

# Effect of Age on Fairness Perceptions: A Study of Two Indian Banks

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*Age, gender, tenure, and race are some of the demographics that influence employee perceptions and behavior in an organization. Employees of diverse groups differ in terms of their needs, values, and expectations. They bring different perspectives in to the work-environment. They also differ in their perceptions of fairness. Organizational differences in terms of structure, practices, and policies also play a critical role in shaping people's perception of fairness. It is becoming a challenge for organizations to address these differences in a manner that leads to minimal 'conflict' among different groups. The present study examined the effect of demographic variable, age on the perception of fairness of performance appraisal system using regression analysis.*

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## Introduction

Fairness in an organization is considered as the first and most important virtue (Rawls, 1971) by employees and enhances positive outcomes like citizenship behavior, job satisfaction and prevents negative consequences like theft, sabotage, withdrawal and other disruptive behaviors (Adams, 1963; McFarlin & Sweeney, 1992; Moorman, Niehoff & Organ, 1993). Organizational fairness has many facets to it; distributive aspect focuses on the fairness of outcomes while procedural aspect focuses on the fairness of the procedures by which rewards are distributed and interactional aspect deals with the fairness of interpersonal treatment during the execution of procedures (Adams, 1965; Leventhal, 1980; Thibaut & Walker, 1975; Bies & Moag, 1986). Fairness issues are becoming even more salient with the increasing workforce diversity. People with demographic differences (e.g. age, gender, race, tenure) are entering the workplace and bring in different perspectives. Also, longer life span and later retirements have created an en-

environment where employees of different age groups are working together. Overtime differences have been observed between younger employees and senior employees with respect to their priorities, needs, work style and expectations (Collins, 2004). Younger employees want an open culture and autonomy, demand meaningful work, do not hesitate to challenge authority, expect to be included in decision-making and do not mind changing their jobs whereas senior employees value traditional and formal ways of working with stable jobs (Greenhaus, Callanan & Godshalk, 2000; Super, 1957). Further, differences have been observed with respect to employees reacting to fair and unfair situations (Colquitt, Scott, Judge and Shaw, 2006). Organizational fairness in the context of diversity does not necessarily imply equity of the treatment. Rather it is concerned with how different people are treated and how differences in terms of their needs, motives and expectations are addressed. Managing these differences is becoming a challenge for management. A survey by Harrison (2007) revealed that in the US more than 60 per cent of employers experience conflict between employees of different generations.

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Furthermore, it has been observed that organizational practices and procedures play an important role in shaping employees' fairness perceptions. It has

been found that organizational practices which stick to justice rules and disseminate equitable outcomes lead to the formation of positive attitudes, like organizational commitment, trust in management, and organizational citizenship behavior (Cohen-Charash & Spector, 2001; Alexander & Ruderman, 1987; Moorman et al., 1993). Performance appraisal is one such practice which is highly connotative of procedural, distributive and interactional facets of fairness (Greenberg, 1986). It is a critical decision making procedure which distributes outcomes in the form of performance ratings, pay-raise, promotions, recognition, and training and development opportunities. However, the practice continues to generate dissatisfaction among employees and is often viewed as inaccurate and unfair (Skarlicki & Folger, 1997).

The present study attempts to understand the influence of demographic variable 'age' on 'perception of fairness of performance appraisal'. Age is one of the most popular demographics that has an important role in the organizational context. Age has been found to be related to variety of job attitudes like job satisfaction, job involvement, organizational commitment and turnover (Rhodes, 1983). The 'life stage model' proposed by Levinson, Darrow, Klein, Levinson, and McKee (1978) proposes that a person's personality, life, and career develop in predictable stages, closely tied to his/her age and each stage being peculiar, has its own developmental tasks and related behaviors and attitudes. For instance, in their early stage of career, individuals are more ambitious, aspire high and strive to

establish their identity, whereas in the middle of their career, they reappraise their career and chalk out future path and finally, during their late career stage they desire tranquility and stability. Several studies have used life/career stage model as a base to explain variance in attitudes towards jobs and organizations (Rabinowitz & Hall, 1981; Slocum et al, 1985). Rush, Peacock & Milkovich (1980) tested a theory of life and career stages developed by Levinson et. al. (1978), results indicated support for the theory and stages were found to be discriminable in terms of certain attitudes like upward mobility, career and overall job satisfaction, and job commitment. Further, studies have found that people's attitude in the first stage of their career is considerably different from the people's attitude in the third stage of career (Gould & Hawkins, 1978; Stumpf & Rabinowitz, 1981). In the light of the above studies the present study proposes that employees' age would affect the perception of fairness towards performance appraisals during career stages. Perceptions of fairness of performance appraisal have been defined by eight dimensions proposed by Thurston (2001). These dimensions are based on the four-factor model of justice proposed by Greenberg (1993). Brief description of the eight dimensions is as follows:

- 1) *Setting Performance Expectations*: It refers to the importance of setting performance expectations at the beginning of the performance period. It captures the nature of performance criteria; their relevance and flexibility.
- 2) *Rater Confidence*: It refers to rater's being knowledgeable about the performance appraisal system, ratee's job and ratee's performance levels.
- 3) *Clarifying Expectations*: It refers to raters clarifying performance expectations and the evaluative standards to the ratees before and during appraisal.
- 4) *Providing Feedback*: It refers to the raters' ability to provide clear, timely, frequent and constructive feedback to their subordinates.
- 5) *Accuracy of Ratings*: It talks about the appropriateness of the ratings which is based on employee's efforts, abilities and quality and quantity of his/her performance.
- 6) *Explaining Rating Decisions*: It refers to the raters' ability to explain rating decisions to the ratees clearly and effectively. It also involves raters explaining to employees about bringing performance improvement.
- 7) *Seeking Appeals*: It refers to the extent of freedom given to employees to challenge performance ratings and to express feelings, especially of discomfiture.
- 8) *Treatment by Rater*: It refers to the quality of interpersonal treatment received by the ratees from their supervisor/s. It conveys the importance of sensitivity, dignity and respect in supervision.

## **Participants**

The sample for the present study consisted of a total of 340 bank employees from both public and private sector banks situated in India. All the bank employees were serving at the middle-level management. The middle managers were chosen as they are the front-line managers having good exposure to the bank and its policies and practices. There were 230 bank employees from a public sector bank with the majority being males (73.04 per cent). Mostly the sample was with in the ages of 40-50 years (41.07 per cent), with 39.8 per cent with in 25-40 years, and 19.04 per cent with in 50-60 years. The average age was 42.7 years and average tenure was 16.9 years. From a private sector bank, 110 bank employees participated with the majority being males (70.09 per cent). Mostly the sample was with in the ages of 25-40 years (82.05 per cent), with 17.9 per cent with in 40-50 years. The average age was 34.89 years and average tenure was 11.02 years.

## **Measurement**

Eight dimensions of performance appraisal fairness were measured by a 56-items scale. The scale was originally developed by Thurston (2001), which was later modified by Walsh (2003) in her study, e.g. 'respect in supervision'. 'Sensitivity in supervision' dimensions from Thurston's scale were clubbed to form 'treatment by rater'. The present study used the same version (Walsh, 2003) with little adaptations to suit the Indian context, like, the term 'Perfor-

mance Planning and Review (PPR) system' was replaced with Performance Appraisal System. All the items were modified to fit into the 5-point Likert-scale format (1 = strongly disagree and 5 = strongly agree). Item no. 45 and 46 were reverse-coded. Also, in the present study, eight instead of nine dimensions have been used. The dimension 'concern over rating' was deleted due to the non-significant estimates found in the confirmatory factor analysis (Shrivastava, 2009). The Cronbach alpha for each dimension was as follows, setting expectations =.94, rater's confidence =.94, clarifying expectations =.93, providing feedback =.92, accuracy of rating =.91, explaining rating decision=.91, seeking appeals=.87 and treatment by rater=.89. Questionnaires were personally distributed to and collected from employees at their worksites. Participation was voluntary and confidentiality was assured.

Data has been analyzed with the help of descriptive statistics and regression analysis using SPSS version 13.0.

## **Results**

For the public sector bank, the trend that has been observed in the study is that of a positive linear relationship between age and most of the outcome variables which depicts that as employees'

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age increases, their perception of appraisal factors is fairer. Results reveal that older employees have performance expectations that are well set ( $r=.137$ ) and better clarified ( $r=.356$ ). They have greater confidence in their raters ( $r=.171$ ) and feel they are provided more just feedback ( $r=.362$ ), rating decisions are explained in a fair manner ( $r=.348$ ) and are treated in a respectable way ( $r=.261$ ). Furthermore, they have shown greater contentment with the appeal sys-

tem ( $r=.254$ ) and feel greater accuracy with regard to ratings ( $r=.374$ ). Whereas in the case of the private sector bank, the trend found is a negative linear relationship between age and some of the outcome variables. Results reveal that as employees' age increases they do not feel that their expectations are well set ( $r=-.263$ ) and clarified ( $r=-.120$ ). Also, they feel the need for better institutionalizing appeal system in their organization ( $r=-.323$ ) (Tables 1 & 2).

**Table 1 Effect of Age on Dependent Variables for the Public Sector Bank**

Dependent Variables	Independent Variable Age	R2 Adjusted	F	Size Effect (F <sup>2</sup> )	Sig.
Setting expectations	.137*	.015	4.373*	.015	.038
Rater's confidence	.171**	.025	6.844**	.025	.009
Clarifying expectations	.356**	.123	33.097**	.140	.000
Providing feedback	.362**	.127	34.464**	.145	.000
Accuracy of rating	.374**	.136	37.124**	.157	.000
Explaining					
Rating Decision	.348**	.117	31.441**	.132	.000
Seeking appeal	.254**	.060	15.707**	.063	.000
Treatment by rater	.261*	.064	16.601*	.068	.059

\*\*\* Correlation is significant at 0.001 level

\*\* Correlation is significant at 0.01 level

\* Correlation is significant at 0.05 level

**Table 2 Effect of Age on Dependent Variables for the Private Sector Bank**

Dependent Variables	Independent Variable Age	R2 Adjusted	F	Size Effect (F <sup>2</sup> )	Sig.
Setting expectations	-.263***	.066	25.054***	.070	.000
Rater's confidence	-.105	.008	3.752	.008	.054
Clarifying expectations	-.120*	.023	4.939*	.023	.027
Providing feedback	.108	.009	4.009	.009	.046
Accuracy of rating	.100	.007	3.435	.007	.065
Explaining					
Rating Decision	-.005	.003	.007	.003	.933
Seeking appeal	-.323***	.102	39.411***	.113	.000
Treatment by rater	.183*	.031	11.714**	.031	.001

\*\*\* Correlation is significant at 0.001 level

\*\* Correlation is significant at 0.01 level

\* Correlation is significant at 0.05 level

**In the case of the private sector bank, the trend found is a negative linear relationship between age and some of the outcome variables.**

### **Discussion**

Results indicate that in the case of the public sector bank, younger employees perceive most of the appraisal dimensions to be less fair as compared to the older employees. Employees in the early career stage have many dreams to pursue (Levinson et al, 1978). Their dreams symbolize major life goals to be achieved, and include, creating an identity and establishing themselves at the workplace, achieving all the dimensions of advancement including good salary and benefits, fast-track promotions, rise in social rank, power, fame and sharing good relationships with supervisors and peers. As per Levinson et al (1978), at this stage, individual's sense of wellbeing depends on his and others' evaluation of his progress towards these goals. That is the reason why employees at this stage consider performance appraisal to be highly crucial. They look at it as an important means of fulfilling their dreams or life goals. Employees in their initial years strive to adjust themselves in the new environment and seek more clarity in terms of their goals (what to achieve) and roles (how to achieve). As individuals possess a basic need to feel certain about their worlds and their places in it (Katz & Kahn, 1978), they tend to manage ambiguity/uncertainty through seeking out information (Ashford, 1986). Factors setting expectations and clarifying expect-

tations help employees in removing initial ambiguities and apprehensions by setting specific and clear-cut goals which provide them with the much needed direction to move forward towards their dreams/goals. It has also been found that uncertainty increases the value of both feedback and feedback seeking behaviors in the workplace (Ashford, 1986; Ashford & Cummings, 1985). Appraisal factors, providing feedback and explaining rating decisions may further iron out uncertainties by rendering quality information to the employees about their performance and also asking employees to participate and speak up. Participation is desired, as younger employees endeavor to create their identity by identifying with the group and its norms and values and feel valued by being members of the group post participation (Group Value Model, Lind & Tyler, 1988). These factors are important as they communicate to employees at what level their performance has been evaluated, what pay raises would they receive, their promotional and growth opportunities within the organization and quality of relationship with their supervisors successful in their performance. Fairness perceptions develop when employees perceive that feedback was transpired in an unbiased manner (six rules of procedural fairness; Leventhal, 1980), there was an active participation of employees and they were given an opportunity to question any appraisal related discrepancy. Younger employees, high on ambitions and aspirations, want some control on the administrative and developmental outcomes they receive (like promotion, pay/perks etc.) by controlling the decision process

(Process Control Model; Thibaut & Walker, 1975). Violation of any of these rules may result in the development of negative attitudes towards organizational practices, supervisors and organization as a whole in the younger employees.

**Fairness perceptions develop when employees perceive that feedback was transpired in an unbiased manner.**

Employees tend to reappraise their career during mid-thirties and use social comparison information to compare themselves with the people inside and outside the organization and may react negatively upon finding themselves to be in a less advantaged position in terms of growth and opportunities (Festinger, 1954). If, employees in this stage find older employees in their organization and their counterparts in other organizations better placed, they perceive their ratings biased and unrelated to their efforts and performance (effort-reward dissonance; Adams, 1963) and rating standards are not being applied consistently across employees (Leventhal, 1980). They perceive these elements of unfairness as a threat to the fulfillment of their dreams i.e. achievement of major life goals and thus may develop a state of crises. Predicament of non-fulfillment of major goals/dreams may be serious and even result in employees' exit from the organization as intentions to relocate themselves are quite high among employees in their mid-thirties owing to the abundant opportunities available outside (Ornstein, Cron &

Slowm, 1989; Ornstein & Isabella, 1990).

During the later career stages of the employment, employees remain more interested in settling down and less willing to relocate. They come to terms with their occupation and feel satisfied in general (Handyside, 1961). They hold onto earlier accomplishments and try to develop a self-image which is independent of career success (Super, 1957). Levels of expectations and aspirations drop down and gap between actual and the ideal work becomes smaller (Clark, Oswald & Warr, 1994). Pay, benefits and promotion opportunities are given less heed by the older employees (Wright & Hamilton, 1978; Kalleberg & Loscocco, 1983). Therefore, concern about performance appraisal as a process disbursing outcomes is naturally decreased. Also, senior employees after having spent considerable years in the organization become more experienced, better adjusted and better acquainted with organizational norms, values and practices; they know what is expected of them and how to set expectations, do not require time to time feedback and are better adept at managing their career.

In the case of the private sector bank, negative linear relationship has been observed which indicates that younger employees perceive appraisal factors to be fairer as compared to middle-level employees. It may be due to the fact that appraisal practice in bank is a well-built and highly structured system, which is well-taken by younger employees. It provides them feedback and clarity they

desire in the starting phase of their careers. Also, during early years of their career, individuals tend to enjoy the novelty of the situations, and carry many needs, expectations and aspirations. Individuals at this stage in the private sector bank enjoy good salaries, perks, promotions and recognition which can be very fulfilling. However, during middle career stage and especially during midlife transition, individuals might face discrepancy between what has been accomplished and what was expected (Met Expectation Theory, Wanous, 1992). If the discrepancy gap between desired and achieved expectations is more, job satisfaction level sees a sharp drop. In the present study, owing to the disproportionate sample size across ages, comparison among different age categories could not be done, which is one of the limitations of the study. Future studies may look in to this aspect.

### **Implications & Suggestions**

**Managers and human resource practitioners may design and implement appraisal practices considering the different needs of employees in different ages.**

The findings of this study suggest that managers and human resource practitioners may design and implement appraisal practices considering the different needs of employees in different ages. As appraisal is an important approach towards career planning, it should be put to practice in a manner that would be beneficial for a different group of employees, for

instance, employees in their early years of career may be given increased mentorship and socialization, more open environment, more autonomy to reflect their views along with more training and growth opportunities, their career related needs and demands should be recognized and addressed. On the other hand, employees in their later years of career may be offered opportunities which would respect their expertise and experience; specially designed pedagogy may be introduced to teach them new skills. In this case, the aim of the appraisal should be to recognize and reward their expertise and experience and to make possible use of it; they may be given the choice to work in the area which interests them the best. Also they may be encouraged to become mentors to younger and less experienced employees. Organizations may introduce strong appeal systems to lend further credibility to the appraisal process. Furthermore, raters may be given specialized training to conduct performance appraisals which are more participative and communicative in their approach.

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