The “Good Cause Norm” in Employment Relations: 
Empirical Evidence and Policy Implications

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Critics of the American employment at-will doctrine have argued that it should be abandoned because it is at odds with a societal level norm that employees should only be discharged for good reasons (the “good cause norm”). This paper examines the extent to which there is conceptual and empirical support for the existence of such a norm. Theoretical perspectives supporting the norms existence are discussed and integrated, and an interdisciplinary review of relevant research is provided. In light of the support that is found for the existence of a good cause norm in the American workplace, it is proposed that the current employment at-will default rule be changed to a waivable employee right to be discharged for good cause only.

KEY WORDS: employment at-will; employment law; employee discharge; good cause.

The employment at-will doctrine continues to govern the employment relationships of the vast majority of the private sector employees in the United States (Kim, 1999). Absent an agreement to the contrary, that common law default rule gives employers the legal right to discharge employees without having a good reason so long as the discharge does not involve employer conduct that (1) is specifically prohibited by fair employment laws (e.g., illegal sex, race, disability, or age discrimination), (2) constitutes a specific civil wrong or "tort" (e.g., intentional infliction of emotional distress), (3) violates a narrow, important public policy (e.g., retaliation against an employee for testifying truthfully in court), or, in some states (4) is in "bad faith" (e.g., discharging an employee solely to avoid paying her an earned commission).

Critics of employment at-will argue that the doctrine should be abandoned because it is contrary to a widely shared normative belief that employees should only be discharged for good reasons, the “good cause norm” (e.g., Callahan, 1990; Grodin, 1990; Leonard, 1988). Although the policy implications of a societal level good cause norm warrant consideration, before the implications of such a norm are debated there is a need for convincing evidence of the norm’s existence. Such evidence requires, at a minimum, that relevant available empiri-
cal research be critically assessed, and that the results of that assessment provide consistent evidence that the alleged normative belief is widely shared in American society.

In contrast to the suggested assessment, claims regarding the existence of a good cause norm refer to a limited number of studies (typically two or three). Moreover, the claims are made in the context of an author advocating a particular position, raising a legitimate question as to the representativeness of the selected studies. How many more relevant studies would be identified if a broad, interdisciplinary net was cast, and would their findings consistently support the existence of a good cause norm? Are there studies where researchers looked for evidence of the norm and failed to find support? Finally, given that, by definition, societal norms involve beliefs that are widely shared throughout a society, to what extent does the research include participants from diverse segments of American society (e.g., blue collar and white collar workers, workers in different geographic regions, etc.)?

The present paper addresses these and related questions, and is organized in two main sections. It begins by examining the extent to which there is support, both conceptual and empirical, for the existence of a good cause norm in American society. Theories supporting the norm’s existence are discussed and integrated, and an interdisciplinary review of relevant research is provided. The review, which is substantially more comprehensive than any presently provided in the literature, responds to the call for systematic efforts to use empirical data to bolster arguments that are frequently made in the continuing debate over the employment at-will doctrine (Kim, 1999; Verkerke, 1996). Based on the support that is found for the existence of a good cause norm, the second section proposes a policy change in the default rule that governs legal rights pertaining to employee discharge.

SUPPORT FOR THE EXISTENCE OF A GOOD CAUSE NORM

Theoretical Support Good Cause Norm

Two complementary theoretical perspectives provide reason to expect the existence of a good cause norm in employment relations. The justice perspective reflected in the work of Folger (1993) and Schein (1980) suggests that freedom from arbitrary discharge is likely to be viewed by employees as an aspect of a fundamental right to be treated with dignity and respect in the workplace. Folger’s theory of how employees come to feel mistreated argues that employers have two broad categories of social obligations to employees: fair policies and dignified treatment (Folger, 1993). The first category of social obligations involves the duty to compensate an exchange partner when that partner has become the means whereby an exchange can take place. Examples of fulfilling this type of obligation would include providing promised inducements or providing fair value in return for employee contributions. The second category of social obligations described by Folger, dignified treatment, involves the obligation to treat employees with dignity and respect (i.e., to treat employees “as ends-in-themselves,” Folger, 1993, p. 181). Folger argues that the failure of an employer to provide goods reasons for actions that involve a loss for an employee (e.g., job loss) violates the latter category of obligations in that providing a perfunctory explanation, or none at all, implies that the individual is insignificant and unworthy of respect.

The writings of Edgar Schein, an early and significant contributor to the psychological contract literature, also provide support for the existence of a good cause norm that reflects