Research report
November 2013

The changing contours of fairness:

Can we match individual and organisational perspectives?

WORK   WORKFORCE   WORKPLACE

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The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.

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Acknowledgements

About this research

This research project is a collaboration between the Centre for Performance-led HR, The Work Foundation and the Chartered Institute of Personnel and Development (CIPD). This opening report has been funded by the CIPD and is part of a three-year research programme.

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The Centre for Performance-led HR at Lancaster University Management School is a problem-based research group that brings together world-class academic experts to work with HR directors on the most pressing issues facing senior HR specialists.

The Work Foundation – part of Lancaster University – is a leading provider of research-based analysis, knowledge exchange and policy advice in the UK and beyond. Its independent research focuses on innovation and economic change, the role of cities, labour market disadvantage, health and well-being at work and how organisational change can promote good work.

The research methodology comprises two elements. First, we report on some findings from the *Employee Outlook*. This survey is administered to a subset of the YouGov Plc UK panel of more than 285,000 individuals who have agreed to take part in surveys. The sample of 2,067 respondents has been selected and weighted to be representative of the UK workforce in relation to sector (private, public, voluntary) and size, industry type and full-time/part-time working by gender. The sample profile is normally derived from census data or, if not available from the census, from industry-accepted data.

Second, we have conducted a literature review searching for articles in the *ABI Inform* database, using search phrases of 'fairness', 'work' and 'theory'. We selected articles that were based on either some form of empirical observation or conceptual development. We have then examined sources that present or interpret the main theories involved. We ran two workshops, one involving academics and the other policy experts, to test the conceptual framework that we have developed.

Introduction

Who should read this report? Those who see the following questions as important:

- As an organisation, are you trying to be seen as fair and responsible, trying to find the best way of understanding a way forward, but finding it difficult to do the right thing?
- Do you believe that if employees, consumers and other stakeholders perceive significant unfairness, there will be a price to pay?
- As an employee, or consumer, or citizen, do you feel that organisations and institutions do not seem to understand what fairness really means and looks like?
- As a policy-maker, do you wish that others would understand how complex the issues you are dealing with really are, and what you are trying to achieve?

The CIPD, Centre for Performance-led HR and The Work Foundation have collaborated to map out what we call the 'contours of fairness' by reviewing the academic literature on fairness, justice, equity and equality. This report highlights the initial findings from that review.

In the second year of this three-year programme, we will be testing the report findings with a fairness survey instrument, and then further refining the model with qualitative data in the third year.

The aim is to deliver a credible fairness framework that we hope will lead to a richer, constructive conversation between organisations and their employees, managers and their reports, and a more mature employment relationship: one that has a better balance between language and numbers as 'evidence' and a relationship built on greater clarity of the employment deal; one that is more resilient and sustainable in times of turbulence.

Why is it important to do this? The Level Playing Field Institute (LPFI) (2007) and The Center for Survey Research's (CSR) study estimated that unfairness in the workplace costs US employers an estimated $64 billion each year. That eye-watering figure was computed by estimating the number of Fortune 500 staff who left their employer because of unfair treatment (estimation based on a review of studies on discrimination, harassment and bullying) and the cost of replacing them. It also estimates the disengagement and fall in productivity of those who choose to ignore the unfair treatment or to deal with it themselves. To support their model, the LPFI-CSR study sampled 400 employers and 2,435 employees across the US exploring a broad spectrum of issues including workplace fairness (for example pay, internal procedures), fitting in (for example respect, managerial behaviours), stereotyping (for example exploring race, gender and sexual orientation) and job advancement (for example quality of assignments, access to opportunities/promotions).

There is a growing body of evidence suggesting that organisations that treat their employees with fairness, integrity and sensitivity are more likely to find that those employees respond with increased commitment and

'Evidence suggests that organisations that treat their employees with fairness, integrity and sensitivity are more likely to find that those employees respond with increased commitment and productivity.'

productivity (Senge 2006). As organisational leaders incorporate insights about justice and fairness in dealing with employees in the global marketplace, their understanding of how employees think will impact organisational effectiveness, profitability and long-term wealth-creation.

We see the operation of fairness right across the organisation. At a strategic level, chief executive officers, boards, the senior leadership talent, investors and other stakeholders ask questions about the sustainability of an organisation's values, the viability of its business models over the long term, the credibility and trust to be placed in its leadership, and its fairness to its suppliers, customers, shareholders and investors. Functions such as HR, marketing and logistics deal with fairness at a more tactical level. They have to think about how fairness impacts the organisation and employer brand, corporate reputation, the authenticity of its value proposition or employee voice. And at an operational level, line managers, operational managers and those involved with quality assurance, health and safety have to cope with the impact that 'fairness' will have on employee engagement, the delivery of service, impact on quality, standards, health and safety, strikes and breaks in service delivery. Line managers are also instrumental in workplace climate creation, including perceptions of fairness.

Meanwhile, we are living through a period where substantial transfers of risk are taking place – we see the transfer of responsibility and accountability between markets, states, organisations and individuals. Questions of fairness are becoming more complex as we consider the future of work, with issues such as pension provision, questions about reward adequacy or excessiveness, zero-hours contracts, quality of careers across age groups, the global sourcing of work, and social mobility hitting the headlines daily. We know that all of these issues have different impacts across generational groups. We know that we can break the workforce up in other novel and interesting ways to find common but different needs, attitudes and behaviours – called employee segments. Do they perceive fairness in the same way?

Independent of the immediate context of austerity in much of the developed West, these questions are shaping the employment relationship, introducing more varied societal conversations. These conversations are about risk and responsibility, justice and fairness. Within organisations we see conversations about how the current stagnating and shrinking cake should be distributed, and the role of employers in addressing unemployment, low pay, falling standards of living, the legacy to future generations and the sustainability of a future based on continuous economic growth.

We face ever more complex judgements as to what is 'fair':

- It is no longer possible to ignore the impact of hitherto 'business-as-usual' corporate decisions on the employees, such as tax planning.
- People make judgements not just as employees, but as consumers, parents and citizens.
- Information and communication technologies, the ubiquity of data, and the power of social media mean it has never been easier to organise and focus opinions and special interests.
- There are societal debates about whether certain practices at work will have a negative effect on employee behaviour.
- There is increasing transparency around what happens inside organisations.
- There is more vociferous social judgement.

These all highlight apparently irresolvable and conflicting views of fairness. Making the wrong judgement seems to have more and more consequence – we debate the well-being of whole nations and societies, and not just that of our own organisation or personal career.

Survey findings on fairness from the CIPD *Employee Outlook* survey

'The data hardly supports a picture of perceived fairness at work. Before we get to the deeper questions, most employees perceive a wall of unfairness in their everyday experiences.'

Fairness is clearly an issue for employees at the moment. We begin with some headline findings from our survey research. We asked a number of questions about fairness of a nationally representative sample of 2,067 employees in the spring 2013 CIPD *Employee Outlook* survey. When asked 'have you encountered anything in the workplace or your professional life that you thought was particularly unfair in the past 12 months?' a staggering 41% said

yes. Fifty-nine per cent believe that the rules and agreed procedures are not applied consistently by decision-makers, 49% believe that rewards are not distributed fairly. Forty-eight per cent feel that resources are not distributed fairly. Forty-nine per cent feel that the basis for policies designed to make decisions 'fairer' are not clear to most of the employees affected. Sixty-four per cent feel there is a lack of consultation among those who will

be affected by the implementation of decisions.

We gathered 925 qualitative comments about fairness and 333 self-reported experiences of unfairness at work. We analysed the reported experiences to understand what the triggers of 'unfairness' are (see Table 1). The list is long, and the issues involved are many and more complex than this initial content analysis can address.

Table 1: What do employees see as unfair?	
Triggers of unfairness	**Percentage of 'unfair' events**
Pay (freeze, long hours, senior management pay/bonuses, differences in pay)	20
Workload (distribution)	11
Bullying/victimisation/harassment	11
Favouritism	10
Forced redundancy/redundancy procedures	10
Promotion decisions	8
Flexible work (as it relates to task, time, and so on)	4
Performance review system/appraisal	4
Pension decisions/schemes	4
Changes to employment terms and conditions	3
Age/gender/disability discrimination	3
Unfair dismissal	2
Respect	2
Lack of voice	2
Disciplinary procedures/actions	1
Work hours	1
Job downgrades with larger role size	1
Reward system	1

What's in a word?

We often use a 'shorthand' for the word 'fair' and talk about 'doing the right thing' – a catch-all that can hide many a wrong action.

'Trying to unravel what 'fairness' is, or thinking of ways to better manage it, takes us into a conceptual minefield!'

But what do employees mean when they say things are 'unfair'? Technically, fairness is a relationship between people, or between people and the organisations or institutions they create. Managing this relationship demands an appreciation by both parties of what constitutes a 'fair' deal if the relationship is to thrive. People may disagree about whether something is fair or not – they may see it differently – but that is not necessarily the same as the situation actually being fair or unfair. So, HR professionals face two problems:

- Their actions may be good for some people but bad for others.
- Some actions which are required by certain duties or rights may still harm (in a general sense) some people.

Trying to unravel what 'fairness' is, or thinking of ways to better manage it, takes us into a conceptual minefield! We need the reader to accept this, stick with the topic, reflect and move onto each section of the report.

Philosophers remind us that it is very controversial to equate fairness with justice, or either of these with moral rightness. Yet we all use several everyday words to mean the same as fairness – equitable, impartial, unprejudiced, unbiased, objective and dispassionate. And in practice we make a distinction between what seems equitable (or just), and what might in a more philosophical sense be seen as fair. For example, HR might have to find ways of rationing out flexible work hours. Whatever solution is arrived at may be perceived to be fair to some but unfair to others, so we fall back on what is the most 'reasonable' solution, which is to have some kind of equitable (impartial and just) decision process – fair to all parties in that it is dictated by reason, conscience and conformity to legitimate rules or standards. But then by fairness, do we also mean ethical? Ethical and fair are different things. Ethics are a set of moral principles for a class of human actions (in this report, actions at work). They reflect the rules of human conduct, or the values relating to that conduct. We judge the rightness and wrongness of actions and the goodness or badness of motives on the basis of ethics. By this we also raise issues of trust, respect, need, freedom and well-being.

Fairness in an evolving employment relationship

'We have to acknowledge the fluid nature of judgements about fairness. Context is everything.'

Look to Figure 1 and its image of someone having to juggle more and more balls in the air. Reflect on your present-day practice as managers of people.

There was a time when managers and leaders (thought they) knew which balls they needed to keep in the air. Each was discrete, behaved predictably and was controllable because they were deemed important by the leadership and traditionally regarded as such. Employees, by and large, lacked the information to challenge the status quo. Managers and leaders could make situational judgements as best they could and treated each ball separately. There were only a few balls to juggle.

But now the external drivers constantly shift the ground upon which decisions are made. The issues have got more complex and this triggers more complex reactions both by organisations and individuals – and the HR professional is in the middle of this.

There is a greater access to information and emphasis on transparency in governance arrangements. There is an expectation by employees that they be consulted on decisions that affect them. The balls are no longer just defined by management: more balls are being thrown into the ring. They are coming fast and furious from employees, suppliers, regulators, investors, politicians and society at large. All expect a say in the organisation.

Figure 1: Juggling Fairness
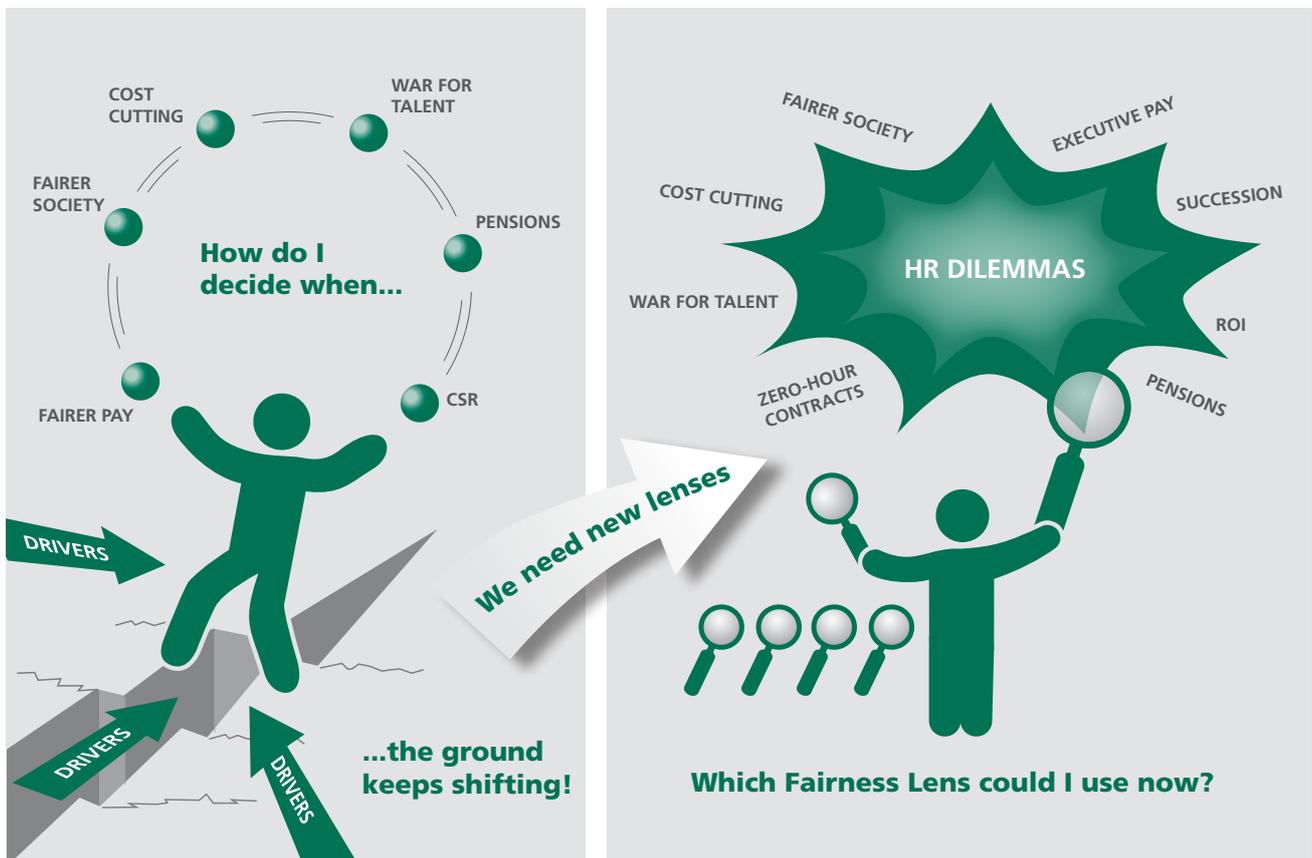
You are constantly surprised:

- Where did this new ball come from?
- How does it work?
- Where does it fit?
- Can our managers be expected to keep an eye on all the balls – keep them all in the air – while new ones are being added to the process?
- Is it all becoming blurred?
- Can we drop something, or will that be the proverbial time bomb that wipes out all our previous good work?

The expectations on both sides of the employment deal are now more complex. Organisations are no longer happy to have standard 9 to 5 arrangements. They expect employees to engage with the organisation and to have a more effective and collaborative relationship, that is, to do a lot more and deliver value over and above that which is definable in a job description. They say they want to encourage greater co-creation of value with employees. They see different employee segments in their workforce and treat each segment as an internal market, each with their particular needs. They realise that they need to engage the whole person – they have to engage their employees as parents, as consumers, as citizens. But this engagement enterprise also brings a shift in power. By engaging the whole person, organisations have sanctioned the inclusion of much more varied frames of reference to the employment deal. All of this matters.

'Organisations realise that they need to engage the whole person – they have to engage their employees as parents, as consumers, as citizens.'

Mapping the contours of fairness – synthesising six core fairness 'lenses'

'Relying on skilled people to keep juggling balls is not a sustainable strategy. We need now to map the contours of fairness – to provide some structure and evidence into the debate.'

When talking to another expert around issues such as pay, corporate social responsibility, reputation or equal opportunities, you must ask yourself:

- Where are they coming from?
- What assumptions might their disciplinary background lead them to make?

If we are to advance our management, we need to understand how and why we face a richer, more complex employer–employee relationship. From the outset we acknowledge that although the announced topic of this report is 'fairness', we cannot help but stray a little into the topics of justice, ethics and moral rightness.

Our aim in this report is to develop a roadmap to help shine some more light on the topic. Can we map the contours of fairness in a pragmatic way? We want to give those who manage people some tools for thinking about the issues they face and will have to manage.

We do this by reviewing the academic literature on fairness, justice, equity and equality. There were numerous frames deployed in various academic disciplines. We have illustrated in Figure 2 the ones that we regard most pertinent to the contours of organisational fairness in its broadest view.

Figure 2: Bringing together the different ideas about fairness
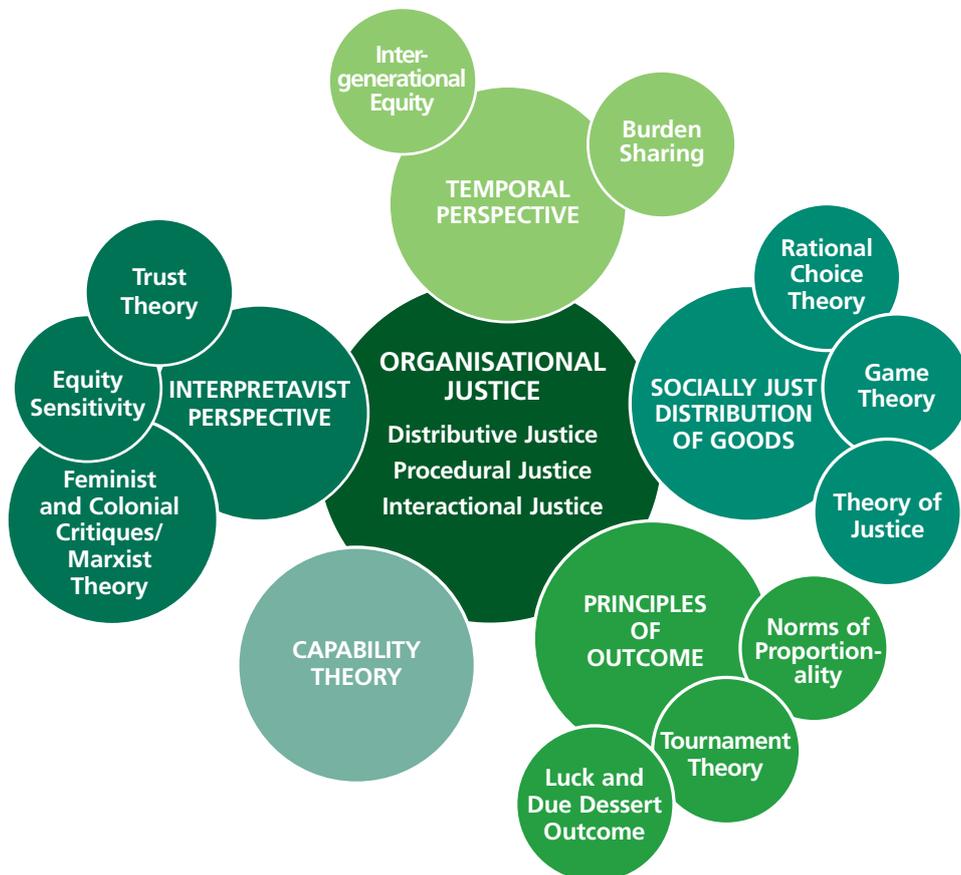
The structure of the report reflects Figure 2. We identified what we considered to be different 'families' of ideas typically used through which actions might be judged – what we call a different 'lens'. Each lens reflects a different way in which we might judge fairness at work. We have synthesised the many ideas about 'fairness' (the outer 'petals' in Figure 2) into six of these 'lenses' (the larger 'petals').

We believe that each lens can be used to shed light on a range of issues and contexts faced in modern people management. We show the different situations each typically gets used in. We show where it matters, and why it is important. We describe and discuss the management implications of each in turn.

We invite the reader to discover which lenses apply in the situations they are managing, but also to look at the situation through alternative lenses and understand the implications of the different 'views' and therefore implications for fairness.

We begin at the centre with what is called organisational justice. We do this purely because of the context of our research. HR professionals are more aware of this space – it features in their professional syllabus – and they are exhorted to apply distributive, procedural and interactional justice in their practice and policies. However, this lens becomes our point of departure, because we realise that it has become much

more complex. When looking at 'fairness' we found that all the other lenses surrounding it come into play at some time or another.

We therefore proffer some other ways in which core judgements get coloured, which tend to reflect different levels of analysis that HR directors might not always be thinking about. We strongly recommend that you look first at the summary table for each lens – shown in Appendices 1–6 – and then read the relevant section. In a way, we want to provide everyone with a quick 'crib sheet', so they can see where others are coming from.

Then, perhaps, we can engage in the 'real' conversations.

Lens 1: Fairness as organisational justice

The first lens, called organisational justice, is perhaps the most familiar to HR professionals and line managers. Judgements about organisational fairness matter in various aspects of organisational policy and practice formulation (see Appendix 1 for an explanation of this lens).

Where does this perspective seem to matter most? We see it used around the making of management policies such as employee voice and employee engagement. It is used to help formulate key practices such as appraisal and performance management systems. It is used to think about the provision of access to organisational resources, such as career systems, or information.

We use the example of performance appraisals to show how you might need to 'frame' what is 'fair' or not. Performance appraisal systems are among the most important human resource systems in organisations insofar as they yield decisions integral to various human resource actions and outcomes. Reactions to appraisal and the appraisal process are believed to significantly influence the effectiveness and the overall viability of appraisal systems. Research has noted the inherent problems in many performance appraisal systems as they are implemented (though not necessarily in the way they are designed!). The most important performance appraisal issue faced by organisations is the perceived fairness of the performance review and the performance appraisal system (Bretz et al 1992).

Most employees perceive their performance appraisal system as neither accurate nor fair. Therefore a typical performance evaluation might create fear and rivalry, ruin teamwork, and make people bitter or disengaged. The appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political or irrelevant.

The concept of fairness hovers around many actions and reactions that occur in organisations. However, certain distributive, procedural and interactional justice principles can foster perceived fairness in performance appraisal systems. The three primary components of organisational justice, each having to be managed in combination, are:

- Distributive justice – the fairness of allocated outcomes. This is about the *problem* of how things should be distributed.
- Procedural justice – the fairness of the process used in making outcome allocation decisions. This is about *the approach* best taken to problems of justice.
- Interactional justice – the quality of the interpersonal treatment people receive when procedures are implemented. This is another way of thinking about *the approach* taken to the problem of justice.

Using distributive justice to assess the fairness of performance appraisal might involve judgements as to whether the performance ratings meet employees' expectations, or what sort of evidence the outcomes should be based on (who says this is good performance and on what evidence?). Similarly, procedural justice can be used to assess the fairness of performance appraisal systems. This can be achieved through consistent soliciting of employees' input from the development of evaluation standards to the information-gathering and rating process, to providing feedback. Finally, using interactional justice to assess performance appraisal could involve communication and interpersonal treatment, that is, it is important for employees to know how and when they will be evaluated. This will inherently create trust in the organisations and encourage employee engagement.

Performance appraisal is only one example of how the organisational lens can be used in fairness judgements, of course. Other examples include the recruitment and selection, compensation and reward system, and employee engagement.

Why is it important? An individual's perceptions of decisions as fair or unfair will influence many of their subsequent job attitudes and behaviours at work. It also draws attention to the possible behavioural reactions to unfairness – people may reduce inputs, increase outcomes, elect new referents or decide to leave or exit the situation.

All forms of organisational justice act as a source of trust because they signal to employees that they are respected and valued by their leader or organisation.

Lens 2: Fairness as the socially just distribution of goods
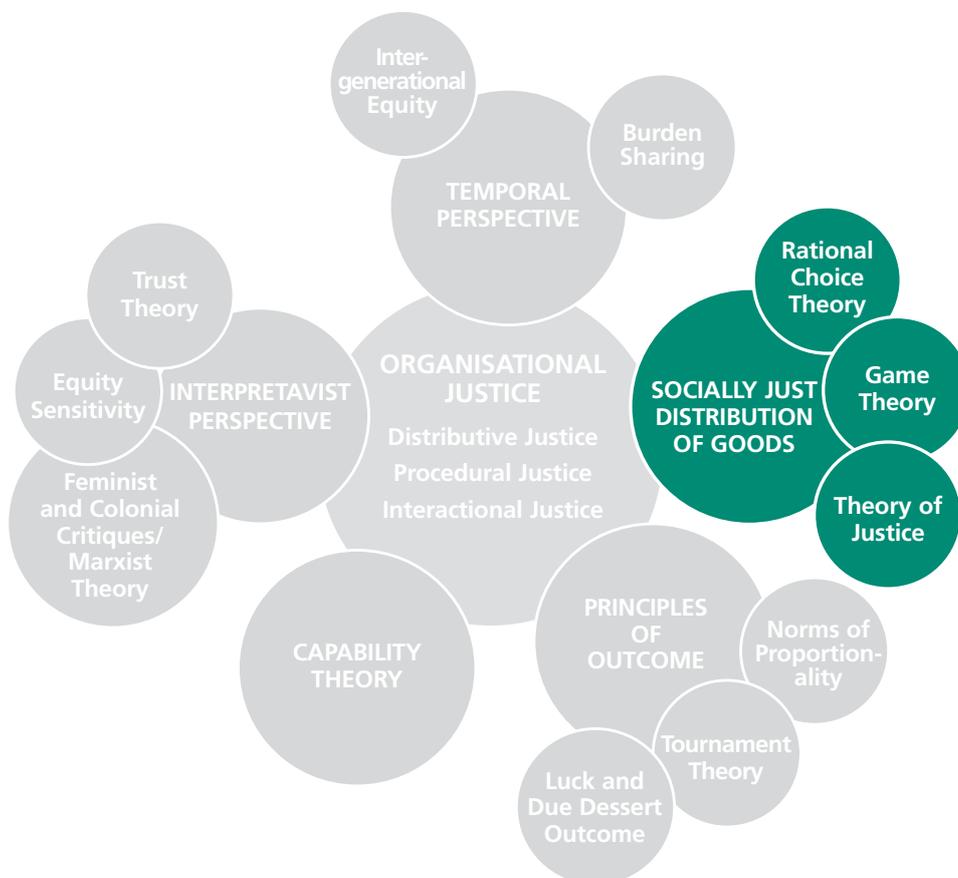
This 'lens' is usually applied to concerns on what is called the 'socially just distribution of goods'. The models that are used justify 'fairness' from the field of economics (see Appendix 2). Where does this perspective seem to matter most? It is used in discussions of executive pay (fair pay), bonuses and rewards. It has implications for industrial relations. It is involved in consideration of social policy, such as welfare.

Imagine you are an economist. They typically draw upon different models from their own field or from philosophy. Many of their models assume we are at heart rational and calculating. People's reactions can be predicted by weighting their expected outcomes and the probability they think of this occurring. There is a distinction of course between rational choice

as an *explanation* of human behaviour (how we tend to behave in the aggregate), or as a *normative* account of how humans *should* behave.

But a utilitarian view would say that the *morally* right action is the action that maximises total human happiness, impartially considered. But given that human beings have discovered what best protects and promotes some central aspects of happiness, they tend to have developed a system of institutions to ensure *justice*. *Fairness*, which is separate from any moral rightness or justice, unless it is merely another name for impartiality, is just a procedural tool that is useful in some contexts. Fairness may simply be judgements made by others about another's rational calculus – their decision calculus – or the procedures used in the game.

To many economists, rational means maximising the individual chooser's expected utility. We play to rules depending on how we think the game works, and as long as the rules can be applied, we will accept the outcome as long as it has some subjective benefit to our welfare. Is fairness a matter of ensuring that the protocols maximise the benefit to all the players in a game?

Or are we in practice not so rational? Do we in practice, or should we, behave in more reciprocal ways? The theory of justice, often contrasted with rational choice theory, attempts to describe what is seen as an ideal – normative – standard of justice. Justice is whatever the best procedure results in. In an uncertain world, 'fairness' is only what can be justified, not independently calculated.

Take the problem of 'fair' (or 'envy-free') division

How can a group of people cut up a cake so that each gets what they consider to be a fair share? Rational choice theory models how individuals act and calculate what they see as being the most practical usefulness – the best utility (people are characterised as 'Homo economicus'). Game theory looks at rational choice when working in strategic interactions. What are the ways in which people will maximise the utility to themselves in situations where two or more people must make decisions, and where the outcome each person gets depends partly on what the other people do? The well-known strategy for two people is one cuts, the other chooses. How does it work when there are more players? Answer: calculate the best outcome stratagems.

If you are tasked with designing some fair procedures at work – say disciplinary procedures – is the fairest way to ask yourself 'how would I design this if I knew I was going to be in the worst position my design creates?' and 'how would I want this procedure to be set up if I were wrongly accused of a firing offence?' In the same way that we can design a process for how two people should best slice a cake, if you have the products of social co-operation – wealth, opportunities, rights, powers, freedoms, status – to divide between citizens, is the best solution to ask one of them to split these products into bundles any way they choose, but tell them that they will get the worst bundle that they make? The just distribution of social goods ends up being a more equal distribution, unless we can show that an unequal distribution improves the absolute position of the worst off (perhaps by incentivising the talented to do things such as becoming doctors, or researching new forms of energy generation).

In any event, this lens argues, this is not how we actually behave. Once we get data beyond a social experiment or hypothetical scenario, do we find that people perceive uncertainties, and react to these in more emotionally tinged ways? Given high levels of uncertainty, do we behave in ways that are risk-averse? This has been characterised as the 'Homo reciprocans' view, that is, it assumes that human beings desire to be co-operative and to improve their environment.

Let's take the executive bonuses debate. So what is fair pay in today's corporate world? What is socially just reward, as opposed to what creates imbalanced, dysfunctional or socially harmful incentives? It depends on how you believe people operate. Appendix 2 shows how we can 'position' the various stances that people take on the fairness or not of executive bonuses.

Using a game theory lens: is executive pay being handled fairly?

Executive pay becomes unfair if the rules of the game are not working as they should. Seeing executive pay through a game theory lens might trigger the following questions:

- Do people think that high levels of executive pay might be bearable in a non-zero-sum game (a game where the value of the pie can get bigger, and therefore increases in the size of the pie brought about by one person lead to more pie for everyone, so they can have a particularly large slice of pie)?

- However, in a zero-sum game, the pie is just divided up differently, so one person's bigger slice means a smaller slice for another. Is the problem that executive pay is sold to people on the grounds that everyone's pie will get larger, but people believe really that it is a zero-sum game (there are winners and losers, and they are the losers)? We can also think about widening pay dispersion between the top and the bottom.

- Is the issue that you feel that executive pay is not actually driven by the rules of economics – the rules of the game can too easily be manipulated? So is the problem the fact that the form of payment that makes up the total cash compensation – for example cash or shares – can artificially be manipulated, or executive pay still rising despite declining business performance, or insistence on belt-tightening among the general population?

- Or that those who govern the pay awards – the compensation committees – are themselves financially linked to the organisation or the value of the currency (for example shares) it uses as part of the reward for executives?

- Is the problem that the 'relative' others against whom the level of rewards are being justified are part of a closed shop, a perceived cartel, inflating the mutual value of their rewards?

'These are all complex questions – but questions that would be asked if you used a rational choice way of thinking about 'fairness'.'

These are all complex questions – but questions that would be asked about executive pay if you used a rational choice way of thinking about 'fairness'. But economists, at least those who believe that economic behaviour works on a more reciprocal and social justice basis, would also raise another set of considerations.

Appendix 2, then, can help you 'predict' some of the sorts of judgements about 'fairness'

that people make in practice, and whether there might be an emotional or rational consequence if these judgements are infringed.

Why is this important? It can be used to identify the typical rules or stratagems that 'players in the game' will likely first wish to follow and the fall-back positions taken. It can be used to predict the behaviours that are seen as breaking the rules, and the rational and emotional responses that might likely follow.

A reciprocal view on executive pay

- Is it the judgement of fairness based on what you believe is the true cause or source of organisational performance, and this might be perceived to be the efforts of others (the collective of the organisation) rather than just the actions of some individuals?

- Does it make a difference what the timescale is to be used for the assessment of performance, or the restrictions on when the reward can be vested – if the reward is based on a short-term (say one-year) horizon, is this a true measure of performance or not?

- Is it that the social desirability of the non-salary perks (retirement plans, health insurance, properties, forms of travel) seem to require little return contribution to society in the form of taxation (so it is a free good that is not fair)?

- Is the problem the level of risk-taking behaviour that the system creates – the unintended consequences or perverse incentives?

- Is it because the organisation providing the reward might have received money from other sources (say the Government/taxpayer) and the perceived use of the reward is not seen to reflect the interests or aspirations of those providers?

Lens 3: Fairness as the principles of outcome

This third lens on fairness is based on what are called principles of outcome (see Appendix 3). Again, many of these ideas stem from the field of economics.

Where does this perspective matter most? It is used in discussion of executive pay (for example bankers' pay), fair pay and pay distribution. It features in discussion of corporate social responsibility. It is referred to in relation to employment law and tribunal mediation. It features in discussion about issues such as

apprenticeships, and in access to opportunities such as social mobility.

So, in analysing fair pay, executive pay and pay dispersion with the lens in Appendix 3, what are some of the key questions employees might ask in judging fairness of pay? Some questions are driven by assumptions about the norms of proportionality. So, for example:

- Is the problem to do with the level of differential pay between average performance and top

performance – the size of reward in absolute terms or relative to others?

Other questions could be predicted by what is called tournament theory:

- What is a fair balance between allowing for competitive levels of compensation – attracting and retaining a scarce sort of talent?

Or it might be the way that we judge luck and due desserts that raises questions about fairness:
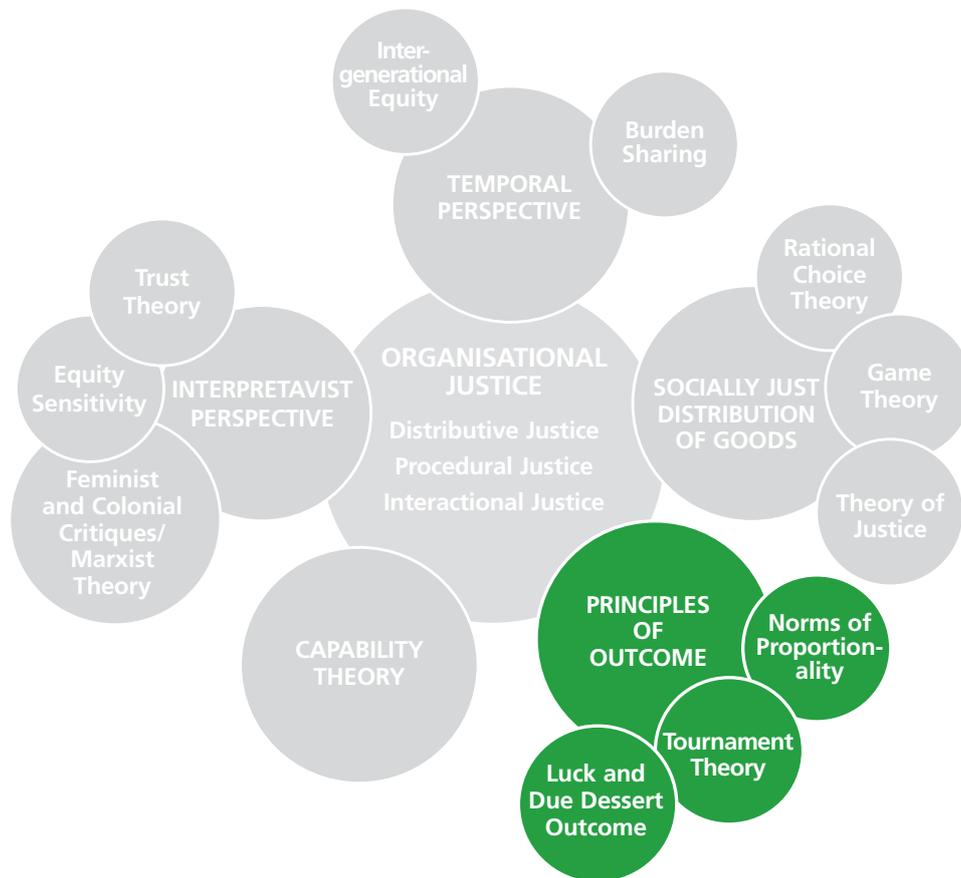
- Is it that the risks are seen as one-sided – for example there might be upside gains associated with stock price rises, but no downside risks if an option is not materialised?
- Or that even though other people were not the underlying source of rewarded performance, will they pay the price (through lost earnings) of the failure of those who were rewarded for performance?

Why is this perspective important? Proportionality impacts outcomes. So for example proportionality in pay implies limits on pay dispersion, that is, each individual's pay must be proportional to the value of their contribution. If proportionality in pay places limits on pay dispersion – for example a fixed ratio of, say, 20:1 between the top and the median wage – it will have an impact on restraining income inequality more generally.

Principles of outcome in the fair pay debate

Pay is determined by two factors – the demands of a post as determined by the labour market and the contribution/performance of the post-holder. Pay in the UK is unevenly distributed, and the gap between the top 1% and the rest of the population has been widening steadily over the last decade. Substantial and growing pay inequality poses a serious challenge to society and government, and various reviews, such as the Hutton Review of Fair Pay, have taken place (Hutton 2010). Do high-earners deserve such large rewards? And is it fair that a wide and growing gap should exist between the pay of those at the very top of the income scale and the rest of the population?

In making decisions on pay, managers note that fairness cannot be understood as simply about equality of outcomes. In practice we make judgements about an individual's 'due dessert', and this will vary according to their differing contributions and choices, and the way in which the influence of chance and external circumstances has been minimised. Fairness also requires that processes as well as outcomes must be fair. Fair pay must therefore be proportional to an individual's contribution and set by fair pay determination processes. The value of individuals' contributions will reflect both the weight of their particular posts and their actions and efforts within them. Some form of proportionality of treatment – in this case pay – whether in respect of need, or merit, or a mixture of both, implies limits on pay dispersion. A maximum pay multiple would be one mechanism for maintaining those limits. As well as being morally desirable, fair pay brings instrumental benefits to organisations by supporting greater employee engagement and morale, and to society as a whole by helping to avoid inequality traps and assisting social mobility and incentives to productive work.

Lens 4: Fairness as capability
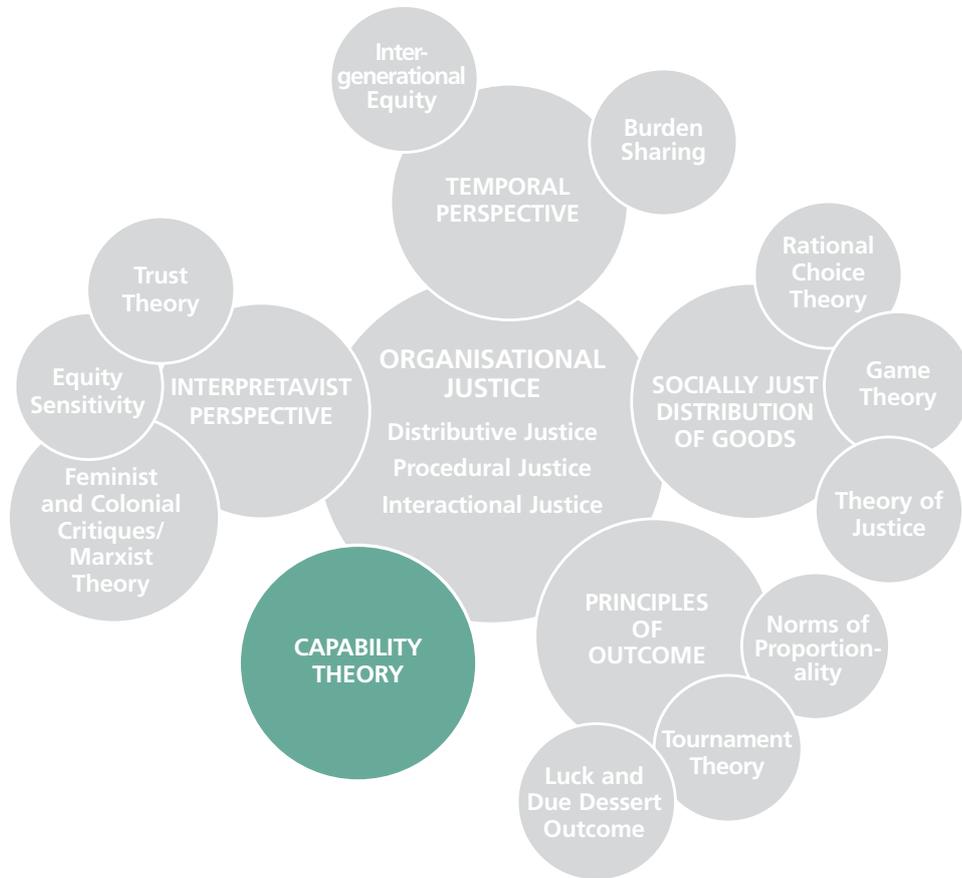
Where does this perspective matter most? It is used in discussion of HR and social policies to deal with issues such as diversity (for example equal opportunities) and discrimination (for example age, gender, sexual orientation, disability, race discrimination). It features in discussion of positive discrimination, for example women on boards. It is relevant to corporate social responsibility issues, for example child labour, wage exploitation, fair trade and supply chain standards. It comes into discussion of social mobility (for example access to training or education). This perspective is very popular with those who deal with equal opportunities, but has received wide application to issues such as international development. The capability approach defines people's real freedom to act, by realistically establishing what resources are available feasibly to achieve their desired outcomes (see Appendix 4).

One's capability to make those desired choices and have some control over one's environment and destiny may be thwarted by discrimination, lack of financial resources/education, social circumstances, government oppression or disease.

Figure 3: The capability approach
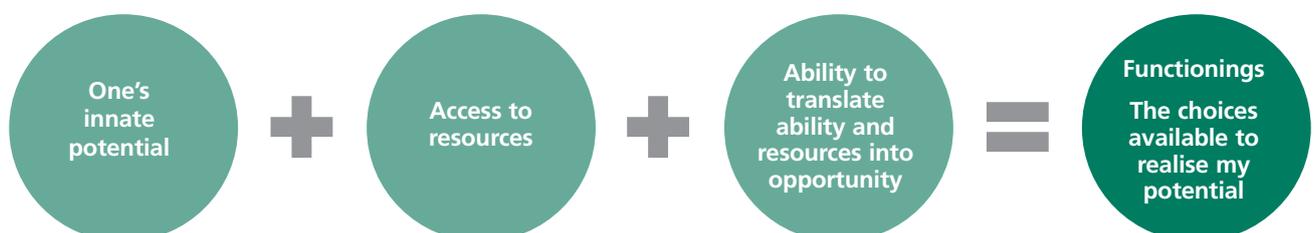
The debate acknowledges that based on women's merit alone, there should be many more represented. Here it's not just the outcome (for example, percentage of boards who are women) that can be used as a measure of fairness; it's also access to, and treatment by, a range of HR processes (selection, potential assessment, promotion, development). Lots of organisations rely too much on the 'representation' measure and too little on the 'process' measure. Despite the multifaceted nature of the issue, the emancipation of women from systemic injustices justifies the application of a human rights approach to intervening robustly. The capabilities approach would look at all the factors that thwart women's progression and serve to intervene through policy to ensure fairer access to resources and enhance their ability to translate this access and opportunities into desired outcomes.

The argument for equal opportunities is predicated on the fact that those with certain characteristics are hampered by artificial barriers (such as ignorance and prejudice) that have no bearing on the ability to perform well in the job. The discrimination does, however, prevent those with the protected characteristics from having the opportunity to make more fulfilling choices. In order for them to compete on an equal footing for scarce valued resources, it is important not just to appoint those segments to senior jobs; it is also important to ensure that the system itself is supportive and not skewed against them.

From the outset, it is recognised that there are individual differences in each person's ability to transform an opportunity into a desired outcome and that it is in the interests of society to ensure that no one group is 'unfairly' excluded from jobs, medical treatment and so on. Gladwell's 'outliers' illustrates this 'equality of opportunity' argument (and the role of both capability and good luck) very well. The approach is to build an outcome measure to establish how effective a policy intervention is.

The relevance of capability to the paradigm of human development also cannot be underestimated. The creation of the UN Development Index, which measures health, education, well-being and income, is driven by this lens. This has influenced the international development agenda to focus on measuring the real choices available to their citizens. With more developed economies, national governments have designed social policies to provide hope of social mobility for those with various disadvantages (for example the Equalities Act) as well as social engineering (for example debates around grammar schools).

Overall, although resources and income have a profound effect on what we can or cannot do, the capability approach recognises that they are not the only things to be considered when establishing 'fairness'. It is switching the focus from a means to a good life to the freedom to achieve actual valued improvements in one's life.

Why is this perspective important? Even well-intentioned efforts may not be valued or produce the expected outcomes if they ignore the fact that people are able to make the best decisions for themselves, and society's role is to facilitate a 'fairer' chance of 'disadvantaged' people or groups of achieving their full potential. People are smarter than society gives them credence for – they judge 'fairness' – and will react based on an understanding of how the whole system really works. Therefore the well-being of the members of a given group should be evaluated by reference to their capacity to achieve a set of subjectively valued states or activities, through which their potential, as full citizens, can be realised.

'...society's role is to facilitate a 'fairer' chance of 'disadvantaged' people or groups achieving their full potential.'

Lens 5: Fairness as a temporal perspective
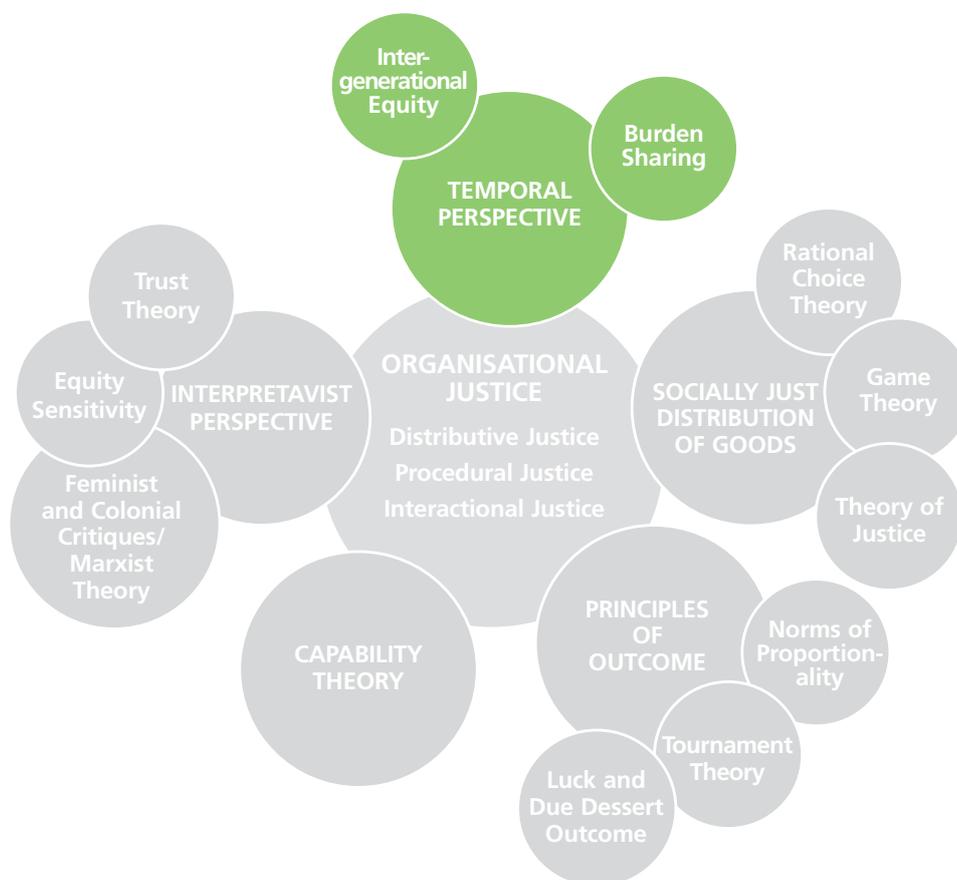
A fifth 'lens' that becomes important is making judgements as to what is 'fair' taking a temporal perspective (see Appendix 5).

Where does this perspective matter most? It features in discussion of pension funds, corporate social responsibility, corporate governance and the long-term viability of the organisation, for example sustainable business models. It features in discussion of human rights, the use of sovereign funds and how to deal with levels of debt (national, corporate, personal).

This lens is not a way of thinking about justice, as the previous four are, but it raises questions about a particular problem of justice. What

do we owe to people who don't yet exist, or to the future existence of those who are now born? These ideas force us to ask questions about fairness from one generation to another – how fairly do we pass the baton over time? They have come from either:

- A legal perspective – are you sure you are not irretrievably compromising the subtle rights and obligations that are embedded in constitutions or other legal instruments?
- An environmental management perspective – are you allowing people the same resources, and access to these resources, that will give them the same freedoms of choice and action as

you have, or are you borrowing against someone else's future?

We see these ideas now being imported to a wide range of debates and issues that are important to employees – how we deal with pensions, corporate social responsibility, the treatment of debt across time. So what issues might this 'lens' evoke? How does this help us 'frame' the questions?

The questions opposite focus on intergenerational fairness, which is of course important. The other obvious debate is the one comparing public and private sector pension provision where the policy is, essentially, to erode the former down to the level of the latter based

The pensions issue through the lens of intergenerational fairness

Asking whether the Baby Boom generation should pay more for their pensions raises problems of intergenerational fairness. The fundamental issue is one of the distribution of the burdens of population ageing, lower fertility rates, rising life expectancy, and how we face up to the financial consequences. It is not just whether we can redistribute the costs more equitably, but how we do this, and whether we can look at which generation bears the cost of one part of the problem (for example ageing and pensions) without looking at another (for example fertility rates). If the costs of pension promises made to sets of individuals historically, and at the time on a basis to be considered legitimate, are to be met in full, what are the adjustments to be made? Given it is important that pensions are sustainable and affordable over the long term, an intergenerational 'lens' on 'fairness' triggers the following sorts of questions that need resolving:

• Societally, how can we be reassured that shared costs and contributions are being contained, and that the revenues taken from current and future contributors used to fund a pay-as-you-go pension benefit match the pension benefits of no-longer contributors?

• Is the degree and balance of fairness between the employee and the taxpayer based on sustainable principles over time?

• Are we paying fairly for the benefits that are being offered, and if we withdraw these benefits, are we being fairer to the next generation or denying them rights their predecessors fought for?

• Are the costs of any reform process, or those of the related consequences, such as welfare support for those with inadequate pensions, or means-tested welfare payments, being borne fairly across different employee segments?

• Do the cross-subsidies still work in the same ways now, and into the future, or do we change the funding exchanges? Should those who are paid the least subsidise the pensions of those who earn the most in a defined benefit scheme or do you adjust benefits to career earnings?

• Is this best achieved by changes in the age at which pensions can be drawn to match the expected increases in longevity, cutting the value of pension benefits, or increasing contributions?

• But then are the assumptions we make about longevity (that we will all be healthy for longer) simply based on extrapolations of statistics or based on a social reality – will all people have the resources to trade income for life expectancy? Will the current middle-aged be as healthy in older years as a generation starved in youth through world wars? Are you modelling and joining up the correct data fairly?

• Is there a way to reform the system without a race to the bottom – without further eroding the value of these pensions, and for the majority are these arrangements really gold-plated?

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on what may be 'presumed consent' that public sector workers should be punished for having 'gold-plated' pensions. This, of course, conflicts slightly with the desire to ensure that future generations have adequate pension provision to avoid pensioner poverty.

There is also a growing acceptance among some policy experts that the 'contribution' principle should be more explicit in the wider welfare debate – proportionality between what you pay into the system and what you get out. This becomes interesting when you look at the employer contributions to occupational pensions under different systems, such as the debate between defined benefit versus defined contribution schemes.

Why is this perspective important? Different employee segments (for example generations) may believe that they are having to pay for, or subsidise, benefits given to another employee segment – and may not engage with the organisation unless this is dealt with. Important stakeholders who might be given a voice in a decision might perceive their needs and interests are being ignored or impacted, so it is deemed unfair. If settlements are not sustainable over time, they may be perceived to have no legitimacy, and people will not play by those rules.

'What do we owe to people who don't yet exist, or to the future existence of those who are now born?'

Lens 6: Fairness as a matter of interpretation
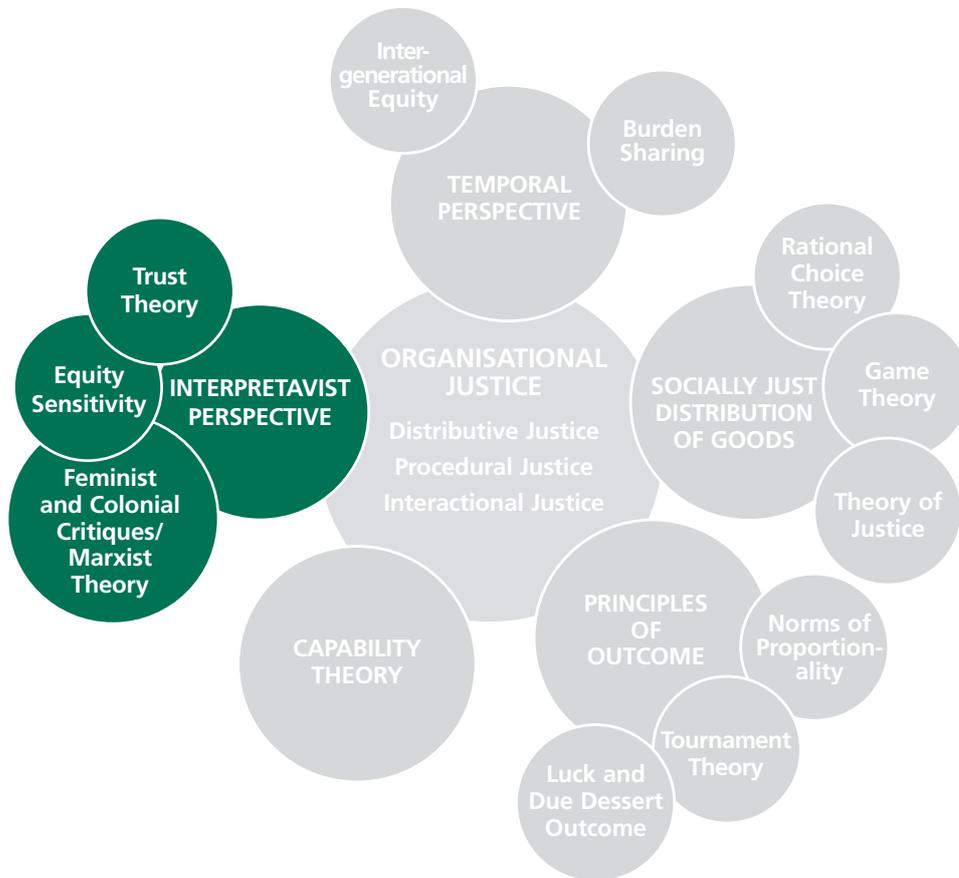
The previous five lenses work on the basis that there are segments of employee, or society, with fairly stable characteristics. They would all apply the lenses to their particular issue or context in the same way. We can predict how they would each think about fairness. That presumption is now being challenged to varying degrees by what are called interpretavist lenses. These represent a bundle of more sceptical views about the very possibility of having a neutral and objective theory of justice!

Some of these perspectives ask questions about domination. Who is in charge here? Who gets a voice in decision-making, and who just has to take what they are given and do what they are told? Who can make things happen to

others just by their say-so? Who can have their life turned upside down by someone else's word? Or they question whether it is ever possible to be objective about fairness. Fairness, they say, is a very subjective – and therefore broadly unmanageable – construct.

In Appendix 6 we highlight just a selection of these views.

The first one is that people have different levels of sensitivity to (un)fairness. Recent research shows that individuals react differently to the same unjust event or practice. Attempts at establishing a stable measure of the tendency that individuals have to see the same event as fair or unfair (called equity sensitivity) have been elusive. There have been similar problems

in trying to develop measures of employee engagement. Is a heightened sensitivity to (un)fairness an individual trait – a matter of personality – or is it something that is situational and subject to temporal fluctuations? Your actions can make all people more or less sensitive to fairness. Regardless, 'fairness' reactions are subject to individual differences.

Such observations certainly drive many of our assumptions about what creates employee engagement. It is used to think about employee segmentation – and also how organisations will create and then market different and individualised sets of rewards and benefits to groups of employees in return for their performance at the workplace – called 'employee value propositions'.

Another perspective argues that people are far more prepared to trust than the previous perspectives might have you believe. In economics, trust is often conceptualised as reliability (or predictability) in transactions. In sociology and psychology, trust is a measure of the belief or confidence one has in another's honesty, fairness or benevolence. In practice people respond to unfairness in quite different ways. They might accept imperfect information, suspend disbelief, or make leaps of faith. They may be willing to allow themselves to become vulnerable. They will do this if they can be persuaded that things will only get better, do not feel they are being deceived or presented with selective information, or feel that those who will deal with a difficult and unfair situation are either naturally benevolent or have high ability (a 'none of us know the answer to this, but if anyone can solve it, I will trust you to' type of attitude).

Then there are people who argue that we construct our own social realities and these transcend any individual experiences: the way that our consciousness and awareness of an issue such as fairness depends on the social context – and the different 'realities' that this creates for us all. A man in a male-dominated world cannot see or judge fairness in the same way that a woman in such a world would.

Fairness means many different things to different people. This is at odds with the more positivist approach taken for example by organisational psychologists. A more subjective view would say those who believe you can objectively measure the experience of fairness (an 'if you answer a question with a 3 on a 5-point scale, your 3 means pretty much the same as my 3' type of attitude) are misguided.

What matters is how reality is constructed and experienced. Reality is mediated by our language and by the values embedded in our culture. For example, feminist critiques of fairness bring to the fore ways in which Western culture is inherently patriarchal and reinforces the dominance of men, or the way that the family (and therefore ideas about fair practices aimed at creating work–life balance) is a very gender-laden idea. Other critical theories such as Marxism, or post-colonial views on globalisation and fairness, similarly challenge reality as the status quo.

As the furore over the phasing out of Elisabeth Fry on English banknotes, the introduction of gender pay audits and the debates about women on boards demonstrate, the issue of debates that work against women remains a contemporary one.

These more critical perspectives argue that the only solution is to accept that there are alternative voices and understandings of how reality is shaped. Once the alternative reality of how 'unfair' the status quo may really be is accepted, the subsequent struggle to reclaim what is a 'fair' settlement may continue to reveal just how entrenched those interpretations of current reality can be.

Why is this perspective important? In establishing what is a 'fair' proposition to an employee, the degree to which they value the justice of it, and the degree to which they see the world as being a just place, depends on their individual disposition (sensitivity), meaning managers have to individualise solutions.

If fairness is about mutually making sense of a situation, managers need to assist employees and shape their interpretation of fair practices – to be able to do this they must already have earned the legitimacy and credibility (from that person's perspective) to do so. If relevant voices were not part of framing the issue, how can any solution be 'fair'? Once the alternative interpretation has been raised, you have no choice but to include the new voices in the framing of the issues. Otherwise solutions will address the wrong problem, and people will avoid engaging with the real causes.

'If fairness is about mutually making sense of a situation, managers need to assist employees and shape their interpretation of fair practices.'

Conclusion

The aim of this research programme is to demonstrate the complexity of the issues (to improve the level of transparency), the necessity of gaining a better understanding of how different ways of thinking about fairness operate, and to offer you a means to help align your decision-making and fair practices.

If we are to 'manage' what is 'fair', we have to recognise that there are (at least) six different lenses that are going to be applied.

We end by presenting an imagined scenario – a typical organisational narrative – as a provocation. How should we decide what is fair in dealing with this? We invite you to apply them all and consider the implications of each. Draw your own conclusions as to which lenses seem to create the best insight. There is no model answer.

The turnaround

Once upon a time, there was a utility company, PowerBong (PB), and, being a publicly owned company in a monopoly sector, the 950 staff were used to a very stable work environment and the performance measures and rewards have not changed materially for over 15 years. With the introduction of competition regulations, the Government had to open up the market and two private utility companies entered the market.

The shift from monopoly to oligopoly meant radical changes in PB. First there was a privatisation exercise as the Government devolved its share to avoid a conflict of interest. The employees were very happy as they were offered a significant part of the equity offering and, at the price offered, most were expecting a windfall. PB had to restructure to be more like their private sector peers and started to look at staffing ratios, establish their credit rating so that they could issue corporate bonds on the capital market to invest and replace ageing energy plants with more efficient ones. They also started looking at their management practices to see if they could get the staff to migrate from defined roles to work more flexibly and to accept colleagues on a different package – namely zero-hour and fixed-term contracts. There was also a move to overhaul the final salary pension scheme so that it would be closed to all future joiners.

The stock exchange flotation of the company progressed smoothly and the new shareholders soon sold, leaving the largest holdings with institutional investors such as insurance companies. In the brave new world, post-privatisation PB was rebranded as PB plc – where every little spark matters. A shiny new board was appointed and a new executive team installed. Many in the previous management team chose at the point of privatisation to take generous retirement packages on final salary schemes. Most of the operational staff were not offered such schemes but were TUPE'd over to PB plc on new contracts subject to renewal in 12 months. The new executive team were City professionals who started looking carefully at quarterlies and seemingly spoke only in financial ratios. Their average salaries were about four times those of the previous team and they had equity bonuses based on financial performances.

A year on, the staff numbers had declined to 850 and a consultation process was under way to phase in labour downsizing to about 500. Having acquired a respectable credit rating, PB plc is in the process of raising £30 billion in long-term bonds to fund capital investments across the country. They are moving rapidly from coal to gas-fired stations, which requires considerably fewer staff and lowers the average kilowatt generation cost by 50%. The workforce composition will also be changing as all the new plants are largely automated. The focus will be on technical staff. Nearly half the existing workforce will be put at risk in the next two years.

PB plc has also announced that they will be merging with an energy company from Kuwait. For the purposes of capital-raising, this will be a financially good marriage. Consequently, there will be a reshuffle at the top and the CEO and two of his top team will be leaving to be replaced by members from the new parent company. As part of the alignment, executive rewards improved with cash increases of 33% with enhanced equity bonuses. Average pay awards in the rest of PB plc was a respectable 1.9% last year. Meanwhile energy tariffs rose 7.3%. The outgoing CEO received a cash and equity bonus equivalent to 250% of his base salary, which was about average in the energy sector. The share price of PB plc remained stable, rising about 6% year on year.

As a member of the surviving executive team for PB plc, you've had to address all these changes, especially accusations of unfairness. These include the closure of the final salary scheme, the adoption of a new executive reward scheme, the fundamental changes in the terms and conditions for all following privatisation, waves of long-term staff being put at risk following the publication of the PB plc strategy of decommissioning old, dirty, coal-fired stations and accelerating the investment in gas-fired automated plants. Consumers meanwhile are up in arms with the tariff increases and these are set to increase by nearly three times inflation next year – 8.2%.

• What lenses could you apply to defend PB plc's choices?

• If you disagreed with some of the choices made and wanted to bring alternatives to a largely divided board, how would you reframe the argument?

• What lenses would help you develop an alternative business case?

As you've discovered, by applying, in turn, the different fairness lenses to the scenario above, you find some overlaps and ambiguities. The outcomes may sometimes look similar but the journey is just as important as the destination if our aim is to win the hearts and minds of our workforce. By applying a limited set of lenses (primarily those under 'organisational justice'), there is the risk of organisations shoehorning complex issues into an HR slant and regarding these as the only legitimate approaches. We owe it to our profession as managers to find alternative, potentially 'better' lenses to make some sense of the complex problems we face in HR.

We hope these lenses have caused you to question your fairness judgements. A parting question: even if you think you are fair, do you really know you are fair?

'Even if you think you are fair, do you really know you are fair?'

Appendix 1 : Organisational justice fairness assumptions

Where the ideas come from	How it works
Distributive justice	Judgements of equity and inequity are derived from comparisons between oneself and others based on an input-output ratio:
	• *inputs* (what a person perceives as having contributed, for example knowledge, effort)
	• *outcomes* (what an individual perceives they get out of an exchange relationship, for example pay and recognition).
	Whether it's 'fair' depends on your point of comparison (*referents*), which may be internal (one's self at an earlier *time*) or external (*other individuals, groups, organisations, sectors*).
	An equitable outcome (for example remuneration, or any other valued outcome) is awarded in proportion to their inputs (how hard they work, how productive they are).
	Applying 'equality', all participants receive the same outcomes, regardless of their individual performance.
	Where 'need' is the measure, one is rewarded based on their level of need or deprivation.
Procedural justice	Employees are naturally attentive to justice of events and situations in their everyday lives, for example issues related to perceptions of fair pay, equal opportunities for promotion, and personnel selection procedure.
	People will judge fairness based on four rules:
	• *Dignity:* fair process requires all parties involved to be treated with respect (for example having a voice; opportunity to make a case).
	• *Equality:* fair process must treat (and be seen to treat) all individuals the same, applying consistent, transparent rules. This does <u>not</u> mean that the outcomes need to be the same for everyone.
	• *Accuracy:* fair process must take full account of all available information, exhaustively establishing facts of each particular case.
	• *Legitimacy:* flowing from the above criteria, a fair process must be trusted by all parties to be seeking a fair outcome for all.
Interactional justice	Employees will judge fairness based on their perceptions of their interpersonal treatment during the implementation of policies at work. They make two separate judgements:
	• *Interpersonal justice:* how **employees are treated**, that is, perceptions of respect and propriety by authorities, managers and their third parties.
	• *Informational justice:* the **accuracy and quality of explanations** about procedures provided to employees, that is, adequacy of the explanation, its timeliness, specificity and truthfulness/ authenticity.

Sources: Colquitt et al 2001; Greenberg 1987a, 1987b, 1993a, 1993b, 1993c; Greenberg and Colquitt 2005.

Appendix 2: Socially just distribution of goods fairness assumptions

Where the ideas come from	How it works
Rational choice theory/ game theory	Assumes decisions are based on the **'utility'** of outcome – how intensely it increases pleasure or reduces pain. This calculus is based on a **subjective assessment of welfare** – such as monetary gain, happiness, satisfaction or moral worth. Assumes all the game players have **perfect market information** on which to base their calculus. People will **maximise the utility to themselves** (as a consumer, or as a producer) and place desired outcomes in a rank order. They have different **levels of indifference** to some outcomes. *Preference-satisfaction* and *pleasure* are different, competing, theories of utility (roughly: that your preference is satisfied is a state of the world, and can be true even if you don't know it or don't enjoy it; pleasure is a state of your mind, and can be based on mistakes or ignorance about the world). The former is more commonly used in rational choice theory, the latter in classical utilitarian moral theory. The rule or stratagem to reach a 'fair' decision depends on whether it is a **zero-sum game** (if the cake is cut your gain exactly matches the loss by others) or a **non-zero-sum game** (the cake size can change). *MinMax rule (Nash equilibrium)*: In a zero-sum game people will act in a way to *min*imise possible loss for a worst case (*max*imum) loss scenario – and they will try to maximise their own minimum gain. *MaxMin rule:* In a non-zero-sum game their strategy will be to maximise their own minimum payoff.
Theory of justice as fairness	If there is any **uncertainty about the physical and material endowments** to be enjoyed over our lives (wealth, intelligence, strength), our behaviour is infinitely risk-averse. We will care only about **worst possible outcome** – so will agree to a **social contract** which maximises the welfare of the least well-off member of society because that might one day be us. People behave on the principle of **'justification'** – fairness is an emotional issue and is based on an assessment of risk, that is, people will absorb a price that has no foreseeable benefit if the end is justified. Provides a collection of models to assist in the analysis of **conflict and co-operation** as well as strategies for resolution. Aggregates preferences and behaviours of individual members of society to create the procedures that lead to: • *Fair division*: problem of dividing a set of resources or goods between several people, such that each person receives his/her due share. • *Entitlement:* proportion of the resources or goods to be divided that a player can expect to receive. • *Bargaining power:* relative ability of parties in a situation to exert influence over each other. Also informs a 'human rights' view of fairness, underpinned by two principles: • *Liberty principle*: each is the recognition of a set of equal basic liberties such as conscience, speech and association, meaning that each person has an equal right to the most extensive basic liberty compatible with a similar liberty for others. • *Difference principle:* inequality is permissible to the extent that those at the bottom benefit from arrangements that enable those at the top to be richer. Social and economic inequalities are to be arranged so that they are both: to the greatest benefit of the least advantaged and attached to offices and positions open to all under conditions of fair equality of opportunity.

Sources: Binmore 2012; Dimand and Dimand 1996; Nash 1950, 1951; Rawls 1971, 1985, 2001.

Appendix 3: Principles of outcome fairness assumptions

Where the ideas come from	How it works
Norms of proportionality	Just as there is a tariff of proportional punishment to match the offence of the crime, so those who make an effort to exploit their talents and do good jobs deserve their proportional reward.
	However, judgements about whether people have the means to reach the ends or how they use these means must affect views on the distribution or proportionality of resources and goods.
	Underpinned by the following principles, one must judge whether a certain distribution of goods is desirable, ideally without knowing how previous differences came about:
	• *Crude egalitarianism:* it is bad or unjust if some people are worse off than others.
	• *Crude sufficientarianism:* it is bad or unjust if some people do not have enough of whatever is the relevant currency of distributive justice.
	• *Prioritarianism* (protected characteristics): we should maximise the sum of welfare that is weighted to ensure that benefits at lower levels of welfare have more weight than those at higher levels.
Tournament theory	Prizes are fixed in advance and not based on absolute performance – just that relative to others in the same position.
	Rewards at higher levels of an organisation serve to motivate and incentivise those at lower levels, who will strive to get promoted, either under a meritocratic model (where people should get what they deserve for their talent and hard work) or a market model (where people should get what the market will pay for their services).
	As long as the high performance of individuals striving for the next 'prize' boosts the overall performance of the firm (increases the size of the cake for all), they are entitled to a greater distribution.
Luck and due dessert outcomes	Assumes that individuals are completely powerless over *all* their own outcomes.
	Therefore fair rewards (and punishments) should be those that are proportionate to people's actions, that is, the luck they make themselves and for which we should be held responsible (*option luck*).
	Therefore people's diligence, effort and application determines what is fair in the range of rewards (*due dessert*).
	However, circumstance and *brute luck* still matter, for example if the outcome was just a consequence of being in the right place at the right time, this should *not* be the determinant of outcomes.
	Therefore people should not be rewarded for brute good luck, nor penalised for brute bad luck.

Sources: Dworkin 2000, 2003; Eriksson 2009; Lazear and Rosen 1981.

Appendix 4: Capability approach fairness assumptions

Where the ideas come from	How it works
Capability theory	People are able to focus on whether they have **real freedoms** (or not), that is, are they able to value or access important resources (income, commodities, assets)?
	Every individual has innate potential which can be realised only through access to valued resources, but there are individual differences in their ability to **transform these resources into actions.**
	Access to resources is important because that determines their real level of 'functionings' (the choices people can realistically make to better their lives), that is, what we are capable of (able to do), want to be capable of, should be capable of.
	But there is a **distribution of opportunity** within society.
	Therefore people need both the resources (the internal powers) to realise their desired functionings – but also the **capabilities**.
	People are not equally placed to realise their human capabilities, due to barriers arising from **structural inequalities** of class, race, disability, gender and sexual oppression.
	Policy intervenes to provide the additional assistance some people may require to develop their capabilities and to transform them into functionings ('conversion factors').
	Therefore, in order to be 'fair', policies have to make opportunities 'real' and feasible, in two ways:
	1 They have to ensure access to valued resources in order to give people the **substantive freedoms** to transform their potential capability into desired functionings.
	2 They have to help make this 'conversion' easier – that is, it is not just a case of putting people into the positions (for example positive discrimination); you have to ensure they have the holistic opportunity to cope with all the other factors that enable success – there must be no hidden systemic barriers.

Sources: Carpenter 2009; Nash 1951; Sen 1999.

Appendix 5: Temporal perspectives fairness assumptions

Where the ideas come from	How it works
Intergenerational equity	'Fairness' is judged on how the baton is passed from one generation to another, and at any one moment in time the present generation may present this baton to the next generation in such a way that it irretrievably compromises key principles, such as: constitutional rights, access to resources and the chance to benefit from those resources.
	Most national constitutions actually convey a set of legal rights and obligations. These rights and obligations create important conditions or constraints, for example they dictate principles about access to power and authority and access to a social pact.
	These principles are enshrined and apply across time. They are fundamental entitlements that must not knowingly be compromised, that is, one party cannot 'land grab' or 'resource grab' across time in such a way that the next generation would find it **impossible to implement the values within the constitution.**
	There is an implicit commitment of successive generations – a long-term perspective – concerned with the interests and rights of future generations as well as of people today to respect and maintain fundamental balances (inviolable rights), and this requires the commitment of those past and present to keep (at least) a minimum level of actual conditions so that the basic principles and values are feasible.
Burden-sharing	There are **competing factions:** each owning part of the nation's stock of **exhaustible natural resources.**
	To avoid this, all factions have to move onto burden-sharing views of fairness. This view is based on ideas of sustainable development, in turn defined as development that meets the **needs of the present** without compromising the **ability of future generations** to meet their **own needs.**
	Efficiency principle: the current generation owe to the next generations – and must leave – a set of conditions that ensure the same availability of important resources (for example financial wealth, lack of debt, quality of the environment) necessary to maintain a certain standard of living and production capacity.
	To meet this obligation the next generation must have **the option or the capacity** to be as well off as we are, for example use of equity funds to maintain a sufficient level of money to ensure the fund can always be a 'guardian of the future against the claims of the present'.

Sources: Bratland 2007; Kontogianni et al 2006.

Appendix 6: Interpretavist perspectives fairness assumptions

Where the ideas come from	How it works
Equity sensitivity	Individuals do not necessarily share the same interpretations of fairness and justice – individuals subjected to the same inequities often respond in different ways.
	Individuals have different tolerances and sensitivities to disparities – for example some are more 'equity sensitive' (they fit equity theory). Some are more 'benevolent' (they are more tolerant of deviations) and some see themselves as 'entitled' (they are more tolerant of dissonance, for example, to over-reward, and more focused on under-reward).
	Their interpretations of 'fairness' (and therefore reactions) are based on which category they fall under.
Trust theory	Expectations of 'fairness' are based on people's **interpretations of reality** (social construction).
	Because people believe the world is continuously changing, everybody's understanding of 'fairness', including their own, is always in flux and subject to the influence of actors, events and other ideas.
	People make very subjective assessments of 'fairness' – it depends for example on their assessment of outcome severity, mistakes of omission, mistakes of commission, the other's level of knowledge, individual values of hard work, education, attitudes to self-sufficiency.
	Therefore, people have an acceptance of imperfect information, will judge 'fairness' by suspending their disbelief and making leaps of faith.
	They are **willing to become vulnerable**, but base this on their attribution that those executing change have high abilities (they may not know the answer, but if anyone will find it out, it will be them); or that they are naturally benevolent (however the problem is solved, they will look after your interests).
	'Fairness' relies on holding back, or holding favourable expectations (expectations that outcomes will change for the better) and is therefore based on trust that managers will not deceive or be selective with information.
Feminist critiques, colonial critiques, Marxist theory	Ideas of 'fairness' are the product of the way certain dominant groups – either consciously or inadvertently – shape the language, **frame the issue**, and the consequent **interpretation of the issue.**
	This framing **is myopic** and denies people entry into discussion of, or decisions about, the real issues.
	For example, a **gender critique** argues that 'justice' can be seen as a male perspective, for example it wrongly assumes that the institution of family is just. In reality 'family' has subtle embedded hierarchies (for example time division, expected roles) and can perpetuate gender inequalities throughout society.

Sources: Adams 1963; Forray 2006; Huseman et al 1987.

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