

## Equity Theory of Motivation

The core of the equity theory is the principle of balance or equity. As per this motivation theory, an individual's motivation level is correlated to his perception of equity, fairness and justice practiced by the management. Higher is individual's perception of fairness, greater is the motivation level and vice versa. While evaluating fairness, employee compares the job input (in terms of contribution) to outcome (in terms of compensation) and also compares the same with that of another peer of equal cadre/category. D/I ratio (output-input ratio) is used to make such a comparison.

### EQUITY THEORY

Ratio Comparison	Perception
$O/I a < O/I b$	Under-rewarded (Equity Tension)
$O/I a = O/I b$	Equity
$O/I a > O/I b$	Over-rewarded (Equity Tension)

**Negative Tension state:** Equity is perceived when this ratio is equal. While if this ratio is unequal, it leads to "equity tension". J.Stacy Adams called this a negative tension state which motivates him to do something right to relieve this tension. A comparison has been made between 2 workers A and B to understand this point.

**Referents:** The four comparisons an employee can make have been termed as “referents” according to Goodman. The referent chosen is a significant variable in equity theory. These referents are as follows:

- ✓ Self-inside: An employee’s experience in a different position inside his present organization.
- ✓ Self-outside: An employee’s experience in a situation outside the present organization.
- ✓ Other-inside: Another employee or group of employees inside the employee’s present organization.
- ✓ Other-outside: Another employee or employees outside the employee’s present organization.

An employee might compare himself with his peer within the present job in the current organization or with his friend/peer working in some other organization or with the past jobs held by him with others. An employee’s choice of the referent will be influenced by the appeal of the referent and the employee’s knowledge about the referent.

**Moderating Variables:** The gender, salary, education and the experience level are moderating variables. Individuals with greater and higher education are more informed. Thus, they are likely to compare themselves with the outsiders. Males and females prefer same sex comparison. It has been observed that females are paid typically less than males in comparable jobs and have less salary expectations than male for the same work. Thus, a women employee that uses another women employee as a referent tends to lead to a lower comparative standard. Employees with greater experience know their organization very well and compare themselves with their own colleagues, while employees with less experience rely on their personal experiences and knowledge for making comparisons.

**Choices:** The employees who perceive inequity and are under negative tension can make the following choices:

- ✓ Change in input (e.g. Don't overexert)
- ✓ Change their outcome (Produce quantity output and increasing earning by sacrificing quality when piece rate incentive system exist)
- ✓ Choose a different referent
- ✓ Quit the job
- ✓ Change self perception (For instance - I know that I've performed better and harder than everyone else.)
- ✓ Change perception of others (For instance - Jack's job is not as desirable as I earlier thought it was.)

### **Assumptions of the Equity Theory**

- The theory demonstrates that the individuals are concerned both with their own rewards and also with what others get in their comparison.
- Employees expect a fair and equitable return for their contribution to their jobs.
- Employees decide what their equitable return should be after comparing their inputs and outcomes with those of their colleagues.
- Employees who perceive themselves as being in an inequitable scenario will attempt to reduce the inequity either by distorting inputs and/or outcomes psychologically, by directly altering inputs and/or outputs, or by quitting the organization.