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When less is better than more: Preferring equity over efficiency in allocation decisions

Policy makers, managers, or even parents may find themselves at times in a situation where equity conflicts with efficiency. When resources cannot be distributed equally, one might choose to destroy some resources and reduce overall welfare, in order to maintain equity. We examined whether people are averse to inequitable outcomes, or alternatively averse to being responsible for deciding how this inequity will take form – that is: inequity responsibility aversion. Results of three experiments revealed that participants are indeed inequity responsibility averse. In Experiment 1, participants read a scenario about a "best employee contest", in which the best employee wins a prize. Participants read about two equally deserving employees and had to decide whether to allocate the prize to one of them, or to discard it. Results revealed that participants were more likely to discard the prize when they had to personally specify which of the two employees will receive it, compared to when they could choose a random device to decide between the two employees.

Experiment 2 replicated the inequity responsibility aversion effect and assessed how individual differences further qualify it. Results revealed that inequity responsibility aversion was more pronounced among individuals with high faith in intuition and among pro-social individuals. The effect for faith in intuition suggests that at least to some extent, inequity responsibility aversion stems from the intuitive system (system 1). Moreover, the results intriguingly suggest that whereas pro-social people tend to care for the welfare of society, at times when equality is at risk, selfish people may be those that care for the welfare of society.

Experiment 3 tested whether inequity responsibility aversion is stronger when deciding about punishments instead of rewards. In Experiment 3, participants read either a positive framing scenario similar to the one in Experiments 1 and 2, or a negative framing scenario in which a firm must cut the salary of one employee out of two equally qualified employees. Participants had to decide whether to cut the salary of one of the employees or cut the salaries of both employees (negative framing). Results replicated the inequity responsibility aversion observed in Experiments 1 and 2, in the positive framing. In contrast, in the negative framing, when people had to allocate punishments their choices did not indicate inequity responsibility aversion. Participants choose the equitable option to the same extent whether they had to make the choice alone or using a random device.

Taken together, our findings unveil the internal conflict people experience when they have to choose between equity and efficiency. Our findings suggest that what drives the conflict is the personal responsibility to determine exactly who gets what, rather than creating inequity per se. The conflict seems to be amplified for (1) people basing their decisions on 'gut feelings', (2) those who care mostly about others, and (3) when punishment rather than reward is at stake.