted the term equity and changed its meaning (Sanchez et al., 2021). Under DEI, definitions for equity are so broad that students may even be unclear about what constitutes equity (Guadiano, 2023). Even the oft-consulted Wikipedia provides a definition that is “off base.” A sampling of definitions demonstrates how confusion can arise:

- We commit to working actively to challenge and respond to bias, harassment, and discrimination. We are committed to a policy of *equal* [emphasis added] opportunity for all persons and do not discriminate on the basis of race, color, national origin, age, marital status, sex, sexual orientation, gender identity, gender expression, disability, religion, height, weight, or veteran status (University of Michigan, n.d.).
- Equity aims to ensure *equal* [emphasis added] treatment, access, opportunity, and advancement for people, including employees in the workplace. Equity attempts to identify and remove barriers that prevent some groups from fully participating in society or certain jobs and industries (Barney & Rosencrance, 2024).
- The process of identifying and removing the barriers that create disparities in the access to resources and means, and the achievement of fair treatment and equal opportunities to thrive. *See also equality* [emphasis in the original] (Nakintu, 2021).

- *Equity* refers to concepts of fairness and justice, such as fair compensation and *substantive equality* [emphasis in the original] (Wikipedia, n.d.).

Under DEI, equity has become synonymous with equality, inevitably depriving some while providing advantages to others (Sanchez et al., 2001). A clear understanding of equity theory will help individuals see why these incorrect assumptions are generally bad for motivation and perceptions of fairness.

This general confusion about equity can be seen in Appendix A (second table). On the first day of the semester, students in a recent Organizational Behavior class were given a survey to gauge their understanding of and attitudes toward several upcoming course topics. The survey was taken anonymously. No student was able to accurately define the central concept of equity theory, even though another item on the survey indicated that students have an implicit belief in equity (Appendix A, first table).

The purpose of the present paper is not to provide a detailed treatment of equity theory. The assumption is that academics already understand and are prepared to teach the theory. Instead, the exercise presented herein will show that students have an innate sense of equity and fairness. This implicit sense has been labeled the fairness heuristic (Lind, 2001, p. 60). Once students become aware of the fairness heuristic, it can be used to help them understand equity theory. The activity reinforces key elements of an equity evaluation in one of the most important management contexts (i.e., compensation).

EXERCISE OVERVIEW

The exercise is designed primarily to clarify the concept of equity before discussing equity theory. The intended audience is traditional undergraduate students with limited professional experience (i.e., little exposure to work-related equity issues). This exercise has been used effectively for in-person and online classes (using Google Forms to administer the worksheet and collect student responses). The population of students using the exercise is relatively homogeneous (i.e., predominantly young, midwestern, Caucasian students). Fairness heuristics are relatively ubiquitous, so there is no reason to think the exercise would not be effective in groups with older and/or international students.

Learning Objectives

The exercise will help students understand the difference between equality and equity to prepare them for a discussion

of equity theory. After completing the exercise, students will be able to:

- Recognize the difference between equity and equality
- Recognize their implicit models of fairness
- Understand the basic principles of equity and fairness, as they pertain to organizational rewards
- Use biblical passages to evaluate worker compensation scenarios
- Understand how these passages emphasize the importance of treating others with fairness and integrity

General Implementation

The exercise aims to create a proper understanding of equity (vs. equality) to set up discussion of equity theory. The total time for conducting the exercise (one session) and debriefing (a second session) will be approximately 20 to 45 minutes, depending on how deeply the instructor wants to query students. An additional 15 minutes will be needed to tabulate responses in between the two sessions. A detailed, step-by-step guide is presented in Appendix B. A sample worksheet for the exercise is available in Appendix C. Additional resources are available from the author upon request.

Debriefing and Discussion

Results are tallied outside of class and prepared for presentation (see Appendix D). The case for belief in equity principles will be compelling. Focus on the reasons for this belief, but do not overlook the small minority that claim to support equality. Those claims can be addressed as misunderstanding the question (i.e., thinking the amount was a “minimum” for all), inconsistencies (i.e., pay allocations not made equally), or genuine belief in equality as fair (refer to II Thessalonians 3 for why that might be problematic).

Follow-up discussion should be a springboard to discussion about equity theory. It should be guided by a mix of conceptual/theoretical, applied, and faith-based questions chosen by the instructor (see Appendix E). Biblical principles that demonstrate consistency between equity theory and faith practices are presented in the next section and should be emphasized. An overview of equity theory and general streams of fairness is provided in Appendix F.

Drawing Biblical Parallels

The Old and New Testaments offer principles that apply to the exercise and support Equity theory considerations. The most obvious is the admonition “to act justly” (Micah 6:8a). We are told the Lord requires that behavior from

His people. King Solomon proclaimed, “Doing what is righteous and just is more acceptable to the Lord than sacrifice” (Proverbs 21:3). Specific to equity theory, Old Testament law indicated that owners should “not muzzle an ox while it treads out grain” (Deuteronomy 25:4) and “the wages due a hired worker must not remain with you until morning (Leviticus 19:13b). Finally, James 5:4 points out that withholding pay from people that labor for others is wrong. These verses imply that work should be properly compensated.

In the New Testament, the Apostle Paul echoed this sentiment, and the teaching of Jesus in Luke 10:7, when he wrote about payment for elders:

[They] are good leaders are to be considered worthy of double honor, especially those who work hard at preaching and teaching. For the Scripture says: “Do not muzzle an ox while it is treading out the grain,” and “The worker is worthy of his wages.” (I Timothy 5:17-18)

Finally, Paul established the standard for compensating workers (i.e., that support should be based on the work one does):

For you yourselves know how you should imitate us: We were not idle among you; we did not eat anyone’s food free of charge; instead, we labored and toiled, working night and day, so that we would not be a burden to any of you. It is not that we don’t have the right to support, but we did it to make ourselves an example to you so that you would imitate us. In fact, when we were with you, this is what we commanded you: ‘If anyone isn’t willing to work, he should not eat.’ For we hear that there are some among you who are idle. They are not busy but busybodies. Now we command and exhort such people by the Lord Jesus Christ to work quietly and provide for themselves. (II Thessalonians 3:7-12)

Potential Objections to Merit Pay

Some students might protest and contend that Matthew 20:1-16 makes a case that all workers should be paid equally, regardless of effort. In a similar fashion, they might contend that Luke 15:11-32 indicates inequities are sometimes warranted. Depending on how deeply an instructor wants to delve into theological discussion, the response can be brief or detailed. Briefly, these passages explain spiritual principles (i.e., the availability of salvation to anyone at any time, God’s unconditional love, and unmerited grace). Material for a more extensive discussion can be found in Appendix G.

Even if the two passages had only worldly meaning, they effectively illustrate the concept of equity. Why did the earliest workers in Matthew 20 complain (Greek *egogguzon*)? They felt that late-arriving workers were less deserving of the wage they received (negative inequity). Matthew 20 also demonstrates fairness in the sense that the owner, who could do anything he wanted with his money, paid each worker exactly what he agreed to pay them (Peters, 2023). Why did the older brother in Luke 15 become angry (Greek *orgizo*)? He believed that his loyalty (an input) was more deserving than his brother of a celebration (also negative inequity).

CONCLUSION

As Guadiano (2023) puts it, “If problems within an organization happened uniformly to every employee, then at least nobody would feel that they were being treated better or worse than their colleagues.” There would be no need for Equity theory. But disparities do occur, so managers and employees need to have a proper understanding about how equity evaluations are made.

Equity theory is an important aspect of motivation in organizational settings. While students have implicit notions of fairness, they may struggle to see how the theory operates without correctly understanding equity conceptually and how it is determined. The exercise described here helps students recognize their fairness heuristics, provides peer-based information to better understand equity as a motivational construct, and creates base knowledge to set up discussion of equity theory.

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APPENDIX A: STUDENT PERCEPTIONS OF EQUITY (PRE-TEST/POST-TEST RESPONSES)

On the first day of an organizational behavior course (Fall 2024) at a Midwestern university, 32 students received a survey about general course topics. Two items were designed to gauge their understanding of equity and attitudes toward equal pay.

One item presented the following scenario, and students were asked to indicate their level of agreement (1=strongly disagree; 9=strongly agree) with the final statement:

Imagine a road construction crew responsible for paving large sections of a highway. The work can be dirty, physical, and sometimes dangerous. There are many different jobs involved. The fairest thing to do is pay everybody the same hourly pay regardless of their work.

Group	N	Mean	Notes
Females	10	3.80	Only one indicated agreement
Males	22	3.00	No agreement; four strongly disagreed
Overall	32	3.25	

Another item asked students to provide a brief definition of equity to check whether their understanding was consistent with Equity theory, which defines equity as fairness based on the distribution of outcomes relative to contributions based on a comparison with referent others. Responses were as follows:

Definition	N	Example Responses
Accurate	0	
General Fairness	8 (4 Females, 4 Males)	Being fair or impartial (2) Being fair by providing accommodations (2) Being inclusive (1) Leveling the playing field (1)
Incorrect	22 (5 Females, 17 Males)	The money you will have if you sell an asset (8) The value of shares someone holds (5) The value of mortgage property after taxes (1)
No Response	2 (1 Female, 1 Male)	

On the mid-term exam, students were given a bonus point opportunity that asked, “In terms of motivation, what is equity?” The responses were as follows:

Definition	N
Accurate	7
General Fairness	10
Incorrect	10
No Response	7

APPENDIX B: STEP-BY-STEP IMPLEMENTATION GUIDE

The exercise should be administered in one session, two or three meetings before Equity theory will be discussed. The debriefing should occur in the session where Equity theory is discussed. Materials needed include the “pay” worksheet (one copy per student, see Appendix C), a visual of the work crew (see Figure 1), and presentation slides for both sessions (available from the author). The process for the exercise is as follows:

1. Two or three sessions before Equity theory is discussed, have students complete the worksheet at the beginning of the meeting (10 minutes). Display the visual of the work crew for everyone to see (see Figure 1). Anonymity is recommended, but not necessary. Collect the sheets when everyone is finished.

Figure 1: Sample Worker Photo Depicting a Construction Crew



2. Outside of class, tabulate the results from the exercise (10-15 minutes depending on the size of the class). Visually observe the pay allocations from the first part of the worksheet and note those where pay is distributed equally. Tally the number of “no” and “yes” responses to the hourly rate question. Record these for class presentation. These results are usually quite compelling (i.e., overwhelmingly against equal pay).
 - a. Examine the pay distributions for any “yes” responses, making a note of the number of times equal pay distributions corresponded to “yes” responses (very rare). When students provide a “yes” response and do not distribute pay equally, try to determine why from the explanation provided (e.g., a common misinterpretation is that the \$27.50 hourly rate is the minimum a worker should receive).
 - b. Make a summary list of reasons for the “no” responses for class presentation. You will see convergence in these reasons (see Appendix D).
3. [Optional] A good way to set up the debriefing is to have students watch Ally Bank’s “Would You Like a Pony?” commercial outside of class before the session (or alternately show it at the beginning of the session) and discuss it. Multiple versions are available on YouTube and Vimeo. Students easily (implicitly) understand why the first little girl is frustrated even though she received what the man offered and was initially happy.
4. Debrief the exercise in the session where Equity theory is discussed as follows (10-30 minutes depending on the amount of discussion):
 - a. Prior to discussion of Equity theory, display a summary of the responses to the “no-yes” question. Consider adding some commentary to accompany “yes” responses (see second paragraph, Appendix D).
 - b. On a second visual, display the reasons that were provided for “no” responses. Incorporate discussion questions after the second visual is displayed (see Appendix E).

5. Following the debriefing and discussion questions, present Equity theory (presentation materials available from the author).
6. [Optional] Providing a general illustration that students understand is a good way to transition into the Equity theory presentation. Ask the class to imagine that an exam has just been returned to everyone. Next, ask them questions that establish the context for evaluating the grade:
 - What is the first thing a student does when they get a graded exam back? Answer: They look at the score.
 - What is the second thing a student does? Answer: Ask another student what they scored.
 - Why do students do that? Answer: To establish a basis (context) for determining whether the score is good.

Finally, ask students to imagine how someone might react to a score of 85 out of 100. They might be disappointed if all the students sitting around them had scores in the 90s. On the other hand, they might be less disappointed if they learn that 85 was the highest score achieved among their peer group. Explain that once the context for evaluating the score is established (i.e., comparison to peers), students engage in counterfactual thinking (Roese, 1997), assessing how much they invested in preparing for the exam and how much they think others invested. Stress that evaluation of the outcome requires more than getting “X number of points” out of the maximum possible (i.e., an objective standard). The evaluation must also include how the score “stacks up” to others who took the same exam (i.e., a relative standard).
7. [Optional] The exercise’s effectiveness can be assessed in one of two ways on a follow-up exam. A simple open-ended question might ask students to define equity from a motivational perspective (see question and last table in Appendix A). For a more in-depth check, consider the following essay prompt:

Using Equity theory, explain how individuals make fairness judgments when outcomes they receive are controlled/determined by someone else. Why are these fairness judgments important (i.e., what role do they play in motivation)?

A complete response should mention the outcome-input ratio, comparison with a referent, possible determinations (i.e., equity, positive inequity, and negative inequity), and reactions.

APPENDIX C: SAMPLE WORKER COMPENSATION WORKSHEET

Road Construction Crew Pay

All the road construction crew members (see visual) have worked together for five years. The jobs represented vary in terms of qualifications (skill level) and difficulty. No job is any more hazardous than another. Standard hourly pay rates for construction crew members range from \$11.60 to \$31.41. In the blanks beside each position, indicate what you believe would be a reasonable hourly pay rate based on the job responsibilities, experience, and education.

Crew members and responsibilities (left to right on the visual):

- _____ #1: Flagger, 10 years’ experience, high school graduate
- _____ #2: Crew Foreman, 17 years’ experience, trade school graduate
- _____ #3: Heavy Equipment Operator, 23 years’ experience, trade school graduate
- _____ #4: Civil Engineer, 14 years’ experience, college graduate
- _____ #5: Laborer, 15 years’ experience, high school graduate
- _____ #6: Land Surveyor, 7 years’ experience, trade school graduate

Laborers’ International Union of North America, which represents these employees, recently recommended that everyone on the crew receive the same hourly rate of \$27.50. Do you think this is reasonable?

_____ No _____ Yes

Why or why not? _____

APPENDIX D: STUDENT EXERCISE RESPONSES

The exercise described in this paper was administered to 29 students enrolled in an organizational behavior course (Fall 2024) at a Midwestern university. Students received the worksheet shown in Appendix B at the beginning of a class meeting two sessions before motivation was discussed. The responses were as follows:

Same Pay Reasonable	N
No	24
Yes	5

None of the five “yes” respondents made their pay allocations equally. There may have been some misinterpretation of the “equal pay” question. One of the “yes” respondents indicated that \$27.50 should be the minimum pay for all and adjusted from there.

When asked to explain their answers, “no” students gave the following reasons:

- Education / Knowledge Differences
- Experience / Training Differences
- Skill (Specialization) Differences
- Certifications
- Tenure (Length of Time with Company)
- Nature of Job (Qualifications, Difficulty, Responsibilities)
- Market Demands (for Certain Skills)

In addition, one respondent indicated that giving everyone the same pay would destroy motivation.

APPENDIX E: DISCUSSION QUESTIONS FOR DEBRIEFING THE EXERCISE AND INTRODUCING EQUITY THEORY

The following questions can be used to guide a basic discussion about equity in rewards and compensation:

Question: In terms of rewarding (e.g., compensation) and motivating employees, what is equity? How does it differ from equality?

Response: Equity means that employees are rewarded fairly based on their contributions, skills, experience, and responsibilities. We typically refer to this system as merit-based rewards. Equality advocates for identical rewards regardless of individual circumstances.

Question: What factors should organizations consider when it comes to rewarding employees equitably?

Response: Ultimately, what is considered should depend upon what the organization considers valuable. Any organization, for example, would consider individual contributions to the mission of the organization (i.e., job performance). Other factors might include skill set, knowledge, and experience. In other words, fair rewards should be based on what an employee does, not who they are.

The following questions examine equity in rewards and compensation from a faith perspective:

Question: How do verses like Leviticus 19:13, I Timothy 5:18, II Thessalonians 3:10, and James 5:4 inform our understanding of fair rewards and compensation?

Response: All four verses emphasize Micah 6:8 in that employers and organizations are to be fair in their reward and compensation practices. Failing to properly value worker contributions and/or denying fair wages is morally wrong. Additionally, fairness implies that organizations should offer employees a living wage. Likewise, workers should not expect to be rewarded without making appropriate and valuable contributions to their employers.

Question: How should the belief that everyone is made in the image of God (Genesis 1:27) influence our thinking about equitable rewards and compensation?

Response: All employees have dignity and worth and should not be demeaned or exploited. Withholding proper rewards and compensation shows a lack of respect for human value.

Question: How should the idea of stewardship guide employers with respect to rewards and compensation?

Response: While the notion of stewardship is introduced in Genesis 1:28, the guiding principle comes from Matthew 25:14-30. The Parable of the Talents teaches the importance of using what is entrusted to use wisely and productively.

The following question can be used to assess student understanding of and serve as a transition into discussion of Equity theory:

Question: How does our exercise relate to Equity theory?

Response: If an organization agrees with the union's proposal to pay all workers the same hourly rate, it will violate the principles of Equity theory by not taking into consideration the contributions an individual makes. Those individuals that perceive they have contributed more would experience negative inequity and their motivation would decline (note: this response is a simplified view of inequity reactions). Others might experience positive inequity, realizing that they received more than they deserved in relation to others and feel guilty.

For a more in-depth consideration of Equity theory implications, the following questions might be asked:

Question: What are the pros and cons of pay transparency policies (i.e., making salary and compensation details fully public)?

Response: Pay transparency allows all employees to know how an organization compensates them. If an organization treats employees fairly, pay transparency is good (because employees make comparisons based on accurate outcome information). Inevitably, pay transparency invites comparisons (note: these will still be made without transparency). Knowing what others receive might lead to feelings of inequity if an individual is not fully aware of the contributions other employees make.

Question: What are some other contexts and situations where Equity theory might apply?

Response: In the business realm, Equity theory considerations are likely to arise in workload distribution and job assignments, performance evaluations, and promotions. In education, student perceptions of fairness come into play with respect to grading, treatment received from instructors versus their peers, and contributions and outcomes in group projects. In interpersonal relationships, siblings sometimes feel unfairly treated in terms of parental attention,

curfews/other privileges, and allowances. Tensions arise among family members when inheritance distributions seem inequitable. In competitive sports, athletes evaluate playing time, pay, and endorsements. Nowhere is the latter more prevalent than in college sports, where players transfer to different schools to receive better Name/Image/Likeness deals. Fairness judgments even come into play in healthcare, where patients evaluate the perceived quality of care and attention they receive from doctors.

APPENDIX F: SUMMARY OF EQUITY THEORY AND RELATED STREAMS OF JUSTICE

Equity theory is considered foundational for understanding how individuals perceive fairness in various situations, particularly in business (Adams, 1963, 1965). In short, Adams proposed that recipients of outcomes in organizations evaluate fairness by developing a ratio of outcomes to inputs (i.e., contributions) and comparing that ratio to the outcome-input ratios of similar others (i.e., referents). Equity (fairness) occurs when the ratios are equivalent (note: this does not imply that outcomes are identical; for example, equivalence exists when a referent receives twice as many outcomes if their inputs are twice as high). Inequity (unfairness) occurs when the ratios are not balanced. Positive inequity is felt when the individual making the comparison has an advantage over the referent (i.e., receives more for the same input or receives the same amount with less input). Negative inequity is felt when the individual making the comparison is disadvantaged relative to the comparison (i.e., receives less for the same input or receives the same amount with more input). All three conditions produce reactions and influence subsequent motivation. When an individual perceives equity, they are satisfied and motivated to continue performing at their current level. Individuals that perceive positive inequity will feel guilt. In some cases, they will rationalize the inequity (e.g., my degree is better than theirs) or increase inputs (e.g., taking on extra assignments, trying to raise the quality of their work). When workers experience negative inequity, they will be dissatisfied and may experience anger. Individuals may attempt to increase their outcomes (e.g., ask for a raise), decrease their inputs (e.g., slack off), or leave the organization.

Deutsch (1975) and Leventhal (1976) subsequently labeled fairness evaluations of outcomes as distributive justice. At about the same time, Thibaut and Walker (1975) proposed that procedural justice occurs when individuals whose outcomes are decided by a third party are given process control (i.e., voice) and decision control (i.e., the ability to present information that influences the outcome). A third stream, interactional justice, arose from the work of Bies and Moag (1986). Here, the authors proposed that fairness judgments are governed by the interpersonal treatment individuals experience when receiving outcomes determined by others. There are four aspects to interactional justice: justification (i.e., the explanation an individual receives for the outcome), truthfulness (i.e., whether the individual determining the outcome is honest), respect (i.e., the decision is conveyed in a way that is polite rather than rude), and propriety (i.e., inappropriate or prejudicial remarks are not made).

APPENDIX G: THE PARABLE OF MEANS AS INSTRUCTION (OPTIONAL EXTENDED DISCUSSION)

To help students understand that Matthew 20 and Luke 15 do not contradict equity, an extended discussion can be had explaining why Jesus used the parable. A parable (from the Greek *parabole*, meaning “a throw alongside” or “to compare”) takes something obvious and compares it to something not obvious (Erickson, 2022). These are earthly stories meant to illustrate heavenly principles (Kistemaker, 1989) and not business practices or economics (Peters, 2023). Jesus used parables to explain God’s kingdom and to obfuscate meaning for those openly hostile to His message (Boles, n.d.).

Parables are presented in the Old Testament, as well as the Gospels. Additional illustrations can be drawn from Old Testament examples. In II Samuel 14:1-24, was the Prophet Nathan accusing King David of stealing a poor man’s lamb? No, and David understood the true meaning of the parable (i.e., that he had taken another man’s wife). Later in II Samuel 14:1-24, was the unnamed wise woman truly fearful that her clan would kill her only remaining child? No. When the story was explained to King David, he immediately understood its meaning, pardoned Absalom, and called for him to be returned to Jerusalem.