



Letting the cat out of the bag: pay secrecy and organisational characteristics

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Background

- Hutton review of fair pay in the public sector
 - Concerns over perceived disparity between lowest and highest paid
 - Recommendations include disclosure and explanation of executive roles and remuneration to ensure complete transparency
- Equality Act 2010 code of practice
 - Pay and benefit systems should be capable of being understood by everyone
 - Limits the enforceability of ‘secrecy clauses’ preventing pay discussions / disclosure between colleagues

Equity and Organisational Justice

- Employee perceptions of fairness - a *comparative* process (Adams, 1965)
- Procedural fairness but also *informational* fairness (Greenberg, 1993)
- Pay secrecy may reduce motivation and have an adverse affect on performance (Colella et al., 2007)

Methodology

- CIPD Reward Management Survey 2012
- Emailed to senior reward / HR practitioners in February 2012
- 455 respondents
- Data analysed statistically (descriptive and inferential methods)

Manufacturing & Production	Private Sector Services	Public Services	Voluntary, Community & NFP	Multiple Sectors
20.7%	43.7%	15.8%	12.3%	6.6%

Survey data

- We asked about pay secrecy / transparency:
“The extent to which organisations are prepared to disclose information to employees about pay scales, the provision of benefits and allowances, grading systems, job evaluation, performance-related pay schemes and how different individuals or groups of employees are treated in terms of pay decisions.”
- Responses were scaled from 1 to 5 for pay secrecy (1 = favours pay transparency, 5 = favours pay secrecy)
- We also gathered data on:
 - Sector, size (number of employees), ownership (UK / international)
 - Reward policies and practices
 - Workforce characteristics - % of women, under 30s, graduate employees
 - HR outcomes

Levels of secrecy

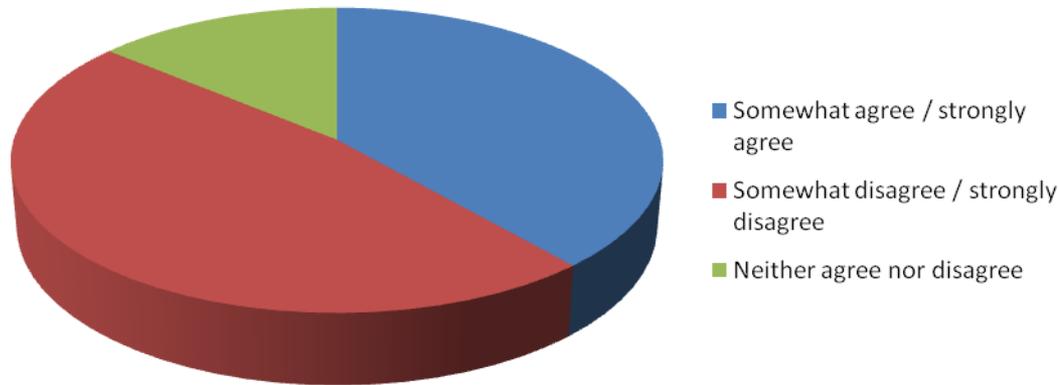


Figure 1. “This organisation actively makes its pay policies and practices public with the intention that pay information is as transparent as possible.”

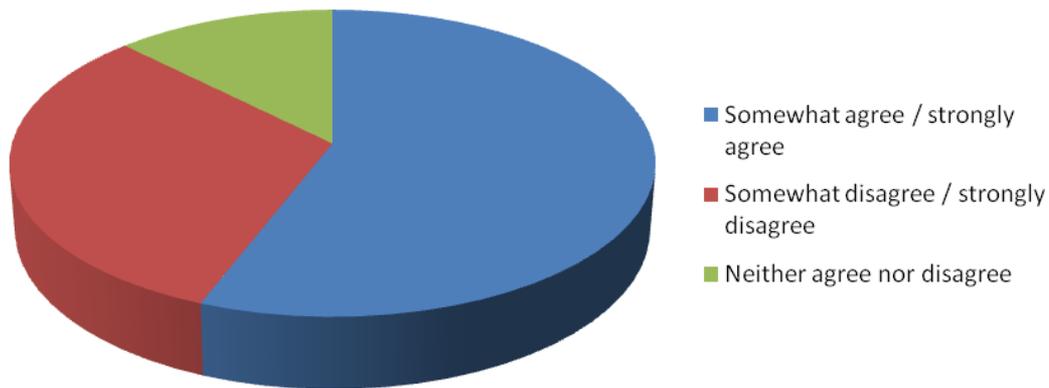
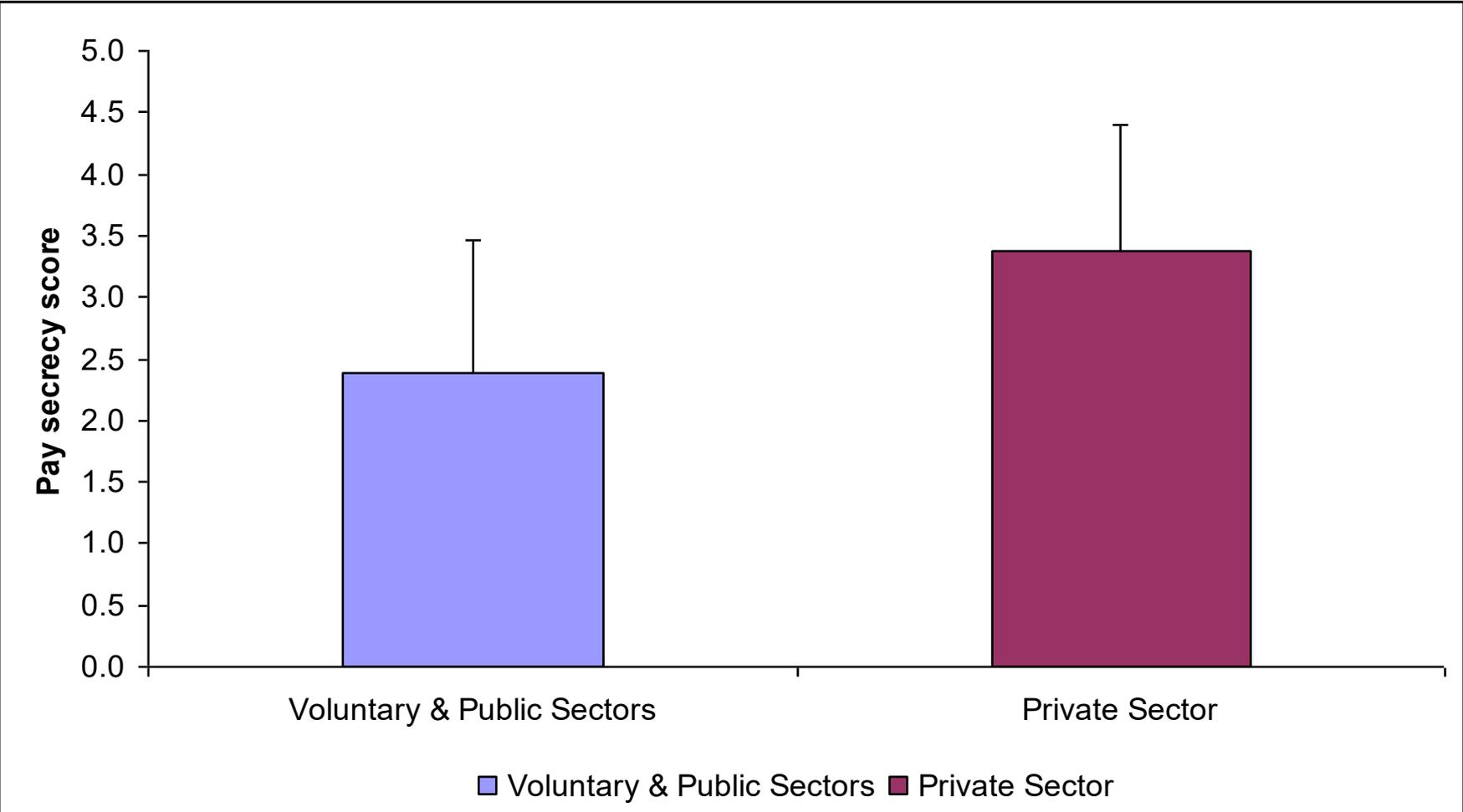
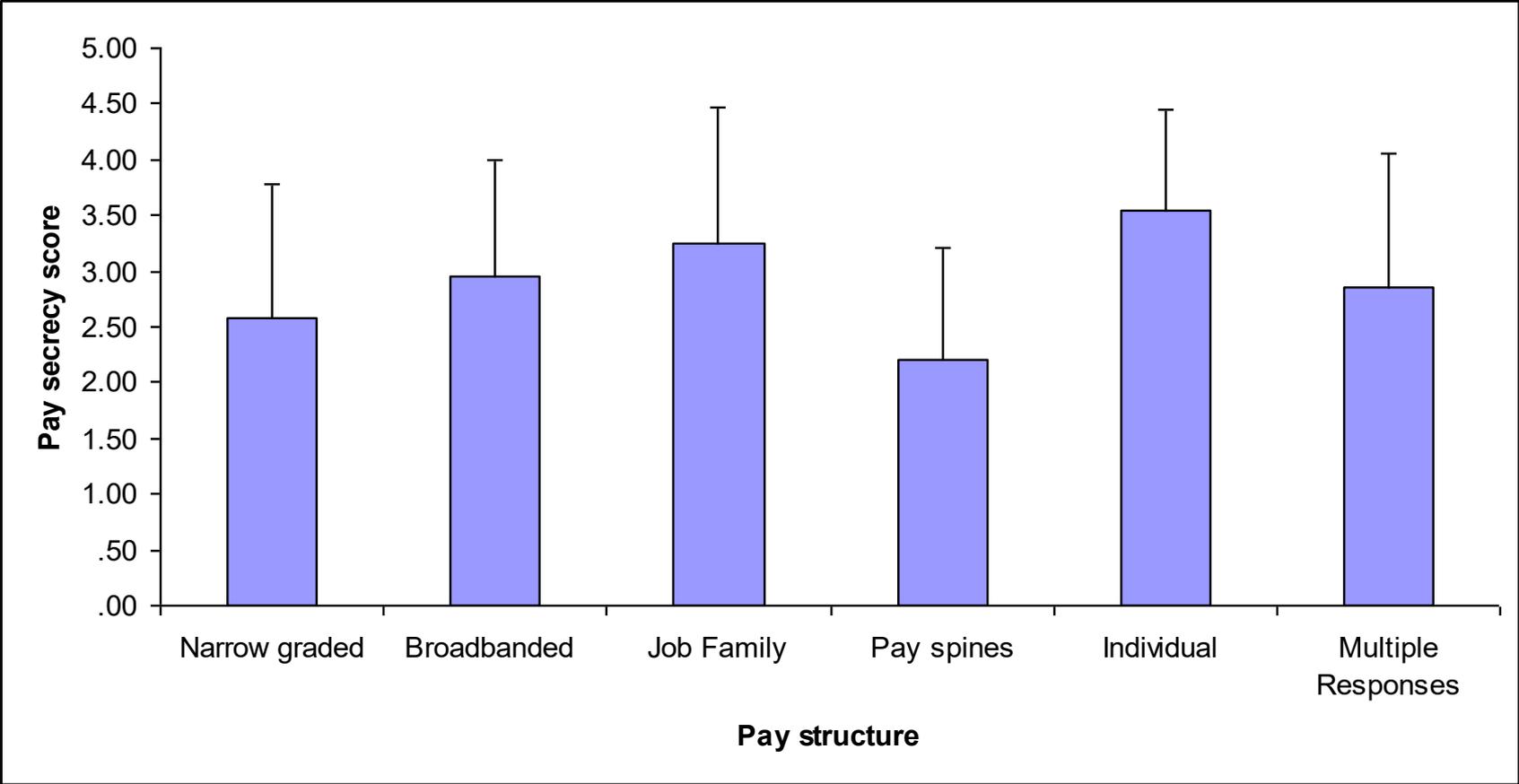


Figure 2. “This organisation believes that information about pay policies and practices should be a private matter between individual employees and the organisation but it will comply with requests for relevant pay information if required under legislation (e.g. in response to an equal pay questions form).”

Sectors



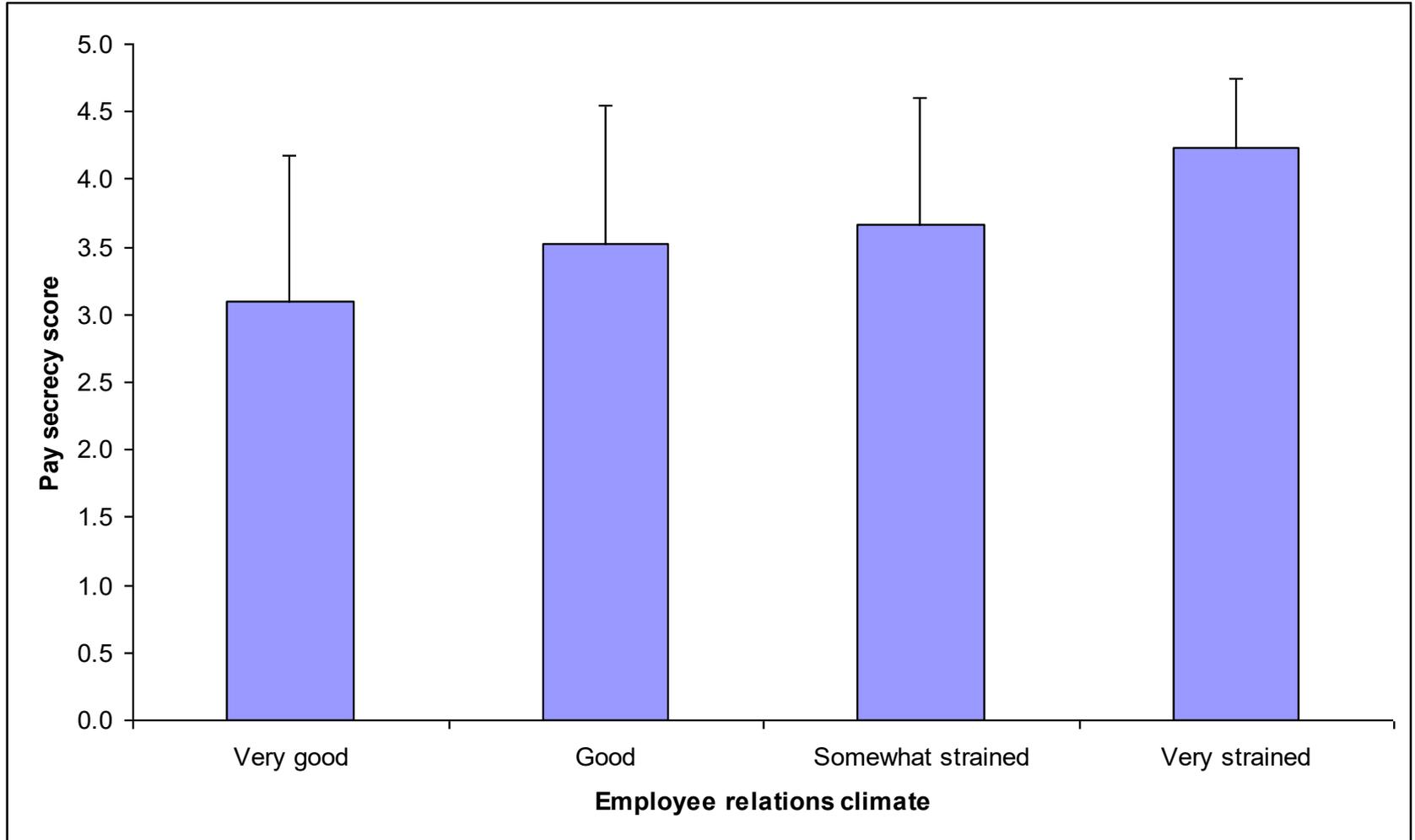
Base pay structures



Workforce characteristics

- more transparent pay arrangements in organisations with:
 - more female employees ($p < 0.01$)
 - more under 30s in management / professional grades ($p < 0.05$)
 - more graduates in management / professional grades ($p < 0.01$)

Employee relations climate



Conclusions

- Overall, organisations prefer to keep pay arrangements secret
- ‘Fit’ between pay transparency orientation and sector
- Pay transparency / secrecy is associated with particular base pay structures
- The more women, younger people and graduates that are employed the more transparent the pay arrangements
- The more secretive an organisation is about pay the more strained the employee relations climate.

Implications

- Impact of Equality Act 2010?
- A move away from traditional pay structures and “privatisation” of public sector may mean more pay secrecy
- But demographic shifts may bring greater transparency
- For organisations there are potential positive effects of being more open about pay

References

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- Greenberg J. (1993). The social side of fairness: Interpersonal and informational classes of organizational justice. In Cropanzano R (Ed.), *Justice in the workplace: Approaching fairness in human resource management* (pp. 79–103). Hillsdale, NJ: Erlbaum