

Research News You Can Use

Commentary on research findings that have important applications for first responders

With Dr. Pat Lynch



How Fairness Can Mitigate the Effects of Economic Hardship

It is a fact of organizational life that leaders make decisions that sometimes result in negative outcomes. To the extent they perceive these decisions as unfair, affected individuals may develop undesirable attitudes that manifest as damaging workplace behaviors (e.g., low productivity, high absenteeism). In times of economic hardship, such decisions become especially tough because they concern issues related to employees' livelihoods. However, it is possible to mitigate such negative effects by ensuring that members understand the decision-making process and believe it is fair.

Perceptions of fairness greatly influence employees' reactions to negative outcomes of management decisions. There are two relevant aspects of fairness in this context. *Distributive fairness* addresses the outcomes of a decision, while *procedural fairness* speaks to the way the decision was made. Importantly, research shows that if people believe the decision-making *process* is fair, they will accept the *results*, even when they don't like them. This is important because while leaders cannot always control the alternatives from which they must choose (e.g., reduce everyone's pay or lay off some employees), they always have control over HOW they make those decisions.

In one study¹, researchers examined the effect of procedural fairness during job layoffs. They studied the reactions of those who lost their jobs, of the survivors, and of employees who knew they would be laid off soon. Individuals in all three categories who perceived the decision process as fair reacted much less negatively than those who viewed it as unfair. The authors suggest that in order to minimize the negative effects of layoffs for all workers, employers could offer support such as severance pay and outplacement service. When that is not possible, actions such as providing advance notice, clearly communicating the explanation for the layoffs, and treating all employees in a dignified manner will mitigate negative reactions.

Although this study specifically addressed a situation involving economic hardship, the extensive literature on fairness is clear: regardless of the type of situation or decision that will result in a disappointing outcome – e.g., promotions, resource allocation – people will be able to overcome their frustration or dissatisfaction if they perceive that the process by which the decision was made is fair. This outcome is true not just of the individuals directly involved, but of their colleagues who also are evaluating how the situation is handled.

The bottom line: there is a huge return on the time and effort spent on ensuring fair decision procedures in the workplace. By developing processes that employees perceive as unbiased, transparent, free of discrimination, and providing meaningful opportunities for input from those affected, leaders can help mitigate the negative effects of economic hardship.

¹ Brockner, J., Konovsky, M., Cooper-Schneider, R., Folger, R., Martin, C., & Bies, R.J. (1994). Interactive effects of procedural justice and outcome negativity on victims and survivors of job loss. *Academy of Management Journal*, 37:397-409.

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