

## **Job Title and Perceptions of Equity**

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*In this study, an experiment was performed to test equity theory predictions of a positive relationship between a higher status job title and increased input and outcome expectations. Participants responded to a job description bearing either the title Vice President of Accounting Services (n = 100) or Staff Accountant (n = 116). Perceived job status, operationalized as job title, was found to have a significant impact on input and outcome expectations. Information was also gained on the choice of the comparison standard and the influence of biographical factors.*

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Equity theory, first articulated almost thirty years ago by Adams (1963), focuses on individual responses to rewards. In its simplest form, the equity model proposes that an individual's satisfaction/motivation is the consequence of a cognitive comparison of the ratio of one's own inputs/outcomes with the ratio of inputs to outcomes of some relevant comparison other (Goodman, 1974; Greenberg & Deaux, 1982; Walster, Walster, & Berscheid, 1978). Adams proposed that individuals who feel they have been inequitably treated in comparison with others will try to eliminate the inequity. In the work setting, when employees perceive inequities in the rewards they receive, they may change their work inputs, rationalize the inequities, use different comparison others, or even terminate their employment (Schermerhorn, 1989).

The model's great strengths are its face validity, parsimony, generalizability, and capacity to generate continued research interest. Its major weaknesses are its inability to specify what constitutes relevant inputs and outcomes and the closely related problem of determining the true comparison standard (Scholl, Cooper, & McKenna, 1987).

The theory has proved to be one of the most durable and generally accepted theories in the behavioral sciences. It has generated extensive amounts of research (Mowday, 1979; Pritchard, 1969), been utilized in a variety of contexts (Burt & Sundstrom, 1979), and stimulated hybrid variations to meet specific needs (Nord, 1980; Vecchio, 1984). The majority of empirical research, however, has been based on laboratory experiments and has been devoted to the examination of work performance under conditions of overpayment versus underpayment of monetary rewards (Schuster, Colletti, & Knowles, 1973; Von Grumbkow & Wilke, 1978; Wood & Lawler, 1970).

Research interest in non-monetary work outcomes (Greenberg & Ornstein, 1983; Greenberg, 1988; Landy, Barnes, & Murphy, 1978; Lawler, 1968), often in non-laboratory settings (Martin & Peterson, 1987) has served to broaden the scope of equity theory applicability and adds to our understanding of the interplay between status outcomes and work-related performance.

Physical symbols such as large offices (Langdon, 1966) and carpeting (Joiner, 1976), which reflect the organizational status of job incumbents have long been acknowledged as rewards exemplifying an employee's standing in an organizational status hierarchy (Konar & Sundstrom, 1985). Typically such rewards strengthen the organizational social structure (Edelman, 1978) and are welcomed by the recipients as just dues for their position in the corporate hierarchy.

In addition, these physical symbols may serve to offset dissatisfaction created by inadequate monetary rewards. Burt and Sundstrom (1979) reported that individuals employed in highly desirable environments were more satisfied with lower monetary rewards than those who had less appealing work space.

Greenberg and Ornstein (1983) also found that earned high status in the form of a job title will compensate for inadequate monetary rewards in determining payment equity. Such non-monetary rewards, however, do not always lead to permanent positive outcomes. An unearned job title, while at first leading to improved job performance accompanied by feelings of overpayment, may subsequently result in lowered performance and feelings of underpayment (Greenberg & Ornstein, 1983).

Greenberg's (1988) study of employees temporarily reassigned to offices of equal, lower or higher status supported equity theory predictions that overpayment or underpayment inequity was directly related to the magnitude of the status inconsistencies encountered. Such status incon-

sistencies arise when the perceived status of the job incumbent and the designated rewards are not matched (Wineman, 1982).

Adams' (1965) original formulation proposed that the relevant other is a co-worker, but subsequent empirical work suggests that the pay referent is not necessarily a single significant other but rather may be a cosmopolitan abstraction created by scanning the environment for equity-related information. In the latter case, the relevant other is presumed to be a perceptual composite of information gathered not only from co-workers but also from a wide array of outside sources (Hills, 1980).

For example, Berger and his associates (Berger, Zelditch, Anderson, & Cohen, 1972; Berger, Fisek, Norman, & Wagner, 1983) contend that an individual's feeling of inequity and the subsequent reactions relate not to comparison with a specific other person, but to a generalized other such as an occupational

group. Equity determinations are, therefore, heavily dependent upon an accurate scanning of the economic and social environment. Equity theory has offered great promise for explaining work-related behavior, but for a variety of reasons, evidence of its actual predictive power has been limited. The research reported here was designed to help gain a better understanding of the factors which influence equity decisions. It examines the relationship between perceptions of status, non-monetary related outcomes, and equity decisions.

In this study the following hypotheses were tested:

Hypothesis 1: Job title, as a public indicator of status, will significantly affect the perception of inputs required and rewards to which an employee feels entitled.

Hypothesis 2: The generalized standard, from which an equity decision is made, is strongly influenced by knowledge drawn from observations of the economic or social environment.

Hypothesis 3: It is possible to discriminate between demographic groups with respect to their equity decision patterns.

## METHOD

### Data Collection

**Instrumentation:** The instrument used in the study was designed by the researchers to examine the effect of job title on expectations of

rewards/outcomes relative to inputs. The first section was a job description bearing the job title of either Vice President of Accounting Services or Staff Accountant (a copy of the job description can be found in Appendix A). The job description was approximately three-quarters of a page in length and contained information related to the position's purpose, its nature and scope, and the job incumbent's desired knowledge, abilities, and skills. The job description was formal in tone and its content was carefully constructed to assure accuracy and realism. In advance of the experiment, knowledgeable professionals were asked to critique the job description. Accounting was selected as the functional area in the belief that all participants would be aware of the fundamental requirements of an accounting position.

The second part of the instrument was the Position Equity Correspondence Scale (PECS) developed by the researchers to assess the relationship of job title with input requirements and outcome expectations of respondents. Eight of the 15 items on the instrument related to inputs the job incumbent would be expected to bring to the position (years of experience, hours worked, age upon entry, gender of incumbent, difficulty of replacement, communication skills, active membership in professional organization, and post-graduate education). The remaining seven items referred to specific outcomes the incumbent could expect to associate with the job (annual salary, number of subordinates, compensation for overtime, private secretary, performance based bonus, private office, and company-paid membership in professional organization). Ten of items were scored using a five point scale of "strongly agree" to "strongly disagree." The remaining five items were written as multiple choice questions.

The third section was designed to assess respondent knowledge of well-publicized work-related outcomes. Multiple choice responses were provided for the six questions (annual median family income in the U. S.; annual salary necessary for family of four to be considered affluent; percent of labor force with four-year college education; percent of work force covered by employer or union-paid health insurance; average wages paid to women as percent of that paid to men; and average salary of CEOs of the 200 largest U. S. companies), were intended to serve as a measure of the respondent's knowledge of the true compensation environment. The fourth part of the form gathered demographic and job-related information.

**Administration of the Survey:** Administration took place in small group settings. In a brief, pre-rehearsed introduction, the respondents ( $n = 216$ ) were advised that the purpose of the survey they were to complete was to test equity theory propositions regarding the impact of job descriptions on employee expectations.

One hundred of the participants responded to a job description bearing the title Vice President of Accounting and 116 responded to exactly the same job description titled Staff Accountant. To assure respondent awareness of job title, survey administrators called their attention to the title. Post experiment feedback based on a number of informal interviews with respondents confirmed the success of this survey strategy.

### **Description of the Sample**

The respondents in this experiment were graduate students at a large metropolitan university. Because of its urban location and extensive evening program, the participants are more representative of a true working population than would normally be expected in a study with student subjects.

The average age of the sample was 29.2 years with a range between 25 and 52. One-hundred twenty-seven were male and 89 were female. The majority (73.6%,  $n = 159$ ) were employed, and in response to a query of their own job titles, 25.8% ( $n = 40$ ) reported holding a managerial position while 22.5% ( $n = 35$ ) were employed in professional technical occupations.

The sample was fairly equally divided with respect to marital status (47.0% were married; 53.0%, single or divorced) and, in general, they reported being well off financially with 62.6 % reporting family incomes in excess of \$25,000/year. In response to a question regarding father's occupation, only 14.6% reported fathers with less than a high school diploma, and 45.5% had fathers with a bachelor's degree or beyond.

## **ANALYSIS AND RESULTS**

### **Input Requirements and Outcome Expectations**

Statistical analyses of results from a pre-test of the instrument indicated that three of the items on the Position Equity Correspondence Scale

(PECS) might be of marginal utility: two input items (preferred gender for the position and difficulty of replacement) and one outcome variable (company-paid membership in a professional association) were, therefore, edited from the instrument. The trimmed model (six input and six outcome items) was then used for further analyses. A check on the overall reliability of the edited scale yielded a Cronbach's alpha of 0.78, a level sufficient to warrant confidence in the instrument's reliability (Nunnally, 1978).

The first question to be addressed in the analysis was the effect of job title on overall work-related inputs and outcomes. For this purpose, an overall score was calculated for each experimental group. The mean score on the PECS for the job description bearing the title Vice President was 45.79 and the mean score for the identical job description bearing the title Staff Accountant was 38.04. A simple t-test revealed the two means were significantly different ( $t = 10.95, p < .0001$ ). The second question addressed was the impact of the job title separately on inputs or outcomes. Because equity theory posits that individuals evaluate equity in terms of an input/output ratio, one would expect that position title would have an equivalent impact upon both inputs and outcomes within each experimental group. A failure to observe the equivalency effect would cast a shadow of doubt over equity theory propositions.

The analysis cast no such shadow. Means for the input sub-scale ( $t = 9.09, p < .0001$ ) and for the outcome subscale ( $t = 10.40, p < .0001$ ) were found to be significantly different for the two experimental groups. These results indicate that respondents approached the PECS with a consistent image of job inputs and outcomes. In other words, the title Vice President consistently caused respondents to indicate both higher input requirements and outcome expectations than those responding to the job description bearing the Staff Accountant title. Results of the analyses examining the differences in mean scores for the composite measure, for the input requirements, and for the outcome expectations are summarized in Table 1.

Correlational analysis indicated the items within each of the two subscales were highly intercorrelated. Multiple analyses of variance (MANOVAs), therefore, were used to simultaneously assess the relationship of each of the items within each subscale between the two job titles. Results of the analyses, which are summarized in Tables 2 and 3 revealed means for each of the items in the two subscales were significantly different for the two experimental groups. Thus, support for the first hypothe-

sis is clearly confirmed: job titles significantly affect the perception of inputs required and rewards to which an employee is entitled.

**Table 1**

**Means, Standard Deviations, and Results of t-Tests for Position Equity Correspondence Scale and Subscales**

Scale	N	Mean	SD	t-Value
<b>Composite Scale</b>				
Vice president	100	41.13	4.25	11.10****
Staff accountant	116	33.61	5.67	
<b>Input Subscale</b>				
Vice president	100	22.41	2.49	9.09****
Staff accountant	116	19.11	2.88	
<b>Outcome Subscale</b>				
Vice president	100	23.35	2.62	10.40****
Staff accountant	116	18.93	3.60	

**Table 2****Results of MANOVA Comparing Job Titles for Input Requirements**

Input Requirement	Vice-president		Staff Accountant		F-value
	Mean	SD	Mean	SD	
Years of work experience	2.63	0.77	1.91	0.61	57.54****
Hours of overtime per week	3.51	0.80	3.28	0.79	4.70*
Expected age	3.48	0.80	2.57	0.75	74.87****
Communication skills	4.66	0.55	4.43	0.72	6.63**
Professional association	3.99	0.92	3.56	0.87	12.51****
Post-graduate degree	4.17	0.88	3.36	1.08	35.57****
F(6,209) = 16.86****					

**Table 3****Results of MANOVA Comparing Job Titles for Outcome Expectation**

Output Expectation	Vice-president		Staff Accountant		F-value
	Mean	SD	Mean	SD	
Annual salary	3.51	0.92	2.26	0.81	113.54****
Number of subordinates	3.20	1.14	2.41	1.10	26.69****
Overtime compensation	3.79	1.36	3.29	1.44	6.99**
Private secretary	4.09	0.89	3.09	1.16	48.61****
Performance based pay	4.08	0.96	3.71	1.00	7.79**
Private office	4.68	0.53	4.17	0.90	24.61****
F(6,109) = 23.16****					

## Knowledge of the Economic Environment

The second hypothesis investigated in the study concerned the generalized standard respondents use to make equity decisions. The survey, therefore, included six questions drawn from information found in widely read business periodicals and newspapers. These questions were to serve as a measure of the respondent's knowledge of the true economic and social environment. As shown in Table 4, correct responses to the six questions all tended to be low. Regression analyses were performed to determine if the scores assigned to the job titles (dependent variables) were related to any of the responses to any of the six questions (independent variables). Results indicated neither the overall scores assigned for the job description ( $R\text{-square} = 0.03$ ,  $F = 0.89$ ,  $p < .51$ ), the input requirements ( $R\text{-square} = 0.01$ ,  $F = 0.49$ ,  $p < .81$ ), nor the output expectations ( $R\text{-square} = 0.03$ ,  $F = 1.08$ ,  $p < .37$ ) were significantly related to responses to the questions. In this study, the influence of the respondents' familiarity with current pay-related issues was not sufficient to support the proposition that individuals form a generalized pay referent based upon their knowledge of the broad economic and social environment. Hypothesis two was not supported.

## Effect of Demographic and Job-Related Factors

The final portion of the questionnaire collected biodata information. The primary reason for collecting this information was to test various questions regarding the influence of certain background variables on equity determinations. It was assumed, for example, that age and work experience would have an impact since both suggest greater levels of job awareness. Furthermore, gender was predicted to have an impact since women referents tend to be isolated in lower paying jobs (Blau & Ferber, 1987; Crosby, 1982).

We began the analysis with a series of discriminant functions to examine the sample groups for biodata-based influences on scoring behavior. We were consistently unable to classify on the basis of biodata. No biographical subgroups -- defined in terms of a pattern of low or high scores -- exists in either of the experimental groups. This was found to be true for both the total score on the PECS and for the input and outcome subscale scores. Biographical background variables, therefore, do not

moderate the effect of job title; regardless of background, all the respondents had an equal probability of being influenced by job title.

**Table 4**

**Questions Asked of Respondents to Assess Knowledge of Pay-Related Issues**

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Question	% Answering Correctly
1. Median family income in 1986	31.9
2. Annual salary necessary for family of four to be considered affluent	11.7
3. Percent of labor force with four-year college education	8.3
4. Percent of work force covered by employer or union-paid health insurance.	20.4
5. Average wages paid to women as percent of that paid to men	36.6
6. Average salary of CEOs of the 200 largest U.S. companies	24.1

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**DISCUSSION**

The ability to identify causality in the relationship between variables is the most important attribute of carefully controlled experimental designs. The first research question we sought to address hypothesized a positive relationship between a higher status job title and increased input and

outcome expectations. The data clearly support this hypothesis. Respondents with job descriptions bearing the higher status title of Vice President consistently indicated that the job incumbent would be expected to bring higher inputs to the job and in return receive more generous outcomes.

Of particular interest was the discovery of a consistency in the input/outcome ratios across job title. Respondents whose job description bore the job title Vice President kept the I/O ratios in balance as did those who responded to the Staff Accountant title. This information is important for two reasons. First, it supports the legitimacy of the input/outcome model: employees apparently consider both input and outcomes when making fairness decisions. It follows that the apparently displeasurable aspects of cognitive dissonance (Festinger, 1957) cause them to keep inputs in balance with outcomes. There appears to exist a socially shared standard of fairness which simultaneously impacts upon input and outcome expectations.

The second research question concerned the source of the respondents' equity comparisons, particularly as these comparisons relate to high status jobs. It was hypothesized that informed employees make their decisions based upon data drawn from the external environment. The non-significant regression coefficients suggest that knowledge of the external pay environment does not influence equity decisions. In fact, respondents were surprisingly ill-informed about the external pay environment, a trait that seems to be widely shared by the general population (Hoffer, 1985). Individuals appear to make their equity decisions with limited knowledge of the economic environment. The findings suggest that they base their perceptions of equity close to home, within the framework of a bounded work and social environment.

The final research question addressed the influence of biographical background data on equity decision making. We discovered that biodata items had no influence on subject equity responses. This finding is surprising given the long-observed power of biographical information (Hunter & Hunter, 1984). The observed failure of age and experience to moderate the impact of job title may be explained by the restricted range of the age distribution in the sample. The mean age of the respondents was 29 and the mean years of experience, 8.1. Having recognized this limitation, it is nonetheless interesting to note that none of the remaining biographical items, including present job title, supervisory status, father's occupation, and family income, proved useful in discriminating between

classes of respondents. It appears as though equity responses to job title are widely dispersed throughout the population.

## IMPLICATIONS

From a research perspective, these findings suggest three further avenues of investigation. First, there is the specific question regarding the influence of job titles in organizations. Thus far, job titles have not often been the subject of serious research. It may be a function of their ubiquity; perhaps job titles are too common to stimulate serious study. Nonetheless, this work and that of Greenberg and Ornstein (1983) demonstrate that titles do influence equity decisions. In addition, other research has demonstrated how fragmentation among job titles imposes status gradations and gender distinctions in organizations (Baron & Bielby, 1986). Titles, in and of themselves, are an important but neglected research variable.

A second implication of the study concerns the decision making process of employees when making equity determinations. Recent research indicates that discrepancies between current job experiences and standards of comparison play a key role in determining job satisfaction (Rice, McFarlin, & Bennett, 1989). Furthermore, research on how managers allocate financial rewards also indicates a significant degree of variation in the equity decision making process, even within the boundaries of a single organization (Sherer, Schwab, & Heneman, 1987). Our findings regarding the lack of knowledge of current economic issues raise important questions about the actual source of referent information.

And finally, the failure of the biodata items to demonstrate a significant influence in equity decision making runs counter to both conventional wisdom and recent research (Cascio, 1976; Reilly & Chao, 1982). Given the clear influence of biographical factors on other work-related outcomes, their failure to prove significant here may point to an interesting theoretical observation. It appears that all employees, regardless of their backgrounds, are equally influenced by the information conveyed in a simple job title.

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## Appendix A

Detailed below is the job description for a position entitled VICE PRESIDENT, ACCOUNTING SERVICES. It is a position at a manufacturing organization in a Southeastern metro area. There are approximately 1,000 employees on the payroll.

Please read the job description carefully and answer the questions which follow. Your responses are for research purposes only and will be held in strict confidentiality. Thank you for your assistance.

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### TITLE: VICE PRESIDENT, ACCOUNTING SERVICES

#### POSITION PURPOSE:

To provide accounting expertise required in general accounting functions such that accounting transactions are handled promptly and accurately in accordance with generally accepted accounting principles and with company policies and procedures.

#### NATURE AND SCOPE:

Directs and coordinates general accounting activities including monthly, quarterly and year-end financial reports, and pertinent data for annual budget forecasts and five-year plans.

Develops accruals and reviews allocation of expense, inventory and capital expenditures, ensuring appropriate accounting standards of income/expense recognition are maintained.

Directs the work of personnel who assist in the above functions and ensures that such personnel are properly trained to perform all aspects of their duties in an efficient and competent manner.

When requested, counsels and advises heads of other departments on various financial and accounting matters and on control and communication of new systems as well as changes in existing systems.

Acts as liaison with outside governmental agencies and works closely with internal and external auditors during their audits.

**DESIRED KNOWLEDGE, ABILITIES AND SKILLS:**

Extensive knowledge of accounting principles gained through a formal accounting education.

Knowledge and practical experience in cost accounting and data processing methods.

Ability to develop internal accounting and control systems.

Ability to plan, organize and direct the work of subordinate employees.

Ability to work under pressure and within specific time deadlines, to organize and make decisions, to supervise people and to communicate well orally and in writing.

Ability to handle stressful situations in a professional, pleasant manner, and to exercise tact and diplomacy at all levels of contact.

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